# Borneo Aqua Harvest Berhad (649504-D)

婆罗洲海产养殖有限公司

# ANNUAL REPORT 2017

# Contents

# Corporate Profile

Borneo Aqua Harvest Berhad ("Borneo Aqua") was incorporated on 16 April 2004 in Malaysia as a private limited company and was subsequently converted into a public company on 20 May 2004. Borneo Aqua was listed on the ACE Market of Bursa Malaysia Securities Berhad (previously known as MESDAQ Market of Bursa Malaysia Securities Berhad) on 5 September 2005. Borneo Aqua has 6 wholly-owned subsidiaries, namely Plentiful Harvest Sdn Bhd ("Plentiful"), Marine Terrace Sdn Bhd ("Marine"), Salient Horizon Sdn Bhd ("Salient"), Well Sky Logistics Limited ("Well Sky"), Plentiful Earnings Sdn Bhd ("Plentiful Earnings") and Wullersdorf Resources Sdn Bhd ("Wullersdorf").

Plentiful was established with the focus on marine fish breeding, hatchery and rearing of marine fishes. Plentiful Earnings and Marine are principally involved in the rearing of marine fishes whilst Salient owns two live fish carriers for the transportation of the Group's live fish to its customers in Hong Kong, Southern China and other part of Asia Pacific, if required. Well Sky is currently dormant while the newly acquired Wullersdorf is principally involved in mineral exploration and mining activities.

Since Borneo Aqua Group commenced its operation in year 2004, the Group has evolved to become an integrated aquaculture Group which is involved in the entire process of sustainable aquaculture; i.e. broodstock management, research and development ("R&D"), breeding, hatching, rearing, production of live feed, marketing, transportation of live fishes and distribution of fish products.

With the dedication of its experienced management team together with the comprehensive R&D programs, the Group is confident that it will be able to contribute positively to the country's aquaculture industry, enabling Malaysia to join the only few elite countries in the forefront of marine fish breeding in the Asia Pacific region, with particular emphasis on the highly sought after Grouper species. This strategy is aligned with the Government's aspiration of achieving aquaculture self-sustainability while assisting to elevate the disposable income of the industry's many participants. In addition, a successful and sustainable aquaculture industry will contribute to country's economic growth by not only creating employment opportunities, it will also reduce import bills for marine fish fry and fishes, thereby lowering the industry's exposure to foreign currency fluctuations.

Borneo Aqua is certified by Skim Pensijilan Ladang Akuakultur Malaysia ("SPLAM"), a voluntary scheme managed by the Department of Fisheries under the Ministry of Agriculture and Agro-based Industry Malaysia, with the main objective of promoting responsible and eco-friendly aquaculture practices. One of the important elements incorporated in the scheme is attaining ISO 9002 certification.

Borneo Aqua has consistently been certified by the International ISO 9001:2008 Standards for the whole fish production process and distribution of Grouper species under UKAS Management Systems (from SGS UK LTD) and Standards of Malaysia (from Accredited Certification Body), as well as obtaining the HACCP Codex Alimentarius certification.

To-date, our R&D team has succeeded in breeding, hatching and rearing Coral Trout Grouper, Marble Grouper, Humpback Grouper, Coral Rockcod, Barred-Cheek Coral Trout, Tomoto Rockcod Grouper, Camouflage Grouper, Giant Grouper and Malabar Red Snapper for commercialization. Furthermore, through our extensive R&D works, the Group has also succeeded in producing cross-bred Grouper species, namely Sabah Giant Grouper, Sabah Coral Rockcod, Sabah Camouflage, Sabah Giant Camouflage, and Sabah Giant Rockcod. The Group's continuous R&D activities are aimed at breeding, hatching and rearing other high value marine fishes, as well as the cross-breeding of various different species.

Currently, Borneo Aqua Group trades its fish products in Hong Kong and China by distributing fish fry and live adult fishes to local distributors. During the financial year, the Group has extended downstream through the delivery and sales of vacuum packed frozen fish products directly to end consumers, which the Group believes has great potential for market development.

Our indirect wholly owned subsidiary, Plentiful Earnings had been granted approval from Malaysia's Finance Ministry pursuant to the Income Tax Act, 1967, to carry out sea cages fish farming project ("Project"). Under the approval, Plentiful Earnings is allowed exemption of income tax at 100% on its statutory income for a period of 10 years commencing on the first year Plentiful Earnings having recorded its first statutory income from the Project.

During the financial year, the Group successfully completed the acquisition of Wullersdorf, through the issuance of 102,127,660 new Borneo Aqua shares, in exchange for 100% shareholding in Wullersdorf. Wullersdorf is a special purpose vehicle incorporated by the Vendors (which include Datuk Lo Fui Ming, the Managing Director / CEO as well as major shareholder of Borneo Aqua) to undertake mineral explorations, mining and other mining related activities on a piece of land measuring 317.7 acres at Bukit Mantri, Daerah Tawau, Sabah.

# Corporate Structure

**Borneo Aqua Harvest Berhad** (649504-D)

婆罗洲海产养殖有限公司

- 100% WULLERSDORF RESOURCES SDN. BHD.
- 100% PLENTIFUL HARVEST SDN. BHD.
  - 100% SALIENT HORIZON SDN. BHD.
  - 100% WELL SKY LOGISTICS LIMITED
  - 100% PLENTIFUL EARNINGS SDN. BHD.
- 100% MARINE TERRACE SDN. BHD.

# Vision & Mission

In view of the widening gap between the demand and supply of marine fishes in the country as well as in the international markets, Borneo Aqua strives to be the catalyst to develop the marine fish farming industry in Malaysia and Asia Pacific region, consistent with the economic strategy of both the Sabah State and the Malaysia Federal Governments to promote aquaculture as one of the economic activities for the country.

Borneo Aqua is committed to further improve and develop the marine aquaculture industry in Malaysia by:

- enhancing the country's research and development capabilities in the breeding and hatchery of marine fishes through sharing of knowledge with local universities, research centres and relevant organisations / bodies;
- educating local fish farmers on breeding, hatchery and rearing of marine fishes through training and consultancy services to be provided by the Group;
- creating sub-sectors within the aquaculture industry and promoting new downstream industry such as marine fish feed industry and production of value-added fish products such as fish fillet for export markets; and
- improving the living standard of fish farmers and creating job opportunities through rearing of diversified and high commercial value marine fishes produced by Borneo Aqua.

Borneo Aqua is also committed to be a market leader in breeding and supply of high commercial value marine fishes in the Asia Pacific region. In achieving this business objective, the Group will:

- broaden its product base or species of fish through research by a highly trained and motivated R&D team;
- enhance its R&D capabilities through tie-ups with local or international universities, research centres and related organisations / bodies;
- provide high quality fishes that are toxic free and reared in clean natural environment; and
- establish new and improve on its network of customers for its products, and to develop strategic marketing alliances with international wholesaler to increase its distribution capability.

Through the acquisition of Wullersdorf Resources Sdn Bhd, Borneo Aqua is diversifying into mineral exploration and mining activities. Being one of the few gold mining sites in Malaysia and the only one in Sabah, Wullersdorf strive to assist the Sabah State Government in developing the state's mining industry by importing latest high-tech mining technologies, training and recruiting local mining talents to contribute to the state's economy, while at all times ensuring that only eco-friendly mining techniques are employed.

# Corporate Information

## BOARD OF DIRECTORS

**Dato' Sri Dr. Md Kamal Bin Bilal**
Non-Independent Non-Executive Chairman

**Datuk Lo Fui Ming**
Managing Director / Chief Executive Officer

**Lo Teck Yong**
Executive Director

**Akinori Hotani**
Executive Director

**Mau Kam Wai**
Non-Independent Non-Executive Director

**YB Mejar (K) Datuk Samsudin Bin Yahya**
Senior Independent Non-Executive Director

**Sim Kay Wah**
Independent Non-Executive Director

**Tan Sri Dato' Nik Hashim Bin Nik Abd. Rahman**
Independent Non-Executive Director

### COMPANY SECRETARIES
Kang Shew Meng
Seow Fei San
Chong Tzu Khen

### AUDIT COMMITTEE
Sim Kay Wah
Chairman

YB Mejar (K) Datuk Samsudin Bin Yahya
Member

Tan Sri Dato' Nik Hashim Bin Nik Abd. Rahman
Member

### NOMINATING COMMITTEE
YB Mejar (K) Datuk Samsudin Bin Yahya
Chairman

Dato' Sri Dr. Md Kamal Bin Bilal
Member

Sim Kay Wah
Member

Tan Sri Dato' Nik Hashim Bin Nik Abd. Rahman
Member

### REMUMERATION COMMTTTEE
YB Mejar (K) Datuk Samsudin Bin Yahya
Chairman

Dato' Sri Dr. Md Kamal Bin Bilal
Member

Tan Sri Dato' Nik Hashim Bin Nik Abd. Rahman
Member (Appointed on 25.05.2017)

### REGISTERED OFFICE
802, 8th Floor, Block C,
Kelana Square,
17 Jalan SS7/26,
47301 Petaling Jaya,
Selangor Darul Ehsan.
Tel: 03-78031126
Fax: 03-78061387

### HEAD OFFICE
Lot 4, Block E, Bandar Nam Tung,
Jalan Leila,
P.O.Box No. 2112,
90724 Sandakan, Sabah.
Tel: 089-611133/
089-611633/
089-612633
Fax: 089-613633/
089-618633

### RESEARCH AND DEVELOPMENT CENTRE
Batu 7, Tanjung Payang,
Silam, Lahad Datu,
Sabah.
Tel: 089-898133
Fax: 089-898133

### MARKETING AND DISTRIBUTION OFFICE IN HONG KONG
1st Floor, Room 12,
No. 37, Tam Kung Temple Road,
Shau Kei Wan Wholesale Fish Market,
Shau Kei Wan, Hong Kong.
Tel: (852) 25686238
Fax: (852) 25687222

### SHARE REGISTRAR
Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur.
Tel: 03-20849000
Fax: 03-20949940/
03-20950292

### PRINCIPAL BANKERS
RHB Bank Berhad
Block 7, Lot 64, 65 & 66,
1st Floor Phase 1,
Prima Square Mile 4, Jalan Utara,
90000 Sandakan, Sabah.

Malayan Banking Berhad
Lot 28, 29 & 30, Block HS3,
Sandakan Harbour Square,
90000 Sandakan, Sabah.

### AUDITORS
PKF (AF: 0911)
Chartered Accountants
Lot 23 1 & 25 1, 1st Floor,
Lintas Plaza,
Lorong Lintas Plaza,
88300 Kota Kinabalu, Sabah.

### STOCK EXCHANGE LISTING
ACE Market of Bursa Malaysia
Securities Berhad
Stock Name: BAHVEST
Stock Code: 0098

### WEBSITE
www.borneoaqua.com.my

On behalf of the Board of Directors ("Board"), it is with great honor that I present to you the Annual Report and Audited Financial Statements of Borneo Aqua Harvest Berhad ("the Company") and its subsidiaries ("Group") for the financial year ended 31 March 2017 ("FYE 2017").

**Financial Review**

FYE 2017 the Group continues to endure economic challenges and uncertainties both domestically as well as globally. At the domestic front, the drop in global crude oil prices and the government's introduction of the Goods and Services Tax ("GST") regime has resulted in a weaker Ringgit and higher inflationary pressure on the local economy respectively. Though the Group's products are mostly exported to Hong Kong SAR and southern China, the slowing Chinese economy has also affected the overall demand for our products at these international markets. Nevertheless, the Group continues to be resilient in facing these challenges head-on, achieving a decent year-on-year revenue growth of approximately 69.91%. Gross profit margin however was down from 40.8% in FYE 2016 to 31.6% at the end of the current financial year. We will discuss in more details in the Management Discussion and Analysis section.

The Group recorded a loss after taxation of RM3.81 million for FYE 2017 (RM3.34 million in FYE 2016), mainly due to the recognition of fatality cost of broodstock of RM1.93 million and expenses incurred in current financial year for the corporate exercises involving the acquisition of Wullersdorf Resources Sdn Bhd and a private placement amounting to RM2.07 million and RM0.067 million respectively. In addition to the expenses for corporate proposals mentioned above, the Group also expensed out the non-cash employee benefit cost of RM0.689 million arising from fair value accounting (FRS 119) adopted for share options granted pursuant to an Employees' Share Option Scheme ("ESOS") implemented by the Company for eligible staff and directors of the Group.

**Business Review**

**A. Aquaculture Operation**

**A1. Fishery Operation**

During FYE 2017, the Group's fish fry production was approximately 1.2 million tails (net of fatalities), while approximately 177,000 tails of juvenile fishes were transferred to sea cages from the nursery centers. The Group pays more attention on the management of the environmental parameters that have been giving pressure to the operations resulting in the fish fry's high fatality rate. The Management also ensures that the Group's adult fishes remain healthy and safe for human consumption through the implementation of various control features which are detailed more clearly under the Statement of Risk Management and Internal Control section.

The ability to market the Group's fishes as "Organically Cultivated" and "Fresh-From-The-Sea" is a key marketing strategy, as compared with deep sea catches from the wild, where fishes that are caught are usually cold storage on the fishing boats for a few weeks at times, before taken ashore and sold to the local fish distributors.

**Business Review (Cont'd)**

**A. Aquaculture Operation (Cont'd)**

**A1. Fishery Operation (Cont'd)**

Since FYE 2017, the Group has also ventured into downstream activity, by deep freezing vacuum packing some of its fishes for supply to the local market. Though the contribution from this frozen segment of the business remains small, at approximately 4.3% of the overall turnover (FYE 2016 : 6.6%), the Board expects this segment can be lucrative and to contribute positively to the Group moving forward due mainly to the maturing of the local market in general, as the fishery supplies from sea-catches continue to dwindle.

The Group continues to place significant emphasis on its Research & Development ("R&D") division in order to improve its broodstock management. Our team of R&D experts are recruited from Japan, South Korea and Malaysia. The Group not only purchase high value species of broodstock from local market and other countries, but also continuously conducts its own R&D for breeding new cross-breed marine finfish species so as to remain competitive. The Group currently has about 3,067 broodstocks of over 10 high value species, as compared with 4,817 broodstocks in FYE 2016. Higher fatality rate on the broodstock were mainly due to conduct of R&D for breeding.

**A2. Quarry Operation**

On 20 May 2016, Plentiful has also diversified into quarry operation on a parcel of land situated at Pulau Palak, Sandakan, Sabah, Malaysia. The rationale for the said diversification is that the rock quality on Pulau Palak was adjudged by qualified professionals as being of high-grade and is suitable for highway construction. There is also insufficient supply of these high-grade rock within the Sandakan vicinity, thereby creating good demand for these rocks. As at FYE 2017, Plentiful has generated total quarry sales of RM22,148 from the sale of approximately 802.84 mt of crusher run and quarry wastes. The Board is confident that this new segment will be able to contribute positively to the Group in the medium to long-term.

**A3 Mining Operation**

Borneo Aqua has on 13 January 2017 obtained its shareholders' approval to diversify its core business to include the exploration for mineral, mining and other mining related business through the acquisition of Wullersdorf Resources Sdn Bhd ("WRSB") for total purchase consideration of RM96 million via the issuance of 102,127,660 ordinary shares of RM0.10 each in the capital of Borneo Aqua at an issue price of RM0.94 per share ranking pari passu with the existing ordinary share of Borneo Aqua.

Prior to the acquisition, WRSB had on 1 October 2015 entered into a sub-lease agreement with Southsea Gold Sdn Bhd ("SGSB"), whereby SGSB agreed to grant a sub-lease of thirty-three (33) years commencing from 1 October 2015 to 30 September 2048 to WRSB on a portion of a parcel of land under County Lease No. 105651438 situated in the Locality of Bukit Mantri in District of Tawau, Sabah, Malaysia measuring approximately 317.7 hectares.

WRSB had on April 2017 started operations in the initial mining area of approximately 28 hectares, which was previously explored by SGSB during the years from 2013 to 2015. The mining operation, which is currently in the initial stages of infrastructure construction, with full mineral production expected by the 2nd quarter of 2018, will take approximately 3.75 years to fully mined. In addition, Borneo Aqua plans to systematically explore and prospect the remaining sub-lease area of 289.7 hectares. Any discovery of mineral resources in the remaining sub-lease area that can be mined economically, could potentially contribute additional economic and financial benefits to the Group in the medium to long-term horizon.

**Prospects and Outlook**

The Group is one of the leading player in the aquaculture industry in Malaysia as it is one of the biggest exporters of finfish from Sabah, targeting the key markets in the southern China region, such as Hong Kong SAR, Shenzhen and Guangzhou. The Group owns two lives fish vessels for the transportation of live fishes, which are certified by the Marine Department Malaysia to navigate the Sabah – Hong Kong SAR route. Medium and small finfish farmers in and around the vicinity of the eastern Sabah waters will have to sell their fishes to the Group rather than they sell it domestically where the market could not absorb such a large volume of cultured grouper fishes. As such, the Board is fully committed to continue the Group's existing aquaculture business despite the Group diversifying its core business into mining business. It is the Group's long-term growth plan to build a sustainable aquaculture business organically, as well as the diversification of its revenue source by venturing into other viable and income-generating businesses, which include the mining operation. The Board is confident that with proper planning and adequate measures being taken by the Group to mitigate potential risks that may arise from new mining activities, to the Group's revenue stream can be enhanced and its earning base broaden.

**Acknowledgements**

On behalf of the Board, I would like to express our sincere appreciation to our valued shareholders, customers, suppliers, business partners, advisors, bankers and the regulatory authorities for their unwavering supports and confidence in the Group. I would also like to express our deepest gratitude to the Management and the staff for their hard work, commitments and dedications in executing the management and operational strategies of the Group throughout FYE 2017.

Finally, I would like to take this opportunity to express my heart-felt appreciation to all the Board members for their vision, advice and ongoing support rendered to the Group.

**Dato' Sri Dr. Md Kamal Bin Bilal**
Non-Executive Chairman of the Board of Borneo Aqua Harvest Berhad

# Directors' Profiles

**Dato' Sri Dr. Md Kamal Bin Bilal**

Malaysian Male, aged 55, is a Non-Independent Non-Executive Chairman since 28 August 2015, Dato' Sri Dr. Md Kamal was appointed to the Board of Directors on 9 May 2005 as an Independent Non-Executive Chairman. He is also a member of the Nominating Committee and Remuneration Committee.

He has over 20 years of experience in the government sector, serving as a Community Development Officer in the Ministry of National and Rural Development. After that, he ventured into the automobile industry as a Proton Edar dealer in Penang. He has been the Division Treasurer of UMNO for Kapala Batas Division and also a Division Committee Member of Barisan National for Kapala Batas Since 2000. He was appointed as the Non-Executive Director of The Store Corporation Berhad in 2000 and was re-designated as Independent Non-Executive Chairman in 2001. Dato' Sri Kamal was conferred as Honorary Doctorate of Philosophy (Entrepreneurship) by Golden State University, USA.

Dato' Sri Dr. Md Kamal Bin Bilal does not have any family relationship with any other directors or major shareholders of the Company. He has been publicly reprimanded with a fine of RM10,000 for breaching Rule 2.18(1)(a) and (c) and/or Rule 16.13(b) of the ACE Market Listing Requirement.

He attended three (3) out of four (4) Board Meetings of the Company held during the financial year.

**Datuk Lo Fui Ming**

Malaysian Male, aged 61, is the Managing Director and Chief Executive Officer of Borneo Aqua and was appointed to the Board of Directors on 9 May 2005.

Upon completion of his secondary education, he started working in a timber camp in the operations division and was subsequently appointed as Manager. In 1980, he started his own logging company and was involved in various aspects of the timber industry including timber concession holding, logging contracting, timber trading and timber processing. In 1995, he ventured into the plantation industry. He was the Managing Director of Cepatwawasan Group Berhad, a company listed on the Second Board of Bursa Securities, from 1 October 2001 to 16 January 2004, 6 August 2004 to 1 April 2005 when he was appointed as the Non-Executive Deputy Chairman until 21 July 2005.

As the Managing Director and Chief Executive Officer of Borneo Aqua, he is primarily responsible for overseeing the overall business operations and development as well as formulation and implementation of the Group's corporate strategies. With over 30 years of experience in the business sector, he is the driving force of the Group.

Datuk Lo Fui Ming is the father of Mr. Lo Teck Yong and Ms. Lo Choon Fung @ Michelle.

He is a substantial shareholder of the Company. He also sits on the Board of several private companies as well as shareholder of several private companies. He has been publicly reprimanded with a fine of RM10,000 for breaching Rule 2.18(1)(a) and (c) and/or Rule 16.13(b) of the ACE Market Listing Requirement.

He attended all four (4) Board Meetings of the Company held during the financial year.

**Lo Teck Yong**

Malaysian Male, aged 36, is an Executive Director of Borneo Aqua and was appointed to the Board of Directors on 9 May 2005. He is the director in charge of the daily operations of the Group's fish farms, primarily responsible for overseeing the nurseries for fish fries and the rearing centre for adult fishes at the operation site.

He obtained a Bachelor of Science Degree majoring in Marketing from University of Surrey, United Kingdom in 2003. Upon his graduation in 2003, he embarked on a study tour to a few fish breeding centres in Taiwan, Republic of China and South Korea to expand his knowledge on fish breeding and marketing of fish and fish fry.

Mr. Lo Teck Yong is the son of Datuk Lo Fui Ming and brother of Ms. Lo Choon Fung @ Michelle. He has been publicly reprimanded for breaching Rule 2.18(1)(a) and (c) and/or Rule 16.13(b) of the ACE Market Listing Requirement.

He attended all four (4) Board Meetings of the Company held during the financial year.

**Akinori Hotani**

Japanese Male, aged 43, is an Executive Director of Borneo Aqua and was appointed to the Board of Directors on 24 March 2006.

He obtained a Bachelor of Science Degree majoring in Marine Science and Aquaculture (First Class Honours) from University of Kinki, Japan in 1996. Upon graduation, he joined Nitto Seimo Corporation Co Ltd ("Nitto"), Japan as the Head of Ocean Research and Development Department. During his employment with Nitto, he has conducted numerous researches and has gained extensive experience in marine fish breeding, hatchery and rearing of marine fishes. He also has vast knowledge in formulation of aquaculture medicine and chemical, water environment control, micro-organism production, and fish eggs management and control as well as designing and constructing fish cages (net cage, submersible cage and aquaculture system). He is responsible for the overall implementation of the Group's R&D strategies and activities. He is also responsible for product development and breeding activities of the Group.

Mr. Akinori Hotani does not have any family relationship with any other directors or major shareholders of the Company. He has been publicly reprimanded for breaching Rule 2.18(1)(a) and (c) and/or Rule 16.13(b) of the ACE Market Listing Requirement.

He attended all four (4) Board Meetings of the Company held during the financial year.

**Mau Kam Wai**

Malaysian Male, aged 53, is a Non-Independent Non-Executive Director of Borneo Aqua and was appointed to the Board of Directors on 20 February 2014.

Mr. Mau holds a Bachelor in Business Administration, National University of Singapore. He has extensive experience in trading stock markets globally, financial futures and foreign exchange. He is performance driven and an insightful professional broker with a proven ability at assessing client's potential, attracting and developing a portfolio of high net worth client; and managing expectations. He Left DBS Vickers Securities (S) Pte Ltd in March 2013. His twenty-seven years in financial industry include high profile companies like Nomura Singapore Limited and Solomon Smitch Barney HG Asia Pte Ltd. Currently he is an Executive Director of Eastland Equity Bhd and director of several private companies.

He does not have any family relationship with any other director or major shareholders of the Company. He had no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years, other than traffic offences, if any.

He attended all four (4) Board Meetings of the Company held during the financial year.

# Directors' Profiles (cont'd)

**YB Mejar (K) Datuk Samsudin Bin Yahya**

Malaysian Male, aged 60, is an Independent Non-Executive Director of Borneo Aqua and was appointed to the Board of Directors on 26 November 2008. He is the Chairman of Remuneration Committee and Nominating Committee and member of Audit Committee.

He has been the Sabah State Assembly Representative for Sekong Constituency since 2004. Upon completion of his secondary education, he was engaged in his own business. His wish is serve the people of Sandakan lead him to join UMNO Sekong Branch as a member and later he was elected as Chairman of Sekong Branch.

He was appointed Ahli Lembaga Sinora Industries Sdn Bhd from 1997-2006 and Ahli Majlis-Majlis Perbandaran Sandakan from 2004-2006. He was one of the Board of Directors for Lembaga Kemajuan Ikan Malaysia (LKM). He is currently the Chairman of Cement Industries Sabah and Ramajuta Sdn. Bhd.

YB Mejar (K) Datuk Samsudin Bin Yahya does not have any family relationship with any other directors or major shareholders of the Company. He has been publicly reprimanded with a fine of RM10,000 for breaching of Rule 2.18(1)(a) and (c) and Rule 16.13(b) of the ACE Market Listing Requirement.

He attended three (3) out of four (4) Board Meetings of the Company held during the financial year.

**Sim Kay Wah**

Malaysian Male, aged 41, is an Independent Non-executive Director. He was appointed to the Broad of Director on 20 November 2015. He is the Chairman of Audit Committee and member of Nominating Committee.

Mr. Sim is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Public Accountant of CPA Australia. He obtained his bachelor's degree in Accountancy and master's degree in Finance from the Royal Melbourne Institute of Technology, Australia. Mr. Sim had over eleven years' experiences in corporate finance, investment management and banking, where he served in various capacities including as Chief Financial Officer, Executive Director and Financial Controller of public listed companies.

Mr. Sim does not have any family relationship with any other directors or major shareholders of the Company. He had no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years, other than traffic offences, if any.

He attended all four (4) Board Meetings of the Company held during the financial year.

**Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman**

Malaysian Male, aged 74, is an Independent Non-Executive Director of Borneo Aqua and was appointed to the Board of Directors on 15 December 2015. On 25 February 2016, Tan Sri Dato' Nik Hashim was appointed as member of Audit Committee and Nominating Committee.

Tan Sri Dato' Nik Hashim his career in the Government service in 1963 as a Clerical Officer and later as Police Inspector until 1968 when he read law at the Inner Temple London as s Barrister-at-law. In 1970, he joined the Judicial and Legal Service where he served 25 years in various post: Magistrate, President of Sessions Court, Deputy Director of Legal Aid Bureau, Deputy Public Prosecutor, State Legal Advisor Terengganu, Senior Federal Counsel, Judge Advocate, Deputy Parliamentary Draftsman, Director General, Judicial and Legal Training Institute and Chairman, Advisory Board. From 1995 to 2009 he served as a Judicial Commissioner and a Judge of the High Court, Court of Appeal and the Federal Court until his retirement on 1 July 2009.

Tan Sri Dato' Nik Hashim was a member of the Royal Police Force Commission from 2004 to 2008. He has been a member of the Syariah Appeal Court Kelantan since 1998 and was an adjunct Professor in the Faculty of Law and International Relations University Sultan Zainal Abidin from 1 February 2009 to January 2013. In July 2010, Tan Sri Dato' Nik Hashim attended and successfully completed an Executive Education program at Harvard Business School, Boston U.S.A

Tan Sri Dato' Nik Hashim also sits on the Board of Olympia Industries Berhad and Tropicana Golf & Country Resort Berhad.

Tan Sri Dato' Nik Hashim does not have any family relationship with any other directors or major shareholders of the Company. He was publicly reprimanded with a fine of RM400 for breaching Paragraph 16.13(b) of the Main Market Listing Requirements of Bursa Securities ("Main Market Listing Requirements") in China Stationery Limited and Inch Kenneth Kajang Rubber Public Ltd Co on 24 May 2016 and 4 September 2013 respectively.

He attended all four (4) Board Meetings of the Company held during the financial year.

# Key Senior Management Profile (cont'd)

**Chong Tzu Khen**

Malaysian Male, aged 60, is a Director of WRSB since May 2017. He is also the Finance Manager cum Company Secretary of Borneo Aqua Harvest Berhad. He obtained an Undergraduate Certificate in Sustainable Aquaculture from University of St. Andrews, Scotland, UK on 1 May 2014 and the degree of Master of Financial Planning ("MFP") from University of Sunshine Coast, Queensland on 18 May 2007. He is a Fellow member of Malaysian Association of Company Secretaries ("MACS"). He was attached to P.L.Yap & Co., a firm of Public Accountants from 1976 to 1980 as an Audit Assistant. In 1980, he joined Jetniyo Sdn Bhd as an Accounts Executive. 1985, he set up his own Company under the name of T.K.Chong Commercial Services, a firm of providing bookkeeping service to Companies in Sandakan. In 1995, he joined Cepetwawasan Sdn Bhd as a Company Secretary and Account in charge for the group of companies. From 2001 to February 2004, he was promoted to the Personal Assistant to the Managing Director of Cepetwawasan Group Berhad. He joined Borne Aqua Harvest Berhad in 2004 till present.

Mr. Chong does not have any family relationship with any other directors or major shareholders of the Company. He had no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years, other than traffic offences, if any.

**Chong Khing Chung**

Malaysian Male, aged 50, is a Director of WRSB since May 2017. He was a Non-Independent Non-Executive Director of WRSB's Holding Company, Borneo Aqua Harvest Berhad until April 2017. He is a Chartered Member of the Malaysian Institute of Accountants ("CA") and a Fellow Member of CPA Australia ("FCPA"). He obtained Bachelor Degree in Accountancy from University of Western Australia in 1990. He spent the early part of his career in the accountancy profession and later worked in the capital market industry holding various positions, including as the Executive Director of a stockbroking company in Sabah. He is a director of Scan Associates Berhad and Anzo Holdings Berhad. He has also worked as Executive Director, Finance Director or Chief Financial Officer of various public listed companies in Malaysia, Singapore, Hong Kong and the United Kingdom.

Mr. Chong does not have any family relationship with any other directors or major shareholders of the Company. He has been publicly reprimanded with a fine of RM10,000 for breaching of Rule 2.18(1)(a) and (c) and Rule 16.13(b) of the ACE Market Listing Requirement.

### Lo Choon Fung @ Michelle

Malaysian Female, aged 37, is the Corporate Manager of Borneo Aqua Harvest Berhad and Manager of WRSB. In July 2012, she graduated from Royal Holloway University of London with a Bachelor in Economics and Management. In year May 2004, she graduated from CASS Business School of City University, London with a Master degree in Insurance and Risk Management. She was appointed as director and member of the EXCO committee of Cepatwawasan Group Berhad from August 2004 to July 2005. after she resigned from Cepatwawasan Group, she joined Borneo Aqua Harvest Berhad as Corporate Manager and she further appointed as Manager of WRSB in May 2017 till present.

Ms Lo is daughter of Datuk Lo Fui Ming and sister of Mr Lo Teck Yong. She has not been convicted of any offences within the past five (5) years, other than traffic offences, if any.

### Hiew Vun Pui

Malaysian Female, aged 41, is Group Accountant of Borneo Aqua Harvest Berhad. She is a Chartered Member of the Malaysian Institute of Accountants ("CA") and a Fellow Member of ACCA, UK ("FCCA"). She started her career in Ernst & Young, an international public accounting firm in Sandakan, Sabah from June 2000 to August 2001. In June 2004, she joined Plentiful Harvest Sdn Bhd, a subsidiary of Borneo Aqua Harvest Berhad as an Accounts Executive. Later she was promoted as Group Accountant of Borneo Aqua Harvest Berhad in April 2008 till present.

Ms. Hiew does not have any family relationship with any other directors or major shareholders of the Company. She had no conflict of interest with the Company and has not been convicted of any offences within the past five (5) years, other than traffic offences, if any.

# Management Discussion And Analysis

**Business Review**

Borneo Aqua Harvest Berhad ("Borneo Aqua") was incorporated on 16 April 2004 in Malaysia as a private limited company and was subsequently converted into a public company on 20 May 2004. The Company was listed on the ACE Market of Bursa Malaysia Securities Berhad (previously known as MESDAQ Market of Bursa Malaysia Securities Berhad) on 5 September 2005.

Borneo Aqua is an investment holding company, and it has six wholly-owned direct and indirect subsidiaries ("Group", namely Plentiful Harvest Sdn Bhd (PHSB"), Plentiful Earnings Sdn Bhd ("PESB"), Marine Terrace Sdn Bhd ("MTSB"), Salient Horizon Sdn Bhd ("SHSB"), Well Sky Logistic Limited "WSLL") and Wullersdorf Resources Sdn Bhd ("WRSB"), which are principally involved in three operational segments as follows:

1. **Fishery Operation**

   Borneo Aqua, together with its subsidiaries Plentiful Harvest Sdn Bhd, Marine Terrace Sdn Bhd and Plentiful Earnings Sdn Bhd were established with the main focus of breeding, hatching and rearing of high value marine fishes.

   During Financial Year Ended ("FYE") 2017, the Group's fish fry production approximate 1.2 million tails (net of fatalities), while approximately 177,000 tails of juvenile fishes were transferred to sea cages from the nursery centers. The Group pays more attention on the management of the environmental parameters that have been giving pressure to the operation resulting in fish fry's high fatality rate, while at the same time, ensuring that its adult fishes remain healthy and safe for human consumption.

   Since 2016, the Group has also ventured into downstream activity, by deep freezing and vacuum packing some of its fishes for supply to the local market. Though the contribution from this frozen segment of the business remains small, at approximately 4.3% (FYE 2016 : 6.6%) of the overall turnover in FYE 2017, slightly decreased as the Group was focusing more on the sales of live fish instead of frozen fish. However, the Board expects this segment to be lucrative and is able to contribute positively to the Group moving forward mainly due to the maturing of the local market in general, as the fishery supplies from captured sea fishes continues to dwindle.

   The Group will continue to explore breeding and rearing technology for other fast-growing species that can generate positive cash flow for the Group. One of the species that the Group has recently started production is the barramundi, or Asian sea bass, in March 2016, for sale in the local market. The Group has started selling the barramundi fish locally since July 2016 and is expecting to export the barramundi fish by the first quarter of 2018. The Group will also continue to monitor and conduct further research on its aquaculture operations in order to improve its efficiency and to embark on cost saving measures as and when situation permits.

   The Group also continues to place significant emphasis on its Research & Development ("R&D") division in order to improve its broodstock management. Our team of R&D experts are recruited from Japan, South Korea and Malaysia. The Group is not only purchasing high value species of broodstock from local market and other countries, but also continuously conducts its own R&D for breeding new cross-breed marine finfish species so as to remain competitive. The Group currently has about 3,067 broodstocks of over 10 high value species, as compared with 4,817 broodstocks in FYE 2016. Higher fatality rate on the broodstock were mainly due to conduct of R&D for breeding.

2. **Quarry Operation**

   On 20 May 2016, PHSB has diversified into quarry operation on a parcel of land situated at Pulau Palak, Sandakan, Sabah, Malaysia. The rationale for the said diversification is that the rock quality on Pulau Palak was adjudged by qualified professionals as being of high-grade and is suitable for highway construction. There is also insufficient supply of these high-grade rock within the Sandakan vicinity, thereby creating good demand for these rocks. As at FYE 2017, PHSB has generated total quarry sales of RM22,148 from the sale of approximately 802.84 mt of crusher run and quarry wastes. The Board is confident that this new segment will be able to contribute positively to the Group in the medium to long-term.

**Business Review (Cont'd)**

**3. Mining Operation**

Borneo Aqua has on 13 January 2017 obtained its shareholders' approval to diversify its core business to include the exploration for mineral, mining and other mining related business through the acquisition of Wullersdorf Resources Sdn Bhd ("WRSB") for total purchase consideration of RM96 million via the issuance of 102,127,660 ordinary shares of RM0.10 each in the capital of Borneo Aqua at an issue price of RM0.94 per share ranking pari passu with the existing ordinary share of Borneo Aqua.

Prior to the acquisition, WRSB had on 1 October 2015 entered into a sub-lease agreement with Southsea Gold Sdn Bhd ("SGSB"), whereby SGSB agreed to grant a sub-lease of thirty-three (33) years commencing from 1 October 2015 to 30 September 2048 to WRSB on a portion of a parcel of land under County Lease No. 105651438 situated in the Locality of Bukit Mantri in District of Tawau, Sabah, Malaysia measuring approximately 317.7 hectares.

WRSB had on April 2017 started operations in the initial mining area of approximately 28 hectares, which was previously explored by SGSB during the years from 2013 to 2015. The mining operation, which is currently in the initial stages of infrastructure construction, is expected to be in full production by the 2nd quarter of 2018, and is expected to take approximately 3.75 years to fully mined. In addition, WRSB plans to systematically explore and prospect the remaining sub-lease area of 289.7 hectares. Any discovery of mineral resources in the remaining sub-lease area that can be mined economically, could potentially contribute additional economic and financial benefits to the Group in the medium to long-term horizon.

**Financial Review**

**Five Years Financial Highlights**

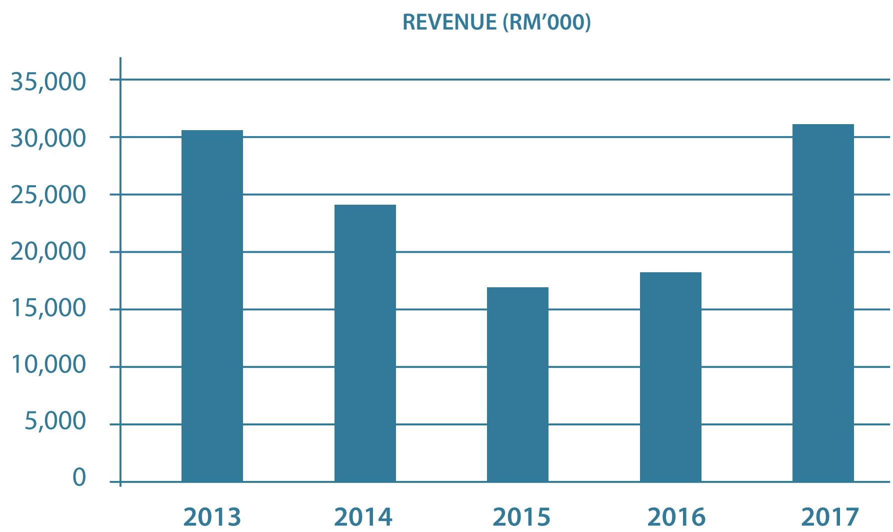
| | Five Years ended 31 March | | | | |
|---|---|---|---|---|---|
| **Amount (RM'000)** | **2013** | **2014** | **2015** | **2016** | **2017** |
| **Income Statement** | | | | | |
| Revenue | 30,629 | 23,023 | 17,211 | 18,299 | 31,091 |
| Loss before taxation | (2,968) | (3,272) | (4,566) | (4,025) | (4,786) |
| Taxation | (1,812) | (1,011) | 2,238 | 683 | 978 |
| loss for the financial year | (4,780) | (4,283) | (2,328) | (3,342) | (3,808) |
| **Assets** | | | | | |
| Property, plant and equipment | 62,802 | 59,258 | 53,009 | 45,955 | 39,390 |
| Intangible assets | 2 | 32 | 32 | 32 | 32 |
| Mining right | | | | | 96,102 |
| Non-current and current biological assets | 41,225 | 57,605 | 79,111 | 88,050 | 98,281 |
| Inventories | 459 | 407 | 571 | 853 | 932 |
| Trade and non-trade receivable | 22,936 | 33,693 | 28,618 | 33,422 | 39,006 |
| Tax recoverable | 28 | 76 | 77 | 65 | 148 |
| Cash and bank balances | 547 | 5,851 | 408 | 778 | 36,973 |
| Total assets | 127,999 | 156,922 | 161,826 | 169,155 | 310,864 |

# Management Discussion And Analysis (cont'd)

**Business Review (Cont'd)**

**Five Years Financial Highlights**

| | Five Years ended 31 March | | | | |
|---|---|---|---|---|---|
| **Amount (RM'000)** | **2013** | **2014** | **2015** | **2016** | **2017** |
| **Equity and liabilities** | | | | | |
| Share capital and premium | 60,178 | 101,860 | 114,769 | 127,089 | 274,189 |
| Other reserve | 10,126 | 13,050 | 13,672 | 13,048 | 10,718 |
| Retained profits | 14,044 | 9,760 | 7,432 | 4,090 | 282 |
| Total equity | 84,348 | 124,670 | 135,873 | 144,227 | 285,189 |
| Loans and borrowings (Non-current) | 4,458 | 3,642 | 2,560 | 1,402 | 192 |
| Deferred income | 8,018 | 7,516 | 6,640 | 5,764 | 4,889 |
| Deferred tax liabilities | 4,988 | 5,999 | 3,709 | 3,011 | 2,038 |
| Loans and borrowings | 14,408 | 13,103 | 10,505 | 9,851 | 12,680 |
| Trade and non-trade payables | 11,779 | 2,992 | 2,539 | 4,900 | 5,876 |
| | 43,651 | 32,252 | 25,953 | 24,928 | 25,675 |
| Total equity and liabilities | 127,999 | 156,922 | 161,826 | 169,155 | 310,864 |
| Loss per share (sen) | (1.40) | (1.09) | (0.57) | (0.78) | (0.40) |
| Total assets per share (sen) | 36.01 | 38.73 | 38.63 | 39.16 | 32 |




There is significant increase in revenue in FYE 2017 compared with the revenue for the past 4 years, and a year-on-year increase of 69.91% compared with FYE 2016, mainly due to the sales of larger grouper fishes, in particular the cross-breed species, in line with the Group's marketing strategy to rear part of its cross-breed fishes to larger sizes, preferably above 6kgs 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 of more than 2kgs.

## Business Review (Cont'd)

### Loss before taxation

### Other income and expenses before taxation

| | Five Years ended 31 March | | | | |
|---|---|---|---|---|---|
| **Amount (RM'000)** | **2013** | **2014** | **2015** | **2016** | **2017** |
| **Other Income** | | | | | |
| Interest income | - | 212 | 18 | 50 | 9 |
| Other operating income | 676 | 1,461 | 3,314 | 1,701 | 3,271 |
| | | | | | |
| **Expenses** | | | | | |
| Cost of sales | 13,300 | 11,459 | 8,792 | 10,834 | 21,276 |
| Selling and distribution expenses | 5,565 | 5,934 | 6,063 | 5,669 | 7,833 |
| Administrative expenses | 13,688 | 9,324 | 9,131 | 6,557 | 9,030 |
| Finance cost | 1,720 | 1,251 | 1,123 | 1,015 | 1,018 |

The increase in cost of sales from RM10.8 million to RM21.3 million is mainly due to the following reasons:

(a) the higher fatality rate of the cultured fishes in FYE 2016. Which led to an increase in the associated cost in FYE 2017 when the same batch of cultured fishes were sold; and

(b) low gross profit margin from the frozen fish products segment mainly due to lower selling price of frozen fish products in the local market.

The selling and distribution expenses of RM7.8 million (FYE 2016 : RM5.7 million) was approximately 37% higher year-on-year due to increase in sales commission for export sales.

The administrative expenses of RM9.03 million (FYE 2016: RM6.56 million) and the finance cost of RM1.0 million (FYE 2016: RM1.0 million) were generally in line year-on-year despite the increase in revenue, mainly due to the following reasons:

(a) decrease in non cash employee benefit cost (e.g ESOS) of RM0.69 million (FYE 2016: RM2.55 million).

(b) charging out of broodstocks' fatality costs of RM1.9 million (FYE 2016: Nil), in compliance with FRS 204 Standard, which only allows for the accumulation of cost regardless of fatalities rate for livestock inventory and is not applicable for broodstock (non-current assets).

(c) the legal and professional fees for the corporate exercise involving the acquisition of WRSB and private placement amounting to RM2.07 million (FYE 2016: RM0.60 million) and RM0.067 million (FYE 2016: Nil) respectively has also been accounted for in the currently year's Administrative Expenses.

### Taxation

During the financial year, there is an increase in unabsorbed capital allowance arising from property, plant and equipment, This unabsorbed capital allowance is offset with the provision of deferred tax liabilities. As provision for tax liability payable in a future date has decrease due the above, the reversal of over provision of deferred tax liabilities is therefore recognised in the Statements of Profit and Loss and Other Comprehensive Income.

PESB, an indirect wholly-owned subsidiary of the 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.

## Business Review (Cont'd)

### Cash flow

As at the end of 2017, the increase in Cash and Bank balances from RM0.8 million in FYE 2016 to RM37.0 million mainly due to the proceeds raised from a Private Placement exercise by issuing 46,869,600 new shares at RM0.77 per share.

### Assets & equity and liabilities

1. Property, plant and equipment reduced by RM6.6 million from RM46.0 million in FYE 2016 to RM39.4 million in the current financial year due to depreciation charges during the year.

2. Mining right of RM96.1 million (FYE 2016: Nil) represented the acquisition cost of WRSB, including the consolidation adjustments of WRSB's balance sheet as at 19 January 2017.

3. The biological assets of RM98.3 million as at the end of the current financial year (FYE 2016: RM88.1 million) is approximately 11.6% higher year-on-year due to the following reasons: (i) amortization charges of broodstock and the recognition of fatality costs as an expense in Statements of Profit or Loss and Other Comprehensive Income; (ii) increase in biological assets acquired amounting to approximately RM10.44 million for the FYE2017.

4. The trade and non-trade Receivables of RM39.1 million (FYE 2016: RM33.4 million) increases year-on-year due to the increase in turnover of the Group during the year by approximately 70%.

5. The Group's total equity increased by approximately RM141.0 million in FYE 2017 in comparison with FYE 2016 mainly due to the exercise of the Employee's Share Option Scheme and the additional new shares issued for the acquisition of WRSB as well as for the Private Placement exercise.

6. The non-current loans and borrowings of the Group reduced from RM1.4 million in FYE 2016 to RM0.2 million in the current financial year due to repayment of loans and borrowings.

7. Deferred income refers to the government grant received from the Malaysia Government amounting to RM8.8 million, of which RM3.9 million has already been amortized in prior financial years.

8. Short-term loans and borrowings increased from RM9.9 million in FYE 2016 to RM12.7 million in FYE 2017 due to the drawdown of a new revolving credit financing facility obtained from a local financial institution for the purpose of financing feedstock purchases.

9. The trade and non-trade Payables increased marginally by 20% to RM5.9 million (FYE 2016: RM4.9 million) due mainly to outstanding balances owing to trade creditors for the purchase of biological assets and fish feeds.

## Corporate Proposal

### 1. 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.

Borneo Aqua 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 Shares. On 29 March 2017, total 46,869,600 Placement shares were issued and placed to identified investors pursuant to Proposed Private Placement.

The status of utilisation proceeds from the abovementioned Private Placement as at 31 March 2017 are as follows:

| Amount (RM'000) | Proceeds Raised | Amount Utilised | Amounts Unutilised |
|---|---|---|---|
| Capital Expenditure | 34,550 | - | 34,550 |
| Working Capital | 590 | - | 590 |
| Estimated Expenses | 950 | 271 | 679 |
| | 36,090 | 271 | 35,819 |

### 2. Free Warrants

Bursa Securities had vide its letter dated 7 July 2017 approved the listing of and quotation for up to 325,670,213 Free Warrants to be issued pursuant to the proposed free Warrants Issue in the basis of 1 Warrants for every 2 existing ordinary shares in Borneo Aqua held by shareholders of Borneo Aqua on an entitlement date to be determined.

## Company's Prospects

As at FYE 2017, Borneo Aqua will continue to face economic challenges and uncertainties both domestically as well as globally such as fluctuation of the local currency against the US Dollar, HK Dollar and China RMB; increasing in 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 organically.

Borneo Aqua has also diversified its core business into gold mining and operation of quarry, instead of wholly dependent on aquaculture.  Through the diversification into gold mining business, the Group expects 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 the Bahvest.

# Statement Of Corporate Governance

The Board of Directors ("Board") of Borneo Aqua Harvest Berhad ("Borneo Aqua") recognizes the importance of the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 ("Code") as a key factor towards achieving optimal governance framework and processes in the management of Borneo Aqua group of companies' ("Group") businesses and operational activities. While working towards full compliance with the principles and best practices of the Code and Malaysia Code on Corporate Governance 2017 for next year onwards, the Board commits to the establishment of various policies and procedures for the enhancement of the Group's governance practices.

In relation to the principles and recommendations of the Code, the Board is pleased to provide the following statement in which the Group has applied the Principles of the Code and the extent of compliance with best practices advocated therein.

## 1. THE BOARD OF DIRECTORS

### 1.1 Roles and Principal Duties

The Board takes full responsibility for the performance of the Group and guides the Company on its short and long-terms goals, providing advices and directions on strategy as well as business development matters while at the same time, providing a balance view to the management of the Group. All Board members bring with them independent judgment on issues of strategic, performance, resources and standard of conduct.

The Board's responsibilities includes, but not limited to the following:

- Reviews and adopts strategic plans for the Group;
- Oversees the conduct of the Group's business to evaluate whether the business is being properly managed;
- Identifies principal risks and ensures the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Develops and implements investor relation program or shareholders' communication policy for the Group; and
- Reviews the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has adopted a Board Charter which among others, provide guidance to the Board in discharging its roles, responsibilities and duties. The Charter also inter-alia outlines the composition and balance of the Board, the authorities of the Board, the setting-up of various Board Committees to assist the Board, as well as the processes and procedures while convening Board Meetings.

The key matters which are reserved for the Board's approval include business plan, annual budget, dividend policy, business continuity plan, new issuance of securities, business restructuring and disposal and acquisition of assets/investments.

The Board charter was reviewed by the Board during the financial year.

### 1.2 Board Composition and Balance

The Board headed by the Non-Independent Non-Executive Chairman currently consists of eight (8 members comprising of three (3) Executive Director, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The Company is in compliance with Rule 15.02 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("ACE Market Listing Requirements"), which requires the Board to have at least two (2) Directors or one-third (1/3) of the Board as Independent Directors. Each Director brings with him a wide range of business and financial experiences that are relevant to the Group. Pages 8 to 11 outlined briefly the background of each Director.

**1. THE BOARD OF DIRECTORS (cont'd)**

**1.2 Board Composition and Balance (cont'd)**

| | |
|---|---|
| **Non-Independent Non-Executive Chairman** | Dato' Sri Dr. Md Kamal Bin Bilal |
| **Managing Director / Chief Executive Officer Executive Director** | Datuk Lo Fui Ming |
| **Executive Directors** | Lo Teck Yong<br>Akinori Hotani |
| **Independent Non-Executive Directors** | YB Mejar (K) Datuk Samsudin Bin Yahya<br>Sim Kay Wah<br>Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman |
| **Non-Independent Non-Executive Director** | Mau Kam Wai |

The roles of the Independent Non-Executive Directors are to instill independence and objectivity into the Board's decisions making process, providing constructive challenges whilst actively participate in the development of the Group's business strategies. The Independent Non-Executive Directors are persons of high caliber and integrity, and they collectively possess rich experience and bring varied commercial experience to the Board. Their presence also provide an effective check and balance mechanism in any Board's proceedings while ensuring that no single individual has unrestricted authority or influence over any Board decisions. All the Independent Non-Executive Directors do not participate in any operational decision making, business transaction or have any relationship with the management of the group. Any concerns may be conveyed to YB Mejar (K) Datuk Samsudin Bin Yahya, who is the Group's Senior Independent Non-Executive Director。

The Board recognizes the Code's recommendation on the service tenure of an independent director, which should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

During the financial year, the Board has conducted an assessment on the Independent Directors and obtained confirmation of independence from each Independent Director, satisfied with the level of Independence demonstrated by each of them. None of the independent directors has served the Company exceeding a cumulative term of nine (9) years.

The Board has conducted annual assessment which comprises Board Effectiveness Appraisal, Individual Director Self Performance Evaluation and Board Committees Member Performance Evaluation. The Chairman of the Nominating Committee will present the findings of the appraisal and performance evaluation at the Nominating Committee meeting to the Board.

The Board's composition represents a mix of knowledge, skills and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. The Non-Independent Non-Executive Chairman is responsible for the Board's effectiveness and standard of conduct whilst the Managing Director / Chief Executive Officer has the overall responsibility to oversee the Group's business and its operations. The clear segregation of responsibilities between these roles will ensure a balance of power and authority. It is however noted that achieving gender diversity in the industry of which the Group is operating in is challenging. Nevertheless, the Board will strive towards introducing female Board members when suitable candidates are identified.

**1.3 Appointments and Re-elections of Directors**

All appointments of new directors to the Board are properly made with an established and transparent procedure and in compliance with the relevant rules of the relevant authorities. Any appointment of additional director will be made as and when it is deemed necessary by the existing Board, through recommendation from the Nominating Committee, with due consideration given to the mix and range of expertise and experience required for an effective Board.

## 1. THE BOARD OF DIRECTORS (cont'd)

### 1.3 Appointments and Re-elections of Directors (cont'd)

New appointees will be considered and evaluated by the Nominating Committee. The Nominating Committee will thereafter recommend the candidates for the Board's approval. Company Secretary will subsequently ensure that all appointments as approved by the Board are properly made, all information obtained, and that all legal and regulatory conditions are fulfilled.

In accordance with Article 93 of the Company's Constitution, at each Annual General Meeting, one-third (1/3) of the Directors for the time being, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office and an election of Directors shall take place provided always that each Director shall retire at least once in every three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election. An election of Directors shall take place each year and the Directors retiring at a meeting shall retain office until the close of the meeting whether adjourned or not.

Article 99 of the Company's Constitution also stated that any newly appointed Director shall only hold office until the next following Annual General Meeting and then shall be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation pursuant to Article 93. There is no new appointment of Director in FYE 2017. At the forthcoming Thirteenth Annual General Meeting of the Company Datuk Lo Fui Ming, Mr. Lo Teck Yong and Mr. Mau Kam Wai shall retire in accordance with Article 93 of the Company's Constitution and all being eligible, offer themselves for re-election. At the Twelfth Annual General Meeting of the Company held on 26 August 2016, Tan Sri Dato' Nik Hashim Bin Ab. Rahman, who is above age of 70, was reappointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Thirteenth Annual General meeting. With the coming into force the Companies Act, 2016 on 31 January 2017, there is no age limit for directors. Tan Sri Dato' Nik Hashim Bin Ab. Rahman had offered himself for reappointment. Should his appointment is approved at the coming Thirteenth Annual General meeting, Tan Sri Dato' Nik Hashim Bin Ab. Rahman will continue to act as Director of the Company and shall subject to retirement by rotation at a later date.

### 1.4 Committees of Directors

In line with the Best Practices of the Code, the Company has established three (3) Committees of Directors ("Committees") to assist in the performance of certain duties of the Board under specific terms of reference. The Committees compose of Non-Independent and Independent Non-Executive Directors whom collectively possess rich experience and bring varied commercial experience to the Board. The Board receives minutes and reports of the Committees' proceedings and deliberations. The Committees have the authority to examine specific issues and report back to the Board with their recommendations. The ultimate responsibilities for the final decision on all matters, however, lie with the entire Board.

The Committees established are as follows:

**(i) Audit Committee**

(a) The Audit Committee comprises entirely Independent Non-Executive Directors as follows:

- Chairman : Sim Kay Wah
- Members : YB Mejar (K) Datuk Samsudin Bin Yahya
  : Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman

(b) Full details of the Audit Committee Term of Reference can be found at the Company's website at http://www.borneoaqua.com.my.

(c) The Audit Committee Report is presented on pages 29 to 31 of this Annual Report.

## 1. THE BOARD OF DIRECTORS (cont'd)

### 1.4 Committees of Directors (cont'd)

#### (ii) Nominating Committee

(a) The Nominating Committee comprises entirely of Non-Executive Directors:
- Chairman : YB Mejar (K) Datuk Samsudin Bin Yahya
- Members : Sim Kay Wah
  : Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman
  : Dato' Sri Dr. Md Kamal Bin Bilal

(b) Primary Responsibilities and Functions
- Recommends to the Board the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s);
- Recommends to the Board, Directors to fill the seats on Board Committees;
- Assesses the effectiveness of the Board as a whole, the Committees of the Board and contribution of each existing individual Director and thereafter, recommends its findings to the Board;
- Reviews on annual basis the term of office and performance of the Audit Committee and each of its members.
- Reviews the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and thereafter, recommends its findings to the Board; and
- Based on the yearly assessment conducted, recommends to the Board and shareholders the director(s) who are subject to re-election at the next Annual General Meeting.

(c) The current Chairman of the Nominating Committee is YB Mejar (K) Datuk Samsudin Bin Yahya, the Senior Independent Non-Executive Director of the Company.

(d) The assessment of the Nominating Committee is conducted by the Board as a whole.

(e) Full details of the nomination and election process of Board members can be found at the Company's website at http://www.borneoaqua.com.my.

(f) The activities of the Nominating Committee during the year were as follows:
- Reviewed the mix of skill and experience and other qualities of the Board;
- Reviewed the assessment of the effectiveness of the Board as a whole, the board of Committees and the Directors;
- Reviewed and recommended to the Board on the re-election of Directors retiring at the Annual General Meeting; and
- Reviewed the term of office and performance of the Audit Committee and each of its members.

#### (iii) Remuneration Committee

(a) The Remuneration Committee comprises all Non-executive Directors as follows:
- Chairman : YB Mejar (K) Datuk Samsudin Bin Yahya
- Members : Dato' Sri Dr. Md Kamal Bin Bilal
  : Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman

(b) Primary Responsibilities and Functions
- Conducts appropriate annual assessment of Directors;
- Establishes remuneration policy and procedures. This policy and procedures can be found at the Company's website at http://www.borneoaqua.com.my;
- Reviews and recommends to the Board the remuneration packages of the Executive Directors; and
- Assesses the remuneration packages of Non-Executive Directors based on their experience and level of responsibilities undertaken by them before recommending to the Board and shareholders.

## 1. THE BOARD OF DIRECTORS (cont'd)

### 1.4 Committees of Directors (cont'd)

#### (iii) Remuneration Committee (cont'd)

The Remuneration Committee is responsible to recommend to the Board a remuneration framework for Directors with the objective of ensuring that the Company attracts and retains the Directors needed to manage the Group successfully. It is the ultimate responsibility of the full Board to approve the remuneration of the Executive Directors with the respective Directors abstaining from decisions in respect of their own remuneration.

The determination of the remuneration of the Non-Executive Directors is a matter for the Board with the individual Directors abstaining from decision in respect of their own remuneration before recommending to the shareholders.

(c) The Employee Share Option Scheme ("ESOS") Committee was established to administer the ESOS of the Group in accordance with the objectives, Rules and Regulations thereof and to determine the participation eligibility, option offers and shares allocation and to attend to such other matters as may be required. The Committee comprises of the Group Managing Directors / Chief Executive Officer, the Finance Manager, and the Group Accountant.

(d) Summary of Reports
For the financial year ended 31 March 2017, a total sum of RM1,498,182 was paid or payable to the Directors of the Group, including services received as an expense pursuant to the ESOS. Details movement of Director's shares option during the financial year ended 31 March 2017 is presented on Page 36 of this Annual Report. The details of the Directors' remuneration of the group for the financial year ended 31 March 2017 are as follow:

| | Salaries and other emoluments RM | Fee RM | Breeding Commissions RM | ESOS RM | Total RM |
|---|---|---|---|---|---|
| Executive Directors | 552,285 | - | 194,946 | 344,093 | 1,091,324 |
| Non-Executive Directors | 14,000 | 380,000 | - | 12,858 | 406,858 |

Director Remuneration for service rendered to the Company:

| | Salaries and other emoluments RM | Fee RM | Breeding Commissions RM | ESOS RM | Total RM |
|---|---|---|---|---|---|
| Executive Directors | - | - | - | - | - |
| Non-Executive Directors | 14,000 | 380,000 | - | 12,858 | 406,858 |

The number of Directors of the Company whose remuneration, fees and other compensations received from the Group for the financial year ended 31 March 2017, fall into the following bands:

| | Group | | Company | |
|---|---|---|---|---|
| Range of remuneration | Executive Directors | Non-Executive Directors | Executive Directors | Non-Executive Directors |
| Below RM50,000 | - | 2 | - | 2 |
| RM50,001 – RM200,000 | - | 4 | - | 4 |
| RM200,001 – RM350,000 | 1 | - | - | - |
| RM350,001 – RM500,000 | 2 | - | - | - |
| RM500,001 and above | - | - | - | - |

**1. THE BOARD OF DIRECTORS (cont'd)**

**1.4 Committees of Directors (cont'd)**

**(iii) Remuneration Committee (cont'd)**

(d) Summary of Reports (cont'd)

The Board has considered disclosure details of the remuneration of each Director and is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately disclosed by the "range disclosure" as required by the listing requirements.

**1.5 Board Meetings**

The Board meets regularly and at least quarterly to review and monitor the development of the Group. Additional meetings will be convened as and when required. The agenda for each Board meeting is circulated to all the Directors for their perusal in advance of the Board meeting date. The Directors are given sufficient time to obtain further information and explanation, where necessary, in order to be briefed properly before the meeting.

The proceedings and resolutions reached at each Board meeting are recorded in the minutes of the meetings, which are kept in the Minutes Book at the registered office of the Group.

Besides Board meetings, the Board exercises control on matters that require its approval through circulation of Directors' Resolutions.

The Board held four (4) Board Meetings during the financial year ended 31 March 2017. The summary of attendance of each individual Director is as follows:

| Director | Meetings Attended |
|---|---|
| Dato' Sri Dr. Md Kamal Bin Bilal | 3/4 |
| Datuk Lo Fui Ming | 4/4 |
| Lo Teck Yong | 4/4 |
| Akinori Hotani | 4/4 |
| Mau Kam Wai | 4/4 |
| YB Mejar (K) Datuk Samsudin Bin Yahya | 3/4 |
| Sim Kay Wah | 4/4 |
| Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman | 4/4 |

All the Directors, have complied with the minimum 50% attendance requirement in respect of Board meetings, as prescribed by the ACE Market Listing Requirements.

**1.6 Supply of Information**

The Board members have access to the advices and services of the Company Secretaries and all information in relation to the Group whether as a full board, or in their individual capacity to assist them in carrying out their duties. The Directors may engage independent professionals at the Group's expense on specialized issues to enable the Board to discharge their duties with adequate knowledge on the matters being deliberated.

Along with good governance practices and to enhance transparency and accountability, the Board has put in place the following policies and procedures and they are made available at the Company's website at http://www.borneoaqua.com.my :

- Board Charter and Code of Ethics and Conduct
- Shareholder's Rights relating to General Meeting
- Whistleblowing Policy
- Sustainability Policy and Corporate Social Responsibility ("CSR")
- Term of reference of Audit Committee
- Term of reference of Nominating Committee

## 1. THE BOARD OF DIRECTORS (cont'd)

### 1.7 Number of Directorship in Other Companies

Director, prior to accepting new directorship in other public companies, must inform the Chairman of the Board of such appointment and an indication of the time the Director will spend on the new appointment.

The following Directors of the Company also hold directorships in other public listed companies:

| Directors | Name of Company | Directorship |
|---|---|---|
| Dato' Sri Dr. Md Kamal Bin Bilal | The Store Corporation Bhd | Independent Non-Executive Chairman |
| Mau Kam Wai | Eastland Equity Bhd | Executive Director |
| Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman | Olympia Industries Bhd<br>Tropicana Golf & Country Resort Bhd | Independent Non-Executive Director<br>Independent Non-Executive Chairman |

### 1.8 Directors' Training

The Board recognizes the importance of training as a continuous knowledge development for Directors in order to ensure that the Directors stay updated of the latest development and changes in law and regulations and business environment to enable them to fulfill their responsibilities as Director and to act in the best interest of the Group and shareholders.

Every Director is encouraged to evaluate their own training needs and undergo continuous training to equip themselves to enhance their knowledge and effectively contribute to the Board.

For newly appointed director, they are encouraged to visit the Company's hatchery, nursery and rearing centers to enhance their knowledge and understanding of the Group's operation in which they would assist the Board to make effective decisions later.

During the Financial year, each individual Directors of the Company has attended the following seminars with relevant topics as follows:

| Directors | Course Name | Organizer |
|---|---|---|
| Datuk Lo Fui Ming | Advocacy Sessions On Management Discussion and Analysis Statement (MD&A) | Bursa Malaysia Berhad |
| Lo Teck Yong | 2017 Budget and Tax Conferecne | Ernst & Young Tax Consultants Sdn Bhd |
| Akinori Hotani | 2017 Budget and Tax Conferecne | Ernst & Young Tax Consultants Sdn Bhd |
| Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman | Navigating Update : An Essential Guide For Listed Company | Coalition for Business Integrity Berhad<br>Securities Commission Malaysia |

## 2. CORPORATE DISCLOSURE

The Company is aware of its responsibilities and obligations to continue in its implementation of a corporate disclosure policy to ensure timely, accurate, clear and complete disclosure of all material information necessary for informed investing decisions and also to take reasonable steps to ensure that all investors in the Company's securities have equal access to such information to avoid any individual or selective disclosure.

## 3. SHAREHOLDERS COMMUNICATION AND INVESTOR RELATIONS

The Company is committed to maintaining effective communication with its shareholders and other stakeholders. The Group has been making timely announcements to the public with regards to the Group's corporate proposals, financial results, other regulatory announcements as well as information which would be of interest to the investors and members of the public. The Company has implemented a number of formal channels to communicate timely with its shareholders as below:

(i) Annual Report;

(ii) Various disclosures and announcements made to Bursa Malaysia Securities Berhad including the quarterly results and annual results, which are available publicly on the internet via Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com or can be viewed from the Company's website at http://www.borneoaqua.com.my;

(iii) The Company's website at http://www.borneoaqua.com.my which provides another vital communication channel for investors and shareholders to access corporate information and news related to the Group; and

(iv) The Group's Annual General Meeting ("AGM"), which is an important forum where communications with shareholders are effectively conducted. The Board ensures that each item of special business included in the notices of the AGM is accompanied by a full explanation of the effects of any proposed resolution. Shareholders are encouraged to participate in the proceedings and question and answer session.

The Non-Independent Non-Executive Chairman and the Board Members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders.

## 4. SUSTAINABILITY POLICY

The combination of economic, environmental and social issues in the way we plan, execute and monitor our business is critical to the growth and success of the Group. Our efforts over the last few years define the way we manage sustainability. We have set the structure from which to outline our plan and continuously improve, both in performance and evolution of our overall approach to sustainability.

We will grow and protect our stakeholders' value by incorporating sustainability into our core business strategy, risk management and operational performance. Sustainability helps us to conduct business responsibly and provides a platform for innovation, operational efficiency and management of emerging sustainability risks.

The Group's Sustainability Policy can be found at the Company's website at www.borneoaqua.com.my.

## 5. ACCOUNTABILITY AND AUDIT

### 5.1 Financial Reporting

The Board has taken reasonable steps to provide a balanced and comprehensive assessment of the Group's financial performance and prospects, primarily through the annual report, quarterly financial results and research reports (if any). The Board has adopted suitable accounting policies in the preparation of the financial statements and applied them consistently as well as making judgments that are prudent and reasonable.

The quarterly and annual financial statements, as well as the Chairman's Statement in the Annual Report, are reviewed by the Audit Committee and subsequently approved by the Board, before release for announcement to Bursa Malaysia Securities Berhad.

## 5. ACCOUNTABILITY AND AUDIT (cont'd)

### 5.2 Internal Control

The Board has the responsibility for maintaining a sound system of internal controls which provides reasonable assessments of effective and efficient operations, internal controls and compliance with laws and regulations as well as risk management to safeguard shareholders' investments and the Group's assets. The Board also recognizes that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

The Statement on Risk Management and Internal Control which is prepared by the Board, is on Pages 32 to 35 of this Annual Report.

### 5.3 Relationships with the Auditors

The Company has always maintained a transparent and formal relationship with its auditors, both internal and external, in seeking professional advice and ensuring compliance with reporting standards in Malaysia. The Audit Committee has a direct communication channel with the internal and external auditors. During the financial year, the Audit Committee had a meeting with the external auditors without the presence of the Executive Directors and management.

The roles of the Audit Committee in relation to the external and internal auditors are set out in the Audit Committee Report on Pages 29 to 31 of this Annual Report.

### 5.4 Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards to give a true and fair view of the financial position of the Group and of the Company at the end of the financial year, and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:
- ensured that selected appropriate accounting policies are being applied consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed;
- ensured that the provisions of the Companies Act, 2016 and the ACE Market Listing Requirements have been applied; and
- prepared the financial statements on a going-concern basis as the Directors have reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in existence for the foreseeable future.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## 6. CORPORATE SOCIAL RESPONSIBILITY

The Board believes the improvement in the conditions surrounding our stakeholders, employees, society and the environment is equally vital to the growth of the Group as with financial achievements. The Board also realizes that acting in a responsible and sustainable manner creates new opportunities, enhances investors' value, and improves social and environmental returns.

The Group has therefore established a Corporate Social Responsibility ("CSR") Policy which can be found at the Company's website at www.borneoaqua.com.my.

# Audit Committee Report

The Audit Committee ("AC") was established to assist the Board of Directors ("Board") in fulfilling its oversight responsibilities, specifically in the areas of corporate governance, risk management, internal control and financial reporting practices of the Group. This Audit Committee Report provides insights on how the AC discharged its functions during the financial year ended ("FYE") 31 March 2017.

**Composition and Attendance**

The AC comprises of three members. All the Committee members are Independent Non-Executive Directors ("NEDs"), in line with Bursa Malaysia Securities Berhad's ACE Market Listing Requirements ("ACE LR") rule 15.09 (1)(a) and (b). The AC's composition and the respective members' meetings attendance are listed below:

| Audit Committee | Director's Name | Status of Directorship | Meetings Attended |
|---|---|---|---|
| Chairman | Sim Kay Wah | Independent and Non-Executive | 4/4 |
| Member | YB Mejar (K) Datuk Samsudin Bin Yahya | Senior Independent and Non-Executive | 3/4 |
| Member | Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman** | Independent and Non-Executive | 4/4 |

The AC Chairman, Mr. Sim Kay Wah is a member of CPA Australia and the Malaysian Institute of Accountants. Accordingly, The Group is also in compliance with paragraph 15.09 (1)(c) of the ACE LR.

The term of office of the AC members are reviewed annually by the Nominating Committee ("NC") through a performance evaluation process, whereby each member's contribution as well as their independence are scrutinized and assessed. The NC will thereafter make the appropriate recommendations to the Board to retain or otherwise, the services of each AC member.

**Meetings**

During the financial year, the AC held four meetings. The AC meetings were conducted in accordance with the requisite quorum as stipulated in the AC's Terms of Reference. By invitation, EDs, including the Chief Executive Officer/Managing Director himself, and other senior management were requested to present the quarterly report and to assist in direct communications, as well as to provide clarification on audit issues and the Group's operations. The External Auditors and the outsourced Internal Auditors were also invited to present their respective cases to the AC and briefed the AC on specific issues arising from their respective audit findings. As part of the AC's duties, the AC reviews any Related Party Transactions on a quarterly basis to determine whether rules 10.08 and 10.09 of the ACE LR have been complied with.

Minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and subsequently presented to the Board for attention. During the financial year, the AC Chairman presented to the Board the AC's recommendations to approve the annual and quarterly financial results and statements. The AC Chairman also brought to the Board's attention matters of significant concern as and when raised by the External Auditors and/or outsourced Internal Auditors.

**Summary of Works**

The followings activities were undertaken by the AC during the financial year:

1. **Financial Reporting**

   The AC carried out review on the Group's financial results and statements for the fourth quarter of 2016 during its meeting on the 25 May 2016. The Group's annual audited financial statements and annual report for FYE 31 March 2016 were subsequently approved by the Board on 22 July 2016.

**Summary of Works (cont'd)**

**1. Financial Reporting (cont'd)**

The Group's current financial year's first, second and third quarterly financial results and statements were reviewed by the AC at the AC meetings held on 25 August 2016, 25 November 2016 and 24 February 2017 respectively. These statements were unaudited and have been prepared in accordance with the requirements of the Financial Reporting Standard 134 – *Interim Financial Reporting*; and paragraph 9.22 (including Appendix 9B) of Bursa Malaysia Securities Berhad's ACE LR.

On 25 May 2017, the AC reviewed the quarterly financial results and statements for the fourth quarter of 2017. The AC's recommendations were presented for approval at the subsequent Board meeting.

**2. External Audit**

a. On 25 May 2016, the lead audit engagement partner of the External Auditors, Mr. Chau Man Kit attended the AC meeting and confirmed their independence on the audit of the Group was in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws.

   The AC also in the same meeting evaluated the External Auditors' performance and assessed their suitability and independence. The AC also reviewed the non-audit services rendered by the External Auditors during the course of FYE 31 March 2016, and noted that the provision of such non-audit services were within the Group's "Policy on the Provision of Non-Audit Services by External Auditors". The AC was satisfied that the External Auditors have the necessary technical competence and they have also demonstrated their audit independence adequately. The AC then recommended to the Board for approval the reappointment of Messrs. PKF as External Auditors for FYE 31 March 2017.

b. The AC emphasized to the Management to maintain an active engagement with the External Auditors to ensure a smooth and efficient statutory audit. The Management was also asked to liaise closely with the External Auditors to ensure full compliance with MFRS 141 when the Standard comes into effectiveness for the financial year ending 31 March 2019 and onwards. In its effort to comply with MFRS 141, the AC has reviewed Proposal submitted by a reputable external Advisory Services company, as is recommended by the Management, to undertake a comprehensive study of the Group's biological assets in order to identify and implement a suitable methodoogy for these assets' fair valuation as prescribed by MFRS 141. The AC has accordingly made the same recommendation, with minor amendments to the said Proposal, to the Board for approval.

c. On 24 February 2017, the AC reviewed the External Auditors' FYE 31 March 2017 Audit Planning Memorandum, outlining their scope of work, timeline and their proposed fees for the statutory audit. The External Auditors also highlighted to the AC the revised auditors' reporting standard requiring auditors to report on matters that had transpired during their audit, as Key Audit Matter ("KAM") and measures undertaken to address the KAM. The External Auditors confirmed that the new auditors' reporting standard will be effective from financial year ending 31 March 2017 and onwards.

d. On 25 May 2017, the AC reviewed the list of services comprising of audit services and non-audit services that have been or may be provided by the External Auditors. The non-audit services that were utilized or are expected to be utilized for FYE 31 March 2017 were tax compliance services annual review of the Statement on Risk Management and Internal Control and the review of Proforma Consolidated Statement of Financial Position pertaining to the proposed of acquisition of Wullersdorf Resources Sdn Bhd ("the Assignment"). The non-audit service fees incurred or to be incurred for FYE 31 March 2017 approximated RM82.400, representing approximately 59.17% of the total fees paid or payable to the External Auditors, and is also more than of total current year audit fees. AC has approved the engagement after the review of the Assignment and has ensured such Assignment is an acceptable non-audit service in compliance with the Group's "Policy on the Provision of Non-Audit Services by External Auditors" which was not likely to neither create any conflict of interest nor impair the independence and objectivity of the External Auditors.

**Summary of Works (cont'd)**

**2. External Audit (cont'd)**

e. Having satisfied that there was no conflict of interest situation and that the independence and objectivity of the External Auditors are preserved, the AC recommended to the Board at its meeting held on the 24 May 2017, of which the Board approved, subject to the shareholders' approval to be sought at the forthcoming *13th Annual General Meeting on the appointment of Messrs*. PKF as External Auditors of the Company for financial year ending 31 March 2018.

**3. Internal Audit**

The Group outsourced its internal audit function to an independent professional firm. The roles and responsibilities of the outsourced Internal Auditors is to provide the AC with independent and objective assurances on the adequacy and effectiveness of the system of internal control and recommending ways to rectify shortfalls (if any) in order to improve the existing control environment in relation to the Group's operations.

a. During FYE 31 March 2017, the AC reviewed the Internal Audit Reports submitted by the outsourced Internal Auditors, including their findings, recommendations, Management's responses, and actions taken on those recommendations. Where appropriate, the AC has directed the Management to rectify and further improve control procedures and workflow processes based on the outsourced Internal Auditors' findings and recommendations.

b. The total fee paid to the outsourced Internal Auditors during FYE 31 March 2017 amounted to RM10,000.

**4. Risk Management & Internal Control**

a. With the assistance of a professional firm, the Group developed and implemented its risk management framework, including the development of a Risks Register and the associated risks mapping.

b. During FYE 31 March 2017, the AC reviewed the risk map associated with medium to high impact potential risks to the Group. The AC also reviewed the adequacy and effectiveness of the policies and procedures and system of internal controls to monitor and manage risks in specific areas, based on the outsourced Internal Auditors' reports on specific business functions within the Group.

c. The AC also reviewed the *Statement on Risk Management and Internal Control* for inclusion in this Annual Report.

**5. Related Party Transactions**

The AC reviewed on a quarterly basis any Related Party Transactions ("RPT") entered into by the Group to ensure that:

a. The RPTs had been conducted on the Group's normal commercial terms and were not detrimental to the Group's minority shareholders; and
b. Any disclosures (if any) that is required to be made are made in accordance with the ACE LR.

**6. Others**

a. On 25 May 2017, the AC reviewed and verified the allocation of options to eligible employees to ensure that it is in compliance with the By-Laws of the Employees Share Options Scheme approved by the shareholders of the Company on 3 January 2014.

This Report has been reviewed by the AC and approved by the Board for inclusion in this Annual Report.

# Statement on Risk Management and Internal Control

The Board of Directors ("Board") recognises the importance of having a sound risk management and internal control system in order to safeguard shareholders' interests and the Group's assets. This Statement outlines the nature and scope of the Group's risk management and internal control during the financial year ended ("FYE") 31 March 2017, in compliance with Bursa Malaysia Securities Berhad's ACE Market Listing Requirements ("ACE LR") and the principles and best practices stipulated in the Malaysian Code on Corporate Governance 2012.

## BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for the Group's system of risk management and internal control, and is assisted by the Audit Committee ("AC") and the Risk Management Committee ("RMC") to establish a sound risk management framework and an effective internal control system to ensure that key risk areas are managed adequately in order to achieve the Group's business objectives. The RMC is responsible for the oversight on risk management matters relating to the activities of the Group, including any consideration for review of the risk management policies and procedures. The Group's Risk Management Framework ("RMF") is designed to promote a systematic and continuous process of identifying, analyzing, evaluating, treating, monitoring and reviewing risks and controls to an acceptable risk appetite in the Group's daily operations and, as and when there are changes to the business environment or regulatory requirements.

The Board recognizes that this system of risk management and internal control can only provide a reasonable, but not absolute assurance against material misstatement or loss. In view of the limitations inherent in such systems, the design of the RMF is to support mitigation, rather than elimination of risks and to provide reasonable assurances covering both financial and operational risks areas, within a risk tolerance level acceptable by the Board and the Management.

During FYE 31 March 2017, Audit issues and actions taken by the Management to address the issues were tabled by the outsourced Internal Auditors to and deliberated by the AC during the AC meetings. Minutes of the AC meetings which recorded such deliberations were presented to the Board.

Internal control and risk-related matters which warrants the attention of the Board will be recommended by the AC and/or RMC to the Board for its deliberation and approval. Matters or decisions made within the AC's and/or the RMC's purview were escalated to the Board for its notation. During FYE 31 March 2017, there was no matter or decision of an internal control or risk-related nature that requires the Board's deliberation, approval or notation.

## KEY INTERNAL CONTROL PROCESSES

An effective check and balance control environment within the Group is fundamental for ensuring a sound system of internal control. The following sets out the Group's key internal control processes established for maintaining strong corporate governance:

### 1. Authorities and Responsibilities

The Board delegates certain responsibilities to the Board's Committees with the Terms of Reference of each Committee adequately and clearly defined. An organizational structure that is aligned to the Group's business and operational requirements has been established, where key Management personnel are delegated with the responsibility to manage risks of their respective areas of responsibilities.

### 2. Audit Committee

The AC assists the Board in fulfilling its responsibilities with respect to oversight, focusing on the integrity of the Group's financial reporting process, management of governance, risk, system of internal control, external and internal audit processes as well as compliance with legal and regulatory matters. Quarterly and annual financial results are reviewed by the AC prior to being recommended to the Board for approval. The functions that the AC undertook during FYE 31 March 2017 are set out in the AC Report on pages 29 to 31.

## KEY INTERNAL CONTROL PROCESSES (cont'd)

### 3. Corporate Secretarial

The Group has both outsourced and in-house Company Secretaries that work hand-in-hand in assisting and advising the Board and Management on matters relating to the Company's Memorandum and Articles of Association, as well as facilitating compliance with the ACE LR and other relevant companies' legislations. All Company Secretaries are qualified under Section 235 of Companies Act 2016. The Company Secretaries supports in the execution of corporate proposals and acts as the Secretaries to the Board's Committees. The Company Secretaries record proceedings at these Committee meetings and the minutes are subsequently escalated to the Board for notation and/or further action.

### 4. Procurement

The Board has established a Tender Committee to review contracts, tenders or other means of procurement in excess of a fixed contracting value threshold. The Tender Committee is responsible to provide governance, guidance and direction on the acquisition strategies and is assisted by the Accounts & Finance Department in the administration of the tender process. Decisions made by the Tender Committee shall be tabled to the Board for notation and/or endorsement.

### 5. Audit

Statutory audit engagement is carried out based on the annual audit planning memorandum that is developed taking into consideration several key factors after which key areas are identified for the audit scope. For any significant gaps identified in governance, risk management and control during the engagement, the External Auditors will provide recommendations to the Management through their Management Letter to improve the design and/or effectiveness where applicable.

The Board has engaged an independent professional accounting firm to carry out the internal audit function of the Group. The internal audits were carried out based on an approved Internal Audit Plan that was reviewed by the AC and approved by the Board. During FYE 31 March 2017, internal audit reports were submitted to the AC and the costs incurred to carry out such internal audit function were RM10,000.

### 6. Risks Management

a. The Group has in place an established RMF for managing risks affecting its business and operations. Within the framework, there are an established process for the identifying, analyzing, evaluating, treating, monitoring as well as continual review of risks and the effectiveness of the Group's risk mitigation strategies and controls at the departmental and corporate levels. A Risks Register has been developed with the corresponding Risks Mapping reflecting the Group's risk tolerance boundaries demarcating those risks that are deemed of medium to high impact and those that are not.

   The Management has been entrusted to continuously monitor the principal risks of the Group that have been identified, evaluate existing controls and formulate necessary action plans with the respective process owners. The management had yet to complete the formulation of action plans for areas where risk impact are deemed medium to high due to the recent undertaking of the mining operations via the acquisition of subsidiary, namely, Wullersdorf Resources Sdn. Bhd. during the financial year. The review of the risk management and internal control system of the Group so as to determine its accuracy and effectiveness, and to recommend and assist in the implementation of any required improvement to the Group's risk management and internal control system has been deferred till the completion of the formulation of the actions plans as mentioned above.

**KEY INTERNAL CONTROL PROCESSES (cont'd)**

**6. Risks Management (cont'd)**

b. The management of some significant risks during FYE 31 March 2017 are outlined below:

**i. Sales & Marketing Risk**

The Board and the Management is aware that the Group's business operation is over-dependence on key customers and also over-reliance on a single market. As such, it is the Group's continuous effort over the years to source for new customers and open up new markets. Nevertheless, the Management is mindful that recruiting new customers will entails "getting-to-know-your-customer" well, before extending significant credit terms to these new customers, thereby managing the Group's credit risk.

**ii. Product Risk**

The Group's products comprise of live or frozen fishes meant for human consumption. The food safety standards of such products are of utmost importance to the Group. As such, on an annual basis, the Group will send samples of its fishes for "Marine Finfish" laboratory testing to ascertain that the products' heavy metal content and microbiological tests are within acceptable guidelines.

**iii. Infrastructure Management Risk**

Having a well and consistently maintained infrastructure is an important aspect of the livestock rearing industry. Any breakdown of such key infrastructural items may result in fatalities of the livestock under cultivation. Accordingly, the Group has established SOPs to conduct monthly maintenance check on key infrastructural items such as electricity supply, pond cleaning, refrigeration, generator sets, water pumps and so on, to ensure that any identifiable weaknesses are immediately addressed to avoid later complications.

**iv. Fish Feed Management Risk**

The quality of the fish feed that is being fed to the Group's fishes is extremely delicate and important in order to ensure that the fishes get the most desirable nutrients during their growth process while at the same time, minimizing wastages. The Group has established a standard incoming fish feed inspection and acceptance process and procedures, as well as a control mechanism to dispatch fish feed for feeding purposes.

**v. Risk of default on Government Grant**

The Group had on 5 September 2012, entered into an agreement with the Malaysian Government through the Ministry of Agriculture & Agro-based Industry Malaysia, to receive a government grant totaling RM24,846,000 ("said Grant"), for the construction of hatchery and nursery centers at the Group's operating sites in Sandakan and Lahad Datu, Sabah. To-date, RM8,756,300 has already been received by the Group under that said Grant.

The remaining RM16,089,700 of the said Grant for Paulau Silam 2 project was not claimed by the Group as the Group was not in a position to complete the construction of the hatchery and nursery centers at Pulau Silam, Lahad Datu as per agreed schedule due to force majeure events relating to the multiple kidnapping incidences off the coast of Eastern Sabah.

The Management has taken the necessary actions of renegotiating with the Malaysian Government to revise the agreement which among others, involves the reduction of the said Grant amount and establishing a new set of Key Performance Indicators ("KPIs"), of which the Group is able to achieve in view of the reduced investment as well as the continuous volatile maritime condition off the coast of Eastern Sabah.

**c. Insurance**

The Group has insurance coverage and physical safeguards on major assets to ensure that the Group's assets are covered against any mishap that could result in material loss. The Management will as and when necessary review the adequacy of the coverage to ensure that the replacement value will at least be at par or higher than the net book value of the assets so covered.

### 7. ISO Standards and HACCP Certification

The Group regularly reviews, improves on and continuously manage and control the quality requirement of the Group's whole production process and distribution of Grouper species, in compliance with the ISO 9001:2008 Standards under the United Kingdom Accreditation Service ("UKAS") Management Systems and the quality standards of Malaysia. The ISO 9001:2008 Standards specifies requirements for a quality management system where an organization:

- needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements; and
- aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

The Group is also in compliance with the Hazard Analysis Critical Control Point ("HACCP") Codex Alimentarius certification, an international certification on Food Safety Management System in accordance with the specification under the German Accreditation body Deutsche Akkreditierungsstelle ("DAkkS").

In order to achieve the above compliances, a series of risk management and internal control measures are required and have been put in place by the Group to satisfy the stringent requirements laid down in both the ISO Standards and the HACCP Certification.

## REVIEW OF THIS STATEMENT

In compliance with paragraph 15.23 of ACE LR, the External Auditors have reviewed this Statement for inclusion in the 2017 Annual Report, and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes the Board has adopted in the review of the adequacy and integrity of the internal controls within the Group, nor is the Statement factually inaccurate.

## CONCLUSION

The Chief Executive Officer / Managing Director and the Finance Manager are responsible for ensuring that the Group's risk management and internal control measures are systematically assessed and continuously upgraded to cater for changing business and operational environment. The Board has obtained assurance from the Chief Executive Officer/Managing Director and the Finance Manager that the Group's risks management and internal control systems are operating adequately and effectively, in all material aspects, based on the RMF adopted by the Group. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's internal control measures that would require a separate disclosure in this Annual Report.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board dated 26 July 2017.

# Additional Compliance Information

**1. Share Buy-back**

The Company did not carry out any share buy-back for the financial year under review.

**2. Options, Warrants or Convertible Securities**

2.1 The movement of ESOS Options during the financial ended 31 March 2017 as follows:

| | | Number of options over ordinary shares of RM0.10 each | | | | |
|---|---|---|---|---|---|---|
| **Date of offer** | **Exercise price** | **At 1.4.2016** | **Granted** | **Exercised** | **Forfeited** | **At 31.3.2017** |
| 15.01.2013 | RM0.70 | 55,226,685 | - | (17,493,500) | (2,742,145) | 34,991,040 |
| 17.08.2013 | RM1.22 | 1,500,000 | - | - | - | 1,500,000 |
| 11.05.2015 | RM0.80 | 1,307,150 | - | - | (1,207,150) | 100,000 |
| 25.08.2016 | RM1.00 | - | 3,569,295 | | (3,469,295) | 100,000 |
| 11.03.2017 | RM0.75 | | 3,849,295 | | | 3,849,295 |
| | | 58,033,835 | 7,418,590 | (17,493,500) | (7,418,590) | 40,540,335 |

Further details of the options granted to directors and senior management during the financial year ended 31 March 2017 and since commencement of the ESOS are as follow:

| | **Aggregate maximum allocation in percentage to Directors and Senior Management** | **Actual percentage granted to Directors & Senior Management** |
|---|---|---|
| Since commencement of the ESOS and during the financial year ended 31 March 2017 | 85% of ordinary shares of RM0.10 each available under the ESOS | 69% of ordinary shares of RM0.10 each available under the ESOS |

Further breakdown of the options granted to Executive Director and Non-Executive Directors since the commencement of the ESOS and during the financial year ended 31 March 2017 are as follow:

| | Number of options over ordinary shares of RM0.10 each | | |
|---|---|---|---|
| | **Since Commencement** | **Exercised as at the Financial Year Ended 31 March 2017** | **Balance** |
| Dato' Sri Dr. Md Kamal Bin Bilal | 2,500,000 | (896,610) | 1,603,390 |
| Datuk Lo Fui Ming | 10,500,000 | (8,400,000) | 2,100,000 |
| Lo Teck Yong | 10,500,000 | (3,293,000) | 7,207,000 |
| Chong Khing Chung (Resigned on 1 May 2017) | 8,000,000 | (6,300,000) | 1,700,000 |
| Akinori Hotani | 10,500,000 | (8,645,000) | 1,855,000 |
| YB Mejar (K) Datuk Samsudin Bin Yahya | 1,500,000 | (163,550) | 1,336,450 |

**2. Options, Warrants or Convertible Securities (cont'd)**

2.2 Proposed Free Warrants

Proposed issue of up to 325,670,213 free warrants in Bahvest ("Warrants") on the basic of 1 warrant for every 2 existing ordinary shares in Bahvest held by the shareholders of Bahvest on an entitlement date to be determined and announced later ("Proposed free warrants issue") Bursa Securities had vide its letter dated 7 July 2017 approved the following:

(a) admission to the Official List and initial listing of up to 325,670,213 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and

(b) additional listing of up to 325,670,213 new Borneo Aqua Shares arising from the exercise of the Warrants,

**3. Utilisation of Proceeds**

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.

Borneo Aqua 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 Shares. On 29 March 2017, a total of 46,869,600 Placement shares were issued and placed to identified investors pursuant to Proposed Private Placement.

The status of utilisation proceeds from the abovementioned Private Placement as at 31 March 2017 are as follows:

| **Amount (RM'000)** | **Proceeds Raised** | **Amount Utilised** | **Amounts Unutilised** |
|---|---|---|---|
| Capital Expenditure | 34,550 | - | 34,550 |
| Working Capital | 590 | - | 590 |
| Estimated Expenses | 950 | 271 | 679 |
| | 36,090 | 271 | 35,819 |

**4. Depository Receipt Programme**

The Company did not sponsor any depository receipt programme during the financial year.

**5. Imposition of Sanctions and/or Penalties**

Borneo Aqua was publicly reprimanded for breaching Rule 15.27(1) and Rules 2.18(1)(a) and (c) of the ACE Market Listing Requirement during the financial year ended 31 March 2015.

**6. Audit and Non-audit Fees**

The audit and non-audit fee paid or payable to the External Auditors, PKF Malaysia, C Ho & Co. and Lo and Kwong C.P.A. Company Limited for the financial year ended 31 March 2017 as follows:

| **Company** | **Audit Fees (RM)** | **Non-Audit Fees (RM)** |
|---|---|---|
| Borneo Aqua Harvest Berhad ("BAHB") | 65,000 | 64,300 |
| BAHB's Subsidiaries | 74,249 | 18,100 |
| Total | 139,249 | 82,400 |

**7. Profit Forecast**

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

**8. Profit Guarantee**

The Company did not issue any profit guarantee during the financial year.

**9. Recurrent Related Party Transactions of Revenue or Trading Nature**

There are no others recurrent related party transactions of a revenue or trading nature which had been entered by the Group during the financial year ended 31 March 2017, except for transactions disclosed in the financial statements on pages 102 to 106 of this Annual Report.

**10. Contract Relating to Loan by the Company**

There was no contract relating to loan by the Company.

**11. Revaluation Policy**

The Company did not have a revaluation policy on landed properties.

**12. Material Contract**

There was no other material contract entered into by the Company and / or its subsidiary companies which involves Directors' interest during the financial year ended 31 March 2017.

**13. Corporate Social Responsibility**

Borneo Aqua is certified by SPLAM, a voluntary scheme managed by the Department of Fisheries, Malaysia with the purpose of promoting responsible and eco-friendly aquaculture practices. The aim of this scheme is to ensure safety and quality in aquaculture production. Important elements incorporated in the scheme are ISO 9002, SSOP (Standard Sanitary and Operating Procedures), product standards and specifications. The scheme also complies with the Aquaculture's Code of Practice (COP) and Good Agriculture Practices (GAqP) and other terms and conditions as determined by the Malaysian Department of Fisheries.

The Group has continuously extended hands-on training opportunities for under graduates from polytechnic Sandakan and various universities in Malaysia to undergo industrial training at our hatchery, nursery and rearing centres. The Group may consider providing permanent position to those fresh graduates if job vacancies are available.

# Financial Statements

# Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

**Principal activities**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year ended 31 March 2017.

| **Results** | **Group RM** | **Company RM** |
|---|---|---|
| Total comprehensive loss for the financial year | 3,809,468 | 523,940 |

**Reserves and provisions**

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

**Dividends**

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend any dividends for the current financial year ended 31 March 2017.

**Directors**

Directors who served since the date of the last report are:

Tan Sri Dato' Nik Hashim bin Nik Ab. Rahman
YB Mejar (K) Datuk Samsudin Bin Yahya
Dato' Sri Dr. Md Kamal Bin Bilal
Datuk Lo Fui Ming
Akinori Hotani
Chong Khing Chung (Resigned on 1 May 2017)
Lo Teck Yong
Mau Kam Wai
Sim Kay Wah

**Directors' interests in shares**

The holdings and deemed holdings in the ordinary shares and options over ordinary shares of the Company and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept under Section 59 of the Companies Act, 2016 are as follows:

| | **Number of ordinary shares of RM0.10 each** | | | |
|---|---|---|---|---|
| **Direct interest:** | **At 1.4.2016** | **Bought** | **Sold** | **At 31.3.2017** |
| YB Mejar (K) Datuk Samsudin Bin Yahya | 126,400 | 37,150 | - | 163,550 |
| Dato' Sri Dr. Md Kamal Bin Bilal | 2,958,550 | 118,060 | - | 3,076,610 |
| Datuk Lo Fui Ming | 49,640,302 | 50,651,848 | (5,856,000) | 94,436,150 |
| Akinori Hotani | 520,000 | 3,280,000 | (3,800,000) | - |
| Chong Khing Chung | 500,000 | 2,570,000 | (1,320,000) | 1,750,000 |
| Lo Teck Yong | 3,299,330 | 7,715,000 | (4,005,000) | 7,009,330 |

### Directors' interests in shares (cont'd)

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| **Indirect interest:** | **At 1.4.2016** | **Bought** | **Sold** | **At 31.3.2017** |
| Indirect interest of Datuk Lo Fui Ming in the Company by virtue of shareholding of his child | 270,000 | 200,000 | (400,000) | 70,000 |

| | Number of options over ordinary shares | | | |
|---|---|---|---|---|
| **Direct interest:** | **At 1.4.2016** | **Granted** | **Exercised** | **At 31.3.2017** |
| YB Mejar (K) Datuk Samsudin Bin Yahya | 1,373,600 | - | (37,150) | 1,336,450 |
| Dato' Sri Dr. Md Kamal Bin Bilal | 1,721,450 | - | (118,060) | 1,603,390 |
| Datuk Lo Fui Ming | 4,613,200 | - | (2,513,200) | 2,100,000 |
| Akinori Hotani | 5,135,000 | - | (3,280,000) | 1,855,000 |
| Chong Khing Chung | 4,270,000 | - | (2,570,000) | 1,700,000 |
| Lo Teck Yong | 7,922,000 | - | (715,000) | 7,207,000 |
| **Indirect interest:** | | | | |
| Indirect interest of Datuk Lo Fui Ming in the Company by virtue of his child | 5,800,000 | - | (200,000) | 5,600,000 |

The Directors above, by virtue of their interests in shares in the Company are also deemed interested in shares of the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in the ordinary shares and options over ordinary shares of the Company and its related corporations during the financial year.

### Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate apart from the issue of the Employees Share Options Scheme.

### Issues of shares and debentures

During the financial year, the Company issued:

(i) 17,493,500 new ordinary shares for cash arising from the exercise of employees' share options at an exercise price of RM0.70 per ordinary share for working capital purposes;

(ii) 102,127,660 new ordinary shares at an issue price of RM0.94 per ordinary share for the acquisition of 10,000 ordinary shares of RM1 each, representing the entire equity interest of Wullersdorf Resources Sdn. Bhd. for a total purchase consideration for RM96,000,000; and

### Issues of shares and debentures (cont'd)

(iii) 46,869,600 new ordinary shares at an issue price of RM0.77 per ordinary share through a private placement for growing its mining business by setting up the Mining Operation on a parcel of subleased land located at Bukit Mantri in the district of Tawau, Sabah and for additional working capital.

There were no other changes in the authorised and issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees Share Options Scheme ("ESOS").

The salient features of the ESOS scheme are, inter alia, as follows:

(i) Eligible Directors or employees of the Group are those who have fulfilled the following conditions:

- attained the age of Eighteen (18) years on the date of offer;
- employed for a continuous period of at least One (1) year (which shall include any probation period) by the Company and/or a subsidiary within the Group and his employment as an eligible participant must have been confirmed on the date of offer, unless he was transferred to a subsidiary within the Group, in which case he must have been employed for a continuous period of at least One (1) year in that subsidiary incorporated in Malaysia;
- if the employee or Director is employed by a company incorporated in Malaysia which is acquired, and becomes a subsidiary of the Company upon such acquisition during the duration of the ESOS, the employee or Director must have completed service for a continuous period of at least One (1) year in that subsidiary following the date that such company becomes or is deemed to be a subsidiary of the Group; and
- if the employee or Director, whether Malaysian citizen or non-Malaysian citizen, is serving the Company or a subsidiary within the Group on a full-time basis and whose contribution is vital to such companies and who on the date of offer is employed under a contract for service for a term of not less than Three (3) years (including any period of employment which the person has already served), the employee or Director is eligible to participate in the ESOS, subject to the provisions of the By-Laws provided always that employees of the subsidiaries of the Company, which are dormant, shall not be eligible to participate in the ESOS.

(ii) The selection of any eligible participants for participation in the ESOS and maximum number of shares under the ESOS exercisable by an option holder in a particular year shall be at the discretion of the ESOS committee and the decision of the ESOS committee shall be final and binding.

(iii) No eligible participant shall participate at any time in more than one ESOS implemented by any company within the Group.

(iv) Not more than 10% of the shares available under the ESOS shall be allocated to any individual eligible participant, who either singly or collectively through persons connected with him holds 20% or more of the issued and paid-up share capital of the Company.

(v) Not more than 85% of the new shares of the Company available under the ESOS shall be allocated in aggregate to the Directors and senior management of the Company and its subsidiaries, which are not dormant.

(vi) The aggregate number of shares to be issued under the ESOS shall not exceed 30% of the total issued and paid-up share capital of the Company at any point in time during the existence of the ESOS.

**Options granted over unissued shares (cont'd)**

(vii) The ESOS shall be valid for a duration of Five (5) years from the effective date (the date of full compliance with all relevant requirements of the Listing Requirements), and may if the Board of Directors deems fit, upon the recommendation of the ESOS Committee, be extended for a further Five (5) years, subject to an aggregate of Ten (10) years from the effective date of the implementation of the ESOS.

(viii) The price payable for the exercise of an option under the ESOS shall be determined by the ESOS committee at its discretion based on the Five (5)-day weighted average market price of the underlying shares immediately prior to the date of offer with a discount of not more than 10%, if deemed appropriate.

(ix) Any new shares to be allotted and issued upon exercise of the ESOS granted will, upon allotment, issuance and full payment, rank pari passu in all respects with the then existing issued and paid-up share capital of the Company except that the new shares so allotted and issued will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which precedes the date of issuance of such new shares.

(x) An eligible Director of the Group who is a non-executive Director must not sell, transfer or assign any new shares obtained through the exercise of the ESOS options granted to him pursuant to the ESOS within One (1) year from the date of grant of such ESOS options.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

| | | Number of options over ordinary shares | | | | |
|---|---|---|---|---|---|---|
| **Date of offer** | **Exercise price** | **At 1.4.2016** | **Granted** | **Exercised** | **Forfeited** | **At 31.3.2017** |
| 15 January 2013 | RM0.70 | 55,226,685 | - | (17,493,500) | (2,742,145) | 34,991,040 |
| 17 August 2013 | RM1.22 | 1,500,000 | - | - | - | 1,500,000 |
| 3 May 2015 | RM0.80 | 1,307,150 | - | - | (1,207,150) | 100,000 |
| 25 August 2016 | RM1.00 | - | 3,569,295 | - | (3,469,295) | 100,000 |
| 11 March 2017 | RM0.75 | - | 3,849,295 | - | - | 3,849,295 |
| | | 58,033,835 | 7,418,590 | (17,493,500) | (7,418,590) | 40,540,335 |

The names of persons to whom options have been granted during the financial year and details of their holdings as required under Section 129(2) of the Companies Act, 2016 are as follows:

| | | | | Number of options over ordinary shares | | | |
|---|---|---|---|---|---|---|---|
| **Name** | **Grant date** | **Expiry date** | **Exercise price** | **At 1.4.2016** | **Granted** | **Withdrawn Exercised** | **At 31.3.2017** |
| Yong Chee Wai | 25 August 2016 | 14 January 2018 | RM1.00 | - | 100,000 | - | 100,000 |
| Chiu Kian Kheng | 25 August 2016 | 14 January 2018 | RM1.00 | - | 3,469,295 | (3,469,295) | - |
| Hiew Vun Pui | 11 March 2017 | 14 January 2018 | RM0.75 | - | 2,800,000 | - | 2,800,000 |
| Ku Yin Zon | 11 March 2017 | 14 January 2018 | RM0.75 | - | 1,049,295 | - | 1,049,295 |

Details on options granted to Directors are disclosed in the section on Directors' interests in shares in this report.

**Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(ii) all current assets have been stated at the lower of cost and net realisable value.

# Directors' Report (cont'd)

**Other statutory information (cont'd)**

At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in the financial statements; or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 March 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

**Auditors**

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**DATUK LO FUI MING**
Director

**LO TECK YONG**
Director

Sandakan

Dated 26 July 2017

# Statement By Directors
## Pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the accompanying financial statements set out on pages 50 to 119 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 38 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**DATUK LO FUI MING**
Director

**LO TECK YONG**
Director

Sandakan

Dated 26 July 2017

# Statutory Declaration
## Pursuant to Section 251(1) of the Companies Act, 2016

I, CHONG TZU KHEN, being the Officer primarily responsible for the financial management of BORNEO AQUA HARVEST BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 50 to 119 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed CHONG TZU KHEN )
at Sandakan )
in the state of Sabah on 26 July 2017 )

**CHONG TZU KHEN**

Before me,

**HAMZAH HJ. ABDULLAH** (S-088)
Commissioner for Oaths
Lot 7, Blok 24,
Tingkat Bawah, Lebuh Dua,
90009 Sandakan, Sabah.

# Report of the Independent Auditors
## to the Members of Borneo Aqua Harvest Berhad

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of BORNEO AQUA HARVEST BERHAD, which comprise the Statements of Financial Position as at 31 March 2017 of the Group and of the Company, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 119.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards, and the requirements of the Companies Act, 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Area of focus | How our audit addressed the key audit matter |
|---|---|
| **Livestock valuation** | |
| As highlighted in Note 16, current biological assets which comprise fishery livestocks and fish fry amounts to RM96,416,848 which represents 31% of the Group's total assets.<br><br>The valuation of these biological assets follows FRS 204, which measures income on a project basis by matching cost and revenue of each individual project or batch of production cycle, for which losses of failed units are a cost of those that are successful.<br><br>The main setback of applying FRS 204 is that costs of the failed units are carried as assets although they are not represented by any or sufficient stocks, and hence there is an increased risk that the net realisable value of these biological assets may be lower than cost. | We observed the physical sighting of the biological assets at the year end and performed test of controls over the recording of inputs, sales and fatalities during the year.<br><br>On a sample basis, we tested the sales recording and ascertained that the recording of the sea cages from which it is taken is accurate to reduce the risk of earnings management.<br><br>We also reviewed the appropriateness of the Group's net present value assumptions and performed a recalculation of the net present value.<br><br>We tested on a sample basis the actual costs incurred and reviewed the reasonableness of the allocation of these costs to the individual sea cages. |

**Key Audit Matters (cont'd)**

| Area of focus | How our audit addressed the key audit matter |
|---|---|
| **Livestock valuation (cont'd)** | |
| There is also an increased risk of earnings management whereby sales are made or recorded only from those cages/production cycles with low fatalities and therefore postpone the loss recognition to future periods.<br><br>Additionally, while a physical sighting exercise is performed monthly, this is limited to the sighting of the sea cages and ensuring there are livestocks in these sea cages. It is not possible to perform an actual count of the livestocks within the sea cages as the only way to successfully perform this is to individually transfer the livestocks from one cage to another, the act of which increases the fatalities and therefore is not performed. Instead the quantities is estimated by management by the control over the inputs, fatalities and average weights based on the physical observation during the count. | |
| **Trade receivables recoverability** | |
| As highlighted in Note 19, trade receivables past due for more than 90 days amounts to RM19,115,371, including RM3,632,386 which has been outstanding for over One (1) year at the year-end date.<br><br>These past due trade receivables relate mainly to the Group's Four (4) largest customers operating from Hong Kong and which represents 91% of total trade receivables as highlighted in Note 19.<br><br>Notwithstanding the extended credit period granted to these customers of up to 270 days, the continued high level of long outstanding receivables indicates an increased degree of uncertainty as to whether the debts may be collectible in full and may cast doubt on the Group's policies and procedures for effective debt collection. If any one of these customers decides to abscond or becomes bankrupt, it will result in pervasive impact on the losses to the Group. | For these Four (4) largest customers of the Group, we have performed the following:<br><br>(i) Ascertained that throughout the financial year under review, there have been regular payments made by these customers;<br><br>(ii) Checked subsequent receipts from these customers;<br><br>(iii) Assessed the basis on how the impairment amount is derived; and<br><br>(iv) Obtained positive confirmation directly from these customers. |

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(i) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(v) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 266(3) of the Act.

### Other Reporting Responsibilities

The supplementary information set out in Note 38 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PKF
AF 0911
CHARTERED ACCOUNTANTS

CHAU MAN KIT
2525/03/18(J/PH)
CHARTERED ACCOUNTANT

Kota Kinabalu

Dated 26 July 2017

# Statements of Profit or Loss and Other Comprehensive Income
## for the Financial Year Ended 31 March 2017

| | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| Revenue | 4 | 31,091,339 | 18,298,856 | - | - |
| Cost of sales | | (21,275,862) | (10,834,132) | - | - |
| **Gross profit** | | 9,815,477 | 7,464,724 | - | - |
| Interest income | 5 | 9,131 | 49,823 | 8,095 | - |
| Other operating income | 6 | 3,270,524 | 1,701,216 | 4 | 3 |
| Selling and distribution expenses | | (7,833,406) | (5,669,050) | - | - |
| Administrative expenses | | (9,029,792) | (6,556,541) | (3,407,660) | (1,608,276) |
| Fair value adjustment in amount due from subsidiary company | | - | - | 2,877,564 | 2,683,086 |
| Finance costs | 7 | (1,017,944) | (1,014,885) | - | - |
| **(Loss)/Profit before taxation** | 8 | (4,786,010) | (4,024,713) | (521,997) | 1,074,813 |
| Income tax expense | 11 | 977,912 | 682,595 | (1,943) | - |
| **(Loss)/Profit for the financial year** | | (3,808,098) | (3,342,118) | (523,940) | 1,074,813 |
| **Other comprehensive loss** | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of foreign operation | | (1,370) | (22) | - | - |
| **Other comprehensive loss for the financial year, net of tax** | | (1,370) | (22) | - | - |
| **Total comprehensive loss for the financial year** | | (3,809,468) | (3,342,140) | (523,940) | 1,074,813 |
| **(Loss)/Profit attributable to owners of the Company** | | (3,808,098) | (3,342,118) | (523,940) | 1,074,813 |
| **Total comprehensive (loss)/income attributable to owners of the Company** | | (3,809,468) | (3,342,140) | (523,940) | 1,074,813 |
| **Loss per share attributable to owners of the Company (sen per share)** | | | | | |
| Basic | 12 | (0.83) | (0.78) | | |

*The accompanying accounting policies and explanatory notes form an intergral part of the financial statements.*

# Statements of Financial Position
## as at 31 March 2017

| ASSETS | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 39,390,096 | 45,955,388 | 2,685 | 1,946 |
| Intangible assets | 14 | 96,133,664 | 32,176 | 95,990,000 | - |
| Investments in subsidiary companies | 15 | - | - | 63,603,170 | 62,916,547 |
| Biological assets | 16 | 1,864,557 | 4,168,991 | - | - |
| Amounts due from subsidiary companies | 17 | - | - | 42,577,573 | 39,700,009 |
| | | 137,388,316 | 50,156,555 | 202,173,428 | 102,618,502 |
| **Current assets** | | | | | |
| Biological assets | 16 | 96,416,848 | 83,881,044 | - | - |
| Inventories | 18 | 932,298 | 852,585 | - | - |
| Trade and non-trade receivables | 19 | 39,006,398 | 33,422,432 | 98,185 | 301,460 |
| Amounts due from subsidiary companies | 17 | - | - | 26,658,341 | 17,122,465 |
| Tax recoverable | | 147,582 | 65,228 | - | - |
| Cash and bank balances | 20 | 36,972,861 | 777,606 | 35,857,510 | 22,582 |
| | | 173,475,987 | 118,998,895 | 62,614,036 | 17,446,507 |
| **TOTAL ASSETS** | | 310,864,304 | 169,155,450 | 264,787,464 | 120,065,009 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital and premium | 21 | 274,188,832 | 127,088,708 | 274,188,832 | 127,088,708 |
| Other reserve | 22 | 10,717,934 | 13,048,118 | 10,814,857 | 13,143,671 |
| Retained profits/ (Accumulated losses) | 23 | 282,237 | 4,090,335 | (21,100,724) | (20,576,784) |
| **TOTAL EQUITY** | | 285,189,003 | 144,227,161 | 263,902,965 | 119,655,595 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 24 | 191,671 | 1,401,852 | - | - |
| Deferred income | 25 | 4,888,934 | 5,764,564 | - | - |
| Deferred tax liabilities | 26 | 2,038,118 | 3,011,460 | - | - |
| | | 7,118,723 | 10,177,876 | - | - |
| **Current liabilities** | | | | | |
| Loans and borrowings | 24 | 12,680,138 | 9,850,911 | - | - |
| Trade and non-trade payables | 27 | 5,876,440 | 4,899,502 | 883,786 | 409,414 |
| Taxation | | - | - | 713 | |
| | | 18,556,578 | 14,750,413 | 884,499 | 409,414 |
| **TOTAL LIABILITIES** | | 25,675,301 | 24,928,289 | 884,499 | 409,414 |
| **TOTAL EQUITY AND LIABILITIES** | | 310,864,304 | 169,155,450 | 264,787,464 | 120,065,009 |

*The accompanying accounting policies and explanatory notes form an intergral part of the financial statements.*

# Statements of Changes in Equity
## for the Financial Year Ended 31 March 2017

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | | Non-distributable | | | Distributable | |
| Group | Note | Share capital RM | Share premium RM | Other reserve RM | Retained profits RM | Total equity RM |
| At 1 April 2015 | | 41,890,510 | 72,877,695 | 13,671,707 | 7,432,453 | 135,872,365 |
| Loss for the financial year | | - | - | - | (3,342,118) | (3,342,118) |
| Other comprehensive loss | | - | - | (22) | - | (22) |
| Total comprehensive loss for the financial year | | - | - | (22) | (3,342,118) | (3,342,140) |
| Contributions by owners of the Company | | | | | | |
| - Share-based payment transactions | 22 | - | - | 2,554,190 | - | 2,554,190 |
| - Share options exercised | 21/22 | 1,306,107 | 11,014,396 | (3,177,757) | - | 9,142,746 |
| Total transactions with owners of the Company | | 1,306,107 | 11,014,396 | (623,567) | - | 11,696,936 |
| At 31 March 2016 | | 43,196,617 | 83,892,091 | 13,048,118 | 4,090,335 | 144,227,161 |
| Loss for the financial year | | - | - | - | (3,808,098) | (3,808,098) |
| Other comprehensive loss | | - | - | (1,370) | - | (1,370) |
| Total comprehensive loss for the financial year | | - | - | (1,370) | (3,808,098) | (3,809,468) |
| Contributions by owners of the Company | | | | | | |
| - Issued during the financial year | 21 | 10,212,766 | 85,787,234 | - | - | 96,000,000 |
| - Issued under Private Placement | 21 | 36,089,592 | - | - | - | 36,089,592 |
| - Share-based payment transactions | 22 | - | - | 689,481 | - | 689,481 |
| - Share issuance expenses | 21 | - | (253,213) | - | - | (253,213) |
| - Share options exercised | 21/22 | 4,802,060 | 10,461,685 | (3,018,295) | - | 12,245,450 |
| Total transactions with owners of the Company | | 51,104,418 | 95,995,706 | (2,328,814) | - | 144,771,310 |
| At 31 March 2017 | | 94,301,035 | 179,887,797 | 10,717,934 | 282,237 | 285,189,003 |

*The accompanying accounting policies and explanatory notes form an intergral part of the financial statements.*

# Statements of Changes in Equity
## for the Financial Year Ended 31 March 2017 (cont'd)

| Company | Note | Attributable to owners of the Company<br>Non-distributable<br>Share capital<br>RM | Share premium<br>RM | Other reserve<br>RM | Accumulated Losses<br>RM | Total equity<br>RM |
|---|---|---|---|---|---|---|
| At 1 April 2015 | | 41,890,510 | 72,877,695 | 13,767,238 | (21,651,597) | 106,883,846 |
| Total comprehensive income for the financial year | | - | - | - | 1,074,813 | 1,074,813 |
| Contributions by owners of the Company | | | | | | 11,696,936 |
| - Share-based payment transactions | 22 | - | - | 2,554,190 | - | 2,554,190 |
| - Share options exercised | 21/22 | 1,306,107 | 11,014,396 | (3,177,757) | - | 9,142,746 |
| Total transactions with owners of the Company | | 1,306,107 | 11,014,396 | (623,567) | - | 11,696,936 |
| At 31 March 2016 | | 43,196,617 | 83,892,091 | 13,143,671 | (20,576,784) | 119,655,595 |
| Total comprehensive loss for the financial year | | - | - | - | (523,940) | (523,940) |
| Contributions by owners of the Company | | | | | | |
| - Issued during the financial year | 21 | 10,212,766 | 85,787,234 | - | - | 96,000,000 |
| - Issued under Private Placement | 21 | 36,089,592 | - | - | - | 36,089,592 |
| - Share-based payment transactions | 22 | - | - | 689,481 | - | 689,481 |
| - Share issuance expenses | 21 | - | (253,213) | - | - | (253,213) |
| - Share options exercised | 21/22 | 4,802,060 | 10,461,685 | (3,018,295) | - | 12,245,450 |
| Total transactions with owners of the Company | | 51,104,418 | 95,995,706 | (2,328,814) | - | 144,771,310 |
| At 31 March 2017 | | 94,301,035 | 179,887,797 | 10,814,857 | (21,100,724) | 263,902,965 |

*The accompanying accounting policies and explanatory notes form an intergral part of the financial statements.*

# Statements of Cash Flows
## for the Financial Year Ended 31 March 2017

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| **Cash flows from operating activities** | **Note** | **RM** | **RM** | **RM** | **RM** |
| (Loss)/Profit before taxation | | (4,786,010) | (4,024,713) | (521,997) | 1,074,813 |
| Adjustments for: | | | | | |
| Allowance for impairment on trade receivables | | - | 525,281 | - | - |
| Amortisation of broodstocks | | 434,580 | 660,871 | - | - |
| Amortisation of government grant | | (875,630) | (875,630) | - | - |
| Depreciation of property, plant and equipment | | 7,259,893 | 7,959,599 | 945 | 976 |
| Fair value adjustment on amount due from subsidiary company | | - | - | (2,877,564) | (2,683,086) |
| Impairment loss on non-trade receivables | | 132,864 | - | 127,862 | - |
| Impairment loss on trade receivables | | 4,134 | - | - | - |
| Interest expenses | | 1,017,944 | 1,014,885 | - | - |
| Interest income | | (9,131) | (49,823) | (8,095) | - |
| Property, plant and equipment written off | | 2,104 | 45,809 | - | - |
| Provision of fatalities charge on broodstock | | 1,932,932 | - | - | - |
| Services received as an expense | | 689,481 | 2,554,190 | 12,858 | 262,764 |
| Unrealised foreign exchange gain | | (88,455) | (47,700) | - | - |
| Unrealised foreign exchange loss | | 1,176,095 | 671,740 | - | - |
| **Operating profit/(loss) before working capital changes** | | 6,890,801 | 8,434,509 | (3,265,991) | (1,344,533) |
| Change in amounts due from subsidiary companies | | - | - | (9,535,876) | (7,717,841) |
| Change in inventories | | (12,615,517) | (8,025,837) | - | - |
| Change in receivables | | (6,784,732) | (6,001,524) | 75,413 | (241,612) |
| Change in payables | | 953,065 | 2,408,113 | 474,372 | 178,716 |
| **Cash used in operations** | | (11,556,383) | (3,184,739) | (12,252,082) | (9,125,270) |
| Income tax paid | | (77,783) | (81,345) | (1,230) | - |
| Income tax refunded | | - | 77,910 | - | - |
| Interest paid | | (1,017,944) | (1,014,885) | - | - |
| Interest received | | 9,131 | 49,823 | 8,095 | - |
| **Net cash used in operating activities** | | (12,642,979) | (4,153,236) | (12,245,217) | (9,125,270) |
| **Cash flows from investing activities** | | | | | |
| Acquisition of intangible assets | | (96,101,488) | - | (96,000,000) | - |
| Acquisition of property, plant and equipment | 28 | (663,305) | (951,652) | (1,684) | - |
| Addition of broodstocks | | (63,078) | (1,855,629) | - | - |
| **Net cash used in investing activities** | | (96,827,871) | (2,807,281) | (96,001,684) | - |
| | | (109,470,850) | (6,960,517) | (108,246,901) | (9,125,270) |

*The accompanying accounting policies and explanatory notes form an intergral part of the financial statements.*

| | Note | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | |
| Fixed deposits pledged with a licensed bank | | (400,000) | (500,000) | - | - |
| Proceeds from exercise of employees share options | | 12,245,450 | 9,142,746 | 12,245,450 | 9,142,746 |
| Proceeds from issuance of share capital | | 132,089,592 | - | 132,089,592 | - |
| Repayment of hire purchase payables | | (55,245) | (49,457) | - | - |
| Repayment of revolving credit | | (500,000) | - | - | - |
| Repayment of term loan | | (1,084,051) | (951,628) | - | - |
| Share issuance expenses | | (253,213) | - | (253,213) | - |
| **Net cash generated from financing activities** | | 142,042,533 | 7,641,661 | 144,081,829 | 9,142,746 |
| **Net increase in cash and cash equivalents** | | 32,571,683 | 681,144 | 35,834,928 | 17,476 |
| Effect of exchange rate changes | | (1,370) | (22) | - | - |
| **Cash and cash equivalents at beginning of financial year** | | (6,419,622) | (7,100,744) | 22,582 | 5,106 |
| **Cash and cash equivalents at end of financial year** | 20 | 26,150,691 | (6,419,622) | 35,857,510 | 22,582 |

*The accompanying accounting policies and explanatory notes form an intergral part of the financial statements.*

### 1. Basis of preparation

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous financial year unless otherwise stated.

The financial statements of the Group and of the Company are prepared on the historical cost convention, other than as disclosed in the notes to the financial statements, and in accordance with the Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB") and the requirements of the Companies Act, 2016 in Malaysia.

On 19 November 2011, the 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 subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate, including the parent, significant investor and joint venturer (herein called "Transitioning Entities"). Transitioning Entities will be allowed to defer adoption of the new MFRS framework for an additional Six (6) years. Consequently, adoption of the MFRS framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS framework in their first MFRS financial statements for the financial year ended 31 March 2019. In presenting their first MFRS financial statements, the Group and the Company 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.

As at the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between FRSs 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 financial 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 in the financial year ended 31 March 2019.

While a quantification of the financial effects have not yet been completed, the change to MFRS will have a significant impact on its treatment of its biological assets and in turn will significantly impact the Group's financial position and performance. Currently, fishery livestock are recorded at the lower of cost and net realisable values, and in most instances, net realisable values exceeds cost. On transition to MFRS, these fishery livestock will need to be carried at fair value in accordance with MFRS 141, Agriculture, which while expected to increase the net assets of the Group, would also subject the Group to significant volatility in their financial performance as fair values will fluctuate substantially based on the level of growth against fatalities.

Currently, cost includes the cost of eggs, direct labour, feeds and applicable overheads, which are not reduced to account for fatalities as the losses of failed units are considered a cost of those that are successful and that costs of the failed units are carried as assets although they are not represented by any or sufficient stocks, in accordance with Financial Reporting Standard 204, Accounting for Aquaculture. This practice which results in reduced volatility of the Statements of Profit or Loss and Other Comprehensive Income will no longer be allowed on the transition to MFRS.

The financial statements are prepared in Ringgit Malaysia (RM) which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**1. Basis of preparation (cont'd)**

**1.1 Adoption of new and revised FRSs**

On 1 April 2016, the Group and the Company adopted Disclosure Initiative (Amendments to FRS 101) which mandatory for annual financial period beginning on or after 1 January 2016.

The main effect of the adoption of the above is summarised below:

Disclosure Initiative (Amendments to FRS 101)

Disclosure Initiative (Amendments to FRS 101) made the following changes:

(i) Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

(ii) Statement of Profit or Loss and Other Comprehensive Income. The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of Other Comprehensive Income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

(iii) Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of FRS 101. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The adoption of this amendment has resulted in significantly reduced disclosures in certain sections of the financial statements of the Group and the Company.

**1.2 Standards issued but not yet effective**

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:

**Effective for annual periods commencing on or after 1 January 2017**

- Amendments to FRSs contained in the document entitled "Annual Improvements to FRSs 2014 – 2016 Cycle"
- Disclosure Initiative (Amendments to FRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)

**Effective for annual periods commencing on or after 1 January 2018**

- FRS 9 Financial Instrument (2014)
- FRS 115, Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)
- Transfers of Investment Property (Amendments to FRS 140)

**Effective for annual periods commencing on or after 1 January 2019**

- FRS 116, Leases

**Deferred**

- FRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 10 and FRS 128)

**1. Basis of preparation (cont'd)**

**1.2 Standards issued but not yet effective (cont'd)**

A brief description on the Amendments to FRSs and new FRSs above that have been issued is set out below:

Annual Improvements to FRSs 2014 – 2016 Cycle

The Annual Improvements consist of the following amendments:

**(i) FRS 1 First-time Adoption of Financial Reporting Standards**

Deleted the short-term exemptions in paragraphs E3–E7 of FRS 1, because they have now served their intended purpose. An entity that has in the alternative applied the Financial Reporting Standards shall apply the Malaysian Financial Reporting Standards Framework for annual period beginning on or after 1 January 2018. Such an entity shall apply Amendments to MFRS 1, instead of this Amendments, on or after 1 January 2018.

**(ii) FRS 12 Disclosure of Interests in Other Entities**

Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

**(iii) FRS 128 Investments in Associates and Joint Ventures**

Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

The adoption of the Annual Improvements will not have any impact on the Group and the Company as they are not relevant to the Group or the Company.

Disclosure Initiative (Amendments to FRS 107)

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the MASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The MASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

### 1. Basis of preparation (cont'd)

#### 1.2 Standards issued but not yet effective (cont'd)

Disclosure Initiative (Amendments to FRS 107) (cont'd)

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

Since the amendments are being issued less than one year before the effective date, entities need not provide comparative information when they first apply the amendments.

Apart for certain changes to the disclosures, this adoption will not have any impact on the financial statements of the Group and the Company.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 112)

The amendments clarify the following aspects:

(i) Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

(ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits.

(iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

(iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The Group has not yet assessed the impact of these amendments.

FRS 9, Financial Instruments

In November 2014, MASB issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

(i) Classification and measurement

FRS 9 has two measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For financial liabilities, the standard retains most of the FRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

**1. Basis of preparation (cont'd)**

**1.2 Standards issued but not yet effective (cont'd)**

FRS 9, Financial Instruments (cont'd)

**(ii) Impairment**

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months ("12 month ECL"). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

**(iii) Hedge accounting**

FRS 9 establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in FRS 139. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between hedge accounting and risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project.

FRS 9 introduces significant changes in the way the Group accounts for financial instruments. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

FRS 115, Revenue from Contracts with Customers

The core principle of FRS 115 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

**1. Basis of preparation (cont'd)**

**1.2 Standards issued but not yet effective (cont'd)**

Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)

Contains the following clarifications and amendments:

(i) Accounting for cash-settled share-based payment transactions that include a performance condition

Until now, FRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. MASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

(ii) Classification of share-based payment transactions with net settlement features

MASB has introduced an exception into FRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

(iii) Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Until now, FRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The MASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The adoption of this will not have any impact on the financial statements of the Group and the Company as the Group and the Company does not have any such share-based payments.

Transfers of Investment Property (Amendments to FRS 140)

The amendments are:

(i) Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

(ii) The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

**1. Basis of preparation (cont'd)**

**1.2 Standards issued but not yet effective (cont'd)**

Transfers of Investment Property (Amendments to FRS 140) (cont'd)

An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

The adoption of these amendments will not have any impact on the Group as the Group has no investment properties.

FRS 16, Leases

Under FRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under FRS 117 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with FRS 16's predecessor, FRS 117, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Recognition exemptions: Instead of applying the recognition requirements of FRS 16 described above, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and
- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements of FRS 10 Consolidated Financial Statements and FRS 128 Investments in Associate and Joint Venture and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. Full gain or loss is recognised when a transaction involves a business whether it is housed in a subsidiary company or not, as defined in FRS 3 Business Combinations. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary company.

The adoption of these amendments is not expected to have any material impact on the financial statements of the Group and the Company.

## 2. Significant accounting judgments and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 2.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements:

#### (i) Discount rates used

In assessing fair value of non-current balances due from subsidiary company, value in use of non-current biological assets and net realisable value of current biological assets, the Group uses a discount rate to present value of future cash flows. Significant judgement is required in determining the appropriate rate to be used, which for biological assets is based on the weighted average cost of capital while for the balances due from subsidiary company, is based on the weighted average effective interest rate of the Group's borrowings. This weighted average cost of capital is observed from Bloomberg and is at 4.05% at 31 March 2017 (4.18% at 31 March 2016).

#### (ii) Acquisition of mineral rights

The acquisition of mineral rights is typically undertaken via the acquisition of an incorporated company holding these rights. As these incorporated companies have generally limited activities other than holding the mineral rights, it is not considered an acquisition of a business and therefore FRS 3, Business Combination is not applicable. These acquisitions are therefore accounted for as the purchase of individual assets. This distinction is important because in an asset purchase:

- No goodwill is recognised
- Deferred tax is generally not recognised for asset purchases (because of the initial recognition exemption in FRS 112, Income Taxes, which does not apply to business combinations
- Transaction costs are generally capitalised; and
- Assets purchases settled by the issue of shares are within the scope of FRS 2, Share-Based Payments.

### 2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions.

The Group and the Company anticipate that the residual values of their property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. The management estimates the useful lives of the property, plant and equipment to be within 5 to 15 years. These are common life expectancies applied in the aquaculture industry.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**2. Significant accounting judgments and estimates (cont'd)**

**2.2 Key sources of estimation uncertainty (cont'd)**

**(ii) Exploration and evaluation expenditure (cont'd)**

The application of the Group's and the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits will flow to the Group and the Company either from future development or sale.

The deferral of exploration and evaluation expenditure requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. If, after exploration and evaluation expenditure is capitalised, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Group and the Company carry out an impairment test at the cash generating unit or group of cash generating units level in the financial year the new information becomes available.

**(iii) Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group and the Company recognise tax liabilities based on their understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

**(iv) Deferred tax assets and liabilities**

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could potentially impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the Statements o Profit or Loss and Other Comprehensive Income in the period in which actual realisation and settlement occurs.

**(v) Carrying value of investments in subsidiary companies**

Investments in subsidiary companies are reviewed for impairment annually in accordance with its accounting policy as disclosed in Note 3.15(ii) to the financial statements, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Significant judgment is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involves uncertainties and are significantly affected by assumptions and judgments made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the carrying value of investments in subsidiary companies.

**(vi) Amortisation of broodstocks**

The cost of broodstocks is amortised on a straight-line basis over their estimated economic useful lives of the respective species of fish. Management estimates the expected economic egg production lives to be within 8 to 10 years. Changes to these estimated economic egg production lives could impact the future amortisation charges.

**2. Significant accounting judgments and estimates (cont'd)**

**2.2 Key sources of estimation uncertainty (cont'd)**

**(vii) Impairment of non-financial assets**

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

**(viii) Biological assets (current)**

Fish and fish fry livestocks are recorded at the lower of cost and net realisable value. Cost includes the cost of eggs, direct labour, feed and applicable overheads. Net realisable value of livestocks is dependent upon many variables which are estimated at year end. These estimates include, among other items, quantities on hand, future mortalities which may arise from disease, predators and other causes, estimated future costs to harvest, expected growth of the fish and fluctuating sales market prices. Management expects to achieve a gross profit on the ultimate sale of the existing livestocks. However, the uncertainties inherent in the estimates could have a material effect on the net realisable value of livestocks and ultimately on future net income.

**(ix) Impairment of financial assets**

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

**(x) Fair value estimates for certain financial assets and liabilities**

The Group and the Company carry certain financial assets and liabilities at fair value, which require extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Company use different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

**3. Significant accounting policies**

**3.1 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. The consolidated financial statements as at the reporting date also include joint operation.

### 3. Significant accounting policies (cont'd)

#### 3.1 Basis of consolidation (cont'd)

**(i) Subsidiaries (cont'd)**

Subsidiaries are entities controilled by the Group and the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control exists when the Group and the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Potential voting rights are considered when assessing control only when such rights are substantive. The Group and the Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Group and the Company's Statement of Financial Position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

**(ii) Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group and the Company.

For new acquisitions, the Group and the Company measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group and the Company elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**(iii) Loss of control**

Upon the loss of control of a subsidiary, the Group and the Company derecognises the assets and liabilities of the former subsidiary, any-controlling interests and the other components of equity related to the former subsidiary from the consolidated Statement of Financial Position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group and the Company retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**3. Significant accounting policies (cont'd)**

**3.1 Basis of consolidation (cont'd)**

**(iv) Joint operation**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises the following in relation to its interests in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

**(v) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**3.2 Foreign currencies**

**(i) Functional and presentation currencies**

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

**(ii) Transactions and balances**

Transactions in foreign currencies are measured in the respective functional currencies of the Group and of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

For consolidation purpose, the asset and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting date and their profit or loss are translated at the exchange rate prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**3. Significant accounting policies (cont'd)**

**3.2 Foreign currencies (cont'd)**

**(ii) Transactions and balances (cont'd)**

The closing rates used in the translation for foreign currency monetary assets and liabilities are as follows:

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| 1 Renminbi | 0.6421 | 0.6064 |
| 1 Hong Kong Dollar | 0.5693 | 0.5058 |
| 1 United States Dollar | 4.4240 | 3.9220 |

**3.3 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably.

Revenue from sale of adult fish and fish fry is recognised upon delivery of goods to customers, net of returns and discounts.

**3.4 Employee benefits**

**(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

**(iii) Share-based payment transactions**

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## 3. Significant accounting policies (cont'd)

### 3.4 Employee benefits (cont'd)

#### (iii) Share-based payment transactions (cont'd)

The fair value of the employee share options is measured using Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), and the risk-free interest rate (base on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### 3.5 Mine development costs

Capitalised mine development costs includes expenditure incurred to develop new orebodies, to define further mineralisation in existing orebodies and to expand the capacity of a mine. Mine development costs includes the acquisition cost of mineral rights and exploration properties.

These cost are amortised from the date on which commercial production begins. Depreciation, depletion and amortisation of mine development costs are computed by the units-of-production method based on estimated proven and probable Ore Reserve. The proven and probable Ore Reserve reflects estimated quantities of reserves which can be recovered economically in the future from known mineral deposits.

### 3.6 Exploration, evaluation and development expenditure

#### (i) Exploration

Exploration expenditures reflect the costs related to the initial search for mineral deposits with economic potential or obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with the acquisition of mineral licenses, prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore.

All expenditures relating to exploration activities are expensed as incurred except for the costs associated with the acquisition of mineral rights which are capitalised.

#### (ii) Evaluation

Evaluation expenditures reflect costs incurred at projects related to establishing the technical and commercial viability of mineral deposits identified through exploration or acquired through a business combination or asset acquisition.

Evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

### 3. Significant accounting policies (cont'd)

#### 3.6 Exploration, evaluation and development expenditure (cont'd)

##### (ii) Evaluation (cont'd)

Evaluation expenditures are capitalized if management determines that there is evidence to support probability of generating positive economic returns in the future. A mineral resource is considered to have economic potential when it is expected the technical feasibility and commercial viability of extraction of the mineral resource is demonstrable considering long-term metal prices. Therefore, prior to capitalizing such costs, management determines that the following conditions have been met:

- There is a probable future benefit that will contribute to future cash inflows;
- The Company can obtain the benefit and control access to it; and
- The transaction or event giving rise to the benefit has already occurred.

The evaluation phase is complete once technical feasibility of the extraction of the mineral deposit has been determined through preparation of a reserve and resource statement, including a mining plan as well as receipt of required permits and approval of the Board of Directors to proceed with development of the mine.

##### (iii) Development

Development expenditures are those that are incurred during the phase of preparing a mineral deposit for extraction and processing. These include pre-stripping costs and underground development costs to gain access to the ore that is suitable for sustaining commercial mining, preparing land, construction of plant, equipment and buildings and costs of commissioning the mine and mill.

Expenditures incurred on development projects continue to be capitalised until the mine and mill moves into the production stage. The Company assess each mine construction project to determine when a mine moves into production stage.

The criteria used to assess the start date are determined based on the nature of each mine construction project, such as the complexity of a plant or its location. Various relevant criteria are considered to assess when the mine is substantially complete and ready for its intended use and moved into the production stage. Some of the criteria considered would include, but are not limited to, the following:

(i) the level of capital expenditures compared to construction cost estimates;

(ii) the completion of a reasonable period of testing of mine plant and equipment;

(iii) the ability to produce minerals in saleable form (within specification); and

(iv) the ability to sustain ongoing production of minerals.

Alternatively, if the factors that impact the technical feasibility and commercial viability of a project change and no longer support the probability of generating positive economic returns in the future, expenditures will no longer be capitalised.

#### 3.7 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income.

**3. Significant accounting policies (cont'd)**

**3.7 Income taxes (cont'd)**

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary diferrences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**3.8 Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**3.9 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

### 3. Significant accounting policies (cont'd)

#### 3.9 Property, plant and equipment (cont'd)

Leasehold land is amortised over the period of the lease term. Property, plant and equipment are depreciated on a straight line basis to write off the cost of the property, plant and equipment over the term of their estimated useful lives.

The principal annual rates of depreciation used are as follows:

| | Years |
|---|---|
| Buildings | 10 |
| Floating platforms, net and cages | 10 |
| Hatchery ponds | 10 |
| Heavy equipment | 5 |
| Vessels | 15 |
| Motor vehicles | 5 |
| Fish pond equipment, furniture, fittings and equipment | 10 |

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss on derecognition of the assets is included in the profit or loss in the year the asset is derecognised.

#### 3.10 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### 3.11 Biological assets

Broodstocks are stated at cost less accumulated amortisation and impairment losses, if any.

All costs incurred on immature broodstocks which are accumulated on a project basis are capitalised until such time when the broodstocks commence breeding. Costs incurred on immature broodstocks consist of the acquisition cost of the mother fish, cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads.

Maintenance costs of broodstocks after commencement of breeding are recognised in profit or loss.

The costs of broodstocks are amortised over the expected reproductive lifespan of the respective fish, which varies between 8 to 10 years, depending on the species.

Upon disposal of the broodstocks, the difference between the net disposal proceeds and the net carrying amount is recognised in the Statements of Profit or Loss and Other Comprehensive Income.

**3. Significant accounting policies (cont'd)**

**3.12 Financial assets**

Financial assets are recognised in the Statements of Financial Position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale-financial assets.

The subsequent measurement of financial assets depends on their classification as follows:

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

**(ii) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within Twelve (12) months after the reporting date which are classified as current.

**(iii) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than Twelve (12) months after the reporting date which are classified as non-current.

**3. Significant accounting policies (cont'd)**

**3.12 Financial assets (cont'd)**

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within Twelve (12) months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

**3.13 Inventories**

**(i) Fishery livestocks**

Fishery livestocks are measured at the lower of cost and net realisable value.

The cost of fishery livestocks and fish fry-in-progress are measured based on monthly weighted average cost formula, and includes the cost of feeds and medication, direct labour cost and an appropriate proportion of farm operating overheads accumulated on a project basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**(ii) Consumable stocks**

Consumable stocks are measured at the lower of cost and net realisable value.

The cost of consumable stocks is measured based on weighted average cost formula, and includes expenses incurred in bringing the items into stores. Provision is made for all damaged, obsolete and slow-moving items.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 3. Significant accounting policies (cont'd)

### 3.14 Cash and cash equivalents

Cash and cash equivalent comprises cash in hand and at banks. Cash equivalents are highly liquid investments which are readily convertible to cash with short periods to maturity and are subject to an insignificant risk of changes in value. These also includes bank overdrafts that form an integral part of the Group's cash management.

### 3.15 Impairment

#### (i) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset of the Group and the Company that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments. The probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Trade and non-trade receivables and other financial assets carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based in similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

**Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### 3. Significant accounting policies (cont'd)

#### 3.15 Impairment (cont'd)

##### (ii) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

#### 3.16 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised as an appropriation of retained profits upon declaration, and are only taken up as liabilities upon the necessary approval being obtained.

#### 3.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowings costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

**3. Significant accounting policies (cont'd)**

**3.18 Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership.

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

**(ii) Finance leases – the Group as lessee**

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

The corresponding liability is included in the Statements of Financial Position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

**(iii) Operating leases – the Group as lessee**

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.9.

**3.19 Government grant**

Government grant is recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and is then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grant that compensate the Group for expenses incurred is recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

**3. Significant accounting policies (cont'd)**

**3.20 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the Statements of Financial Position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification as follows:

**(i) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

**(ii) Financial liabilities measured at amortised cost**

The Group's and the Company's financial liabilities measured at amortised cost include trade payables, non-trade payables and loans and borrowings.

Trade and non-trade payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least Twelve (12) months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**3.21 Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

## 3. Significant accounting policies (cont'd)

### 3.22 Provisions

Provisions are recognised when the Group and the Company have present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed. Where the effect of the time value of money is material, provisions are discounted using a current per-tax rate that reflects, where appropriate, the risks specific to the liability and the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

### 3.23 Contingencies

A contingent liability or asset is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the Statements of Financial Position of the Group.

### 3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 3.25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transactions to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use unobservable inputs.

**3. Significant accounting policies (cont'd)**

**3.25 Fair value measurement (cont'd)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
(ii) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
(iii) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**4. Revenue**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| - Sales of adult fish | 24,331,655 | 14,818,244 | - | - |
| - Sales of fish fry and eggs | 5,417,447 | 2,277,825 | - | - |
| - Sales of frozen products | 1,342,237 | 1,202,787 | - | - |
| | 31,091,339 | 18,298,856 | - | - |

**5. Interest income**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Bank interest income | 9,131 | - | 8,095 | - |
| Fixed deposit interest income | - | 49,823 | - | - |
| | 9,131 | 49,823 | 8,095 | - |

**6. Other operating income**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Amortisation of government grant | 875,630 | 875,630 | - | - |
| Foreign exchange gain | | | | |
| - Realised | 2,284,230 | 746,730 | - | - |
| - Unrealised | 88,455 | 47,700 | - | - |
| Miscellaneous income | 3,009 | 8,756 | 4 | 3 |
| Rental income | 19,200 | 22,400 | - | - |
| | 3,270,524 | 1,701,216 | 4 | 3 |

## 7. Finance costs

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Interest expenses: | | | | |
| - Bank overdrafts | 747,168 | 605,281 | - | - |
| - Hire purchase | 7,688 | 8,947 | - | - |
| - Revolving credit | 120,019 | 125,165 | - | - |
| - Term loan | 143,069 | 275,492 | - | - |
| | 1,017,944 | 1,014,885 | - | - |

## 8. (Loss)/Profit before taxation

| (Loss)/Profit before taxation is arrived at after charging: | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Allowance for impairment on trade receivables (Note 19) | - | 525,281 | - | - |
| Amortisation of broodstocks (Note 16) | 434,580 | 660,871 | - | - |
| Auditors' remuneration | | | | |
| - Statutory audit | 140,556 | 118,476 | 65,000 | 50,000 |
| - Other services | 56,500 | - | 56,500 | - |
| Depreciation of property, plant and equipment (Note 13) | 7,259,893 | 7,959,599 | 945 | 976 |
| Employee benefits expense (Note 9) | 6,557,435 | 7,332,980 | 61,403 | 68,420 |
| Foreign exchange loss | | | | |
| - Realised | 2,895 | - | - | - |
| - Unrealised | 1,176,095 | 671,740 | - | - |
| Hire of live fish carrier | 450,000 | - | - | - |
| Impairment loss on non-trade receivables | 132,864 | - | 127,862 | - |
| Impairment loss on trade receivables | 4,134 | - | - | - |
| Non-executive Directors' remuneration (Note 10) | 406,858 | 536,764 | 406,858 | 536,764 |
| Property, plant and equipment written off | 2,104 | 45,809 | - | - |
| Provision of fatalities charge on broodstock | 1,932,932 | - | - | - |
| Rental expenses | | | | |
| - Fish stall | 75,243 | 25,595 | - | - |
| - Land | 36,550 | 3,500 | - | - |
| - Office | 4,700 | - | - | - |
| - Quarter | 190,120 | 170,209 | - | - |
| Royalty | 33,700 | - | - | - |

### 9. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Commissions | 804,656 | 576,777 | - | - |
| Contributions to defined contribution plan | 223,464 | 216,761 | 1,300 | 7,800 |
| Fee | 50,000 | - | 50,000 | - |
| Salaries and wages | 4,782,280 | 4,228,855 | 10,000 | 60,000 |
| Services received as an expense | 676,623 | 2,291,426 | - | - |
| Social security contributions | 20,412 | 19,161 | 103 | 620 |
| | 6,557,435 | 7,332,980 | 61,403 | 68,420 |

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM1,141,324 (2016: RM1,442,030) and RM61,403 (2016: RM68,420) respectively.

**Share-based payment arrangements**

Share option programme (equity-settled)

On 15 January 2013, the Group granted share options to eligible Directors and employees of the Group to acquire shares in the Company under the Employees Share Options Scheme ("ESOS") approved by the shareholders of the Company on 3 January 2013. On 17 August 2013, 3 May 2015, 25 August 2016 and 11 March 2017, the Group further granted share options on similar terms (except for exercise price) to eligible employee. In accordance with this programme, holders of vested options are entitled to acquire shares at the market price of the shares at the date of grant. All options are to be settled by physical delivery of shares.

The terms and conditions related to grants of the share option programme are as follows:

| Grant date/employees entitled | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| Options granted to an employee on employees on 15 January 2013 | 105,000,000 | Vested on the grant date | 5 years |
| Options granted to an employee on 17 August 2013 | 1,500,000 | Vested on the grant date | 4 years |
| Options granted to employees on 3 3 May 2015 | 1,307,150 | Vested on the grant date | 2 years |
| Options granted to employees on 25 August 2016 | 3,569,295 | Vested on the grant date | 1 year |
| Options granted to employees on 11 March 2017 | 3,849,295 | Vested on the grant date | 1 year |

### 9. Employee benefits expense (cont'd)

The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price 2017 RM | Number of options 2017 | Weighted average exercise price 2016 RM | Number of options 2016 |
|---|---|---|---|---|
| Outstanding at 1 April | 0.70 | 58,033,835 | 0.70 | 69,987,750 |
| Exercised during the financial year | 0.70 | (17,493,500) | 0.70 | (13,061,065) |
| Granted during the financial year | 0.70 | 7,418,590 | 0.80 | 1,307,150 |
| Withdrawn unexercised | 0.70 | (7,418,590) | 0.70 | (200,000) |
| Outstanding at 31 March | 0.70 | 40,540,335 | 0.70 | 58,033,835 |
| Exercisable at 31 March | 0.70 | 21,261,430 | 0.70 | 21,368,675 |

The options outstanding at 31 March 2017 have an exercise price in the range of RM0.70 to RM1.22 (2016: RM0.70 to RM1.22) and a weighted average contractual life of 3 years (2016: 4 years).

During the financial year, 17,493,500 (2016: 13,061,065) share options were exercised with weighted average exercise price of RM0.70 (2016: RM0.70).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model, with the following inputs:

| Grant date | 11 March 2017 | 25 August 2016 | 3 May 2015 | 17 August 2013 |
|---|---|---|---|---|
| **Fair value of share options and assumptions** | | | | |
| Exercise price of options | RM0.75 | RM1.00 | RM0.80 | RM1.22 |
| Share price at grant date | RM0.84 | RM1.10 | RM0.89 | RM1.35 |
| Expected volatility | 10.66% | 13.55% | 6.36% | 23.80% |
| Options life | 1 year | 1 year | 2 years | 3 years |
| Risk-free interest rate (based on Malaysian government bonds) | 3.76% | 3.76% | 3.76% | 3.22% |
| Fair value at grant date | RM0.12 | RM0.15 | RM0.14 | RM0.39 |

| Value of employee services received for issue of share options | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Share options granted in 2013 | 689,481 | 2,236,304 | 12,858 | 262,764 |
| Share options granted in 2014 | - | 178,216 | - | - |
| Share options granted in 2016 | - | 139,670 | - | - |
| Total expense recognised as share-based payments | 689,481 | 2,554,190 | 12,858 | 262,764 |

An amount of RM676,623 (2016: RM2,491,426) has been re-charged to the subsidiaries benefiting from the services of the employees.

**10. Directors' remuneration**

The details of remuneration receivable by Directors of the Group and of the Company during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Executive Directors' remuneration (Note 9): | | | | |
| - Commissions | 194,946 | 138,861 | - | - |
| - Fee | - | - | - | - |
| - Other emoluments | 50,285 | 57,563 | 1,403 | 8,420 |
| - Salaries | 502,000 | 552,000 | 10,000 | 60,000 |
| - Services received as an expense | 344,093 | 693,606 | - | - |
| | 1,091,324 | 1,442,030 | 11,403 | 68,420 |
| Non-executive Directors' remuneration (Note 8): | | | | |
| - Fees | 380,000 | 265,000 | 380,000 | 265,000 |
| - Other emoluments | 14,000 | 9,000 | 14,000 | 9,000 |
| - Services received as an expense | 12,858 | 262,764 | 12,858 | 262,764 |
| | 406,858 | 536,764 | 406,858 | 536,764 |
| Total Directors' remuneration | 1,498,182 | 1,978,794 | 418,261 | 605,184 |

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | Number of Directors | |
|---|---|---|
| | 2017 | 2016 |
| **Executive directors:** | | |
| RM50,001 – RM200,000 | - | 1 |
| RM200,001 – RM350,000 | 1 | 2 |
| RM350,001 – RM500,000 | 2 | - |
| RM500,001 and above | - | 1 |
| **Non-executive directors:** | | |
| Below RM50,000 | 2 | 2 |
| RM50,001 – RM200,000 | 4 | 1 |
| RM200,001 – RM350,000 | - | 2 |

**11. Income tax expense**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Current taxation | 6,774 | 17,331 | 1,943 | - |
| Deferred tax liabilities (Note 26) | (973,342) | (697,880) | - | - |
| | (966,568) | (680,549) | 1,943 | - |
| Over provision in prior year | | | | |
| - Current taxation | (11,344) | (2,046) | - | - |
| | (977,912) | (682,595) | 1,943 | - |

**11. Income tax expense (cont'd)**

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| (Loss)/Profit before taxation | (4,786,010) | (4,024,713) | (521,999) | 1,074,813 |
| Taxation at Malaysian statutory tax rate of 24% (2016: 24%) | (1,148,642) | (965,932) | (125,280) | 257,955 |
| Effect of tax rate in foreign jurisdiction at 16.5% (2016: 16.5%) | (3,148) | 26,670 | - | - |
| Non-tax deductible expenses | 1,115,033 | 2,067,137 | 817,612 | 385,986 |
| Non-taxable income | (901,016) | (895,000) | (690,616) | (643,941) |
| Effect of deductible temporary differences arising from initial recognition of assets but not recognised as deferred tax assets | 327,240 | (82,622) | 227 | - |
| Effect of tax exemption on profits | (356,035) | (830,802) | - | - |
| | (966,568) | (680,549) | 1,943 | - |
| Over provision in prior year | | | | |
| - Current taxation | (11,344) | (2,046) | - | - |
| | (977,912) | (682,595) | 1,943 | - |

Plentiful Earnings Sdn. Bhd., one of the subsidiary companies, has been granted tax incentive under Section 127 of the Income Tax Act, 1967 for exemption of tax on statutory income from fish rearing activities for a period of Ten (10) years commencing 1 April 2013.

**12. Loss per share**

**(a) Basic**

Basic loss per share amounts are calculated by dividing loss for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Loss net of tax attributable to owners of the Company | (3,809,468) | (3,342,140) |
| Weighted average number of ordinary shares in issue | 460,570,851 | 426,788,773 |

| | Group | |
|---|---|---|
| | 2017 Sen | 2016 Sen |
| Basic loss per share | (0.83) | (0.78) |

**(b) Diluted**

The effect of share options on issue is antidilutive and therefore, diluted loss per share is same as basic loss per share and has not been presented.

## 13. Property, plant and equipment

| Group<br>2017<br>Cost | Long term leasehold land RM | Buildings RM | Floating platforms, net and cages RM | Hatchery ponds RM | Heavy equipment RM | Vessels RM | Motor vehicles RM | Fish pond equipment, furniture, fittings and equipment RM | Construction work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2016 | 2,979,292 | 35,101,295 | 18,381,054 | 10,253,798 | 343,000 | 13,356,441 | 829,907 | 9,558,071 | 3,168,191 | 93,971,049 |
| Addition | - | 65,638 | 1,188 | - | - | - | 36,090 | 305,544 | 288,245 | 696,705 |
| Reclassification | - | 33,627 | - | - | - | - | - | - | (33,627) | - |
| Written off | - | - | - | - | - | - | - | (69,806) | - | (69,806) |
| At 31 March 2017 | 2,979,292 | 35,200,560 | 18,382,242 | 10,253,798 | 343,000 | 13,356,441 | 865,997 | 9,793,809 | 3,422,809 | 94,597,948 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 April 2016 | 549,281 | 15,813,733 | 12,706,849 | 8,067,709 | 342,997 | 4,284,978 | 595,471 | 5,654,643 | - | 48,015,661 |
| Charge for the financial year (Note 8) | 70,988 | 3,362,075 | 1,386,060 | 680,965 | - | 890,429 | 105,485 | 763,891 | - | 7,259,893 |
| Written off | - | - | - | - | - | - | - | (67,702) | - | (67,702) |
| At 31 March 2017 | 620,269 | 19,175,808 | 14,092,909 | 8,748,674 | 342,997 | 5,175,407 | 700,956 | 6,350,832 | - | 55,207,852 |
| Net book value | | | | | | | | | | |
| At 31 March 2017 | 2,359,023 | 16,024,752 | 4,289,333 | 1,505,124 | 3 | 8,181,034 | 165,041 | 3,442,977 | 3,422,809 | 39,390,096 |

**13. Property, plant and equipment (cont'd)**

| Group<br>2016<br>Cost | Long term leasehold land RM | Buildings RM | Floating platforms, net and cages RM | Hatchery ponds RM | Heavy equipment RM | Vessels RM | Motor vehicles RM | Fish pond equipment, furniture, fittings and equipment RM | Construction work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2015 | 2,979,292 | 35,247,247 | 18,381,054 | 10,253,798 | 343,000 | 13,356,441 | 829,907 | 8,624,379 | 3,342,294 | 93,357,412 |
| Addition | - | - | - | - | - | - | - | 933,692 | 17,960 | 951,652 |
| Reclassification | - | 192,063 | - | - | - | - | - | - | (192,063) | - |
| Written off | - | (338,015) | - | - | - | - | - | - | - | (338,015) |
| At 31 March 2016 | 2,979,292 | 35,101,295 | 18,381,054 | 10,253,798 | 343,000 | 13,356,441 | 829,907 | 9,558,071 | 3,168,191 | 93,971,049 |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 April 2015 | 478,292 | 12,590,383 | 11,007,160 | 7,176,270 | 342,997 | 3,394,549 | 494,714 | 4,863,903 | - | 40,348,268 |
| Charge for the financial year (Note 8) | 70,989 | 3,515,556 | 1,699,689 | 891,439 | - | 890,429 | 100,757 | 790,740 | - | 7,959,599 |
| Written off | - | (292,206) | - | - | - | - | - | - | - | (292,206) |
| At 31 March 2016 | 549,281 | 15,813,733 | 12,706,849 | 8,067,709 | 342,997 | 4,284,978 | 595,471 | 5,654,643 | - | 48,015,661 |
| **Net book value** | | | | | | | | | | |
| At 31 March 2016 | 2,430,011 | 19,287,562 | 5,674,205 | 2,186,089 | 3 | 9,071,463 | 234,436 | 3,903,428 | 3,168,191 | 45,955,388 |

**13. Property, plant and equipment (cont'd)**

| **Company** | **Furniture, fittings and equipment** | |
|---|---|---|
| | **2017** | **2016** |
| **Cost** | **RM** | **RM** |
| At 1 April | 9,760 | 9,760 |
| Addition | 1,684 | - |
| At 31 March | 11,444 | 9,760 |
| **Accumulated depreciation** | | |
| At 1 April | 7,814 | 6,838 |
| Charge for the financial year (Note 8) | 945 | 976 |
| At 31 March | 8,759 | 7,814 |
| **Net book value** | | |
| At 31 March | 2,685 | 1,946 |

Plant and equipment of the Group under hire purchase arrangements are as follows:

| **Group** | | **Accumulated** | **Net book** |
|---|---|---|---|
| | **At cost** | **depreciation** | **value** |
| **2017** | **RM** | **RM** | **RM** |
| Motor vehicles | 412,274 | (305,759) | 106,515 |
| **2016** | | | |
| Motor vehicles | 376,184 | (228,709) | 143,475 |

Property, plant and equipment of the Group at net book value are pledged to secure the loans and borrowings granted to the Group as disclosed in Note 24 to the financial statements as follows:

| | **Group** | |
|---|---|---|
| | **2017** | **2016** |
| | **RM** | **RM** |
| Long term leasehold land | 2,359,023 | 2,430,011 |
| Buildings | 16,004,502 | 19,264,312 |
| Floating platforms, net and cages | 4,202,881 | 5,538,371 |
| Hatchery ponds | 1,505,124 | 2,186,089 |
| Heavy equipment | 3 | 3 |
| Motor vehicles | 165,041 | 234,436 |
| Fish pond equipment, furniture, fittings and equipment | 1,994,259 | 2,385,219 |
| Construction work-in-progress | 3,422,809 | 3,168,191 |
| | 29,653,642 | 35,206,632 |

**13. Property, plant and equipment (cont'd)**

Motor vehicles of the Group at cost of RM267,534 (2016: RM267,534) and RM108,650 (2016: RM108,650) were held in trust under the name of third parties and a person connected to certain Directors of the Company respectively.

**14. Intangible assets**

**Group**

| **2017** | **Goodwill RM** | **Mineral rights RM** | **Total RM** |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2016 | 32,176 | - | 32,176 |
| Addition (Note 15) | - | 96,101,488 | 96,101,488 |
| At 31 March 2017 | 32,176 | 96,101,488 | 96,133,664 |

| **2016** | **Goodwill RM** | **Mineral rights RM** | **Total RM** |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2015/31 March 2016 | 32,176 | - | 32,176 |

**Company**

| **2017** | **Mineral rights RM** | **Total RM** |
|---|---|---|
| **Cost** | | |
| At 1 April 2016 | - | - |
| Addition | 95,990,000 | 95,990,000 |
| At 31 March 2017 | 95,990,000 | 95,990,000 |

| **2016** | **Mineral rights RM** | **Total RM** |
|---|---|---|
| **Cost** | | |
| At 1 April 2015/31 March 2016 | - | - |

**Goodwill**

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Plentiful Earnings Sdn. Bhd. into the Group's fish rearing business.

## 14. Intangible assets (cont'd)

### Mineral rights acquired under FRS 2 Share-based payment

During the financial year, the Group acquired mineral rights at aggregate costs of RM96,101,488 (2016: RMNil) by means of acquiring the entire equity interest of Wullersdorf Resources Sdn. Bhd. As Wullersdorf Resoures Sdn. Bhd. has generally limited activities other than holding the mineral rights, it is not considered an acquisition of business, and therefore FRS 3 Business Combination is not applicable. The acquisition is therefore accounted for as the purchase of individual assets.

The mineral rights are amortised from the date on which the commercial production begins. Depreciation, depletion and amortisation of mine development costs are computed by the units-of-production method based on estimated proven and probable Ore Reserve. The proven and probable Ore Reserve reflects estimated quantities of reserves which can be recovered economically in the future from known mineral deposits.

## 15. Investments in subsidiary companies

| | Company | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Unquoted shares, at cost | 65,937,900 | 65,251,277 |
| Less: Impairment loss | (2,334,730) | (2,334,730) |
| | 63,603,170 | 62,916,547 |

Details of the subsidiaries are as follows:

| Name of subsidiary companies | Country of incorporation | Proportion of ownership interest 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| Plentiful Harvest Sdn. Bhd. | Malaysia | 100 | 100 | Fish breeding, operation of a fish hatchery and fish rearing |
| Marine Terrace Sdn. Bhd. | Malaysia | 100 | 100 | Fish rearing |
| Wullersdorf Resources Sdn. Bhd. | Malaysia | 100 | - | Dormant |

**15. Investments in subsidiary companies (cont'd)**

Details of the subsidiaries are as follows:

| Name of subsidiary companies | Country of incorporation | Proportion of ownership interest 2017 % | 2016 % | Principal activities |
|---|---|---|---|---|
| **Held through Plentiful Harvest Sdn. Bhd.** | | | | |
| Plentiful Earnings Sdn. Bhd.* | Malaysia | 100 | 100 | Fish rearing |
| Salient Horizon Sdn. Bhd. | Malaysia | 100 | 100 | Live fish transportation services |
| Well Sky Logistics Limited*# | Hong Kong | - | 100 | Ceased operation |

* Audited by firm of auditors other than PKF

\# During the financial year, Well Sky Logistics Limited had permanently ceased operation on 31 March 2017. The Group had submitted the notification of cessation to Hong Kong Business Registration Office but yet to obtain permission from the relevant authorities.

**Acquisition of a subsidiary**

On 19 January 2017, the Group acquired 10,000 ordinary shares of RM1 each, representing 100% equity interest in Wullersdorf Resources Sdn. Bhd., for a total consideration of RM96,000,000 satisfied by way of issuance of 102,127,660 new ordinary shares of RM0.10 each at an issue price of RM0.94 per ordinary share. As a result of that, Wullersdorf Resources Sdn. Bhd. became a subsidiary of the Group.

The acquisition had the following the effect on the Group's assets and liabilities on acquisition date:

| | RM | Fair value recognised on acquisition RM |
|---|---|---|
| Mineral rights (Note 14) | 96,101,488 | |
| Elimination of pre-acquisition losses | (111,488) | 95,990,000 |
| Investment in subsidiary company | | 10,000 |
| Total purchase consideration | | 96,000,000 |
| Less: Discharged by issuance of the Company's ordinary shares (Note 21) | | (96,000,000) |
| Cash flow on acquisition | | - |

**16. Biological assets**

| **Group**<br><br>**2017** | **Broodstocks**<br>**RM** | **Fishery livestocks and fish fry**<br>**RM** | **Total**<br>**RM** |
|---|---|---|---|
| At 1 April 2016 | 4,168,991 | 83,881,044 | 88,050,035 |
| Addition | 63,078 | 33,039,852 | 33,102,930 |
| Amortisation charge for the financial year (Note 8) | (434,580) | - | (434,580) |
| Provision of fatalities charges (Note 8) | (1,932,932) | - | (1,932,932) |
| Sold | - | (20,504,048) | (20,504,048) |
| At 31 March 2017 | 1,864,557 | 96,416,848 | 98,281,405 |
| Non-current | 1,864,557 | - | 1,864,557 |
| Current | - | 96,416,848 | 96,416,848 |
| | 1,864,557 | 96,416,848 | 98,281,405 |
| At cost | 1,864,557 | 96,416,848 | 98,281,405 |
| **2016** | | | |
| **At 1 April 2015** | 2,963,469 | 76,147,139 | 79,110,608 |
| Addition | 1,866,393 | 18,383,859 | 20,250,252 |
| Amortisation charge for the financial year (Note 8) | (660,871) | - | (660,871) |
| Sold | - | (10,649,954) | (10,649,954) |
| At 31 March 2016 | 4,168,991 | 83,881,044 | 88,050,035 |
| Non-current | 4,168,991 | - | 4,168,991 |
| Current | - | 83,881,044 | 83,881,044 |
| | 4,168,991 | 83,881,044 | 88,050,035 |
| At cost | 4,168,991 | 83,881,044 | 88,050,035 |

The Group is exposed to a number of risks related to its broodstocks, fishery livestocks and fish fry:

(a) exposure to fluctuations in the price and sales volume of broodstocks, fishery livestocks and fish fry; and
(b) exposure to damage and fatalities from climate changes, disease and other natural forces.

**17. Amounts due from subsidiary companies**

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| **Non-Current** | **RM** | **RM** |
| Amount due from subsidiary company | 48,973,539 | 48,973,539 |
| Less: Fair value adjustment | (6,395,966) | (9,273,530) |
| Amount due from subsidiary company, net | 42,577,573 | 39,700,009 |
| **Current** | | |
| Amounts due from subsidiary companies | 26,658,341 | 17,122,465 |
| **Total amounts due from subsidiary companies** | 69,235,914 | 56,822,474 |

The amount due from subsidiary company of RM48,973,539 (2016: RM48,973,539) is unsecured, interest free and repayable in full in 2019.

The amounts due from subsidiary companies of RM26,658,341 (2016: RM17,122,465) are unsecured, interest free and repayable on demand.

**18. Inventories**

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| **Cost** | **RM** | **RM** |
| Chemicals | 24,791 | 21,491 |
| Crusher run | 66,540 | - |
| Feeds | 271,862 | 361,252 |
| Frozen products | 376,734 | 372,493 |
| Fuel and oil | 192,371 | 97,349 |
| | 932,298 | 852,585 |

The amount of inventories recognised as an expense in cost of sales of the Group was RM6,526,584 (2016: RM4,671,114).

**19. Trade and non-trade receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Trade receivables** | **RM** | **RM** | **RM** | **RM** |
| Related parties | 292,108 | 404,934 | - | - |
| Third parties | 39,360,586 | 31,965,640 | - | - |
| | 39,652,694 | 32,370,574 | - | - |
| Less: Allowance for impairment | (1,475,230) | (1,528,372) | - | - |
| Trade receivables, net | 38,177,464 | 30,842,202 | - | - |

### 19. Trade and non-trade receivables (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Non-trade receivables** | RM | RM | RM | RM |
| Deposits | 184,850 | 1,826,520 | 500 | 500 |
| Prepayments | 269,631 | 545,899 | 21,000 | 282,080 |
| Other receivables | | | | |
| - Related parties | 10,898 | 10,898 | 10,898 | 10,898 |
| - Third parties | 363,555 | 320,946 | 65,787 | 7,982 |
| | 828,934 | 2,704,263 | 98,185 | 301,460 |
| Less: Allowance for impairment | - | (124,033) | - | - |
| Non-trade receivables, net | 828,934 | 2,580,230 | 98,185 | 301,460 |
| **Total trade and non-trade receivables** | 39,006,398 | 33,422,432 | 98,185 | 301,460 |

Trade receivables are non-interest bearing and the normal credit terms granted by the Group are 30 to 270 days (2016: 30 to 270 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

As at reporting date, the Group has significant concentration of credit risk in the form of outstanding balances due from 4 (2016: 4) overseas customers representing 91% (2016: 94%) of total trade receivables.

The ageing analysis of the Group's trade receivables as at the reporting date is as follows:

| | Gross amount | Individual impairment | Carrying value |
|---|---|---|---|
| **2017** | RM | RM | RM |
| Not past due | 13,887,490 | - | 13,887,490 |
| Past due: | | | |
| - less than 30 days | 787,090 | - | 787,090 |
| - between 31 to 60 days | 2,492,085 | - | 2,492,085 |
| - between 61 to 90 days | 1,895,428 | - | 1,895,428 |
| - more than 90 days | 20,590,601 | (1,475,230) | 19,115,371 |
| | 25,765,204 | (1,475,230) | 24,289,974 |
| | 39,652,694 | (1,475,230) | 38,177,464 |
| **2016** | | | |
| Not past due | 10,245,440 | - | 10,245,440 |
| Past due: | | | |
| - less than 30 days | 4,493,186 | - | 4,493,186 |
| - between 31 to 60 days | 88,029 | - | 88,029 |
| - between 61 to 90 days | 683,965 | - | 683,965 |
| - more than 90 days | 16,859,954 | (1,528,372) | 15,331,582 |
| | 22,125,134 | (1,528,372) | 20,596,762 |
| | 32,370,574 | (1,528,372) | 30,842,202 |

### 19. Trade and non-trade receivables (cont'd)

| Movement in allowance account for trade receivables: | Group 2017 RM | Group 2016 RM |
|---|---|---|
| At 1 April | 1,528,372 | 1,003,091 |
| Charge for the financial year (Note 8) | - | 525,281 |
| Reversal of allowance for doubtful debts | (53,142) | - |
| At 31 March | 1,475,230 | 1,528,372 |

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group has trade receivables amounting to RM24,289,974 (2016: RM20,596,762) that are past due but not impaired at the reporting date. These balances are unsecured in nature.

The Directors have reviewed the recoverability of the receivables and are of the opinion that no allowance is required in respect of these debts.

| Movement in allowance account for trade receivables: | Group 2017 RM | Group 2016 RM |
|---|---|---|
| At 1 April | 124,033 | 124,033 |
| Reversal of the allowance for doubtful debts | (124,033) | - |
| | - | 124,033 |

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Amounts due from related parties are unsecured, interest free and repayable on demand.

### 20. Cash and bank balances

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Cash in hand | 65,314 | 51,185 | - | - |
| Cash at banks | 35,922,547 | 141,421 | 35,857,510 | 22,582 |
| Deposits with licensed banks | 985,000 | 585,000 | - | - |
| **Cash and bank balances** | 36,972,861 | 777,606 | 35,857,510 | 22,582 |
| Bank overdrafts (Note 24) | (9,837,170) | (6,612,228) | - | - |
| Less: Deposits with licensed banks with maturity of more than three months | (985,000) | (585,000) | - | - |
| **Cash and cash equivalents** | 26,150,691 | (6,419,622) | 35,857,510 | 22,582 |

## 20. Cash and bank balances (cont'd)

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The weighted average effective interest rate of deposits with licensed banks at the end of the financial year of the Group is 3.65% (2016: 3.65%) per annum.

Deposits with licensed banks amounting to RM900,000 (2016: RM500,000) are held under lien as security for term loan facility granted to the Group and have a maturity of 365 days (2016: 365 days).

Deposits with licensed banks amounting to RM85,000 (2016: RM85,000) are held under lien for bank guarantee facilities in favour of Sabah Electricity Sdn. Bhd. and the Malaysian Custom Department.

## 21. Share capital

| | No. of shares | | Group/Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 RM | 2016 RM |
| Authorised share capital: | | | | |
| Ordinary shares of RM0.10 each | - | 500,000,000 | - | 50,000,000 |

| | No. of shares | | Group/Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 RM | 2016 RM |
| Issued and paid up: | | | | |
| Ordinary shares | | | | |
| At 1 April | 431,966,165 | 418,905,100 | 43,196,617 | 41,890,510 |
| Issued during the financial year | 102,127,660 | - | 10,212,766 | - |
| Issued under Employees Share Option Scheme ("ESOS") | 17,493,500 | 13,061,065 | 4,802,060 | 1,306,107 |
| Issued under private placement | 46,869,600 | - | 36,089,592 | - |
| | 598,456,925 | 431,966,165 | 94,301,035 | 43,196,617 |

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM0.10 each. The new Companies Act 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provision of the Act, the amount standing of the Company's share premium account has become part of the Company's share capital. These changes do not have an impact on the number of shares in issued or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in manner as specified by the Act.

**21. Share capital (cont'd)**

| | Group/Company | | |
|---|---|---|---|
| 598,456,925 ordinary shares | **Share capital RM** | **Share premium RM** | **Total share capital and share premium RM** |
| At 1 April 2015 | 41,890,510 | 72,877,695 | 114,768,205 |
| Issued under Employees Share Option Scheme ("ESOS") | 1,306,107 | 11,014,396 | 12,320,503 |
| At 31 March 2016 | 43,196,617 | 83,892,091 | 127,088,708 |
| Issued during the financial Year (Note 15) | 10,212,766 | 85,787,234 | 96,000,000 |
| Issued under Employees Share Option Scheme ("ESOS") | 4,802,060 | 10,461,685 | 15,263,745 |
| Issued under private placement | 36,089,592 | - | 36,089,592 |
| Share issuance expenses | - | (253,213) | (253,213) |
| At 31 March 2016 | 94,301,035 | 179,887,797 | 274,188,832 |

During the financial year, there is a proposed acquisition of 10,000 ordinary shares of RM1 each, representing the entire equity interest of Wullersdorf Resources Sdn. Bhd. for a total purchase consideration for RM96,000,000 which is satisfied via the issuance of 102,127,660 new ordinary shares of RM0.10 each in Borneo Aqua Harvest Berhad at an issue price of RM0.94 per share. The share premium arising of RM85,787,234 from the issuance of ordinary shares has been included in the share premium account.

The Company also issued 17,493,500 new ordinary shares arising from the exercise of employees' share options at an exercise price of RM0.70 per share for additional working capital purposes during the financial year. The share premium arising of RM10,461,685 from the issuance of ordinary shares under the ESOS has been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company except that the new ordinary shares so allotted and issued will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which precedes the date of issuance of such new ordinary shares.

Subsequently, the Company had issued 46,869,600 new ordinary shares of RM0.77 each through a private placement for growing its mining business by setting up the Mining Operation on a parcel of subleased land located at Bukit Mantri in the district of Tawau, Sabah and for additional working capital. The share issue costs of RM253,213 have been included in the share premium account.

The holders of all other ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share without restrictions at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### 22. Other reserve

| Group | Foreign currency translation reserve | Employees' share options scheme ("ESOS") reserve | Total |
|---|---|---|---|
| **2017** | **RM** | **RM** | **RM** |
| At 1 April 2016 | (95,553) | 13,143,671 | 13,048,118 |
| Share-based payment transactions | - | 689,481 | 689,481 |
| Share options exercised | - | (3,018,295) | (3,018,295) |
| Exchange differences on translation of foreign operation | (1,370) | - | (1,370) |
| At 31 March 2017 | (96,923) | 10,814,857 | 10,717,934 |
| **2016** | | | |
| At 1 April 2015 | (95,531) | 13,767,238 | 13,671,707 |
| Share-based payment transactions | - | 2,554,190 | 2,554,190 |
| Share options exercised | - | (3,177,757) | (3,177,757) |
| Exchange differences on translation of foreign operation | (22) | - | (22) |
| At 31 March 2016 | (95,553) | 13,143,671 | 13,048,118 |

| Company | Share options reserve 2017 RM | Share options reserve 2016 RM |
|---|---|---|
| At 1 April | 13,143,671 | 13,767,238 |
| Share-based payment transactions | 689,481 | 2,554,190 |
| Share options exercised | (3,018,295) | (3,177,757) |
| At 31 March | 10,814,857 | 13,143,671 |

**Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operation whose functional currency is different from that of the Group's presentation currency. On cease of operation of foreign operation, all accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

**Employees' share options ("ESOS") reserve**

The share options reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained profits. Share options are disclosed in Note 9 to the financial statements.

## 23. Retained profits

As at 31 March 2017, the entire retained profits of the Company are distributable as single-tier tax exempt dividends under the single-tier system.

## 24. Loans and borrowings

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| **Current** | RM | RM |
| Secured: | | |
| Bank overdrafts | 9,837,170 | 6,612,228 |
| Hire purchase payables | 58,925 | 51,889 |
| Revolving credit | 1,500,000 | 2,000,000 |
| Term loan | 1,284,043 | 1,186,794 |
| | 12,680,138 | 9,850,911 |
| **Non-current** | | |
| Secured: | | |
| Hire purchase payables | 89,857 | 118,738 |
| Term loan | 101,814 | 1,283,114 |
| | 191,671 | 1,401,852 |
| **Total loans and borrowings** | | |
| Secured: | | |
| Bank overdrafts | 9,837,170 | 6,612,228 |
| Hire purchase payables | 148,782 | 170,627 |
| Revolving credit | 1,500,000 | 2,000,000 |
| Term loan | 1,385,857 | 2,469,908 |
| | 12,871,809 | 11,252,763 |
| **Maturity structure of loans and borrowings** | | |
| Within one year | 12,680,138 | 9,850,911 |
| Between one to two years | 124,117 | 1,234,136 |
| Between two to five years | 67,554 | 151,351 |
| More than five years | - | 16,365 |
| | 12,871,809 | 11,252,763 |

### 24. Loans and borrowings (cont'd)

The interest rate structures are as follows:

| | Nominal interest rate | | Effective interest rate | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Bank overdrafts | BLR+1.50% | BLR+1.50% | 7.56% | 8.35% |
| Hire purchase payables | 2.59% | 2.40% | 4.85% | 4.56% |
| Revolving credit | COF+2.50% | COF+2.50% | 6.14% | 6.14% |
| Term loan | COF+2.50% | COF+2.50% | 6.00% | 6.00% |

The loans and borrowings are secured by the followings:

**Bank overdrafts**

(i) legal charges over all the fixed and floating, present and future assets of a subsidiary company;
(ii) debenture incorporating all the fixed and floating, present and future assets of a subsidiary company;
(iii) corporate guarantee by the Company;
(iv) 80% guarantee on RM500,000 by the Government of Malaysia; and
(v) joint and several guarantees by Directors of a subsidiary company, namely, Plentiful Harvest Sdn. Bhd.

**Hire purchase payables**

(i) plant and equipment acquired under hire purchase arrangements as disclosed in Note 13 to the financial statements.

**Revolving credit and term loan**

(i) second legal charge over all the fixed and floating, present and future assets of a subsidiary company, namely, Plentiful Harvest Sdn. Bhd.;
(ii) debenture incorporating all the fixed and floating, present and future assets of a subsidiary company, namely, Plentiful Harvest Sdn. Bhd.;
(iii) corporate guarantee by the Company; and
(iv) joint and several guarantees by Directors of a subsidiary company, namely, Plentiful Harvest Sdn. Bhd.

### 25. Deferred income

| | Group | |
|---|---|---|
| | 2017 RM | 2016 RM |
| Government grant | 8,756,300 | 8,756,300 |
| Less: Accumulated amortisation | (3,867,366) | (2,991,736) |
| | 4,888,934 | 5,764,564 |

On 5 September 2012, one of the subsidiary companies, namely, Plentiful Harvest Sdn. Bhd. entered into an agreement with Ministry of Agriculture & Agro-based Industry Malaysia to receive a government grant of RM24,846,000 which is conditional upon its construction of hatchery and nursery centres. The grant is amortised over the useful life of the buildings. During the financial year, RM875,630 (2016: RM875,630) has been amortised and recognised as other operating income in the Statements of Profit or Loss and Other Comprehensive Income.

## 26. Deferred tax liabilities

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| At 1 April | 3,011,460 | 3,709,340 |
| Transfer to Statements of Profit or Loss and Other Comprehensive Income (Note 11) | (973,342) | (697,880) |
| At 31 March | 2,038,118 | 3,011,460 |

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

| | Group 2017 RM | Group 2016 RM |
|---|---|---|
| **Deferred tax assets** | | |
| Unabsorbed capital allowances | (7,466,670) | (15,120,838) |
| Unutilised business losses | (276,972) | (268,218) |
| | (7,743,642) | (15,389,056) |
| **Deferred tax liabilities** | | |
| Plant and equipment | 16,235,800 | 27,790,102 |
| Broodstocks | - | 146,703 |
| | 8,492,158 | 12,547,749 |
| Tax rate | 24% | 24% |
| Deferred tax liabilities recognised | 2,038,118 | 3,011,460 |

Subject to no substantial changes in the shareholdings structure of the Company, the unutilised tax losses and unabsorbed capital allowances are available for offsetting against future taxable profits.

## 27. Trade and non-trade payables

| | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| **Trade payables** | | | | |
| Third parties | 3,379,513 | 3,217,486 | - | - |
| **Non-trade payables** | | | | |
| Accruals | 898,625 | 716,572 | 97,500 | 83,202 |
| Amounts due to Directors | 103,858 | 173,356 | 7,181 | 32,669 |
| Deposit payable | 4,000 | - | - | - |
| Other payables | | | | |
| - Third parties | 1,394,058 | 790,775 | 772,719 | 292,230 |
| - Related parties | 96,386 | 1,313 | 6,386 | 1,313 |
| | 2,496,927 | 1,682,016 | 883,786 | 409,414 |
| **Total trade and non-trade payables** | 5,876,440 | 4,899,502 | 883,786 | 409,414 |

Trade and non-trade payables are non-interest bearing and the normal credit terms granted to the Group are Two (2) months and Six (6) months respectively.

**27. Trade and non-trade payables (cont'd)**

Amounts due to related parties are unsecured, interest free and repayable on demand.

Amounts due to Directors are unsecured, interest free and repayable on demand.

**28. Acquisition of property, plant and equipment**

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM696,705 and RM1,684 (2016: RM951,652 and RMNil) respectively in which RM33,400 and RMNil (2016: RMNil and RMNil) respectively were financed by hire purchase arrangements.

**29. Interest in joint operation**

One of the subsidiary companies, namely, Plentiful Harvest Sdn. Bhd. had entered into a joint operation with City Harvest Aquaculture Sdn. Bhd. for oyster aquaculture operations. The principal place of business of the joint operation is in Malaysia.

Pursuant to the Joint Venture Agreement ("JVA") dated 6 January 2014, the subsidiary company provides the land and certain equipments to be used for the oyster operations in return for a 50% share of the profit to be generated, but is not liable for any share of losses. On 29 January 2016, the subsidiary company served notice of termination to terminate the JVA due to dissatisfaction over City Harvest Aquaculture Sdn. Bhd.'s operation of the joint venture. After the expiry of the Six (6) months' notice on 4 August 2016, the Group made an announcement on 3 February 2017 at Bursa Malaysia and officially terminated the said JVA. The termination of this joint venture does not result in any loss to the subsidiary company as no revenue or profits has been previously recognised.

**30. Significant related party transactions**

**(a) Identities of related parties**

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Group and the Company have related party relationships with companies which have common Directors with the Company, Directors of the Company, key management personnel, person connected with certain Directors of the Company, entity owned by a person connected to a Director of the Company, company which has a common management personnel and entities within the same group of companies.

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows:

| **Group** | | **Transaction value** | | **Balance outstanding as at 31 March** | |
|---|---|---|---|---|---|
| **Name of related parties** | **Type of transactions** | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Companies with common Directors: | | | | | |
| Giant Grouper Retail Chain (Sabah) Sdn. Bhd. | Payment of accounts | 425,706 | 517,928 | 266,085 | 203,044 |
| | Sale of frozen products | (488,747) | (644,437) | | |

**30. Significant related party transactions (cont'd)**

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows: (cont'd)

| **Group** | | **Transaction value** | | **Balance outstanding as at 31 March** | |
|---|---|---|---|---|---|
| **Name of related parties** | **Type of transactions** | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Southsea Gold Sdn. Bhd. | Rental of land | 20,000 | - | (79,102) | 10,898 |
| Directors of the Company: | | | | | |
| Akinori Hotani | Breeding commission | 194,946 | 138,861 | (35,006) | (20,446) |
| | Payment of accounts | (183,971) | (120,483) | | |
| | Payment on behalf | 3,585 | 1,169 | | |
| | Settlement of accounts | 1,930,100 | 840,000 | | |
| | Share options exercised | (1,930,100) | (840,000) | | |
| Chong Khing Chung | Payment of accounts | (40,840) | (23,699) | - | (7,669) |
| | Payment on behalf | 33,171 | 25,747 | | |
| | Settlement of accounts | 1,416,700 | 1,459,500 | | |
| | Share options exercised | (1,416,700) | (1,459,500) | | |
| Dato' Sri Dr. Md Kamal Bin Bilal | Settlement of accounts | 1,930,100 | 840,000 | - | - |
| | Share options exercised | (1,930,100) | (840,000) | | |
| Datuk Lo Fui Ming | Payment of accounts | (720,015) | (531,886) | (54,108) | (111,877) |
| | Payment on behalf | 662,246 | 633,441 | | |
| | Settlement of accounts | 612,340 | 2,193,000 | | |
| | Share options exercised | (612,340) | (2,193,000) | | |
| Lo Teck Yong | Payment of accounts | (40,500) | (7,165) | (13,054) | (33,364) |
| | Payment on behalf | 20,190 | 26,327 | | |
| | Settlement of accounts | 150,500 | - | | |
| | Share options exercised | (150,500) | - | | |
| Sim Kay Wah | Payment of accounts | - | (1,724) | (1,690) | - |
| | Payment on behalf | 1,690 | 1,724 | | |
| YB Mejar (K) Datuk Samsudin | Settlement of accounts | 10,990 | - | - | - |
| Bin Yahya | Share options exercised | (10,990) | - | | |
| Person connected with certain Directors of the Company: | | | | | |
| Lo Choon Fung @ Michelle | Payment of accounts | (16,701) | - | (6,386) | (1,313) |
| | Payment on behalf | 21,774 | 1,313 | | |
| | Settlement of accounts | 140,000 | 70,000 | | |
| | Share options exercised | (140,000) | (70,000) | | |

**30. Significant related party transactions (cont'd)**

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows: (cont'd)

| Group | | Transaction value | | Balance outstanding as at 31 March | |
|---|---|---|---|---|---|
| Name of related parties | Type of transactions | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Entity owned by a person connected to a Director of the Company: | | | | | |
| Restoran Sabah Kertang Sandakan | Payment of accounts | 8,089 | - | 26,023 | - |
| | Sale of frozen products | (34,112) | - | | |
| Company which has a common management personnel: | | | | | |
| Kertang Food Chain (Sabah) Sdn. Bhd. | Payment of accounts | - | 30,000 | - | 201,890 |
| | Sale of frozen products | - | (231,890) | | |
| **Company** | | | | | |
| Subsidiary companies: | | | | | |
| Marine Terrace Sdn. Bhd. | Advances | 3,632 | 6,314 | 446,910 | 686,809 |
| | Payment on behalf | (243,531) | (149,014) | | |
| Plentiful Earnings Sdn. Bhd. | Advances | 1,407,526 | 520,000 | - | - |
| | Payment on behalf | (1,407,526) | (520,000) | | |
| Plentiful Harvest Sdn. Bhd. | Advances | 11,153,190 | 8,885,049 | 68,706,335 | 56,135,665 |
| | Fair value adjustment | 2,877,564 | 2,683,086 | | |
| | Payment on behalf | (1,460,084) | (1,024,508) | | |
| Salient Horizon Sdn. Bhd. | Advances | 128,320 | 39,527 | - | - |
| | Payment on behalf | (128,320) | (39,527) | | |
| Wullersdorf Resources Sdn. Bhd. | Advances | 82,669 | - | 82,669 | - |
| Company with common Directors: | | | | | |
| Southsea Gold Sdn. Bhd. | Advances | - | - | 10,898 | 10,898 |

**30. Significant related party transactions (cont'd)**

(b) The aggregate value of transactions and outstanding balances of the related parties of the Group and the Company were as follows: (cont'd)

| **Group** | | **Transaction value** | | **Balance outstanding as at 31 March** | |
|---|---|---|---|---|---|
| **Name of related parties** | **Type of transactions** | **2017 RM** | **2016 RM** | **2017 RM** | **2016 RM** |
| Directors of the Company: | | | | | |
| Akinori Hotani | Settlement of accounts | 1,930,100 | 840,000 | - | - |
| | Share options exercised | (1,930,100) | (840,000) | | |
| Chong Khing Chung | Payment of account | (40,840) | (23,699) | - | (7,669) |
| | Payment on behalf | 33,171 | 25,747 | | |
| | Settlement of accounts | 1,416,700 | 1,459,500 | | |
| | Share options exercised | (1,416,700) | (1,459,500) | | |
| Dato' Sri Dr. Md Kamal Bin Bilal | Settlement of accounts | 1,930,100 | 840,000 | - | - |
| | Share options exercised | (1,930,100) | (840,000) | | |
| Datuk Lo Fui Ming | Payment of account | (250,620) | (58,599) | (1,220) | (25,000) |
| | Payment on behalf | 226,840 | 83,599 | | |
| | Settlement of accounts | 612,340 | 2,193,000 | | |
| | Share options exercised | (612,340) | (2,193,000) | | |
| Lo Teck Yong | Payment on behalf | 4,271 | - | (4,271) | - |
| | Settlement of accounts | 150,500 | - | | |
| | Share options exercised | (150,500) | - | | |
| Sim Kay Wah | Payment of accounts | - | (1,724) | (1,690) | - |
| | Payment on behalf | 1,690 | 1,724 | | |
| YB Mejar (K) Datuk Samsudin Bin Yahya | Settlement of accounts | 10,990 | - | - | - |
| | Share options exercised | (10,990) | - | | |
| Person connected with certain Directors of the Company: | | | | | |
| Lo Choon Fung @ Michelle | Payment of account | (16,701) | - | (6,386) | (1,313) |
| | Payment on behalf | 21,774 | 1,313 | | |
| | Settlement of accounts | 140,000 | 70,000 | | |
| | Share options exercised | (140,000) | (70,000) | | |

**30. Significant related party transactions (cont'd)**

**(c) Compensation of key management personnel**

The remuneration of Directors and other members of key management during the financial year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Short term employee benefits | 882,000 | 817,000 | 390,000 | 325,000 |
| Other emoluments | 64,285 | 66,563 | 15,403 | 17,420 |
| Commissions | 194,946 | 138,861 | - | - |
| Services received as an expense | 356,951 | 956,370 | 12,858 | 262,764 |
| | 1,498,182 | 1,978,794 | 418,261 | 605,184 |
| Included in the key management personnel are: | | | | |
| Directors' remuneration | 1,498,182 | 1,978,794 | 418,261 | 605,184 |

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Group and of the Company and members of senior management of the Group.

The terms and conditions and prices of the above transactions are mutually agreed between the parties. Related party balances are unsecured, interest free and repayable on demand, except for amount due from subsidiary company of RM48,973,539 (2016: RM48,973,539) which is repayable in full in 2019 as per disclosed in Note 17 to the financial statements.

**31. Financial guarantees**

The fair value of financial guarantees provided by the Company to the banks to secure banking facilities granted to a subsidiary company as disclosed in Note 24 to the financial statements with nominal amount of RM22,650,000 (2016: RM23,150,000) are negligible as the probability of the financial guarantees being called upon is remote due to the outstanding loans and borrowings are adequately secured by a debenture incorporating fixed and floating, present and future assets of a subsidiary in which its market values upon realisation are higher than the outstanding loans and borrowings amounts.

**32. Commitments**

**(a) Capital commitments**

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| Property, plant and equipment | **RM** | **RM** |
| Authorised but not contracted for | | |
| - Construction of buildings | 3,828,341 | 55,984 |
| - Construction of hatchery ponds | 33,025 | - |
| - Construction of heavy equipment | 30,800,000 | - |
| | 34,661,366 | 55,984 |

## 32. Commitments (cont'd)

### (b) Operating lease commitments

The Group has entered into cancellable operating lease agreement for the use of land and buildings. There is no renewal option or contingent rent provisions included the contracts. Lease terms do not contain restrictions on the Company's activities concerning dividends, additional debt or further leasing.

As at the end of the reporting period, lease commitments in respect of the rental of properties are as follows:

| | 2017 RM | 2016 RM |
|---|---|---|
| Within one year | 332,088 | 239,879 |
| Between one to two years | 155,376 | 247,863 |
| Between two to five years | 180,000 | 87,415 |
| After five years | 1,590,000 | - |
| | 2,257,464 | 575,157 |

## 33. Fair value of financial instruments

### Categories of financial instruments

| Group | 2017 Carrying amount RM | 2017 Loans and receivables RM | 2016 Carrying amount RM | 2016 Loans and receivables RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and non-trade receivables | 38,736,767 | 38,736,767 | 32,876,533 | 32,876,533 |
| Cash and bank balances | 36,972,861 | 36,972,861 | 777,606 | 777,606 |
| | 75,709,628 | 75,709,628 | 33,654,139 | 33,654,139 |

| Company | Carrying amount RM | Loans and receivables RM | Carrying amount RM | Loans and receivables RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Amounts due from subsidiary companies | 69,235,914 | 69,235,914 | 56,822,474 | 56,822,474 |
| Non-trade receivables | 77,185 | 77,185 | 19,380 | 19,380 |
| Cash and bank balances | 35,857,510 | 35,857,510 | 22,582 | 22,582 |
| | 105,170,609 | 105,170,609 | 56,864,436 | 56,864,436 |

### 33. Fair value of financial instruments (cont'd)

**Categories of financial instruments (cont'd)**

| Group | 2017 Carrying amount RM | 2017 Financial liabilities at amortised cost RM | 2016 Carrying amount RM | 2016 Financial liabilities at amortised cost RM |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Trade and non-trade payables | 5,876,440 | 5,876,440 | 4,899,502 | 4,899,502 |
| Loans and borrowings | 12,871,809 | 12,871,809 | 11,252,763 | 11,252,763 |
| | 18,748,249 | 18,748,249 | 16,152,265 | 16,152,265 |

| Company | 2017 Carrying amount RM | 2017 Financial liabilities at amortised cost RM | 2016 Carrying amount RM | 2016 Financial liabilities at amortised cost RM |
|---|---|---|---|---|
| **Financial liability** | | | | |
| Trade and non-trade payables | 883,786 | 883,786 | 409,414 | 409,414 |

A reconciliation of trade and non-trade receivables financial assets to the amounts reflected in the Statements of Financial Position is as follows:

| Trade and non-trade receivables | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| As reflected in the Statements of Financial Position (Note 20) | 39,006,398 | 33,422,432 | 98,185 | 301,460 |
| Less: Prepayment | (269,631) | (545,899) | (21,000) | (282,080) |
| Loans and receivables | 38,736,767 | 32,876,533 | 77,185 | 19,380 |

**Net gains and losses arising fram financial instruments**

| Net gains/(losses) arising on: | Group 2017 RM | Group 2016 RM | Company 2017 RM | Company 2016 RM |
|---|---|---|---|---|
| Loans and receivables | | | | |
| - Impairment loss | (136,998) | - | (127,862) | - |
| - Realised and unrealised gain/ (loss) on foreign exchange | 1,193,695 | 122,690 | - | - |
| - Interest income | 9,131 | 49,823 | 8,095 | - |
| Financial liabilities at amortised cost | | | | |
| - Interest expense | (1,017,944) | (1,014,885) | - | - |
| | 47,884 | (842,372) | (119,767) | - |

**33. Fair value of financial instruments (cont'd)**

**Fair value hierarchy and measurements**

The financial assets and financial liabilities maturing within the next Twelve (12) months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The fair value of amounts due from subsidiary companies and hire purchase payables are determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the reporting period.

The carrying amount of the term loan approximated its fair value as the instrument bears interest at variable rates.

**Financial guarantees**

The fair value of financial guarantees is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned using the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the guaranteed party were to default.

**34. Financial risk management objectives and policies**

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group's finance department overseen by an Executive Director. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

**(a) Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and non-trade receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of Managing Director.

**34. Financial risk management objectives and policies (cont'd)**

**(a) Credit risk (cont'd)**

Exposure to credit risk

As at the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the Statements of Financial Position; and
- A nominal amount of RM22,650,000 (2016: RM23,150,000) relating to corporate guarantees provided by the Company to the banks to secure banking facilities granted to a subsidiary.

As at the reporting date, the Group has significant concentration of credit risk in the form of outstanding balances due from 4 (2016: 4) overseas customers representing 91% (2016: 94%) of total trade receivables.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 19 to the financial statements. Deposits with banks and other financial institutions, and short-term investment that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 to the financial statements.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration of the Group's trade receivables at the reporting date are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | RM | % of total | RM | % of total |
| Malaysia | 3,586,786 | 9% | 1,822,248 | 6% |
| Hong Kong | 34,590,678 | 91% | 29,019,954 | 94% |
| | 38,177,464 | 100% | 30,842,202 | 100% |

**(b) Liquidity risk**

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

**34. Financial risk management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

Analysis of financial instruments by remaining contractual maturities

The following table sets out the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

| Group 2017 | On demand or within one year RM | One to five years RM | Over five Years RM | Total RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and non-trade receivables | 38,736,767 | - | - | 38,736,767 |
| Cash and bank balances | 36,972,861 | - | - | 36,972,861 |
| **Total financial assets** | 75,709,628 | - | - | 75,709,628 |
| **Financial liabilities** | | | | |
| Trade and non-trade payables | 5,876,440 | - | - | 5,876,440 |
| Loan and borrowings | 12,680,138 | 124,117 | 67,554 | 12,871,809 |
| | 18,556,578 | 124,117 | 67,554 | 18,748,249 |
| **Total net financial assets/(liabilities)** | 57,153,050 | (124,117) | (67,554) | 56,961,379 |

| Group 2016 | On demand or within one year RM | One to five years RM | Over five Years RM | Total RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and non-trade receivables | 32,876,533 | - | - | 32,876,533 |
| Cash and bank balances | 777,606 | - | - | 777,606 |
| **Total financial assets** | 33,654,139 | - | - | 33,654,139 |
| **Financial liabilities** | | | | |
| Trade and non-trade payables | 4,899,502 | - | - | 4,899,502 |
| Loan and borrowings | 9,850,911 | 1,385,487 | 16,365 | 11,252,763 |
| | 14,750,413 | 1,385,487 | 16,365 | 16,152,265 |
| **Total net financial assets/(liabilities)** | 18,903,726 | (1,385,487) | (16,365) | 17,501,874 |

**34. Financial risk management objectives and policies (cont'd)**

**(b) Liquidity risk (cont'd)**

Analysis of financial instruments by remaining contractual maturities (cont'd)

| **Company 2017** | **On demand or within one year RM** | **One to five years RM** | **Over five Years RM** | **Total RM** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Amounts due from subsidiary companies | 26,658,341 | 42,577,573 | - | 69,235,914 |
| Non-trade receivables | 77,185 | - | - | 77,185 |
| Cash and bank balances | 35,857,510 | - | - | 35,857,510 |
| **Total financial assets** | 62,593,036 | 42,577,573 | - | 105,170,609 |
| **Financial liability** | | | | |
| Non-trade payables | 883,786 | - | - | 883,786 |
| **Total net financial assets** | 61,709,250 | 42,577,573 | - | 104,286,823 |

| **Company 2016** | **On demand or within one year RM** | **One to five years RM** | **Over five Years RM** | **Total RM** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Amounts due from subsidiary companies | 17,122,465 | 39,700,009 | - | 56,822,474 |
| Non-trade receivables | 19,380 | - | - | 19,380 |
| Cash and bank balances | 22,582 | - | - | 22,582 |
| **Total financial assets** | 17,164,427 | 39,700,009 | - | 56,864,436 |
| **Financial liability** | | | | |
| Non-trade payables | 409,414 | - | - | 409,414 |
| **Total net financial assets** | 16,755,013 | 39,700,009 | - | 56,455,022 |

At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 Financial Instruments: Recognition and Measurement are not included in the above maturity profile analysis.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises mainly from its loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

**34. Financial risk management objectives and policies (cont'd)**

**(c) Interest rate risk (cont'd)**

Sensitivity analysis for interest rate risk

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

| | Increase/(Decrease) | |
|---|---|---|
| | 2017 | 2016 |
| **Effects on profit after taxation** | RM | RM |
| Increase of 26bp | (16,252) | (13,685) |
| Decrease of 26bp | 16,252 | 13,685 |

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rate.

The Group is exposed to currency translation risk arising from its net investment in a Hong Kong subsidiary. The Group's net investment in Hong Kong is not hedged as currency position in Hong Kong Dollar (HKD) is considered to be long-term in nature.

The Group is also exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia (RM). The currencies giving rise to this risk are primarily Renminbi (RMB), Hong Kong Dollar (HKD), and United States Dollar (USD).

Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

| 2017 | Renminbi RM | Hong Kong Dollar RM | United States Dollar RM | Total RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and non-trade receivables | 31,960,777 | - | - | 31,960,777 |
| Cash and bank balances | 13,282 | 44,567 | - | 57,849 |
| | 31,974,059 | 44,567 | - | 32,018,626 |
| **Financial liability** | | | | |
| Trade and non-trade payables | 471,199 | 31,815 | 569,753 | 1,072,767 |
| **Net financial assets/ (liabilities) held in non-functional currencies** | 31,502,860 | 12,752 | (569,753) | 30,945,859 |

**34. Financial risk management objectives and policies (cont'd)**

**(d) Foreign currency risk (cont'd)**

| 2016 | Renminbi RM | Hong Kong Dollar RM | United States Dollar RM | Total RM |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade and non-trade receivables | 26,376,984 | 90,393 | - | 26,467,377 |
| Cash and bank balances | - | 73,508 | - | 73,508 |
| | 26,376,984 | 163,901 | - | 26,540,885 |
| **Financial liability** | | | | |
| Trade and non-trade payables | 15,630 | 1,178,581 | 436,622 | 1,630,833 |
| **Net financial assets/ (liabilities) held in non-functional currencies** | 26,361,354 | (1,014,680) | (436,622) | 24,910,052 |

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

| | Increase/(Decrease) | |
|---|---|---|
| **Effects on profit after taxation** | **2017 RM** | **2016 RM** |
| RMB/RM | | |
| Strengthened by 5% (2016: 5%) | 1,188,446 | 955,113 |
| Weakened by 5% (2016: 5%) | (1,188,446) | (955,113) |
| HKD/RM | | |
| Strengthened by 10% (2016: 5%) | (15,642) | (5,280) |
| Weakened by 10% (2016: 5%) | 15,642 | 5,280 |
| USD/RM | | |
| Strengthened by 10% (2016: 5%) | (43,301) | (18,946) |
| Weakened by 10% (2016: 5%) | 43,301 | 18,946 |

**35. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The Group's strategies were unchanged from the previous financial year.

**35. Capital management (cont'd)**

The gearing ratio of the Group and of the Company as at the end of the reporting period was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **RM** | **RM** | **RM** | **RM** |
| Loans and borrowings | 12,871,809 | 11,252,763 | - | - |
| Less: Cash and bank balances | 36,972,861 | 777,606 | 35,857,510 | 22,582 |
| Net debt | - | 10,475,157 | - | - |
| Total equity | 285,189,003 | 144,227,161 | 263,902,965 | 119,655,595 |
| **Gearing ratio** | - | 0.07 | - | - |

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents.

Under the requirements of Bursa Malaysia Guidance Note 3, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid up capital (excluding treasury shares). The Group has complied with this requirement. There are no other external capital requirements imposed on the Group and the Company.

**36. Segment information**

**(i) Operating segment**

For management purposes, the Group is organised into business units based on products and services, and has two reportable operating segments as follows:

a) Aquaculture operations

b) Mining operations

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

**36. Segment information (cont'd)**

**(i) Operating segment (cont'd)**

| | Aquaculture operations | | Mining operations | | Adjustments and elimination | | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|
| | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| **Revenue** | | | | | | | | |
| External customers | 31,091,339 | 18,298,856 | - | - | - | - | 31,091,339 | 18,298,856 |
| **Results** | | | | | | | | |
| Interest income | 9,131 | 49,823 | - | - | - | - | 9,131 | 49,823 |
| Depreciation and amortisation | 7,259,893 | 7,959,599 | - | - | - | - | 7,259,893 | 7,959,599 |
| Segment loss | (4,648,808) | (4,024,713) | (137,213) | - | - | - | (4,786,021) | (4,024,713) |
| **Assets** | | | | | | | | |
| Additions to non-current assets | 759,783 | 2,818,045 | 96,101,488 | - | - | - | 96,861,271 | 2,818,045 |
| Segment assets | 214,602,568 | 169,090,222 | 96,114,154 | - | 147,582 | 65,228 | 310,864,304 | 169,155,450 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 10,596,677 | 10,664,066 | 168,697 | - | 14,909,928 | 14,264,223 | 25,675,302 | 24,928,289 |

**36. Segment information (cont'd)**

**(i) Operating segment (cont'd)**

Notes on the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

(a) There are no inter-segment revenues and transactions that needs to be eliminated on consolidation.

(b) Additions to non-current assets consist of:

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| Biological assets | 63,078 | 1,866,393 |
| Intangible assets | 96,101,488 | - |
| Property, plant and equipment | 696,705 | 951,652 |
| | 96,861,271 | 2,818,045 |

c) The following items are added to segment assets to arrive at total assets reported in the consolidated Statement of Financial Position:

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| Tax recoverable | 147,582 | 65,228 |

d) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated Statement of Financial Position:

| | 2017<br>RM | 2016<br>RM |
|---|---|---|
| Deferred tax liabilities | 2,038,118 | 3,011,460 |
| Loans and borrowings | 12,871,809 | 11,252,763 |
| | 14,909,927 | 14,264,223 |

**(ii) Geographical information**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Malaysia | 6,764,706 | 840,647 | 137,247,677 | 50,027,605 |
| Hong Kong | 24,326,633 | 17,458,209 | 140,639 | 128,950 |
| | 31,091,339 | 18,298,856 | 137,388,316 | 50,156,555 |

**36. Segment information (cont'd)**

**(ii) Geographical information (cont'd)**

Non-current assets information presented above consist of the following items as presented in the consolidated Statement of Financial Position:

| | 2017 RM | 2016 RM |
|---|---|---|
| Property, plant and equipment | 39,390,096 | 45,955,388 |
| Intangible assets | 96,133,664 | 32,176 |
| Biological assets | 1,864,557 | 4,168,991 |
| | 137,388,317 | 50,156,555 |

**(iii) Major customers**

Revenue from 4 (2016: 4) major customers amounted to RM24,255,904 (2016: RM17,458,209) arising from sale of adult fish and fish fry.

**37. Subsequent events**

(i) On 13 April 2017, an announcement was made that the Company proposed to undertake a proposed issue of up to 325,670,213 free warrants in the Company on the basis of 1 warrant for every 2 existing ordinary shares in the Company held by the shareholders of the Company on an entitlement date to be determined. The exercise price of the warrants has been fixed at RM0.87 per warrant. The proceeds raised from the exercise of the warrants are intended to be utilised as working capital requirements for the Group which may include, mine production cost, cost of prospecting on the subleased mining land, payments to contractors and trade payables and financing of day-to day operations.

(ii) On 27 April 2017, the Company proposed to change its name from Borneo Aqua Harvest Berhad to Bahvest Gold Berhad.

**38. Supplementary financial information on the breakdown of realised and unrealised profits or losses**

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at 31 March, into realised and unrealised profits/(losses), pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 RM | 2016 RM | 2017 RM | 2016 RM |
| Total (accumulated losses)/retained profits of the Company and its subsidiaries | | | | |
| - Realised | (39,964,459) | (5,479,856) | (21,100,724) | (20,576,784) |
| - Unrealised | 3,125,758 | 3,457,207 | - | - |
| | (36,838,701) | (2,022,649) | (21,100,724) | (20,576,784) |

**38. Supplementary financial information on the breakdown of realised and unrealised profits or losses (cont'd)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2017<br>RM | 2016<br>RM | 2017<br>RM | 2016<br>RM |
| Consolidation adjustments | 37,120,938 | 6,112,984 | - | - |
| Total retained profits/ (accumulated losses) as per Statements of Financial Position | 282,237 | 4,090,335 | (21,100,724) | (20,576,784) |

The determination of realised and unrealised profits or losses is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant of Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**39. General**

The Company, incorporated in Malaysia, is a public limited liability company that is domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year ended 31 March 2017.

The registered office and principal place of business of the Company are located at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements are presented in Ringgit Malaysia.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 26 July 2017.

# List of Properties

The summary of the information on landed properties owned by the Group is as follows:

| Address | Description of Property / Existing Use | Status/ Registered Owner | Audited Net Book Value as at 31 March 2017 (RM) | Approximate age of Building (Years) / CF Status | Tenure / Expiry Date of Lease | Approximate Land Area / Approximate Total Built-up Area |
|---|---|---|---|---|---|---|
| CL 075402256 Airport Road, District of Sandakan, Sabah | A parcel of aquaculture land currently used for hatchery operation | Owned / Plentiful Harvest Sdn Bhd | 63,690 | N/A | 99 years leasehold land expiring on 31.12.2080 | 1.494 ha |
| CL 075371087 Kampung Sungai Kayu, District of Sandakan, Sabah | A parcel of aquaculture land currently used for hatchery operation | Owned / Plentiful Harvest Sdn Bhd | 474,470 | N/A | 99 years leasehold land expiring on 31.12.2078 | 13.38 acres |
| NT 073026472 Kampung Sungai Kayu, District of Sandakan, Sabah | A parcel of aquaculture land currently used for hatchery operation | Subleased / Datuk Lo Fui Ming | 332,312 | N/A | Sublease for 30 years expiring on 22.12.2035 | 5.26 ha |
| CL 075487053 Kampung Sungai Kayu, District of Sandakan, Sabah | A parcel of aquaculture land currently used for hatchery operation | Owned/ Plentiful Harvest Sdn Bhd | 192,155 | N/A | 99 years leasehold land expiring on 31.12.2095 | 4.106 ha |
| CL 075382106 Kampung Sungai Kayu, District of Sandakan, Sabah | A parcel of aquaculture land currently used for hatchery operation | Owned / Plentiful Harvest Sdn Bhd | 278,641 | N/A | 99 years leasehold land expiring on 31.12.2079 | 6.13 ha |

| Address | Description of Property / Existing Use | Status/ Registered Owner | Audited Net Book Value as at 31 March 2017 (RM) | Approximate age of Building (Years) / CF Status | Tenure / Expiry Date of Lease | Approximate Land Area / Approximate Total Built-up Area |
|---|---|---|---|---|---|---|
| CL 075375665 Kampung Sungai Kayu, District of Sandakan, Sabah | A parcel of aquaculture land currently used for hatchery operation | Owned / Plentiful Harvest Sdn Bhd | 97,395 | N/A | 99 years leasehold land expiring on 31.12.2077 | 2.153 ha |
| TL 077537092 Lot 4, Block E, Bandar Nam Tung, Jalan Leila, 90000, Sandakan, Sabah | An intermediate 4-storey shophouse currently used for Headoffice | Owned / Plentiful Harvest Sdn Bhd | 90,749 | 36 Years | 999 Years freehold expiring on 02.09.2911 | 6,150 sq ft |
| NT113077026 KG. Terusan, District of Lahad Datu, Sabah | A parcel of aquaculture land currently used for nursery operation | Subleased / Datuk Lo Fui Ming | 210,000 | N/A | Sublease for 30 years expiring on 30.11.2037 | 1.329 ha |
| NT 113047975 Kampung Silam, District of Lahad Datu, Sabah | A parcel of aquaculture land currently used for nursery operation | Subleased / Datuk Lo Fui Ming | 227,500 | N/A | Sublease for 30 years expiring on 12.01.2045 | 3.073 ha |
| NT 073026150 Kampung Sungai Kayu, District of Sandakan,Sabah | A parcel of aquaculture land currently used for nursery operation | Subleased / Datuk Lo Fui Ming | 312,498 | N/A | Sublease for 30 years expiring on 31.07.2038 | 3.557 ha |

# Analysis of Shareholdings

## Analysis of Shareholdings

| | | |
|---|---|---|
| Authorised Capital | : | RM 200,000,000 |
| Issued and Fully Paid-Up Capital | : | RM 59,999,577 |
| Classes of shares | : | Ordinary Shares of 10 sen each fully paid |
| Voting Rights | : | One vote per share |

**ANALYSIS BY SIZE OF THE SHAREHOLDINGS AS AT 30 JUNE 2017 (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME PERSON)**

| | NO. OF SHAREHOLDERS | % | NO.OF SHAREHOLDINGS | % |
|---|---|---|---|---|
| 1 - 99 | 25 | 1.17 | 769 | 0.00 |
| 100 – 1,000 | 98 | 4.61 | 68,073 | 0.01 |
| 1,001 – 10,000 | 763 | 35.89 | 4,926,103 | 0.82 |
| 10,001 – 100,000 | 871 | 40.97 | 33,010,072 | 5.50 |
| 100,001 – 29,999,787 (*) | 365 | 17.17 | 383,457,123 | 63.91 |
| 29,999,788 AND ABOVE (**) | 4 | 0.19 | 178,533,630 | 29.76 |
| **TOTAL** | **2,126** | **100.00** | **599,995,770** | **100.00** |

REMARKS : * - LESS THAN 5% OF ISSUED SHAREHOLDINGS
**- 5% AND ABOVE OF ISSUED SHAREHOLDINGS

**LIST OF DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2017**

| | Shareholders Name | No. of Shares Direct | % | No. of Shares Indirect | % |
|---|---|---|---|---|---|
| 1 | Dato' Seri Md Kamal Bin Bilal | 3,129,460 | 0.52 | - | - |
| 2 | Datuk Lo Fui Ming | 95,195,995 | 15.87 | 70,000 [(1)] | 0.01 |
| 3 | Lo Teck Yong | 6,409,330 | 1.07 | - | - |
| 4 | Akinori Hotani | - | - | - | - |
| 5 | YB Mejar (K) Datuk Samsudin Bin Yahya | 171,400 | 0.03 | - | - |
| 6 | Mau Kam Wai | - | - | - | - |
| 7 | Sim Kay Wah | - | - | - | - |
| 8 | Tan Sri Dato' Nik Hashim Bin Nik Ab. Rahman | - | - | - | - |

Note : [(1)] Deemed interest by virtue of his child's interest pursuant to Section 219 of the Companies Act, 2016

**LIST OF DIRECTORS' OPTIONS HOLDINGS AS PER THE REGISTER OF DIRECTORS' OPTIONS HOLDINGS AS AT 30 JUNE 2017**

| | Name of Director | No. of Option Direct | % | No. of Option Indirect | % |
|---|---|---|---|---|---|
| 1 | Dato' Seri Md Kamal Bin Bilal | 1,550,540 | 1.48 | - | - |
| 2 | Datuk Lo Fui Ming | 2,009,450 | 1.91 | 5,600,000 [(1)] | 5.33 |
| 3 | Lo Teck Yong | 7,207,000 | 6.86 | - | - |
| 4 | Akinori Hotani | 1,855,000 | 1.77 | - | - |
| 5 | YB Mejar (K) Datuk Samsudin Bin Yahya | 1,328,600 | 1.27 | - | - |

Note : [(1)] Deemed interest by virtue of his child's interest pursuant to Section 219 of the Companies Act, 2016

**LIST OF SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2017**

| | Shareholders Name | No. of Shares Direct | % | No. of Shares Indirect | % |
|---|---|---|---|---|---|
| 1 | Datuk Lo Fui Ming | 95,195,995 | 15.87 | - | - |
| 2 | Lembaga Tabung Haji | 52,003,200 | 8.67 | - | - |
| 3 | Mohd Amir Bin Masry | 39,960,487 | 6.16 | | |

**THE 30 LARGEST SECURITIES ACCOUNT SHAREHOLDERS AS AT 30 JUNE 2016 (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME PERSON)**

| | NAME OF SHAREHOLDERS | NO OF SHAREHOLDINGS | % |
|---|---|---|---|
| 1 | LEMBAGA TABUNG HAJI | 52,003,200 | 8.67 |
| 2 | LO FUI MING | 48,659,048 | 8.11 |
| 3 | M & A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNTS FOR LO FUI MING (M&A)* | 40,910,895 | 6.82 |
| 4 | MOHD AMIR BIN MASRY | 36,960,487 | 6.16 |
| 5 | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNTS FOR LEONG KAM HENG* | 17,660,000 | 2.94 |
| 6 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-F)* | 16,209,288 | 2.70 |
| 7 | MARLEX TRADING LTD | 15,000,000 | 2.50 |
| 8 | NGIAM BUEY BUEY | 13,960,600 | 2.33 |
| 9 | LIM NYUK SANG @ FREDDY LIM | 12,064,314 | 2.01 |
| 10 | MALFOY CAPITAL MANAGEMENT LIMITED | 12,000,000 | 2.00 |
| 11 | M & A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHUAH CHOONG HEONG (M&A)* | 11,096,090 | 1.85 |
| 12 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>*EXEMPT AN FOR EFG BANK AG (A/C CLIENT)* | 10,898,000 | 1.82 |
| 13 | CROWNFIELD VENTURES CORP | 10,000,000 | 1.67 |
| 14 | ALLIANEGROUP NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR*<br>*LIM NYUK SANG @ FEDDY LIM (8071811)* | 9,858,900 | 1.64 |
| 15 | DIONG SIEW GI | 9,500,000 | 1.58 |

# Analysis of Shareholdings (cont'd)

**THE 30 LARGEST SECURITIES ACCOUNT SHAREHOLDERS AS AT 30 JUNE 2016 (WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME PERSON) (cont'd)**

| | | | |
|---|---|---|---|
| 16 | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD<br>*MAYBANK KIM ENG SECURITIES PTE LTD FOR YONG FEN VOO* | 7,177,700 | 1.20 |
| 17 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR FOO EE WYN* | 6,500,000 | 1.08 |
| 18 | LO TECK YONG | 6,409,330 | 1.07 |
| 19 | M & A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR FOO EE WYN (M&A)* | 5,517,700 | 0.92 |
| 20 | DIONG SIEW GI | 5,009,300 | 0.83 |
| 21 | CHANG HUAN SOON | 5,000,000 | 0.83 |
| 22 | M & A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNTS FOR LO FUI MING* | 5,000,000 | 0.83 |
| 23 | AFFIN HWANG NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR PHILLIP SECURITIES (HONG KONG) LTD (CLIENTS' ACCOUNT)* | 4,589,000 | 0.76 |
| 24 | LOKE LIN THAI | 4,000,000 | 0.67 |
| 25 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>*LIM NYEK KIONG @ LIM NYUK MIN (6000124)* | 3,920,600 | 0.65 |
| 26 | LEW SOON KIAK | 3,864,000 | 0.64 |
| 27 | M & A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR LEE HENG WAI (M&A)* | 3,846,200 | 0.64 |
| 28 | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR HO TEIK CHUAN @ HO SONNEY (SMART)* | 3,665,000 | 0.61 |
| 29 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR LIM FEI NEE* | 3,588,400 | 0.60 |
| 30 | M & A NOMINEE (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHIA YET MEE (M&A)* | 3,515,100 | 0.59 |

# Notice of the Thirteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Thirteenth Annual General Meeting of the Company will be held at Sabah Hotel, Amadeus III, Level 2, KM1, Jalan Utara, P.O. Box 275, 90703 Sandakan, Sabah on Friday, 25 August 2017 at 10.30 a.m. to transact the following businesses:

| **AGENDA** | **Resolution No.** |
|---|---|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2017 together with the Directors' and Auditors' Reports thereon. | |
| 2. To approve the payment of directors' fees and benefits of up to RM650,000 to the non-executive directors for their services from 1 February 2017 until the next annual general meeting of the Company. | **Ordinary Resolution 1** |
| 3. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Constitution: | |
| a. Datuk Lo Fui Ming | **Ordinary Resolution 2** |
| b. Mr. Lo Teck Yong | **Ordinary Resolution 3** |
| c. Mr. Mau Kam Wai | **Ordinary Resolution 4** |
| 4. To re-appoint Tan Sri Dato' Nik Hashim bin Nik Ab. Rahman as a Director of the Company. | **Ordinary Resolution 5** |
| 5. To appoint Auditors and to authorise the Directors to fix their remuneration. | **Ordinary Resolution 6** |
| 6. As Special Business to consider and if thought fit, to pass the following resolution, with or without modifications: | |
| **ORDINARY RESOLUTION - AUTHORITY TO ALLOT SHARES** | |
| "THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Companies Act 2016 to allot shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being." | **Ordinary Resolution 7** |
| 7. As Special Business to consider and if thought fit, to pass the following resolution, with or without modifications: | |
| **SPECIAL RESOLUTION - PROPOSED CHANGE OF NAME OF THE COMPANY** | |
| "THAT the name of the Company be and is hereby changed from "Borneo Aqua Harvest Berhad" to "Bahvest Gold Berhad" with effect from the date of the notice of registration of new name issued by the Companies Commission of Malaysia and that the name of the Company wherever it appears in the Company's Constitution be and is hereby amended accordingly. | **Special Resolution 1** |
| AND THAT the Directors of the Company be and are hereby authorised to carry out all the necessary formalities in effecting the change of name." | |
| 8. To transact any other business for which due notice shall have been given in accordance with the Companies Act 2016. | |

BY ORDER OF THE BOARD

CHONG TZU KHEN
KANG SHEW MENG
SEOW FEI SAN
Secretaries

Petaling Jaya
31 July 2017

## Notes:-

(a) *Only members whose names appear on the Record of Depositors as at 18 August 2017 shall be entitled to attend, speak and vote at the Annual General Meeting.*

(b) *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.*

(c) *Where a Member is an authorised nominee as defined in the Securities Industry (Central Depositories) Act,1991,, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(d) *Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account its holds.*

(e) *The instrument of proxy shall be deposited at the Company's Share Registrar's Office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting.*

**Explanatory Note on Special Business**

- **Ordinary Resolution 1**
  Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting.

  The fees structure of the non-executive directors of the Company is as follows:
  - Monthly Directors' fees; and
  - Meeting allowance.

  Details of the fees and benefits paid to the non-executive directors for the financial year ended 31 March 2017 are disclosed on page 24 of the Statement on Corporate Governance in the 2017 Annual Report.

- **Ordinary Resolution 5**
  At the Twelfth Annual General Meeting of the Company held on 26 August 2016, Tan Sri Dato' Nik Hashim bin Nik Ab. Rahman, who is above the age of 70 years, was reappointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the Thirteenth Annual General Meeting. With the coming into force the Companies Act 2016 on 31 January 2017, there is no age limit for directors. Tan Sri Dato' Nik Hashim bin Nik Ab. Rahman has offered himself for re-appointment.

  The proposed Ordinary Resolution 5, if passed, will enable Tan Sri Dato' Nik Hashim bin Nik Ab. Rahman to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

- **Ordinary Resolution 7**
  The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to allot and issue not more than 10% of the issued share capital of the Company subject to the approvals of all the relevant governmental and/or other regulatory bodies and for such purposes as the Directors consider would be in the interest of the Company. This authorisation will, unless revoked or varied by the Company in a general meeting, expire at the next Annual General Meeting of the Company.

  As at the date of this Notice, no new share in the Company was issued pursuant to the authority granted to the Directors at the Twelfth Annual General Meeting held on 26 August 2016 and the said authority will lapse at the conclusion of the Thirteenth Annual General Meeting.

  The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, repayment of bank borrowings and/or acquisitions.

- **Special Resolution 1**
  The proposed Special Resolution 1 on the change of name to "BAHVEST GOLD BERHAD" is to be in line with the Company's object to continue with its existing businesses and undertake the mining business which will eventually become its core business that make a difference to the way the group sustain.

  The proposed Special Resolution 1, if passed, will enable the name of the Company to change from "Borneo Aqua Harvest Berhad" to "Bahvest Gold Berhad".

Borneo Aqua Harvest Berhad (649504-D)
婆罗洲海产养殖有限公司

# Proxy Form

| Number of shares held | |
|---|---|

I/We ______________________________ (BLOCK LETTERS)

NRIC No./Company No. ______________________________ of

being (a) Member(s) of BORNEO AQUA HARVEST BERHAD (649504-D) hereby appoint ______________________________

______________________________ of

______________________________

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at Sabah Hotel, Amadeus III, Level 2, KM1, Jalan Utara, P.O. Box 275, 90703 Sandakan, Sabah on Friday, 25 August 2017 at 10.30 a.m. and at any adjournment thereof and to vote as indicated below:-

| | FOR | AGAINST |
|---|---|---|
| ORDINARY RESOLUTION 1 | | |
| ORDINARY RESOLUTION 2 | | |
| ORDINARY RESOLUTION 3 | | |
| ORDINARY RESOLUTION 4 | | |
| ORDINARY RESOLUTION 5 | | |
| ORDINARY RESOLUTION 6 | | |
| ORDINARY RESOLUTION 7 | | |
| SPECIAL RESOLUTION 1 | | |

Please indicate with an “X” in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this .............. day of ..........……... 2017

...........……..............................
Signature / Seal of Member

**Notes:**

a) *Only members whose names appear on the Record of Depositors as at 18 August 2017 shall be entitled to attend, speak and vote at the Annual General Meeting.*

b) *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.*

c) *Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

d) *Where a Member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account known as an omnibus account, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account its holds.*

e) *The instrument of proxy shall be deposited at the Company’s Share Registrar’s Office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting.*

Fold here

Affix
Stamp
Here

**BORNEO AQUA HARVEST BERHAD**
(649504-D)

c/o Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur

Fold here

www.borneoaqua.com.my

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90724 Sandakan, Sabah, Malaysia.

Tel : 089-611133 / 089-611633 / 089-612633
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