



BORNEO OIL
Annual Report 2010
Borneo Oil Berhad (121919-H) Incorporated in Malaysia

Registered Office:
1st & 2nd Floor,
Victoria Point,
Jalan OKK Awang Besar,
87007 W.P. Labuan, Malaysia.

Website: www.borneo-oil.com.my

BORNEO IL

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Abd. Hamid Bin Ibrahim	<i>(Non-Independent & Non-Executive Director)</i>
Teo Kiew Leong	<i>(Executive Director)</i>
John Lee Yan Hong @ John Lee	<i>(Independent Non-Executive Director)</i>
Tan Kok Chor	<i>(Independent Non-Executive Director)</i>
Michael Moo Kai Wah	<i>(Independent Non-Executive Director)</i>

AUDIT COMMITTEE

Chairman

Tan Kok Chor
(Independent Non-Executive Director)

Member

John Lee Yan Hong @ John Lee
(Independent Non-Executive Director)

Member

Michael Moo Kai Wah
(Independent Non-Executive Director)

COMPANY SECRETARIES

Chin Siew Kim (L.S. 000982)
Chin Chee Kee (MIA 3040)

REGISTERED OFFICE

1st & 2nd Floor, Victoria Point,
Jalan OKK Awang Besar,
87007, W.P. Labuan
Tel : 087-410509
Fax : 087-410515

REGISTRAR

Labuan Corporate Services Sdn Bhd
1st & 2nd Floor,
Victoria Point,
Jalan OKK Awang Besar,
87007, W.P. Labuan
Tel : 087-410748
Fax : 087-410515

AUDITORS

STYL Associates (AF-1929)
Chartered Accountants
107-B, Jalan Aminuddin Baki,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)
Hong Leong Bank Berhad (97141-X)
HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)
RHB Bank Berhad (6171-M)

SOLICITORS

Jie Nyuk Choo & Co.
J. Ambrose & Partners
S. Vanugopal & Partners

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name : BORNOIL
Stock Code : 7036

WEBSITE

www.borneo-oil.com.my

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 26 th Annual General Meeting of BORNEO OIL BERHAD (Co. No. 121919-H) will be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan, on 29th July 2010, Thursday at 8.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31st January 2010 together with the Directors' and the Auditors' report thereon; **(Resolution 1)**
2. To approve the payment of Directors' fees for the financial year ended 31st January 2010; **(Resolution 2)**
3. To re-elect the following Directors who retire pursuant to Article 96 of the Company's Articles of Association, and being eligible, offer themselves for re-election;
 - (i) Tan Kok Chor **(Resolution 3)**
 - (ii) John Lee Yan Hong @ John Lee **(Resolution 4)**
4. To re-appoint Messrs STYL Associates as Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 5)**
5. **As Special Business:**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions: -

ORDINARY RESOLUTION 1

- AUTHORITY FOR DIRECTORS TO ISSUE SHARES

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and are hereby authorized, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**

ORDINARY RESOLUTION 2

- PROPOSED RENEWAL OF SHAREHOLDERS MANDATE FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED SHARE BUY-BACK")

"That, subject to the provisions under the Companies Act, 1965 ("the Act"), the Companies Regulations 1966, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities (if any), the Company be and is hereby authorized, to the extent permitted by law, to purchase and/or hold such number of its own ordinary shares of RM1.00 each ("Bornoil Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company at the time of purchase;

That the maximum amount of funds to be utilized for the purpose of the Proposed Share Buy-Back shall not exceed the Company's aggregate retained profits and/or share premium account;

That authority be and is hereby given to the Directors of the Company to decide at their discretion, as may be permitted and prescribed by the Act and/or any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities for the time being in force to deal with any Bornoil Shares so purchased by the Company in the following manner:

- (a) to cancel the Bornoil Shares so purchased; or
- (b) to retain the Bornoil Shares so purchased as treasury shares for distribution as dividends to the shareholders of the Company and/or re-sell through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancel the Bornoil Shares so purchased subsequently; or
- (c) to retain part of the Bornoil Shares so purchased as treasury shares and cancel the remainder.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

That the authority conferred by this resolution will be effective immediately from the passing of this Ordinary resolution and will continue to be in force until: -

- (i) the conclusion of the next Annual General Meeting (AGM) of the Company following the Annual General Meeting at which this resolution is passed, at which time the authority would lapse unless renewed by an ordinary resolution, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- (iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occur first;

AND THAT the Directors of the Company be and are hereby authorized to take such steps to give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations as and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company.

(Resolution 7)

6. To transact any other business of the Company for which due notice shall have been given.

By Order of the Board

CHIN SIEW KIM (L.S. 000982)
CHIN CHEE KEE, J.P. (MIA 3040)
Company Secretaries

Labuan F.T.
Dated : 6 th July 2010

NOTES :-

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company.

A member of the Company who is an authorized nominee as defined under the Securities Industry (Central Depository) Act 1991, is to appoint at least one(1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation / company, either under its common seal or under the hand of an officer or its attorney duly authorized.
4. The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 W.P. Labuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
5. Explanatory Notes to Special Business : -

Resolution 6 pursuant to authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act 1965

The Company wishes to renew the mandate on the authority to issue shares pursuant to Section 132D of the Companies Act 1965 at the 26th Annual General Meeting ("AGM") of the Company (hereinafter referred to as the "General Mandate").

The Company has been granted a general mandate by its shareholders at the 25th AGM of the Company held on 31st July 2009 (hereinafter referred to as the "Previous Mandate"). The Previous Mandate granted by the shareholders had not been utilized and hence no proceed was raised therefrom.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organize a general meeting.

This authority unless revoked or varied by the Company in the general meeting, will expire at the next AGM. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Resolution 7 pursuant to Proposed Renewal of Share Buy-Back

The proposed Ordinary Resolution 7, if passed, will renew the authority granted by the shareholders of the Company at the AGM held on 31st July 2009. This renewal of share buy-back by the Company will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company at a General Meeting, expire at the next AGM.

DIRECTOR'S PROFILE

Abd Hamid Bin Ibrahim

*Non-Independent
& Non-Executive Director*

Abd Hamid Bin Ibrahim, aged 62, is a Non-Independent & Non-Executive Director of Borneo Oil Berhad. In addition, he is also the Chief Executive Officer of Borneo Oil & Gas Corporation Sdn Bhd and Borneo Energy Sdn Bhd, both wholly owned subsidiaries of Borneo Oil Berhad. He is responsible for the entire operation and performance of the companies.

With a M. Eng. in Petroleum Engineering from Heriott Watt University and an alumni of the Wharton Advanced Management Program, he has some 33 years experience in the Oil and Gas Industry, mainly with the PETRONAS Group. He joined PETRONAS in 1976 and retired in 2003, having served in the exploration & production, petrochemicals and gas sectors. He was the MD/CEO of several PETRONAS subsidiaries for the last 12 years of his service, the last being as MD/CEO of PETRONAS Gas Berhad.

Currently, he is the director of two public listed companies, namely Muhibbah Engineering (Malaysia) Berhad and Borneo Oil Berhad.

He is also active in three NGOs, namely in cancer research (CARIF), the Malaysian Oil & Gas Services Council (MOSGC) and the RESOURCE magazine of the Malaysian Petroleum Club.

Raymond Teo Kiew Leong

Executive Director

Raymond Teo Kiew Leong, aged 45, obtained his college education at Graphic Design & Photography, Regent Fine Art & Design Academy, Kuala Lumpur. He has been with the Group since 1986.

Through his commitment and dedication, he progressed to become the head of the Graphic Department. With his active involvement and contribution in restaurant development, he was subsequently promoted as the Regional General Manager in 2003, to implement the same concept in Sarawak and West Malaysia. He has worked closely with Marketing, Operations, Processing and Distribution within the Group towards achieving the Company's goals and aspirations.

In June 2005, he was appointed as a General Manager for SB Franchise Management Sdn Bhd to oversee all existing franchised restaurants and new development of Sugar Bun of franchised restaurants locally and also overseas.

He is now an Executive Director in Borneo Oil Berhad responsible for the overall running of the Group's fast food, restaurant and franchising division.

DIRECTOR'S PROFILE (cont'd)

**John Lee Yan Hong
@ John Lee***Independent Non-Executive
Director*

John Lee Yan Hong @ John Lee, aged 40, obtained his Diploma in Music Production and Engineering at the Fullsail Centre of Arts in Orlando, USA in 1993. Throughout his career, he has garnered vast experience in the music and entertainment industry. Having joined the Southern Pacific Hotel Group in 1991, he immediately made an impact on the industry by introducing creative events to assist the Parkroyal Chain of hotels. The hotel transformed and became known for its continuous party-fever events.

Having spent nearly a decade in various Asian Clubs and resorts, he then joined ASTRO as Hitz FM's Music Director/ Announcer in 1996. In 2001 he was commissioned by Warner Music Asia as a music producer.

John Lee Yan Hong @ John Lee is currently an independent Non-Executive Director of the Company.

Tan Kok Chor*Independent Non-Executive
Director*

Tan Kok Chor, aged 60, was appointed to the Board of Borneo Oil Berhad on 21st August 2001. He has more than 5 years experience in legal line which involved litigation, conveyancing and preparing legal documentation and related matters. He is also a very experienced businessman involved in property investment. He holds various directorships in several other private limited companies, incorporated in Malaysia.

Michael Moo Kai Wah*Independent Non-Executive
Director*

Michael Moo Kai Wah, aged 58, is a Non-Executive Director appointed to the Board of Borneo Oil Berhad on 15th January 2008. He obtained his college education at the University of Huddersfield, United Kingdom in 1977 and obtained a Higher National Diploma in Business Studies. He is currently a member of the Financial Planning Association of Malaysia.

He had more than 10 years working experience in the United Kingdom and in Malaysia in accounting, tax, audit and secretarial matters. Currently he was a Consultant on unit trusts. He is also actively involved in the various activities of private social clubs, golf clubs, societies and associations in Sabah and holding in various capacities both as a Committee member and Manager.

DIRECTOR'S STATEMENT

Once again a year has since passed and on behalf of the Board, I am pleased to present herewith the Annual Reports of Borneo Oil Berhad for the financial year ended 31 January 2010.

I wish to emphasize that despite the aftermath of the global financial crisis and the continued domestic economic slowdown that had significant negative impact on all businesses, the Group nevertheless managed to achieve a commendable performance as compared to that of the previous years. This was attributable to various positive measures and plans formulated and implemented previously including cost cutting measures to weather through the crisis.

Most notable of all is the Group's fast food, franchise & supply division. The Group appreciated the challenges and complexities that would impact its business as the global economy weathered through in 2009 and as it gradually recovered, with the same zeal, the Group was even more determined to approach and tap into the opportunity to continue its expansion strategy, both domestically and in the international fronts, as the Group believes that food businesses, irrespective of whatever crisis that may prevail, is the most rewarding and sought after industry beyond all boundaries, where consumers' demands are forever there. In this respect, the Group is proud to inform that a few outlets have been successfully franchised locally including one in Brunei during the year but the most remarkable one was the Group's success in penetrating into the huge American market, the first being in the State of Missouri, USA. Besides this, the Group is currently working closely with a Government Agency to encourage more local Bumiputra entrepreneurs to venture into our franchise business.

In order to ensure our menus are brought to the next level to meet the demand of today's consumers, every effort has been made to focus on the look and feel of the outlets, brand identity and customers' satisfaction; in quality, appeal and value added at all times. And to stay competitive, the Group places great emphasis on its R&D, upgrading its IT systems and continuously launching marketing activities and new product promotions and provides the necessary trainings in all areas to meet the expectation of the consumers.

With regards to the Group's property and related business division, the Group, as mentioned in the previous Annual Report, had explored and is currently looking into the possibility of developing some of its prime land banks into residential or tourist related projects to take advantage of the recent uptrend in the Sabah property market as well as to tap the huge potential available in this sector especially with the continuing influx of tourists into Sabah where tourism is still and expected to be a major growth contributor to the State's economy.

Overall, in line with the property and related division, the service and hospitality division recorded a marked improvement given the slow economic recovery that still prevailed during the year. The newly opened budget Lodge Hotel and the SugarBun Café which are both in their first year of operations did fairly well and all the other entertainment outlets too recorded the results as expected. The Board expects this division to perform much better in the future as their operations are located at prime tourist areas coupled with the continuing efforts by the State Government in its various endeavours to make tourism its main economic contributor.

As for the Group's oil, gas, energy and related businesses division, the Board had decided to consolidate the position and keep in view the various plans in hand until both the global and domestic economic uncertainties are cleared.

Notwithstanding all the above measures and plans, the Board shall continue to explore for any other viable businesses or ventures for the Group so as to enhance its overall profitability for the benefits of all concerned.

And again, on behalf of the Board, I would like to extend our gratitude and to thank all our loyal and valued shareholders, employees, financiers, suppliers and all our other business associates who have remained with us throughout these difficult periods. Our sincere thanks to our corporate advisors, lawyers, the Auditors and all the relevant authorities for their services and assistance.

Together we look forward to a more meaningful and fruitful year ahead.

Thank you.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Borneo Oil Berhad fully recognizes and appreciates the importance and continuing process of adopting and exercising high standards of good corporate governance in the conduct of enhancing the Group's businesses through transparency, accountability and corporate governance with the objective of realizing shareholders' value whilst taking into account the interests of other stakeholders.

In preparing this report, the Board has considered the manner in which the Company has continuously applied the principles of the Code and extent of compliance with the Best Practices in Corporate Governance as set out in the Malaysian Code On Corporate Governance pursuant to Paragraph 15.26 of the Listing Requirements of Bursa Malaysia Securities Berhad for the financial year ended 31 January 2010.

The Company ensure its continued growth and success by maintaining the trust and confidence of shareholders, employees, customers and other parties with whom it interacts and does business, as well as the communities in which it operates.

A. BOARD OF DIRECTORS

(i) Board's Responsibilities

The Board takes the overall responsibility for the success of the Group. Its role is to exercise leadership and sound judgement in directing the Group to achieve sustainable growth and act in the best interests of the shareholders.

It focus mainly on the Group's corporate governance, strategic direction, effective monitoring of management, reviewing the adequacy and integrity of the Company's internal control systems, identifying principal risks and ensuring the implementation of appropriate systems to manage risks, business plans and overseeing the investment and business of the Group.

(ii) Board Composition and balance

The size of the Board, comprising five (5) members, made up of one(1) Executive Director and four(4) Non-Executive Directors of whom one(1) is Non-Independent and the other three(3) all Independent Directors, fulfilling the prescribed requirements for one-third (1/3) of the membership of the Board to be Independent Board members.

The Directors have a wide range of expertise as well as significant experience in financial, commercial and management which is vital for the successful performance of the Board. A brief profile of each Director is presented in the Profile of the Board of Directors.

The Independent Non-Executive Directors are drawn from a range of business and other background. They offer unbiased independent view, advice and judgement in the best interests of not only the Group but also employees, shareholders and other stakeholders in which the Group conducts its business. They also serve as a check and balance to carry sufficient weight in Board decisions. They are independent of management and the major shareholders and are free to exercise their independent judgement.

(iii) Board Meetings

Board meetings are conducted on a regular basis with matters addressed by way of circular resolutions and additional meetings held as and when necessary. The meetings are scheduled in advance before the end of the financial year to enable the Directors to plan accordingly, to fit the Board meetings into their schedules.

During the financial year under review, the Board conducted meetings to review and discuss on the Group's financial results, corporate development, strategic decisions, business plan, operational issue and compliance matters and also to approve on the quarterly reports and annual financial statements. At every meeting, Board papers were delivered in advance to facilitate informed decision making. The Board also discussed reports from Audit Committee and proposals by the Management that require the Board's approval. All directors fulfilled the requirements of the Articles of Association in respect of board meeting attendance.

The summary of attendance of each director at the board meetings held during the financial year are as follows :-

Names Of Directors	No. of meetings attended
Abd Hamid Bin Ibrahim	4
John Lee Yan Hong @ John Lee	6
Teo Kiew Leong	4
Tan Kok Chor	7
Michael Moo Kai Wah	7

The Board has also delegated certain responsibilities to the Board Audit Committee, which operates within clearly defined terms of reference. The Chairman of this Committee reports the outcome of committee meetings to the board and such reports are incorporated as part of the minutes of the board meetings.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(iv) Supply Of Information to the Board

The Directors have unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. Any additional information requested by the Directors is promptly provided. The Board has a formal schedule of matters reserved specifically for the Board's consideration in ensuring the effectiveness of its decisions.

The Board is supplied with information in a timely manner and appropriate quality to enable them to discharge their duties and due notice is given to Directors with regard to issues to be discussed. All resolutions are recorded and thereafter circulated to the Directors for comments before minutes of proceedings are finalized and confirmed.

All directors have full and unrestricted access to further information which they may require in discharging their duties including seeking independent professional advice and services of the Company Secretaries and external auditors.

(v) Appointment and Re-election of Directors

Pursuant to Section 129 of the Companies Act, 1965, Directors who are or over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

In accordance with the Company's Articles of Association, all Directors retire from office at least once in every three(3) years and offer themselves for re-election. At every succeeding Annual General Meeting, one-third (1/3) of the Directors or, if their number is not a multiple of three(3), the number nearest to, but not exceeding one-third (1/3), shall retire from office. The election of each Director is voted on separately. Re-election of Directors provides an opportunity for shareholders to renew their mandate conferred to the Directors.

(vi) Directors' Training

Recognizing the demands of their role as Directors, the Directors of the Company continue to equip themselves with the relevant professional advancement particularly in the corporate regulatory developments and current developments of the industry. All Directors have attended and successfully completed the Mandatory Accreditation programme as prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board recognizes the need to attend programmes and seminars to keep abreast with developments of new laws, regulations or best practices, or to be updated with new development in the market place.

(vii) Audit Committee

The Audit Committee currently comprises of all three(3) independent Non-Executive Directors. They meet regularly at least four(4) times in a year. The function and activities carried out by the Audit Committee during the year under review are contained in the Audit Committee Report.

B. DIRECTORS' REMUNERATION

(i) Level and Make-up of remuneration

The objective of the Company's policy on Director's remuneration is to attract and retain the Directors of the caliber needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, experience and level of responsibilities undertaken by the particular Non-Executive Director concerned.

(ii) Remuneration Procedure

The determination of remuneration packages of the directors is a matter of the Board as a whole. The Directors are paid certain fees which are approved annually by the shareholders. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company.

Each individual Director abstains from the Board decision on his own remuneration package.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

(iii) Remuneration Package

The aggregate remuneration of Directors categorised into appropriate components for the financial year ended 31 January 2010 is as follows :-

Category of Directors	Fees (RM)
Executive Director	137,900
Non-Executive Directors	287,500
Total	425,400

The number of Directors whose total remuneration falls within the respective bands for the financial year ended 31 January 2010 is as follows:-

Range of Remuneration	Number of Directors Executive Directors	Number of Directors Non-Executive Directors
Below RM50,000	-	3
RM50,001 to RM100,000	1	-
RM100,001 to RM150,000	-	2
RM150,001 to RM200,000	-	-

C. SHAREHOLDERS**(i) Dialogue between Company and Investors**

The Board recognises the importance of maintaining effective communication with shareholders, stakeholders and the public on all material business matters affecting the Company. In addition to the announcements on quarterly results and other corporate news, press releases and announcements for public dissemination are made periodically to capture any significant corporate event or product launch that would be of interest to investors and members of the public.

The Company's website at www.borneo-oil.com.my is used as a forum to communicate with shareholders and investors and to provide information on the Group's business activities. Announcements to Bursa Malaysia on corporate news, quarterly results and annual report, that contain current and historical information are also accessible to shareholders.

(ii) The Annual General Meeting

The Annual General Meeting (AGM) is the principal avenue for dialogue and interaction with the shareholders, where they may seek clarifications on the Group's performance, major developments of the Group as well as on the resolutions being proposed. The Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements and information on the Audit Committee and the Board of Directors, is sent to all shareholders on a timely basis.

The Company values feedback from its shareholders and encourages them to actively participate in discussion and deliberations. Members of the Board, as well as the External Auditors of the Company and Senior Management are present to respond to all questions raised by the shareholders at the meeting. Status of all resolutions proposed at the Annual General Meeting is submitted to Bursa Malaysia at the end of the meeting day.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

D. ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company used appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also ensure that the financial statements present a fair and understandable assessment of the Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board prior to the release to Bursa Malaysia and Securities Commission.

(b) Internal Control

The board has overall responsibility for maintaining a sound system of internal control and risk management to safeguard shareholders' investment and the Group's assets. The Statement of Internal Control as set out on pages 15 to 16 of this Annual Report provides an overview of the state of internal control within the Group.

(c) Relationship with Auditors

The Board has established a formal and transparent professional relationship with the Group's auditors through the Audit Committee. The auditors are invited to attend Audit Committee Meetings at least twice a year and will highlight to the Audit Committee significant matters requiring deliberation and attention.

The Audit Committee has been accorded the power to communicate directly with both the external auditors and the internal auditors.

ADDITIONAL COMPLIANCE INFORMATION

Share Buy-Back

The Company had on 31st July 2009 obtained its shareholders' approval at the Annual General Meeting to buy back shares of the Company. However, the Company has not conducted any share buy back for the financial year ended 31st January 2010.

COMPLIANCE TO THE CODE

The Board of Directors of Borneo Oil Group is of the opinion that the Group is in compliance with the Principles of and best practices in corporate governance throughout the financial year ended 31 January 2010.

AUDIT COMMITTEE REPORT

The Board of Directors of Borneo Oil Berhad is pleased to issue the following report on the Audit Committee and its activities during the financial year ended 31st January 2010. The Audit Committee was established in July 1999 to act as a Committee for the Board of Directors.

MEMBERS AND MEETINGS

Names Of Audit Committee	No. of meetings attended
1. Tan Kok Chor Independent Non Executive Director (Chairman)	4/4
2. John Lee Yan Hong @ John Lee Independent Non Executive Director (Member)	4/4
3. Michael Moo Kai Wah Independent Non Executive Director (Member)	4/4

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. Objectives

The principal objectives of the Audit Committee are :-

1. to provide assistance to the Board in discharging its responsibilities relating to the Group's management of principal risks, internal control, financial reporting and compliance with statutory and legal requirements by ensuring that the results of internal and external audit findings are fully considered and properly resolved.
2. to ensure compliance with Paragraph 15, Part C of the Bursa Malaysia Securities Berhad ("BURSA") Listing Requirements.
3. to ensure transparency, integrity and accountability of the Group's activities so as to safeguard the rights and interests of the shareholders and also to maintain regularly scheduled meetings, a direct line of communication between the Board, senior management, internal and external auditors.

B. Membership

The Audit Committee shall be appointed by the Board from amongst its directors and shall consist of not less than three(3) members, a majority of whom shall be independent directors. All members of the Audit Committee should be non-executive directors. If membership for any reason falls below three (3) members, the Board shall within three (3) months of that event, appoint such number of new members as any be required to fulfill the minimum requirement.

1. The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.
2. No alternate director shall be appointed to the Audit Committee.
3. All members should be financially literate and at least one member of the Audit Committee ;
 - (a) must be a member of the Malaysian Institute of Accountants ("MIA") ; or
 - (b) if he is not a member of the MIA, he must have at least three (3) years working experience and have passed the examination specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or he must be a member of one of the Associations of Accountants specified in Part II of the said Schedule; or
 - (c) has a degree/masters/doctorate in accounting or finance and at least three years' post qualification experience in accounting or finance ; or
 - (d) at least seven (7) years of experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The Board must review the term of office and performance of the Audit Committee and each of the members at least once every three years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

AUDIT COMMITTEE REPORT (cont'd)

C. Authority

The Audit Committee is authorized by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:-

1. investigate any activity within its terms of reference;
2. have resources which are reasonably required to enable it to perform its duties;
3. have full and unlimited/unrestricted access to any information pertaining to the Company or the Group ;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if necessary;
6. convene meetings with the external auditors, the internal Auditor or both, excluding the attendance of other directors and employees of the company, whenever deemed necessary, and
7. promptly report such matter to Bursa Malaysia Securities Berhad where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

D. Duties and Responsibilities

Pursuant to Para 15.13 of the Bursa Securities Listing Requirements, the Audit Committee amongst others, shall review, appraise and report to the Board on:-

1. The appointment of the External Auditors, their audit fees and in the event of their resignation or dismissal with full explanatory statements.
2. The adequacy of the scope, functions, competency and resources of the internal audit function and results of the internal audit procedures.
3. The quality and effectiveness of the entire accounting and internal control system of the Group.
4. The adequacy of the audit effort by both the External and Internal Auditors.
5. The adequacy of the disclosures of information essential to give a true and fair presentation of the financial affairs of the Group.
6. Any material discoveries of adjustments made by the External or Internal Auditors.
7. The quarterly results and yearly financial statements , prior to the approval by the Board, focusing particularly on:-
 - (a) changes in major accounting policies and their implementation and the effects of such changes;
 - (b) the going concern assumptions,
 - (c) significant and unusual events; and
 - (d) compliance with accounting standards, Bursa Securities Listing requirements and other legal requirements.
8. Any related party transactions and conflict of interest situation that may arise, including any transactions, procedures or course of conduct that raises questions of management integrity.
9. The assistance given by the employees to the External Auditors.
10. Verification and allocation of employees' share option scheme ("ESOS") to be in compliance with the criteria as stipulated in the by-laws of ESOS of the Company.
11. Any such other functions as may be agreed to by the Audit Committee and the Board.

AUDIT COMMITTEE REPORT (cont'd)

E. Meetings and Minutes

(a) Quorum for meetings

The quorum for a meeting shall be two(2) provided always that the majority of members present must be independent directors and any decision shall be by a simple majority. The Audit Committee Chairman shall not have a casting vote.

(b) Attendance at meetings

The Chief Financial Officer, the Company Secretary, the Head of Internal Audit and a representative of the External Auditors shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee.

(c) Frequency of Meetings

The Chairman shall call for meetings, to be held not less than four(4) times in a year. The external auditors may request for a meeting and shall have the right to appear and be heard at any meeting of the Audit Committee. The Audit Committee Chairman shall convene a meeting whenever any member of the Audit Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Audit Committee and the external auditors, where applicable.

(d) Reporting Procedures

The Company Secretary, or the Internal Auditors, or Chief Financial Officer shall be the Secretary of the Committee. He/she shall record attendance of all members and invitees and take minutes to record the proceedings of every meeting of the Committee. All minutes of meetings shall be circulated to every member of the Board.

SUMMARY OF ACTIVITIES

The following activities were performed by the Audit Committee during the financial year ended 31st January 2010:-

- Reviewed the unaudited quarterly results and financial statements of the Company and its subsidiaries and other general announcements to be released to Bursa Securities to ensure compliance with the relevant Listing Requirements, the provisions of the Companies Act, 1965 and applicable accounting standards in Malaysia;
- Reviewed the financial statements of the Group and Company for the financial year ended 31st January 2010 with the External Auditors and discussed before it was approved by the Board;
- Reviewed and evaluated External Auditors' scope of work, proposed audit fee, audit reports and audit plan for the financial year;
- Reviewed and discussed recent developments on accounting and auditing standards issued by the Malaysian Accounting Standards Board;
- Deliberated on the Group's financial performance, business development, management and corporate issues and recommended for approvals any key business strategies and actions that may affect the Group.
- Reviewed the Internal Audit report pertaining to the state of internal control of the operating units within the Group and appraised the adequacy and effectiveness of the management's response in resolving the audit issues reported.

INTERNAL AUDIT FUNCTION

The Group has an in-house Internal Audit Department and the Head of the Group Internal Audit Department reports and assists the Audit Committee in obtaining sufficient assurance of regular review and/or appraisal of the effectiveness of the system of internal control within the Group. The Head of Group Internal Audit Department is responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group.

The Group Internal Audit Department also play its consultative roles by reviewing and recommending improvements to the internal control, risk management and governance processes, where appropriate. The Audit Committee has full access to the Internal Auditors and receives regular reports on its audit works and activities.

STATEMENT ON INTERNAL CONTROL

Introduction

This Statement on Internal Control is made pursuant to paragraph 15.27 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”) with regards to the Group’s compliance with the Principles and Best Practices provisions relating to internal control as provided in the Malaysian Code on Corporate Governance (“code”).

The Board of Directors (“the Board”) of Borneo Oil Berhad is pleased to present below its Statement on Internal Control as a group for the financial year under review, prepared in accordance with the Statement on Internal Control : Guidance for Directors of Public Listed Companies (“the Guidance”).

Board Responsibility

The Board affirms its overall responsibility for the Group’s systems of internal control and risk management, and for reviewing the adequacy and integrity of the Group’s internal control system. The Board’s responsibility in relation to the systems of internal control extends to all subsidiaries of the Group.

However, as there are inherent limitations in any system of internal controls, such system of internal control put into effect by Management can only manage but not eliminate all risks that may impede the achievement of the Group’s business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year under review , Borneo Oil Berhad and its subsidiaries (“Group”) continued to enhance its system of internal control and risk management in order to better quantify its compliance with the Malaysian Code on Corporate Governance and Bursa Securities Listing Requirements.

The Board believes that the Group’s system of internal control , financial or otherwise , should provide reasonable assurance regarding the achievement of objectives of ensuring effectiveness and efficiency of operations, reliability and transparency of financial information and compliance with laws and regulations.

The Group’s system of internal control can be summarised as follows:

1. Internal Audit and Risk Management

The Board acknowledges that all areas of the Group’s business activities involve some degree of risk and is committed to ensure that there is effective risk management to manage risks within defined parameters and standards. The process is done on an ongoing process which is undertaken at each level of operations. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, and policies and procedures by which these risks are managed.

Management is responsible for identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety internal and external sources including control breakdown, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Board will pursue its ongoing process of identifying , assessing and managing key business , operational and financial risks faced by its business units concerned as well as regularly reviewing planned strategies to determine whether risks are mitigated and well-managed, and to ensure compliance with the guidelines issued by the relevant authorities.

2. Authorization Procedures

The Group has a clear definition of authorization procedures and a clear line of accountability, with strict authorization, approval and control procedures within which senior management operates. Responsibility levels are communicated throughout the Group which set out, among others, authorization levels, segregation of duties and other control procedures.

3. Authority Levels

The Group has delegated certain authority limits to the directors for which decisions were made on significant transactions. The approval of capital and revenue proposals above certain limit is reserved for decisions by the Board. Other investment decisions are delegated for approval in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions.

The authority of Directors is required for decisions on key treasury matters including financing of corporate and investment funding requirements , interest rate risk management , investments, insurance and designation of authorized signatories.

STATEMENT ON INTERNAL CONTROL (cont'd)

4. Financial Performance

Interim financial results are reviewed and approved by the Audit Committee, then final approval from the Board before release to Bursa Securities. The full year's financial results and analysis of the Group's state of affairs are disclosed to shareholders after review and audit by the external auditors.

5. Internal Compliance

The Group monitors compliance with its internal financial controls through management reviews and reports which are internally reviewed by key personnel. Updates of internal policies and procedures are undertaken to reflect changing risks or resolve operational deficiencies. Internal audit visits are systematically arranged over specific periods to monitor and scrutinize compliance with procedures and assess the integrity of financial information provided.

In addition to the risk management and internal audit function, the Board has put in place an organizational structure with clearly defined lines of responsibility and delegation of authority, allowing internal checks and balances. The Group has also developed and made available to employees an Employee Handbook that highlights policies with respect to health and safety, training, entitlements, benefits and serious misconduct.

In overseeing the Group's businesses, the Board continually strives for an appropriate balance between control and empowerment. Through the management's periodic review of performance and operational reports, as well as attending management meetings, the day-to-day affairs of the Group are closely monitored.

Regular Board meetings are held to discuss and decide on policies and major business matters, while the management Committees' discussions, briefings and meetings are held from time to time to :

- (i) Monitor and assess the business performance;
- (ii) Manage the operational controls;
- (iii) identify, discuss and resolve financial and key management issues;
- (iv) Review the risks and controls of the businesses;
- (v) Deliberate on the investment proposals;
- (vi) Discuss appropriate tax planning measure and plans;
- (vii) Consider issues of corporate governance and business practices, and
- (viii) Review and evaluate the information technology requirements and systems support of the various subsidiaries.

The proceedings of these meetings are minuted or documented in reports, memorandums and proposals submitted to the Board of the Company.

The Board's conclusion

The Board consistently believe that by maintaining a balanced achievement of its business objectives and operational efficiency it will bring about a better and more effective performance and results of the Group. As such, the Board is of the view that the system of internal controls being instituted throughout the financial year 2010 is sound and effective. Reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the systems of internal control, so as to safeguard shareholders' investment and the Group's interest and assets. No major internal control weaknesses were identified during the year under review nor have any of the reported weaknesses resulted in any material losses or contingencies requiring disclosure in the Group's Annual Report.

The Board of Directors of Borneo Oil Berhad

Date : 28th June 2010.

STATEMENT ON DIRECTORS' RESPONSIBILITY

(Pursuant to Paragraph 15.27(a) of the Listing Requirements of Bursa Malaysia Securities Berhad).

The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and Company as at 31st January 2010 and of the results and cash flows of the Group and Company for the financial year ended on that date.

The Directors are pleased to announce that in preparing the financial statements of the Group and of the Company for the financial year ended 31 January 2010, the Board has :-

- ensured compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965;
- adopted and consistently applied and implemented appropriate accounting policies, fully supported by reasonable and prudent judgements and estimates ;
- ensured that all the Listing Requirements of Bursa Malaysia Securities Berhad and other statutory requirements in Malaysia have been complied with; and
- confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain proper accounting records and other registers that disclose with reasonable accuracy at any time the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



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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 2010.

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 and are disclosed in Note 4 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 (loss)/profit for the year	(4,210,314)	1,356,095
Attributable to:		
Equity holders of the Company	(4,210,314)	1,356,095
Minority interest	-	-
	(4,210,314)	1,356,095

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

No shares or debentures were issued during the financial year.

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 3 October 2006. The ESOS was implemented on 13 October 2006 and is to be in force for a period of 5 years from the date of implementation.

The main features of the ESOS and the movements in the share options for the year ended 31 January 2010 are disclosed in Note 14 to the financial statements.

DIRECTORS' REPORT (cont'd)

INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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.

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) by reason of a contract made by the Company or a related company 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:

ABD. HAMID BIN IBRAHIM
JOHN LEE YAN HONG @ JOHN LEE
TAN KOK CHOR
TEO KIEW LEONG
MICHAEL MOO KAI WAH
DATO' SUHAILI BIN ABDUL RAHMAN (RESIGNED ON 17.03.2010)

In accordance with Article 96 of the Company's Article of Association, Tan Kok Chor and John Lee Yan Hong @ John Lee retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

The shareholding in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholding kept by the Company under Section 134 of the Companies Act, 1965 were as follows:

Direct holdings	Number of Ordinary Shares of RM1 Each			Balance at 31.01.2010
	Balance at 01.02.2009	Bought	Sold	
Director				
Dato' Suhaili Bin Abdul Rahman	4,026,900	-	-	4,026,900

No other Directors held any interest in the shares of the Company at the end of the financial year.

WARRANT A

The Company's warrants were allotted on 19 November 2002 and listed on the Bursa Malaysia Securities Berhad on 25 November 2002. Each warrant entitles the holder the right to subscribe for one new ordinary share of RM1 each in the Company at an exercise price of RM1 per share within ten years from the date of issue. 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 3 October 2002.

The number of warrants issued at the date of allotment was 32,947,200. The warrants will expire on 18 November 2012. The movement of warrants during the financial year is as follows:

	Number of Warrants	
	2010	2009
At beginning of year	11,847,200	11,847,200
Exercised during the financial year	-	-
At end of year	11,847,200	11,847,200

WARRANT B

The Company's issued 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 is at 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.

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.

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:

- 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
- 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.

DIRECTORS' REPORT (cont'd)

SIGNIFICANT EVENT DURING THE YEAR

The significant event during the year is disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is disclosed in Note 32 to the financial statements.

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

JOHN LEE YAN HONG @ JOHN LEE

KOTA KINABALU
DATE: 24 MAY 2010

STATEMENT BY DIRECTORS/ STATUTORY DECLARATION

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **MICHAEL MOO KAI WAH** and **JOHN LEE YAN HONG @ JOHN LEE**, two of the Directors of BORNEO OIL BERHAD, state that, in the opinion of the Directors, the accompanying Balance Sheets, Statements of Income, Changes in Equity and Cash Flows of the Group and of the Company, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2010 and of the results and cash flows of the Group and of the Company for the year then ended.

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

MICHAEL MOO KAI WAH

JOHN LEE YAN HONG @ JOHN LEE

KOTA KINABALU
DATE: 24 MAY 2010

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 Balance Sheets, Statements of Income, Changes in Equity and Cash Flows 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 24 MAY 2010 }
}

Before me:

MICHAEL MOO KAI WAH

Mail B. Ayuh
No. A-S 023
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BORNEO OIL BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the accompanying financial statements of BORNEO OIL BERHAD which comprise the balance sheets of the Group and of the Company as at 31 January 2010, the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the applicable Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements 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 the applicable Financial Reporting Standards and 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 of 31 January 2010 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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) we have considered the accounts and the auditors' reports of all subsidiary companies of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.
- c) we are satisfied that the accounts of the subsidiary companies 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 accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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: 24 MAY 2010

YEO ENG HUI
APPROVED COMPANY AUDITOR
TREASURY APPROVAL NO.1723/9/10(J)

BALANCE SHEETS AS AT 31 JANUARY 2010

	Note	GROUP		COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	15,512,687	17,875,317	171,045	282,718
Investment in subsidiary companies	4	-	-	2	2,600,000
Investment properties	5	54,016,371	56,233,821	-	-
Prepaid lease payments	6	18,716,948	20,300,638	-	-
Development expenditure	7	1,884,699	1,926,887	-	-
Intangible assets	8	11,833	526,829	-	500,000
Total non-current assets		90,142,538	96,863,492	171,047	3,382,718
Current assets					
Inventories	9	1,604,893	1,741,501	-	-
Trade receivables	10	3,442,717	3,823,663	-	-
Other receivables	11	21,666,655	21,715,101	13,632,738	13,677,655
Amount due from subsidiary companies	12	-	-	137,620,410	133,080,033
Cash and cash equivalents	13	5,470,861	5,428,952	2,190,955	2,136,132
Total current assets		32,185,126	32,709,217	153,444,103	148,893,820
Total assets		122,327,664	129,572,709	153,615,150	152,276,538
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	160,376,000	160,376,000	160,376,000	160,376,000
Reserves	15	(74,543,774)	(70,333,460)	(9,881,900)	(11,237,995)
Shareholders' equity		85,832,226	90,042,540	150,494,100	149,138,005
Non-current liabilities					
Long term borrowings	16	14,997,240	20,242,641	94,385	137,580
Deferred tax liabilities	18	223,000	43,700	-	-
Total non-current liabilities		15,220,240	20,286,341	94,385	137,580
Current liabilities					
Trade payables	19	979,964	1,150,841	-	-
Other payables	20	6,078,128	6,597,225	459,009	426,507
Amount due to subsidiary companies	12	-	-	2,535,029	2,535,030
Short term borrowings	16	14,125,423	11,423,759	32,627	39,416
Provision for taxation		91,683	72,003	-	-
Total current liabilities		21,275,198	19,243,828	3,026,665	3,000,953
Total liabilities		36,495,438	39,530,169	3,121,050	3,138,533
Total equity and liabilities		122,327,664	129,572,709	153,615,150	152,276,538

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

INCOME STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010

	Note	GROUP		COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
Revenue	21	22,395,105	19,599,792	5,454,569	348,000
Cost of sales		(10,530,862)	(10,245,995)	-	-
Gross profit		11,864,243	9,353,797	5,454,569	348,000
Other income		5,102,484	2,445,884	3,063,054	137,767
Administrative expenses		(18,367,561)	(23,543,777)	(7,132,584)	(5,183,436)
Finance costs		(2,610,341)	(2,553,013)	(19,244)	-
(Loss)/Profit before taxation	22	(4,011,175)	(14,297,109)	1,365,795	(4,697,669)
Taxation	23	(199,139)	(68,937)	(9,700)	-
(Loss)/Profit for the year		(4,210,314)	(14,366,046)	1,356,095	(4,697,669)
Attributable to:					
Equity holders of the Company		(4,210,314)	(14,366,046)		
Minority interest		-	-		
Loss for the year		(4,210,314)	(14,366,046)		
Loss per share attributable to ordinary equity holders of the Company					
- Basic (sen)	24	(2.6)	(9.0)		

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2010

	← Attributable to equity holders of the Company →					Total Shareholders' Equity RM	
	Share Capital RM	Share Premium RM	Warrants Reserves RM	Capital Reserve RM	ESOS Reserves RM		Accumulated Loss RM
GROUP							
Balance at 1 February 2008	160,376,000	24,164,992	-	15,000	45,717	(82,866,056)	101,735,653
Issuance of warrants	-	-	2,672,933	-	-	-	2,672,933
Loss for the year	-	-	-	-	-	(14,366,046)	(14,366,046)
Balance at 31 January 2009	160,376,000	24,164,992	2,672,933	15,000	45,717	(97,232,102)	90,042,540
Loss for the year	-	-	-	-	-	(4,210,314)	(4,210,314)
Balance at 31 January 2010	160,376,000	24,164,992	2,672,933	15,000	45,717	(101,442,416)	85,832,226

	← Non distributable →			↔ Distributable ↔		Total Shareholders' Equity RM
	Share Capital RM	Share Premium RM	ESOS Reserves RM	Warrants Reserves RM	Accumulated Loss RM	
COMPANY						
Balance at 1 February 2008	160,376,000	24,164,992	45,717	-	(33,423,968)	151,162,741
Issuance of warrants	-	-	-	2,672,933	-	2,672,933
Loss for the year	-	-	-	-	(4,697,669)	(4,697,669)
Balance at 31 January 2009	160,376,000	24,164,992	45,717	2,672,933	(38,121,637)	149,138,005
Profit for the year	-	-	-	-	1,356,095	1,356,095
Balance at 31 January 2010	160,376,000	24,164,992	45,717	2,672,933	(36,765,542)	150,494,100

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(4,011,175)	(14,297,109)
Adjustments for:			
Allowance for doubtful debts		210,829	4,761,175
Allowance for doubtful debts written back		(3,602,147)	(140,505)
Amortisation of intangible assets		500,000	500,000
Amortisation of investment properties		1,334,991	860,945
Amortisation of prepaid lease rental		1,583,690	1,579,263
Bad debts written off		4,191,886	448,005
Depreciation		2,897,328	3,678,551
Development expenditure written off		42,188	421,885
Gain on deregistration of a subsidiary company	4(a)	(122,044)	-
Gain on disposal of investment properties		(137,568)	(775,692)
Gain on disposal of property, plant and equipment		(149,113)	(1,072,462)
Impairment loss on goodwill arising on consolidation		14,996	-
Interest expenses		2,610,341	2,553,013
Interest income		(39,103)	(134,555)
Property, plant and equipment written off		27,760	913,123
		<hr/>	<hr/>
Operating profit/(loss) before working capital changes		5,352,859	(704,363)
Inventories		136,608	32,685
Receivables		(247,535)	5,329,244
Payables		(689,974)	2,227,511
		<hr/>	<hr/>
Cash generated from operations		4,551,958	6,885,077
Tax paid		(218)	(837)
Interest paid		(1,728,186)	(388,275)
Development cost		-	(49,450)
		<hr/>	<hr/>
Net cash from operating activities		2,823,554	6,446,515
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow arising from deregistration of subsidiary company	4(a)	(1,538)	-
Net cash outflow arising from acquisition of subsidiary company	4(b)	-	(180,368)
Purchase of property, plant and equipment	3	(601,331)	(5,003,028)
Purchase of investment properties	5	-	(33,881,280)
Proceeds from disposal of property, plant and equipment		187,986	3,433,348
Proceeds from disposal of investment properties		1,020,027	10,524,196
Purchase of prepaid lease rental		-	(150,435)
Interest received		39,103	134,555
		<hr/>	<hr/>
Net cash from/(used in) investing activities		644,247	(25,123,012)
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

	2010 RM	2009 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of warrants	-	2,672,933
Repayment of finance lease and hire purchase payables	(79,536)	(1,274,333)
Repayment of term loans	(3,346,356)	(3,450,585)
	<hr/>	<hr/>
Net cash used in financing activities	(3,425,892)	(2,051,985)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,909	(20,728,482)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,428,952	26,157,434
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	13 5,470,861	5,428,952
	<hr/>	<hr/>

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		1,365,795	(4,697,669)
Adjustments for:			
Allowance for doubtful debts		-	3,024,151
Allowance for doubtful debts written back		(3,024,152)	-
Amortisation of intangible assets		500,000	500,000
Bad debts written off		3,146,533	307,500
Depreciation		111,673	125,905
Impairment loss on investment in subsidiary companies		2,599,998	-
Interest expenses		19,244	-
Interest income		(38,902)	(134,362)
Operating profit/(loss) before working capital changes		4,680,189	(874,475)
Receivables		(87,164)	2,314,616
Payables		32,502	1,956,570
Subsidiary companies		(4,540,378)	(24,736,351)
Net cash generated from/(used in) operations		85,149	(21,339,640)
Interest paid		(19,244)	-
Net cash from/(used in) operating activities		65,905	(21,339,640)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	-	(40,699)
Interest received		38,902	134,362
Net cash from investing activities		38,902	93,663
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of warrants		-	2,672,933
Repayment of hire purchase payables		(49,984)	(1,260,683)
Repayment of term loans		-	(2,725,676)
Net cash used in financing activities		(49,984)	(1,313,426)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		54,823	(22,559,403)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,136,132	24,695,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	2,190,955	2,136,132

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010

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 and are disclosed in Note 4 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 May 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention and in compliance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards ("FRSs") issued by Malaysian Accounting Standards Board ("MASB").

There are no new accounting standards, amendments to published standards and IC Interpretations to existing standards effective for the Group's and the Company's financial year ended 31 January 2010.

Standards and Interpretations issued but not yet effective

The revised FRSs, new IC Interpretations and Amendments to FRSs that have been issued by MASB but not yet effective for the Group's current financial year where the Group has not adopted earlier, are as follows:

	Effective date for financial periods beginning on or after
FRS 8: Operating Segments	1 July 2009
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 101: Presentation of Financial Statements (revised)	1 January 2010
FRS 123: Borrowing Costs (revised)	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurements	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13: Customer Loyalty Programmes	1 January 2010
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of accounting (cont'd)

	Effective date for financial periods beginning on or after
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRSs: Improvements to FRSs (2009)	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 March 2010
FRS 1: First-time Adoption of Financial Reporting Standards (revised)	1 July 2010
FRS 3: Business Combinations (revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (revised)	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 15: Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards (2010) - Limited Exemption from Comparative FRS 7: Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2011

The adoption of the above new FRSs, Amendments to FRSs and IC Interpretations will not have any significant impact on the financial statements of the Group and the Company upon initial application except for the changes in disclosures arising from the adoption of FRS 7, FRS 8 and FRS 139.

(b) Basis of consolidation

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or negative goodwill as appropriate. Negative goodwill is recognised directly in the income statement.

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

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill which were not previously recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2 (l).

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

	Rate
Machinery and equipment	10 - 25 %
Furniture, fixture and fittings	5 - 20 %
Motor vehicles	10 - 20 %

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognition of the assets is included in the income statement in the year in which the assets is derecognised.

(d) Goodwill

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

(e) 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 (l).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(f) Investment properties

Investment properties consist of land and buildings held for capital appreciation or rental purpose or both and not occupied or only an insignificant portion is occupied for use or in the operation of the Group.

Investment properties are treated as long-term investments and are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value with any change therein recognised in income statement. Fair value is arrived at by reference market evidence of transaction prices for similar properties and is performed by independent professional valuers.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Inventories

Inventories are stated at the lower of cost, determined on the weighted average basis and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with licensed banks. Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of change in value.

(i) 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 balance sheet 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 income statement 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.

(j) 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 enterprise 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 income statement on a straight-line basis over the estimated useful life of 10 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (l).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) 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.

(l) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belong.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(m) Foreign currency transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transactions. At each balance sheet, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling on that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

Foreign currency	2010	2009
1 United States Dollar	RM3.41	RM3.60
1 Singapore Dollar	RM2.43	RM2.40
1 Brunei Dollar	RM2.43	RM2.24

(n) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue recognition

Revenue of the Group is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise 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.

(p) Income tax

Income tax on the income statement 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 at the balance sheet date.

Deferred tax is recognised for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principal, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that 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 goodwill or negative goodwill or 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 accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Employee benefits (cont'd)

(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 income statement 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 income statement over the vesting periods of the grant with a corresponding increase in equity.

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 14 to the financial statements.

(r) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

(i) *Other non-current investments*

Non-current investments other than investments in subsidiaries, associated companies and joint ventures are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(l).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) *Receivables*

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

(iii) *Payables*

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Financial instruments (cont'd)

(iv) Interest-bearing borrowings

Interest-bearing bank borrowings are recorded at the face value of the loan amounts.

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 the income statement in the period in which they are incurred.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

The transaction costs of an equity transaction are accounted for as deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

GROUP COST	Balance at 01.02.2009 RM	Additions RM	Disposals/ Written off RM	Reclassified RM	Balance at 31.01.2010 RM
Machinery and equipment	15,076,530	15,501	(246,638)	323,597	15,168,990
Furniture, fixture and fittings	19,024,777	585,830	(61,962)	(368,719)	19,179,926
Motor vehicles	2,215,188	-	(3,400)	51,756	2,263,544
	36,316,495	601,331	(312,000)	6,634	36,612,460
ACCUMULATED DEPRECIATION	Balance at 01.02.2009 RM	Charge for the year RM	Disposals/ Written off RM	Reclassified RM	Balance at 31.01.2010 RM
Machinery and equipment	8,769,562	1,057,949	(191,813)	685,567	10,321,265
Furniture, fixture and fittings	7,739,498	1,660,751	(50,155)	(718,531)	8,631,563
Motor vehicles	1,932,118	178,628	(3,399)	39,598	2,146,945
	18,441,178	2,897,328	(245,367)	6,634	21,099,773
COST	Balance at 01.02.2008 RM	Additions RM	Disposals/ Written off RM	Reclassified RM	Balance at 31.01.2009 RM
Machinery and equipment	20,101,776	233,314	(5,258,560)	-	15,076,530
Furniture, fixture and fittings	25,377,666	4,769,714	(11,122,603)	-	19,024,777
Motor vehicles	2,280,267	-	(65,079)	-	2,215,188
	47,759,709	5,003,028	(16,446,242)	-	36,316,495

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

ACCUMULATED DEPRECIATION	Balance at 01.02.2008 RM	Charge for the year RM	Disposals/ Written off RM	Reclassified RM	Balance at 31.01.2009 RM
Machinery and equipment	11,972,258	996,816	(4,199,512)	-	8,769,562
Furniture, fixture and fittings	14,180,100	2,450,456	(8,891,058)	-	7,739,498
Motor vehicles	1,729,364	231,279	(28,525)	-	1,932,118
	<u>27,881,722</u>	<u>3,678,551</u>	<u>(13,119,095)</u>	<u>-</u>	<u>18,441,178</u>

NET BOOK VALUE	2010 RM	2009 RM
Machinery and equipment	4,847,725	6,306,968
Furniture, fixture and fittings	10,548,363	11,285,279
Motor vehicles	116,599	283,070
	<u>15,512,687</u>	<u>17,875,317</u>

COMPANY COST	Balance at 01.02.2009 RM	Additions RM	Disposals RM	Balance at 31.01.2010 RM
Furniture, fixture and fittings	17,260	-	-	17,260
Motor vehicles	600,544	-	-	600,544
Office equipment	40,699	-	-	40,699
	<u>658,503</u>	<u>-</u>	<u>-</u>	<u>658,503</u>

ACCUMULATED DEPRECIATION	Balance at 01.02.2009 RM	Charge for the year RM	Disposals RM	Balance at 31.01.2010 RM
Furniture, fixture and fittings	3,452	1,726	-	5,178
Motor vehicles	368,263	105,877	-	474,140
Office equipment	4,070	4,070	-	8,140
	<u>375,785</u>	<u>111,673</u>	<u>-</u>	<u>487,458</u>

COST	Balance at 01.02.2008 RM	Additions RM	Disposals RM	Balance at 31.01.2009 RM
Furniture, fixture and fittings	17,260	-	-	17,260
Motor vehicles	600,544	-	-	600,544
Office equipment	-	40,699	-	40,699
	<u>617,804</u>	<u>40,699</u>	<u>-</u>	<u>658,503</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

ACCUMULATED DEPRECIATION	Balance at 01.02.2008 RM	Charge for the year RM	Disposals RM	Balance at 31.01.2009 RM
Furniture, fixture and fittings	1,726	1,726	-	3,452
Motor vehicles	248,154	120,109	-	368,263
Office equipment	-	4,070	-	4,070
	<u>249,880</u>	<u>125,905</u>	<u>-</u>	<u>375,785</u>

NET BOOK VALUE	2010 RM	2009 RM
Furniture, fixture and fittings	12,082	13,808
Motor vehicles	126,404	232,281
Office equipment	32,559	36,629
	<u>171,045</u>	<u>282,718</u>

- (a) Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under hire purchase arrangements at net book value of RM3,746 (2009 – RM46,424) and RM4 (2009 – RM42,682) 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	
	2010 RM	2009 RM	2010 RM	2009 RM
Machinery and equipment	903,486	870,431	-	-
Furniture, fixture and fittings	558,020	423,597	-	-
Motor vehicles	809,813	61,486	284,544	-
	<u>2,271,319</u>	<u>1,355,514</u>	<u>284,544</u>	<u>-</u>

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2010 RM	2009 RM
Unquoted shares, at cost	2,600,000	2,600,000
Less: Accumulated impairment losses	(2,599,998)	-
	<u>2</u>	<u>2,600,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

Details of the subsidiary companies are as follows:

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2010	2009		
Borneo Oil & Gas Corporation Sdn. Bhd.	100	100	Malaysia	Oil, gas and energy and its related businesses.
SB Partners Sdn. Bhd.	100	100	Malaysia	Investment holding.
Subsidiaries of Borneo Oil & Gas Corporation Sdn. Bhd.				
Borneo Energy Sdn. Bhd.	100	100	Malaysia	Oil, gas and energy and its related businesses.
Borneo Oil (Indonesia) Limited * @	100	100	Wilayah Persekutuan Labuan, Malaysia	Oil, gas and energy and its related businesses.
Borneo Oil (Thailand) Limited *	-	100	Wilayah Persekutuan Labuan, Malaysia	Oil, gas and energy and its related businesses.
Subsidiaries of SB Partners Sdn. Bhd.				
SB Franchise Management Sdn. Bhd.	100	100	Malaysia	Provision of management and marketing services.
SB Resorts Sdn. Bhd.	100	100	Malaysia	Provision of management services, catering services, operations of lodge and cafe cum entertainment and rental of equipment.
Subsidiaries of SB Franchise Management Sdn. Bhd.				
Bonushopping Sdn. Bhd.	100	100	Malaysia	Dormant.
Sugar Bun Fast Food Centre Sdn. Bhd.	100	100	Malaysia	Investment holding and operating of fast food restaurants. Ceased operations since November 2008.
Applebee's Bakery Sdn. Bhd.	100	100	Malaysia	Dormant.
L & V Trading Sdn. Bhd.	100	100	Malaysia	Food processing and sales and distributions of equipment and spare parts.
SB Food Enterprise Sdn. Bhd. (Formerly Known as FB Food Enterprise Sdn. Bhd.)	100	100	Malaysia	Investment properties. Ceased business operations since August 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2010	2009		
Subsidiaries of SB Resorts Sdn. Bhd.				
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	Have not commenced business operations yet.
Subsidiary of Sugar Bun Fast Food Centre Sdn. Bhd.				
Strawberry Foods Sdn. Bhd.	100	100	Malaysia	Investment holding.
Subsidiary of Strawberry Foods Sdn. Bhd.				
Strawberry Baking System Sdn. Bhd.	100	100	Malaysia	Dormant.

* Not audited by STYL Associates

@ Shares of subsidiary companies's results are consolidated based on management accounts as at 31 January 2010

a) On 23 April 2009, Borneo Oil (Thailand) Ltd was deregistered.

(i) The deregistration had no effect on the Group's financial results for the year.

(ii) The deregistration had the following effects on the financial position of the Group as at the end of the year:

	GROUP	
	2010 RM	2009 RM
Cash and bank balances	1,538	-
Other payables and accruals	(1)	-
Amount due to ultimate holding company	(123,581)	-
	<hr/>	<hr/>
Net liabilities deregistered	(122,044)	-
Deregistration proceeds	-	-
	<hr/>	<hr/>
Gain on deregistration to the Group	(122,044)	-
	<hr/>	<hr/>

(iii) Cash outflow arising from the deregistration is as follows:

	GROUP	
	2010 RM	2009 RM
Cash consideration	-	-
Cash and cash equivalent of subsidiary deregistered	(1,538)	-
	<hr/>	<hr/>
Net cash outflow to the Group	(1,538)	-
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

- b) During the financial year ended 31 January 2009, the Group acquired a 100% equity interest in SB Rainforest Travel & Tours Sdn. Bhd. for a total cash consideration of RM180,368.

- (i) The acquisition had the following effects on the Group's financial results for the year:

	GROUP	
	2010 RM	2009 RM
Revenue	-	-
Loss from operations	-	303
Loss for the year	-	303

- (ii) The acquisition had the following effects on the financial position of the Group as at the end of the year:

	GROUP	
	2010 RM	2009 RM
Other receivables and deposits	-	194,778
Other payables and accruals	-	(17,747)
Net assets acquired	-	177,031
Goodwill on consolidation	-	3,337
Total purchase consideration	-	180,368
Less: Cash and bank balances	-	-
Gain on acquisition to the Group	-	180,368

- (iii) Cash outflow arising from the acquisition is as follows:

	GROUP	
	2010 RM	2009 RM
Cash consideration	-	180,368
Cash and cash equivalents of subsidiary acquired	-	-
Net cash outflow to the Group	-	180,368

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

5. INVESTMENT PROPERTIES

GROUP COST	Balance at 01.02.2009 RM	Additions RM	Disposals RM	Balance at 31.01.2010 RM
Freehold land	1,712,000	-	-	1,712,000
Long term leasehold land and buildings	32,393,652	-	-	32,393,652
Short term leasehold land	12,376,900	-	-	12,376,900
Freehold condominium	12,619,292	-	(955,128)	11,664,164
	59,101,844	-	(955,128)	58,146,716
ACCUMULATED DEPRECIATION	Balance at 01.02.2009 RM	Charge for the year RM	Disposals RM	Balance at 31.01.2010 RM
Freehold land	-	-	-	-
Long term leasehold land and buildings	1,041,236	677,058	-	1,718,294
Short term leasehold land	949,657	412,563	-	1,362,220
Freehold condominium	877,130	245,370	(72,669)	1,049,831
	2,868,023	1,334,991	(72,669)	4,130,345
COST	Balance at 01.02.2008 RM	Additions RM	Disposals/ Written off RM	Balance at 31.01.2009 RM
Freehold land	1,712,000	-	-	1,712,000
Long term leasehold land and buildings	15,853,480	26,759,380	(10,219,208)	32,393,652
Short term leasehold land	5,255,000	7,121,900	-	12,376,900
Freehold condominium	12,834,390	-	(215,098)	12,619,292
	35,654,870	33,881,280	(10,434,306)	59,101,844
ACCUMULATED DEPRECIATION	Balance at 01.02.2008 RM	Charge for the year RM	Disposals/ Written off RM	Balance at 31.01.2009 RM
Freehold land	-	-	-	-
Long term leasehold land and buildings	1,355,733	357,078	(671,575)	1,041,236
Short term leasehold land	702,119	247,538	-	949,657
Freehold condominium	635,028	256,329	(14,227)	877,130
	2,692,880	860,945	(685,802)	2,868,023

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

5. INVESTMENT PROPERTIES (cont'd)

NET BOOK VALUE	GROUP	
	2010 RM	2009 RM
Freehold land	1,712,000	1,712,000
Long term leasehold land and buildings	30,675,358	31,352,416
Short term leasehold land	11,014,680	11,427,243
Freehold condominium	10,614,333	11,742,162
	<u>54,016,371</u>	<u>56,233,821</u>

Land and buildings of the Group with carrying amount of RM17,152,505 (2009 – RM18,507,370) are pledged to financial institutions for borrowings granted to the Group as disclosed in Note 16 to the financial statements.

Certain land and building of the Group with carrying amount of RM43,402,038 (2009 – RM44,491,659) are registered under the name of third parties.

The short term and long term of leasehold land and buildings have lease terms of 30 to 99 years.

6. PREPAID LEASE PAYMENTS

	GROUP	
	2010 RM	2009 RM
Prepaid lease rental	27,474,992	27,474,992
Less: Accumulated amortisation	(8,758,044)	(7,174,354)
	<u>18,716,948</u>	<u>20,300,638</u>

Included in prepaid lease payments is the Group's cost incurred in developing two locations in Kota Kinabalu 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.

7. DEVELOPMENT EXPENDITURE

	GROUP	
	2010 RM	2009 RM
At beginning of year	1,926,887	2,299,322
Add: Additions during the year	-	49,450
Less: Written off during the year	(42,188)	(421,885)
At end of year	<u>1,884,699</u>	<u>1,926,887</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

8. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
(a) Goodwill arising on consolidation:				
At beginning of year	26,829	23,492	-	-
Add: Addition during the year	-	3,337	-	-
Less: Written off during the year	(14,996)	-	-	-
At end of year	11,833	26,829	-	-
(b) Patent and rights, at cost				
At beginning of year	5,000,000	5,000,000	5,000,000	5,000,000
Less: Accumulated amortisation	(5,000,000)	(4,500,000)	(5,000,000)	(4,500,000)
At end of year	-	500,000	-	500,000
Total	11,833	526,829	-	500,000

The Group recognised an impairment loss of RM14,996 (2009 – Nil) during the financial year in respect of goodwill arising on consolidation. As the subsidiary company, Borneo Oil (Thailand) Ltd was deregistered during the year, the related goodwill has been impaired accordingly. The impairment loss is included in the administrative expenses in the income statements.

The patents and rights are in respect of the rights for use of a certain brand name and trademark acquired in financial year 2001 for a total consideration of RM5,000,000. These are amortised on a straight-line basis over a period of ten years.

9. INVENTORIES

	GROUP	
	2010 RM	2009 RM
<u>At cost:</u>		
Food and beverages and packing materials	1,262,320	1,306,861
<u>At net realisable value:</u>		
Machinery and spare parts	342,573	434,640
	1,604,893	1,741,501

10. TRADE RECEIVABLES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Trade receivables	4,505,900	4,547,505	-	69,226
Less: Allowance for doubtful debts	(1,063,183)	(723,842)	-	(69,226)
	3,442,717	3,823,663	-	-

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

11. OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Prepayments	80,732	44,945	660	-
Deposits	4,568,060	4,511,209	14,867	17,610
Sundry receivables	16,998,226	21,296,863	13,390,475	16,378,534
Tax recoverable	71,501	71,442	226,736	236,436
	<u>21,718,519</u>	<u>25,924,459</u>	<u>13,632,738</u>	<u>16,632,580</u>
Less: Allowance for doubtful debts	(51,864)	(4,209,358)	-	(2,954,925)
	<u>21,666,655</u>	<u>21,715,101</u>	<u>13,632,738</u>	<u>13,677,655</u>

Included in deposits of the Group, is an amount of RM3,535,000 (2009 – RM3,535,000) paid by a subsidiary company as downpayment for investment in quoted shares for an overseas corporation, Sustainable Power Corporation. As mentioned in Note 32, on 11 February 2010, stock certificates of 25,000,000 units of restricted stock and 6,000,000 units of unrestricted stock from Sustainable Power Corporation have been issued to the subsidiary company.

12. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

These amounts are unsecured, interest-free and have no fixed terms of repayment.

13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash and bank balances	3,334,520	3,331,714	95,220	79,299
Deposits with licensed banks	2,136,341	2,097,238	2,095,735	2,056,833
	<u>5,470,861</u>	<u>5,428,952</u>	<u>2,190,955</u>	<u>2,136,132</u>

The weighted average interest rates during the financial year range from 1.75% to 2.5 % (2009 – 3.1% to 3.7%) per annum and the average maturities of deposits are 30 to 365 days (2009 – 30 to 365 days).

14. SHARE CAPITAL

	GROUP AND COMPANY	
	2010 RM	2009 RM
Authorised:		
500,000,000 ordinary shares at RM1 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
160,376,000 ordinary shares at RM1 each	<u>160,376,000</u>	<u>160,376,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

14. 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 3 October 2006. The ESOS was implemented on 13 October 2006.
- (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 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.
 - (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) There were no share options outstanding as at the end of the financial year.

15. RESERVES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Non-distributable:				
Share premium	24,164,992	24,164,992	24,164,992	24,164,992
ESOS reserves	45,717	45,717	45,717	45,717
Warrants reserves	2,672,933	2,672,933	2,672,933	2,672,933
Capital reserve (Note 28)	15,000	15,000	-	-
Distributable:				
Accumulated loss	(101,442,416)	(97,232,102)	(36,765,542)	(38,121,637)
	<u>(74,543,774)</u>	<u>(70,333,460)</u>	<u>(9,881,900)</u>	<u>(11,237,995)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

16. BORROWINGS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Short Term Borrowings				
Secured:				
Term loans	14,083,363	11,368,604	-	-
Hire purchase and financial lease payables (Note 17)	42,060	55,155	32,627	39,416
	<u>14,125,423</u>	<u>11,423,759</u>	<u>32,627</u>	<u>39,416</u>
Long Term Borrowings				
Secured:				
Term loans	14,889,187	20,068,147	-	-
Hire purchase and financial lease payables (Note 17)	108,053	174,494	94,385	137,580
	<u>14,997,240</u>	<u>20,242,641</u>	<u>94,385</u>	<u>137,580</u>
Total Borrowings				
Term loans	28,972,550	31,436,751	-	-
Hire purchase and financial lease payables (Note 17)	150,113	229,649	127,012	176,996
	<u>29,122,663</u>	<u>31,666,400</u>	<u>127,012</u>	<u>176,996</u>
Maturity of borrowings (excluding hire purchase and finance lease payables):				
Within 1 year	13,049,607	11,368,604	-	-
More than 1 year and less than 2 years	3,409,454	5,779,477	-	-
More than 2 years and less than 5 years	9,845,229	9,856,314	-	-
5 years or more	2,668,260	4,432,356	-	-
	<u>28,972,550</u>	<u>31,436,751</u>	<u>-</u>	<u>-</u>

The effective interest rates during the financial year for borrowings, excluding hire purchase and finance lease payables, were as follows:
The term loans of the Group are secured by the following:

	GROUP	
	2010 %	2009 %
Term loans	3.8 - 7.3	3.8 - 8.0

- (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 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

17. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Minimum hire purchase and finance lease payments:				
Within 1 year	50,420	73,716	39,864	54,648
More than 1 year and less than 2 years	54,570	79,980	39,864	39,864
More than 2 years and less than 5 years	62,784	110,425	62,784	110,425
	<u>167,774</u>	<u>264,121</u>	<u>142,512</u>	<u>204,937</u>
Less: Future finance charges	(17,661)	(34,472)	(15,500)	(27,941)
Present value of hire purchase and finance lease liabilities	<u>150,113</u>	<u>229,649</u>	<u>127,012</u>	<u>176,996</u>
Present value of hire purchase and finance lease liabilities:				
Within 1 year	42,060	55,155	32,627	39,416
More than 1 year and less than 2 years	48,613	69,089	34,945	32,175
More than 2 years and less than 5 years	59,440	105,405	59,440	105,405
	<u>150,113</u>	<u>229,649</u>	<u>127,012</u>	<u>176,996</u>
Analysed as:				
Due within 1 year	42,060	55,155	32,627	39,416
Due after 1 year	108,053	174,494	94,385	137,580
	<u>150,113</u>	<u>229,649</u>	<u>127,012</u>	<u>176,996</u>

The hire purchase and finance lease payables bore interest of between 3.8% and 8.7% (2009 – 3.8% and 8.7%) per annum.

18. DEFERRED TAX LIABILITIES

	GROUP	
	2010 RM	2009 RM
At beginning of year	43,700	-
Recognised in the income statement (Note 23)	179,300	43,700
At end of year	<u>223,000</u>	<u>43,700</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.

19. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

20. OTHER PAYABLES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Amount owing to Director	25,250	45,250	-	-
Accruals	1,184,649	533,855	121,673	161,824
Deposits received	554,589	638,046	185,100	185,100
Sundry payables	4,313,640	5,380,074	152,236	79,583
	<u>6,078,128</u>	<u>6,597,225</u>	<u>459,009</u>	<u>426,507</u>

The amount due to Director is unsecured, interest-free and has no fixed term of repayment.

21. REVENUE

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Oil, gas and energy related businesses	745	1,050	-	-
Sales from fast food and restaurant operations	16,574,242	17,726,272	-	-
Revenue from administrative, management and marketing services	1,849,786	1,581,184	1,954,569	348,000
Franchise fees	3,710,426	89,477	3,500,000	-
Rental income	259,906	201,809	-	-
	<u>22,395,105</u>	<u>19,599,792</u>	<u>5,454,569</u>	<u>348,000</u>

22. (LOSS)/PROFIT BEFORE TAXATION

This has been determined after charging/(crediting) the following items:

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Allowance for doubtful debts	210,829	4,761,175	-	3,024,151
Allowance for doubtful debts written back	(3,602,147)	(140,505)	(3,024,152)	-
Amortisation of intangible assets	500,000	500,000	500,000	500,000
Amortisation of investment properties	1,334,991	860,945	-	-
Amortisation of prepaid lease rental	1,583,690	1,579,263	-	-
Audit fee				
- current year	148,450	155,500	42,000	42,000
- overprovision in prior year	(1,848)	-	-	-
Bad debts written off	4,191,886	448,005	3,146,533	307,500
Depreciation	2,897,328	3,678,551	111,673	125,905

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

22. (LOSS)/PROFIT BEFORE TAXATION (cont'd)

This has been determined after charging/(crediting) the following items:

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Development expenditure written off	42,188	421,885	-	-
Gain on deregistration of a subsidiary company	(122,044)	-	-	-
Gain on disposal of investment properties	(137,568)	(775,692)	-	-
Gain on disposal of property, plant and equipment	(149,113)	(1,072,462)	-	-
Gain on foreign exchange	(1,668)	(4,205)	-	(3,405)
Hire of motor vehicle	9,549	-	-	-
Impairment loss on goodwill arising on consolidation	14,996	-	-	-
Impairment loss on investment in subsidiary companies	-	-	2,599,998	-
Interest expenses:				
- Hire purchase interest	23,614	16,040	19,244	-
- Late payment interest	8,941	-	-	-
- Overdraft interest - overprovision in prior year	-	(636)	-	-
- Term loan interest	2,586,727	2,537,609	-	-
Interest income	(39,103)	(134,555)	(38,902)	(134,362)
Investment written off	-	-	-	-
Non-executive Directors' remuneration	287,500	557,200	162,500	332,200
Property, plant and equipment written off	27,760	913,123	-	-
Rental of hostel	4,200	-	-	-
Rental of office equipment	2,160	2,340	-	-
Rental of premises	871,803	1,483,393	7,920	7,200

23. TAXATION

The provision for taxation for the financial year is computed at the prevailing tax rates.

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Provision for the year	44,200	24,400	9,700	-
(Over)/Underprovision in prior years	(24,361)	837	-	-
Deferred taxation (Note 18)	179,300	43,700	-	-
	<u>199,139</u>	<u>68,937</u>	<u>9,700</u>	<u>-</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

23. TAXATION (cont'd)

A reconciliation of income tax expenses applicable to (loss)/profit 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:

The Company has tax credit of approximately RM5,578,984 (2009 – RM5,578,984) under Section 108 of the Income Tax Act, 1967 to frank payment of future dividends. This is subject to agreement by the Inland Revenue Board.

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
(Loss)/Profit before taxation	(4,011,175)	(14,297,109)	1,365,795	(4,697,669)
Taxation at the Malaysian statutory tax rate of 25%	(1,002,794)	(3,574,277)	341,449	(1,174,417)
Income not subject to tax	(931,860)	(323,827)	(756,038)	-
Expenses not deductible for tax purposes	2,410,639	3,679,017	882,821	1,174,417
Deferred tax assets not recognised on:				
- Unabsorbed tax losses	366,106	543,337	-	-
Utilisation of previously unrecognised unabsorbed tax losses	(475,860)	(254,470)	(458,532)	-
Utilisation of previously unrecognised unutilised capital allowances	(99,031)	(1,680)	-	-
(Over)/Underprovision in prior years:				
- Malaysian tax	(24,361)	837	-	-
- Deferred tax	(43,700)	-	-	-
Tax expense for the year	199,139	68,937	9,700	-

The Group and the Company have not recognised deferred tax assets in respect of the following items:

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Unabsorbed tax losses	39,344,868	39,436,000	7,564,000	9,401,000
Unutilised capital allowances	12,394,553	12,438,000	-	319,000
	51,739,421	51,874,000	7,564,000	9,720,000

The unabsorbed tax losses and unutilised 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.

24. LOSS PER SHARE

(a) Basic:

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

	GROUP	
	2010 RM	2009 RM
Loss for the year (RM)	(4,210,314)	(14,366,046)
Weighted average number of ordinary shares in issue	160,376,000	160,376,000
Basic loss per share (sen)	(2.6)	(9.0)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

24. LOSS PER SHARE (cont'd)

- (b) The effects on the basic loss per share for the current financial year arising from the assumed exercise of warrants are anti-dilutive. Accordingly, diluted loss per share for the current year has not been presented.

25. STAFF COSTS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Wages and salaries	2,208,970	2,779,979	64,800	3,178
E.P.F. and Socso contributions	252,618	284,902	16,216	19,219
Other staff related expenses	107,038	169,907	20,585	12,128
	<u>2,568,626</u>	<u>3,234,788</u>	<u>101,601</u>	<u>34,525</u>

Included in staff costs of the Group and of the Company are executive Directors' remuneration amounting to RM137,900 (2009 – RM126,000) and RM136,400 (2009 – RM82,000) respectively as disclosed in Note 26 to the financial statements.

26. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Directors of the Company				
Executive:				
Fees	<u>137,900</u>	<u>126,000</u>	<u>136,400</u>	<u>82,000</u>
Non-Executive:				
Fees	<u>287,500</u>	<u>557,200</u>	<u>162,500</u>	<u>332,200</u>
Total	<u>425,400</u>	<u>683,200</u>	<u>298,900</u>	<u>414,200</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	
	2010	2009
Executive Directors:		
Below RM50,000	-	2
RM50,001 - RM100,000	<u>1</u>	<u>1</u>
Non-Executive Directors:		
Below RM50,000	3	2
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	2	-
RM150,001 - RM200,000	<u>-</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

27. RELATED PARTY TRANSACTIONS

The related party transactions of the Company comprise the following:

	COMPANY	
	2010 RM	2009 RM
Management fee charged to subsidiary companies	1,918,569	312,000

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.

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	
	2010 RM	2009 RM	2010 RM	2009 RM
Total KMP's remuneration	137,900	126,000	136,400	82,000

28. CAPITAL RESERVES

This represents a surplus arising on revaluation of an investment.

29. CONTINGENT LIABILITIES

	COMPANY	
	2010 RM	2009 RM
Unsecured:		
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	32,030,280	35,900,000

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group has to ensure that it has sufficient financial resources to complement its human resources capabilities and inherent strengths in distribution coverage and brand strengths for further market expansion within the country and even overseas. The financial risk management policy has to allow for sufficient cash and capital flows for operational efficiencies while minimising interest rates on borrowings, and managing liquidity and credit risks. The Board acts as the controlling body that best ensures there are no speculative transactions by providing stringent guidelines and procedures for Management to follow.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of interest rate changes on liabilities and assets. To exercise prudence in its management of interest rate exposure, the Group is carrying out active reviews of its debt portfolio, within the limitations of the investment holding period and the type of assets held. With this strategy, the Group is poised to take advantage of any opportunities for funding at lower interest rates which may present itself, as well as hedge itself against any hikes in interest rates.

The respective notes provide the details regarding dates of maturity and effective interest rates of financial assets and liabilities.

(c) Liquidity Risk

By actively engaging in the management of its debt maturity profile, operating cash flows and funding availability, the Group will be able to determine that all refinancing, repayment and funding needs are provided for. Priority is given to the maintenance of sufficient cash levels to meet its working capital requirements so as to provide for prudence liquidity management. A reasonable amount of banking facilities is maintained in comparison to its overall debt position to further support cash availability.

(d) Credit Risk

By applying acceptable methods of controls: credit approvals, credit limits and close monitoring procedures, the Group minimises its risk of counter-parties defaulting. By only associating with business partners having high credit worthiness, the Group's credit risks are minimised and through regular management reports, trade receivables are closely monitored.

There is no significant exposure of the Group to any one major party, whether in the form of an individual customer or counter-party, or in the form of any major concentration of credit risk linked to specific financial instruments.

(e) Foreign Currency Risk

The Group is exposed to foreign currency risk on trade transactions that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar, Singapore Dollar and Brunei Dollar. The Group maintains a natural hedge that minimizes the foreign exchange exposure by matching foreign currency income with currency costs.

(f) Fair Values

It is not practical to estimate the fair values of amounts due from/to subsidiary companies mainly due to the absence of fixed repayment terms. However, the Group does not expect the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The carrying values of the other financial assets and liabilities as at 31 January 2010 are not materially different from the fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

31. SIGNIFICANT EVENT DURING THE YEAR

On 23 April 2009, the Company announced that Borneo Oil (Thailand) Ltd ("BOT") a wholly owned subsidiary of Borneo Oil & Gas Corporation Sdn. Bhd. ("BOGC"), another subsidiary of the Company, ceased to be a wholly owned subsidiary of BOGC as it was deregistered in view of the adverse market conditions prevailing then.

32. SUBSEQUENT EVENT

On 11 February 2010, stock certificates of 25,000,000 units of restricted stock and 6,000,000 units of unrestricted stock from Sustainable Power Corporation have been issued to the subsidiary company as disclosed in Note 11 to the financial statements.

33. MATERIAL LITIGATIONS

(a) There is a legal suit against the Company and subsidiaries Sugar Bun Fast Food Centre Sdn. Bhd. and SB Franchise Management Sdn. Bhd. by Positive Triumph Sdn. Bhd., Sinar Sterling Sdn. Bhd., Domain Delight Sdn. Bhd. and Eight Tower Sdn. Bhd. for a sum of RM4,195,137.85 being the amount expended by them and claim for damages pursuant to the agreements entered with them. The Company and the subsidiary companies had in return file a counter claim of RM1,018,917.95 against them pertaining to the same. On the other hand, two separate suits against Sinar Sterling Sdn. Bhd. in which judgments have been obtained against it for unsatisfied debts and a winding up order had already been obtained against the said company.

34. SEGMENTAL INFORMATION

(a) Business segments

The Group is organised into four major business segments:

- i) Restaurant, franchising and head office operations
- ii) General trading
- iii) Management and operations of properties
- iv) Oil, gas and energy 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

34. SEGMENTAL INFORMATION (cont'd)

	Restaurant, Franchising and Head Office Operations		General Trading		Management and Operations of Properties		Oil, Gas and Energy related businesses		Elimination		Consolidated	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Revenue and Expenses												
Revenue												
External sales	5,575,084	8,952,440	13,023,370	9,784,493	3,795,906	861,809	745	1,050	-	-	22,395,105	19,599,792
Inter-segment sales	21,436	439,827	162,318	3,476,572	1,918,569	-	-	-	(2,102,323)	(3,916,399)	-	-
Total revenue	5,596,520	9,392,267	13,185,688	13,261,065	5,714,475	861,809	745	1,050	(2,102,323)	(3,916,399)	22,395,105	19,599,792
Results												
Segment results	(8,157,374)	(6,543,818)	579,393	514,357	4,467,701	(4,229,266)	(690,554)	(1,485,369)			(3,800,834)	(11,744,096)
Loss from operations												
Finance costs, net												
Taxation												
Loss after taxation												
Minority interest												
Loss for the year												
Assets and Liabilities												
Segment assets	94,520,080	25,329,165	7,804,525	7,295,203	13,585,092	90,532,641	6,417,967	6,415,700			122,327,664	129,572,709
Segment liabilities	21,813,954	12,228,481	2,236,070	2,126,135	11,568,951	24,282,935	876,463	892,618			36,495,438	39,530,169
Other information												
Capital expenditure	336,030	69,611	14,020	58,787	249,617	38,924,009	1,664	34,534			601,331	39,086,941
Depreciation	2,009,439	1,776,535	361,685	364,945	433,435	1,444,469	92,769	92,602			2,897,328	3,678,551
Amortisation of goodwill, intangible assets and prepaid lease rental	3,173,311	620,020	-	-	245,370	2,320,188	-	-			3,418,681	2,940,208

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010 (cont'd)

35. COMPARATIVE FIGURES

Certain figures in the financial statements of the Group and of the Company have been reclassified to conform with the current year's presentation:

Group

	As Restated RM	Adjustments RM	As Previously Stated RM
Balance Sheet			
Prepaid lease payments	20,300,638	(23,960,000)	44,260,638
Investment properties	56,233,821	23,960,000	32,273,821
Income Statements			
Amortisation of investment properties	860,945	40,000	820,945
Amortisation of prepaid lease rental	1,579,263	(40,000)	1,619,263
Company			
Balance Sheet			
Investment in subsidiary companies	2,600,000	2,400,000	200,000
Amount due from subsidiary companies	133,080,033	(2,400,000)	135,480,033

LIST OF PROPERTIES

Particulars of the Group's Properties

The properties of the Group as at 31 January 2010 and their Net Book Values ("NBV") are indicated as follows:

Location	Description	Tenure	Land Area	Age of Building	NBV RM'000	Date of Acquisition
NT 013064812 Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	13.08 acres	Nil	2,486	3.7.2002
NT 013061768 Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	5.70 acres	Nil		
FR 014015706 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	23.15 acres	Nil		
NT 013068570 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	16.90 acres	Nil		
FR 014013462 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	15.00 acres	Nil		
NT 013096985 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	3.766 hectares	Nil		
NT 013091202 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	11.70 acres	Nil		
NT 013068954 Tombongon, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	12.67 acres	Nil		
CL015279099 Kg. Kiansom Kota Kinabalu, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2059	22.15 acres	Nil	1,461	26.12.2002
CL 065284317 Kg. Kundasang, Ranau Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2062	23 acres	Nil	805	3.4.2003
CL 015157052	3 units Double storey detached houses at Lot 1,2 & 3 , Lorong	Leasehold 99 years expiring on 15.7.2051	0.550 acres	9	3,993	29.3.2004
CL 015160102	Pungguk Satu , Likas	Leasehold 99 years expiring on 26.1.2050	0.282 acres			

LIST OF PROPERTIES (cont'd)

Particulars of the Group's Properties (cont'd)

Location	Description	Tenure	Land Area	Age of Building	NBV RM'000	Date of Acquisition
NT 013068589 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant Land	Perpetuity	6.75 acres	Nil	1,787	5.3.2003
NT 013067939 Kg. Togung Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	2.76 acres	Nil		
NT 013067742 Kg. Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	5.65 acres	Nil		
NT 013064821 Kg. Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	3.89 acres	Nil		
NT 013067751 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	12.95 acres	Nil		
FR 014009057 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	12.66 acres	Nil		
NT 014009066 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	14.59 acres	Nil		
NT 013068043 Kg. Togung, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	2.65 acres	Nil		
NT 065313804 Kg. Kundasang, Ranau, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2081	1.57 acres	Nil		
CL 095310071, Sg. Metah, Kinabatangan District, Sandakan	Vacant land	Leasehold 99 years expiring on 31.12.2073	100.07 acres	Nil	2,400	25.7.2008
CL 115379265, Kg. Upak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2086	14.41 acres	Nil	249	25.7.2008

LIST OF PROPERTIES (cont'd)

Particulars of the Group's Properties (cont'd)

Location	Description	Tenure	Land Area	Age of Building	NBV RM'000	Date of Acquisition
NT 4316383, NT 43163784, NT 43192365, NT 43163775 & NT 43169884, Kg Sabandar, Tuaran, Sabah	Vacant land	Leasehold 30 years expiring on 31.1.2038	11.22 acres	Nil	3,313	20.7.2008
NT 113026305, NT 113016336, NT 113016345, NT 113016354, NT 113050392, NT 113019551, NT 113019560, NT 113019579, NT 113019597 & NT 113018492, Kg, Upak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 31.1.2038	161.57 acres	Nil	2,294	18.2.2008
NT 113018509, NT 113018527, NT 113018563, NT 113018554, & NT 113053277, Kg. Kapak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 31.1.2038	79.89 acres	Nil	1,134	29.2.2008
1/3 Fraction of the Undivided Share of CL 115349070, Ulu Segama, Lahad Datu	Vacant land	Leasehold 99 years expiring on 31.12.2072	92.48 acres	Nil	13,697	23.1.2009
71 LA's in Ulu Membakut, District of Beaufort, Sabah	Vacant land	Leasehold 30 years expiring on 7.1.2039	1,011 acres	Nil	9,783	8.1.2009

Statement of Shareholdings

as at 18TH JUNE 2010

ANALYSIS OF SHAREHOLDINGS

SIZE OF SHARE HOLDINGS	NO. OF SHARE HOLDERS	%	NO. OF SHARES	%
Less than 100	27	0.50	464	0.00
100 to 1,000	808	15.09	742,200	0.46
1,001 to 10,000	2,693	50.29	14,161,136	8.83
10,001 to 100,000	1,591	29.71	53,378,400	33.28
100,001 to less than 5% of issued shares	236	4.41	92,093,800	57.43
5% and above of issued shares	-	-	-	-
*** TOTAL	5,355	100.00	160,376,000	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 18TH JUNE 2010

ITEM NO.	NAME	NO. OF SHARES	%
1	AIBB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Batu Bara Resources Corporation S/B)	3,694,000	2.30
2	SUHAILI BIN ABDUL RAHMAN	3,555,000	2.22
3	WARISAN HARTA SABAH SDN BHD	3,215,000	2.00
4	YONG FOO SAN	3,204,950	2.00
5	AMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Energy Resources Investment Limited)	3,100,000	1.93
6	TAN SOH GEK	2,753,000	1.72
7	HSBC NOMINEES (ASING) SDN BHD	2,450,000	1.53
8	TAN SIEW HONG	2,289,300	1.43
9	AIBB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Yayasan Pok Dan Kassim)	2,000,000	1.25
10	KALAYARASU A/L SUBRAMANIAM	1,869,100	1.17
11	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for credit Suisse)	1,824,000	1.14
12	VICTORIA CAPITAL SDN BHD	1,744,900	1.09
13	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (Pledged Securities Account for EFG Bank)	1,574,000	0.98
14	LO SUK LAN	1,373,550	0.86
15	CHAI HON LEONG	1,370,000	0.85

Statement of Shareholdings

as at 18TH JUNE 2010 (cont'd)

LIST OF TOP 30 SHAREHOLDERS AS AT 18TH JUNE 2010 (cont'd)

ITEM NO.	NAME	NO. OF SHARES	%
16	OSK NOMINEES (ASING) SDN BHD (Pledged Securities Account for Yiu May Kae Mavis)	1,297,000	0.81
17	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (Pledged Securities Account for EFG Bank (HongKong))	1,120,000	0.70
18	BEH CHAN SIN	1,100,000	0.69
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Tan Kok Siong)	1,018,000	0.63
20	TEW BOO SING	795,000	0.50
21	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD (Kim Eng Securities Pte Ltd for Chua Chwee Chye)	738,600	0.46
22	KO KIM KWA	726,400	0.45
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Tan Kok Hong)	700,000	0.44
24	CITIGROUP NOMINEES (ASING) SDN BHD (Pledged Securities Account for OCBC Securities Private Limited)	628,000	0.39
25	DESTINET SDN BHD	616,000	0.38
26	HDM NOMINEES (ASING) SDN BHD (UOB Kay Hian Pte Ltd for Lian Suat Hia)	610,000	0.38
27	CITIGROUP NOMINEES (ASING) SDN BHD (UBS AG SINGAPORE for Tan Boy Tee)	600,000	0.37
28	HO MEE HAR	600,000	0.37
29	OSK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Ravindran A/L Sivasubramaniam)	600,000	0.37
30	LIEW KON CHING	560,300	0.35
		47,726,100	29.76

SUBSTANTIAL SHAREHOLDERS AS AT 18TH JUNE 2010

NAME	NO. OF SHARES HELD		%
	Direct	Indirect	
None of the Shareholders have more than 5% as at 18th June 2010	-	-	-

STATEMENT OF WARRANT A (2002/2012) HOLDINGS

as at 18TH JUNE 2010

ANALYSIS OF WARRANT A (2002/2012) HOLDINGS

SIZE OF HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
Less than 100	2	0.27	100	-
100 to 1,000	110	15.11	84,900	0.72
1,001 to 10,000	425	58.38	1,939,400	16.37
10,001 to 100,000	168	23.08	5,116,300	43.19
100,001 to less than 5% of issued warrants	22	3.02	4,028,400	34.00
5% and above of issued warrants	1	0.14	678,100	5.72
*** TOTAL	728	100.00	11,847,200	100.00

LIST OF TOP 30 WARRANT A (2002/2012) HOLDERS AS AT 18TH JUNE 2010

NAME	No. of Warrants	%
1 CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Ravindran Sivasubramaniam)	678,100	5.72
2 VICTORIA CAPITAL SDN BHD	539,800	4.56
3 MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Ravindran Sivasubramaniam)	353,300	2.98
4 CIMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Jarsuma Investments Ltd)	240,000	2.03
5 INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD (Kim Eng Securities Pte Ltd for Chua Chwee Chye)	212,900	1.80
6 HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Phuay Yong Hen)	200,000	1.69
7 SO TIAM HOK	197,100	1.66
8 HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Hartlane Enterprises Inc)	184,000	1.55
9 LIM CHONG EE	180,000	1.52
10 U YONG DOONG @ U SUNG KWI	179,800	1.52
11 LIM LEONG HENG	169,100	1.43
12 TIANG CHIIN YEW	167,000	1.41
13 MOHD HADI BIN MOHAMED ANUAR	158,600	1.34
14 KHAIRUL NUR ADZLY BIN BAHARUDIN	144,900	1.22

STATEMENT OF WARRANT A (2002/2012) HOLDINGS

as at 18TH JUNE 2010 (cont'd)

LIST OF TOP 30 WARRANT A (2002/2012) HOLDERS AS AT 18TH JUNE 2010 (cont'd)

	NAME	No. of Warrants	%
15	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Kundadak Ramesh Kudva)	140,000	1.18
16	BHLB TRUSTEE BERHAD (Pledged Securities Account for EPF Investment)	135,300	1.14
17	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Yee Thian Soon)	132,000	1.11
18	PEK ENG SEONG	125,000	1.06
19	PONG PEI CHING	123,800	1.04
20	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Jerome Chua Chwee Meng)	120,000	1.01
21	LEE CHONG LOO	113,800	0.96
22	LIM SENG HIN	110,000	0.93
23	CHIAM LEE WAH	102,000	0.86
24	KONG CHACK KIONG	99,900	0.84
25	LEE BOON TUAN	97,000	0.82
26	TAN BOON PING	92,600	0.78
27	PAUZI BIN DAUD	89,000	0.75
28	LIM TEIK CHOON	88,200	0.74
29	P DEIVENDRAN K PATHMANATHAN	82,200	0.69
30	CHUAH TEONG AUNG	80,000	0.68
		5,335,400	45.02

SUBSTANTIAL WARRANT A (2002/2012) HOLDERS AS AT 18TH JUNE 2010

	Name	No. Of Shares	%
1	CIMSEC NOMINEES (TEMPATAN) SDN BHD	678,100	5.72

STATEMENT OF WARRANT B (2008/2018) HOLDINGS

as at 18TH JUNE 2010

ANALYSIS OF WARRANT B (2008/2018) HOLDINGS

SIZE OF HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
Less than 100	63	3.49	2,905	0.01
100 to 1,000	444	24.60	289,841	0.54
1,001 to 10,000	803	44.49	3,087,714	5.78
10,001 to 100,000	405	22.44	14,670,810	27.43
100,001 to less than 5% of issued warrants	89	4.93	30,785,863	57.59
5% and above of issued warrants	1	0.05	4,621,533	8.65
*** TOTAL	1,805	100.00	53,458,666	100.00

LIST OF TOP 30 WARRANT B (2008/2018) HOLDERS AS AT 18TH JUNE 2010

NAME	No. of Warrants	%
1 VICTORIA CAPITAL SDN BHD	4,621,533	8.65
2 SUHAILI BIN ABDUL RAHMAN	2,193,333	4.10
3 YONG FOO SAN	1,922,340	3.60
4 HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for RBS Coutts Bank Ltd (HK Branch))	1,288,000	2.41
5 YII LEH KIEW	1,280,100	2.39
6 WONG SIEN NGIK	1,226,600	2.29
7 WARISAN HARTA SABAH SDN BHD	1,071,666	2.00
8 AMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Energy Resources Investments Limited)	1,033,400	1.93
9 MOHD FAUZI BIN MOHD ANUAR	853,400	1.60
10 LO SUK LAN	823,860	1.54
11 NGU SHANG SHANG	809,100	1.51
12 PUBLIC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Tan Kok Siong)	799,600	1.50
13 TAN SIEW HONG	763,100	1.43
14 WONG SENG POH	734,433	1.37
15 HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Credit Suisse)	608,000	1.14

STATEMENT OF WARRANT B (2008/2018) HOLDINGS

as at 18TH JUNE 2010 (cont'd)

LIST OF TOP 30 WARRANT B (2008/2018) HOLDERS AS AT 18TH JUNE 2010 (cont'd)

	NAME	No. of Warrants	%
16	KEE SHIH-LENE	569,666	1.07
17	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (Pledged Securities Account for EFG Bank)	524,667	0.98
18	NEA CHING KIM	400,000	0.75
19	MAYBAN SECURITIES NOMINEES(TEMPATAN) SDN BHD (Pledged Securities Account for Lu Li)	395,100	0.74
20	TIANG CHIIN YEW	395,000	0.74
21	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Lian Suat Hia)	343,700	0.64
22	KONG SIN	326,400	0.61
23	LOO HUAN YENG	313,400	0.59
24	SEOW KAH SIN	301,966	0.56
25	HAIRUL NUR AFZAN BINTI BAHARUDIN	300,000	0.56
26	OSK NOMINEES (ASING) SDN BHD (Pledged Securities Account for Yiu May Kae Mavis)	300,000	0.56
27	KHOO BOO KHIM	295,000	0.55
28	CITIGROUP NOMINEES (ASING) SDN BHD (Pledged Securities Account for OCBC Securities Private Ltd)	294,066	0.55
29	CHEW LAI SENG	293,500	0.55
30	BHLB TRUSTEE BERHAD (Pledged Securities Account for EPF Investment)	291,833	0.55
		25,372,763	47.46

SUBSTANTIAL WARRANT B (2008/2018) HOLDERS AS AT 18TH JUNE 2010

	NAME	No. Of Warrants	%
1	VICTORIA CAPITAL SDN BHD	4,621,533	8.65



Borneo Oil Berhad

(Co. No. 121919-H)

proxy form

Shareholding Represented by Proxy

I/We _____ (name of shareholder as per NRIC, in capital letters)
of _____ (full address)
being a member/members of the above-named company, hereby appoint _____
(name of shareholder as per NRIC, in capital letters) of _____
_____ (full address) or failing him/her _____
_____ (name of shareholder as per NRIC, in capital letters) of _____
_____ (full address)

as my/our proxy for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to be held on 29th July 2010, Thursday at 8.00 a.m. and at any adjournment thereof, and there at, to vote on the following resolutions referred to in the notice of the 26th Annual General Meeting.

NO.	RESOLUTION	FOR	AGAINST
1.	To receive the Directors' Report and Audited Financial Statements for the financial year ended 31 st . January 2010 together with the Auditors' Report thereon.		
2.	To approve the Directors' fees for the financial year ended 31 st . January 2010.		
3.	To re-elect Mr. Tan Kok Chor in accordance with Article 96 of the Company's Articles of Association.		
4.	To re-elect Mr. John Lee Yan Hong @ John Lee in accordance with Article 96 of the Company's Articles of Association .		
5.	To re-appoint Messrs STYL Associates as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	As Special Business : <u>Ordinary Resolution 1</u> - Approval for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		
7.	<u>Ordinary Resolution 2</u> - Proposed renewal of shareholders mandate for the Company to purchase its own shares ("Proposed share buy-back")		

Please indicate with a cross (X) in the appropriate spaces provided whether you wish your votes to be cast for or against the Resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Date :

.....
Signature of Member(s)/
Common Seal of Appointer

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointer is a corporation / company, either under its common seal or under the hand of an officer or its attorney duly authorized.
4. The instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a certified copy thereof shall be deposited at the Registered Office of the Company at 1st and 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 W.P. Labuan not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

Please Fold Here

Affix
stamp

THE COMPANY SECRETARY
BORNEO OIL BERHAD
1st & 2nd Floor,
Victoria Point,
Jalan OKK Awang Besar,
87007 , W.P. Labuan

Please Fold Here
