

All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

If you have sold or transferred all your Bornoil Shares, you should at once hand this Abridged Prospectus, and the accompanying NPA and RSF to the agent/ broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to our Share Registrar, Labuan Corporate Services Sdn Bhd (Company No. 114145-H) at 149A, Jalan Aminuddin Baki, Taman Tun Dr Ismail, 60000 Kuala Lumpur.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, and the accompanying NPA and RSF have also been lodged with the Registrar of Companies who takes no responsibility for the contents of these documents.

The approval from our shareholders for the Rights Issue with Warrants was obtained at our EGM held on 12 August 2015. The approval from Bursa Securities has also been obtained vide its letter dated 24 July 2015 for the admission of the Warrants C to the Official List and the listing of and quotation for the Rights Shares, the Warrants C, the additional Warrants B to be issued arising from such adjustment as may be made pursuant to the Deed Poll B, and the new Bornoil Shares to be issued arising from the exercise of the Warrants C and the additional Warrants B on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission of the Warrants C to the Official List and the listing of and quotation for all the said new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. Bursa Securities does not take any responsibility for the correctness of statements made or opinions expressed in this Abridged Prospectus. The admission of the Warrants C to the Official List and the listing of and quotation for all the said new securities will commence after the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/ or their renounee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Directors have seen and approved all the documentation relating to this Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

This Abridged Prospectus, and the accompanying NPA and RSF are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors and who have provided our Share Registrar with a registered address in Malaysia not later than 5.00 p.m. on Friday, 16 October 2015. This Abridged Prospectus, and the accompanying NPA and RSF are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and/ or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and/ or other professional advisers as to whether the acceptance and/ or renunciation (as the case may be) of all or any part of their entitlements to the Rights Shares and the Warrants C would result in a contravention of any laws of such countries or jurisdictions. Neither we, RHBIB nor any other professional advisers shall accept any responsibility or liability in the event that any acceptance and/ or renunciation (as the case may be) of the entitlements to the Rights Shares and the Warrants C made by the Entitled Shareholders and/ or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions.

RHBIB, being our Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO SECTION 6 OF THIS ABRIDGED PROSPECTUS.**



(Incorporated in Malaysia under the Companies Act, 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,373,841,596 NEW ORDINARY SHARES OF RM0.10 EACH IN BORNEO OIL BERHAD ("BORNOIL") ("BORNOIL SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) EXISTING BORNOIL SHARE HELD, TOGETHER WITH UP TO 1,186,920,798 FREE DETACHABLE WARRANTS IN BORNOIL ("WARRANT(S) C") ON THE BASIS OF ONE (1) FREE WARRANT C FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, AS AT 5.00 P.M. ON FRIDAY, 16 OCTOBER 2015 AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE**

*Principal Adviser, Managing Underwriter  
and Joint Underwriter*



**RHB Investment Bank Berhad**  
(Company No. 19663-P)  
(A Participating Organisation of Bursa Malaysia  
Securities Berhad)

*Joint Underwriters*



**Kenanga Investment Bank Berhad**  
(Company No. 15678-H)  
(A Participating Organisation of Bursa Malaysia  
Securities Berhad)



**MIDF Amanah Investment Bank Berhad**  
(Company No. 23878-X)  
(A Participating Organisation of Bursa Malaysia  
Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIME:-**

Entitlement Date	:	Friday, 16 October 2015 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	:	Friday, 23 October 2015 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	:	Wednesday, 28 October 2015 at 4.00 p.m.
Last date and time for acceptance and payment	:	Monday, 2 November 2015 at 5.00 p.m.*
Last date and time for excess application and payment	:	Monday, 2 November 2015 at 5.00 p.m.*

\* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time.

This Abridged Prospectus is dated 16 October 2015

*All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus unless stated otherwise.*

THIS ABRIDGED PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE REGISTRATION OF THIS ABRIDGED PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS ABRIDGED PROSPECTUS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS C TO THE OFFICIAL LIST AND THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, THE WARRANTS C, THE ADDITIONAL WARRANTS B TO BE ISSUED ARISING FROM SUCH ADJUSTMENT AS MAY BE MADE PURSUANT TO THE DEED POLL B, AND THE NEW BORNOIL SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF THE WARRANTS C AND THE ADDITIONAL WARRANTS B ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN THE RIGHTS SHARES AND THE WARRANTS C. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus, the NPA and the RSF:-

"Abridged Prospectus"	:	This abridged prospectus dated 16 October 2015
"Act"	:	The Companies Act, 1965 of Malaysia as may be amended from time to time and any re-enactment thereof
"Additional Undertaking"	:	Additional irrevocable and unconditional written undertaking from Victoria Limited to subscribe for an additional of 140,000,000 Rights Shares with Warrants C by way of excess application (subject to the availability of the Excess Rights Shares with Warrants C, in which the excess application of Victoria Limited will be treated the same as any other shareholders of Borneoil subject to the allocation criteria as set out in Section 10.8 of this Abridged Prospectus). Further, Victoria Limited will observe its shareholding in Borneoil at all times to avoid triggering the obligation to undertake a mandatory take-over offer pursuant to its Additional Undertaking
"Amendments"	:	The amendments to the Memorandum and Articles of Association of Borneoil
"Board"	:	The Board of Directors of Borneoil
"BOG"	:	Borneo Oil & Gas Corporation Sdn Bhd, a wholly-owned subsidiary company of Borneoil (600344-X)
"Borneoil" or the "Company"	:	Borneo Oil Berhad (121919-H)
"Borneoil Group" or the "Group"	:	Borneoil and its subsidiary companies, collectively
"Borneoil Share(s)" or "Share(s)"	:	Ordinary share(s) of RM0.10 each in Borneoil
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CDS"	:	Central Depository System
"CDS Account"	:	A securities account established by Bursa Depository for a depositor pursuant to the Securities Industry (Central Depository) Act, 1991 and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
"CMSA"	:	The Capital Markets and Services Act, 2007 of Malaysia as may be amended from time to time and any re-enactment thereof
"Deed Poll B"	:	The deed poll dated 18 January 2008, constituting the Warrants B
"Deed Poll C"	:	The deed poll dated 28 September 2015, constituting the Warrants C

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**DEFINITIONS (CONT'D)**


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"Director(s)"	: A natural person who holds directorship in the Company and shall have the meaning given in Section 2(1) of the CMSA and includes:-
	i. In the case of an issuer of structured warrants, a director of the issuer of the structured warrants; or
	ii. In the case of an applicant or listed issuer which is a collective investment scheme, a director of a management company or a director of the trustee-manager, as the case may be
"EGM"	: Extraordinary general meeting
"Entitled Shareholder(s)"	: Our shareholders who are registered as a member and whose names appear in the Record of Depositors of the Company on the Entitlement Date
"Entitlement Date"	: At 5.00 p.m. on Friday, 16 October 2015, being the time and date on which the names of our Entitled Shareholders must be registered as a member and whose names appear in the Record of Depositors of the Company in order to participate in the Rights Issue with Warrants
"Entitlement Undertakings"	: Irrevocable and unconditional written undertakings from Victoria Limited and Hap Seng Insurance Services Sdn Bhd, being the substantial shareholders of Bornoil, to fully subscribe for their respective entitlements under the Rights Issue with Warrants based on their respective shareholdings in Bornoil
"EPS/ (LPS)"	: Earnings per share/ (Loss per share)
"ESOS Option(s)"	: 149,000 outstanding options granted under the Company's ESOS Scheme as at the LPD. Each ESOS Option provides the right to the grantee of the ESOS Option to subscribe for one (1) new Bornoil Share during the five (5)-year exercise period of the ESOS Option up to 27 February 2017 with an option of extension of a further five (5) years
"ESOS Scheme"	: The employees' share option scheme 2012/ 2017 of the Company
"Excess Rights Shares with Warrants C"	: Rights Shares with Warrants C which are not taken up or not validly taken up by our Entitled Shareholders and/ or their renounee(s) (if applicable) prior to excess application pursuant to the Rights Issue with Warrants
"FPE"	: Financial period ended
"FYE"	: Financial year ended/ ending
"Joint Underwriters"	: RHBIB, KIB and MIDF, collectively
"KIB"	: Kenanga Investment Bank Berhad (15678-H)
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 11 September 2015, being the latest practicable date prior to the registration of this Abridged Prospectus with the SC
"Managing Underwriter"	: RHBIB

**DEFINITIONS (CONT'D)**

"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"Maximum Scenario"	:	Assuming all the outstanding Warrants B and ESOS Options are exercised prior to the implementation of the Rights Issue with Warrants, and the Rights Issue with Warrants is undertaken on the Maximum Subscription Level basis
"Maximum Subscription Level"	:	A maximum level of subscription based upon the Entitlement Undertakings, the Additional Undertaking and the remaining open portion of the Rights Shares to be underwritten
"MIDF"	:	MIDF Amanah Investment Bank Berhad (23878-X)
"Minimum Scenario"	:	Assuming none of the outstanding Warrants B and ESOS Options are exercised prior to the implementation of the Rights Issue with Warrants, and the Rights Issue with Warrants is undertaken on the Maximum Subscription Level basis
"NA"	:	Net assets
"NPA"	:	Notice of provisional allotment
"Official List"	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
"PAT/ (LAT)"	:	Profit after taxation/ (Loss after taxation)
"PBT/ (LBT)"	:	Profit before taxation/ (Loss before taxation)
"Provisional Rights Shares with Warrants C"	:	Rights Shares with Warrants C provisionally allotted to the Entitled Shareholders
"Record of Depositors"	:	A record consisting of names of depositors established by Bursa Depository under the Rules of Bursa Depository
"RHBIB" or the "Principal Adviser"	:	RHB Investment Bank Berhad (19663-P)
"Rights Issue with Warrants"	:	The renounceable rights issue of up to 2,373,841,596 Rights Shares on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, on the Entitlement Date at an issue price of RM0.10 per Rights Share
"Rights Share(s)"	:	Up to 2,373,841,596 new Bornoil Shares to be issued pursuant to the Rights Issue with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"RSF"	:	Rights Subscription Form
"SC"	:	Securities Commission Malaysia

**DEFINITIONS (CONT'D)**

"TERP"	:	Theoretical ex-rights price
"Underwriting Agreement"	:	Underwriting agreement dated 29 September 2015 entered into between Bornoil, the Managing Underwriter and Joint Underwriters whereby the Managing Underwriter and Joint Underwriters agree to severally (not jointly nor jointly and severally) underwrite and subscribe for, in accordance with the agreed percentage of the underwritten Rights Shares, the remaining open portion of up to 1,291,104,196 Rights Shares which are not covered by the Entitlement Undertakings and the Additional Undertaking
"USD"	:	United States Dollar
"WAMP"	:	Weighted average market price
"Warrant(s) B"	:	14,190,634 outstanding Warrants 2008/ 2018 in Bornoil as at the LPD, constituted by the Deed Poll B. Each Warrant B provides the right to the holder of Warrant B to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants B up to 28 February 2018 at the exercise price of RM0.10 per Warrant B
"Warrant(s) C"	:	Up to 1,186,920,798 free detachable warrants in Bornoil to be issued pursuant to the Rights Issue with Warrants

All references to "our Company" and "Bornoil" in this Abridged Prospectus are made to Borneo Oil Berhad (121919-H) and references to "our Group" or "Bornoil Group" are made to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are made to our Company, or where the context requires, our Group or any of our subsidiary companies. All references to "you" in this Abridged Prospectus are made to our Entitled Shareholders.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>	<b>Occupation</b>
Teo Kiew Leong <i>(Executive Director)</i>	1218, Tabuan Heights Lorong Seladah 6 Jalan Song 93350 Kuching Sarawak	Malaysian	Company Director
Tan Kok Chor <i>(Independent Non-Executive Director)</i>	Lot No. 3, Victoria Mansions Jalan Tanjung Batu 87007 Wilayah Persekutuan Labuan	Malaysian	Company Director
Michael Moo Kai Wah <i>(Independent Non-Executive Director)</i>	P73A, Mile 3.5 Jalan Penampang 88300 Kota Kinabalu Sabah	Malaysian	Company Director
Seroop Singh Ramday <i>(Independent Non-Executive Director)</i>	Hse No. 1360, Orchid Villa Km 5, Jalan Tuaran 88450 Kota Kinabalu Sabah	Malaysian	Company Director

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Kok Chor	Chairman	Independent Non-Executive Director
Michael Moo Kai Wah	Member	Independent Non-Executive Director
Seroop Singh Ramday	Member	Independent Non-Executive Director

**COMPANY SECRETARIES**

: Chin Siew Kim (L.S. 000982)  
Chin Chee Kee (MIA 3040)  
1st & 2nd Floor, Victoria Point  
Jalan OKK Awang Besar  
87007 Wilayah Persekutuan Labuan  
Tel: 087-410 509  
Fax: 087-410 515

**REGISTERED OFFICE**

: 1st & 2nd Floor, Victoria Point  
Jalan OKK Awang Besar  
87007 Wilayah Persekutuan Labuan  
Tel: 087-410 509  
Fax: 087-410 515

**PRINCIPAL OFFICE**

: Lot 180, Section 19 KTLD  
Jalan Satok  
93400 Kuching  
Sarawak  
Tel: 082-422000  
Fax: 082-421833  
Website: [www.borneo-oil.com.my](http://www.borneo-oil.com.my)  
E-mail: [sbfinance@sugarbun.com](mailto:sbfinance@sugarbun.com)

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**CORPORATE DIRECTORY (CONT'D)**

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**SHARE REGISTRAR** : Labuan Corporate Services Sdn Bhd (114145-H)  
149A, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel: 03-7729 5529  
Fax: 03-7728 5948

**AUDITORS AND REPORTING  
ACCOUNTANTS** : Messrs STYL Associates (AF1929)  
902, 9th Floor, Block A  
Damansara Intan  
No. 1, Jalan SS 20/27  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7710 7876  
Fax: 03-7710 7870

**PRINCIPAL BANKERS** : Alliance Bank Malaysia Berhad (88103-W)  
Lot 4, 5 & 6, Block K  
Sinsuran Complex  
88000 Kota Kinabalu  
Sabah  
Tel: 088-237762  
Fax: 088-212511

Hong Leong Bank Berhad (97141-X)  
No. 35, Jalan Khoo Hun Yeang  
93000 Kuching  
Sarawak  
Tel: 082-234945  
Fax: 082-415466

HSBC Bank Malaysia Berhad (127776-V)  
56, Jalan Gaya  
88000 Kota Kinabalu  
Sabah  
Tel: 088-518647  
Fax: 088-219411

Malayan Banking Berhad (3813-K)  
9, Jalan Pantai  
88000 Kota Kinabalu  
Sabah  
Tel: 088-215030  
Fax: 088-224505

**DUE DILIGENCE SOLICITORS** : Messrs Teh & Lee  
A-3-3 & A-3-4, Northpoint Offices  
Mid Valley City, No. 1, Medan Syed Putra Utara  
59200 Kuala Lumpur  
Tel: 03-2283 2800  
Fax: 03-2283 2500

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**CORPORATE DIRECTORY (CONT'D)**

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- PRINCIPAL ADVISER, MANAGING UNDERWRITER AND JOINT UNDERWRITER** : RHB Investment Bank Berhad (19663-P)  
Level 9, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03-9287 3888  
Fax: 03-9287 4770
- JOINT UNDERWRITERS** : Kenanga Investment Bank Berhad (15678-H)  
8th Floor, Kenanga International  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: 03-2079 1268  
Fax: 03-2713 7881
- MIDF Amanah Investment Bank Berhad (23878-X)  
Level 21, Menara MIDF  
82, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2173 8888  
Fax: 03-2173 8737
- STOCK EXCHANGE LISTED AND LISTING SOUGHT** : Main Market of Bursa Securities

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**BORNEO OIL BERHAD**  
(Company No.: 121919-H)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office**

1st & 2nd Floor, Victoria Point  
Jalan OKK Awang Besar  
87007 Wilayah Persekutuan Labuan

16 October 2015

**Board of Directors**

Teo Kiew Leong (*Executive Director*)  
Tan Kok Chor (*Independent Non-Executive Director*)  
Michael Moo Kai Wah (*Independent Non-Executive Director*)  
Seroop Singh Ramday (*Independent Non-Executive Director*)

**To: Our Entitled Shareholders**

Dear Sir/ Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,373,841,596 NEW BORNOIL SHARES ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) EXISTING BORNOIL SHARE HELD, TOGETHER WITH UP TO 1,186,920,798 FREE DETACHABLE WARRANTS C ON THE BASIS OF ONE (1) FREE WARRANT C FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, AS AT 5.00 P.M. ON FRIDAY, 16 OCTOBER 2015 AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE**

**1. INTRODUCTION**

On 27 April 2015, RHBIB had, on behalf of our Board, announced that the Company proposes to undertake a renounceable rights issue of up to 2,373,841,596 Rights Shares at an indicative issue price of RM0.10 per Rights Share on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, on the Entitlement Date.

On 24 July 2015, RHBIB had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 24 July 2015, resolved to approve the listing of the following:-

- i. Up to 2,373,841,596 Rights Shares to be issued pursuant to the Rights Issue with Warrants;
- ii. Admission to the Official List and listing of and quotation for up to 1,186,920,798 Warrants C to be issued pursuant to the Rights Issue with Warrants;
- iii. Up to 1,186,920,798 new Bornoil Shares to be issued arising from the exercise of the Warrants C;
- iv. Up to 68,980,410 additional Warrants B to be issued arising from the adjustment pursuant to the Rights Issue with Warrants; and

- v. Up to 68,980,410 new Bornoil Shares to be issued arising from the exercise of the additional Warrants B,

on the Main Market of Bursa Securities, subject to the following conditions:-

Conditions	Status of compliance
(a) Bornoil and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	Noted
(b) Bornoil and RHBIB to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied
(c) Bornoil to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed;	To be complied
(d) Bornoil to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the EGM for the Rights Issue with Warrants; and	Complied
(e) Bornoil to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants B and Warrants C as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied

On 12 August 2015, our shareholders had approved the Rights Issue with Warrants at our EGM. A certified true extract of the resolution pertaining to the Rights Issue with Warrants which was passed at the aforesaid EGM, is set out in Appendix I of this Abridged Prospectus.

On 28 September 2015, RHBIB had, on behalf of our Board, announced that the issue price of the Rights Shares and the exercise price of the Warrants C have been fixed at RM0.10 per Rights Share and RM0.11 per Warrant C, respectively.

On 29 September 2015, RHBIB had, on behalf of our Board, announced that our Company had on 29 September 2015 entered into the Underwriting Agreement with the Managing Underwriter and Joint Underwriters to underwrite a total of up to 1,291,104,196 Rights Shares representing approximately 54.39% of the total Rights Shares available for subscription under the Maximum Scenario of which no irrevocable and unconditional written undertaking to subscribe has been obtained from other persons.

On 1 October 2015, RHBIB had, on behalf of our Board, announced that the Entitlement Date has been fixed on 16 October 2015 at 5.00 p.m. along with other relevant dates pertaining to the Rights Issue with Warrants.

The admission of the Warrants C to the Official List and the listing of and quotation for the Rights Shares and the Warrants C to be issued pursuant to the Rights Issue with Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us or RHBIB.

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## 2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

### 2.1 Rights Issue with Warrants

The Rights Issue with Warrants entails an issuance of up to 2,373,841,596 Rights Shares on a renounceable basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for by the Entitled Shareholders and/ or their renounee(s) (if applicable), on the Entitlement Date at an issue price of RM0.10 per Rights Share.

The actual number of the Rights Shares and the Warrants C to be issued pursuant to the Rights Issue with Warrants will depend on the acceptance by the Entitled Shareholders and/ or their renounee(s) (if applicable).

As at the LPD, the issued and paid-up share capital of Bornoil is RM38,130,063 comprising 381,300,632 Bornoil Shares. In addition, as at the LPD, our Company has the following:-

- i. A total of 14,190,634 outstanding Warrants B. Each Warrant B provides the right to the holder of Warrant B to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants B up to 28 February 2018 at the exercise price of RM0.10 per Warrant B;
- ii. A total of 149,000 outstanding ESOS Options. Each ESOS Option provides the right to the grantee of the ESOS Option to subscribe for one (1) new Bornoil Share during the five (5)-year exercise period of the ESOS Option up to 27 February 2017 with an option of extension of a further five (5) years. Our Company has undertaken that it shall not grant any new ESOS Options pursuant to our ESOS Scheme prior to the completion of the Rights Issue with Warrants; and
- iii. Share buy-back authority to purchase up to 10% of the total issued and paid-up share capital of our Company which shall lapse at the conclusion of the forthcoming 32nd annual general meeting of our Company unless authority for the renewal is obtained at the said meeting. As at the LPD, there is no treasury share retained by our Company. Our Company has undertaken that it shall not purchase any shares of our Company pursuant to our share buy-back exercise prior to the completion of the Rights Issue with Warrants.

Assuming all the outstanding Warrants B and ESOS Options are exercised prior to the implementation of the Rights Issue with Warrants, and the Rights Issue with Warrants is undertaken on the Maximum Subscription Level basis, a total of up to 2,373,841,596 Rights Shares together with a total of up to 1,186,920,798 Warrants C may be issued. In addition, assuming all the 1,186,920,798 Warrants C are exercised, a total of 1,186,920,798 new Bornoil Shares will be issued therefrom.

The Warrants C will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants C will be issued in registered form and constituted by the Deed Poll C.

The Rights Issue with Warrants is renounceable in full or in part. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants C to be issued together with the Rights Shares pursuant to the Rights Issue with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall then be entitled to the Warrants C in the proportion of their acceptance of their Rights Shares entitlements.

Any unsubscribed Rights Shares together with the Warrants C, will be made available to other Entitled Shareholders and/ or their renounee(s) (if applicable) under the Excess Rights Shares with Warrants C application. Fractional entitlements of the Rights Shares and the Warrants C arising from the Rights Issue with Warrants, if any, shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company. It is the intention of our Board to allocate the Excess Rights Shares with Warrants C, if any, on a fair and equitable manner, and on the basis as set out in Section 10.8 of this Abridged Prospectus.

As the Rights Shares and the Warrants C are prescribed securities, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants C which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed in this Abridged Prospectus, a NPA notifying you of the crediting of such securities into your CDS Account and a RSF to enable you to subscribe for the Provisional Rights Shares with Warrants C, as well as to apply for the Excess Rights Shares with Warrants C if you choose to do so.

Any dealing in our securities will be subject to, inter-alia, the provisions of the Securities Industry (Central Depositories) Act, 1991, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, the Warrants C and the new Bornoil Shares to be allotted and issued arising from the exercise of the Warrants C will be credited directly into the respective CDS Accounts of the successful applicants and the shareholders who exercise the Warrants C (as the case may be). No physical share or warrant certificates will be issued.

We will allot and issue the Rights Shares with Warrants C, despatch notices of allotment to the successful applicants and make an application for the quotation for the Rights Shares and the Warrants C within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants C or such other period as may be prescribed by Bursa Securities. The Rights Shares and the Warrants C will then be quoted on the Main Market of Bursa Securities two (2) Market Days after the application for quotation is made to Bursa Securities.

## **2.2 Basis and justification of determining the issue price of the Rights Shares**

On 28 September 2015, RHBIB had, on behalf of our Board, announced that our Board has fixed the issue price of the Rights Shares at RM0.10 per Rights Share. This represents a discount of approximately 35.02% to the TERP of Bornoil Shares of RM0.1539, calculated based on the five (5)-day WAMP of Bornoil Shares up to and including 25 September 2015 of RM0.6090 per Bornoil Share, being the last trading day of Bornoil Shares immediately preceding the price-fixing date for the Rights Shares ("LTD").

The issue price of the Rights Shares was determined and fixed by our Board after taking into consideration the following:-

- i. The issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/ or their renounee(s) whilst taking into consideration the amount to be raised from the Rights Issue with Warrants, as set out in Section 5 of this Abridged Prospectus;
- ii. The historical trading prices of Bornoil Shares as traded on Bursa Securities for the past 12 months and the TERP of Bornoil Shares based on the five (5)-day WAMP of Bornoil Shares immediately preceding the price-fixing date; and
- iii. The par value of Bornoil Shares of RM0.10 each.

The discount of the issue price of RM0.10 per Rights Share to the TERP of Bornoil Shares has been determined by our Board after taking into consideration the following factors:-

- (a) The historical price movements of Bornoil Shares. For illustrative purposes only, the historical market prices of Bornoil Shares and the discount of the issue price of RM0.10 per Rights Share to the TERP of Bornoil Shares based on the historical market prices of Bornoil Shares are set out below:-

	Historical share price RM	TERP based on historical share price RM	Discount of issue price of RM0.10 per Rights Share to TERP based on historical share price %
<b>Five (5)-day WAMP of Bornoil Shares up to and including the LTD</b>	<b>0.6090</b>	<b>0.1539</b>	<b>(35.02)</b>
One (1)-month WAMP of Bornoil Shares up to and including the LTD	0.5644	0.1494	(33.07)
Three (3)-month WAMP of Bornoil Shares up to and including the LTD	0.5794	0.1509	(33.73)
Six (6)-month WAMP of Bornoil Shares up to and including the LTD	0.6443	0.1574	(36.47)
12-months WAMP of Bornoil Shares up to and including the LTD	0.7817	0.1712	(41.59)

(Source: Bloomberg Finance LP)

Based on the above, the issue price of RM0.10 per Rights Share represents discounts of approximately 35.02%, 33.07%, 33.73%, 36.47% and 41.59% to the TERP of Bornoil Shares based on the five (5)-day, one (1)-month, three (3)-month, six (6)-month and 12-months WAMP of Bornoil Shares up to and including the LTD, respectively.

- (b) The trading liquidity of Bornoil Shares as traded on Bursa Securities. For illustrative purposes only, the monthly traded volume of Bornoil Shares for the past 12 months up to and including the LPD are set out below:-

Time period	Average daily traded volume No. of Shares	Average daily traded volume as a percentage of free float <sup>1</sup> %
Five (5) trading days up to and including the LPD	4,031,680	1.80
One (1) month up to and including the LPD	3,227,650	1.44
Three (3) months to and including the LPD	4,095,680	1.83
Six (6) months up to and including the LPD	3,291,171	1.47
12 months up to and including the LPD	4,746,476	2.12

(Source: Bloomberg Finance LP)



**Note:-**

- \*1 Free float is calculated as the total number of shares in issue that excludes treasury shares and substantial shareholders' and directors' direct shareholdings, if any. As at the LPD, the total free float is 224,177,732 Bornoil Shares calculated based on 381,300,632 Bornoil Shares outstanding in issue and substantial shareholders' direct shareholdings of a total of 157,122,900 Bornoil Shares. For the avoidance of doubt, our Directors do not hold any Bornoil Shares as at the LPD.

Based on the above, Bornoil Shares were thinly traded for the past 12 months up to and including the LPD, where the average daily traded volume of Bornoil Shares as a percentage of free float were 1.80%, 1.44%, 1.83%, 1.47% and 2.12% for the five (5) trading days, one (1) month, three (3) months, six (6) months and 12 months up to and including the LPD, respectively. As such, a deep discount is given to the issue price of the Rights Shares to entice the Entitled Shareholders and/ or their renounee(s) to subscribe for their respective entitlements.

It should be noted that the bulk of the funds to be raised from the Rights Issue with Warrants is earmarked to expand the gold mining operation of our Group which is relatively new to our Group's business for the past two (2) financial years. For informational purpose, the breakdown of the revenue and PBT/ (LBT) for gold mining operation of our Group for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 are set out below:-

	<-----Audited----->		Unaudited
	FYE 31 January 2014 RM'000	FYE 31 January 2015 RM'000	Six (6)-month FPE 31 July 2015 RM'000
<b>Gold mining operation</b>			
Revenue	1,237	34,357	39,691
PBT/ (LBT)	(3,068)	6,481	2,742

Based on the above, the revenue derived from the gold mining operation of our Group increased from approximately RM1.24 million for the FYE 31 January 2014 to approximately RM34.36 million for the FYE 31 January 2015. In addition, the gold mining operation of our Group recorded improvement in profitability from LBT of approximately RM3.07 million for the FYE 31 January 2014 to PBT of approximately RM6.48 million for the FYE 31 January 2015. We take note of the improving results of the gold mining operation albeit the gold mining operation of our Group is still relatively new at this juncture. Given the aforementioned, a deep discount is given to the issue price of the Rights Shares to further entice the Entitled Shareholders and/ or their renounee(s) to subscribe for their respective entitlements.

### **2.3 Basis and justification of determining the exercise price of the Warrants C**

The Warrants C attached to the Rights Shares will be issued at no cost to the Entitled Shareholders and/ or their renounee(s) (if applicable) who successfully subscribe for the Rights Shares.

On 28 September 2015, RHBIB had, on behalf of our Board, announced that our Board has fixed the exercise price of the Warrants C at RM0.11 per Warrant C. This represents a discount of approximately 28.53% to the TERP of Bornoil Shares of RM0.1539, calculated based on the five (5)-day WAMP of Bornoil Shares up to and including 25 September 2015 of RM0.6090 per Bornoil Share, being the last trading day of Bornoil Shares immediately preceding the price-fixing date for the exercise price of the Warrants C.

The exercise price of the Warrants C was determined and fixed by our Board after taking into consideration the following:-

- i. That the Warrants C will be issued at no cost to the Entitled Shareholders and/ or their renounee(s) who successfully subscribe for the Rights Shares;
- ii. The historical trading prices of Bornoil Shares as traded on Bursa Securities for the past 12 months and the TERP of Bornoil Shares based on the five (5)-day WAMP of Bornoil Shares immediately preceding the price-fixing date; and
- iii. The par value of Bornoil Shares of RM0.10 each.

The discount of the exercise price of RM0.11 per Warrants C to the TERP of Bornoil Shares has been determined by our Board after taking into consideration the factors set out in items (a) and (b) in Section 2.2 of this Abridged Prospectus.

The Warrants C are expected to provide a further incentive to the Entitled Shareholders and/ or their renounee(s) to subscribe for the Rights Shares. The exercise price of the Warrants C with a tenure of ten (10) years are priced at a deep discount to the TERP of Bornoil Shares as to entice the holders of the Warrants C to exercise their Warrants C. The Warrants C will allow the Entitled Shareholders and/ or their renounee(s) who subscribe for the Rights Shares to benefit from any potential capital appreciation of the Warrants C and increase their equity participation in our Company at a predetermined price over the tenure of the Warrants C. Further, as and when the Warrants C are exercised, we would be able to raise additional funds for working capital of our Group. For illustrative purpose only, the gross proceeds that is expected to be raised upon full exercise of the Warrants C based on the exercise price of RM0.11 per Warrant C is approximately RM125.83 million under the Minimum Scenario and approximately RM130.56 million under the Maximum Scenario. The said proceeds may be utilised to finance, amongst others, salaries, repayment to trade creditors as well as general expenses such as traveling, staff training, rental and utilities.

#### **2.4 Ranking of the Rights Shares and new Bornoil Shares to be issued arising from the exercise of the Warrants C**

The Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Bornoil Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares.

The new Bornoil Shares to be issued arising from the exercise of the Warrants C will, upon allotment and issuance, rank *pari passu* in all respects with the existing Bornoil Shares, save and except that the new Bornoil Shares to be issued arising from the exercise of the Warrants C will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of these new Bornoil Shares.

## 2.5 Principal terms of the Warrants C

The principal terms of the Warrants C are set out below:-

- Issue size : Up to 1,186,920,798 Warrants C
- Form : The Warrants C will be issued in registered form and constituted by the Deed Poll C
- Exercise period : The Warrants C may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants C ("Issue Date") and ending at the close of business at 5.00 p.m. in Kuala Lumpur on a date preceding the tenth (10th) anniversary of the Issue Date. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid
- Mode of exercise : The registered holder of the Warrant C is required to lodge a subscription form, as set out in the Deed Poll C, with our Company's registrar, duly completed and signed together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll C
- Mode of transfer : The transfer of the Warrants C shall be subject to the provisions of the Securities Industry (Central Depositories) Act 1991, the Rules of Central Depository and any other relevant legislation
- Exercise price : RM0.11 per Warrant C
- Exercise rights : Each Warrant C carries the entitlement, at any time during the exercise period, to subscribe for one (1) new Bornoil Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll C
- Board lot : For the purpose of trading on Bursa Securities, one (1) board lot of Warrants C shall comprise 100 Warrants C carrying the right to subscribe for 100 new Bornoil Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities
- Participating rights of the holders of Warrants C in any distribution and/ or offer of further securities : The holders of the Warrants C are not entitled to vote in any general meeting and/ or to participate in any dividends, rights, allotments and/ or any other forms of distribution other than on winding-up, compromise or arrangement of Bornoil as set out below and/ or in any offer of further securities in our Company unless and until the holder of the Warrants C becomes a shareholder of Bornoil by exercising his/ her Warrants C into new Bornoil Shares or unless otherwise resolved by Bornoil in a general meeting
- Adjustments in the exercise price and/ or number of Warrants C : The exercise price and/ or number of unexercised Warrants C shall be adjusted in the event of alteration to the share capital of our Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll C. If our Company in any way modify the rights attached to any share or loan capital so as to convert or make convertible such share or loan capital into, or attached thereto any rights to acquire or subscribe for new shares, our Company must appoint the adviser or the auditors (who shall act as experts) to consider whether any adjustment is appropriate, and if the Directors after such consultation determines that any adjustment is appropriate, the exercise price or the number of Warrants C or both, will be adjusted accordingly

- Rights in the event of winding-up, liquidation, compromise and/ or arrangement : Where a resolution has been passed for a members' voluntary winding-up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one (1) or more companies, then every holder of the Warrants C shall be entitled upon and subject to the provisions of the Deed Poll C at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/ her Warrants C to our Company, elect to be treated as if he/ she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/ her Warrants C to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of our Company which would be available in liquidation as if he/ she had on such date been the holder of the new Bornoil Shares to which he/ she would have been entitled to pursuant to such exercise
- Listing status : The Warrants C shall be listed and quoted on the Main Market of Bursa Securities
- Modifications : Save for manifest error, any modification, amendment, deletion or addition to the Deed Poll C shall require the approval of the holders of Warrants C sanctioned by special resolution and may be effected only by the Deed Poll C, executed by our Company and expressed to be supplemental hereto and subject to the approval of the relevant authorities, if necessary
- Constitution : The Warrants C will be constituted by the Deed Poll C
- Governing law : Laws and regulations of Malaysia

## 2.6 Details of other corporate exercises

As at the LPD, save for the Rights Issue with Warrants, our Board confirms that there are no other corporate exercises which have been announced and/ or approved by the regulatory authorities but pending completion.

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### 3. RATIONALE AND JUSTIFICATION FOR THE RIGHTS ISSUE WITH WARRANTS

As set out in Section 5 of this Abridged Prospectus, the proceeds from the Rights Issue with Warrants earmarked for the mining operations of Bornoil Group is approximately 60.59% and 62.02% under the Minimum Scenario and Maximum Scenario, respectively.

The financial performance by segment of the main operating segments of Bornoil Group for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 are set out below:-

	<-----Audited----->		Unaudited
	FYE 31	FYE 31	Six (6)-month
	January 2014	January 2015	FPE 31 July
	RM'000	RM'000	2015
			RM'000
Revenue			
- Fast food operations	34,323	37,315	20,999
- Management and operations of properties	5,540	4,603	2,048
- Oil, gas and energy and mining related businesses <sup>*1</sup>	1,918	34,695	42,598
PBT/ (LBT)			
- Fast food operations	1,744	5,269	2,202
- Management and operations of properties	6,343	(1,313)	(491)
- Oil, gas and energy and mining related businesses <sup>*1</sup>	(6,085)	5,502	3,263

**Note:-**

\*1 For the avoidance of doubt, the oil, gas and energy related businesses segment of our Group for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 consists of gold mining operations and limestone mining and manufacturing of other related products. For informational purpose, the breakdown of the revenue and PBT/ (LBT) for the aforementioned segment for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 are set out below:-

	<-----Audited----->		Unaudited
	FYE 31	FYE 31	Six (6)-month
	January 2014	January 2015	FPE 31 July
	RM'000	RM'000	2015
			RM'000
Revenue			
- Gold mining operations	1,237	34,357	39,691
- Limestone mining and manufacturing of other related products	681	338	2,907
PBT/ (LBT)			
- Gold mining operations	(3,068)	6,481	2,742
- Limestone mining and manufacturing of other related products	(3,017)	(979)	521

Based on the above, during the FYE 31 January 2014, our Group derived our revenue mainly from our fast food operations. During the FYE 31 January 2015, our Group derived our revenue mainly from our fast food operations and our gold mining operations at the Mukim Batu Yon. The revenue derived from gold mining operations of our Group has increased from approximately RM1.24 million for the FYE 31 January 2014 to RM34.36 million for the FYE 31 January 2015.

As mentioned above, the contribution from the gold mining operation of our Group for the past two (2) FYE 31 January 2015 are mainly from the mining operation at Mukim Batu Yon. Following the Mukim Hulu Jelai Contract and the Mukim Keratong Contract in early 2015, at present, our Group's gold mining operation has expanded from covering a total mining area of approximately 162.3 hectares to covering a total mining area of approximately 1,565.1 hectares. The increase in investment in the gold mining operation is in line with the expansion plan of our Group. Our Board has noted that the gold mining division has produced encouraging results and our Board is cautiously optimistic that the gold mining operation of our Group would contribute positively to our Group in the future.

After due consideration, our Board is of the view that the Rights Issue with Warrants is the most appropriate avenue of raising fund for the purposes stated in Section 5 of this Abridged Prospectus while potentially enhancing our Company's capital base as the Rights Issue with Warrants shall:-

- i. Enable our Company to raise funds without incurring interest as compared to bank borrowings;
- ii. Optimise our Group's capital structure by strengthening our Group's statement of financial position and reducing our Group's current gearing level. Upon completion of the Rights Issue with Warrants, our Group is able to raise funding of approximately RM228.78 million and RM237.38 million under the Minimum Scenario and Maximum Scenario, respectively. The funds raised would be partially utilised by our Group for full repayment of borrowings of approximately RM20.41 million. In addition, the NA of our Group is expected to increase from approximately RM294.57 million (after adjusted for the movements in share capital up to the LPD) to approximately RM518.60 million and RM528.71 million after the Rights Issue with Warrants under the Minimum Scenario and Maximum Scenario, respectively (prior to the full exercise of the Warrants C). As the Rights Issue with Warrants will enable our Group to raise funding for, amongst others, full repayment of borrowings as well as increasing the NA of our Group, the gearing level of our Group is also expected to reduce from approximately 0.07 times (after adjusted for the movements in share capital up to the LPD) to nil after the Rights Issue with Warrants under both the Minimum Scenario and Maximum Scenario. Further details on the proforma NA and gearing level of our Group have been set out in Section 8.2 and Appendix III of this Abridged Prospectus; and
- iii. Provide our shareholders with an opportunity to further increase their equity participation in our Company via the issuance of new Bornoil Shares without diluting our existing shareholders' equity interest in our Company (assuming all the Entitled Shareholders fully subscribe for their respective entitlements).

The Warrants C to be issued pursuant to the Rights Issue with Warrants are expected to provide an incentive to the Entitled Shareholders and/ or their renounee(s) to subscribe for the Rights Shares. The Warrants C will allow the Entitled Shareholders and/ or their renounee(s) who subscribe for the Rights Shares to benefit from the potential capital appreciation of the Warrants C and increase their equity participation in our Company at a predetermined price over the tenure of the Warrants C. In addition, our Company would also be able to raise further proceeds as and when the Warrants C are exercised.

#### 4. IRREVOCABLE AND UNCONDITIONAL UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

Our Board has determined to undertake the Rights Issue with Warrants based on the Maximum Subscription Level basis after taking into consideration the level of funds that we wish to raise from the Rights Issue with Warrants, which will be channelled towards the proposed utilisation of proceeds as set out in Section 5 of this Abridged Prospectus.

The substantial shareholders of Bornoil, namely Victoria Limited and Hap Seng Insurance Services Sdn Bhd ("Hap Seng Insurance") had provided their respective irrevocable and unconditional Entitlement Undertakings vide their letters dated 15 April 2015. Further, Victoria Limited had provided its irrevocable and unconditional Additional Undertaking vide its letter dated 21 September 2015. The Additional Undertaking by Victoria Limited allows Victoria Limited to subscribe for additional Shares and increase its shareholding in Bornoil (subject to the availability of the Excess Rights Shares with Warrants C, in which the excess application of Victoria Limited will be treated the same as any other shareholders of Bornoil subject to the allocation criteria as set out in Section 10.8 of this Abridged Prospectus) at a predetermined price of RM0.10 per Rights Share while observing its shareholding in Bornoil at all times to avoid triggering the obligation to undertake a mandatory take-over offer pursuant to its Additional Undertaking.

A summary of the irrevocable and unconditional Entitlement Undertakings and the Additional Undertaking is set out below:-

	Shareholdings as at the LPD		Entitlement Undertakings		Additional Undertaking		Total undertakings	
	No. of Shares	%	No. of Rights Shares	% <sup>*1</sup>	No. of Rights Shares	% <sup>*1</sup>	No. of Rights Shares	% <sup>*1</sup>
Victoria Limited	94,874,900	24.88	569,249,400	23.98	140,000,000	5.90	709,249,400	29.88
Hap Seng Insurance	62,248,000	16.33	373,488,000	15.73	-	-	373,488,000	15.73
	<b>157,122,900</b>	<b>41.21</b>	<b>942,737,400</b>	<b>39.71</b>	<b>140,000,000</b>	<b>5.90</b>	<b>1,082,737,400</b>	<b>45.61</b>

#### Notes:-

\*1 Computed based on up to 2,373,841,596 Rights Shares together with up to 1,186,920,798 free Warrants C available for subscription under the Maximum Scenario. For the avoidance of doubt, the respective percentages of the Entitlement Undertakings is lower compared to the respective percentage of shareholdings of Victoria Limited and Hap Seng Insurance as the computation of the said percentages is based on the proforma enlarged issued and paid-up share capital of Bornoil assuming all the outstanding Warrants B and ESOS Options are exercised under the Maximum Scenario, and also due to both Victoria Limited and Hap Seng Insurance do not hold any Warrants B and ESOS Options as at the LPD.

\*2 For illustrative purpose, based on the issue price of RM0.10 per Rights Share, the funding requirements for Victoria Limited and Hap Seng Insurance pursuant to the irrevocable and unconditional Entitlement Undertakings and Additional Undertaking are set out below:-

	Total undertakings No. of Rights Shares	Funding requirements RM
Victoria Limited	709,249,400	70,924,940
Hap Seng Insurance	373,488,000	37,348,800
	<b>1,082,737,400</b>	<b>108,273,740</b>

Victoria Limited and Hap Seng Insurance had provided their confirmations that they have sufficient financial resources to subscribe for their respective irrevocable and unconditional Entitlement Undertakings vide their letters dated 15 April 2015. Further, Victoria Limited had provided confirmation that it has sufficient financial resources to subscribe for its irrevocable and unconditional Additional Undertaking vide its letter dated 21 September 2015. The said confirmations have been verified by RHBIB, the Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants.

We had on 29 September 2015 entered into an Underwriting Agreement with the Managing Underwriter and Joint Underwriters to underwrite the balance of up to 1,291,104,196 Rights Shares, representing approximately 54.39% of the total Rights Shares available for subscription under the Maximum Scenario of which no irrevocable written undertaking to subscribe has been obtained from other persons. The underwriting arrangement pursuant to the Underwriting Agreement is in the following proportions:-

	No. of underwritten Rights Shares	Value of underwritten Rights Shares RM	%
RHBIB	600,000,000	60,000,000	46.47
KIB	493,645,800	49,364,580	38.24
MIDF	197,458,396	19,745,840	15.29
	<b>1,291,104,196</b>	<b>129,110,420</b>	<b>100.00</b>

The underwriting commission payable to the Managing Underwriter and Joint Underwriters are 0.25% and 2.55%, respectively, of the value of the underwritten Rights Shares based on the issue price of RM0.10 per Rights Share. The underwriting commission and all other costs in relation to the Underwriting Agreement will be fully borne by us at arm's length and based on normal commercial terms.

Pursuant to the Entitlement Undertakings, the Additional Undertaking and the underwriting arrangement, the subscription of the Rights Shares with Warrants C by Victoria Limited and Hap Seng Insurance, respectively, will not give rise to any mandatory general offer obligation pursuant to the Malaysian Code on Take-Overs and Mergers, 2010.

## 5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.10 per Rights Share, the total gross proceeds that are expected to be raised from the Rights Issue with Warrants and the intended utilisation are set out below.

As set out below, approximately 60.59% and 62.02% of the proceeds from the Rights Issue with Warrants under the Minimum Scenario and Maximum Scenario, respectively, are earmarked for the mining operations of our Group. Further information on the gold and limestone mining operations of our Group are set out in Sections 7.4.2 and 7.4.3 of this Abridged Prospectus, respectively. For clarification purpose, it should be noted that the management of Bornoil has arrived at the following breakdown for each of the components relating to our Group's mining operations after taking into consideration, amongst others, the total mining area of the respective mining areas as well as the type and number of machineries, plant and equipment intended to be purchased for the mining operations.



In addition, the amount allocated for exploration expenditure, purchase of machineries and equipment, and working capital for gold mining operation for the Mukim Batu Yon Mining Area is higher than the amount allocated for the Mukim Hulu Jelai Mining Area mainly because the mining operation in the Mukim Batu Yon Mining Area has proven the presence of gold and has produced results for the past two (2) financial years, while our Group's mining operation in the Mukim Hulu Jelai Mining Area is relatively new at this juncture.

Further, the amount allocated for exploration expenditure and working capital for gold mining operation for the Mukim Keratong Mining Area is higher than the amount allocated for the Mukim Batu Yon Mining Area mainly because the area size of the Mukim Keratong Mining Area is much larger than the Mukim Batu Yon Mining Area and our Group's mining operation in the Mukim Keratong Mining Area is relatively new at this juncture.

Details of utilisation	Minimum Scenario		Maximum Scenario	
	Time frame for utilisation <sup>*1</sup>	Amount of proceeds RM'000	Time frame for utilisation <sup>*1</sup>	Amount of proceeds RM'000
Exploration expenditure for gold mining operation <sup>*2</sup>	Within 24 months	15,000	Within 24 months	15,000
Purchase of machineries and equipment for gold mining operation <sup>*3</sup>	Within 24 months	30,000	Within 24 months	30,000
Working capital for gold mining operation <sup>*4</sup>	Within 24 months	75,621	Within 30 months	84,225
Purchase of plant and equipment for limestone mining operation <sup>*5</sup>	Within 12 months	10,000	Within 12 months	10,000
Working capital for limestone mining operation <sup>*6</sup>	Within 24 months	8,000	Within 24 months	8,000
Working capital for fast food operation <sup>*7</sup>	Within 12 months	5,000	Within 12 months	5,000
Future investments <sup>*8</sup>	Within 24 months	60,000	Within 24 months	60,000
Repayment of borrowings <sup>*9</sup>	Within 12 months	20,409	Within 12 months	20,409
Estimated expenses in relation to the Rights Issue with Warrants <sup>*10</sup>	Within three (3) months	4,750	Within three (3) months	4,750
<b>Total</b>		<b>228,780</b>		<b>237,384</b>

**Notes:-**

- \*1 Expected time frame for utilisation of proceeds from the completion of the Rights Issue with Warrants.
- \*2 At present, BOG has been appointed as sub-contractor to carry out, amongst others, prospecting, exploration and mining of alluvial and lode gold on an exclusive basis at the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area, covering a total of approximately 162.3 hectares, 202.8 hectares and 1,200 hectares, respectively. Brief summary of the contractors and their rights as well as the period and salient terms and conditions of the mining contracts entered into by our Group for our aforementioned mining operations are set out below:-

	<b>Mukim Batu Yon Contract</b>	<b>Mukim Hulu Jelai Contract</b>	<b>Mukim Keratong Contract</b>																
<b>Contractor</b>	CSB	Jusra	HDL																
<b>BOG's scope of work</b>	To carry out mining works at the Mukim Batu Yon Mining Area.	To prospect and mine minerals at the Mukim Hulu Jelai Mining Area.	To prospect and explore and to carry on mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold at the Mukim Keratong Mining Area.																
<b>Fees/ royalty, cost and profit sharing</b>	<p>Tributes payable by BOG to CSB as a percentage of monthly gross revenue from sale of gold are summarised below:-</p> <p>i. Alluvial gold</p> <table border="1"> <thead> <tr> <th><b>Monthly gross revenue</b></th> <th><b>Tribute payment</b></th> </tr> </thead> <tbody> <tr> <td>Less than or equal to RM500,000</td> <td>8%</td> </tr> <tr> <td>Between RM500,000 and RM1,000,000</td> <td>9%</td> </tr> <tr> <td>Between RM1,000,000 and RM2,000,000</td> <td>10%</td> </tr> <tr> <td>More than RM2,000,000</td> <td>12%</td> </tr> </tbody> </table> <p>ii. Lode gold</p> <table border="1"> <thead> <tr> <th><b>Monthly gross revenue</b></th> <th><b>Tribute payment</b></th> </tr> </thead> <tbody> <tr> <td>Less than or equal to RM5,000,000</td> <td>10.5%</td> </tr> <tr> <td>More than RM5,000,000</td> <td>14.5% if gold price &lt; USD1,400 per ounce; or 16.5% if gold price ≥ USD1,400 per ounce</td> </tr> </tbody> </table> <p>In addition, BOG and CSB agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and royalty payment to the Pahang State Government calculated based on the revenue from the total sale of gold produced.</p>	<b>Monthly gross revenue</b>	<b>Tribute payment</b>	Less than or equal to RM500,000	8%	Between RM500,000 and RM1,000,000	9%	Between RM1,000,000 and RM2,000,000	10%	More than RM2,000,000	12%	<b>Monthly gross revenue</b>	<b>Tribute payment</b>	Less than or equal to RM5,000,000	10.5%	More than RM5,000,000	14.5% if gold price < USD1,400 per ounce; or 16.5% if gold price ≥ USD1,400 per ounce	<p>Tributes payable by BOG to Jusra based on 10% of the revenue from the total sale of gold produced ("Jusra Tribute").</p> <p>In addition, BOG and Jusra agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and royalty payment of 5% to the Pahang State Government calculated based on the revenue from the total sale of gold produced.</p> <p>For the avoidance of doubt, BOG shall be responsible only for the Jusra Tribute due to Jusra. Meanwhile, Jusra shall be responsible to pay the tribute to PKNP and MMC and royalty payment to the Pahang State Government.</p>	<p>To share the NPAT with 60% to BOG and 40% to HDL. The NPAT shall be derived from the sales revenue of the gold less all project and operational costs including recoverable costs (First Advance, 50% of the Second Advance and Subsequent Advances), tributes (which shall not at any time exceed 2.5% payable to PKNP and 5.0% payable to the Pejabat Tanah and Galian based on sales revenue) and all taxes, duties and levies payable or accrued to any authority whether the Federal Government, Pahang State Government or otherwise.</p>
<b>Monthly gross revenue</b>	<b>Tribute payment</b>																		
Less than or equal to RM500,000	8%																		
Between RM500,000 and RM1,000,000	9%																		
Between RM1,000,000 and RM2,000,000	10%																		
More than RM2,000,000	12%																		
<b>Monthly gross revenue</b>	<b>Tribute payment</b>																		
Less than or equal to RM5,000,000	10.5%																		
More than RM5,000,000	14.5% if gold price < USD1,400 per ounce; or 16.5% if gold price ≥ USD1,400 per ounce																		

**Mukim Batu Yon Contract****Mukim Hulu Jelai Contract****Mukim Keratong Contract**

For the avoidance of doubt, BOG shall be responsible only for tributes due to CSB based on the gross revenue from the sale of gold. Meanwhile, CSB shall be responsible to pay the relevant tribute to PKNP and MMC and royalty payment to the Pahang State Government.

**Period of contract**

Five (5) years with two (2) renewals of five (5) years each subject to a review on the consideration as stated in the Mukim Batu Yon Contract and if in the opinion of BOG, there is still gold of commercial quantities in the Mukim Batu Yon Mining Area.

Five (5) years with an automatic renewal for another five (5) years subject to a review on the tribute payment percentage to be mutually agreed. A third (3rd) five (5)-year contract duration will be automatically extended if in the opinion of BOG there are still gold and other minerals of commercial quantities in the Mukim Hulu Jelai Mining Area, subject to a further review of tribute from the expiry of the second (2nd) five (5)-year contract duration.

20 years, or on the exhaustion of minerals, whichever earlier.

Further details on the Mukim Batu Yon Contract, Mukim Hulu Jelai Contract and Mukim Keratong Contract are set out in Section 7.4.2 of this Abridged Prospectus.

The gross proceeds earmarked for exploration expenditure for gold mining operation of our Group is intended to be utilised in the following manner according to the mining site location:-

	<--Amount of proceeds-->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
Financing of exploration expenditure for alluvial and lode gold resources including the hiring of geological equipment, sampling tests costs as well as geological fees:-		
• Mukim Batu Yon	5,000	5,000
• Mukim Hulu Jelai	2,000	2,000
• Mukim Keratong	8,000	8,000
<b>Total</b>	<b>15,000</b>	<b>15,000</b>

\*3 The gross proceeds earmarked for purchase of new machineries and equipment for gold mining operation of our Group is intended to be utilised in the following manner according to the mining site location:-

	<--Amount of proceeds-->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
<b><u>Mukim Batu Yon</u></b>	15,000	15,000
Purchase of two (2) units of mobile gold wash plant with leaching circuit, seven (7) units of excavators, one (1) unit of wheel loader, one (1) unit of bulldozer, nine (9) units of motor vehicles, two (2) units of tractors, five (5) units of trucks and other mining-related equipment for the mining area at Mukim Batu Yon		

<--Amount of proceeds-->  
**Minimum Scenario**  
**RM'000**

**Maximum Scenario**  
**RM'000**

**Mukim Hulu Jelai**

Purchase of three (3) units of excavators, one (1) unit of wheel loader, one (1) unit of bulldozer, three (3) units of motor vehicles, two (2) units of tractors and other mining-related equipment for the mining area at Mukim Hulu Jelai

5,000

5,000

**Mukim Keratong**

Purchase of one (1) unit of mobile gold wash plant with leaching circuit, five (5) units of excavators, one (1) unit of wheel loader, one (1) unit of bulldozer, five (5) units of motor vehicles, one (1) unit of tractor, three (3) units of trucks and other mining-related equipment for the mining area at Mukim Keratong

10,000

10,000

**Total****30,000****30,000**

- \*4 The gross proceeds earmarked for working capital for gold mining operation of our Group is intended to be utilised in the following manner according to the mining site location:-

<--Amount of proceeds-->  
**Minimum Scenario**  
**RM'000**

**Maximum Scenario**  
**RM'000**

Mining site development costs which includes, amongst others, staff salary and benefits, land clearing works, construction of infrastructures such as water and tailing ponds, roads and repair and maintenance of infrastructures:-

- Mukim Batu Yon
- Mukim Hulu Jelai
- Mukim Keratong

5,000

5,000

5,000

5,000

5,000

10,000

General working capital<sup>#</sup> which includes, amongst others, staff salary and benefits, repair and maintenance of plant and machinery, fuel and lubricants and rental of existing heavy mining equipment:-

- Mukim Batu Yon
- Mukim Hulu Jelai
- Mukim Keratong

22,000

22,000

12,000

12,000

21,621

25,225

Advances payable by BOG to HDL pursuant to the Mukim Keratong Contract. Further details and status of each of the tranches of advances payable are set out in Section 7.4.2(C) of this Abridged Prospectus. For the avoidance of doubt, the proceeds allocated for the purpose hereunder shall be utilised to pay the remaining tranches of the advances payable as well as to reimburse to the working capital of our Group the portion of the advances that has been paid up to-date.

5,000

5,000

**Total****75,621****84,225**

**Note:-**

- # Further breakdown of the general working capital for gold mining operation of our Group intended to be utilised according to the mining site location are set out below:-

<b><u>Minimum Scenario</u></b>	<-----Amount of proceeds----->		
	<b>Mukim Batu Yon RM'000</b>	<b>Mukim Hulu Jelai RM'000</b>	<b>Mukim Keratong RM'000</b>
Staff salary and benefits	8,000	2,800	6,300
Repair and maintenance of plant and machinery	2,700	1,300	3,400
Fuel and lubricants	6,000	3,200	6,000
Rental of existing heavy mining equipment	1,000	300	500
Other expenses	4,300	4,400	5,421
<b>Total</b>	<b>22,000</b>	<b>12,000</b>	<b>21,621</b>

<b><u>Maximum Scenario</u></b>	<-----Amount of proceeds----->		
	<b>Mukim Batu Yon RM'000</b>	<b>Mukim Hulu Jelai RM'000</b>	<b>Mukim Keratong RM'000</b>
Staff salary and benefits	8,000	2,800	6,300
Repair and maintenance of plant and machinery	2,700	1,300	3,400
Fuel and lubricants	6,000	3,200	6,000
Rental of existing heavy mining equipment	1,000	300	500
Other expenses	4,300	4,400	9,025
<b>Total</b>	<b>22,000</b>	<b>12,000</b>	<b>25,225</b>

- \*5 Our Group's limestone mining operation is located in Ulu Segama at Lahad Datu, Sabah. The total size of the land area of which BOG has access in Ulu Segama for limestone mining is approximately 262.60 acres. Our Group intends to further expand our limestone mining operation in Ulu Segama. The gross proceeds earmarked for the purchase of plant and equipment for the limestone mining operation of our Group is intended to be utilised for the purchase of one (1) unit of crushing plant, four (4) units of core drills, 12 units of wire saw, four (4) units of generator sets, two (2) units of excavators, one (1) unit of motor grader, two (2) units of motor chain saw, four (4) units of cranes, one (1) unit of truck and other limestone mining-related equipment.
- \*6 The gross proceeds earmarked for working capital for limestone mining operation is intended to be utilised for staff salary, repair and maintenance works, utilities, fuel and lubricants, and selling and marketing expenses.
- \*7 In December 2014, our Group secured the master license for a Singapore pizza chain, for operations in Sabah and Sarawak, namely Pezzo. As at to-date, our Group has a total of 16 new Pezzo outlets in Sabah and Sarawak. The proceeds earmarked for working capital for the fast food operation of our Group will be utilised for staff salary, payment of rental, and selling and marketing expenses.

- \*8 Apart from expanding our Group's business organically via the internal growth of our existing businesses, our Group's future plans also includes expanding inorganically, via mergers and acquisitions of businesses or investments. In line with the above, up to RM60.00 million of the proceeds raised from the Rights Issue with Warrants shall be utilised to part finance any suitable and viable potential business(es)/ investment(s), within 24 months from completion. As potential acquisition(s) of business(es)/ investment(s) may cost a substantial amount, part of the proceeds raised from the Rights Issue with Warrants may allow our Group to capitalise on suitable and viable investment opportunities as and when it arises, which in turn may generate positive returns to our Group in the future, thereby increasing shareholders' value.

Our Group intends to seek future investments mainly for our existing businesses, namely our fast food operation and gold mining operation, which may include options such as acquisition of assets or companies which has synergistic benefits. As set out in Section 7.4.2 of this Abridged Prospectus, in the long-run our Group intends to seek new mining contracts and secure more mining leases and permits for other mining areas to enhance the prospects of our Group in the gold mining industry. Notwithstanding that, at this juncture our Group intends to focus and nurture on our existing gold mining operation in the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area.

As at the LPD, we are still exploring options for identifying suitable business(es)/ investment(s) or strategic acquisition(s) and will continuously seek and identify such opportunities. We shall make the necessary announcements (in accordance with the Listing Requirements) as and when new business(es)/ investment(s) have been identified by our Group and are likely to materialise. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, we will seek the necessary approval from our shareholders.

In the event we are unable to identify any suitable and viable business(es)/ investment(s) within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for future viable investments shall be transferred for working capital purposes of our Group, mainly to cater for our growing fast food operation and gold mining operation. Further details on our plans for our fast food operation and gold mining operation have been set out in Sections 7.4.1 and 7.4.2 of this Abridged Prospectus, respectively.

- \*9 As at the LPD, our Group's total borrowings amounted to approximately RM20.41 million, details of which are set out below:-

Type of facility	Purpose of facility	Financial institution	Interest rate per annum	Amount outstanding RM'000
<b>Short-term borrowings</b>				
Term loans	Property financing	Hap Seng Credit Sdn Bhd	7.50%	838
	Land and factory financing	Hap Seng Credit Sdn Bhd	Base lending rate ("BLR") plus 4%	1,211
	Working capital	Bank Pembangunan Berhad	3.75%	1,628
Finance lease payable	Vehicle financing	Hap Seng Credit Sdn Bhd, Caterpillar Financial Services Malaysia Sdn Bhd, Affin Bank Berhad, Public Bank Berhad, Alliance Islamic Bank Berhad and Orix Leasing Malaysia Sdn Bhd	2.39% - 6.75%	1,122
	Machine financing	Hap Seng Credit Sdn Bhd and Alliance Islamic Bank Berhad	3.36% - 6.75%	715
				<b>5,514</b>

Type of facility	Purpose of facility	Financial institution	Interest rate per annum	Amount outstanding RM'000
<b>Long-term borrowings</b>				
Term loans	Land and factory financing	Hap Seng Credit Sdn Bhd	BLR plus 4%	8,595
	Working capital	Bank Pembangunan Berhad	3.75%	2,200
Finance lease payable	Vehicle financing	Hap Seng Credit Sdn Bhd, Caterpillar Financial Services Malaysia Sdn Bhd, Affin Bank Berhad, Public Bank Berhad, Alliance Islamic Bank Berhad and Orix Leasing Malaysia Sdn Bhd	2.39% - 6.75%	2,072
	Machine financing	Hap Seng Credit Sdn Bhd and Alliance Islamic Bank Berhad	3.36% - 6.75%	2,028
				<b>14,895</b>
				<b>20,409</b>

For illustrative purpose, the full repayment of our Group's borrowings of approximately RM20.41 million is expected to result in an interest cost savings of approximately RM1.02 million per annum based on the effective interest rate at approximately 5.01% per annum.

\*10 The gross proceeds earmarked for estimated expenses in relation to the Rights Issue with Warrants shall be utilised as set out below:-

	RM'000
Professional fees (i.e. adviser, reporting accountants and solicitors)	650
Regulatory fees	135
Underwriting fees	3,800
Other incidental expenses in relation to the Rights Issue with Warrants	165
<b>Total</b>	<b>4,750</b>

Any variation to the amount of proceeds to be raised, which is dependent upon the actual number of Rights Shares to be issued, will be adjusted against the working capital.

The gross proceeds to be raised from the exercise of the Warrants C is dependent on the total number of Warrants C exercised during the tenure of the Warrants C as well as the exercise price of the Warrants C. For illustrative purpose only, the gross proceeds that is expected to be raised upon full exercise of the Warrants C based on the exercise price of RM0.11 per Warrant C is approximately RM125.83 million under the Minimum Scenario and approximately RM130.56 million under the Maximum Scenario. The gross proceeds to be raised from the exercise of the Warrants C will be utilised as additional working capital of Bornoil Group. The proceeds may be utilised to finance, amongst others, salaries, repayment to trade creditors as well as general expenses such as traveling, staff training, rental and utilities.

In the event the results of exploration is not as expected, our Board may utilise the amount of RM15.00 million allocated for exploration expenditure for gold mining operations to the working capital requirements of the existing business and operations of our Group. It should be noted that Mukim Batu Yon Mining Area has produced positive results for the past two (2) FYE 31 January 2015 and the six (6)-month FPE 31 July 2015. In addition, our Board is cautiously optimistic that the results of exploration for gold may also be positive for our Group's relatively recent mining operations at Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

## **6. RISK FACTORS**

In addition to other information contained elsewhere in this Abridged Prospectus, you and/ or your renounee(s) (if applicable) should consider carefully the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group before subscribing for or investing in the Rights Shares and the Warrants C.

### **6.1 Risks relating to the industries we operate in**

#### **6.1.1 Risks relating to the mining industry**

Our Group is inherent to the business risks relating to the mining industry which include, among others, competition from existing players, increase in the costs of labour and capital expenditure, reliance on mining leases and permits, changes in rules and regulations governing the mining industry, movements in demand of gold as well as movements in the prices of gold.

Although our Group may seek to mitigate the abovementioned risks through efforts such as effective project management and cost-control policies, prudent business strategies, periodic review of operations, effective human resource development strategies, there is no assurance that any changes to these risk factors will not have a material adverse effect on the Group's business and earnings in the future.

In addition, the long-term commercial success of our Group in the mining industry will depend on our ability to successfully prospect and explore for adequate mineral reserves at our mining areas. The status of our gold mining activities in the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area have been set out in Section 7.4.2 of this Abridged Prospectus while the status of our limestone mining activities in Ulu Segama, Lahad Datu have been set out in Section 7.4.3 of this Abridged Prospectus. Nevertheless, there is no assurance that we will be able to get positive results in all our prospecting and exploration activities.



### **6.1.2 Risks relating to the food services industry**

The food services industry in Malaysia is competitive and our Group competes with many other well-established fast food chains and restaurants in terms of pricing, services, ambience, location and quality of food. Our management believes that competition from our competitors is mitigated by us leveraging on our long-established presence of approximately 36 years since 1979 and our market position in East Malaysia, which has also expanded to other countries, namely Brunei, Australia and Bangladesh.

Our continued success in the food services industry is also dependent on our ability to anticipate and introduce new menu items that would appeal to the changing tastes, dietary habits and preferences of customers. Nevertheless, the development and marketing of new menu items or improving our existing recipes may not necessary yield positive response from our customers. In order to mitigate such risk, our Group continuously gathers survey data to be updated with the customers' preferences.

Further, any outbreak of diseases or widespread of contamination in any raw materials used by our Group in our production may have an adverse impact on our fast food operations in terms of loss in customers and demand for our products. In order to mitigate such risk, our Group has been taking prudent measures in selecting our raw ingredients and complying with food safety standards in our production.

### **6.1.3 Political, economic and regulatory risks**

Our financial and business prospects, and the industry in which we operate in, will depend to some degree on the developments in the political, economic and regulatory front in Malaysia. Amongst the political, economic and regulatory risk factors are economic slowdown, changes in interest rates, expropriations, changes in political leadership, implementation of minimum wage policy, changes in methods of taxation and changes in the governmental policies such as licensing regulations.

Our Group will continue to adopt effective measures such as prudent management and efficient operating procedures to mitigate these risks. However, no assurance can be given that adverse development or change in the political, economic and regulatory front in Malaysia will not materially affect our Group's business and financial position.

## **6.2 Risks relating to our Group**

### **6.2.1 Reliance on mining leases and permits**

As BOG is currently purely a sub-contractor for gold mining works and operator for limestone mining works whereby:-

- i. the obligation to procure approvals from relevant authorities for its gold mining operations lies with the main contractor and/ or the mining lease holder, where applicable; and
- ii. the obligation to procure approvals from relevant authorities for its limestone mining operation lies with the landowner of the limestone reserves.

Nevertheless, BOG seeks to ensure that the relevant parties make and/ or complete the necessary application, renewal and/ or documentation that are required to sustain the leases and permits to operate the mining site.

Whilst it is vital that these leases and permits be obtained in order for BOG to undertake and carry out its mining operations, it is also important that the holders strictly adhere and comply with the terms and conditions stipulated in these leases and permits. Further, the mining leases and permits are subject to periodic renewals and risk of renewal lag or early termination by the issuing authorities. As such, any non-compliance of terms and conditions and/ or non-renewal and/ or early termination of such leases and permits may adversely affect the operations and financial performance of BOG in the mining business.

Notwithstanding the above, the holders of the leases and permits at times encounter renewal lag in certain of their leases and permits from the approving authorities where renewal for such leases and permits are successfully obtained only at a later date. In any such event, the aforesaid renewal lag that we at times encounter has not adversely affected our operations and financial performance in the past. For the avoidance of doubt, these renewed licences and permits issued by the approving authorities usually carry backdated validity period, and as such do not invalidate our operations in period while concurrently pending for such renewed licences and permits.

In mitigating this risk, BOG will continuously seek to ensure that the holders of the leases and permits are aware of the latest development or change in the regulatory environment governing the operations and also in ensuring compliance with the terms and conditions stipulated in the leases and permits. BOG will also seek to ensure that the relevant parties make early renewal application in advance prior to expiry of the said leases and permits.

#### **6.2.2 Reliance on mining contracts**

BOG's mining contracts are subject to legal recourse or risk of early termination arising from contractual breaches including amongst others, non-compliance with the relevant laws and regulations governing its operation. As such, any legal recourse or early termination arising from such contractual breaches in its existing mining contracts may adversely affect our Group's mining operations and financial performance.

BOG has not encountered any situation in its mining contracts giving rise to legal recourse or early termination arising from contractual breaches which has a material adverse effect on its mining operations and financial performance in the past. Further, we do not envisage that we would encounter difficulties in extending or renewing our contracts and leases as we continuously seek to maintain a close working relationship with the mining contractor and limestone reserve landowner. However, there is no assurance that any occurrence of non-extension or non-renewal of contracts in respect of our business operations will not materially affect our operations and financial performance. In the long-run, our Group intends to seek new mining contracts and secure more mining leases and permits for other mining areas to enhance the prospects of our Group's mining operations.

### 6.2.3 Investment risk

Whilst the investment in gold and limestone mining may require significant initial investment in capital expenditure for the purchase of machinery, vehicles, plant and equipment, as well as significant investment in engaging experts for highly costly feasibility reports or studies for a certain mining project, there could be no assurance that the mining project may produce satisfactory or projected return to the investor.

Our Group is highly aware of the investment risk in gold and limestone mining and has made considerable planning and due diligence on the viability and potential of the gold mining operation in Pahang as well as limestone mining operation in Sabah prior to making investment in the mining operations at the said areas. Our Group takes note that albeit the gold mining operation of our Group is still relatively new at this juncture, the gold mining operation in Pahang has produced positive results for the past two (2) financial years whereby the revenue increased from approximately RM1.24 million for the FYE 31 January 2014 to approximately RM34.36 million for the FYE 31 January 2015. For the six (6)-month FPE 31 July 2015, the revenue derived from gold mining operation was approximately RM39.69 million. As at the LPD, the total costs incurred for our gold mining operation in Pahang amounted to approximately RM22.62 million. Nonetheless, our Group will continuously monitor closely the progress and our investment in our gold and limestone mining operations.

### 6.2.4 Movements in prices of gold and the USD exchange rate

The proceeds from the sale of gold is subject to the movements in prices of gold. Any downward movement in the prices of gold may have effect on the revenue of our Group from our gold mining operation. Purely for illustrative purpose, the historical movements of gold prices in USD for the past five (5) years up to the LPD are set out in Section 7.2 of this Abridged Prospectus. It is noted that the highest and lowest traded prices of gold during the said period were approximately USD1,921 per ounce and USD1,077 per ounce, respectively. In addition, the closing gold price as at the LPD was approximately USD1,107 per ounce, which was within the range of the highest and lowest traded prices of gold during the said period.

BOG is aware of the risk of potential downward movements in the prices of gold on the financial performance of our Group in the gold mining operation. In mitigating this risk, BOG has been implementing prudent management and cost effective approach in its gold mining operations. BOG closely monitors its mining operations and expenses as well as the productivity of its workforce.

In addition, BOG also closely monitors the movements in the USD exchange rate as the USD exchange rate is used as reference for its sale of gold where the proceeds from sale of gold are received in RM. Any upward movements in the USD exchange rate is favourable for BOG as the revenue derived from the sale of each gram of gold will increase, and vice versa. As at the LPD, we do not have foreign exchange hedging facilities to hedge our exposure against the movements in the USD exchange rate. However, we will continue to assess the need to use financial instruments to hedge our exposure against the movements in the USD exchange rate.

### **6.2.5 Risk of grade or purity of gold and limestone deposits**

Further, our Group is also aware that our Group is exposed to the risk of the grade or purity of the gold deposits available at our gold mining operation in Pahang and the limestone deposits available at our limestone mining operation in Sabah. There is no assurance that our Group would be able to consistently mine the desired grade or purity of the gold and limestone deposits at the said mining areas.

In mitigating this risk, BOG will leverage on its metallurgists' expertise and experience to extract and process gold deposits from the ore to improve the recovery of gold deposits from the ore. As for the limestone boulders mined, depending on the purity and uniqueness of the limestone boulders, the higher purity boulders shall be processed into higher value products such as marble tiles or furniture as per customers' requirements, while the lower purity boulders shall be processed into downstream value-added products such as limestone powder.

### **6.2.6 Borrowings and financing risks and fluctuations in interest rates**

Our total bank borrowings as at LPD amounted to approximately RM20.41 million, all of which are interest-bearing borrowings. As such, any additional borrowings and/ or increase in interest rates may result in an increase in interest expense, which may affect our profitability. There can be no assurance that current interest rates will be maintained in the future and/ or that any increase in our borrowings will not have any material effect on our financial performance.

Our credit facilities may also be subject to periodic review by the banks or financiers and contain certain covenants which may limit our operating and financing flexibility. Any act or omission by us that breaches such covenants may give the rights to the banks or financiers to terminate the relevant credit facilities and/ or enforce any security granted in relation to those credit facilities. This may in turn causes a cross default of other credit facility agreements. As these covenants are commonly contained in the credit facility agreements in Malaysia, we will endeavour to monitor the compliance with all such covenants. Nevertheless, there can be no assurance that our performance will not be adversely affected should we breach such covenants of any of our facility agreements.

Our Group's gearing stood at 0.07 times as at 31 January 2015 and 31 July 2015, respectively, and all our borrowings are interest-bearing obligations. Despite the relatively manageable gearing level, any interest rate hike may affect our business and hence, we manage the net exposure to interest rate risks by maintaining sufficient lines of credits to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. As at the LPD, we have not encountered any default in payment on the bank borrowings.

### **6.2.7 Dependence on key management and personnel**

The performance and success of our Group in the mining business is dependent, among others, on the skills, abilities, experience and competencies of BOG's key management and personnel managing the mining operations. The current key management and personnel of our Group in the gold mining operation and the limestone mining operation have been set out in Sections 7.4.2 and 7.4.3 of this Abridged Prospectus, respectively. The loss of and failure to recruit suitable candidates to timely replace any such key management or personnel may adversely affect the mining operations and productivity.

In order to mitigate this risk, our Group has taken into consideration effective human resource management and development which includes competitive remuneration packages and training to attract and retain experienced and competent staff as well as service agreements to retain the existing key management and personnel in the mining operations.

#### **6.2.8 Breakout of fire, energy crisis and other emergency crisis**

The operations of our fast food processing factory may be affected by a breakout of fire, interruptions due to power supply and/ or other emergency crisis. Our Group believes that we have adequate safety and fire-fighting equipment installed at our premises to ensure that the risk of fire is contained. Our employees have been educated on safety measures particularly during fire or other emergency drills organised by ourselves. In the event of a power failure, we will rent generators from third (3rd) parties at the material time during the period, if necessary.

### **6.3 Risks relating to the Rights Issue with Warrants**

#### **6.3.1 Market risks**

The market price of our Shares as traded on Bursa Securities is influenced by, amongst others, the prevailing market sentiments, the liquidity of our Shares, the volatility of equity markets, the outlook of the industry which we operate in and our financial performance. In view of this, there can be no assurance that our Shares will trade at or above the issue price of the Rights Shares or the TERP of our Shares upon or subsequent to the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

Shareholders should also consider carefully that each Warrant C derives its value from giving its holder the right to subscribe for new Bornoil Shares at a predetermined exercise price over the exercise period. The Warrants C have a finite lifespan during which tenure the holders can exercise the subscription rights comprised in the Warrant C. If the sum of the price of the Warrants C as quoted on Bursa Securities and the exercise price of the Warrants C is higher than the market price of Bornoil Shares, the Warrants C are deemed to be 'out-of-the-money'. The value of the Warrants C is directly related to the market price of Bornoil Shares. The higher the market price of Bornoil Shares exceeds the exercise price of the Warrants C, the higher the value of the Warrants C will be. Shareholders are reminded, however, that other factors may also affect the market price of our Warrants C or the market price of our Shares. Other than the fundamentals of our Group, the future price performance of the Warrants C will also depend on various external factors as mentioned above.

As the Warrants C are a new type of securities issued by our Company, there can also be no assurance that an active market for the Warrants C will develop upon their listing on Bursa Securities or if developed, that it will sustain.

Accordingly, there can be no assurance that the market price of our Rights Shares and the Warrants C will be at a level that meets the specific investment objectives or targets of any holders of the Rights Shares and the Warrants C.

### **6.3.2 Delay in or abortion of the implementation of Rights Issue with Warrants**

The Rights Issue with Warrants is exposed to the risk that it may be delayed or aborted on the occurrence of any material adverse change of events/ circumstances such as changes in political leadership and unfavourable changes in the government's policies such as taxation regulations as well as other force majeure events, which are beyond the control of our Company and RHBIB, arising prior to or during the implementation of the Rights Issue with Warrants.

Nevertheless, our Group will endeavour to ensure the successful listing of the Rights Shares and the Warrants C. However, there can be no assurance that the abovementioned events will not occur and cause a delay in or abortion of the Rights Issue with Warrants. In the event the Rights Issue with Warrants is aborted, our Group will repay without interest all monies received in respect of the accepted application for the subscription of the Rights Shares with Warrants C pursuant to the Rights Issue with Warrants and if such monies are not repaid within 14 days after we become liable to repay, we will repay such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

In the event that the Rights Shares with Warrants C is aborted/ terminated, and the Rights Shares with Warrants C have been allotted to the shareholders, a return of monies to all holders of the Rights Shares could only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya. There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

### **6.4 Forward-looking statements**

Certain statements in this Abridged Prospectus are based on historical information which may not be reflective of the future results, whilst others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this Abridged Prospectus are based on assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, the risk factors as set out in this section. In view of these uncertainties, the inclusion of any forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

## 7. INDUSTRY OVERVIEW AND FUTURE PROSPECTS OF OUR GROUP

### 7.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a growth of 4.9% in the second quarter of 2015, driven mainly by private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1%.

The private sector remained the key driver of growth during the quarter. Private consumption expanded at a more moderate rate of 6.4% as households adjust to the implementation of the Goods and Services Tax ("GST"). Private investment grew more moderately by 3.9%, due to a decline in spending on machinery and equipment, especially in the transportation segment, and slower investment in dwelling services. Growth in public investment turned negative in the second quarter, attributed mainly to the near completion of a few projects by public enterprises, which more than offset the positive growth of capital expenditure by the Federal Government. Meanwhile, public consumption recorded a higher growth of 6.8%; following the stronger expansion in supplies and services expenditure amid sustained growth in emoluments.

On the supply side, the major economic sectors registered more moderate growth during the quarter. The lower growth in the services sector was the outcome of a slower expansion in most sub-sectors while the moderation in manufacturing sector was due to the more modest performance in export oriented industries. Growth in the mining sector was affected mainly by the lower production of natural gas. The construction sector also recorded lower growth due to a moderation in real activity in the residential, non-residential and civil engineering sub-sectors. The agriculture sector turned around to record positive growth amid higher production of palm oil.

The Malaysian economy is expected to remain on a steady growth path, with domestic demand continuing to be the key driver of growth. Private consumption is expected to continue to adjust to the introduction of the GST, although wage growth and stable labour market conditions would provide support to household spending. Investment activity will be supported by capital spending in the manufacturing and services sectors, as well as for infrastructure projects. These developments will contribute towards offsetting the weaker performance of the external sector.

*(Source: Bank Negara Malaysia Quarterly Bulletin, Second Quarter 2015)*

### 7.2 Overview and outlook of the mining industry

The overall mining sector recorded a stronger growth of 3.1% in 2014 as a result of higher production of natural gas and crude oil. Continued demand for liquefied natural gas from North Asia led to higher production of natural gas, while crude oil output registered higher growth, especially in the second half of the year. Growth in the overall mining sector in 2015 is expected to be sustained, supported by oil production from a new major oil field at offshore Sabah.

*(Source: Bank Negara Malaysia Annual Report 2014)*

Precious metals prices fell initially on news of quantitative easing by the European Central Bank, followed by looser monetary measures in the PRC and elsewhere. However, USD strength and an anticipated United States interest rate increase, thought likely in September 2015, became key drivers. Rising interest rates typically have negative implications for gold prices, as investors seek yield-bearing assets.

Physical demand for gold improved after the first quarter of 2015, with positive demand in India, especially for festival-related gold jewellery. Demand in the PRC remained subdued in the second quarter of 2015, with investors responding to surging equity prices at the expense of gold and other assets.

(Source: Commodity Markets Outlook, July 2015, World Bank)

For illustrative purposes, the movements of gold prices in USD for the past five (5) years up to the LPD are set out below:-

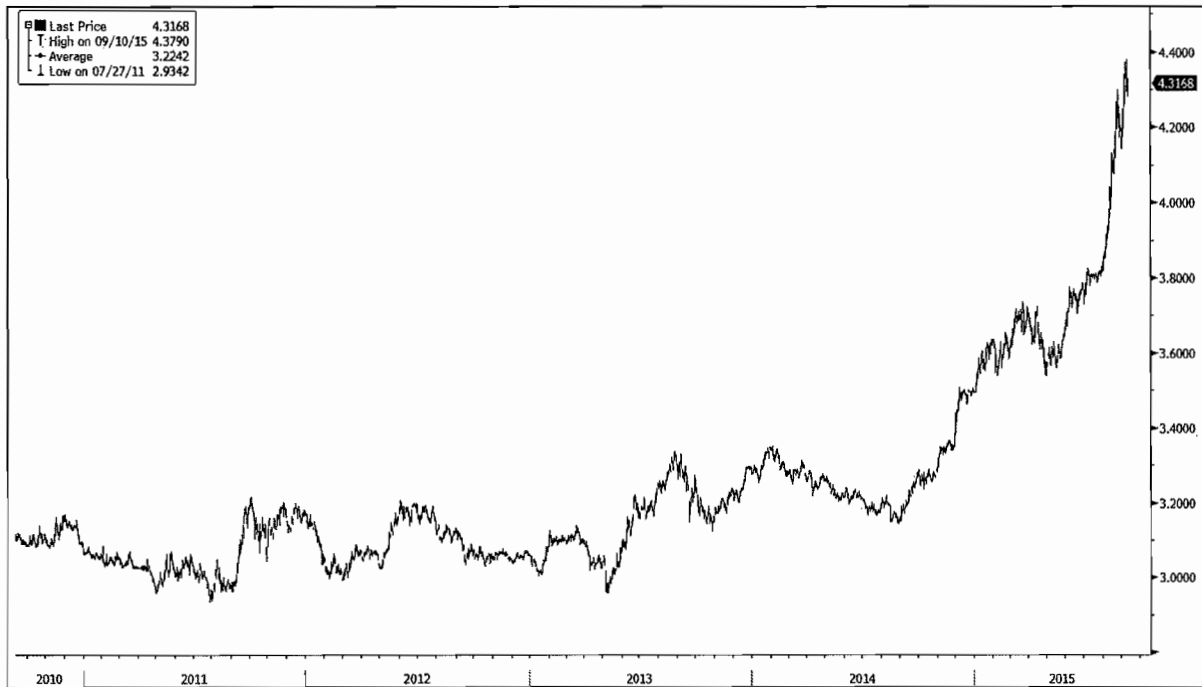


(Source: Bloomberg Finance LP)

From the chart above, gold price was traded highest at approximately USD1,921 per ounce on 6 September 2011 and lowest traded at approximately USD1,077 per ounce on 24 July 2015 during the past five (5) years up to the LPD. The average of the gold prices traded for the past five (5) years up to the LPD is approximately USD1,431 per ounce. For informational purpose only, the price of gold as at the LPD of approximately USD1,107 per ounce is within the range of the highest and lowest traded price of gold for the past five (5) years.

The proceeds from the sale of gold is received in RM and the quantum of the proceeds is dependent on, amongst others, the price of gold in USD and the USD exchange rate. For illustrative purposes, the movements of the USD exchange rate for the past five (5) years up to the LPD are set out in the ensuing page.





(Source: Bloomberg Finance LP)

From the chart above, the USD exchange rate has been on a fluctuating trend since 2010 up to 2014 and it has been on a sharp increasing trend since early 2015 up to the LPD. Any upward movements in the USD exchange rate is favourable for BOG as the revenue derived from the sale of each gram of gold will increase, and vice versa.

### 7.3 Overview and outlook of the food services industry

The services sector is expected to grow 5.6% in 2015 (2014: 5.9%), accounting for 55.4% share of gross domestic product (2014: 55.3%), supported by expansion across all subsectors.

The accommodation and restaurant subsectors are anticipated to increase 5.9%, in 2015 (2014: 6.1%) driven by favourable domestic consumption and higher tourist arrivals following the Malaysia Year of Festivals 2015.

(Source: Chapter 3: Economic Performances and Prospects, Economic Report 2014/ 2015, Ministry of Finance Malaysia)

Private consumption is projected to grow by 6.0% in 2015. The implementation of the GST in April 2015 may have some effect on household spending. This will, however, be partially offset by the government's measures to assist targeted groups, the additional household disposable income from lower fuel prices, and the favourable labour market conditions. The targeted Government assistance to low- and middle-income groups is expected to provide support to private consumption. These include the higher amount of Bantuan Rakyat 1Malaysia cash transfers, the RM100 cash assistance programme to primary and secondary school students, and the Baucar Buku 1Malaysia for Malaysian students in higher learning institutions. The reduction of individual income tax rates by one to three percentage points with the implementation of the GST is also expected to increase the household disposable income. The lower fuel prices may support household spending through savings from paying lower prices for fuel and from lower inflation. All these factors may raise disposable income and consequently, support consumption spending.

(Source: Bank Negara Malaysia Annual Report 2014)

#### 7.4 Future prospects of our Group

On 17 March 2014, our Board announced that BOG, our wholly-owned subsidiary company, was appointed on 14 March 2014 as sub-contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis in the Mukim Batu Yon Mining Area.

On 8 May 2014, RHBIB had, on behalf of our Board, announced that the Company proposes to undertake the following:-

- i. A par value reduction via the cancellation of RM0.90 of the par value of every existing ordinary share of RM1.00 each in the issued and paid-up share capital of Bornoil pursuant to Section 64 of the Act ("Par Value Reduction");
- ii. A private placement of up to 20% of the issued and paid-up share capital of Bornoil after the Par Value Reduction ("Private Placement");
- iii. Diversification of the existing core businesses of Bornoil Group to include mining and its related activities ("Diversification"); and
- iv. Amendments to the Memorandum and Articles of Association of Bornoil.

(collectively referred to as the "Previous Proposals")

Our Group had on 9 September 2014 procured the approval of our shareholders for the Previous Proposals. The Par Value Reduction was completed and took effect on 24 September 2014. The 46,248,000 Bornoil Shares issued pursuant to the Private Placement were listed on the Main Market of Bursa Securities on 7 October 2014, marking the completion of the Previous Proposals. At the issue price of RM0.56 per Share, the total proceeds raised from the Private Placement was RM25,898,880.

The status of the utilisation of proceeds from the Private Placement as at the LPD is set out below:-

Purposes	Time frame for utilisation (i.e. from 7 October 2014)	Amount raised RM'000	As at the LPD	
			Amount utilised RM'000	Balance RM'000
Repayment of hire purchase	Within three (3) months (i.e. by 6 January 2015)	5,829	2,882	2,947 <sup>1</sup>
Purchase of new mining plant and equipment	Within eight (8) months (i.e. by 6 June 2015)	5,000	4,520	480 <sup>2</sup>
Exploration expenditure	Within 12 months (i.e. by 6 October 2015)	5,000	5,000	-
Setting up of new food processing factory	Within 12 months (i.e. by 6 October 2015)	5,000	-	5,000
Working capital for mining operations	Within nine (9) months (i.e. by 6 July 2015)	3,770	7,455 <sup>3</sup>	(3,685)
Expenses in relation to the Previous Proposals	Within one (1) month (i.e. by 6 November 2014)	1,300	1,042	258 <sup>4</sup>
<b>Total</b>		<b>25,899</b>	<b>20,899</b>	<b>5,000</b>

**Notes:-**

- \*1 The balance of the proceeds earmarked for repayment of hire purchase amounting to approximately RM2.95 million which was unutilised within the intended time frame for utilisation by 6 January 2015 was re-allocated to working capital for mining operations of our Group after expiry of the intended time frame for utilisation. In addition, our Board is of the view that the re-allocation of the said balance to the working capital for mining operations to meet the increasing operating requirements of the mining operations is in line with the expansion plan of our Group and is in the best interest of our Group.
- \*2 The balance of the proceeds earmarked for purchase of new mining plant and equipment amounting to approximately RM0.48 million which was unutilised within the intended time frame for utilisation by 6 June 2015 was re-allocated to working capital for mining operations of our Group after expiry of the intended time frame for utilisation. In addition, our Board is of the view that the re-allocation of the said balance to the working capital for mining operations to meet the increasing operating requirements of the mining operations is in line with the expansion plan of our Group and is in the best interest of our Group.
- \*3 The amount of proceeds earmarked for working capital for mining operations of our Group increased due to Notes (1) and (2) above and Note (4) below. The additional working capital was utilised for operational mining expenses such as payment of staff salary and benefits, fuel and lubricants, and repair and maintenance of plant and machinery.
- \*4 The excess of the proceeds earmarked for expenses in relation to the Previous Proposals amounting to approximately RM0.26 million was re-allocated to working capital for mining operations of our Group.

In 2014, Bornoil Group had raised funds via the Private Placement mainly for the gold mining operation at the material time at the Mukim Batu Yon Mining Area, which were mainly utilised for repayment of hire purchase, purchase of new mining plant and equipment, exploration expenditure and working capital requirement of the gold mining operation. Apart from that, a portion of the funds raised from the Private Placement for the purpose of setting up a new food processing factory for the fast food operation of our Group.

In early 2015, BOG has entered into two (2) new mining contracts, namely the Mukim Hulu Jelai Contract and Mukim Keratong Contract whereby at present, our Group's gold mining operation has expanded from covering a total mining area of approximately 162.3 hectares to covering a total mining area of approximately 1,565.1 hectares. Further details of the aforementioned contracts and the current status of the exploration/ mining activities at the respective gold mining area are set out in Section 7.4.2 of this Abridged Prospectus.

Our Board is of the view that the funds intended to be raised from the Rights Issue with Warrants shall be sufficient in addressing the capital requirement of our Group for the purposes of utilisation within the time frame as stated in Section 5 of this Abridged Prospectus. However, in the event that the funds raised for the purposes of utilisation is not sufficient within the time frame as stated in Section 5 of this Abridged Prospectus, our Group may utilise internally-generated funds and/ or obtain borrowings to fund the shortfall. Our Board is unable to determine the exact quantum at this juncture as the actual amount to be utilised by each component of working capital may differ subject to the operating requirements at the time of utilisation.

Subsequent to the Diversification, the businesses of Bornoil Group currently consist of three (3) main segments, namely the fast food operations, management and operations of properties as well as oil, gas and energy related businesses. The financial performance by segment of the aforementioned operating segments of Bornoil Group for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 are set out below:-

	<-----Audited----->		Unaudited
	FYE 31 January 2014 RM'000	FYE 31 January 2015 RM'000	Six (6)- month FPE 31 July 2015 RM'000
Revenue			
- Fast food operations	34,323	37,315	20,999
- Management and operations of properties	5,540	4,603	2,048
- Oil, gas and energy and mining related businesses <sup>*1</sup>	1,918	34,695	42,598
PBT/ (LBT)			
- Fast food operations	1,744	5,269	2,202
- Management and operations of properties	6,343	(1,313)	(491)
- Oil, gas and energy and mining related businesses <sup>*1</sup>	(6,085)	5,502	3,263

**Note:-**

\*1 For the avoidance of doubt, the oil, gas and energy related businesses segment of our Group for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 consists of gold mining operations and limestone mining and manufacturing of other related products. For informational purpose, the breakdown of the revenue and PBT/ (LBT) for the aforementioned segment for the past two (2) financial years up to the FYE 31 January 2015 and the six (6)-month FPE 31 July 2015 are set out below:-

	<-----Audited----->		Unaudited
	FYE 31 January 2014 RM'000	FYE 31 January 2015 RM'000	Six (6)- month FPE 31 July 2015 RM'000
Revenue			
- Gold mining operations	1,237	34,357	39,691
- Limestone mining and manufacturing of other related products	681	338	2,907
PBT/ (LBT)			
- Gold mining operations	(3,068)	6,481	2,742
- Limestone mining and manufacturing of other related products	(3,017)	(979)	521

Based on the above, during the FYE 31 January 2014, our Group derived our revenue mainly from our fast food operations. During the FYE 31 January 2015, our Group derived our revenue mainly from our fast food operations and our gold mining operations.

#### 7.4.1 Fast food operation

In the fast food operations segment, our Group holds franchise in SugarBun, a fast food restaurant chain which is mainly based in Sarawak. As at to-date, our Group has a total of 79 SugarBun franchise outlets of which 69 outlets are in Malaysia and 10 outlets are overseas. It is our Group's intention to continuously nurture our SugarBun fast food business. In addition, our Group had in December 2014 secured the master license for a Singapore pizza chain, for operations in Sabah and Sarawak, namely Pezzo. As at to-date, our Group has a total of 16 new Pezzo outlets in Sabah and Sarawak. Our Group's plans for the fast food operation at this juncture consist of the following:-

- i. **Set up new fast food central processing factory to expand production capacity** – Our Group manufactures and supplies some ingredients including the controlled ingredients to our SugarBun fast food restaurant chain which is mainly based in Sarawak. Our Group intends to set up a new fast food central processing factory in Kuching for the existing fast food business of our Group with a higher production capacity to cater for the increase in sales of our fast food business. Our Group had secured funding of RM5.00 million from the Private Placement for the said purpose. Our management have identified and are in the midst of negotiation with a third party for a proposed acquisition of three (3) parcels of adjoining factory units, measuring a total of approximately 960 square meters, to set up a new fast food central processing factory. Our management anticipate to enter into an agreement for the new fast food central processing factory by the end of 2015 and to complete the aforementioned proposed acquisition by the end of the first quarter of 2016; and
- ii. **Increase number of fast food outlets to expand business** – Our Group intends to expand our fast food business to open more SugarBun and Pezzo outlets in line with our intention to expand our production capacity. Our Group intends to secure funding from the Rights Issue with Warrants to finance the hiring of more staff, payment of rental, and selling and marketing expenses. Our Group will also constantly monitor and review our workforce and operation in the fast food business.

#### 7.4.2 Gold mining operation

Bornoil Group is involved in the gold mining operation through BOG, our wholly-owned subsidiary company. BOG has entered into the following contracts for gold mining operations:-

- (A) Sub-contract of works agreement between BOG and Champmark Sdn Bhd ("CSB") dated 14 March 2014 ("Mukim Batu Yon Contract")

Prior to the execution of the Mukim Batu Yon Contract, Perbadanan Kemajuan Negeri Pahang ("PKNP"), as the implementation agency in the development of large-scale mineral resources in Pahang, had entered into an agreement with MMC Corporation Berhad ("MMC") on 9 July 1990 granting MMC the sole and exclusive right to carry out large scale prospecting and mining of minerals in the Merapoh area in Pahang ("Grant of the Merapoh Mining Rights" or "PKNP Agreement"). On 21 July 2004, MMC entered into a contract with CSB granting CSB the right to carry out mining works on nine (9) sub-blocks of the Merapoh area ("CSB Contract of Works Agreement").

On 14 March 2014, vide the Mukim Batu Yon Contract, CSB appointed BOG as its sub-contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis in Mukim Batu Yon, Daerah Lipis, Pahang measuring approximately 162.3 hectares ("Mukim Batu Yon Mining Area"). Additionally, BOG and CSB shall carry out exploration works in the Mukim Batu Yon Mining Area on a joint-basis.

For informational purpose, alluvial gold deposit is gold deposit formed as a result of transportation by water from weathered mineralised rocks and veins, while lode gold deposit is gold deposit formed in mineralised rocks and veins.

The salient terms and conditions of the Mukim Batu Yon Contract are set out below:-

- (I) The Mukim Batu Yon Contract shall be for a period of five (5) years with two (2) renewals of five (5) years each subject to a review of the consideration as stated in the Mukim Batu Yon Contract and if in the opinion of BOG, there is still gold of commercial quantities in the Mukim Batu Yon Mining Area. For the avoidance of doubt, there are no conditions precedent for the Mukim Batu Yon Contract as it is a sub-contract of works whereby BOG is appointed by CSB as their operator to conduct works in the Mukim Batu Yon Mining Area. The scope of works under the Mukim Batu Yon Contract is that BOG shall undertake large scale prospecting and mining for minerals ("Mukim Batu Yon Works") solely at its own risk with no recourse to CSB for whatever losses it may incur in connection with the Mukim Batu Yon Works. All risks associated in the Mukim Batu Yon Works is to be borne solely by BOG. In the event there are any accidents or economic risks faced or sustained by BOG in the Mukim Batu Yon Works, it shall have no recourse against CSB. Further details on the risks relating to the mining industry we operate in and risks relating to our Group in our mining operation have been set out in Sections 6.1 and 6.2 of this Abridged Prospectus, respectively.

Additionally, BOG and CSB shall, on a joint-basis, carry out exploration works for the purpose of data gathering and sharing as well as the monitoring of the processing, storage and sale of gold.

- (II) BOG and CSB shall jointly conduct all agreed exploration works in the Mukim Batu Yon Mining Area, in addition to CSB disclosing all information it has obtained in relation to the Mukim Batu Yon Mining Area as well as to keep all prospecting permits under the Mukim Batu Yon Mining Area in good standing, which includes renewing expired permits and applying for new permits if necessary.

- (III) All costs arising from the said exploration works shall be borne by CSB through advances from BOG subject to a repayment of such advances by way of deductions against the tribute payable by BOG to CSB. In this regard, BOG made an advance of RM1,300,000 to CSB and CSB had repaid the said advance in full in 2014. Thereafter, BOG has also made further advances amounting to approximately RM0.81 million to CSB of which is outstanding to BOG as at the LPD and which shall be repaid by way of deduction against future tributes payable by BOG to CSB. The breakdown of the tribute payable by BOG to CSB based on the gross revenue from sale of gold produced from alluvial gold mining are set out below:-

<b>Monthly gross revenue</b>	<b>Tribute payment as a percentage of monthly gross revenue</b>
Less than or equal to RM500,000	8%
Between RM500,000 and RM1,000,000	9%
Between RM1,000,000 and RM2,000,000	10%
More than RM2,000,000	12%

- (IV) In addition, the breakdown of the tribute payable by BOG to CSB based on the gross revenue from sale of gold produced from lode gold mining are set out below:-

<b>Monthly gross revenue</b>	<b>Tribute payment as a percentage of monthly gross revenue</b>
Less than or equal to RM5,000,000	10.5%
More than RM5,000,000	14.5% if gold price is less than USD1,400 per ounce; or 16.5% if gold price is equal to or more than USD1,400 per ounce

For the avoidance of doubt, there were no arrangements in the Mukim Batu Yon Contract for minerals other than gold produced by BOG in the Mukim Batu Yon Mining Area, if any. In the event minerals other than gold are found by BOG in its mining or processing processes, BOG will seek consultation with CSB to determine the arrangements for such minerals.

- (V) In the event the tribute payable by BOG to CSB is lower than the said advance, CSB shall make further deductions from its aforesaid/ future tribute portion after each sale of gold until such time when the advance is fully resolved. The timing of repayment of the advances shall depend on the eventual sales of gold and shall continue until the full settlement of the advances.

(VI) BOG and CSB agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and the royalty payment of 5% to the Pahang State Government calculated based on the revenue from the total sale of gold produced as provided in the CSB Contract of Works Agreement and the PKNP Agreement. BOG shall be responsible only for tributes due to CSB based on the gross revenue from the sale of gold. After each sale of gold, CSB collects the sale proceeds to pay the relevant tribute due to PKNP and MMC and royalty payment to the Pahang State Government and to retain its portion of the tribute payable by BOG before paying the balance of the sale proceeds to BOG. However, as BOG had made advances to CSB, as stated in paragraph 7.4.2(A)(III) above, of which approximately RM0.81 million is outstanding as at the LPD, and CSB shall also make deduction from its tribute portion to repay the said advance to BOG.

(VII) In the event of termination of the Mukim Batu Yon Contract by CSB, CSB shall repay all the advances to BOG prior to such termination. CSB reserves the right to terminate the Mukim Batu Yon Contract if BOG suspends its operation in the mining lease covering the Mukim Batu Yon Mining Area for more than four (4) weeks without any reasonable justification and in such an event CSB shall issue a notice to BOG for it to resume its operation within a month, failing which CSB shall have the right, subject to the repayment of all the advances paid to CSB, to immediately thereafter terminate the Mukim Batu Yon Contract.

(B) Sub-contract of works agreement between BOG and Jusra Mining Merapoh Sdn Bhd ("Jusra") dated 5 January 2015 ("Mukim Hulu Jelai Contract")

MMC as the holder to the Grant of the Merapoh Mining Rights, separately entered into a contract on 21 July 2014 with Jusra granting Jusra the right to prospect and mine minerals in five (5) blocks of the Merapoh area ("Jusra Contract of Works Agreement").

On 5 January 2015, vide the Mukim Hulu Jelai Contract, Jusra appointed BOG as its sub-contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis on an area covering approximately 202.8 hectares located at Sungai Serumbang, Hutan Simpan Hulu Jelai, Daerah Lipis, Pahang ("Mukim Hulu Jelai Mining Area"). The Mukim Hulu Jelai Contract involves BOG prospecting, exploring and mining alluvial and lode gold on an exclusive basis over the Mukim Hulu Jelai Mining Area.

The salient terms and conditions of the Mukim Hulu Jelai Contract are set out below:-

(I) Under the Mukim Hulu Jelai Agreement, BOG is to advance a total sum of RM1,273,383.50 ("Advances") to Jusra in the following manner:-

(a) RM500,000 upon the execution of the Mukim Hulu Jelai Agreement, which has been paid on 5 January 2015;



- (b) Subject to the result of a preliminary geological study to determine the existence of payable gold, BOG shall advance a total of RM273,383.50 comprising:-
- (i) 50% of the premium payable in respect of the Mukim Hulu Jelai Mining Area in the sum of RM437,600 equivalent to RM218,800;
  - (ii) 50% of the surveyor fees in the sum of RM61,667 equivalent to RM30,833.50; and
  - (iii) 50% of the fees due to KF Lee Mining Consultant Services in the sum of RM47,500 equivalent to RM23,750.

This advance of a total of RM273,383.50 has been paid on 31 January 2015.

- (c) An additional RM500,000 within seven (7) days from the date of fulfillment of the following conditions precedent to be confirmed by BOG:-
- (i) Preliminary studies and area surveys to be conducted by BOG confirm that the Mukim Hulu Jelai Mining Area contains sufficient payable gold so as to be economically viable in the opinion of BOG;
  - (ii) The continued subsistence of the Jusra Contract of Works Agreement;
  - (iii) That the mining lease and mining permit are both subsisting and in good standing;
  - (iv) Confirmation by MMC that Jusra is not in breach of the Jusra Contract of Works Agreement and that MMC is in full compliance with the PKNP Agreement, wherein MMC was granted the sole and exclusive right to carry out large scale prospecting and mining of minerals on a large piece of land (in which the Mukim Hulu Jelai Mining Area forms part of this land), and that the PKNP Agreement is still in force; and
  - (v) That notice has been issued and received by MMC with regard to the Mukim Hulu Jelai Contract as required in the Jusra Contract of Works Agreement.

This advance of a total of RM500,000 has been paid on 17 February 2015 for the amount of RM250,000 and 16 March 2015 for the amount of RM250,000, respectively.

- (II) The agreement to any further advances to Jusra by BOG shall be at the full discretion of BOG;

- (III) In addition, BOG shall pay tributes to Jusra based on 10% of the revenue from the total sale of gold produced ("Jusra Tribute").

For the avoidance of doubt, there were no arrangements in the Mukim Hulu Jelai Contract for minerals other than gold produced by BOG in the Mukim Hulu Jelai Mining Area, if any. In the event minerals other than gold are found by BOG in its mining or processing processes, BOG will seek consultation with Jusra to determine the arrangements for such minerals;

- (IV) BOG shall be entitled to deduct 50% of the Jusra Tribute until the Advances are fully repaid;

- (V) BOG and Jusra agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and royalty payment of 5% to the Pahang State Government calculated based on the revenue from the total sale of gold produced as provided in the Contract of Work Agreement and the PKNP Agreement.

For the avoidance of doubt, BOG shall be responsible only for the Jusra Tribute due to Jusra. Meanwhile, Jusra shall be responsible to pay the tribute to PKNP and MMC and royalty payment to the Pahang State Government;

- (VI) The Mukim Hulu Jelai Contract is for a period of five (5) years with an automatic renewal for another five (5) years subject to a review on the tribute payment percentage to be mutually agreed. A third (3rd) five (5)-year contract duration will be automatically extended if in the opinion of BOG there are still gold and other minerals of commercial quantities in the Mukim Hulu Jelai Mining Area, subject to a further review of tribute from the expiry of the second (2nd) five (5)-year contract duration;

- (VII) Jusra reserves the right to terminate the Mukim Hulu Jelai Contract if BOG suspends the operation on the Mukim Hulu Jelai Mining Area for more than four (4) weeks without any reasonable justification and in such an event Jusra shall issue a notice to BOG to resume its operation within a month, failing which Jusra shall have the right, subject to the repayment of all the remaining unpaid advances by BOG to immediately thereafter terminate the Mukim Hulu Jelai Contract;

- (VIII) BOG shall undertake the said works solely at its own risks with no recourse to Jusra;

- (IX) In the event further mining leases and permits are approved and issued by the Pahang State Government to Jusra, BOG shall be exclusively appointed to carry out the said mining works over these areas.

Bornoil will make immediate announcement on the arrangements and the salient terms and conditions of the contract/ agreement relating to the further mining leases and permits.

(C) Exclusive production sharing agreement between BOG and HDL Global Sdn Bhd ("HDL") dated 11 March 2015 ("Mukim Keratong Contract")

Prior to the execution of the Mukim Keratong Contract, PKNP entered into an agreement with HDL on 21 May 2010 granting HDL the sole and exclusive rights to undertake and carry out the Mukim Keratong Works (as herein defined) at the Mukim Keratong Mining Area (as herein defined).

On 11 March 2015, vide the Mukim Keratong Contract, BOG has been granted the sole and exclusive right, for 20 years, or when the minerals have been exhausted, whichever earlier, to prospect and explore and to carry on mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold ("Mukim Keratong Works") over an area covering approximately 1,200 hectares located at Mukim Keratong, District of Rompin, Pahang Darul Makmur ("Mukim Keratong Mining Area"). BOG and HDL will share the net profit after tax ("NPAT") from the sale of gold under the Mukim Keratong Contract on a basis of 60% of the NPAT for BOG and 40% of the NPAT for HDL.

The salient terms and conditions of the Mukim Keratong Contract are set out below:-

- (I) On the execution of the Mukim Keratong Contract, BOG is to advance a total sum of RM5,000,000 ("Mukim Keratong Advances") to HDL in the following manner:-
- (a) RM500,000 upon of the execution of the Mukim Keratong Contract, which has been paid on 11 March 2015;
  - (b) An additional RM1,500,000 on the satisfaction of BOG on the termination of any agreements or arrangements previously entered into by HDL appointing other third parties as the previous sub-contractor to the Mukim Keratong Works on the Mukim Keratong Mining Area within 60 days from the date of execution of the Mukim Keratong Contract ("First Advance").

In this regard, HDL had entered into a Deed of Mutual Termination with the previous sub-contractor which was subject to, amongst others, payment of RM700,000 by HDL to the previous sub-contractor. In view thereto, BOG had made advances to HDL for the amount of RM350,000 on 6 June 2015 and another RM350,000 on 12 June 2015. As at the LPD, the previous sub-contractor has granted vacant possession of the Mukim Keratong Mining Area pursuant to the Deed of Mutual Termination. Nevertheless, the balance of this First Advance of RM800,000 will be made to HDL upon the conditions precedent as set out in Section 7.4.2(C)(II) of this Abridged Prospectus are fulfilled to the satisfaction of BOG at its absolute discretion;

(c) A further RM2,000,000 on the satisfaction of the terms and conditions of the Mukim Keratong Contract ("Second Advance") as follows:-

- i. HDL shall apply to the relevant authorities for the explosive licences and any other permits in relation to the Mukim Keratong Works; and
- ii. HDL shall apply and cause and procure the exploration licences and mining leases to be issued with a validity of not less than two (2) years each or any duration acceptable to BOG.

For the avoidance of doubt, the said advance of RM2,000,000 has yet to be made as at the LPD; and

(d) Upon the issuance of each of the additional five (5) mining leases to be issued after the date of the Mukim Keratong Contract with a validity period of not less than two (2) years or any duration acceptable to BOG including the application of the necessary permits to the relevant authorities in relation to the Mukim Keratong Works, a sum of RM1,000,000 shall be paid for each new mining lease ("Subsequent Advances").

The Mukim Keratong Mining Area covers an area of approximately 1,200 hectares. As at the LPD, a mining lease has been issued to PKNP over a portion of the Mukim Keratong Mining Area measuring approximately 462 acres (or approximately 187 hectares). HDL has represented and warranted that PKNP has applied for five (5) additional mining leases for the remaining portion of the Mukim Keratong Mining Area of approximately 2,965 acres (or approximately 1,013 hectares). For the avoidance of doubt, no new mining leases have been issued as at the LPD and hence the said advance in the sum of RM1,000,000 payable for each of the new mining leases has yet to be made as at the LPD;

(II) The following are the conditions precedent for the Mukim Keratong Contract which shall be fulfilled to the satisfaction of BOG at its absolute discretion, failing which all payments made by BOG shall be refunded and the Mukim Keratong Contract shall be terminated by BOG:-

- (a) Preliminary geological surveys undertaken by BOG confirming the presence and existence of payable gold on the Mukim Keratong Mining Area and any due diligence required by BOG on HDL, its affairs and the mining project within six (6) months from the date of the Mukim Keratong Contract; and

- (b) HDL producing or causing the procurement of written evidence of the issuance of the requisite exploration licences and mining leases over the Mukim Keratong Mining Area and all other requisite approvals or permits to allow PKNP and HDL to carry out the Mukim Keratong Works on the Mukim Keratong Mining Area with a validity period of not less than two (2) years or any duration acceptable by BOG;
- (III) To share the NPAT generated from the Mukim Keratong Contract with 60% to BOG and 40% to HDL. This NPAT is derived from the sales revenue of the gold less all project and operational costs including recoverable costs (First Advance, 50% of the Second Advance and Subsequent Advances), tributes and all taxes, duties and levies payable or accrued to any authority whether the Federal Government, Pahang State Government or otherwise.
- For the avoidance of doubt, there were no arrangements in the Mukim Keratong Contract for minerals other than gold produced by BOG in the Mukim Keratong Mining Area, if any. In the event minerals other than gold are found by BOG in its mining or processing processes, BOG will seek consultation with HDL to determine the arrangements for such minerals;
- (IV) Under the Mukim Keratong Contract, BOG shall commence the Mukim Keratong Works within six (6) months from the date of the agreement and pay the HDL's portion of the NPAT to HDL within thirty (30) days of BOG's determination of the NPAT on a quarterly basis. BOG shall also ensure all payments, operation costs, expenses and tributes (which shall not at any time exceed 2.5% payable to PKNP and 5.0% payable to the Pejabat Tanah and Galian based on sales revenue) are made in time.
- (V) HDL shall apply to the relevant authorities for all the approvals, permits and licences (including forestry permits and licence to remove soil) required for the Mukim Keratong Works as well as to ensure the validity and subsistence of the exploration licences, and mining leases, including to apply and procure the relevant renewals and/ or extensions. HDL further undertakes that BOG shall be the sole operator for the Mukim Keratong Mining Area and that no other third party shall be appointed.
- (VI) Either BOG or HDL shall have the right to terminate the Mukim Keratong Contract in the event:-
- (a) the government and/ or state authority prohibits or disallows the extraction, removal and transportation of minerals from Mukim Keratong Mining Area for any reason whatsoever or compulsorily acquires the said area due to no act or default on the part of HDL and HDL having exhausted all avenue to appeal against the said order;

- (b) the prospecting licences and mining leases are withdrawn or if the prospecting licences and mining leases expire due to no act or default on HDL and/ or BOG and both parties have exhausted all avenues to restore the prospecting licences and mining leases; and
- (c) if a receiver and/ or manager is appointed over the assets, undertaking and/ or properties of the other party or the other party is wound up.

The consequential arrangement upon termination shall be that HDL shall be required to repay to BOG all the remaining unpaid advances made by BOG to HDL, in the event HDL has not complied with its obligations, covenants and undertakings under the Mukim Keratong Contract.

The key management and personnel of BOG in the gold mining operation and their related experience in mining and its related activities are set out below:-

- i. Liu Jiew Shin, a Malaysian aged 49, is the Operation Manager of BOG and is responsible for the mining operations. He has more than 23 years of relevant experience in marble quarrying. In 1992, he joined Makin Teguh Sdn Bhd as a Manager and was responsible for the management of oil palm plantation and sand mining operation. In 2002, he joined Segama Stones Sdn Bhd as an Executive Director and was responsible for the day-to-day operation of marble quarry and factory for more than ten (10) years. He joined BOG in 2013.
- ii. Phang Chan Seng, a Malaysian aged 50, is the Mining Supervisor of BOG. He has more than 17 years of mining experience. In 1998, he joined SJ Resources Sdn Bhd as a Mining Supervisor and his responsibilities included the maintenance of machine, management of waste water and day-to-day operation of the mine. In 2006, he joined Simpang Quarry Enterprise as a Mining Supervisor and his responsibilities included clearing of virgin land, construction of staff quarter, earth work, and management of day-to-day operation of the mine. In 2010, he joined CSB as a Mining Supervisor and his responsibilities included setting-up of mining operation, site preparation, construction of polong for gold processing, earth work, building of fresh and waste water pond, construction of staff quarter and management of day-to-day operation of the mine. He joined BOG in 2013.
- iii. Ismail Bin Deraman, a Malaysian aged 42, is the Metallurgist of BOG. He has more than 15 years of experience in in the fields of mineral exploration, geologic reviews, mine and mining. In 1994, he joined Permint Minerals Sdn Bhd as a Production Supervisor at a local gold mine. In 1998, he joined Specific Resources Sdn Bhd as a Senior Metallurgist and his responsibilities included managing a team of metallurgist and technician for project metallurgical test work and pilot plant test. In 2010, he joined Raub Australian Gold Mining Sdn Bhd as a Senior Metallurgist and his responsibilities included coordinating and overseeing all metallurgist aspects of the gold mill operation as well as managing the operation of refinery operation from elution until gold dore shipment. In 2013, he joined Lynas Malaysia Sdn Bhd as a Senior Engineer where his responsibilities included rare earth cracking, leaching process and waste gas treatment plant. He joined BOG in 2015.

- iv. Murtadha Bin Fathul Ariffin, a Malaysian aged 44, is the Geologist of BOG. He has more than 11 years of experience in the fields of geologic reviews, mine and mining. In 2003, he joined Specific Resources Sdn Bhd as a Mining Geologist where his responsibilities included organising the grade control section, producing geological mapping and coordinating with metallurgist to achieve production target. In 2011, he joined Raub Australian Gold Mining Sdn Bhd as a Production Geologist where his responsibilities included managing all samplings work, mining area and stockpile area as well as involved in tailings mining. He joined BOG in 2014.
- v. Kalai Vani M Govindasamy Naidu, a Malaysian aged 36, is the Geologist of BOG. She graduated with a Bachelor Degree in Geology from Universiti Kebangsaan Malaysia in 2002. She has 13 years of experience in the fields of mineral exploration, geologic reviews, geophysics, mine and mining. In 2002, she started her career as a Contract Geologist with Avocet Mining PLC ("Avocet") at a local mine where she had worked in all roles of an exploration/ project geologist and had also gained experience in resource geology. In 2008, she had a short stint with Iron Ore Holdings Ltd in Australia as a Project Geologist in iron ore exploration. In 2009, she continued her career with Avocet as a Production Geologist before she joined Monument Mining Ltd in 2010 as an Exploration Manager where she was responsible for establishing an exploration department. She joined BOG in 2014.
- vi. Siva Sankar Gopalan, a Malaysian aged 29, is the Assistant Mine Manager of BOG. He graduated with a Bachelor of Science in Geology from Universiti Malaysia Sabah in 2009. He has six (6) years of experience in the fields of mineral exploration, geologic reviews, mine and mining. In 2009, he started his career as a trainee Engineering Geologist with Soil Instruments (M) Sdn Bhd and later on as a Junior Geologist with Geo Pacific Sdn Bhd. In 2010, he joined CSB as an Exploration Geologist before became Site Administrative Manager cum Geologist in 2013. During his tenure with CSB, he had worked in all roles of an exploration/ project geologist as well as day-to-day administrative roles at the mining site. He joined BOG in 2015.
- vii. Sashi Kumar s/o Subramaniam, a Malaysian aged 29, is the Mining Engineer of BOG. He graduated with a Diploma from Sultan Haji Ahmad Shah polytechnic majoring in civil engineering. He has four (4) years of mining experience. In 2011, he joined CSB as a Mine Engineer and was responsible for planning and leading the excavation of mining site as well as leading and monitoring of related earthworks. He joined BOG in 2014.

In addition, BOG has also engaged the following consultants for advisory services in support of its gold mining operation:-

- i. Peter Alan Flindell, an Australian aged 51, has 30 years of experience in the development of exploration projects through feasibility to mining, including mineral resource estimations. He also has more than ten (10) years of experience in orogenic lode gold deposits in Malaysia. He has considerable experience in minerals exploration in Southeast Asia, the People's Republic of China ("PRC"), Central Asia and West Africa. He is a member of the Society of Economic Geologists, the Australian Institute of Mining and Metallurgy, and the Australian Institute of Geoscientists.

- ii. Shukeri Bin Ismail, a Malaysian aged 46, has 21 years of experience in local and international mining activities, mine development from green field to production, planning, budgeting, metallurgical research and development, metallurgical test work, processing plant design and construction, commissioning and practical operations experience in the gold, copper and iron ore industry as well as experience in exploration work, project due diligence and mining permit application. He has considerable experience in countries such as Malaysia, Indonesia, the Philippines, Papua New Guinea, Australia, South Africa, Burkina Faso, Zimbabwe, Tajikistan and Canada. He was involved in the Malaysian Working Group on Precious Metal (Code and Act of Practice).

The mining operation in the Mukim Batu Yon Mining Area has proven the presence of gold and has produced results for the past two (2) financial years, while our Group's mining operations in the Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area are relatively new at this juncture. In addition, BOG has been actively undertaking exploration activities and has in place a team of geologists and metallurgists to progressively expand the prospecting of gold reserves at the mining areas. BOG has also engaged Peter Alan Flindell to conduct studies on the tailing reserves at BOG's mining areas mainly covering the tailings at the Mukim Batu Yon Mining Area and Mukim Keratong Mining Area. As set out in Section 5 of this Abridged Prospectus, our Group has allocated a total of RM15.00 million from the proceeds to be raised from the Rights Issue with Warrants for exploration expenditure at the mining areas. At this juncture, BOG's mining operations are presently on alluvial mining and processing of tailings pond for residues of gold deposits.

Bornoil will make announcement(s) on the feasibility study including the name of experts, information on reserve and extraction rate, and other related information, if and as and when such feasibility study or expert report are carried out.

The status of our gold mining operation at our three (3) mining sites are set out below:-

<b>Mining area</b>	<b>Extraction rate</b>	<b>Production output</b>	<b>Status of mining activities</b>
Mukim Batu Yon Mining Area	1,000 metric tonnes ("MT") per day	64,163.17 grams	<p>Earthworks, site clearing and infrastructure works such as roads, tailings and water ponds are undertaken on new mining sites.</p> <p>The main focus of current exploration is to identify lode gold for hard rock mining. BOG has appointed several geologists as well as consultants for the exploration activities. Preliminary exploration activities are being undertaken where up to-date a total of 6,479 soil samples were collected and nine (9) drilling holes were done. The results of the preliminary exploration are in the process of being assessed as at to-date.</p> <p>Mining operations are presently on alluvial mining and processing of tailings pond for residues of gold deposits. As this juncture, mining operations are mainly focused on alluvial mining while studies are being undertaken to determine the economical method to process the tailings.</p>



Mining area	Extraction rate	Production output	Status of mining activities
Mukim Hulu Jelai Mining Area	Extraction rate is not available as mining activities have yet to commence	Production output is not available as mining activities have yet to commence	<p>Basic earthworks, site clearing and infrastructure works such as roads, tailings and water ponds are being undertaken.</p> <p>Preliminary exploration activities are also currently being undertaken for alluvial mining. As at to-date a total of 1,825 soil samples were collected from pitting activities. The pitting activities on alluvial gold are currently undertaken on area covering up to 30% of the Mukim Hulu Jelai Mining Area. The results of the preliminary exploration activities are in the process of being assessed as at to-date.</p> <p>Mining activities have yet to commence as at to-date. Alluvial mining operations will commence after the completion of the preliminary exploration study and high grade alluvial gold areas are identified.</p>
Mukim Keratong Mining Area	Extraction rate is not available as mining activities have yet to commence	Production output is not available as mining activities have yet to commence	<p>The necessary infrastructure works such as roads, tailings and water ponds are being undertaken.</p> <p>Preliminary geological studies are being undertaken for alluvial mining as well as studies to determine the volume of the existing tailings and the economical method to process the existing tailings pond for residues of gold deposits.</p> <p>Mining activities have yet to commence as at to-date. Alluvial mining operations will commence after the completion of the preliminary exploration study.</p>

Our Group's plans for the gold mining operations at this juncture consist of the following:-

- i. **Increase exploration activities, capital expenditure and development of mining site to expand production capacity** – Our Group is currently at our initial stages to expand the production capacity of the gold mining operation. Our Group intends to secure funding from the Rights Issue with Warrants to finance the exploration expenditure for alluvial and lode gold resources, to fund the purchase of more vehicles, machineries and equipment as well as to fund the mining site development costs, details of which are set out in Notes (2), (3) and (4) of Section 5 of this Abridged Prospectus;
- ii. **Expand workforce to expand production capacity** – Our Group intends to expand the workforce to employ more workers in the mining field in line with our intention to expand our production capacity. Our Group intends to secure funding from the Rights Issue with Warrants to finance the hiring of more workers at the mining sites which are now covering a total area of approximately 1,565.1 hectares. Our Group will also constantly review our workforce and operation for optimum productivity; and
- iii. **Seek new contracts and secure more mining leases and permits to expand to new mining sites** – In the long-run, our Group intends to seek new mining contracts and secure more mining leases and permits for other mining areas to enhance the prospects of our Group in the gold mining industry.

### 7.4.3 Limestone mining operation

Our Group's limestone mining operation is located in Ulu Segama at Lahad Datu, Sabah. The total size of the land area of which BOG has access in Ulu Segama for limestone mining operation is approximately 262.60 acres.

The key management of BOG in the limestone mining operation and their related experience in mining and its related activities is set out below:-

- i. Poh Woon Choon, a Malaysian aged 61, is the General Manager of BOG. He has more than 25 years of working experience in the marble quarrying business. In 1990, he joined S P Marble Sdn Bhd as a Quarry and Factory Manager and was responsible for the day-to-day operation of marble quarry and factory. In 1991, he joined Borneo Marble Corporation Sdn Bhd as a Quarry and Factory Manager. In 2003, he joined SAM Abrasivi Sdn Bhd as a Factory Manager. In 2006, he returned to Borneo Marble Corporation Sdn Bhd as a Quarry and Factory Manager and subsequently in 2009, he worked at a quarry in Gua Musang as a Quarry and Factory Manager. In 2013, he joined CEP Entity Resources Sdn Bhd as a Quarry Manager. He joined BOG in 2014.
- ii. Leodi Gabarra Pabelona, a Filipino aged 29, is the Assistant Quarry Manager of BOG. He has four (4) years of working experience in the marble quarrying business. In 2012, he joined Orient Paramount Quarry Sdn Bhd as a Quarry Administrator and was responsible for, amongst others, the preparation of all quarry operation and report matters. He joined BOG in 2014. His current roles in BOG are reporting to the Quarry Manager on the daily production and workers report, assisting the procurement for parts and services required, assisting the sales and marketing of marble blocks and strict compliance with the safety standards.

The limestone mining operation of our Group is undertaken on open-pit site which involves unearthing and excavation of limestone deposits which are easily accessible from the surface of the earth. The open-pit mining activities are carried out until the limestone resource is exhausted or an increasing ratio of overburden (the layer of surface rock or soil covering the limestone deposits) to ore makes further mining uneconomic. In addition, our Group is also continuously seeking commercially viable limestone reserves for our Group's limestone mining operation.

Bornoil will make announcement(s) on the feasibility study or expert report on the limestone mining operation including the name of experts, information on reserve and extraction rate, and other related information, if and as and when such feasibility study or expert report are carried out.

The status of our limestone mining operation is set out below:-

<b>Mining area</b>	<b>Extraction rate</b>	<b>Production output</b>	<b>Status of mining activities</b>
Ulu Segama, Lahad Datu, Sabah	28 MT per day	2,250.5 MT	Site preparation works, infrastructure and blasting works are been undertaken.  Studies and on-site planning works are also been undertaken to study the possibility of embarking into downstream activities for value-added products such as limestone powder for farming benefits and other limestone-related products.

As set out in Notes (5) and (6) of Section 5 of this Abridged Prospectus, our Group has allocated a total of RM18.00 million (under both the Minimum Scenario and Maximum Scenario) for the purchase of machinery and equipment as well as the working capital purposes of the limestone mining operation, in line with the expansion plan of our Group in our mining business.

The gold mining and limestone mining operations are subject to approvals from relevant government authorities, of which the major approvals are as set out below:-

<b>Activity</b>	<b>Major approvals from relevant authority</b>
Gold mining	Mining lease from the Pahang State Government to PKNP, mining permit from PKNP to the main contractors, and operational mining scheme from the Minerals and Geoscience Department of Pahang to PKNP
Limestone mining	Approval from the Sabah State Government as endorsed on title deeds for mining of stone, and licence from the Lands and Survey Department (Schedule B)

For the avoidance of doubt, as BOG is currently purely a sub-contractor for gold mining works and operator for limestone mining works whereby:-

- i. the obligation to procure approvals from relevant authorities for our gold mining operations lies with the main contractor and/ or the mining lease holder, where applicable; and
- ii. the obligation to procure approvals from relevant authorities for our limestone mining operation lies with the landowner of the limestone reserves.

The contribution from the gold mining operation of our Group for the past two (2) financial years are mainly from the mining operation at Mukim Batu Yon. Following the Mukim Hulu Jelai Contract and Mukim Keratong Contract in early 2015, at present, our Group's gold mining operation has expanded from covering a total mining area of approximately 162.3 hectares to covering a total mining area of approximately 1,565.1 hectares. The increase in investment in the gold mining operation is in line with the expansion plan of our Group. Our Board has noted that the gold mining division has produced encouraging results and our Board is cautiously optimistic that the gold mining operation of our Group would contribute positively to our Group in the future.

Apart from expanding Bornoil Group's business organically via the internal growth of our existing businesses, our Group's future plans also includes expanding inorganically, via mergers and acquisitions of businesses or investments which may generate positive returns to our Group in the future, thereby further increasing Bornoil's shareholders' value.

Our Board, after having considered all the relevant aspects including the above-mentioned prospects as well as the outlook of the mining industry and the food services industry as set out in Sections 7.2 and 7.3 of this Abridged Prospectus, respectively, is optimistic of the future prospects of our Group.

**8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS****8.1 Issued and paid-up share capital**

The proforma effects of the Rights Issue with Warrants on our issued and paid-up share capital as at the LPD are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at the LPD	381,300,632	38,130,063	381,300,632	38,130,063
Shares to be issued assuming all the outstanding ESOS Options are exercised prior to the implementation of the Rights Issue with Warrants	-	-	149,000	14,900
Shares to be issued assuming all the outstanding Warrants B are exercised prior to the implementation of the Rights Issue with Warrants	-	-	14,190,634	1,419,063
	<u>381,300,632</u>	<u>38,130,063</u>	<u>395,640,266</u>	<u>39,564,026</u>
Shares to be issued pursuant to the Rights Issue with Warrants	2,287,803,792	228,780,379	2,373,841,596	237,384,160
	<u>2,669,104,424</u>	<u>266,910,442</u>	<u>2,769,481,862</u>	<u>276,948,186</u>
Shares to be issued assuming full exercise of the Warrants C	1,143,901,896	114,390,190	1,186,920,798	118,692,080
<b>Enlarged issued and paid-up share capital</b>	<b><u>3,813,006,320</u></b>	<b><u>381,300,632</u></b>	<b><u>3,956,402,660</u></b>	<b><u>395,640,266</u></b>

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## 8.2 NA per Share and gearing

Based on the audited consolidated statements of financial position of our Group as at 31 January 2015, and after taking into consideration the movements in the share capital of Bornoil up to the LPD, the proforma effects of the Rights Issue with Warrants on the NA per Share and gearing of our Group are set out below:-

### Minimum Scenario

	Audited as at 31 January 2015 RM'000	I Adjusted for movements in the share capital up to the LPD <sup>*2</sup> RM'000	II After I and the Rights Issue with Warrants RM'000	III After II and assuming full exercise of the Warrants C RM'000
Share capital	35,129	38,130 <sup>*2</sup>	266,910	381,301
Treasury shares, at cost	(486)	- <sup>*2</sup>	-	-
Share premium	73,270	80,845 <sup>*2</sup>	- <sup>*4</sup>	103,866 <sup>*5</sup>
ESOS reserves	44	- <sup>*2</sup>	-	-
Warrants reserves	1,560	710 <sup>*2</sup>	93,137 <sup>*4</sup>	710 <sup>*5</sup>
Capital reserves	172,472	172,254 <sup>*2</sup>	155,922 <sup>*4</sup>	155,922
Currency translation reserves	(60)	(60)	(60)	(60)
Unappropriated profit	2,688	2,688	2,688	2,688
<b>Shareholders' funds/ NA</b>	<b>284,617</b>	<b>294,567</b>	<b>518,597</b>	<b>644,427</b>
Number of Shares outstanding (excluding treasury shares) ('000)	350,669 <sup>*1</sup>	381,301	2,669,104	3,813,006
NA per Share (RM)	0.81	0.77	0.19	0.17
Total borrowings (RM'000)	21,143	20,409 <sup>*3</sup>	- <sup>*5</sup>	-
Gearing ratio (times)	0.07	0.07	-	-

#### Notes:-

- \*1 Adjusted for 623,000 shares held as treasury shares as at 31 January 2015.
- \*2 Adjusted for the movements in the share capital of Bornoil up to the LPD as set out below:-
- i. Balance amounting to approximately RM0.22 million of the expenses incurred in relation to the corporate exercises of our Company comprising, amongst others, the par value reduction and private placement exercises of our Company completed during the FYE 31 January 2015;
  - ii. Resale of 623,000 treasury shares by our Company on 25 February 2015;
  - iii. Issuance of a total of 17,008,800 new Bornoil Shares arising from the exercise of the Warrants B from 1 February 2015 up to the LPD; and
  - iv. Issuance of a total of 13,000,000 new Bornoil Shares arising from the exercise of the ESOS Options from 1 February 2015 up to the LPD.
- \*3 Adjusted for the total borrowings of our Group amounting to approximately RM20.41 million as at the LPD.

- \*4 After recognising the theoretical fair value of the Warrants C of RM0.0808 per Warrant C amounting to approximately RM92.43 million where approximately RM76.10 million and RM16.33 million are recognised from the share premium account and capital reserves account, respectively, and after deducting estimated expenses of approximately RM4.75 million in relation to the Rights Issue with Warrants from the share premium account.
- \*5 For illustrative purposes only, assuming the proceeds for the full repayment of borrowings amounting to RM20.41 million is utilised at this juncture.
- \*6 After adjusting for the reversal of warrant reserve amounting to approximately RM92.43 million to the share premium account and the increase in share premium pursuant to the full exercise of the Warrants C at the exercise price of RM0.11 per Warrant C.

### Maximum Scenario

	I	II	III	IV	
	Audited as at 31 January 2015 RM'000	Adjusted for movements in the share capital up to the LPD <sup>2</sup> RM'000	After I and assuming all the outstanding ESOS Options and Warrants B are exercised RM'000	After II and the Rights Issue with Warrants RM'000	After III and assuming full exercise of the Warrants C RM'000
Share capital	35,129	38,130 <sup>2</sup>	39,564	276,948	395,640
Treasury shares, at cost	(486)	- <sup>2</sup>	-	-	-
Share premium	73,270	80,845 <sup>2</sup>	81,630 <sup>4</sup>	- <sup>5</sup>	107,772 <sup>7</sup>
ESOS reserves	44	- <sup>2</sup>	- <sup>4</sup>	-	-
Warrants reserves	1,560	710 <sup>2</sup>	- <sup>4</sup>	95,903 <sup>5</sup>	- <sup>7</sup>
Capital reserves	172,472	172,254 <sup>2</sup>	172,254	153,231 <sup>5</sup>	153,231
Currency translation reserves	(60)	(60)	(60)	(60)	(60)
Unappropriated profit	2,688	2,688	2,688	2,688	2,688
<b>Shareholders' funds/ NA</b>	<b>284,617</b>	<b>294,567</b>	<b>296,076</b>	<b>528,710</b>	<b>659,271</b>
Number of Shares outstanding (excluding treasury shares) ('000)	350,669 <sup>1</sup>	381,301	395,640	2,769,482	3,956,403
NA per Share (RM)	0.81	0.77	0.75	0.19	0.17
Total borrowings (RM'000)	21,143	20,409 <sup>3</sup>	20,409	- <sup>6</sup>	-
Gearing ratio (times)	0.07	0.07	0.07	-	-

### Notes:-

- \*1 Adjusted for 623,000 shares held as treasury shares as at 31 January 2015.
- \*2 Adjusted for the movements in the share capital of Bornoil up to the LPD as set out below:-
- Balance amounting to approximately RM0.22 million of the expenses incurred in relation to the corporate exercises of our Company comprising, amongst others, the par value reduction and private placement exercises of our Company completed during the FYE 31 January 2015;
  - Resale of 623,000 treasury shares by our Company on 25 February 2015;

- iii. Issuance of a total of 17,008,800 new Bornoil Shares arising from the exercise of the Warrants B from 1 February 2015 up to the LPD; and
  - iv. Issuance of a total of 13,000,000 new Bornoil Shares arising from the exercise of the ESOS Options from 1 February 2015 up to the LPD.
- \*3 Adjusted for the total borrowings of our Group amounting to approximately RM20.41 million as at the LPD.
  - \*4 After adjusting for the reversal of warrant reserves and ESOS reserves assuming all the outstanding ESOS Options and Warrants B are exercised.
  - \*5 After recognising the theoretical fair value of the Warrants C of RM0.0808 per Warrant C amounting to approximately RM95.90 million where approximately RM76.88 million and RM19.02 million are recognised from the share premium account and capital reserves account, respectively, and after deducting estimated expenses of approximately RM4.75 million in relation to the Rights Issue with Warrants from the share premium account.
  - \*6 For illustrative purposes only, assuming the proceeds for the full repayment of borrowings amounting to RM RM20.41 million is utilised at this juncture.
  - \*7 After adjusting for the reversal of warrant reserve amounting to approximately RM95.90 million to the share premium account and the increase in share premium pursuant to the full exercise of the Warrants C at the exercise price of RM0.11 per Warrant C.

### 8.3 Earnings and EPS

The Rights Issue with Warrants is not expected to have any material effect on the earnings of our Group for the FYE 31 January 2016. However, the EPS of our Group for the FYE 31 January 2016 may be diluted as a result of the increase in the number of Bornoil Shares in issue upon the completion of the Rights Issue with Warrants, which is expected to be completed by the fourth quarter of 2015, and as and when the Warrants C are exercised into new Bornoil Shares.

For illustrative purpose only, assuming the Rights Issue with Warrants had been completed and all the Warrants C had been exercised into new Bornoil Shares on 1 February 2014, being the beginning of the FYE 31 January 2015, the proforma dilution effect on the basic EPS of our Group as a result of the increase in number of Bornoil Shares in issue, is set out below:-

	Audited FYE 31 January 2015	After the Rights Issue with Warrants and full exercise of the Warrants C	
		Minimum Scenario	Maximum Scenario
PAT attributable to the equity holders of the Company (RM'000)	7,027	7,027	7,027
Weighted average number of Shares in issue ('000)	257,359	3,813,006 <sup>*1</sup>	3,956,403 <sup>*1</sup>
Basic EPS (sen)	2.73	0.18	0.18

**Note:-**

- \*1 Being the proforma enlarged issued and paid-up share capital after the Rights Issue with Warrants and full exercise of the Warrants C under the Minimum Scenario and Maximum Scenario, respectively, as set out in Section 8.1 of this Abridged Prospectus.

## 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 9.1 Working capital

Our Board is of the opinion that, after taking into consideration the cash flow position of our Group, current cash in hand and banking facilities available as well as the proceeds from the Rights Issue with Warrants, our Group will have sufficient working capital for the next 12 months from the date of this Abridged Prospectus.

### 9.2 Borrowings

As at the LPD, our Group has total outstanding borrowings of approximately RM20.41 million. All the borrowings are interest-bearing and comprise the following:-

	<b>Total RM'000</b>
<b>Short term borrowings:-</b>	
• Term loans	3,677
• Finance lease payables	1,837
<b>Long term borrowings:-</b>	
• Term loans	10,795
• Finance lease payables	4,100
	20,409

After having made all reasonable enquiries and to the best knowledge and belief of our Board, there has been no default on payments of either interest and/ or principal sums in respect of any borrowings during the FYE 31 January 2015 and the subsequent financial period up to the LPD.

### 9.3 Contingent liabilities

Save as disclosed below, as at the LPD, our Board confirms that there are no other contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on the financial result/ position of our Group:-

	<b>RM'000</b>
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	31,675
	31,675

### 9.4 Material commitments

As at the LPD, our Board confirms that there are no material commitments for capital expenditure incurred or known to be incurred by our Group that have not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.



## 10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/ TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE WITH WARRANTS

### 10.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants C which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants C into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Shares with Warrants C, as well as to apply for the Excess Rights Shares with Warrants C if you choose to do so.

### 10.2 NPA

The Provisional Rights Shares with Warrants C are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 and therefore, all dealings in the Provisional Rights Shares with Warrants C will be by book entries through the CDS Accounts and will be governed by the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. As an Entitled Shareholder, you and/ or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

### 10.3 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants C is **5.00 p.m on Monday, 2 November 2015**, or such later date and time as may be determined and announced by our Board at their absolute discretion. In the event the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the stipulated date and time.

### 10.4 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares with Warrants C to you as an Entitled Shareholder or your renounee(s) (if applicable) must be made on the RSF enclosed with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms of this Abridged Prospectus, the NPA or the RSF or the notes and instructions contained therein or which are illegible may not be accepted at the absolute discretion of our Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS C, EXCESS RIGHTS SHARES WITH WARRANTS C AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) WISH TO SELL/ TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

**YOU AND/ OR YOUR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.**

If you and/ or your renounee(s) (if applicable) wish to accept either in full or in part of the Provisional Rights Shares with Warrants C of your entitlement, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF together with the relevant payment must be sent to our Share Registrar using the envelope provided (at your own risk) by **ORDINARY POST, COURIER or DELIVERED BY HAND** at the following address:-

**Labuan Corporate Services Sdn Bhd (114145-H)**

149A, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel: 03-7729 5529  
Fax: 03-7728 5948

so as to arrive **not later than 5.00 p.m.** on **Monday, 2 November 2015**, being the last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants C, or such later date and time as may be determined and announced by our Board at their absolute discretion, not less than two (2) Market Days before the stipulated date and time.

If you and/ or your renounee(s) (if applicable) lose, misplace or for any other reasons require another copy of the RSF, you and/ or your renounee(s) (if applicable) may obtain additional copies from your stockbroker, our Share Registrar at the address stated above, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

One (1) RSF can only be used for acceptance of Provisional Rights Shares with Warrants C standing to the credit of one (1) CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Rights Shares with Warrants C standing to the credit of more than one (1) CDS Account(s). If successful, the Rights Shares with Warrants C subscribed for will be credited into your CDS Account(s) as stated in the completed RSF(s).

A reply envelope is enclosed in this Abridged Prospectus. To facilitate the processing of the RSF(s) by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

The minimum number of Rights Shares that can be subscribed for or accepted is one (1) Rights Share. Successful applicants of the Rights Shares will be given Warrants C on the basis of one (1) Warrant C for every two (2) Rights Shares successfully subscribed for. However, you and/ or your renounee(s) (if applicable) should take note that a trading board lot for the Rights Shares and the Warrants C comprises of 100 Rights Shares and 100 Warrants C, respectively. Fractions of Rights Shares with Warrants C, if any, shall be dealt with in such manner as our Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance of and payment for the Provisional Rights Shares with Warrants C allotted to you and/ or your renounee(s) (if applicable) is not received by our Share Registrar by **5.00 p.m.** on **Monday, 2 November 2015**, being the last date and time for acceptance of and payment for the Provisional Rights Shares with Warrants C, or such later date and time as may be determined and announced by our Board at their absolute discretion, not less than two (2) Market Days before the stipulated date and time, you and/ or your renounee(s) (if applicable) will be deemed to have declined the provisional entitlement made to you and it will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

In the event that the Rights Shares with Warrants C are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants C to the applicants who have applied for the Excess Rights Shares with Warrants C in the manner as set out in Section 10.8 of this Abridged Prospectus. Our Board reserves the right to accept any application in full or in part only without assigning any reasons.

**EACH COMPLETED RSF MUST BE ACCOMPANIED BY THE APPROPRIATE REMITTANCE MADE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE RIGHTS SHARES WITH WARRANTS C ACCEPTED IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "BORNOIL RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT AS SET OUT IN THE COVER PAGE OF THIS ABRIDGED PROSPECTUS.**

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS C OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.**

**APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.**

**WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS C.**

#### **10.5 Procedures for part acceptance by Entitled Shareholders**

You are entitled to accept part of your entitlement to the Provisional Rights Shares with Warrants C provided always that the minimum of Rights Shares that can be subscribed for or accepted is one (1) Rights Share.

You must complete both Part I(a) of the RSF by specifying the number of the Rights Shares with Warrants C which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to our Share Registrar in the manner set out in Section 10.4 of this Abridged Prospectus.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

The portion of the Provisional Rights Shares with Warrants C that have not been accepted shall be allotted to any other persons allowed under the law, regulations or rules to accept the transfer of the Provisional Rights Shares with Warrants C.

#### **10.6 Procedures for sale/ transfer of Provisional Rights Shares with Warrants C**

As the Provisional Rights Shares with Warrants C are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants C to one (1) or more person(s) through your stockbroker for the period up to the last date and time for sale/ transfer of such Provisional Rights Shares with Warrants C, without first having to request for a split of the Provisional Rights Shares with Warrants C standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants C, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository. If you have sold or transferred only part of the Provisional Rights Shares with Warrants C, you may still accept the balance of the Provisional Rights Shares with Warrants C by completing Parts I(a) and II of the RSF. Please refer to Section 10.4 of this Abridged Prospectus for the procedures of acceptance and payment.

In selling or transferring all or part of your Provisional Rights Shares with Warrants C, you need not deliver any document including the RSF, to your stockbroker. However, you must ensure that there is sufficient Provisional Rights Shares with Warrants C standing to the credit of your CDS Account that is available for settlement of the sale or transfer.

Purchaser(s) or transferee(s) of the Provisional Rights Shares with Warrants C may obtain a copy of this Abridged Prospectus and the RSF from his/ her/ their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>).

#### **10.7 Procedures for acceptance by renounees**

Renounees who wish to accept the Provisional Rights Shares with Warrants C must obtain a copy of the RSF from their stockbrokers, our Share Registrar, our Registered Office or the website of Bursa Securities (<http://www.bursamalaysia.com>), complete the RSF and submit the same together with the remittance to our Share Registrar at the above-stated address in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to the Entitled Shareholders as set out in Section 10.4 of this Abridged Prospectus also applies to renounees who wish to accept the Provisional Rights Shares with Warrants C.

**RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.**

#### **10.8 Procedures for application of Excess Rights Shares with Warrants C**

You and/ or your renounee(s) (if applicable) may apply for additional Rights Shares with Warrants C in excess of your entitlement by completing Part I(b) of the RSF (in addition to Parts I(a) and II and forwarding it with a **separate remittance made in RM** for the full amount payable for the Excess Rights Shares with Warrants C applied for, to our Share Registrar **not later than 5.00 p.m. on Monday, 2 November 2015**, being the last date and time for application of and payment for Excess Rights Shares with Warrants C or such later date and time as may be determined and announced by our Board at their absolute discretion, not less than two (2) Market Days before the stipulated date and time.

**PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS C APPLIED FOR SHOULD BE MADE IN THE SAME MANNER AS DESCRIBED IN SECTION 10.4 OF THIS ABRIDGED PROSPECTUS, AND IN THE FORM OF BANKER'S DRAFT(S), CASHIER'S ORDER(S), MONEY ORDER(S) OR POSTAL ORDER(S) DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "BORNOIL EXCESS RIGHTS ISSUE ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR FOR THE RIGHTS ISSUE WITH WARRANTS.**

It is the intention of our Board to allot the Excess Rights Shares with Warrants C, if any, on a fair and equitable basis and in the following priority:-

- i. Firstly, to minimise the incidence of odd lots;
- ii. Secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants C, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in our Company as at the Entitlement Date;
- iii. Thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares with Warrants C, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants C applied for; and
- iv. Finally, for allocation to renounee(s) who have applied for Excess Rights Shares with Warrants C, on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares with Warrants C applied for.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants C applied for under Part I(b) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i)-(iv) above are achieved.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR EXCESS APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS C. HOWEVER, IF YOUR EXCESS APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS C OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**WHERE AN APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS C IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION OF AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS C.**

#### **10.9 Form of issuance**

Bursa Securities has prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares and the Warrants C are prescribed securities and as such, all dealings in the Rights Shares and the Warrants C will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share or warrant certificates will be issued to you under the Rights Issue with Warrants. A notice of allotment will be despatched to you and/ or your renounee(s) (if applicable) by ordinary post to the address shown in our Record of Depositors provided by Bursa Depository at your own risk within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants C.

Where the Rights Shares with Warrants C are provisionally allotted to you as an Entitled Shareholder in respect of your existing Bornoil Shares standing to the credit to your CDS Account on the Entitlement Date, the acceptance by you of the Provisional Rights Shares with Warrants C shall mean that you consent to receive such Provisional Rights Shares with Warrants C as prescribed or deposited securities which will be credited directly into your CDS Account.

Any person who has purchased the Provisional Rights Shares with Warrants C or to whom the Provisional Rights Shares with Warrants C has been transferred and intends to subscribe for the Rights Shares with Warrants C must state his/ her CDS Account number in the space provided in the RSF. The Rights Shares and the Warrants C will be credited directly as prescribed or deposited securities into his/ her CDS Account upon allotment and issuance.

The Excess Rights Shares with Warrants C, if allotted to the successful applicant who applies for the Excess Rights Shares with Warrants C, will be credited directly as prescribed securities into the CDS Account of the successful applicant. The allocation of the Excess Rights Shares with Warrants C will be made on a fair and equitable basis as disclosed in Section 10.8 of this Abridged Prospectus.

#### 10.10 Laws of foreign country or jurisdiction

This Abridged Prospectus, and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) of any foreign country or jurisdiction. The Rights Issue with Warrants will not be made or offered for subscription in any foreign country or jurisdiction.

Accordingly, this Abridged Prospectus, and the accompanying NPA and RSF will not be sent to the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) who do not have a registered address in Malaysia. However, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may collect this Abridged Prospectus, and the accompanying NPA and RSF from our Share Registrar for the Rights Issue With Warrants, in which event our Share Registrar for the Rights Issue With Warrants shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting these documents relating to the Rights Issue with Warrants.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so. RHBIB, our Company, our Directors and officers and other professional advisers would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to. The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) shall solely be responsible to seek advice from their legal advisers and/ or other professional advisers as to the laws of the countries or jurisdictions to which they are or may be subject to. RHBIB, our Company, our Directors and officers and other professional advisers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholders and/ or their renounee(s) (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

The foreign Entitled Shareholders and/ or their renounee(s) (if applicable) will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such country or jurisdiction and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) for any issue, transfer or other taxes or other requisite payments that such person may be required to pay in any country or jurisdiction. They will have no claims whatsoever against us and/ or RHBIB in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholders and/ or their renounee(s) (if applicable) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing the RSF, the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) RHBIB, our Company, our Directors and officers and other professional advisers that:-

- i. we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are or may be subject to;
- ii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares with Warrants C;
- iii. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are not nominees or agents of a person in respect of whom we would, by acting on the acceptance or renunciation of the Provisional Rights Shares with Warrants C, be in breach of the laws of any jurisdiction to which that person is or may be subject to;
- iv. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) are aware that the Rights Shares and the Warrants C can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- v. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have received a copy of this Abridged Prospectus, had access to such financial and other information and have been provided the opportunity to ask such questions to our representatives and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares and the Warrants C; and
- vi. the foreign Entitled Shareholders and/ or their renounee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and the Warrants C, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and the Warrants C.

Persons receiving this Abridged Prospectus, and the accompanying NPA and RSF (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any country or jurisdiction, where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If this Abridged Prospectus, and the accompanying NPA and RSF are received by any persons in such country or jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant country or jurisdiction in connection herewith.

Any person who does forward this Abridged Prospectus, and the accompanying NPA and RSF to any foreign country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section and we reserve the right to reject a purported acceptance of the Rights Shares with Warrants C from any such application by foreign Entitled Shareholders and/ or their renounee(s) (if applicable) in any jurisdiction other than Malaysia.

We reserve the right, in our absolute discretion, to treat any acceptance of the Rights Shares with Warrants C as invalid if it is believed that such acceptance may violate any applicable legal or regulatory requirements.




**11. TERMS AND CONDITIONS**

The issuance of the Rights Shares and the Warrants C pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this Abridged Prospectus, and the accompanying NPA and RSF.

**12. FURTHER INFORMATION**

You are advised to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board  
**BORNEO OIL BERHAD**




**TEO KIEW LEONG**  
Executive Director

**CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT OUR EGM HELD ON 12 AUGUST 2015**

CERTIFIED TRUE COPY

**BORNEO OIL BERHAD**  
**(Company No.: 121919-H)**  
(Incorporated in Malaysia)

  
.....  
**CHIN SIEW KIM**  
Company Secretary  
LS 000982

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**CERTIFIED EXTRACT OF MINUTES OF EXTRAORDINARY GENERAL MEETING OF THE COMPANY HELD AT 2<sup>nd</sup> FLOOR, VICTORIA POINT, JALAN OKK AWANG BESAR , 87007 W.P. LABUAN ON 12<sup>th</sup> AUGUST 2015**

Proposed Rights Issue : Ordinary Resolution  
With warrants -----

IT WAS RESOLVED :

" THAT, subject to the approvals of all relevant authorities being obtained, where required, approval be and is hereby given to the Directors of the Company for the following :-

- i. To provisionally allot and issue by way of a renounceable rights issue of up to 2,373,841,596 Rights Shares at an indicative issue price of RM0.10 per Rights Share on the basis of 6 Rights Shares for every 1 existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of 1 free Warrant C for every 2 Rights Shares subscribed for, on an entitlement date to be determined later.
- ii. Wherein each of the Warrant C will carry the right to subscribe, subject to any adjustment in accordance with a deed poll constituting the Warrant C to be executed by the Company as supplemented from time to time ("Deed Poll C"), at any time during the exercise period, for 1 new Bornoil Share at an exercise price to be determined and fixed at a later date, provided that it shall not be lower than the par value of RM0.10.
- iii. To allot and issue such number of new Bornoil Shares arising from the exercise of the Warrants C, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll C.
- iv. To allot and issue such further Warrants C and new Bornoil Shares arising from the subscription of further Warrants C as a consequence of any adjustment in accordance with the provisions of the Deed Poll C , and
- v. To do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the new Bornoil Shares which may from time to time be allotted and issued arising from the exercise of the Warrants C.

THAT any fractional entitlements of the Rights Shares and the Warrants C arising from the Proposed Rights Issue with Warrants shall be dealt with in such manner as the Board shall

**BORNEO OIL BERHAD**  
**(Company No.: 121919-H)**  
**(Incorporated in Malaysia)**

in their absolute discretion deem fit and expedient, and to be in the best interest of the Company .

THAT the proceeds of the Proposed Rights Issue with Warrants be utilized for the purposes as set out in the Circular to Shareholders of the Company dated 29<sup>th</sup> July 2015, and the Directors be and are hereby authorized with full power to vary the manner and /or purpose of utilization of such proceeds .

THAT the Rights Shares will, upon allotment and issuance, rank pari passu in all respects with the then existing Bornoil shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares.

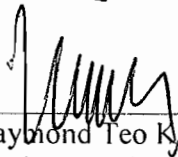
THAT the new Bornoil Shares arising from the exercise of the Warrants C will, upon allotment and issuance, rank pari passu in all respects with the then existing Bornoil Shares, save and except that the new Bornoil Shares to be issued arising from the exercise of the Warrants C will not be entitled to any dividends, rights, allotments and/or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new Bornoil Shares.

THAT the Directors of the Company be and are hereby authorized to enter into and execute the Deed Poll C with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Directors of the Company, and with full powers to implement and give effect to the terms and conditions of the Deed Poll C.

THAT the Directors of the Company be and are hereby authorized to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with Warrants with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as they may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants.”

**BORNEO OIL BERHAD**  
**(Company No.: 121919-H)**  
(Incorporated in Malaysia)

CERTIFIED TRUE COPY



Raymond Teo Kiew Leong  
Chairman Of The Meeting



Chin Siew Kim  
Company Secretary

## INFORMATION ON OUR COMPANY

### 1. HISTORY AND PRINCIPAL ACTIVITIES

Our Company was incorporated in Malaysia on 19 June 1984 under the Act, as a private limited company under the name of W.K. Wung Holdings Sdn Bhd. We changed our name to Motherwell Corporation Sdn Bhd on 26 November 1990 and later to Sugar Bun Services Corporation Sdn Bhd on 16 September 1991. On 4 August 1995, we were converted to a public limited company. We were listed on the Second Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 28 November 1997. On 24 June 2002, we changed our name to Sugar Bun Corporation Berhad. We subsequently changed our name to Borneo Oil Berhad on 11 January 2007.

Our Company's principal activities are investment holding and provision of corporate and management services to our Group. Our subsidiary companies are principally engaged in fast food operations, management and operations of properties, and oil, gas, energy and mining related businesses.

Further details on our subsidiary companies are set out in Section 5 of this Appendix.

### 2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are set out below:-

	No. of Shares	Par value RM	Total RM
Authorised	5,000,000,000	0.10	500,000,000
Issued and paid-up	381,300,632	0.10	38,130,063

Save as disclosed below, there are no changes in our authorised share capital for the past three (3) years preceding the LPD:-

Date of change	No. of shares created	Par value RM	Description	Cumulative authorised share capital RM
24.09.2014	4,500,000,000	0.10	Par value reduction via the cancellation of RM0.90 of the par value of every ordinary share of RM1.00 each in the issued and paid-up share capital	500,000,000

Save as disclosed below, there are no changes in our issued and paid-up share capital for the past three (3) years preceding the LPD:-

Date of change	No. of shares allotted	Par value RM	Consideration/ Type of issue	Cumulative issued and paid-up share capital RM
08.11.2012	6,668,600	1.00	Exercise of Warrants 2002/ 2012 in Bornoil	199,194,600

<b>Date of change</b>	<b>No. of shares allotted</b>	<b>Par value RM</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative issued and paid-up share capital RM</b>
10.06.2013	600,000	1.00	Exercise of ESOS Options	199,794,600
11.07.2013	1,000,000	1.00	Exercise of ESOS Options	200,794,600
16.08.2013	2,000,000	1.00	Exercise of ESOS Options	202,794,600
20.08.2013	800,000	1.00	Exercise of ESOS Options	203,594,600
19.09.2013	1,000,000	1.00	Exercise of ESOS Options	204,594,600
01.10.2013	300,000	1.00	Exercise of ESOS Options	204,894,600
03.10.2013	300,000	1.00	Exercise of ESOS Options	205,194,600
08.10.2013	150,000	1.00	Exercise of ESOS Options	205,344,600
18.10.2013	150,000	1.00	Exercise of ESOS Options	205,494,600
13.11.2013	450,000	1.00	Exercise of ESOS Options	205,944,600
06.12.2013	200,000	1.00	Exercise of ESOS Options	206,144,600
18.12.2013	500,000	1.00	Exercise of ESOS Options	206,644,600
20.12.2013	600,000	1.00	Exercise of ESOS Options	207,244,600
31.12.2013	1,000,000	1.00	Exercise of ESOS Options	208,244,600
13.01.2014	500,000	1.00	Exercise of ESOS Options	208,744,600
21.01.2014	500,000	1.00	Exercise of ESOS Options	209,244,600
22.01.2014	200,000	1.00	Exercise of ESOS Options	209,444,600
28.01.2014	800,000	1.00	Exercise of ESOS Options	210,244,600
07.02.2014	4,500,000	1.00	Exercise of ESOS Options	214,744,600
11.02.2014	3,500,000	1.00	Exercise of ESOS Options	218,244,600
20.02.2014	3,000,000	1.00	Exercise of ESOS Options	221,244,600
04.03.2014	4,000,000	1.00	Exercise of ESOS Options	225,244,600
17.03.2014	3,000,000	1.00	Exercise of ESOS Options	228,244,600
07.04.2014	3,000,000	1.00	Exercise of ESOS Options	231,244,600
24.09.2014	-	0.10	Par value reduction via the cancellation of RM0.90 of the par value of every ordinary share of RM1.00 each in the issued and paid-up share capital	23,124,460
03.10.2014	46,248,000	0.10	Placement of new Bornoil Shares for cash	27,749,260
07.10.2014	109,800	0.10	Exercise of Warrants B	27,760,240

<b>Date of change</b>	<b>No. of shares allotted</b>	<b>Par value RM</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative issued and paid-up share capital RM</b>
17.10.2014	643,000	0.10	Exercise of Warrants B	27,824,540
20.10.2014	3,360,000	0.10	Exercise of ESOS Options	28,160,540
24.10.2014	485,000	0.10	Exercise of Warrants B	28,209,040
29.10.2014	1,550,000	0.10	Exercise of ESOS Options	28,364,040
30.10.2014	6,700,000	0.10	Exercise of Warrants B	29,034,040
03.11.2014	5,750,000	0.10	Exercise of ESOS Options	29,609,040
05.11.2014	3,600,000	0.10	Exercise of ESOS Options	29,969,040
06.11.2014	4,180,000	0.10	Exercise of Warrants B	30,387,040
14.11.2014	491,000	0.10	Exercise of Warrants B	30,436,140
17.11.2014	2,920,000	0.10	Exercise of ESOS Options	30,728,140
19.11.2014	1,000,000	0.10	Exercise of ESOS Options	30,828,140
20.11.2014	1,400,000	0.10	Exercise of Warrants B	30,968,140
21.11.2014	3,150,000	0.10	Exercise of ESOS Options	31,283,140
25.11.2014	1,629,032	0.10	Exercise of Warrants B	31,446,043
27.11.2014	2,500,000	0.10	Exercise of ESOS Options	31,696,043
28.11.2014	3,030,000	0.10	Exercise of ESOS Options	31,999,043
02.12.2014	5,000,000	0.10	Exercise of ESOS Options	32,499,043
03.12.2014	7,400,000	0.10	Exercise of ESOS Options	33,239,043
08.12.2014	6,280,000	0.10	Exercise of ESOS Options	33,867,043
22.12.2014	6,000,000	0.10	Exercise of ESOS Options	34,467,043
23.12.2014	366,800	0.10	Exercise of Warrants B	34,503,723
08.01.2015	350,000	0.10	Exercise of Warrants B	34,538,723
09.01.2015	436,500	0.10	Exercise of Warrants B	34,582,373
14.01.2015	365,100	0.10	Exercise of Warrants B	34,618,883
16.01.2015	602,000	0.10	Exercise of Warrants B	34,679,083
22.01.2015	2,120,000	0.10	Exercise of Warrants B	34,891,083
26.01.2015	2,381,000	0.10	Exercise of Warrants B	35,129,183
09.02.2015	9,000,000	0.10	Exercise of ESOS Options	36,029,183
10.02.2015	9,900	0.10	Exercise of Warrants B	36,030,173
12.02.2015	1,086,400	0.10	Exercise of Warrants B	36,138,813

<b>Date of change</b>	<b>No. of shares allotted</b>	<b>Par value RM</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative issued and paid-up share capital RM</b>
24.02.2015	1,079,000	0.10	Exercise of Warrants B	36,246,713
02.03.2015	600,000	0.10	Exercise of Warrants B	36,306,713
03.03.2015	466,100	0.10	Exercise of Warrants B	36,353,323
05.03.2015	387,000	0.10	Exercise of Warrants B	36,392,023
09.03.2015	246,900	0.10	Exercise of Warrants B	36,416,713
11.03.2015	230,000	0.10	Exercise of Warrants B	36,439,713
16.03.2015	60,900	0.10	Exercise of Warrants B	36,445,803
20.03.2015	1,778,100	0.10	Exercise of Warrants B	36,623,613
24.03.2015	132,100	0.10	Exercise of Warrants B	36,636,823
26.03.2015	147,500	0.10	Exercise of Warrants B	36,651,573
02.04.2015	87,000	0.10	Exercise of Warrants B	36,660,273
06.04.2015	50,000	0.10	Exercise of Warrants B	36,665,273
09.04.2015	554,000	0.10	Exercise of Warrants B	36,720,673
13.04.2015	558,600	0.10	Exercise of Warrants B	36,776,533
15.04.2015	383,600	0.10	Exercise of Warrants B	36,814,893
16.04.2015	3,000,000	0.10	Exercise of ESOS Options	37,114,893
17.04.2015	170,400	0.10	Exercise of Warrants B	37,131,933
20.04.2015	1,000,000	0.10	Exercise of ESOS Options	37,231,933
22.04.2015	91,800	0.10	Exercise of Warrants B	37,241,113
27.04.2015	60,000	0.10	Exercise of Warrants B	37,247,113
05.05.2015	118,000	0.10	Exercise of Warrants B	37,258,913
08.05.2015	802,000	0.10	Exercise of Warrants B	37,339,113
13.05.2015	580,000	0.10	Exercise of Warrants B	37,397,113
18.05.2015	3,506,300	0.10	Exercise of Warrants B	37,747,743
19.05.2015	335,000	0.10	Exercise of Warrants B	37,781,243
25.05.2015	802,300	0.10	Exercise of Warrants B	37,861,473
26.05.2015	323,000	0.10	Exercise of Warrants B	37,893,773
27.05.2015	73,600	0.10	Exercise of Warrants B	37,901,133
28.05.2015	30,000	0.10	Exercise of Warrants B	37,904,133
03.06.2015	143,000	0.10	Exercise of Warrants B	37,918,433



<b>Date of change</b>	<b>No. of shares allotted</b>	<b>Par value RM</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative issued and paid-up share capital RM</b>
09.06.2015	130,700	0.10	Exercise of Warrants B	37,931,503
12.06.2015	393,000	0.10	Exercise of Warrants B	37,970,803
17.06.2015	565,300	0.10	Exercise of Warrants B	38,027,333
01.07.2015	49,100	0.10	Exercise of Warrants B	38,032,243
07.07.2015	30,000	0.10	Exercise of Warrants B	38,035,243
13.07.2015	79,700	0.10	Exercise of Warrants B	38,043,213
27.07.2015	83,000	0.10	Exercise of Warrants B	38,051,513
04.08.2015	9,000	0.10	Exercise of Warrants B	38,052,413
06.08.2015	5,000	0.10	Exercise of Warrants B	38,052,913
10.08.2015	601,000	0.10	Exercise of Warrants B	38,113,013
13.08.2015	47,500	0.10	Exercise of Warrants B	38,117,763
20.08.2015	20,000	0.10	Exercise of Warrants B	38,119,763
25.08.2015	103,000	0.10	Exercise of Warrants B	38,130,063

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### 3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The shareholdings of our substantial shareholders as at the LPD and after the Rights Issue with Warrants are set out below:-

#### Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				I After the Rights Issue with Warrants <sup>*1</sup>				II After I and assuming full exercise of the Warrants C			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Victoria Limited	94,874,900	24.88	-	- 804,124,300 <sup>*2</sup>	30.13	-	-	- 1,158,749,000	30.39	-	-	-
Hap Seng Insurance	62,248,000	16.33	-	435,736,000	16.33	-	-	622,480,000	16.33	-	-	-
Gek Poh (Holdings) Sdn Bhd ("Gek Poh")	-	-	62,248,000 <sup>*3</sup>	16.33	-	-	435,736,000 <sup>*3</sup>	16.33	-	-	622,480,000 <sup>*3</sup>	16.33
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ("Tan Sri Datuk Seri Panglima Lau")	-	-	62,248,000 <sup>*4</sup>	16.33	-	-	435,736,000 <sup>*4</sup>	16.33	-	-	622,480,000 <sup>*4</sup>	16.33

#### Notes:-

\*1 The proforma effects of the Rights Issue with Warrants on the substantial shareholding structure of the Company is based on the Maximum Subscription Level basis, where an underwriting arrangement has been procured for the remaining portion of the Rights Shares for which no irrevocable and unconditional written undertaking to subscribe for the Rights Shares has been obtained from other shareholders of the Company. Save for the irrevocable and unconditional written Entitlement Undertakings and Additional Undertaking, as at the LPD, Bornoil has yet to obtain any other irrevocable and unconditional written undertakings from other shareholders of the Company to subscribe for the Rights Shares. As such, our Board is not in a position to indicate at this juncture whether all the Entitled Shareholders and/ or their renounee(s) will subscribe in full for their respective entitlements, and whether any of the Managing Underwriter and/ or Joint Underwriters of the open portion of the Rights Shares will emerge as substantial shareholder of the Company. Nevertheless, our Board is also cautiously optimistic that, with the improving financial performance of our Group coupled with the attractive pricing of the Rights Shares and the expansion plan of our Group, the Rights Shares shall be fully subscribed by the Entitled Shareholders and/ or their renounee(s).

- \*2 Assuming Victoria Limited successfully subscribe for 140,000,000 Rights Shares with Warrants C by way of excess application pursuant to its Additional Undertaking.
- \*3 Deemed interest by virtue of being the holding company of Hap Seng Insurance.
- \*4 Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance.

### Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD		Assuming all the outstanding Warrants B and ESOS Options are exercised	
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Victoria Limited	94,874,900	24.88	94,874,900	23.98
Hap Seng Insurance	62,248,000	16.33	62,248,000	15.73
Gek Poh	-	-	-	-
Tan Sri Datuk Seri Panglima Lau	-	-	-	-
			62,248,000 <sup>3</sup>	15.73
			62,248,000 <sup>4</sup>	15.73

Substantial shareholders	After I and the Rights Issue with Warrants <sup>1</sup>		After II and assuming full exercise of the Warrants C	
	Direct No. of Shares	Indirect No. of Shares	Direct No. of Shares	Indirect No. of Shares
Victoria Limited	804,124,300 <sup>2</sup>	29.04	1,158,749,000	29.29
Hap Seng Insurance	435,736,000	15.73	622,480,000	15.73
Gek Poh	-	-	-	-
Tan Sri Datuk Seri Panglima Lau	-	-	-	-
			622,480,000 <sup>3</sup>	15.73
			622,480,000 <sup>4</sup>	15.73

**Notes:-**

- \*1 The proforma effects of the Rights Issue with Warrants on the substantial shareholding structure of the Company is based on the Maximum Subscription Level basis, where an underwriting arrangement has been procured for the remaining portion of the Rights Shares for which no irrevocable and unconditional written undertaking to subscribe for the Rights Shares has been obtained from other shareholders of the Company. Save for the irrevocable and unconditional written Entitlement Undertakings and Additional Undertaking, as at the LPD, Bornoil has yet to obtain any other irrevocable and unconditional written undertakings from other shareholders of the Company to subscribe for the Rights Shares. As such, our Board is not in a position to indicate at this juncture whether all the Entitled Shareholders and/ or their renounee(s) will subscribe in full for their respective entitlements, and whether any of the Managing Underwriter and/ or Joint Underwriters of the open portion of the Rights Shares will emerge as substantial shareholder of the Company. Nevertheless, our Board is also cautiously optimistic that, with the improving financial performance of our Group coupled with the attractive pricing of the Rights Shares and the expansion plan of our Group, the Rights Shares shall be fully subscribed by the Entitled Shareholders and/ or their renounee(s).
- \*2 Assuming Victoria Limited successfully subscribe for 140,000,000 Rights Shares with Warrants C by way of excess application pursuant to its Additional Undertaking.
- \*3 Deemed interest by virtue of being the holding company of Hap Seng Insurance.
- \*4 Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance.

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**4. DIRECTORS**

The particulars of our Directors as at the LPD are set out below:-

<b>Name</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>	<b>Designation</b>
Teo Kiew Leong	1218, Tabuan Heights Lorong Seladah 6 Jalan Song 93350 Kuching Sarawak	50	Malaysian	Company Director	Executive Director
Tan Kok Chor	Lot No. 3, Victoria Mansions Jalan Tanjung Batu 87007 Wilayah Persekutuan Labuan	65	Malaysian	Company Director	Independent Non-Executive Director
Michael Moo Kai Wah	P73A, Mile 3.5 Jalan Penampang 88300 Kota Kinabalu Sabah	63	Malaysian	Company Director	Independent Non-Executive Director
Seroop Singh Ramday	Hse No. 1360, Orchid Villa Km 5, Jalan Tuaran 88450 Kota Kinabalu Sabah	57	Malaysian	Company Director	Independent Non-Executive Director

As at the LPD, our Directors do not have any direct or indirect shareholdings and/ or Warrant B holdings in Borneo.

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## 5. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, our subsidiary companies are set out below:-

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Borneo Oil & Gas Corporation Sdn Bhd	30.11.2002 Malaysia	RM2,500,000	100	Mining operations and related activities
SB Partners Sdn Bhd	17.10.2002 Malaysia	RM100,000	100	Investment holding
Borneo Resources Limited ( <i>formerly known as Legend Wealth Global Limited</i> )	28.11.2014 British Virgin Islands	USD1	100	Investment
<b>Subsidiary companies of Borneo Oil &amp; Gas Corporation Sdn Bhd</b>				
Borneo Energy Sdn Bhd	18.08.1984 Malaysia	RM150,000	100	Oil, gas and energy and its related businesses
Borneo Investments Ltd ( <i>formerly known as Borneo Oil (Indonesia) Limited</i> )	26.07.2006 Wilayah Persekutuan Labuan, Malaysia	USD1	100	Oil, gas and energy and its related businesses
<b>Subsidiary companies of SB Partners Sdn Bhd</b>				
SB Resorts Sdn Bhd	30.12.1997 Malaysia	RM10,000,000	100	Property management, lodging, food, entertainment and related activities
SB Supplies & Logistics Sdn Bhd	18.09.1984 Malaysia	RM2,500,000	100	Manufacturing and sales and distributions of food products
<b>Subsidiary companies of SB Resorts Sdn Bhd</b>				
SB Lifestyle Sdn Bhd	29.05.2002 Malaysia	RM5,000,000	100	Investment properties
The Borneo Bar Sdn Bhd	19.11.1984 Malaysia	RM50,000	100	Dormant
SB Rainforest Travel & Tours Sdn Bhd	29.06.1994 Malaysia	RM200,000	100	Dormant
<b>Subsidiary companies of SB Supplies &amp; Logistics Sdn Bhd</b>				
Segama Resources Sdn Bhd	09.05.1984 Malaysia	RM385,000	100	Investment holding
SB Franchise Management Sdn Bhd	12.03.1985 Malaysia	RM25,000	100	Franchisee and provision of management and marketing services

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
<b>Subsidiary company of Segama Resources Sdn Bhd</b>				
Segama Ventures Sdn Bhd	17.05.1985 Malaysia	RM80,000	100	Dormant
<b>Subsidiary companies of SB Franchise Management Sdn Bhd</b>				
Bonushopping Sdn Bhd	29.07.1999 Malaysia	RM4	100	Dormant
Applebee's Bakery Sdn Bhd	03.01.1985 Malaysia	RM25,000	100	Dormant
L & V Trading Sdn Bhd	12.05.1984 Malaysia	RM250,000	100	Supply of franchise equipment and spare parts
SB Food Enterprise Sdn Bhd	08.10.1984 Malaysia	RM2,000,000	100	Dormant
Sugarbun Pty Ltd	10.09.2012 Australia	Australian Dollar 100,000	100	Fast food restaurants and related activities

As at the LPD, we do not have any associate companies.

## 6. PROFIT AND DIVIDEND RECORDS

The following table sets out a summary of our audited consolidated financial statements for the past three (3) financial years up to the FYE 31 January 2015 and the latest unaudited quarterly report of our Group for the six (6)-month FPE 31 July 2015:-

	<-----Audited----->			<-----Unaudited----->	
	<-----FYE 31 January----->			<-----Six (6)-month FPE 31 July----->	
	2013 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000
Revenue	33,331	41,817	84,246	27,387	65,813
Cost of sales	(20,832)	(28,843)	(57,839)	(16,236)	(51,624)
<b>Gross profit</b>	<b>12,499</b>	<b>12,974</b>	<b>26,407</b>	<b>11,151</b>	<b>14,189</b>
Other income	1,848	11,076	3,440	528	645
Administrative expenses	(21,568)	(19,913)	(21,806)	(10,450)	(11,147)
<b>Profit/ (Loss) from operations</b>	<b>(7,221)</b>	<b>4,137</b>	<b>8,041</b>	<b>1,229</b>	<b>3,687</b>
Finance costs	(598)	(414)	(848)	(384)	(273)
<b>PBT/ (LBT)</b>	<b>(7,819)</b>	<b>3,723</b>	<b>7,193</b>	<b>845</b>	<b>3,414</b>
Taxation	(269)	(616)	(166)	-	-
<b>PAT/ (LAT)</b>	<b>(8,088)</b>	<b>3,107</b>	<b>7,027</b>	<b>845</b>	<b>3,414</b>

	<-----Audited----->			<-----Unaudited----->	
	<-----FYE 31 January----->			<-----Six (6)-month----->	
	2013	2014	2015	2014	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Other comprehensive income/ (expense), net of tax</b>					
Items that may be subsequently reclassified to profit or loss					
- Currency translation reserves	(5)	(37)	(19)	-	-
<b>Total comprehensive income/ (expense)</b>	<b>(8,093)</b>	<b>3,070</b>	<b>7,008</b>	<b>845</b>	<b>3,414</b>
<b>Profit/ (Loss) attributable to:</b>					
Owners of the parent	(8,088)	3,107	7,027	845	3,414
Non-controlling interest	-	-	-	-	-
	<b>(8,088)</b>	<b>3,107</b>	<b>7,027</b>	<b>845</b>	<b>3,414</b>
<b>Total comprehensive income/ (expense) attributable to:</b>					
Owners of the parent	(8,093)	3,070	7,008	845	3,414
Non-controlling interest	-	-	-	-	-
	<b>(8,093)</b>	<b>3,070</b>	<b>7,008</b>	<b>845</b>	<b>3,414</b>
Earnings/ (Loss) before interests, taxes, depreciation and amortisation	(2,576)	8,901	12,682	3,364	5,763
Weighted average number of shares in issue (excluding treasury shares) ('000)	185,303	202,288	257,359	226,758	371,646
Gross profit margin (%)	37.50	31.03	31.35	40.72	21.56
PAT/ (LAT) margin (%)	(24.27)	7.43	8.34	3.09	5.19
EPS/ (LPS) (sen)					
- Basic	(4.36)	1.54	2.73	0.37	0.92
- Diluted	(4.36)	1.54	2.73	0.37	0.92
Dividend paid (RM'000)	-	-	-	-	-

**Note:-**

\*1 There were no share of profit/ loss in associate company for the financial years/ periods under review.

**Commentary on past performance:-****FYE 31 January 2013**

For the FYE 31 January 2013, our Group recorded revenue of approximately RM33.33 million which represents an increase of approximately RM7.82 million or 30.67% as compared to the preceding financial year of approximately RM25.51 million. The increase in revenue was mainly attributable to the increase in revenue derived from our food division operations which recorded an increase of approximately RM7.31 million as compared to the preceding financial year. During the FYE 31 January 2013, there was an increase in the total number of SugarBun franchise outlets from 44 outlets to 55 outlets and overall improvement in sales of the existing SugarBun outlets.



The gross profit margin for the financial year under review was approximately 37.50%, representing a decrease of approximately 6.25% as compared to the gross profit margin of the preceding financial year of approximately 43.75%. The decrease in gross profit margin was mainly attributable to lower margin from our management and operations of properties division where lower margin were recorded from our operations of food and beverages and related businesses at Tanjung Aru Beach and Beach Street at Kota Kinabalu.

Our Group recorded LBT of approximately RM7.82 million for the FYE 31 January 2013 which represents an increase in LBT of approximately RM2.40 million as compared to the preceding financial year of approximately RM5.42 million. The increase in LBT was mainly due to an increase in allowance for impairment of assets amounting to approximately RM1.78 million and an impairment loss on development expenditure recorded amounting to approximately RM1.51 million in respect of the pre-operating and development expenditure in Borneo Investments Ltd (formerly known as Borneo Oil (Indonesia) Limited) incurred for oil exploration and related activities.

#### **FYE 31 January 2014**

For the FYE 31 January 2014, our Group recorded revenue of approximately RM41.82 million which represents an increase of approximately RM8.49 million or 25.46% as compared to preceding financial year of approximately RM33.33 million. The increase in revenue was mainly attributable to the increase in revenue derived from our food division operations which recorded an increase of approximately RM7.70 million as compared to the preceding financial year. During the FYE 31 January 2014, there was an increase in the total number of SugarBun franchise outlets from 55 outlets to 70 outlets and overall improvement in sales of the existing SugarBun outlets.

The gross profit margin for the financial year under review was approximately 31.03%, representing a decrease of approximately 6.47% as compared to the gross profit margin of the preceding financial year of approximately 37.50%. The decrease in gross profit margin was mainly due to attributable to lower margin from our management and operations of properties division where lower margin were recorded from our operations of food and beverages and related businesses at Tanjung Aru Beach and Beach Street at Kota Kinabalu.

Our Group recorded PBT of approximately RM3.72 million for the FYE 31 January 2014 as compared to the LBT of approximately RM7.82 million for the preceding financial year. The profit was mainly attributable to the increase in our Group's total revenue as well as an increase in other income amounting to approximately RM9.23 million as compared to the preceding financial year. The increase in other income was mainly attributable to a procurement fee of RM6.00 million, an increase in the allowance for impairment written back of approximately RM2.03 million and an increase in the gain of disposal of investment properties of approximately RM1.31 million.

#### **FYE 31 January 2015**

For the FYE 31 January 2015, our Group recorded revenue of approximately RM84.25 million which represents an increase of approximately RM42.43 million or 101.46% as compared to the preceding financial year of approximately RM41.82 million. The increase in revenue was mainly attributable to the increase in revenue derived from our gold mining operations which recorded an increase of approximately RM33.12 million as compared to the preliminary stages of operations in the Mukim Batu Yon Mining Area during the preceding financial year. In addition, the revenue derived from our fast food operations increased by approximately RM2.99 million as compared to the preceding financial year. During the FYE 31 January 2015, there was an increase in the total number of SugarBun franchise outlets from 70 outlets to 76 outlets and overall improvement in sales of the existing SugarBun outlets.

The gross profit margin for the financial year under review was approximately 31.35%, representing an increase of approximately 0.32% as compared to the gross profit margin of the preceding financial year of approximately 31.03%. The increase in gross profit margin was mainly attributable to a decrease in cost of sales attributable to our management and operations of properties division where lower cost of sales was recorded from our operations of food and beverages and related businesses at Tanjung Aru Beach and Beach Street at Kota Kinabalu.

Our Group recorded PBT of approximately RM7.19 million for the FYE 31 January 2015 which represents an increase of approximately 93.20% as compared to the preceding financial year of approximately RM3.72 million. The increase in PBT was mainly attributable to the increase in revenue derived from our gold mining operations and fast food operations.

#### **Six (6)-month FPE 31 July 2015**

For the six (6)-month FPE 31 July 2015, our Group recorded revenue of approximately RM65.81 million which represents an increase of approximately RM38.43 million or 140.31% as compared to the corresponding period in the preceding financial year of approximately RM27.39 million. The increase in revenue was mainly attributable to the increase in revenue derived from our gold mining operations which recorded an increase of approximately RM31.24 million as compared to the preliminary stages of operations in the Mukim Batu Yon Mining Area during the corresponding period in the preceding financial year. In addition, the revenue derived from our fast food operations increased by approximately RM2.08 million as compared to the corresponding period in the preceding financial year, mainly attributable to overall improvement in sales of the existing SugarBun outlets.

The gross profit margin for the financial period under review was approximately 21.56%, representing a decrease of approximately 19.16% as compared to the gross profit margin of the corresponding period in the preceding financial year of approximately 40.72%. The decrease in gross profit margin was mainly attributable to the increase in cost of sales of approximately 217.96% as compared to the corresponding period in the preceding financial year. In the gold mining operations, following the Mukim Hulu Jelai Contract and the Mukim Keratong Contract which were entered into in January 2015 and March 2015, respectively, there was an increase in workforce to carry out the basic earthworks, site clearing and infrastructure works such as roads, tailings and water ponds as well accommodation for staff at the new mining areas. In addition, a total of 16 new Pezzo outlets were opened in Sabah and Sarawak from December 2014 until August 2015.

Our Group recorded PBT of approximately RM3.41 million for the six (6)-month FPE 31 July 2015 which represents an increase of approximately 304.02% as compared to the corresponding period in the preceding financial year of approximately RM0.85 million. The increase in PBT was mainly attributable to the increase in revenue derived from our gold mining operations and fast food operations.

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**7. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of our Shares as traded on Bursa Securities for the past 12 months from October 2014 to September 2015 are set out below:-

	<b>High RM</b>	<b>Low RM</b>
<b>2014</b>		
October	0.85	0.62
November	0.96	0.82
December	0.97	0.75
<b>2015</b>		
January	0.95	0.87
February	0.99	0.89
March	0.96	0.78
April	0.83	0.77
May	0.80	0.73
June	0.79	0.64
July	0.67	0.53
August	0.61	0.48
September	0.62	0.48
Last transacted market price on 24 April 2015 (being the date prior to the announcement on the Rights Issue with Warrants)		RM0.78
Last transacted market price on the LPD		RM0.55
Last transacted price of Bornoil Shares on 12 October 2015 (being the date prior to the ex-date for the Rights Issue with Warrants)		RM0.60

(Source: Bloomberg Finance LP)

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**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 31 JANUARY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**

**STYL Associates** (AF1929)

902, 9<sup>th</sup> Floor, Block A, Damansara Intan, No. 1, Jalan SS 20/27, 47400 Petaling Jaya, Selangor Darul Ehsan  
Tel: 03 - 7710 7876 Fax: 03 - 7710 7870 Email: [stylaudit@gmail.com](mailto:stylaudit@gmail.com)

The Board of Directors  
**Borneo Oil Berhad**  
1st & 2nd Floor, Victoria Point  
Jalan OKK Awang Besar  
87007 Wilayah Persekutuan Labuan

Date: **0 5 OCT 2015**

Dear Sirs,

**BORNEO OIL BERHAD ("BORNOIL" OR THE "COMPANY")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Bornoil and its subsidiary companies ("Bornoil Group" or the "Group") as at 31 January 2015 together with the accompanying notes and assumptions thereto, for which have been compiled by the Directors of the Company for inclusion in the Abridged Prospectus in relation to the renounceable rights issue of up to 2,373,841,596 new ordinary shares of RM0.10 each in Bornoil ("Bornoil Share(s)") ("Rights Share(s)") on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable warrants in Bornoil ("Warrant(s) C") on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, as at 5.00 p.m. on Friday, 16 October 2015 at an issue price of RM0.10 per Rights Share ("Rights Issue with Warrants").

The pro forma consolidated statements of financial position of the Group have been compiled by the Directors, for illustrative purpose only, to show the effects of the Rights Issue with Warrants on the audited consolidated statements of financial position of the Group as at 31 January 2015 had the Rights Issue with Warrants been effected on that date.

**The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position of Bornoil Group as at 31 January 2015**

The Directors are responsible for compiling the pro forma consolidated statements of financial position of Bornoil Group as at 31 January 2015 for inclusion in the Abridged Prospectus in relation to the Rights Issue with Warrants.

**Our Responsibilities**

Our responsibility is to express an opinion whether the pro forma consolidated statements of financial position of Bornoil Group as at 31 January 2015 have been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 Assurance Engagements Other than Audits or Review of Historical Financial Information issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position of Bornoil Group as at 31 January 2015 on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position of the Group.

The purpose of the inclusion of the pro forma consolidated statements of financial position of the Group in the Abridged Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position of the Group reflect the proper application of those adjustments to the unadjusted financial information of the entity.

The procedures selected depend on our judgment, having regard to our understanding of the nature of Bornoil Group, the events or transactions in respect of which the pro forma consolidated statements of financial position of the Group has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion,

- (a) the pro forma consolidated statements of financial position of the Group have been properly compiled in accordance with the basis of preparation set out in the accompanying notes thereto and such basis is consistent with the format of the financial statements and accounting policies adopted by Bornoil Group;
- (b) the audited consolidated financial statements of Bornoil Group for the financial year ended 31 January 2015 used in the preparation of the pro forma consolidated statements of financial position of the Group were prepared in accordance with the Malaysian Financial Reporting Standards; and
- (c) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of Bornoil Group are appropriate for the purpose of preparing such pro forma consolidated statements of financial position of the Group.

**Other Matter**

This letter is issued for the sole purpose of inclusion in the Abridged Prospectus in relation to the Rights Issue with Warrants. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any purpose contrary to the above. This letter should not be reproduced, referred to in any other documents, or used for any other purpose without our prior written consent.

Yours faithfully,



**STYL ASSOCIATES  
FIRM NUMBER: AF1929  
CHARTERED ACCOUNTANTS**



**SI CHAY BENG  
1200/08/16(J)  
CHARTERED ACCOUNTANT**

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

The pro forma consolidated statements of financial position of Borneoil Group have been compiled by the Directors, for illustrative purpose only, to show the effects of the Rights Issue with Warrants on the audited consolidated statements of financial position of Borneoil Group as at 31 January 2015 had the Rights Issue with Warrants been effected on that date:-

**(a) Minimum Scenario**

ASSETS	Audited as at	Adj I	Pro forma I	Adj II	Pro forma II	Adj III	Pro forma III
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>							
Property, plant and equipment	90,464		90,464	40,000	130,464		130,464
Investment properties	138,068		138,068		138,068		138,068
Investment in quoted securities	61		61		61		61
Investment in golf club membership	64		64		64		64
Prepaid lease payments	11,167		11,167		11,167		11,167
Development expenditure	21,000		21,000	30,000	51,000		51,000
Intangible assets	12		12		12		12
<b>Total non-current assets</b>	<b>260,836</b>		<b>260,836</b>		<b>330,836</b>		<b>330,836</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000
<b>Current assets</b>							
Inventories	14,763		14,763		14,763		14,763
Trade receivables	4,833		4,833		4,833		4,833
Other receivables	13,543		13,543		13,543		13,543
Cash and cash equivalents	29,494	9,216	38,710	133,621	172,331	125,830	298,161
<b>Total current assets</b>	<b>62,633</b>		<b>71,849</b>		<b>205,470</b>		<b>331,300</b>
<b>TOTAL ASSETS</b>	<b>323,469</b>		<b>332,685</b>		<b>536,306</b>		<b>662,136</b>



**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000
<b>EQUITY AND LIABILITIES</b>							
<b>Equity attributable to owners of the parent</b>							
Share capital	35,129	3,001	38,130	228,780	266,910	114,391	381,301
Reserves							
Share premium	73,270	7,575	80,845	(80,845)	-	103,866	103,866
ESOS reserves	44	(44)	-	-	-	-	-
Warrants reserves	1,560	(850)	710	92,427	93,137	(92,427)	710
Capital reserves	172,472	(218)	172,254	(16,332)	155,922		155,922
Currency translation reserves	(60)		(60)		(60)		(60)
Treasury shares	(486)	486	-	-	-	-	-
Unappropriated profit	2,688		2,688		2,688		2,688
<b>Shareholders' equity</b>	<b>284,617</b>		<b>294,567</b>		<b>518,597</b>		<b>644,427</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000
<b>Non-current liabilities</b>							
Long term borrowings	16,501	(1,606)	14,895	(14,895)	-	-	-
Deferred tax liabilities	227		227		227		227
<b>Total non-current liabilities</b>	<b>16,728</b>		<b>15,122</b>		<b>227</b>		<b>227</b>
<b>Current liabilities</b>							
Trade payables	1,782		1,782		1,782		1,782
Other payables	14,978		14,978		14,978		14,978
Short term borrowings	4,642	872	5,514	(5,514)	-		-
Provision for taxation	722		722		722		722
<b>Total current liabilities</b>	<b>22,124</b>		<b>22,996</b>		<b>17,482</b>		<b>17,482</b>
<b>Total liabilities</b>	<b>38,852</b>		<b>38,118</b>		<b>17,709</b>		<b>17,709</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323,469</b>		<b>332,685</b>		<b>536,306</b>		<b>662,136</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015	Pro forma I	Pro forma II	Pro forma III
Number of Shares outstanding (excluding treasury shares) ('000)	350,669	381,301	2,669,104	3,813,006
NA per Share (RM)	0.81	0.77	0.19	0.17
Total borrowings (RM'000)	21,143	20,409	-	-
Gearing ratio (times)	0.07	0.07	-	-

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario**

	Audited as at 31 January 2015	Adj I	Pro forma I	Adj II	Pro forma II	Adj III	Pro forma III	Adj IV	Pro forma IV
<b>ASSETS</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>									
Property, plant and equipment	90,464		90,464		90,464	40,000	130,464		130,464
Investment properties	138,068		138,068		138,068		138,068		138,068
Investment in quoted securities	61		61		61		61		61
Investment in golf club membership	64		64		64		64		64
Prepaid lease payments	11,167		11,167		11,167		11,167		11,167
Development expenditure	21,000		21,000		21,000	35,000	56,000		56,000
Intangible assets	12		12		12		12		12
<b>Total non-current assets</b>	<b>260,836</b>		<b>260,836</b>		<b>260,836</b>		<b>335,836</b>		<b>335,836</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000	Adj IV RM'000	Pro forma IV RM'000
<b>Current assets</b>									
Inventories	14,763		14,763		14,763		14,763		14,763
Trade receivables	4,833		4,833		4,833		4,833		4,833
Other receivables	13,543		13,543		13,543		13,543		13,543
Cash and cash equivalents	29,494	9,216	38,710	1,509	40,219	137,225	177,444	130,561	308,005
<b>Total current assets</b>	<u>62,633</u>		<u>71,849</u>		<u>73,358</u>		<u>210,583</u>		<u>341,144</u>
<b>TOTAL ASSETS</b>	<u>323,469</u>		<u>332,685</u>		<u>334,194</u>		<u>546,419</u>		<u>676,980</u>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015	Adj I	Pro forma I	Adj II	Pro forma II	Adj III	Pro forma III	Adj IV	Pro forma IV
<b>EQUITY AND LIABILITIES</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Equity attributable to owners of the parent</b>									
Share capital	35,129	3,001	38,130	1,434	39,564	237,384	276,948	118,692	395,640
Reserves									
Share premium	73,270	7,575	80,845	785	81,630	(81,630)	-	107,772	107,772
ESOS reserves	44	(44)	-	-	-	-	-	-	-
Warrants reserves	1,560	(850)	710	(710)	-	95,903	95,903	(95,903)	-
Capital reserves	172,472	(218)	172,254		172,254	(19,023)	153,231		153,231
Currency translation reserves	(60)		(60)		(60)		(60)		(60)
Treasury shares	(486)	486	-		-		-		-
Unappropriated profit	2,688		2,688		2,688		2,688		2,688
<b>Shareholders' equity</b>	<b>284,617</b>		<b>294,567</b>		<b>296,076</b>		<b>528,710</b>		<b>659,271</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000	Adj IV RM'000	Pro forma IV RM'000
<b>Non-current liabilities</b>									
Long term borrowings	16,501	(1,606)	14,895	14,895	14,895	(14,895)	-	-	-
Deferred tax liabilities	227		227	227	227		227		227
<b>Total non-current liabilities</b>	<b>16,728</b>		<b>15,122</b>	<b>15,122</b>	<b>15,122</b>		<b>227</b>		<b>227</b>
<b>Current liabilities</b>									
Trade payables	1,782		1,782	1,782	1,782		1,782		1,782
Other payables	14,978		14,978	14,978	14,978		14,978		14,978
Short term borrowings	4,642	872	5,514	5,514	5,514	(5,514)	-		-
Provision for taxation	722		722	722	722		722		722
<b>Total current liabilities</b>	<b>22,124</b>		<b>22,996</b>	<b>22,996</b>	<b>22,996</b>		<b>17,482</b>		<b>17,482</b>
<b>Total liabilities</b>	<b>38,852</b>		<b>38,118</b>	<b>38,118</b>	<b>38,118</b>		<b>17,709</b>		<b>17,709</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323,469</b>		<b>332,685</b>	<b>334,194</b>	<b>334,194</b>		<b>546,419</b>		<b>676,980</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015	Pro forma I	Pro forma II	Pro forma III	Pro forma IV
Number of Shares outstanding (excluding treasury shares) ('000)	350,669	381,301	395,640	2,769,482	3,956,403
NA per Share (RM)	0.81	0.77	0.75	0.19	0.17
Total borrowings (RM'000)	21,143	20,409	20,409	-	-
Gearing ratio (times)	0.07	0.07	0.07	-	-



**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**1. Basis of Preparation**

The Pro forma Consolidated Statements of Financial Position of Borneo Oil Berhad ("Bornoil" or the "Company") and its subsidiary companies ("Bornoil Group" or "Group") as at 31 January 2015 together with the accompanying notes thereon have been prepared based on accounting principles and bases which are consistent with those adopted in the preparation of the audited consolidated financial statements of Bornoil Group for the financial year ended 31 January 2015, assuming that the Rights Issue with Warrants mentioned below had taken place on 31 January 2015:-

*Renounceable rights issue of up to 2,373,841,596 new ordinary shares of RM0.10 each in Bornoil ("Bornoil Share(s)") ("Rights Share(s)") on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable warrants in Bornoil ("Warrant(s) C") on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, as at 5.00 p.m. on Friday, 16 October 2015 at an issue price of RM0.10 per Rights Share ("Rights Issue with Warrants").*

For illustrative purposes, the effects of the Rights Issue with Warrants shall be illustrated based on the following scenarios:-

- "Minimum Scenario"** : Assuming **none** of the 14,190,634 outstanding Warrants 2008/ 2018 in Bornoil ("Warrant(s) B") and 149,000 outstanding options granted under the employees' share option scheme 2012 / 2017 of the Company ("ESOS Option(s)") are exercised prior to the implementation of the Rights Issue with Warrants and the Rights Issue with Warrants is undertaken on a maximum subscription level basis.
- "Maximum Scenario"** : Assuming **all** the 14,190,634 outstanding Warrants B and 149,000 outstanding ESOS Options are exercised prior to the implementation of the Rights Issue with Warrants and the Rights Issue with Warrants is undertaken on a maximum subscription level basis.

**2. Minimum Scenario**

**2.1 Pro forma I (*Minimum Scenario*)**

Pro forma I incorporates the following adjustments subsequent to the audited consolidated statements of financial position of Bornoil Group as at 31 January 2015:-

- (i) Relevant expenses incurred and paid after 31 January 2015 in relation to the corporate exercises of the Company comprising, amongst others, the Par Value Reduction and Private Placement, of RM217,760 is deducted from the capital reserve account of the Company;
- (ii) Issuance of a total of 17,008,800 new Bornoil Shares arising from the exercise of Warrants B from 1 February 2015 up to 11 September 2015, being the latest practicable date ("LPD"), at the exercise price of RM0.10 per Warrant B;
- (iii) Issuance of a total of 13,000,000 new Bornoil Shares arising from the exercise of ESOS Options from 1 February 2015 up to the LPD at the exercise price of RM0.605 per ESOS Option, and the increase in share premium amounting to RM6,565,000;
- (iv) Warrants reserves adjusted for the 14,190,634 outstanding Warrants B as at the LPD;
- (v) Reversal of ESOS reserves to the share premium account as there was no intrinsic value for the 149,000 outstanding ESOS Options as at the LPD;

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

- (vi) Net gain from the resale of treasury shares amounting to RM116,486 is credited into the share premium account, details as follows:-

	<i>No. of shares</i>	<i>RM</i>
<i>Audited treasury shares account as at 31 January 2015</i>	623,000	(485,630)
<i>Total consideration received from the resale of treasury shares on 25 February 2015</i>	(623,000)	602,116
		<hr/>
<i>Net gain from the resale of treasury shares up to the LPD</i>		<b>116,486</b>
		<hr/> <hr/>

- (vii) Adjusted for the total borrowings of the Group amounting to RM20,408,776 as at the LPD;

*The effects of Pro forma I are illustrated as Adjustment I or "Adj I".*

**2.2 Pro forma II (Minimum Scenario)**

Pro forma II incorporates the effects of Pro forma I and the effects of the Rights Issue with Warrants as follows:-

- (i) Issuance of 2,287,803,792 Rights Shares at an issue price of RM0.10 per Rights Share;
- (ii) After recognising the theoretical fair value of the 1,143,901,896 Warrants C at RM0.0808\* per Warrant C amounting to RM92,427,273 where RM76,095,302 and RM16,331,971 are recognised from the share premium account and capital reserves account, respectively;

*Note: \* based on Black-Scholes Options Pricing Model sourced from Bloomberg Finance LP*

- (iii) The estimated expenses of RM4,750,000 in relation to the Rights Issue with Warrants is deducted from the share premium account; and

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

- (iv) The gross proceeds arising from the Rights Issue with Warrants amounting to RM228,780,379 based on the issue price of RM0.10 per Rights Share is intended to be utilised for the following:-

	<b>RM'000</b>
Exploration expenditure for gold mining operation	15,000
Purchase of machineries and equipment for gold mining operation	30,000
Working capital for gold mining operation <sup>*1</sup>	75,621
Purchase of plant and equipment for limestone mining operation	10,000
Working capital for limestone mining operation	8,000
Working capital for fast food operation	5,000
Future investments	60,000
Repayment of borrowings	20,409
Estimated expenses in relation to the Rights Issue with Warrants	4,750
	<b><u>228,780</u></b>

**Note:-**

- \*1 From the proceeds earmarked for the working capital for gold mining operation, a total of RM15,000,000 is allocated for mining site development costs.

It is assumed that none of the 14,190,634 outstanding Warrants B and the 149,000 outstanding ESOS Options as at the LPD are exercised.

*The effects of Pro forma II are illustrated as Adjustment II or "Adj II".*

**2.3 Pro forma III (Minimum Scenario)**

Pro forma III incorporates the effects of Pro forma II and assuming the full exercise of 1,143,901,896 Warrants C, as follows:-

- (i) The issuance of 1,143,901,896 new Bornoil Shares at the exercise price of RM0.11 per Warrant C; and
- (ii) An increase in share premium pursuant to the full exercise of the Warrants C at the exercise price of RM0.11 per Warrant C amounting to RM11,439,019 and the reversal of warrants reserves amounting to RM92,427,273 to the share premium account.

*The effects of Pro forma III are illustrated as Adjustment III or "Adj III".*

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**3. Maximum Scenario**

**3.1 Pro forma I (*Maximum Scenario*)**

Pro forma I incorporates the following adjustments subsequent to the audited consolidated statements of financial position of Borneoil Group as at 31 January 2015:-

- (i) Relevant expenses incurred and paid after 31 January 2015 in relation to the corporate exercises of the Company comprising, amongst others, the Par Value Reduction and Private Placement, of RM217,760 is deducted from the capital reserve account of the Company;
- (ii) Issuance of a total of 17,008,800 new Borneoil Shares arising from the exercise of Warrants B from 1 February 2015 up to the LPD at the exercise price of RM0.10 per Warrant B;
- (iii) Issuance of a total of 13,000,000 new Borneoil Shares arising from the exercise of ESOS Options from 1 February 2015 up to the LPD at the exercise price of RM0.605 per ESOS Option, and the increase in share premium amounting to RM6,565,000;
- (iv) Warrants reserves adjusted for the 14,190,634 outstanding Warrant B as at the LPD;
- (v) Reversal of ESOS reserves to the share premium account as there was no intrinsic value for the 149,000 outstanding ESOS Options as at the LPD;
- (vi) Net gain from the resale of treasury shares amounting to RM116,486 is credited into the share premium account, details as follows:-

	<i>No. of shares</i>	<i>RM</i>
<i>Audited treasury shares account as at 31 January 2015</i>	623,000	(485,630)
<i>Total consideration received from the resale of treasury shares on 25 February 2015</i>	(623,000)	602,116
<i>Net gain from the resale of treasury shares up to the LPD</i>		<u><u>116,486</u></u>

- (vii) Adjusted for the total borrowings of the Group amounting to RM20,408,776 as at the LPD;

*The effects of Pro forma I are illustrated as Adjustment I or "Adj I".*

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**3.2 Pro forma II (*Maximum Scenario*)**

Pro forma II incorporates the effects of Pro forma I and the effects assuming all the 14,190,634 outstanding Warrants B and 149,000 outstanding ESOS Options as at the LPD are exercised, as follows:-

- (i) The issuance of 14,190,634 new Bornoil Shares arising from the exercise of all the outstanding Warrants B at the exercise price of RM0.10 per Warrant B;
- (ii) The issuance of 149,000 new Bornoil Shares arising from the exercise of all the outstanding ESOS Options at the exercise price of RM0.605 per ESOS Option;
- (iii) An increase in share premium pursuant to the exercise of all the outstanding ESOS Options at the exercise price of RM0.605 per ESOS Option amounting to RM75,245; and
- (iv) The reversal of the warrants reserves of RM709,532 to the share premium account.

*The effects of Pro forma II are illustrated as Adjustment II or "Adj II".*

**3.3 Pro forma III (*Maximum Scenario*)**

Pro forma III incorporates the effects of Pro forma II and the effects of the Rights Issue with Warrants as follows:-

- (i) Issuance of 2,373,841,596 Rights Shares at an issue price of RM0.10 per Rights Share;
- (ii) After recognising the theoretical fair value of the 1,186,920,798 Warrants C at RM0.0808\* per Warrant C amounting to RM95,903,200 where RM76,880,079 and RM19,023,121 are recognised from the share premium account and capital reserves account, respectively;

*Note: \* based on Black-Scholes Options Pricing Model sourced from Bloomberg Finance LP*

- (iii) The estimated expenses of RM4,750,000 in relation to the Rights Issue with Warrants is deducted from the share premium account; and

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

- (iv) The gross proceeds arising from the Rights Issue with Warrants amounting to RM237,384,160 based on the issue price of RM0.10 per Rights Share is intended to be utilised for the following:-

	<b>RM'000</b>
Exploration expenditure for gold mining operation	15,000
Purchase of machineries and equipment for gold mining operation	30,000
Working capital for gold mining operation <sup>*1</sup>	84,225
Purchase of plant and equipment for limestone mining operation	10,000
Working capital for limestone mining operation	8,000
Working capital for fast food operation	5,000
Future investments	60,000
Repayment of borrowings	20,409
Estimated expenses in relation to the Rights Issue with Warrants	4,750
	<b><u>237,384</u></b>

**Note:-**

<sup>\*1</sup> From the proceeds earmarked for the working capital for gold mining operation, a total of RM20,000,000 is allocated for mining site development costs.

*The effects of Pro forma III are illustrated as Adjustment III or "Adj III".*

**3.4 Pro forma IV (Maximum Scenario)**

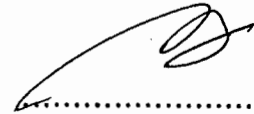
Pro forma IV incorporates the effects of Pro forma III and assuming the full exercise of 1,186,920,798 Warrants C, as follows:-

- (i) The issuance of 1,186,920,798 new Bornoil Shares at the exercise price of RM0.11 per Warrant C; and
- (ii) An increase in share premium pursuant to the full exercise of the Warrants C at the exercise price of RM0.11 per Warrant C amounting to RM11,869,208 and the reversal of warrants reserves amounting to RM95,903,200 to the share premium account.

*The effects of Pro forma IV are illustrated as Adjustment IV or "Adj IV".*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31  
JANUARY 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON**

**Certified True Copy**



.....  
**STYL Associates (AF 1929)**  
**Si Chay Beng**  
**Partner**

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**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JANUARY 2015**

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**STYL ASSOCIATES**  
*AF-1929*  
**CHARTERED ACCOUNTANTS**

**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

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**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

**CORPORATE INFORMATION**

**DIRECTORS** : TEO KIEW LEONG  
TAN KOK CHOR  
MICHAEL MOO KAI WAH  
SEROOP SINGH RAMDAY (APPOINTED ON 01.08.2014)  
JOHN LEE YAN HONG @ JOHN LEE (RESIGNED ON 24.04.2015)

**COMPANY SECRETARIES** : CHIN SIEW KIM (LS-000982)  
CHIN CHEE KEE (MIA 3040)

**AUDITORS** : STYL ASSOCIATES (AF-1929)  
CHARTERED ACCOUNTANTS

**BANKERS** : ALLIANCE BANK MALAYSIA BERHAD  
HONG LEONG BANK BERHAD  
HSBC BANK MALAYSIA BERHAD  
MALAYAN BANKING BERHAD  
RHB BANK BERHAD  
STANDARD CHARTERED BANK MALAYSIA BERHAD  
HONG LEONG INVESTMENT BANK BERHAD

**REGISTERED OFFICE** : 1ST & 2ND FLOOR, VICTORIA POINT  
JALAN OKK AWANG BESAR  
87007 WILAYAH PERSEKUTUAN LABUAN

**PRINCIPAL PLACE  
OF BUSINESS** : LOT 180, SECTION 19 KTLD  
JALAN SATOK, 93400 KUCHING  
SARAWAK  
  
17<sup>TH</sup> FLOOR, MENARA HAP SENG  
LETTER BOX NO. 63  
NO. 1 & 3, JALAN P.RAMLEE  
50250 KUALA LUMPUR

**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 January 2015.

**PRINCIPAL ACTIVITIES**

The Company's principal activities are investment holding and provision of corporate and management services to the Group. All other operational activities of the Group are undertaken by respective subsidiaries as disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

**FINANCIAL RESULTS**

	GROUP RM	COMPANY RM
Net profit/(loss) after taxation attributable to owners of the parent	<u>7,026,754</u>	<u>(699,179)</u>

**DIVIDENDS**

No dividends have been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the current year.

**ISSUE OF SHARES AND DEBENTURES**

Except for the issuance of the following shares by the Company, there were no issues of debentures during the financial year.

- (a) 21,000,000 ordinary shares of RM1.00 each via the exercise of Employee Share Options Scheme.
- (b) 51,540,000 ordinary shares of RM0.10 each via the exercise of Employee Share Options Scheme.
- (c) 46,248,000 ordinary shares of RM0.10 each via a private placement exercise undertaken.
- (d) 22,259,232 ordinary shares of RM0.10 each via conversion of warrants 2008/2018 (Warrant B).

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 28 December 2011. The ESOS was implemented on 28 February 2012 and will be in force for a period of 5 years from the date of implementation, with extension of a further 5 years.

The main features of the ESOS and their issuance for the year ended 31 January 2015 are disclosed in Note 17 to the financial statements.

## INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- a. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
- b. to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- a. 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
- b. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- c. 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.

No contingent or other liability 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 or of the Company to meet their obligations as and when they fall due.

At the date of this report, there does not exist:

- a. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b. any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than as disclosed in Note 32 to the financial statements.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown 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 recorded and disclosed in the notes to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company or its related companies was a party, whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**DIRECTORS OF THE COMPANY**

Directors who served on the Board of the Company since the date of the last report are as follows:

TEO KIEW LEONG  
 TAN KOK CHOR  
 MICHAEL MOO KAI WAH  
 SEROOP SINGH RAMDAY (APPOINTED ON 01.08.2014)  
 JOHN LEE YAN HONG @ JOHN LEE (RESIGNED ON 24.04.2015)

In accordance with Article 91 and 96 of the Company's Article of Association, Seroop Singh Ramday retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

**DIRECTORS' INTERESTS**

As recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Company Act, 1965, none of the current Directors had any interest in the shares of the Company at the end of the financial year.

**WARRANT B (WARRANTS 2008/2018)**

The Company's issuance of new warrants via a Renounceable Rights Issue of 53,458,666 new warrants 2008/2018 on the basis of one (1) new warrant for every three (3) existing shares held were listed on the Bursa Malaysia Securities Berhad on 5 March 2008. The issue price of the warrants B was RM0.05 each. The exercise price of the warrants is subject to adjustments from time to time in accordance with the conditions stipulated in the Deed Poll dated 18 January 2008. On 18 January 2008, the exercise price was RM1.00. It was adjusted to RM0.10 on 24 September 2014 upon the implementation of the Par Value Reduction.

The issue date for 53,458,666 Rights Issue of warrants was 29 February 2008. The warrants will expire on 28 February 2018. The exercise period for the warrants 2008/2018 is ten (10) years commencing from and inclusive of the date of issue of the Warrants 2008/2018. Warrants 2008/2018 which are not exercised during the exercise period shall thereafter lapse and cease to be valid.

The movement of the warrant B (warrant 2008/2018) is as follows:

	<b>GROUP AND COMPANY</b>	
	<b>Number of warrants</b>	
	2015	2014
At the beginning of the year	53,458,666	53,458,666
Less: Warrants converted during the year	<u>(22,259,232)</u>	-
At the end of the year	<u>31,199,434</u>	<u>53,458,666</u>

**OTHER STATUTORY INFORMATION**

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

In the opinion of the Directors:

- a. the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b. there has not arisen in the interval between the end of the financial year and the date of this report, any such item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**SIGNIFICANT EVENTS**

The significant events are as disclosed in Note 36 to the financial statements.

**SUBSEQUENT EVENTS**

The subsequent events are as disclosed in Note 37 to the financial statements.

AUDITORS

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

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



MICHAEL MOO KAI WAH



TEO KIEW LEONG

DATE: 30 APR 2015

**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

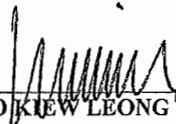
**STATEMENT BY DIRECTORS**  
Pursuant to Section 169(15) of the Companies Act, 1965

We, **MICHAEL MOO KAI WAH** and **TEO KIEW LEONG**, two of the Directors of BORNEO OIL BERHAD, state that, in the opinion of the Directors, the accompanying financial statements of the Group and of the Company, together with the notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 January 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

  
\_\_\_\_\_  
**MICHAEL MOO KAI WAH**

  
\_\_\_\_\_  
**TEO KIEW LEONG**

DATE: **30 APR 2015**

**STATUTORY DECLARATION**  
Pursuant to Section 169(16) of the Companies Act, 1965

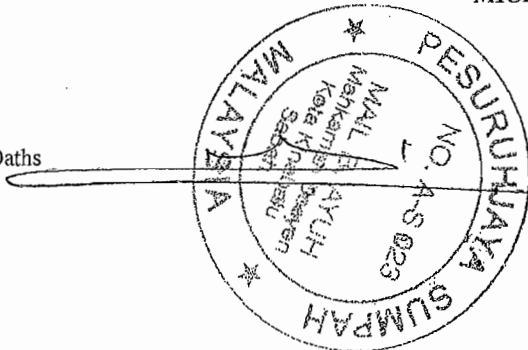
I, **MICHAEL MOO KAI WAH**, the Director primarily responsible for the financial management of BORNEO OIL BERHAD, do solemnly and sincerely declare that, to the best of my knowledge and belief, the accompanying financial statements of the Group and of the Company, together with the notes thereto, are, 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 **MICHAEL MOO KAI WAH** at Kota Kinabalu in the State of Sabah this day of

**30 APR 2015**  
\_\_\_\_\_  
Before me:

  
\_\_\_\_\_  
**MICHAEL MOO KAI WAH**

Commissioner for Oaths



## **STYL Associates** (AF1929)

107B Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur  
Tel: +6(03) -7727 5573 Fax: +6(03) -7727 0771 Email: stylaudit@gmail.com

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

#### **BORNEO OIL BERHAD**

*(Incorporated in Malaysia)*

##### **Report on the Financial Statements**

We have audited the financial statements of BORNEO OIL BERHAD which comprise the statements of financial position as at 31 January 2015 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 year then ended, and a summary of significant accounting policies and other explanatory information.

##### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 January 2015 and of their financial performance and cash flows for the financial year then ended.



**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) we have considered the financial statements and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- c) we are satisfied that the financial statements 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.
- d) the audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in Note 39 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 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



STYL ASSOCIATES  
CHARTERED ACCOUNTANTS  
FIRM NO: AF-1929

KUALA LUMPUR  
DATE: 30 APRIL 2015



SI CHAY BENG  
APPROVED COMPANY AUDITOR  
TREASURY APPROVAL NO. 1200/08/16 (J)

**BORNEO OIL BERHAD***(Incorporated in Malaysia)***STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

ASSETS	Note	GROUP		COMPANY	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-current assets</b>					
Property, plant and equipment	4	90,464,009	43,912,202	15,088,949	155,996
Investment properties	5	138,067,748	135,010,471	-	-
Investment in subsidiary companies	6	-	-	27,500,006	2
Investment in quoted securities	7	61,425	78,303	-	-
Investment in golf club membership	8	64,000	64,000	64,000	64,000
Prepaid lease payments	9	11,166,948	12,357,367	-	-
Development expenditure	10	21,000,005	2,650,001	-	-
Intangible assets	11	11,833	11,833	-	-
<b>Total non-current assets</b>		<b>260,835,968</b>	<b>194,084,177</b>	<b>42,652,955</b>	<b>219,998</b>
<b>Current assets</b>					
Inventories	12	14,763,118	3,356,245	4,200,000	-
Trade receivables	13	4,832,440	2,082,368	-	-
Other receivables	14	13,543,129	11,128,967	4,009,391	722,800
Amount due from subsidiary companies	15	-	-	220,328,227	203,575,662
Cash and cash equivalents	16	29,493,787	6,156,765	19,560,557	2,549,105
<b>Total current assets</b>		<b>62,632,474</b>	<b>22,724,345</b>	<b>248,098,175</b>	<b>206,847,567</b>
<b>TOTAL ASSETS</b>		<b>323,468,442</b>	<b>216,808,522</b>	<b>290,751,130</b>	<b>207,067,565</b>

**BORNEO OIL BERHAD***(Incorporated in Malaysia)***STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015 (Cont'd)**

	Note	GROUP		COMPANY	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	17	35,129,183	210,244,600	35,129,183	210,244,600
Reserves	18	249,487,404	(12,598,683)	246,845,085	(7,533,714)
<b>Shareholders' equity</b>		<b>284,616,587</b>	<b>197,645,917</b>	<b>281,974,268</b>	<b>202,710,886</b>
<b>Non-current liabilities</b>					
Long term borrowings	19	16,501,258	5,364,358	-	-
Deferred tax liabilities	21	226,900	31,300	181,000	-
<b>Total non-current liabilities</b>		<b>16,728,158</b>	<b>5,395,658</b>	<b>181,000</b>	<b>-</b>
<b>Current liabilities</b>					
Trade payables	22	1,781,864	1,958,266	-	-
Other payables	23	14,977,581	8,243,397	6,009,123	1,669,903
Amount due to subsidiary companies	15	-	-	2,586,739	2,565,949
Short term borrowings	19	4,641,779	2,841,157	-	-
Provision for taxation		722,473	724,127	-	120,827
<b>Total current liabilities</b>		<b>22,123,697</b>	<b>13,766,947</b>	<b>8,595,862</b>	<b>4,356,679</b>
<b>Total liabilities</b>		<b>38,851,855</b>	<b>19,162,605</b>	<b>8,776,862</b>	<b>4,356,679</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>323,468,442</b>	<b>216,808,522</b>	<b>290,751,130</b>	<b>207,067,565</b>

The accompanying Notes form an integral part of the Financial Statements.

**BORNEO OIL BERHAD***(Incorporated in Malaysia)***STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2015**

	Note	GROUP		COMPANY	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	24	84,245,877	41,816,751	9,313,200	2,392,358
Cost of sales		(57,838,957)	(28,843,332)	(7,272,200)	-
Gross profit		26,406,920	12,973,419	2,041,000	2,392,358
Other income	25	3,440,455	11,076,344	92,431	122,735
Administrative expenses		(21,806,484)	(19,913,252)	(2,832,376)	(1,226,903)
Finance costs		(847,827)	(413,540)	-	(186)
Profit/(Loss) before taxation	26	7,193,063	3,722,971	(698,945)	1,288,004
Taxation	27	(166,309)	(615,806)	(234)	(370,817)
Profit/(Loss) after taxation		7,026,754	3,107,165	(699,179)	917,187
Other comprehensive income, net of tax:					
Items that may be subsequently reclassified to profit or loss:					
- Currency translation reserves		(18,645)	(36,775)	-	-
Total comprehensive income/ (expense) for the year		7,008,109	3,070,390	(699,179)	917,187
Profit after taxation attributable to:					
Owners of the parent		7,026,754	3,107,165		
Total comprehensive income attributable to:					
Owners of the parent		7,008,109	3,070,390		
Earnings per share attributable to owners of the parent					
- Basic (sen)	28	2.73	1.54		
- Diluted (sen)	28	2.73	1.54		

The accompanying Notes form an integral part of the Financial Statements

**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2015**

	Attributable to Owners of the parent										Total Shareholders' Equity RM
	Non distributable					Distributable					
GROUP	Share Capital RM	Treasury Shares RM	Share Premium RM	Currency Translation Reserves RM	Warrants Reserves RM	Capital Reserves RM	ESOS Reserves RM	Accumulated Loss RM			
Balance at 1 February 2013	199,194,600	-	24,164,992	(5,041)	2,672,933	15,000	45,717	(42,368,081)			183,720,120
Issuance of shares	11,050,000	-	-	-	-	-	-	-			11,050,000
Acquisition of treasury shares	-	(194,593)	-	-	-	-	-	-			(194,593)
Profit for the year	-	-	-	-	-	-	-	3,107,165			3,107,165
Other comprehensive income for the year	-	-	-	-	-	-	-	-			-
- Currency translation reserves	-	-	-	(36,775)	-	-	-	-			(36,775)
Total comprehensive income for the year	-	-	-	(36,775)	-	-	-	3,107,165			3,070,390
Balance at 31 January 2014	<u>210,244,600</u>	<u>(194,593)</u>	<u>24,164,992</u>	<u>(41,816)</u>	<u>2,672,933</u>	<u>15,000</u>	<u>45,717</u>	<u>(39,260,916)</u>			<u>197,645,917</u>

**BORNEO OIL BERHAD**  
*(Incorporated in Malaysia)*

**STATEMENTS OF CHANGES IN EQUITY (Cont'd)**  
**FOR THE YEAR ENDED 31 JANUARY 2015**

Attributable to Owners of the parent	Non distributable						Distributable		Total Shareholders' Equity RM
	Share Capital RM	Treasury Shares RM	Share Premium RM	Currency Translation Reserves RM	Warrants Reserves RM	Capital Reserves RM	ESOS Reserves RM	Unappropriated Profit RM	
<b>GROUP</b>									
Balance at 31 January 2014	210,244,600	(194,593)	24,164,992	(41,816)	2,672,933	15,000	45,717	(39,260,916)	197,645,917
Reduction in par value of ordinary shares	(208,120,140)	-	-	-	-	207,379,309	-	-	(740,831)
Issuance of shares	33,004,723	-	47,326,330	-	-	-	-	-	80,331,053
Acquisition of treasury shares	-	(5,026,256)	-	-	-	-	-	-	(5,026,256)
Disposal of treasury shares	-	4,735,219	663,376	-	-	-	-	-	5,398,595
Effect of exercising of ESOS	-	-	1,762	-	-	-	(1,762)	-	-
Effect of conversion of warrant B	-	-	1,112,961	-	(1,112,961)	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	7,026,754	7,026,754
Other comprehensive income for the year	-	-	-	(18,645)	-	-	-	-	(18,645)
- Currency translation reserves	-	-	-	(18,645)	-	-	-	-	(18,645)
Total comprehensive income for the year	-	-	-	-	-	-	-	7,026,754	7,008,109
Accumulated loss written off	-	-	-	-	-	(34,921,942)	-	34,921,942	-
Balance at 31 January 2015	35,129,183	(485,630)	73,269,421	(60,461)	1,559,972	172,472,367	43,955	2,687,780	284,616,587

**BORNEO OIL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY (Cont'd)**  
**FOR THE YEAR ENDED 31 JANUARY 2015**

COMPANY	Non distributable						Distributable		Total Shareholders' Equity RM
	Share Capital RM	Treasury Shares RM	Share Premium RM	ESOS Reserves RM	Warrants Reserves RM	Capital Reserves RM	Accumulated Loss RM		
Balance at 1 February 2013	199,194,600	-	24,164,992	45,717	2,672,933	-	(35,139,950)	190,938,292	
Issuance of shares	11,050,000	-	-	-	-	-	-	11,050,000	
Acquisition of treasury shares	-	(194,593)	-	-	-	-	-	(194,593)	
Profit after taxation for the year	-	-	-	-	-	-	917,187	917,187	
Balance at 31 January 2014	210,244,600	(194,593)	24,164,992	45,717	2,672,933	-	(34,222,763)	202,710,886	
Reduction in par value of ordinary shares	(208,120,140)	-	-	-	-	207,379,309	-	(740,831)	
Issuance of shares	33,004,723	-	47,326,330	-	-	-	-	80,331,053	
Acquisition of treasury shares	-	(5,026,256)	-	-	-	-	-	(5,026,256)	
Disposal of treasury shares	-	4,735,219	663,376	-	-	-	-	5,398,595	
Effect of exercising of ESOS	-	-	1,762	(1,762)	-	-	-	-	
Effect of conversion of warrant B	-	-	1,112,961	-	(1,112,961)	-	-	-	
Loss after taxation for the year	-	-	-	-	-	-	(699,179)	(699,179)	
Accumulated loss written off	-	-	-	-	-	(34,921,942)	34,921,942	-	
Balance at 31 January 2015	35,129,183	(485,630)	73,269,421	43,955	1,559,972	172,457,367	-	281,974,268	

The accompanying Notes form an integral part of the Financial Statements.

**BORNEO OIL BERHAD***(Incorporated in Malaysia)***STATEMENT OF CONSOLIDATED CASH FLOWS  
FOR THE YEAR ENDED 31 JANUARY 2015**

	Note	2015 RM	2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		7,193,063	3,722,971
Adjustments for:			
Allowance for impairment		50,000	-
Allowance for impairment written back		(1,999,200)	(2,504,245)
Amortisation of prepaid lease rental		1,190,419	1,589,895
Bad debts written off		107,024	-
Depreciation		3,450,476	3,173,877
(Gain)/Loss on disposal of property, plant and equipment		(27,056)	235,410
Gain on disposal of investment properties		-	(1,761,199)
Impairment loss on investment in quoted shares		16,878	42,493
Interest expense		847,827	413,540
Interest income		(85,076)	(64,650)
Property, plant and equipment written off		13,668	46,805
Reversal on impairment of other investment		-	(49,801)
Operating profit before working capital changes		<u>10,758,023</u>	<u>4,845,096</u>
Inventories		(11,406,873)	(189,147)
Receivables		(3,328,985)	(4,313,866)
Payables		<u>6,557,781</u>	<u>797,431</u>
Net cash generated from operations		<u>2,579,946</u>	<u>1,139,514</u>
Tax paid		(199,163)	(363,881)
Tax refund		-	115,284
Interest paid		<u>(847,827)</u>	<u>(413,540)</u>
Net cash from operating activities		<u>1,532,956</u>	<u>477,377</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		85,076	64,650
Purchase of property, plant and equipment		(46,109,916)	(9,926,937)
Purchase of investment properties		(3,057,277)	(5,892,065)
Development expenditure		(18,350,004)	(2,650,000)
Investment in quoted shares		-	(53,493)
Investment in golf club membership		-	(64,000)
Acquisition of treasury shares		(5,026,256)	(194,593)
Disposals of treasury shares		5,398,595	-
Proceeds from disposal of investment properties		-	6,538,893
Proceeds from disposal of property, plant and equipment		<u>1,952,745</u>	<u>209,000</u>
Net cash used in investing activities		<u>(65,107,037)</u>	<u>(11,968,545)</u>



**BORNEO OIL BERHAD***(Incorporated in Malaysia)***CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)  
FOR THE YEAR ENDED 31 JANUARY 2015**

	Note	2015 RM	2014 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Reduction in par value of ordinary shares		(740,831)	-
Proceeds from issuance of shares		80,331,053	11,050,000
Drawdown of term loan		10,500,000	-
Repayment of finance lease payables		(1,179,164)	(1,924,155)
Repayment of term loans		(1,920,826)	(246,236)
Net cash from financing activities		<u>86,990,232</u>	<u>8,879,609</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>23,416,151</b>	<b>(2,611,559)</b>
<b>FOREIGN CURRENCY TRANSLATION RESERVES</b>		<b>(79,129)</b>	<b>(28,772)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>6,156,765</b>	<b>8,797,096</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	16	<u><b>29,493,787</b></u>	<u><b>6,156,765</b></u>

The accompanying Notes form an integral part of the Financial Statements.

**BORNEO OIL BERHAD***(Incorporated in Malaysia)***STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JANUARY 2015**

	Note	2015 RM	2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before taxation		(698,945)	1,288,004
Adjustments for:			
Allowance for impairment		6,360	5,498
Allowance for impairment written back		(4,635)	(30,000)
Depreciation		35,441	25,350
Gain on disposal of property, plant and equipment		-	(29,999)
Interest expense		-	186
Interest income		(71,845)	(62,660)
Operating (loss)/profit before working capital changes		(733,624)	1,196,379
Inventories		(4,200,000)	-
Receivables		(3,065,418)	(466,551)
Payables		4,339,220	1,285,562
Subsidiary companies		(16,733,500)	(14,635,679)
Net cash used in operations		(20,393,322)	(12,620,289)
Interest paid		-	(186)
Tax paid		(161,234)	(28,817)
Tax refund		-	13,343
Net used in operating activities		(20,554,556)	(12,635,949)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		71,845	62,660
Purchase of property, plant and equipment		(14,968,394)	(34,208)
Investment in golf club membership		-	(64,000)
Investment in subsidiary companies		(27,500,004)	-
Acquisition of treasury shares		(5,026,256)	(194,593)
Proceeds from disposal of property, plant and equipment		-	30,000
Disposal of treasury shares		5,398,595	-
Net cash used in investing activities		(42,024,214)	(200,141)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Reduction in par value of ordinary shares		(740,831)	-
Repayment of finance lease payables		-	(12,097)
Proceeds from issuance of shares		80,331,053	11,050,000
Net cash from financing activities		79,590,222	11,037,903
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		17,011,452	(1,798,187)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		2,549,105	4,347,292
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	16	<u>19,560,557</u>	<u>2,549,105</u>

The accompanying Notes form an integral part of the Financial Statements.

## BORNEO OIL BERHAD

*(Incorporated in Malaysia)*

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2015

#### 1. CORPORATE INFORMATION

The Company's principal activities are investment holding and provision of corporate and management services to the Group. All other operational activities of the Group are undertaken by respective subsidiaries as disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan and its principal place of business is located at Lot 180, Section 19 KTL, Jalan Satok, 93400 Kuching, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on

30 APR 2015

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (a) Basis of preparation (Cont'd)

On 1 February 2014, the Group and the Company have adopted where applicable the following new and revised MFRSs and Issues Committee ("IC") Interpretations, Amendments to MFRSs and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB"):

*Effective for financial periods beginning on or after 1 January 2014:*

- Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities
- Amendments to MFRS 132      Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136      Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139      Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21              Levies

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations did not have any significant financial impact to the Group and Company.

#### Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretations have been issued but there are not yet effective and have not been adopted by the Group and the Company:

*Effective for financial periods beginning on or after 1 July 2014:*

- Amendments to MFRS 119      Defined Benefit Plans: Employee Contributions
- Annual Improvements to MFRSs 2010 –2012 Cycle
- Annual Improvements to MFRSs 2011 –2013 Cycle

*Effective for financial periods beginning on or after 1 January 2016:*

- MFRS 14                              Regulatory Deferral Accounts
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11              Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101              Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 Agriculture: Bearer Plants
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127              Equity Method in Separate Financial Statements
- Annual Improvements to MFRSs 2012 –2014 Cycle

*Effective for financial periods beginning on or after 1 January 2017:*

- MFRS 15                              Revenue from Contracts with Customers

*Effective for financial periods beginning on or after 1 January 2018:*

- MFRS 9                              Financial Instruments (IFRS 9 as issued by IASB in July 2014)

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations when they become effective in the respective financial periods.

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, made up to the end of the financial year.

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Intragroup transactions, balances and unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The gains or losses on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with exchange differences which were not previously recognised in the consolidated statements of comprehensive income.

### (c) Property, plant and equipment and depreciation

#### (i) *Recognition and measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "realised gains and losses" in the profit or loss.

#### (ii) *Recognition and measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## (c) Property, plant and equipment and depreciation (Cont'd)

(iii) *Recognition and measurement (Cont'd)*

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "realised gains and losses" in the profit or loss.

(iv) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(v) *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Property, plant and equipment are depreciated on the straight-line method at rates based on their estimated useful lives. The principal annual rates used are as follows:

	Rate
Bridge	2 %
Factory	10 %
Leasehold building	1.5 %
Coldroom	10 %
Furniture, fixture and fittings	5 - 20 %
Motor vehicles	10 - 20 %
Machinery and equipment	10 - 25 %
Office equipment	10 %
Exploration	20 %

Land and Stone quarry are not depreciated. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

## (d) Investment in subsidiary companies

Investments in subsidiary companies are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2 (m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Investment properties

(i) *Investment properties carried at fair value*

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the profit or loss.

(ii) *Reclassifications to/from investment properties carried at fair value*

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(iii) *Determination of fair value*

The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(f) Investments in quoted shares

Investments in quoted shares are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the profit or loss.

(g) Investments in golf club membership

Investments in golf club membership are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the profit or loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Cost of materials represents direct material cost and all direct expenditure incurred in bringing the inventories to their present location and condition.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

### (j) Hire purchase and leases

#### (i) *Finance leases*

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

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 hire purchase or lease payments at the inception of the hire purchase or lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum hire purchase or lease payments, the discount factor used is the interest rate implicit in the hire purchase or lease, when it is practicable to determine, otherwise, the Group's incremental borrowing rate is used.

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

The depreciation policy for hire purchase or leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2 (c).

#### (ii) *Operating leases*

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease.

The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments. The prepaid lease payments are amortised on a straight-line basis over the term of respective leases which ranges from 11 to 20 years.

### (k) Intangible assets

#### (i) *Goodwill*

Goodwill acquired in a business combination represents the excess of the purchase consideration over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the acquiree at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested more frequently for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in a subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (k) Intangible assets (Cont'd)

#### (ii) *Patents and rights*

Patents and rights are recognised as intangible assets if it is probable that the future economic benefits that are attributable to such assets will flow to the Group and the costs of such assets can be measured reliably.

Rights acquired for the use of certain brand names and trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of 10 years. Patents and rights are assessed for impairment wherever there is an indication that the intangible assets may be impaired.

### (l) Deferred exploration and development expenditure

Exploration and evaluation expenditures are accumulated for each area of interest and deferred as an asset when the costs are expected to be recouped through exploitation or by sale, or where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in or in relation to the area are continuing.

Deferred exploration and development expenditures are amortised over the economic lives of the related areas of interest from the date of commencement of production. Amortisation is determined on a production output basis.

The net carrying value of each area of interest is reviewed regularly and, to the extent this value exceeds its recoverable value, that excess is provided for or written off in the year in which this is determined.

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

The carrying amounts of non-financial assets other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost to sell and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as an expense in profit and loss.

Any subsequent increase in recoverable amount other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised in profit or loss.

### (n) 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, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Financial assets (Cont'd)

#### (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 are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company have not designated any financial assets as at fair value through profit or loss.

#### (ii) *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 12 months after the reporting date which are classified as non-current.

#### (iii) *Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group 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 12 months after the reporting date which are classified as current.

The Group and the Company have not designated any financial assets as at held-to-maturity investments.

#### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (n) Financial assets (Cont'd)

#### (v) *Available-for-sale financial assets (Cont'd)*

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 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 12 months after the reporting date.

A financial asset is derecognised when and only when the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred. On derecognition of a financial asset 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.

### (o) 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.

#### (i) *Trade and other 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 consider factors such as the probability of insolvency or significant financial difficulties of the receivable 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 on 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. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (o) Impairment of financial assets (Cont'd)

#### (ii) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### (p) Foreign currency

#### (i) *Functional and presentation currency*

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

#### (ii) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries 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 difference arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (p) Foreign currency (Cont'd)

#### (iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the translations. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

### (q) Provisions for liabilities

Provisions for liabilities are recognised when the Group have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, 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. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (r) Revenue recognition

Revenue of the Group is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

#### (i) Sales of goods

Revenue relating to sales of goods is recognised net of sales tax and discounts upon transfer of risks and rewards.

#### (ii) Revenue from fast food and restaurant operations

Revenue from fast food and restaurant operations are recognised at point of sales, net of service tax and discounts.

#### (iii) Franchisee fees income

Franchisee fees income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### (iv) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### (v) Management income

Management fee is recognised on an accrual basis.

### (s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the financial statements liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (u) Employee benefits

#### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which employees of the Group and of the Company rendered the associated services. 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

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the financial statements as incurred.

#### (iii) Share-based compensation

The Group's Employees' Share Option Scheme, an equity-settled, share-based compensation plan, allows the Group's employees to exercise the options granted to acquire ordinary shares of the Group. The fair value of the share options granted in exchange for the employee services received are recognised as an expense in the financial statements over the vesting periods of the grant with a corresponding increase in equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (u) Employee benefits (Cont'd)

#### (iii) *Share-based compensation (cont'd)*

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred directly to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and share premium when the options are exercised.

Details of the Group's Employees' Share Option Scheme are set out in Note 16 to the financial statements.

### (v) 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 MFRS 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 other financial liabilities.

#### (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.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

#### (ii) *Other financial liabilities*

The Group's and the Company's other financial liabilities include trade payables, other payables, term loans, hire purchase and finance lease payables and amount due to subsidiary companies.

Trade payables, other payables and amount due to subsidiary companies are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Term loans and hire purchase and finance lease payables 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 has an unconditional right to defer settlement of the liability for at least 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (v) Financial liabilities (Cont'd)

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.

### (w) Segment reporting

For management purposes, the Group is organised into operating segments based on their business segment and geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

### (x) Share capital

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 equity instruments.

#### (i) *Ordinary shares*

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (ii) *Treasury shares*

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are resold, the difference between the sale consideration and the carrying amount of the treasury shares is shown as a movement in equity.

### (y) Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

### (z) 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 receivable fails to make payment when due. Financial guarantee contracts are recognised initially as a liability at fair value, net of 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 receivable fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (aa) 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 transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or 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 by the Group and the Company.

The fair value of an asset or a 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 Group and the Company use 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 of unobservable inputs.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's financial statements requires management to make judgments, 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 adjustments to the carrying amount of the asset or liability affected in the future.

### Judgments Made in Applying Accounting Policies

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

#### (a) *Classification of Financial Assets*

- The Group has classified its investment in quoted securities and golf club membership as available-for-sale financial assets. In applying the accounting policy, the Group assesses its nature and the intention at each reporting date. Should the circumstances change in the future, the classification of this financial asset as available-for-sale may be no longer appropriate.

#### (b) *Leases*

- The Group judged that the leasehold land of the Group are in substance finance leases and has classified its leasehold land as property, plant and equipment.

### 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 as stated below:

#### (i) *Impairment of Non-Current Assets*

- The Group reviews the carrying amount of its non-current assets, which include property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

## Key Sources of Estimation Uncertainty (Cont'd)

(ii) *Useful Lives of Property, Plant and Equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(iii) *Impairment of Investment in Subsidiaries*

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. The impairment made on investments in subsidiaries entails an allowance for impairment to be made to the amount owing by these subsidiaries.

Significant judgment is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

(iv) *Deferred Tax Assets*

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(v) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgments and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

(vi) *Allowance for Impairment of Receivables*

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

(vii) *Revaluation of Investment Properties*

The Group carries its investment properties at fair values, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair value in October 2010. The valuer used a valuation technique based on open market value basis. The Directors are of the opinion that based on available market information, there are no material changes on the fair value of the Group's investment properties. Therefore, no changes in fair value are recognised in profit or loss during the financial year.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

## Key Sources of Estimation Uncertainty (Cont'd)

(viii) *Income Taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(ix) *Defined Benefit Plan*

The cost of defined benefit plan as well as the present value of the unfunded obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rate, salary incremental rate and pension incremental rate. All assumptions are reviewed at each reporting date.

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<u>GROUP</u>	Balance at		Disposals/	Balance at
<u>COST</u>	<u>01.02.2014</u>	<u>Additions</u>	<u>Written off</u>	<u>31.01.2015</u>
	RM	RM	RM	RM
Land	20,484,765	14,819,000	-	35,303,765
Stone quarry	1,000,000	-	-	1,000,000
Bridge	790,000	-	-	790,000
Factory	833,089	6,042,478	-	6,875,567
Leasehold building	6,500,000	4,000,000	-	10,500,000
Coldroom	9,850	549,261	-	559,111
Furniture, fixture and fittings	13,134,585	4,869,272	(18,780)	17,985,077
Motor vehicles	3,983,543	1,865,381	-	5,848,924
Machinery and equipment	15,643,913	16,740,437	(157,146)	32,227,204
Exploration	-	1,160,454	-	1,160,454
	<u>62,379,745</u>	<u>50,046,283</u>	<u>(175,926)</u>	<u>112,250,102</u>
	Balance at	Charge for	Disposals/	Balance at
<u>ACCUMULATED</u>	<u>01.02.2014</u>	<u>the year</u>	<u>Written off</u>	<u>31.01.2015</u>
<u>DEPRECIATION</u>	RM	RM	RM	RM
Land	-	28	-	28
Stone quarry	-	-	-	-
Bridge	31,600	15,800	-	47,400
Factory	163,919	135,316	-	299,235
Leasehold building	97,015	97,015	-	194,030
Coldroom	985	55,911	-	56,896
Furniture, fixture and fittings	7,632,300	1,155,408	(8,902)	8,778,806
Motor vehicles	2,682,869	476,278	-	3,159,147
Machinery and equipment	7,858,855	1,495,501	(123,024)	9,231,332
Exploration	-	19,219	-	19,219
	<u>18,467,543</u>	<u>3,450,476</u>	<u>(131,926)</u>	<u>21,786,093</u>

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COST	Balance at	Additions	Disposals/	Balance at
	01.02.2013		Written off	31.01.2014
	RM	RM	RM	RM
Land	19,984,765	500,000	-	20,484,765
Stone quarry	1,000,000	-	-	1,000,000
Bridge	790,000	-	-	790,000
Factory	806,099	26,990	-	833,089
Leasehold building	-	6,500,000	-	6,500,000
Coldroom	-	9,850	-	9,850
Furniture, fixture and fittings	15,752,469	686,653	(3,304,537)	13,134,585
Motor vehicles	3,758,704	323,212	(98,373)	3,983,543
Machinery and equipment	13,761,487	3,420,501	(1,538,075)	15,643,913
	<u>55,853,524</u>	<u>11,467,206</u>	<u>(4,940,985)</u>	<u>62,379,745</u>

ACCUMULATED DEPRECIATION	Balance at	Additions	Disposals/	Balance at
	01.02.2013		Written off	31.01.2014
	RM	RM	RM	RM
Land	-	-	-	-
Stone quarry	-	-	-	-
Bridge	15,800	15,800	-	31,600
Factory	80,610	83,309	-	163,919
Leasehold building	-	97,015	-	97,015
Coldroom	-	985	-	985
Furniture, fixture and fittings	9,171,849	1,287,109	(2,826,658)	7,632,300
Motor vehicles	2,467,188	314,052	(98,371)	2,682,869
Machinery and equipment	7,829,627	1,375,607	(1,346,379)	7,858,855
	<u>19,565,074</u>	<u>3,173,877</u>	<u>(4,271,408)</u>	<u>18,467,543</u>

NET BOOK VALUE	2015	2014
	RM	RM
Land	35,303,737	20,484,765
Stone quarry	1,000,000	1,000,000
Bridge	742,600	758,400
Factory	6,576,332	669,170
Leasehold building	10,305,970	6,402,985
Coldroom	502,215	8,865
Furniture, fixture and fittings	9,206,271	5,502,285
Motor vehicles	2,689,777	1,300,674
Machinery and equipment	22,995,872	7,785,058
Exploration	1,141,235	-
	<u>90,464,009</u>	<u>43,912,202</u>

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

<u>COMPANY</u>	Balance at			Balance at
<u>COST</u>	<u>01.02.2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>31.01.2015</u>
	RM	RM	RM	RM
Furniture, fixture and fittings	83,312	3,704,181	-	3,787,493
Motor vehicles	523,296	-	-	523,296
Office equipment	119,499	7,264,213	-	7,383,712
Leasehold building	-	4,000,000	-	4,000,000
	<u>726,107</u>	<u>14,968,394</u>	<u>-</u>	<u>15,694,501</u>
	Balance at	Charge for		Balance at
<u>ACCUMULATED</u>	<u>01.02.2014</u>	<u>the year</u>	<u>Disposals</u>	<u>31.01.2015</u>
<u>DEPRECIATION</u>	RM	RM	RM	RM
Furniture, fixture and fittings	28,844	13,211	-	42,055
Motor vehicles	504,872	3,980	-	508,852
Office equipment	36,395	18,250	-	54,645
Leasehold building	-	-	-	-
	<u>570,111</u>	<u>35,441</u>	<u>-</u>	<u>605,552</u>
	Balance at			Balance at
<u>COST</u>	<u>01.02.2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>31.01.2014</u>
	RM	RM	RM	RM
Furniture, fixture and fittings	82,814	498	-	83,312
Motor vehicles	600,544	19,900	(97,148)	523,296
Office equipment	105,689	13,810	-	119,499
	<u>789,047</u>	<u>34,208</u>	<u>(97,148)</u>	<u>726,107</u>
	Balance at			Balance at
<u>ACCUMULATED</u>	<u>01.02.2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>31.01.2014</u>
<u>DEPRECIATION</u>	RM	RM	RM	RM
Furniture, fixture and fittings	16,145	12,699	-	28,844
Motor vehicles	600,539	1,480	(97,147)	504,872
Office equipment	25,224	11,171	-	36,395
	<u>641,908</u>	<u>25,350</u>	<u>(97,147)</u>	<u>570,111</u>
			2015	2014
<u>NET BOOK VALUE</u>			RM	RM
Furniture, fixture and fittings			3,745,438	54,468
Motor vehicles			14,444	18,424
Office equipment			7,329,067	83,104
Leasehold building			4,000,000	-
			<u>15,088,949</u>	<u>155,996</u>

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- a. Included in property, plant and equipment of the Group are motor vehicles and machinery and equipment acquired under hire purchase arrangements at net book value of RM957,471 and RM6,826,229 (2014 – RM759,742 and RM1,273,500) respectively.
- b. Included in property, plant and equipment of the Group and of the Company are the costs of the following fully depreciated assets which are still in use:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Machinery and equipment	2,951,213	-	-	-
Furniture, fixture and fittings	713,361	-	-	-
Motor vehicles	806,422	960,606	503,396	503,396
	<u>4,470,996</u>	<u>960,606</u>	<u>503,396</u>	<u>503,396</u>

## 5. INVESTMENT PROPERTIES

	GROUP	
	2015 RM	2014 RM
At the beginning of the year	135,010,471	133,725,737
Add: Additional during the year	3,057,277	5,892,065
	<u>138,067,748</u>	<u>139,617,802</u>
Less: Disposal during the year	-	(4,607,331)
At the end of the year	<u>138,067,748</u>	<u>135,010,471</u>

Investment properties comprise of the followings:

Long term leasehold land and buildings	129,289,213	126,231,936
Short term leasehold land	7,611,731	7,611,731
Freehold condominium	1,166,804	1,166,804
	<u>138,067,748</u>	<u>135,010,471</u>

Certain investment properties of the Group with carrying amount of RM15,314,107 (2014 – RM15,314,107) are pledged to financial institutions for borrowings granted to the Group as disclosed in Note 19 to the financial statements.

Certain investment properties of the Group with carrying amount of RM36,988,268 (2014 – RM36,988,268) are registered under the name of third parties.

The short term and long term leasehold land and buildings have lease terms of 30 to 99 years.

## 5. INVESTMENT PROPERTIES (Cont'd)

Had the revalued investment properties been carried under the cost model, the carrying amounts of each class of investment properties that would have been included in the financial statements of the Group as at 31 January are as follows:

	GROUP	
	2015 RM	2014 RM
Long term leasehold land and buildings	51,945,207	48,887,930
Short term leasehold land	3,746,846	3,746,846
Freehold condominium	1,166,804	1,166,804
	<u>56,858,857</u>	<u>53,801,580</u>

The estimated fair value of the Group's investment properties amounting to RM103,418,000 (2014 – RM103,418,000) was based on valuations carried out by independent valuers, VPC Alliance (Sabah) Sdn. Bhd. and Henry Butcher Malaysia (Sabah) Sdn. Bhd. in October 2010 to reflect the market values. Valuations were based on current prices in an active market for all properties.

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2015 RM	2014 RM
Unquoted shares - at cost	30,100,004	2,600,000
Less: Accumulated impairment losses	(2,599,998)	(2,599,998)
	<u>27,500,006</u>	<u>2</u>

Details of the subsidiary companies are as follows:

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2015	2014		
Borneo Oil & Gas Corporation Sdn. Bhd.	100	100	Malaysia	Mining operations and related activities.
SB Partners Sdn. Bhd.	100	100	Malaysia	Investment holding.
Borneo Resources Limited * ^ (Formerly Known as Legend Wealth Global Limited)	100	-	British Virgin Islands	Investment.
<b>Subsidiaries of Borneo Oil &amp; Gas Corporation Sdn. Bhd.</b>				
Borneo Energy Sdn. Bhd.	100	100	Malaysia	Oil, gas and energy and its related businesses.
Borneo Investments Ltd * @ (Formerly Known as Borneo Oil (Indonesia) Limited)	100	100	Wilayah Persekutuan Labuan, Malaysia	Oil, gas and energy and its related businesses.

## 6. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

NAME OF COMPANY	% EQUITY HELD 2015	2014	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
<b>Subsidiaries of SB Partners Sdn. Bhd.</b>				
SB Franchise Management Sdn. Bhd.	-	100	Malaysia	Franchisee and provision of management and marketing services.
SB Resorts Sdn. Bhd.	100	100	Malaysia	Property management, lodging, food, entertainment and related activities.
SB Supplies & Logistics Sdn. Bhd.	100	-	Malaysia	Manufacturing and sales and distributions of food products.
<b>Subsidiaries of SB Franchise Management Sdn. Bhd.</b>				
Bonushopping Sdn. Bhd.	100	100	Malaysia	Dormant.
SB Supplies & Logistics Sdn. Bhd.	-	100	Malaysia	Manufacturing and sales and distributions of food products.
Applebee's Bakery Sdn. Bhd.	100	100	Malaysia	Dormant.
L & V Trading Sdn. Bhd.	100	100	Malaysia	Supply of franchise equipment and spare parts.
SB Food Enterprise Sdn. Bhd.	100	100	Malaysia	Dormant.
Sugarbun Pty Ltd *	100	100	Australia	Fast food restaurants and related activities.
<b>Subsidiaries of SB Resorts Sdn. Bhd.</b>				
SB Lifestyle Sdn. Bhd.	100	100	Malaysia	Investment properties.
The Borneo Bar Sdn. Bhd.	100	100	Malaysia	Dormant.
SB Rainforest Travel & Tours Sdn. Bhd.*	100	100	Malaysia	Dormant.
<b>Subsidiary of SB Supplies &amp; Logistics Sdn. Bhd.</b>				
Segama Resources Sdn. Bhd.	100	100	Malaysia	Investment holding.
SB Franchise Management Sdn. Bhd.	100	-	Malaysia	Franchisee and provision of management and marketing services.



6. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2015	2014		
<b>Subsidiary of Segama Resources Sdn. Bhd.</b>				
Segama Ventures Sdn. Bhd.	100	100	Malaysia	Dormant.

\* Not audited by STYL Associates

@ Share of Borneo Oil Investment Limited (*Formerly Known as Borneo Oil (Indonesia) Limited*) result was consolidated based on its unaudited management accounts as at 31 January 2015

^ Share of Borneo Resources Limited ("BRL") (*Formerly Known as Legend Wealth Global Limited*) result for the period ended 31 January 2015 was consolidated based on its unaudited management accounts

On 9 January 2015, the Company acquired 100% equity interest in BRL, a company incorporated in British Virgin Islands for a total consideration of RM4.

7. INVESTMENT IN QUOTED SECURITIES

	GROUP	
	2015 RM	2014 RM
<b>Non-current assets</b>		
Available-for-sale financial assets		
<u>Quotes shares - at cost</u>		
At the beginning of the year	3,330,210	3,276,717
Add: Additions during the year	-	53,493
At the end of the year	<u>3,330,210</u>	<u>3,330,210</u>
<u>Less: Accumulated impairment losses</u>		
At the beginning of the year	3,251,907	3,259,215
Add: Impairment during the year	16,878	42,493
Less: Reversal of impairment	-	(49,801)
At the end of the year	<u>3,268,785</u>	<u>3,251,907</u>
Net carrying amount	<u>61,425</u>	<u>78,303</u>
- at market value	<u>61,425</u>	<u>78,303</u>

## 8. INVESTMENT IN GOLF CLUB MEMBERSHIP

	GROUP AND COMPANY	
	2015	2014
	RM	RM
Non-current assets		
Available-for-sale financial assets		
Investment in golf club membership - at cost	<u>64,000</u>	<u>64,000</u>
- at market value	<u>64,000</u>	<u>64,000</u>

## 9. PREPAID LEASE PAYMENTS

	GROUP	
	2015	2014
	RM	RM
Prepaid lease rental	27,474,992	27,474,992
Less: Accumulated amortisation	<u>(16,308,044)</u>	<u>(15,117,625)</u>
	<u>11,166,948</u>	<u>12,357,367</u>

Include in prepaid lease payments is the Group's cost incurred in developing two locations in Kota Kinabalu, Sabah belonging to a government authority and, in return, the Group is allowed to operate its business operation in these two locations for periods of between eleven to twenty years in lieu of rental payment.

## 10. DEVELOPMENT EXPENDITURE

	GROUP	
	2015	2014
	RM	RM
At the beginning of the year	4,155,002	1,505,002
Add: Additions during the year	<u>18,350,004</u>	<u>2,650,000</u>
	22,505,006	4,155,002
Less: Accumulated impairment losses	<u>(1,505,001)</u>	<u>(1,505,001)</u>
At end of year	<u>21,000,005</u>	<u>2,650,001</u>

The development expenditure represents preliminary costs incurred for gold mining projects, biomass project and research and development on the Group's leasehold land.

## 11. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
(a) Goodwill on consolidation				
At the beginning and end of the year	<u>11,833</u>	<u>11,833</u>	<u>-</u>	<u>-</u>
(b) Patents and rights, at cost				
At the beginning of the year	5,000,000	5,000,000	5,000,000	5,000,000
Less: Accumulated amortisation	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>
At the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intangible assets	<u>11,833</u>	<u>11,833</u>	<u>-</u>	<u>-</u>

## 12. INVENTORIES

	GROUP		GROUP	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>At cost:</u>				
Food and beverages and packing materials	2,278,543	2,234,841	-	-
Machinery and spare parts	917,136	1,121,404	-	-
Golds	9,093,105	-	4,200,000	-
Marble blocks	<u>2,474,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>14,763,118</u>	<u>3,356,245</u>	<u>4,200,000</u>	<u>-</u>

## 13. TRADE RECEIVABLES

	GROUP	
	2015 RM	2014 RM
Trade receivables	4,904,357	4,062,189
Less: Allowance for impairment	<u>(71,917)</u>	<u>(1,979,821)</u>
	<u>4,832,440</u>	<u>2,082,368</u>

The Group's normal trade credit terms ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The ageing analysis of the Group's trade receivables is as follows:

	GROUP	
	2015 RM	2014 RM
Neither past due nor impaired	4,832,440	1,943,761
more than 91 days past due not impaired	<u>71,917</u>	<u>2,118,428</u>
	4,904,357	4,062,189
Less: Allowance for impairment	<u>(71,917)</u>	<u>(1,979,821)</u>
	<u>4,832,440</u>	<u>2,082,368</u>

13. TRADE RECEIVABLES (Cont'd)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to Nil (2014 – RM138,607) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Movements in the allowance accounts:

	GROUP	
	2015	2014
	RM	RM
At the beginning of the year	1,979,821	1,979,821
Add: Charge during the year	50,000	-
Less: Reversal during the year	(1,957,904)	-
At the end of the year	<u>71,917</u>	<u>1,979,821</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

14. OTHER RECEIVABLES

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Prepayments	90,231	800	-	-
Deposits	1,404,728	2,579,757	25,217	25,217
Sundry receivables	11,725,798	8,505,135	3,781,001	697,583
Tax recoverable	323,097	85,295	203,173	-
	<u>13,543,854</u>	<u>11,170,987</u>	<u>4,009,391</u>	<u>722,800</u>
Less: Allowance for impairment	(725)	(42,020)	-	-
	<u>13,543,129</u>	<u>11,128,967</u>	<u>4,009,391</u>	<u>722,800</u>

## 14. OTHER RECEIVABLES (Cont'd)

Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Movements in the allowance accounts:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
At the beginning of the year	42,020	2,546,265	-	30,000
Less: Reversal during the year	(41,295)	(2,504,245)	-	(30,000)
At the end of the year	<u>725</u>	<u>42,020</u>	<u>-</u>	<u>-</u>

## 15. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

These amounts are unsecured, interest-free and repayable on demand.

## 16. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	27,083,494	3,679,306	17,156,737	207,925
Deposits with licensed financial institutions	2,410,293	2,477,459	2,403,820	2,341,180
	<u>29,493,787</u>	<u>6,156,765</u>	<u>19,560,557</u>	<u>2,549,105</u>

The weighted average interest rates of deposits at the end of financial year range from 2.90% to 3.10% (2014 -- 2.75% to 2.95%) per annum and the average maturities of deposits are 30 to 365 days (2014 -- 30 to 365 days).

## 17. SHARE CAPITAL

	GROUP AND COMPANY	
	2015	2014
	RM	RM
Authorised:		
Ordinary shares of RM0.10/RM1 each		
At the beginning of the year	500,000,000	500,000,000
Adjustment for par value reduction from RM1 to RM0.10 each	<u>4,500,000,000</u>	-
At the end of the year	<u><u>5,000,000,000</u></u>	<u><u>500,000,000</u></u>
Issued and fully paid:		
Ordinary shares of RM0.10/RM1 each		
At the beginning of the year	210,244,600	199,194,600
Adjustment for par value reduction from RM1 to RM0.10 each	(208,120,140)	-
Issuance of the following shares:		
a) ESOS	26,154,000	11,050,000
b) Private placement	4,624,800	-
c) Conversion of warrants 2008/2018 (Warrant B)	<u>2,225,923</u>	-
At the end of the year	<u><u>35,129,183</u></u>	<u><u>210,244,600</u></u>

Details of shares issued during the financial year are as follows:

- a) Employee Share Options Scheme - 21,000,000 ordinary shares of RM1 each at an exercise price of RM1 per share.
- b) Employee Share Options Scheme - 51,540,000 ordinary shares of RM0.10 each at an exercise price of RM0.605 per share.
- c) Private placement - 46,248,000 ordinary shares of RM0.10 each at an exercise price of RM0.56 per share.
- d) Conversion of Warrants 2008/2018 (Warrant B) – to 22,259,232 ordinary shares of RM0.10 each.

17. SHARE CAPITAL (Cont'd)

- (a) The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 28 December 2011. The ESOS was implemented on 28 February 2012.
- (b) The main features of the ESOS are as follows:
  - (i) The ESOS shall be in force for a period of 5 years from the date of the receipt of the last of the requisite approvals, with extension of a further 5 years and may, at the discretion of the ESOS committee, be extended provided always that the initial 5 year period and such extension made shall not in aggregate exceed a duration of 10 years.
  - (ii) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
  - (iii) The total number of shares to be issued under the ESOS shall not in aggregate exceed 15% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.
  - (iv) The option price for each share shall be based on the weighted average market price of the shares for the 5 market days preceeding the date of offer, with a discount of not more than 10%, if deemed appropriate, or the par value of the shares, whichever is higher.
  - (v) No option shall be granted for less than 100 shares nor more than 3,000,000 shares to any eligible employee.
  - (vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of offer but before the expiry of 5 years, with extension of a further 5 years.
  - (vii) The persons to whom the options have been granted have no right to participate by virtue of any share issue of any other company.
- (c) The movement of the ESOS is as follows:

	GROUP AND COMPANY	
	Number of ESOS	
	2015	2014
At the beginning of the year	-	-
Add: ESOS allocated during the year	72,689,000	11,050,000
Less: ESOS exercised during the year	<u>(72,540,000)</u>	<u>(11,050,000)</u>
At the end of the year	<u>149,000</u>	<u>-</u>

## 18. RESERVES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-distributable:</b>				
Share premium reserves	73,269,421	24,164,992	73,269,421	24,164,992
ESOS reserves	43,955	45,717	43,955	45,717
Warrants reserves	1,559,972	2,672,933	1,559,972	2,672,933
Capital reserves	172,472,367	15,000	172,457,367	-
Currency translation reserves	(60,461)	(41,816)	-	-
Treasury shares	(485,630)	(194,593)	(485,630)	(194,593)
<b>Distributable:</b>				
Unappropriated profit/ (Accumulated loss)	2,687,780	(39,260,916)	-	(34,222,763)
	<u>249,487,404</u>	<u>(12,598,683)</u>	<u>246,845,085</u>	<u>(7,533,714)</u>

Share premium reserves

The reserves comprise of the surplus arising from the issuance of shares at prices above the par value of the respective shares.

ESOS reserves

The reserves relate to the issuance of shares to the employees under the Employee Share Options Scheme as part of their benefits

Capital reserves

The reserves comprise of the reserves arising from the surplus on revaluation of investments in subsidiary companies against their respective cost of investments and the reduction of the Company's par value from RM1.00 to RM0.10 per share. The amount as stated represents the surplus of the amount net of any permitted utilisation of the same in the future.

Currency translation reserves

The reserves comprise of all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than the RM.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount as stated represents acquisition costs of the treasury shares.

Details of shares re-purchased and re-sold during the financial year are as follows:

	GROUP AND COMPANY			
	Number of shares		Amount	
	2015	2014	2015 RM	2014 RM
At the beginning of the year	420,000	-	194,593	-
Repurchase of shares	6,786,000	420,000	5,026,256	194,593
Re-sale of shares	(6,583,000)	-	(5,398,595)	-
Effect of disposal of shares	-	-	663,376	-
At the end of the year	<u>623,000</u>	<u>420,000</u>	<u>485,630</u>	<u>194,593</u>



**18. RESERVES (Cont'd)**

During the financial year, the Company:

- a) Acquired 6,786,000 (2014 – 420,000) shares in the Company through purchase from the open market. The total amount paid to acquire the shares was RM5,026,256 (2014 – RM194,593). The average cost paid for the shares repurchased was RM0.74 (2014 – RM0.46) per share, including transaction costs. This was presented as a component within shareholder's equity
- b) Sold 6,583,000 (2014 – Nil) shares in the Company through sale from the open market. The total amount proceeds from the re-sale of shares was RM5,398,595 (2014 – Nil). The average cost proceeds for the shares re-sale was RM0.82 (2014 – Nil) per share respectively, including transaction costs. The sales resulted in an increase in shares premium of RM663,376.

As at 31 January 2015, the Company has 623,000 (31 January 2014 – 420,000) ordinary shares held as treasury shares.

**19. BORROWINGS**

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Short Term Borrowings</b>				
<b>Secured:</b>				
Term loans	3,114,397	2,353,927	-	-
Finance lease payables (Note 20)	1,527,382	487,230	-	-
	<u>4,641,779</u>	<u>2,841,157</u>	<u>-</u>	<u>-</u>
<b>Long Term Borrowings</b>				
<b>Secured:</b>				
Term loans	12,528,379	3,968,013	-	-
Finance lease payables (Note 20)	3,972,879	1,396,345	-	-
	<u>16,501,258</u>	<u>5,364,358</u>	<u>-</u>	<u>-</u>
<b>Total Borrowings</b>				
Term loans	15,642,776	6,321,940	-	-
Finance lease payables (Note 20)	5,500,261	1,883,575	-	-
	<u>21,143,037</u>	<u>8,205,515</u>	<u>-</u>	<u>-</u>
<b>Maturity of borrowings (excluding finance lease payables):</b>				
Within one year	3,114,397	2,353,927	-	-
More than one year and less than two years	2,240,207	1,170,972	-	-
More than two years and less than five years	6,586,991	2,797,041	-	-
More than five years	3,701,181	-	-	-
	<u>15,642,776</u>	<u>6,321,940</u>	<u>-</u>	<u>-</u>

## 19. BORROWINGS (cont'd)

The effective interest rates during the financial year for borrowings, excluding hire purchase and finance lease payables, are as follows:

	GROUP	
	2015 %	2014 %
Term loans	3.75 - 8.35	3.75 - 8.1

The term loans of the Group are secured by the following:

- (i) First legal charge over leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;
- (ii) First fixed legal charge over two parcels of lands owned by a third party;
- (iii) First fixed and floating charge by way of debenture on assets of a subsidiary company;
- (iv) Corporate guarantee by the Company; and
- (v) Deed of assignment of all rights, interest and benefits of contract signed in respect of prepaid lease payments as disclosed in Note 9 to the financial statements.

## 20. FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Minimum lease payments				
- not later than one year	2,028,793	587,748	-	-
- later than one year and not later than two years	2,028,793	587,748	-	-
- later than two years and not later than five years	2,448,972	875,826	-	-
- later than five years	-	48,972	-	-
	<u>6,506,558</u>	<u>2,100,294</u>	-	-
Less: Amount representing finance charges	(1,006,297)	(216,719)	-	-
Present value of minimum lease payment	<u>5,500,261</u>	<u>1,883,575</u>	-	-
Represented by:				
Current				
- not later than one year	1,527,382	487,230	-	-
Non-current				
- later than one year and not later than two years	1,527,382	489,399	-	-
- later than two years and not later than five years	2,445,497	864,805	-	-
- later than five years	-	42,141	-	-
	<u>5,500,261</u>	<u>1,883,575</u>	-	-
Analysed as:				
Due within one year	1,527,382	487,230	-	-
Due after one year	3,972,879	1,396,345	-	-
	<u>5,500,261</u>	<u>1,883,575</u>	-	-

The hire purchase and finance lease payables bore interest of between 4.53% and 12.26% (2014 – 2.98% and 8.74%) per annum.

## 21. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
At the beginning of the year	31,300	27,700	-	-
Recognised in the statements of profit or loss and other comprehensive income (Note 27)	195,600	3,600	181,000	-
At the end of the year	<u>226,900</u>	<u>31,300</u>	<u>181,000</u>	<u>-</u>

This is in respect of taxation effect on temporary differences arising from capital allowance claimed on property, plant and equipment in excess of their depreciation charges.

## 22. TRADE PAYABLES

The normal trade credit terms granted to the Group ranges from 30 to 90 days.

## 23. OTHER PAYABLES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Accruals	5,391,417	2,216,377	47,119	46,875
Deposits received	1,853,624	1,789,180	185,100	185,100
Sundry payables	7,732,540	4,237,840	5,776,904	1,437,928
	<u>14,977,581</u>	<u>8,243,397</u>	<u>6,009,123</u>	<u>1,669,903</u>

## 24. REVENUE

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Oil, gas, energy and mining related businesses	34,694,600	1,917,571	-	-
Sales from fast food and restaurant operations	32,615,899	34,597,126	-	-
Revenue from administrative, management and marketing services	4,250,527	1,965,678	1,716,000	636,000
Franchise fees	400,123	2,065,259	-	1,756,358
Contract income	7,597,200	-	7,597,200	-
Rental income	-	51,097	-	-
Machinery and spare parts	4,687,528	1,220,020	-	-
	<u>84,245,877</u>	<u>41,816,751</u>	<u>9,313,200</u>	<u>2,392,358</u>

## 25. OTHER INCOME

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Allowance for impairment written back	1,999,200	2,504,245	4,635	30,000
Dividend income	13,748	444	-	-
Gain on disposal of investment properties	-	1,823,167	-	-
Gain on disposal of property, plant and equipment	27,056	29,999	-	29,999
Gain on foreign exchange	13,893	2,799	13,617	-
Gain on other investment	1,050,738	-	-	-
Insurance claim received	45,056	68,520	-	-
Interest income	85,076	64,650	71,845	62,660
License fee received	18,745	-	-	-
Procurement fee	-	6,000,000	-	-
Rental income	2,060	-	-	-
Reversal of impairment on other investment	-	49,801	-	-
Sundry income	184,882	532,719	2,334	76
	<u>3,440,455</u>	<u>11,076,344</u>	<u>92,431</u>	<u>122,735</u>

## 26. PROFIT/(LOSS) BEFORE TAXATION

This has been determined after charging the following items:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Allowance for impairment	50,000	-	6,360	5,498
Amortisation of prepaid lease rental	1,190,419	1,589,895	-	-
Audit fees	161,960	164,115	42,000	42,000
Depreciation	3,450,476	3,173,877	35,441	25,350
Executive Directors' remuneration (Note 30)	217,800	216,000	60,000	60,000
Hire of machineries	273,103	160,931	-	-
Impairment loss on investment in quoted securities	16,878	42,493	-	-
Interest expenses:				
- Finance lease interest	474,649	58,711	-	186
- Late payment interest	11,121	41,475	-	-
- Term loan interest	373,178	354,828	-	-
Loss on bulgary	109,559	-	-	-
Loss on disposal of property, plant and equipment	-	235,410	-	-
Loss on foreign exchange	16,076	-	-	-
Non-executive Directors' remuneration (Note 30)	114,000	130,000	30,000	30,000
Property, plant and equipment written off	13,668	46,805	-	-
Rental of equipment, machinery and motor vehicle	1,343,863	937,942	-	-
Rental of hostel	70,899	26,800	-	-
Rental of land	24,000	70,466	-	-
Rental of premises	1,165,689	923,850	24,000	24,000

## 26. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
and crediting the following items:				
Allowance for impairment written back	1,994,565	3,075,672	4,635	30,000
Dividend income	13,748	444	-	-
Gain on disposal of investment properties	-	1,761,199	-	-
Gain on disposal of property, plant and equipment	27,056	-	-	29,999
Gain on foreign exchange	-	2,799	13,617	-
Gain on other investment	1,050,738	-	-	-
Insurance claim received	45,056	68,520	-	-
Interest income	13,231	64,650	71,845	62,660
License fee received	18,745	-	-	-
Procurement fee	-	6,000,000	-	-
Rental income	2,060	-	-	-
Reversal on impairment of other investment	-	49,801	-	-

## 27. TAXATION

The provision for taxation for the financial year is computed at the prevailing tax rates.

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Provision for current year	217,600	671,500	18,000	342,000
(Over)/Underprovision in prior years	(246,891)	(59,294)	(198,766)	28,817
Deferred taxation (Note 21)	195,600	3,600	181,000	-
	<u>166,309</u>	<u>615,806</u>	<u>234</u>	<u>370,817</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit/(loss) for the year.

## 27. TAXATION (cont'd)

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before taxation	<u>7,193,063</u>	<u>3,722,971</u>	<u>(698,945)</u>	<u>1,288,004</u>
Taxation at the Malaysian statutory tax rate of 25%	1,798,266	930,743	(174,736)	322,001
Income not subjected to tax	(1,280,909)	(3,044,016)	(1,159)	(30,665)
Expenses not deductible for tax purposes	2,969,486	3,374,098	374,895	80,283
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(3,073,643)	(585,725)	-	(29,619)
(Over)/Underprovision of income tax in prior years				
- Malaysian tax	<u>(246,891)</u>	<u>(59,294)</u>	<u>(198,766)</u>	<u>28,817</u>
Tax expense for the year	<u>166,309</u>	<u>615,806</u>	<u>234</u>	<u>370,817</u>

The Group and the Company have not recognised deferred tax assets in respect of the following items:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Unabsorbed tax losses	23,013,014	31,453,318	-	-
Unutilised capital allowances	<u>3,139,623</u>	<u>8,506,364</u>	<u>2,595,895</u>	-
	<u>26,152,637</u>	<u>39,959,682</u>	<u>2,595,895</u>	-

The unabsorbed tax losses and unutilised of capital allowances are available for offset against future taxable profits of the subsidiary and Company in which those items arose. These amounts are subject to agreement by the Inland Revenue Board.

## 28. EARNINGS PER SHARE

## Basic earnings per share:

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2015	2014
Profit for the year (RM)	7,026,754	3,107,165
Weighted average number of ordinary shares in issue	257,358,543	202,287,504
Basic earnings per share (sen)	<u>2.73</u>	<u>1.54</u>

The effects on the basic earnings per share for the current financial year arising from the assumed exercise of warrants are anti-dilutive. Accordingly, diluted earnings per share for the current year have not been presented.

## 29. STAFF COSTS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries and allowances	6,927,326	5,343,988	443,644	453,410
E.P.F. and Socso contributions	608,900	498,436	47,198	45,666
Other staff related expenses	516,587	213,397	28,756	19,768
	<u>8,052,813</u>	<u>6,055,822</u>	<u>519,598</u>	<u>518,844</u>

Included in staff costs of the Group and of the Company are executive Directors' remuneration amounting to RM217,800 (2014 – RM216,000) and RM60,000 (2014 – RM60,000) respectively as disclosed in Note 30 to the financial statements.

## 30. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Directors of the Company</b>				
Executive:				
Fees	<u>217,800</u>	<u>216,000</u>	<u>60,000</u>	<u>60,000</u>
Non-Executive:				
Fees	<u>114,000</u>	<u>130,000</u>	<u>30,000</u>	<u>30,000</u>
Total	<u>331,800</u>	<u>346,000</u>	<u>90,000</u>	<u>90,000</u>

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

	Number of Directors	
	2015	2014
Executive Directors:		
Below RM50,000	-	-
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
Above RM150,000	<u>1</u>	<u>1</u>
Non-Executive Directors:		
Below RM50,000	3	6
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	<u>-</u>	<u>-</u>

## 31. RELATED PARTY TRANSACTIONS

## (a) Significant related party transactions

The significant related party transactions of the Company comprise the following:

	COMPANY	
	2015	2014
	RM	RM
Management fee received from subsidiary companies		
- SB Franchise Management Sdn. Bhd.	120,000	600,000
- SB Supplies & Logistics Sdn. Bhd.	<u>1,560,000</u>	<u>-</u>
	<u>1,680,000</u>	<u>600,000</u>
Licensing fee received from subsidiary companies		
- L & V Trading Sdn. Bhd.	-	877,442
- SB Supplies & Logistics Sdn. Bhd.	<u>-</u>	<u>878,916</u>
	<u>-</u>	<u>1,756,358</u>

These transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## (b) Compensation of key management personnel ("KMP")

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. The key management personnel of the Group are executive Directors of the Group.

The remuneration of key management personnel during the year was as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM	RM	RM	RM
Total KMP's remuneration	<u>217,800</u>	<u>216,000</u>	<u>60,000</u>	<u>60,000</u>

## 32. CONTINGENT LIABILITIES

	COMPANY	
	2015	2014
	RM	RM
Unsecured:		
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	<u>29,009,701</u>	<u>13,217,269</u>



## 33. FINANCIAL INSTRUMENTS

## (a) Classification of financial instruments

The table below provides analysis of financial instruments of the Group and of the Company. The Group and the Company categorised financial assets as loans and receivables ("L&R") and available-for-sale financial assets ("AFS") and financial liabilities as other financial liabilities measured at amortised cost ("AC").

<u>Group</u>	<u>AFS</u>	<u>L&amp;R</u>	<u>AC</u>	<u>TOTAL</u>
	RM	RM	RM	RM
<b>At 31 January 2015</b>				
<b>Financial Assets</b>				
Investment in quoted securities	61,425	-	-	61,425
Investment in golf club membership	64,000	-	-	64,000
Trade receivables	-	4,832,440	-	4,832,440
Other receivables	-	13,543,129	-	13,543,129
Cash and cash equivalents	-	29,493,787	-	29,493,787
	<u>125,425</u>	<u>47,869,356</u>	<u>-</u>	<u>47,994,781</u>
<b>Financial Liabilities</b>				
Trade payables	-	-	1,781,864	1,781,864
Other payables	-	-	14,977,581	14,977,581
Term loans	-	-	15,642,776	15,642,776
Finance lease payables	-	-	5,500,261	5,500,261
	<u>-</u>	<u>-</u>	<u>37,902,482</u>	<u>37,902,482</u>
<b>At 31 January 2014</b>				
<b>Financial Assets</b>				
Investment in quoted securities	78,303	-	-	78,303
Investment in golf club membership	64,000	-	-	64,000
Trade receivables	-	2,082,368	-	2,082,368
Other receivables	-	11,128,967	-	11,128,967
Cash and cash equivalents	-	6,156,765	-	6,156,765
	<u>142,303</u>	<u>19,368,100</u>	<u>-</u>	<u>19,510,403</u>
<b>Financial Liabilities</b>				
Trade payables	-	-	1,958,266	1,958,266
Other payables	-	-	8,243,398	8,243,398
Term loans	-	-	6,321,940	6,321,940
Finance lease payables	-	-	1,883,575	1,883,575
	<u>-</u>	<u>-</u>	<u>18,407,179</u>	<u>18,407,179</u>

## 33. FINANCIAL INSTRUMENTS (Cont'd)

## (a) Classification of financial instruments (Cont'd)

<u>Company</u>	<u>AFS</u> <u>RM</u>	<u>L&amp;R</u> <u>RM</u>	<u>AC</u> <u>RM</u>	<u>TOTAL</u> <u>RM</u>
<b>At 31 January 2015</b>				
<b>Financial Assets</b>				
Investment in golf club membership	64,000	-	-	64,000
Other receivables	-	4,009,391	-	4,009,391
Amount due from subsidiary companies	-	220,328,227	-	220,328,227
Cash and cash equivalents	-	19,560,557	-	19,560,557
	<u>64,000</u>	<u>243,898,175</u>	<u>-</u>	<u>243,962,175</u>
<b>Financial Liabilities</b>				
Other payables	-	-	6,009,123	6,009,123
Amount due to subsidiary companies	-	-	2,586,739	2,586,739
	<u>-</u>	<u>-</u>	<u>8,595,862</u>	<u>8,595,862</u>
<b>At 31 January 2014</b>				
<b>Financial Assets</b>				
Investment in golf club membership	64,000	-	-	64,000
Other receivables	-	722,800	-	722,800
Amount due from subsidiary companies	-	203,575,662	-	203,575,662
Cash and cash equivalents	-	2,549,105	-	2,549,105
	<u>64,000</u>	<u>206,847,567</u>	<u>-</u>	<u>206,911,567</u>
<b>Financial Liabilities</b>				
Other payables	-	-	1,669,903	1,669,903
Amount due to subsidiary companies	-	-	2,565,949	2,565,949
	<u>-</u>	<u>-</u>	<u>4,235,852</u>	<u>4,235,852</u>

## (b) Financial Risk Management 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 interest rate risk, credit risk, foreign currency risk, liquidity risk, precious metals and stones risk and market price risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing these risks. The Group's risk management approach seeks to minimise the potential material adverse impact of those exposures.

The following section provides details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

## 33. FINANCIAL INSTRUMENTS (Cont'd)

## (b) Financial Risk Management Policies (Cont'd)

## (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest risk arises primarily from interest-bearing financial assets and financial liabilities. The Group's interest-bearing financial assets include fixed deposits that are short term in nature and are held to earn a better yield than cash at banks. The fixed deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk. The Group's interest-bearing financial liabilities include hire purchase and finance lease payables and term loans.

Borrowings at floating rates expose the Group to cash flow interest rate risk whilst finance lease payables at fixed rate expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 year RM	2-5 years RM	More than 5 years RM	Total RM
<b>Group</b>						
<b>At 31 January 2015</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.93	2,410,293	-	-	2,410,293
Finance lease payables	20	4.68	1,527,382	3,972,879	-	5,500,261
			<u>3,937,675</u>	<u>3,972,879</u>	<u>-</u>	<u>7,910,554</u>
<b>Floating rate</b>						
Term loans	19	6.32	3,114,397	8,827,198	3,701,181	15,642,776
<b>At 31 January 2014</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.95	2,477,459			2,477,459
Finance lease payables	20	5.15	487,230	1,396,345		1,883,575
			<u>2,964,689</u>	<u>1,396,345</u>	<u>-</u>	<u>4,361,034</u>
<b>Floating rate</b>						
Term loans	19	5.93	2,353,927	3,968,013	-	6,321,940

## 33. FINANCIAL INSTRUMENTS (Cont'd)

## (b) Financial Risk Management Policies (Cont'd)

## (i) Interest rate risk (cont'd)

	Note	WAEIR %	Within 1 year RM	2-5 years RM	More than 5 years RM	Total RM
<b>Company</b>						
<b>At 31 January 2015</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.75	2,403,820	-	-	2,403,820
<b>At 31 January 2014</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.75	2,341,180	-	-	2,341,180

**Interest rate risk sensitivity analysis**

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:

	GROUP	
	2015	2014
	Increase/ (Decrease) RM	Increase/ (Decrease) RM
<b>Effect on profit after taxation</b>		
Increase of 100 Basis Point (bp)	(156,428)	(63,219)
Decrease of 100 Basis Point (bp)	156,428	63,219
<b>Effect on equity</b>		
Increase of 100 Basis Point (bp)	(156,428)	(63,219)
Decrease of 100 Basis Point (bp)	156,428	63,219

## (ii) 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 exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment in quoted shares and cash and cash equivalents), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company is also exposed to credit risk arising from corporate guarantee provided in respect of credit facilities granted to the subsidiary companies (Note 32).

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. 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.

## 33. FINANCIAL INSTRUMENTS (Cont'd)

## (b) Financial Risk Management Policies (Cont'd)

## (ii) Credit risk (cont'd)

Exposure to credit risk

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.
- A nominal amount of RM29,009,701 (2014 – RM13,217,269) relating to corporate guarantees to bank and other financial institutions for credit facilities granted to subsidiary companies.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 13. Deposits with banks and other financial institutions and quoted shares 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 trade and other receivables that are either past due or impaired is disclosed in Notes 13 and 14.

## (iii) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales, purchases and investment that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar and Brunei Dollar. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to 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:

Functional Currency	Net financial assets/(financial liabilities) held in non-functional currency			
	United States Dollar RM	Singapore Dollar RM	Brunei Dollar RM	Total RM
<u>Group</u>				
At 31 January 2015				
Investment in quoted securities	52,125	-	-	52,125
Trade receivables	82,437	-	28,355	110,792
Trade payables	-	(37,204)	-	(37,204)
	<u>134,562</u>	<u>(37,204)</u>	<u>28,355</u>	<u>125,713</u>
At 31 January 2014				
Investment in quoted securities	67,303	-	-	67,303
Trade receivables	63,069	-	24,934	88,003
Cash and cash equivalents	-	(23,913)	-	(23,913)
	<u>130,372</u>	<u>(23,913)</u>	<u>24,934</u>	<u>131,393</u>

## 33. FINANCIAL INSTRUMENTS (Cont'd)

## (b) Financial Risk Management Policies (Cont'd)

## (iii) Foreign currency risk (cont'd)

**Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the United States Dollar (USD), Singapore Dollar (SGD) and Brunei Dollar (BRN) exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	GROUP	
	2015	2014
	RM	RM
USD/RM - Strengthened 5%	6,728	6,519
- Weakened 5%	(6,728)	(6,519)
SGD/RM - Strengthened 5%	(1,860)	(1,196)
- Weakened 5%	1,860	1,196
BRD/RM - Strengthened 5%	1,418	1,247
- Weakened 5%	(1,418)	(1,247)

## (iv) Liquidity risk

Liquidity risk is the risk that the Group or 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.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	On demand	2 - 5	More than	Total
	or within 1			
At 31 January 2015	year	RM	RM	RM
	RM	RM	RM	RM
Trade payables	1,781,864	-	-	1,781,864
Other payables	14,977,581	-	-	14,977,581
Term loans	3,114,397	8,827,198	3,701,181	15,642,776
Finance lease payables	1,527,382	3,972,879	-	5,500,261
	<u>21,401,224</u>	<u>12,800,077</u>	<u>3,701,181</u>	<u>37,902,482</u>
At 31 January 2014				
Trade payables	1,958,266	-	-	1,958,266
Other payables	8,243,398	-	-	8,243,398
Term loans	2,353,927	3,968,013	-	6,321,940
Finance lease payables	487,230	1,396,345	-	1,883,575
	<u>13,042,821</u>	<u>5,364,358</u>	<u>-</u>	<u>18,407,179</u>

## 33. FINANCIAL INSTRUMENTS (Cont'd)

## (b) Financial Risk Management Policies (Cont'd)

## (iv) Liquidity risk (cont'd)

<u>Company</u>	On demand or within 1 year RM	2 - 5 years RM	More than 5 years RM	Total RM
<b>At 31 January 2015</b>				
Other payables	6,009,123	-	-	6,009,123
Amount due to subsidiary companies	<u>2,586,739</u>	-	-	<u>2,586,739</u>
	<u>8,595,862</u>	-	-	<u>8,595,862</u>
<b>At 31 January 2014</b>				
Other payables	1,669,903	-	-	1,669,903
Amount due to subsidiary companies	<u>2,565,949</u>	-	-	<u>2,565,949</u>
	<u>4,235,852</u>	-	-	<u>4,235,852</u>

## (v) Precious metals and stones risk

The gold industry is generally affected by fluctuations in the price and supply of precious metal and stones. The supply and price of gold in the principal world market are significantly influenced by the supply and demand for gold in the world markets. To date, there has been no material impact on the availability and pricing of and demand for gold. There are no hedging transactions entered into for other precious metals and stones.

## (vi) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Groups' financial instruments will fluctuate because of changes in market prices.

The Group is exposed to securities price risk from its investment in quoted shares. These quoted shares are classified as available-for-sale financial assets.

The Group's objective is to manage investment returns and the price risk by investing in investment grade securities with steady dividend yield.

## 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets (except investment in quoted shares and investment in golf club membership) and liabilities are reasonable approximation of their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair value of investment in quoted shares and investment in golf club membership is determined by reference to the market price at the reporting date, and is disclosed in Notes 7 and 8.

The Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be received or settled.

## 35. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios as at 31 January 2014 and as at 31 January 2015 were as follows:

	GROUP	
	2015 RM	2014 RM
Trade payables	1,781,864	1,958,266
Other payables	14,977,581	8,243,398
Total borrowings (Note 19)	21,143,037	8,205,515
Less: Cash and cash equivalents	(29,493,787)	(6,156,765)
Net debt	8,408,695	12,250,414
Equity attributable to the owners of the parent	284,616,587	197,645,917
Capital and net debt	293,025,282	209,896,331
Debt-to-equity ratio	0.03	0.06

There were no changes in the Group's approach to capital management during the year.

## 36. SIGNIFICANT EVENTS

The following were the significant events during the financial year:

- (a) On 14 March 2014, Borneo Oil & Gas Corporation Sdn. Bhd. ("BOG") entered into a Sub-Contract Agreement with Champmark Sdn. Bhd. to act as its contractor to carry out the prospecting and mining of alluvial and lode gold on an exclusive basis on an area located at Mukim Batu Yon, District of Lipis, Pahang.
- (b) On 5 January 2015, BOG was appointed by Jusra Mining Merapoh Sdn. Bhd. as its contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis on an area located at SG Serumbum, Hutan Simpan Hulu Jelai, Daerah Lipis, Pahang.
- (c) On 9 January 2015, the Company acquired 100% equity interest in Borneo Resources Limited (*Formerly Known as Legend Wealth Global Limited*), a company incorporated in British Virgin Islands for a total consideration of RM4.

## 37. SUBSEQUENT EVENTS

The following were the subsequent events after the financial year:

- (a) On 11 March 2015, BOG entered into an Exclusive Production Sharing Agreement with HDL Global Sdn Bhd to carry out prospecting, exploration, mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold on an exclusive basis on an area known as Blok A, SKC(H) 1/2001, Hutan Simpan Bukit Ibam, Mukim Keratong, Daerah Rompin, Pahang.



**37. SUBSEQUENT EVENTS (cont'd)**

- (b) On 27 April 2015, the Company announced the proposed Renounceable Rights Issue of up to 2,349,841,596 new ordinary shares of RM0.10 each in Borneo Oil Berhad (BORNOIL SHARES) at an indicative issue price of RM 0.10 per rights share on the basis of six (6) rights shares for every one (1) existing BORNOIL share held, together with up to 1,174,920,798 free detachable warrants in BORNOIL (Warrants C) on the basis of one (1) free Warrant C for every two (2) rights shares subscribed for, on an entitlement date to be determined later.

**38. SEGMENTAL INFORMATION**

**(a) Operating segments**

For management purpose, the Group is organised into four major operating segments based on their products and services as follows:

- i) Head office and others
- ii) Fast food operations
- iii) Management and operations of properties
- iv) Oil, gas, energy and mining related businesses

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**(b) Geographical segments**

Segmental reporting by geographical location has not been prepared as the Group's operations are only carried out in Malaysia.

**(c) Information about major customers**

Revenue from major customers of the Group amount to RM1,943,198 (2014 - RM1,926,812) arising from sales by the fast food operations segment.

## 38. SEGMENTAL INFORMATION (Cont'd)

	Head office and Others		Fast Food Operations		Management and Operations of Properties		Oil, Gas, Energy and Mining Related Businesses		Elimination		Consolidated	
	RM	2015	RM	2014	RM	2015	RM	2014	RM	2015	RM	2014
<b>Revenue</b>												
External sales	7,633,200	36,000	37,315,338	34,323,374	4,602,739	5,539,806	34,694,600	1,917,571	-	-	84,245,877	41,816,751
Inter-segment sales	1,680,000	2,356,358	4,677,628	27,364,215	-	-	-	-	(6,357,628)	(29,720,573)	-	-
Total revenue	9,313,200	2,392,358	41,992,966	61,687,589	4,602,739	5,539,806	34,694,600	1,917,571	(6,357,628)	(29,720,573)	84,245,877	41,816,751
<b>Results</b>												
Segment results	(2,401,869)	(241,467)	5,268,285	5,322,948	(1,377,801)	5,207,951	6,552,275	(6,152,921)	-	-	8,040,890	4,136,511
Profit from operations											8,040,890	4,136,511
Finance costs, net											(847,827)	(413,540)
Taxation											(166,309)	(615,806)
Profit after taxation											7,026,754	3,107,165
Profit for the year											7,026,754	3,107,165
<b>ASSETS AND LIABILITIES</b>												
Segment assets	42,932,411	3,590,890	21,251,533	21,004,025	170,978,750	159,817,610	88,305,748	32,395,998			323,468,442	216,808,523
Segment liabilities	6,419,611	2,063,789	4,448,920	4,991,360	6,475,677	7,860,291	21,507,647	4,247,166			38,851,855	19,162,606
<b>OTHER INFORMATION</b>												
Capital expenditure	14,968,394	34,208	2,354,761	8,367,086	3,501,772	6,011,452	28,342,266	1,406,256			49,167,193	15,819,002
Depreciation	35,441	25,350	684,480	685,689	1,146,681	1,532,402	1,583,874	930,436			3,450,476	3,173,877
Amortisation of prepaid lease rental	-	-	-	-	1,190,419	1,589,895	-	-			1,190,419	1,589,895

**39. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

The following analysis of realised and unrealised retained profits or losses of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared 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 Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The accumulated losses of the Group and of the Company as at year end is analysed as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	28,611,116	(144,174,850)	(35,102,942)	(34,222,763)
- Unrealised	(79,651,005)	83,038,956	181,000	-
	<u>(51,039,889)</u>	<u>(61,135,894)</u>	<u>(34,921,942)</u>	<u>(34,222,763)</u>
Add: Consolidated adjustments	18,805,727	21,874,978	-	-
Add: Accumulated loss written off	<u>34,921,942</u>	<u>-</u>	<u>34,921,942</u>	<u>-</u>
Total unappropriated profit/ (accumulated losses)	<u>2,687,780</u>	<u>(39,260,916)</u>	<u>-</u>	<u>(34,222,763)</u>

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.

UNAUDITED QUARTERLY REPORT OF OUR GROUP FOR THE SIX (6)-MONTH FPE 31 JULY 2015

CERTIFIED TRUE COPY,



.....  
CHIN SIEW KIM  
Company Secretary  
LS 000982

**BORNEO OIL BERHAD**

Company No. 121919-H  
(Incorporated in Malaysia)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED  
31 JULY 2015**

(THE FIGURES HAVE NOT BEEN AUDITED)

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE SECOND QUARTER ENDED 31 JULY 2015**  
- THE FIGURES HAVE NOT BEEN AUDITED

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Second Quarter		Cumulative Quarter	
	Unaudited		Unaudited	
	Current	Preceding	Current	Preceding
	Period	Period	Period	Period
	31-Jul-15	31-Jul-14	31-Jul-15	31-Jul-14
	RM'000	RM'000	RM'000	RM'000
Revenue	51,181	19,339	65,813	27,387
Cost of sales	(42,828)	(10,658)	(51,624)	(16,236)
Gross profit	8,353	8,681	14,189	11,151
Other income	360	196	645	528
Operating expenses	(5,690)	(6,217)	(11,147)	(10,450)
Profit from operations	3,023	2,660	3,687	1,229
Finance cost	(134)	(219)	(273)	(384)
Profit before tax	2,889	2,441	3,414	845
Taxation	-	-	-	-
Profit for the period	2,889	2,441	3,414	845
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	-	-	-	-
Comprehensive profit for the period	2,889	2,441	3,414	845
Profit attributable to equity holders of the Company	2,889	2,441	3,414	845
Total comprehensive profit attributable to equity holders of the Company	2,889	2,441	3,414	845
Profit per share (sen)				
- basic (sen)	0.76	1.06	0.92	0.37
- fully diluted (sen)	n/a	n/a	n/a	n/a

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE SECOND QUARTER ENDED 31 JULY 2015**  
**- THE FIGURES HAVE NOT BEEN AUDITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>as at</b>	<b>as at</b>
	<b>31-Jul-15</b>	<b>31-Jan-15</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non Current Assets</b>		
Property, plant & equipment	89,907	90,464
Investment properties	147,568	138,068
Prepaid lease payments	10,605	11,167
Intangible assets	12	12
Development expenditure	29,704	21,000
Investment in golf club membership	64	64
Investment in quoted shares.	61	61
	<u>277,921</u>	<u>260,836</u>
<b>Current Assets</b>		
Inventories	5,089	14,763
Trade receivables	10,721	4,832
Other receivables	23,825	13,543
Cash and bank balances	11,516	29,494
	<u>51,151</u>	<u>62,632</u>
<b>Total Assets</b>	<u><u>329,072</u></u>	<u><u>323,468</u></u>
<b>Shareholders' Fund</b>		
Share capital	38,052	35,129
Share premium	79,721	73,270
Other reserves	174,155	173,530
Retained profits	6,102	2,688
	<u>298,030</u>	<u>284,617</u>
<b>Current Liabilities</b>		
Trade Payables	2,752	1,782
Other Payables	7,135	14,977
Short term borrowings	12,975	4,642
Tax payable	418	722
	<u>23,280</u>	<u>22,123</u>
<b>Non Current Liabilities</b>		
Deferred taxation	227	227
Long term borrowings	7,535	16,501
	<u>7,762</u>	<u>16,728</u>
<b>Total Equity and Liabilities</b>	<u><u>329,072</u></u>	<u><u>323,468</u></u>
Net assets per share (RM)	<u>0.78</u>	<u>0.81</u>

**BORNEO OIL BERHAD***(Company No. 121919-H)*

Incorporated in Malaysia

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 31 JULY 2015**

- THE FIGURES HAVE NOT BEEN AUDITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Non-distributable reserves										Distributable reserves	
	Share capital RM'000	Share premium RM'000	Par value reduction RM'000	Exchange reserves RM'000	Treasury Shares RM'000	ESOS reserves RM'000	Capital reserves RM'000	Warrants reserves RM'000	Accumulated			
									losses RM'000	Total RM'000		
<b>Year ended 31 January 2015</b>												
Balance as of 1 May 2014	231,245	24,165	-	85	(195)	46	15	2,673	(40,857)	217,177		
Issue of shares	21,000	-	-	-	-	-	-	-	-	21,000		
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-		
Other comprehensive income	-	-	-	(81)	-	-	-	-	-	(81)		
- Exchange reserve	-	-	-	-	-	-	-	-	-	-		
Net profit for the year	-	-	-	-	-	-	-	-	2,441	2,441		
<b>Balance as of 31 July 2014</b>	<b>252,245</b>	<b>24,165</b>	<b>-</b>	<b>4</b>	<b>(195)</b>	<b>46</b>	<b>15</b>	<b>2,673</b>	<b>(38,416)</b>	<b>240,537</b>		
<b>Year ended 31 January 2016</b>												
Balance as of 1 May 2015	35,129	73,269	-	(60)	(486)	44	172,472	1,560	2,688	284,616		
Issue of shares	2,923	6,335	-	-	-	-	-	-	-	9,258		
Rights issue expenses	-	-	-	-	-	-	-	-	-	-		
Sale of treasury shares	-	117	-	-	486	-	-	-	-	603		
Other comprehensive income	-	-	-	139	-	-	-	-	-	139		
- Exchange reserve	-	-	-	-	-	-	-	-	-	-		
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-		
Net profit for the year	-	-	-	-	-	-	-	-	3,414	3,414		
<b>Balance as of 31 July 2015</b>	<b>38,052</b>	<b>79,721</b>	<b>-</b>	<b>79</b>	<b>-</b>	<b>44</b>	<b>172,472</b>	<b>1,560</b>	<b>6,102</b>	<b>298,030</b>		

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2015 and the explanatory notes attached to the interim financial statements.

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS**  
**FOR THE SECOND QUARTER ENDED 31 JULY 2015**  
**- THE FIGURES HAVE NOT BEEN AUDITED**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited</b>	
	<b>Current year</b>	<b>Preceding year</b>
	<b>to date</b>	<b>to date</b>
	<b>31-Jul-15</b>	<b>31-Jan-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	(8,172)	1,533
Net cash (used in)/from investing activities	(19,172)	(65,107)
Net cash from/(used in) financing activities	9,227	86,990
<b>Net decrease in cash and cash equivalents</b>	<b>(18,117)</b>	<b>23,416</b>
<b>Exchange reserve</b>	<b>139</b>	<b>(79)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>29,494</b>	<b>6,157</b>
<b>Cash and Cash Equivalents at End of Period*</b>	<b>11,516</b>	<b>29,494</b>
* Cash and cash equivalents at end of financial period		
Cash and bank balances	8,939	27,084
Fixed deposit with licensed bank	2,577	2,410
	<b>11,516</b>	<b>29,494</b>

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 January 2015 and the accompanying explanatory notes attached to the interim financial statements.



**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

**A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 January 2015. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 January 2015.

As at 31 July 2013, the following FRSs and IC Interpretations were not in issue but not yet effective and have not been applied by the Group:

		Effective date for Financial periods <u>Beginning on or after</u>
MFRS 9	Financial instruments (IFRS 9 issued By IABS in November 2009) Financial instruments (IFRS 9 issued By IASB in October 2010)	1 January 2015

**A2. Audit Report**

The auditors' report on the audited financial statements for the year ended 31 January 2015 was not qualified.

**A3. Seasonal or Cyclical Factors**

The operations of the Group generally move in tandem with the performance of the various industries undertaken.

**A4. Unusual Items**

During the quarter under review there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that were unusual by reason of their nature, size or incidence.

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

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**A5. Changes in Estimates**

There were no changes in estimates of amounts reported that have a material effect on the results in the quarter under review.

**A6. Issuance, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities**

There was a total of 8,044,000 Warrant B conversion to new ordinary shares of RM 0.10 each during the quarter.

**A7. Dividends Paid**

There is no dividend paid during the quarter under review.

**A8. Valuation of Property, Plant & Equipment**

No fresh valuation of properties, plant and equipment was done during the quarter.

**A9. Significant Event**

There was no significant event except for the ongoing proposal for renounceable rights issue of up to 2,373,841,596 new ordinary shares of RM 0.10 each in the Company at an indicative issue price of RM 0.10 per rights shares on the basis of six (6) rights shares for every one (1) existing shares held, together with up to 1,186,920,798 free detachable warrants (Warrants C) on the basis of one (1) free Warrant C for every two (2) rights shares subscribed for, on an entitlement date to be determined later. The details of which were as announced to BURSA on 11 March and 27 April 2015 respectively.

**A10. Subsequent Events**

There are no material subsequent events after the quarter.

**A11. Changes in Composition of the Group**

There was no change since the previous quarter.

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

**A12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets of the Group during the quarter under review.

**A13. Group Segmental Information**

Group segmental results by business activities.

	Current quarter to date 31-Jul-15		Preceding quarter to date 31-Jul-14	
	Profit/(Loss)		Profit/(Loss)	
	Revenue RM'000	before tax RM'000	Revenue RM'000	before tax RM'000
Head office & others	9	(673)	37	(321)
Fast food & franchise operation	11,378	1,337	10,530	76
Property, Management & operation	962	(329)	992	(110)
Mining, energy & related operation	38,832	2,554	7,780	2,796
Revenue and profit/(loss) before finance cost	51,181	2,889	19,339	2,441

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

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**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**B1. Review of Performance**

The Group recorded quite a remarkable performance in its overall turnover especially in its oil, gas, mining and related activities division. This was further contributed by the fast food division which continued to perform consistently.

**B2. Variation of results**

The Group's overall result improved accordingly as can be noted from the overall result for the various factors as explained above.

**B3. Current year prospects**

The Board is confident if the current performance could be maintained and improved further barring any unforeseen circumstances the respective division should be able to achieve the desired result as envisaged.

**B4. Variation Profit Forecast / Profit Guarantee**

There were no profit forecast or guarantee made during the quarter.

**B5. Taxation**

There was no provision of taxation made in the current period.

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

**B6. Corporate Proposals**

There is no other major corporate proposal except as disclosed in A9 above.

**B7. Borrowings and Debt Securities**

	<b>Unaudited current year to date</b>	<b>Preceding year to date</b>
	<b>31-Jul-15</b>	<b>31-Jan-15</b>
	RM'000	RM'000
Short term borrowings :		
- Term loans	11,165	3,114
- Hire purchase payables	1,810	1,528
	<u>12,975</u>	<u>4,642</u>
Long term borrowings :		
- Term loans	3,415	12,528
- Hire purchase payables	4,120	3,973
	<u>7,535</u>	<u>16,501</u>
Total borrowings	<u><u>20,510</u></u>	<u><u>21,143</u></u>

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

**B8. Material Litigation**

There is no material litigation that will have a material effect on the financial position and operation of the Company and the Group.

**B9. Dividends**

There was no dividend proposed or declared during the current quarter.

**B10. Earnings per share**

	Individual quarter ended		Cumulative period ended	
	31-Jul-15 RM'000	31-Jul-14 RM'000	31-Jul-15 RM'000	31-Jul-14 RM'000
<b>Basic profit per share</b>				
Profit for the period attributable to equity holders (RM'000)	2,889	2,441	3,414	845
Number Weighted average number of shares in issue ('000)	378,562	231,050	371,646	226,758
Basic profit per share (sen)	<u>0.76</u>	<u>1.06</u>	<u>0.92</u>	<u>0.37</u>

**B11. Realised and Unrealised Profits/Losses Disclosure**

	Current year to date 31-Jul-15 RM'000	Preceding year to date 31-Jan-15 RM'000
<b>Accumulated losses of the Group and its subsidiaries</b>		
- Realised	66,947	28,611
- Unrealised	<u>(79,651)</u>	<u>(79,651)</u>
	(12,704)	(51,040)
Less : Consolidation adjustments	18,806	18,806
Company accumulated losses written off	-	34,922
<b>Total Group retained profits</b>	<u>6,102</u>	<u>2,688</u>

The disclosure of realised and unrealised profits / losses above is solely for compliance with the directive issued by BURSA and should not be used for any other purpose.

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

**B12. Notes to the Condensed Consolidated Statement of Comprehensive Income**

Profit/(loss) before tax is derived after charging / (crediting) :

	<b>Current quarter 31-Jul-15 RM'000</b>	<b>Current year to date 31-Jan-15 RM'000</b>
Allowance for impairment	-	50
Amortisation of prepaid lease rental	562	1,190
Audit fee - current year	-	162
Depreciation	1,514	3,450
Directors' remuneration	107	332
Hire of machineries	-	273
Impairment loss on investment in quoted securities	-	17
Interest expenses:		
- Finance lease interest	256	475
- Late payment interest	-	11
- Term loan interest		373
Loss from burglary		110
Loss on foreign exchange	31	16
Loss on disposal of property, plant & equipment	15	
Non-executive directors' remuneration	-	114
Property, plant and equipment written off	-	14
Rental of equipment, machinery & motor vehicle	30	1,344
Rental of hostel	40	71
Rental of land	-	24
Rental of premises	531	1,166
And crediting the following items:		
Allowance for impairment written back	-	1,995
Dividend income	-	14
Gain on disposal of property, plant and equipment	-	27
Gain on other investment	-	1,051

**BORNEO OIL BERHAD**  
*(Company No. 121919-H)*  
**Incorporated in Malaysia**

**Notes on the quarterly report – 31 July 2015**

**B13. UTILISATION OF PROCEEDS FROM PRIVATE PLACEMENT EXERCISE**

The status of utilization of proceeds from private placement exercise from the date of implementation 3<sup>rd</sup> October 2014 to 31 July 2015 was as follows:

	<b>Proposed Utilisation RM'000</b>	<b>Time frame for utilisation (Months)</b>	<b>Actual utilization RM'000</b>	<b>Balance unutilised RM'000</b>	<b>Explanation</b>
1. Repayment of hire purchase	5,829	Within 3 mths	2,882	0	Difference of RM2.947 million was reallocated to working capital .
2. Purchase of new mining plant and equipment	5,000	Within 8 mths	4,354	646	Being incurred as planned.
3. Exploration expenditure	5,000	Within 12 mths	5,000	-	Fully utilized as proposed.
4. Setting up of new food Processing factory	5,000	Within 12 mths	-	5,000	Suitable site being Studied for implementation.
5. Working capital	3,770	Within 9 mths	5,251	1,724	The unutilized amount comprise of the balance referred to item 1 & 6 and will be utilized when necessary
6. Expenses in relation to the Proposals	1,300	Within 1 mth	1,042	-	A slight excess of RM 0.26m was reallocated to working capital.
	<u>25,899</u>		<u>18,529</u>	<u>7,370</u>	

By Order of the Board  
Chin Siew Kim  
Company Secretary

21 September 2015.



**DIRECTORS' REPORT**



**Registered Office:-**

1st & 2nd Floor, Victoria Point  
Jalan OKK Awang Besar  
87007 Wilayah Persekutuan Labuan

Date: **05 OCT 2015**

To: The Shareholders of Borneo Oil Berhad ("Borneoil" or the "Company")

On behalf of the Board of Directors of Borneoil ("Board"), I wish to report that after making due enquiries in relation to Borneoil and its subsidiary companies ("Group") during the period between 31 January 2015, being the date to which the latest audited consolidated financial statements of our Group have been made up, and the date of this letter, being a date not earlier than 14 days before the date of this Abridged Prospectus:-

- i. In the opinion of the Board, the business of our Group has been satisfactorily maintained;
- ii. In the opinion of the Board, no circumstances have arisen since the latest audited consolidated financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- iii. The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv. Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- v. There has been no default or any known event that could give rise to a default situation in respect of payment of either interest and/ or principal sums in relation to any borrowings in our Group since the latest audited consolidated financial statements of our Group; and
- vi. Save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the latest audited consolidated financial statements of our Group.

Yours faithfully,  
For and on behalf of the Board  
**BORNEO OIL BERHAD**

  
**TEO KIEW LEONG**  
Executive Director

**Kuala Lumpur Office :**  
17<sup>th</sup> Floor, Menara Hap Seng, Letter Box 63,  
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T : +6 03-2031 5092 F : +6 03-2031 5192

**Registered Office :**  
1st & 2nd Floor, Victoria Point,  
Jalan OKK Awang Besar, 87007 W. P. Labuan, Malaysia  
T : +6 087-410 509 F : +6 087-410 515

**ADDITIONAL INFORMATION****1. SHARE CAPITAL**

- i. Save for the Rights Shares, the Warrants C and the new Bornoil Shares to be issued arising from the exercise of the Warrants C, no securities in our Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.
- ii. As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely the ordinary shares of RM0.10 each, all of which rank *pari passu* with one another.
- iii. All the Rights Shares and the new Bornoil Shares to be issued arising from the exercise of the Warrants C shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Bornoil Shares, save and except that such Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of such Shares.
- iv. As at the date of this Abridged Prospectus, save for the Provisional Rights Shares with Warrants C, the outstanding Warrants B and the outstanding ESOS Options, no person has been or is entitled to be granted an option to subscribe for any of our securities.

**2. DIRECTORS' REMUNERATION**

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are set out below:-

**"Article 78**

*The remuneration of the Directors shall from time to time be determined by an ordinary resolution of the company, and shall be divisible among the Directors as they may agree, or failing agreement, equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office."*

**3. MATERIAL CONTRACTS**

Save as disclosed below, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the date of this Abridged Prospectus:-

- i. Sale and purchase agreement dated 14 November 2014 entered into between Segama Ventures Sdn Bhd, our wholly-owned subsidiary company, as purchaser and Orient Paramount Sdn Bhd as vendor for the purchase of a piece of leasehold land held under CL115474569 situated at Mile 8, Jalan Silam, District of Lahad Datu, Sabah measuring approximately 13.22 hectares or 32.65 acres and expires on 4 January 2058, for a total purchase consideration of RM10,500,000;

- ii. Sublease agreement dated 1 June 2015 entered into between BOG, our wholly-owned subsidiary company, as sublessee and Poul Bin Buhad as sublessor for the purchase of the sublease of a piece of land held under Native Title No. 113054514 located at Kg Upak Ulu Segama, District of Lahad Datu measuring approximately 16.90 acres for the total consideration of RM4,000,000. The sublease shall be for the tenure of 30 years, commencing from 1 May 2015 and expiring on 30 April 2045 with an automatic renewal of the same without any further consideration for an additional period of 30 years;
- iii. The Deed Poll C; and
- iv. The Underwriting Agreement.

#### **4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and after having made all reasonable enquiries, our Board is not aware and does not have any knowledge of any such proceedings pending or threatened against our Group or of any facts which is likely to give rise to any proceedings which may materially or adversely affect the financial position or business of our Group.

#### **5. GENERAL**

- i. There is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- ii. Save as disclosed in this Abridged Prospectus, after having made all reasonable enquiries and to the best knowledge of our Board, the financial conditions and operations of our Group are not affected by any of the following:-
  - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
  - (b) material commitments for capital expenditure of our Group, the purpose of such commitments and the source(s) of funding;
  - (c) unusual, infrequent events or transactions or significant economic changes which materially affect the amount of reported income from the operations of our Group;
  - (d) known trends or uncertainties which have had, or will have, a material favourable or unfavourable impact on the revenue or operating income of our Group;
  - (e) substantial increase in revenues; and
  - (f) material information, including special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

## 6. CONSENTS

Our Principal Adviser, Managing Underwriter, Joint Underwriters, Company Secretaries, Share Registrar, Principal Bankers, Due Diligence Solicitors and Bloomberg Finance LP for the Rights Issue with Warrants have given and have not subsequently withdrawn their written consents for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent for the inclusion in this Abridged Prospectus of their names, the proforma consolidated statements of financial position of our Group as at 31 January 2015 together with the reporting accountants' letter thereon, the audited consolidated financial statements of our Group for the FYE 31 January 2015 together with the auditors' report thereon, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

## 7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, during normal business hours (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

- i. Our Memorandum and Articles of Association;
- ii. The proforma consolidated statements of financial position of our Group as at 31 January 2015 together with the reporting accountants' letter thereon, as set out in Appendix III of this Abridged Prospectus;
- iii. Our audited consolidated financial statements for the past two (2) financial years up to the FYE 31 January 2015;
- iv. Our latest unaudited quarterly report for the six (6)-month FPE 31 July 2015, as set out in Appendix V of this Abridged Prospectus;
- v. The Directors' Report, as set out in Appendix VI of this Abridged Prospectus;
- vi. The letters of consent referred to in Section 7 of this Appendix VII;
- vii. The irrevocable and unconditional undertaking letters as referred to in Section 4 of this Abridged Prospectus; and
- viii. The material contracts referred to in Section 3 of this Appendix VII.

## 8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with the accompanying NPA and RSF have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement herein false or misleading.

RHBIB, being our Principal Adviser, Managing Underwriter and Joint Underwriter for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue with Warrants.