

**BORNEO  IL**

Annual Report 2015

Borneo Oil Berhad (121919-H) Incorporated in Malaysia

# **BORNEO IL**

# Contents

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<b>Corporate Information</b>	<b>2</b>
<b>Director's Statement</b>	<b>3 - 4</b>
<b>Director's Profile</b>	<b>5</b>
<b>Statement On Corporate Governance</b>	<b>6 - 11</b>
<b>Audit Committee Report</b>	<b>12 - 15</b>
<b>Statement On Risk Management And Internal Control</b>	<b>16 - 18</b>
<b>Corporate Social Responsibility (CSR) Statement</b>	<b>19 - 20</b>
<b>Statement On Directors' Responsibility</b>	<b>21</b>
<b>Financial Statements</b>	<b>23 - 85</b>
<b>List Of Properties</b>	<b>86 - 87</b>
<b>Statement Of Shareholdings</b>	<b>88 - 89</b>
<b>Statement Of Warrant B (2008/2018) Holdings</b>	<b>90 - 91</b>
<b>Notice Of Annual General Meeting</b>	<b>92 - 94</b>
<b>Statement Accompanying Notice Of Annual General Meeting</b>	<b>95</b>
<b>Proxy Form</b>	

# Corporate Information

## BOARD OF DIRECTORS

### TEO KIEW LEONG

(Executive Director)

### TAN KOK CHOR

(Independent Non-Executive Director)

### MICHAEL MOO KAI WAH

(Independent Non-Executive Director)

### SEROOP SINGH RAMDAY

(Independent Non-Executive Director)

## AUDIT COMMITTEE

### Chairman

Tan Kok Chor

(Independent Non-Executive Director)

### Member

Michael Moo Kai Wah

(Independent Non-Executive Director)

### Member

Seroop Singh Ramday

(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, Wilayah Persekutuan 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)  
Standard Chartered Bank Malaysia  
Berhad (115793-P)  
Hong Leong Investment Bank Berhad  
(10209-W)

## SOLICITORS

Jie Nyuk Choo & Co.  
Chung & Associates  
J. Ambrose & Partners  
S. Vanugopal & Partners  
Foong & Partners

## STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad

Stock Name : BORNOIL  
Stock Code : 7036

## WEBSITE

www.borneo-oil.com.my

# Director's Statement

Dear Shareholders,

**On behalf of the Board of Directors, I am pleased to present the Annual Report of Borneo Oil Berhad and the Group for the financial year ended 31 January, 2015.**

At around this time last year in presenting the Company's Report for the year ended 31 January, 2014, I highlighted the Company's corporate proposals involving par value reduction of its ordinary share from RM1.00 to RM0.10 each, private placement and diversification to other core businesses which were then pending approvals from the relevant authorities. They have since been approved and successfully implemented as planned, most notably of which was the Company's reduction of its par value which enable the entire accumulated loss of the Company amounting to RM34.22 million to be set-off against the capital reserve arising from the surplus of the said reduction. This was in line with the objective and spirit of the Companies Act, 1965 to enable the Company to start afresh with a healthier financial position that will help facilitate smooth implementation of its future corporate exercises.

And here again today, it gives me much pleasure to inform you that the Company is now embarking on another part of the journey up the corporate performance ladder and had on the 27 April, 2015 announced to BURSA its future expansion plans, via a proposed renounceable rights Issue of up to 2,373,841,596 new ordinary shares of RM0.10 each at an indicative issue

price of RM0.10 per rights share, on the basis of 6 rights shares for every 1 existing share held, together with up to 1,186,920,798 free detachable warrants on the basis of 1 free warrant for every 2 rights shares subscribed. The details of the aforesaid proposed exercise will be found in the Circular to shareholders to be distributed shortly.

Before I proceed on to the Company's and Group's performances and developments, on behalf of the Board of Directors, I would like to express our most sincere thanks and appreciation to our shareholders, employees, franchisees, customers, suppliers, financiers, corporate and legal advisors, auditors and all in the relevant governmental and semi-governmental authorities for their confidence and continual support in making this a successful year for both the Company and the Group. This has been a key motivator and driving force in our strive towards achieving our said vision and goals.

## FAST FOOD & FRANCHISE DIVISION

The division maintained its record of continuing good and improved performances. The number of SugarBun franchise outlets continued

to grow, domestically from 61 as at last year, 56 a year before to 76 presently with 26 new openings in the pipeline. With 10 overseas, the division has now a total of 86 outlets. The new openings include 2 First SugarBun Drive-Thru outlets, one each in Sarawak and Sabah respectively.

Besides continuing to improve its R&D, the division is also focusing on other important supporting key areas to enhance its already established business models in its implementation of new internally generated systems featured primarily on its efforts to ensure better control and transparency of franchised outlets sales and at the same time to provide the best services to customers, strict compliance of the SOPs, rewarding deserving employees and franchisees for their good performances, analyzing feedbacks for improvements among others. The SugarBun menu innovation which continues to be an integral part of the growth with its successful launching of new evolving menus is a result of these continuing initiatives of the division.

For the financial year just ended, the division posted yet again an impressive performance with a total turnover and net profit before tax of RM37.31 mil and RM5.27 mil respectively.

# Director's Statement (Cont'd)

As part of its expansion plans to further enhance and complement the division's overall profitability, the division has secured a master license for a pizza chain, "Pezzo", for Sabah and Sarawak. With the success of its introductory launching in December 2014, at least 15 Pezzo kiosk outlets is being planned to be opened by the last quarter of 2015.

## OIL, GAS, MINING & RELATED ACTIVITIES DIVISION

The division had an eventful year delivering revenue of RM 34.357m with a bottom line of RM 6.481m before tax for the year ended 31 January, 2015, a commendable performance for a newcomer into this sector.

Apart from the ongoing alluvial mining and the lode gold exploration operations currently being conducted in Area 4-1 (Merapoh Area at Mukim Batu Yon under Champmark Sdn Bhd), the Division had also during the course of the year added 2 additional mining leases namely:-

- 1) Mining Lease No. ROM 7/2/0675SJ.1 MC 1/2004 – 462 acres – Bukit Ibam; and
- 2) Mining Lease No. ML04/2004 – 500 acres – Hulu Jelai

onto its portfolio under separate arrangements with 2 separate companies namely HDL Global Sdn Bhd and Jusra Mining Merapoh Sdn Bhd.

Barring any unforeseen circumstances, mining of alluvial and tailings will commence at Bukit Ibam sometime in the 3rd quarter of 2015. An extensive exploration and drilling program is currently being planned for the area with regards to its lode gold potential.

As for Hulu Jelai, ongoing exploration have covered 25% of the tenement and it is hoped that by the 1st quarter of 2016, the whole tenement will be covered, results analyzed and if positive, a working plan will be drawn up for implementation thereafter.

Although gold prices have not been performing well over the last financial year, the Company still holds a long term bullish view of it as the Company believes that gold will be a more pronounced feature in determining values and collateral in the near future.

As for its other activities, the division had successfully completed the contract awarded by Shell Timur Sdn Bhd for the engineering, procurement, construction and commissioning of bio-diesel storage tank facilities. This was part of the division's plan in its focus on renewable energy and related activities as highlighted in the previous year's review. With regards to the Vertrolisis process which converts palm oil wastes and biomass by-products to bio-fuel, bio-char and bio-gas, the same is now in its final stage of evaluation which included the setting up of a pilot plant in Sabah by adapting the said American technology process to local manufacturing, environmental

and regulatory requirements. These will eventually determine the feasibility of the venture and its inclusion to the division's future business plans.

As for its limestone mining and related activities, apart from expanding its present activities, the division is presently studying the feasibility of venturing into more profitable downstream operations. The availability of vast limestone reserves with significant potential in various industries has made this a priority in the group's future plans.

In line with the Company's investment and diversification objectives as announced in the previous corporate exercise, the Board is confident that, barring any unforeseen circumstances, the new studies and ventures will widen the Group's portfolio of core businesses and future profitability.

## PROPERTY & RELATED OPERATIONS DIVISION

While there is no immediate plan as at present, the division is however actively looking into the possibility of developing and adding value to part of its land-bank acquired over the years into either residential or tourist related projects including disposal for capital gains at the appropriate time.

Thank you.

**Teo Kiew Leong**  
Executive Director

# Director's Profile

## TEO KIEW LEONG

*Executive Director*

Teo Kiew Leong, aged 50, obtained his college education at Graphic Design & Photography, Regent Fine Art & Design Academy, Kuala Lumpur. He joined the group in 1986.

In 1989, he headed the Graphic Department and work closely with both the project and marketing departments.

In 2002, he was involved and responsible for the New Kitchen settings and layout together with products development and implementation when the company revamped its existing traditional QSR Western Menu to introducing new Asian Cuisine Meals. This paradigm shift to create the differentiation and variety in menu offerings largely contributed to the success of the group today.

In June 2005, he was appointed the General Manager and subsequently the Executive Director since 2007. Under him, the Franchise division grew from 14 to over 85 outlets in less than 6 years.

## TAN KOK CHOR

*Independent Non-Executive Director*

Tan Kok Chor, aged 65, was appointed to the Board of Borneo Oil Berhad on 21st August 2001. He has more than 10 years experience in legal line which involved litigation, conveyancing and preparing legal documentation and related matters. 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 63, 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 in Business Studies.

He had more than 10 years working experience in the United Kingdom and in Malaysia in accounting, tax, audit and secretarial matters. He is also actively involved in his alma mater as board treasurer for the past 10 years.

## SEROOP SINGH RAMDAY

*Independent Non-Executive Director*

Seroop Singh Ramday, aged 57, has over 30 years of international experience in a UK government Trade and Industry accredited management consultant since the late 80s and is also listed on the 'National Business Link Consultants register'. Mr Ramday was actively engaged on the UK government initiatives on developing UK SMEs within a broad sector of industry in their global marketing strategy. This has included leading on international trade missions.

He is a United Nations / ITU registered independent expert on development projects having delivered UN assignments across Asia and Africa.

In the UK, he has worked very closely with one of the largest regional development authority 'Advantage West Midlands', Business Links, and the Department of Trade and Industry in the formulation of policy and the development and delivery of effective business support initiatives. He was Vice Chairman of the West Midlands Minority Ethnic Business Forum, a strategic body that advises the regional development authority, a founder board member of The Institute of Oriental Business in Birmingham and Executive Director of the Coventry and Warwickshire Minority Business Association.

Prior to returning to Malaysia in 2014, he set up and headed a novel research and technology company in the UK. He successfully engineered technology and collaborations with 2 Fortune 500 multinationals including securing global commercial licensing agreements.

# Statement On Corporate Governance

The Board of Directors of Borneo Oil Berhad is committed to uphold the principles of corporate governance as a fundamental part of discharging its fiduciary responsibilities to protect and enhance shareholders' values and the financial performance of the Group whilst taking into account the interest of the investors and all other stakeholders.

The Group has continued to apply and practice the principles and best practices as set out in the Malaysian Code of Corporate Governance in managing and directing the business affairs of the Group to ensure that good and effective corporate governance practices are observed throughout the Group during the financial year ended 31st January 2015.

The Board is pleased to disclose to the shareholders the following statement on corporate governance and the extent of compliance with the best practices as prescribed by the Code during the financial year ended 31 January 2015.

## 1. DIRECTORS

### 1.1 The Board

There is diversity among the Board, as it comprises of members from various professions and specialization in various fields including property development, management, marketing, administration, finance and accounting. This well-balanced pool of expertise contributes towards making the Board effective and competent in discharging their duties and responsibilities which, amongst others, include the following :

- Review the adequacy of the internal control systems
- Establish goals for management and monitor the achievement of these goals
- Approve financial results and declare/recommend dividends
- Review new investment and business ventures
- Approve annual budgets and capital expenditures
- Review and approve long and medium term strategic plans
- Approve the appointment and remuneration of Directors and Senior management staff

The roles and functions of the Board including the executive and non-executive Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.

### 1.2 Board balance

The Board currently has four (4) members, comprising :

- 1 Executive Director, and
- 3 Independent Non-Executive Directors,

which fulfill the prescribed requirement for a minimum of 2 directors or 1/3 of the Board to be independent as stated in Chapter 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as the requirement for a director who is a member of the Malaysian Institute of Accountants to sit in the Audit Committee. A brief profile of each of the Directors is also presented in this Annual Report.

The current composition of the Board is considered fairly balanced to complement itself in providing the industry-specific knowledge, technical and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to various aspects of the Company's strategies and performance.

The Independent Directors play an important role in ensuring impartiality of the Board's deliberations and decision-making process. The presence of Independent Directors fulfills a pivotal role in corporate governance accountability, as they provide unbiased and independent views and advice in ensuring that the strategies proposed by the executive members of the Board and management are fully deliberated and examined in the long-term interests of the Group, as well as the shareholders, employees, customers, business associates and the community as a whole.

# Statement On Corporate Governance (Cont'd)

## 1.3 Supply Of Information to the Board

All the Directors are provided with a set of Board papers consisting of the agenda and all other relevant materials prior to the Board Meetings in a timely manner, to ensure the Directors receive sufficient relevant information and to allow sufficient time for their detailed review and consideration so as to enable them to participate effectively in the Board's decisions. Board papers are comprehensively prepared covering aspects such as Group financial performance, business plans and proposals, Quarterly Result announcements, proposed policies and procedures, operational issues and updates on statutory regulations and requirements affecting the Group.

The minutes of each Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes at the respective meetings. The Company Secretary attends the Board meetings and ensures that accurate and proper records of the proceedings of meetings and resolutions passed at the meeting are properly kept at the registered office.

The Board also provide their views and explanations on certain agenda items tabled such as approval on corporate plans and budgets, material acquisitions and disposal of assets, major capital projects, financial results, dividend recommendations and board appointments. These procedures ensure that the direction and control of the Group are in the hands of the Board.

All Directors have access to the professional advice and services of the Company Secretaries, who is responsible for ensuring that Board Meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board is updated and advised by the Company Secretaries from time to time on new statutes and directives issued by the regulatory authorities.

Where necessary, the Directors may engage independent professional and legal advisors on specialized issues to enable the Board to discharge their duties with adequate knowledge on the matters being deliberated.

## 1.4 Appointment to the Board

The procedures for appointments to the Board are formal and transparent.

The Nominating Committee is responsible for making recommendations for any appointments to the Board by considering the mix of skills, knowledge, expertise and experience which the Director(s) brings to the Board. For the position of independent non-executive director, the Nominating Committee also evaluates the candidate's caliber, credibility and necessary skill and experience to being an independent judgement and endorsement

## 1.5 Directors' Training

The Board fully supports the need for its members to further enhance their skills and knowledge on relevant new laws and regulations and changing commercial risk to keep abreast with the developments in the economy, industry, technology and the changing business environment within which the Group operates.

All the Directors have completed the Mandatory Accreditation Programme and Continuing Education Programme ("CEP") as required by Bursa Malaysia Securities Berhad. The Directors are mindful that they should receive continuous training in order to broaden their perspectives and equip them with the necessary skills to effectively discharge their duties as Directors of the Company.

In addition, the Directors were also briefed by the Company Secretary from time to time on updates and changes of statutory requirements such as amendments to Main Market Listing Requirements.

## 1.6 Re-election of Directors

The Company's Articles of Association provide that all Directors who are appointed by the Board are subject to election by shareholders at the first Annual General Meeting after their appointment.

In accordance with the Company's Articles of Association, one third (1/3) of the directors shall retire from office and be eligible for re-election at each Annual General Meeting.



# Statement On Corporate Governance (Cont'd)

## 1. DIRECTORS (Cont'd)

### 1.6 Re-election of Directors (Cont'd)

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who become Directors on the same day those to retire (unless they otherwise agree among themselves) shall be determined by lot.

Re-appointments are not automatic and all directors shall retire from office at least once in every three(3) years but shall be eligible for re-election by shareholders in the Annual General Meeting.

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 Bursa Malaysia Securities Berhad Main Market Listing Requirements, each member of the Board holds not more than ten(10) directorships in public listed companies and not more than fifteen(15) directorships in non-public listed companies. This ensures that the Board's commitment, resources and time are focused on the affairs of the Group to enable them to discharge their duties effectively

## 2. DIRECTOR'S REMUNERATION

The Board recognizes the need to ensure that the remuneration packages accorded to the directors are sufficient to attract and retain high caliber people needed to run the Group successfully. In the case of Executive Directors, the various components of remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the expertise, contribution and level of responsibilities undertaken by the particular non-executive concerned.

The details of Directors' remuneration payable to all the Directors of the Company during the financial year ended 31 January 2015 are as follows :-

Category of Directors	Fees RM	#Salary RM	Bonus RM	Benefits-in-kind RM	Total RM
Executive Director	85,800	132,000	-	-	217,800
Non-Executive Directors	114,000	-	-	-	114,000
Total	199,800	132,000	-	-	331,800

# The salary is inclusive of statutory employer's contribution to Employees Provident Fund

The number of Directors whose total remuneration falls within the following bands for the financial year ended 31 January 2015 are as follows :

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

# Statement On Corporate Governance (Cont'd)

## 3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

### i) Dialogue with Shareholders and Investors

The Board acknowledges the importance of being accountable to the Group's investors and shareholders via effective communication channels. The shareholders are kept informed of the Group's progress through the provision of the Annual Report, timely announcements of Quarterly Financial Results and the Annual General Meeting ("AGM")

The Company's website, [www.borneo-oil.com.my](http://www.borneo-oil.com.my) also provide shareholders and the public quick access to corporate information, financial statements, news and events relating to the Group.

### ii) The Annual General Meeting

The Annual General Meeting (AGM) represents the principal forum for communication and dialogue with shareholders who are given the opportunity to participate in the questions and answers session and to seek clarifications on the agenda items of the meeting. The members of the Board as well as the External Auditors of the Company are present to respond to the shareholders' questions during the meeting. Extraordinary General Meeting ("EGM") is held as and when shareholders' approvals are required on specific matters. Notices of meetings of shareholders of the Company are always circulated to shareholders within a reasonable and sufficient timeframe before the date(s) of the meeting(s).

## 4. ACCOUNTABILITY AND AUDIT

### (a) Financial Reporting

The Directors aim to present a clear, balanced and understandable assessment of the Group's financial position, performance and prospects in presenting its annual financial statements and quarterly announcements to shareholders. These financial statements are drawn up in accordance with the provisions of the Companies Act 1965, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards and are reviewed by the Audit Committee prior to approval by the Board. In compliance with statutory requirements, the annual accounts are subjected to audit by an independent external auditor.

A statement by the Directors of their responsibilities for the financial statements is incorporated within the Director's Report and Statement by Directors.

### (b) Related Party Transactions

The Company practices an internal compliance framework in identifying and assessing related party transactions. The Board, through the Audit Committee reviews all related party transactions. A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction.

### (c) Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls, which is designed to identify and manage the risks facing the business in pursuit of its objectives. The system of internal control covers management and financial risks, organizational, operational and compliance controls to safeguard shareholders' investments and the Group's assets. This system, by its nature, can only provide reasonable and not absolute assurance against misstatement or loss.

The Board undertakes ongoing reviews of the key operational and financial risks facing the Group's businesses together with those areas relating to compliance with laws and regulations. The monitoring arrangements in place give reasonable assurance that the structure of controls and operation is appropriate to the Company's and the Group's situation and that there is an acceptable level of risk throughout the Group's businesses.

The state of internal control within the Group and reports of the results are set out in the Statement on Risk Management and Internal Control.

# Statement On Corporate Governance (Cont'd)

## 4. ACCOUNTABILITY AND AUDIT (Cont'd)

### (d) Relationship with the Auditors

The Board via the Audit Committee have established and have always maintain a formal and transparent arrangements with the Company's external auditors to maintain appropriate relationship in seeking professional advice and ensuring compliance with the accounting standards and statutory requirements.

The external auditors will from time to time highlight to the Audit Committee and the Board of Directors on matters that require the Board's attention.

The Audit Committee had on certain meetings , met up with the external auditors without the presence of the Executive Directors and Management during the financial year ended 31 January 2015.

## 5. ADDITIONAL COMPLIANCE INFORMATION

### i. Share Buy-Back

The Company had obtained its shareholders' approval at the Extraordinary General Meeting to buy back shares of the Company.

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of proceeds received on their subsequent sale or issuance.

The Company acquired 6,786,000 (2014 – 420,000) shares in the Company through purchase from the open market during the financial year. The total amount paid to acquire the shares was RM5,026,256 (2014-RM194,593). The average cost paid for the shares repurchased was RM0.74 (2014- RM0.46) per share, including transaction costs. This was presented as a component within shareholder's equity.

The Company sold 6,583,000 (2014-Nil) shares in the Company through sale from the open market. The total amount proceeds from the re-sale of shares was RM5,398,595 (2014-Nil). The average cost proceeds for the shares re-sale was RM0.82 (2014-Nil) per share respectively, including transaction costs. The sales resulted in an increase in shares premium of RM663,376.

As at 31 January 2015 , the Company has 623,000 (2014 – 420,000) ordinary shares held as treasury shares.

### ii. Options, Warrants or Convertible Securities

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

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

The Company has on 27th April 2015 announced the proposed Renounceable Rights Issue of up to 2,349,841,596 new ordinary shares of RM0.10 each at an indicative issue price of RM0.10 per rights share on the basis of six(6) rights shares for every one(1) existing share held, together with up to 1,174,920,798 free detachable warrants on the basis of one (1) free Warrant C for every two(2) rights shares subscribed for, on an entitlement date to be determined later.

# Statement On Corporate Governance (Cont'd)

## iii. American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Group did not sponsor any ADR or GDR programme.

## iv. Non-Audit Fees

The Non-audit fees paid/payable to the External Auditors, STYL Associates, Chartered Accountants (AF-1929) for the financial year ended 31st January 2015 amounted to RM4,000.

## v. Profit Guarantees

There were no profit guarantees given by the Group during the financial year ended 31 January 2015.

## vi. Variance in results

There were no material variances of 10% or more in the profit after tax and minority interest between the audited and unaudited results announced for the financial year ended 31 January 2015.

## vii. Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 31 January 2015.

## 6. 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 2015.

# Audit Committee Report

## COMPOSITION

The Audit Committee was established in July 1999 to act as a committee for the Board of Directors. It comprises of 3 independent non-executive Directors as follows, in compliance with Paragraph 15.09(1)(a) of the Main Market Listing Requirement :

### CHAIRMAN

**Tan Kok Chor**

*(Independent Non Executive Director)*

### MEMBER

**Michael Moo Kai Wah**

*(Independent Non Executive Director)*

### MEMBER

**Seroop Singh Ramday**

*(Independent Non Executive Director)*

## TERMS OF REFERENCE

### Objectives

The Audit Committee shall give assurance to the shareholders of Borneo Oil Berhad ("Company") that compliance with specified financial standards and disclosure policies developed and administered by Bursa Malaysia Securities Berhad are being adhered to. In addition, the Audit Committee shall assure that certain standards of corporate responsibility, integrity and accountability to the Company's shareholders are being inculcated in the duties and responsibilities of the Board of Directors of the Company.

### Composition

The Audit Committee shall be appointed by the Board of Directors and shall consist of not less than three(3) members, all of whom shall be non-executive directors. The majority of the Audit Committee members shall be independent directors.

The Chairman of the Audit Committee shall be approved by the Board of Directors and shall be an independent non-executive director.

### Meetings and Quorum

Meetings shall be held not less than four (4) times in a year. The Audit Committee may invite any person to any particular Audit Committee meeting, specific to the relevant meeting.

A quorum shall consist of two (2) members. The majority shall be independent directors.

### Authority

The Audit Committee is authorized by the Board of Directors to:

1. investigate any activities within its terms of reference, having full and unrestricted access to any information pertaining to Borneo Oil Berhad and its group of companies ("Group");
2. seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee;
3. have the necessary resources which are required to perform its duties and shall have direct communication channels with the external auditors, person(s) carrying out the internal audit function or activity and independent professional advice if it considers necessary;
4. carry out , upon the request of the external auditor, to convene meeting of the Audit Committee, excluding the attendance of the Executive Director if deemed necessary, to consider any matter the external auditor believes should be brought to the attention of the Board of Directors or shareholders;
5. 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.

# Audit Committee Report (Cont'd)

## Duties and Responsibilities

The responsibilities and duties of the Audit Committee shall be to review with :-

### 1. External Auditors

- i. To consider the appointment of the external auditors, the audit fee and any question in relation to resignation or dismissal of the external auditors before making recommendation to the Board.
- ii. To review and discuss with the external auditors, before the audit commences, the nature and scope of audit, and ensure coordination where more than one (1) audit firm is involved;
- iii. To discuss issues, problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss and ;
- iv. To review external auditors' audit plans, scope of their audits, the audit reports- management letters, major findings and management's responses thereof, and their evaluation of the Group's risk management and internal control system.
- v. To review the quarterly and annual financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:
  - Changes in or implementation of new accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption; and
  - Compliance with the applicable approved accounting standards and other legal and regulatory requirements.

### 2. Internal auditors

- i. To review the adequacy of the scope, functions, competency and resources of the internal auditors, and that it has the necessary authority to carry out its work ;
- ii. To Review the internal audit programme, consider the major findings of internal audits and Management's responses, and ensure coordination between the internal and external auditors.
- iii. To review the audit reports.
- iv. To direct and where appropriate supervise any special project or investigation considered necessary.
- v. To prepare periodic reports to the Board summarizing the work performed in fulfilling the Audit Committee's primary responsibilities.
- vi. To determine the remit of internal audit function which reports directly to the Audit Committee. The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care.
- vii. Any other functions as may be agreed to by the Audit Committee and the Board of Directors, or as may be required or empowered by statutory legislation or guidelines issued by the relevant governing authorities.

# Audit Committee Report (Cont'd)

## ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The following activities were carried out by the Audit Committee during the 12-month period ended 31st January 2015 in discharging its duties and functions:

### a. Attendance of Meetings

Four (4) Audit Committee meetings were held during the 12-month period ended 31st January 2015, namely on 28th March 2014, 27th June 2014, 29th September 2014 and 30th December 2014 respectively. The details of attendance of each member at the Audit Committee meetings are as follows:

Name of Committee Members	No. of meetings attended
(i) Mr Tan Kok Chor (Chairman)	4/4
(ii) Mr John Lee Yan Hong @ John Lee (Member) <i>Resigned on 24th April 2015</i>	4/4
(iii) Mr Michael Moo Kai Wah (Member)	4/4
(iv) Mr Seroop Singh Ramday (Member) <i>Appointed on 24th April 2015</i>	Nil

### b. Financial Reporting

To review with the management and the external auditors the interim quarterly results and annual financial statements of the Company and the Group prior to recommending them for approval by the Board of Directors, focusing particularly on:

- Any change in accounting policies and practices.
- significant and unusual events.
- Major judgmental areas.
- Significant adjustments resulting from the audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with other legal requirements and the Main Market Listing Requirements.

### c. Internal Audit

- (i) Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Company and the Group, taking into consideration the assessment of key risk areas; and
- (ii) Reviewed the internal audit reports, audit recommendations made and Management's responses thereof. Where appropriate, the Committee has directed action to be taken by Management to rectify and improve the risk management and internal control system and procedures, based on internal audit's recommendations and suggestions for improvement.

### d. External Audit

- (i) Reviewed the external auditors' scope of work and audit plan for the year;
- (ii) Reviewed with external auditors the results of the audit and the audit report in particular, and accounting issues and significant audit adjustments arising from the external audit; and
- (iii) Evaluated the performance of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.

### e. Risk Management

Reviewed the risk management activities and the adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group.

### f. Related Party Transactions

To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises the questions of management integrity.

# Audit Committee Report (Cont'd)

## INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the in-house Internal Audit Department in the discharge of its duties and responsibilities. The role of the Internal Audit Department is to undertake independent regular and systematic reviews of the risk management and internal control system so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

The internal audits cover the review of the adequacy of operational controls, risk management, compliance with established internal financial policies and operational procedures and guidelines, amongst others. A risk based approach is adopted for all audits. The audits ensure that the instituted controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group's risk management policy.

In particular the Internal Audit Department has, under the remit of the Audit committee, conducted internal audits and submitted four(4) quarterly reports on the internal audit work performed. Where any significant weaknesses were identified, measures were taken to rectify and improve the risk management and internal controls accordingly.

The total costs incurred for the Internal Audit function in respect of the financial year ended 31st January 2015 were RM69,360.00.

The overall review of the risk management and internal control system revealed that internal controls and policies were generally sound and sufficient, and functioning satisfactorily.

The Internal Auditor shall report directly to the Audit Committee and shall be responsible for the regular review and/or appraisal of effectiveness of the risk management, internal control and governance processes within the Group.



# Statement On Risk Management And Internal Control

(Pursuant to paragraph 15.27 (b) of Bursa Malaysia Securities' Main Market Listing Requirements and Practice Note No. 9 and as guided by the Statement on Internal Control : Guidance for Directors of Public Listed Companies)

The Board of Directors of Borneo Oil Berhad is pleased to set out below the statement on Risk management and Internal Control, outlining the nature and scope of risk management and internal control of the Group for the financial year ended 31 January 2015 .

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 Bursa Malaysia Securities' Berhad Main Market Listing Requirements and the Malaysian Code on Corporate Governance.

## **BOARD RESPONSIBILITY**

The Board affirms its overall responsibility for the risk management and internal control system for the Company and acknowledges the importance of having an effective internal control system and a well structured risk management framework to safeguard shareholders' investment, the interests of customers, and employees and as well as the Group's assets.

The Group maintains a sound system of risk management and internal control that covers finance, operations and risk management. The Board believes that the system of internal control should provide reasonable assurance in achieving its corporate objectives as the Board acknowledges the limitations that are inherent in any system of internal control.

The Group's system of internal control is designed to manage rather than to eliminate the risk of failure in achieving corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatements, financial losses or fraud.

## **THE GROUP'S SYSTEM OF INTERNAL CONTROL CAN BE SUMMARISED AS FOLLOWS:**

### **1. Risk Management framework**

A sound system of internal control incorporates the need to have an appropriate risk assessment framework, identification of internal control to manage and control these risks, implementation of an effective information and communications system, and an ongoing process for monitoring the continuing adequacy and effectiveness of the system of internal control.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies. The process is regularly reviewed by the Board, which would include on its agenda the management of significant risks that may impede business objectives . The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and by designing, implementing and monitoring internal control in order to mitigate and control these risks.

### **2. Internal Audit Function**

The Board , via the Audit Committee, monitors the risk management and internal control system through quarterly reviews, which is undertaken by the Internal Audit Department. The reviews include a balanced assessment of the significant risks and the adequacy and effectiveness of the risk management and internal control system of the Group. Where any significant weaknesses were identified, the Internal Audit Department, together with input from the Management, would recommend measures to improve the risk management and internal control accordingly.

# Statement On Risk Management And Internal Control (Cont'd)

## THE GROUP'S SYSTEM OF INTERNAL CONTROL CAN BE SUMMARISED AS FOLLOWS: (Cont'd)

### 2. Internal Audit Function (Cont'd)

As part of the ongoing process, the Internal Auditor has conducted detailed risk audits on the following areas as identified in the approved audit plan:

- (a) Review of business planning and strategic Management,
- (b) Review of credit assessment , granting of credit limits and terms,
- (c) Policies and procedures review on inventories management,
- (d) Review of sales and marketing strategies and development,
- (e) Review of cash sales monitoring recoverability,
- (f) Review of human resource management,
- (g) Policies and procedures Review on production planning and monitoring.

### 3. Other key Elements of Internal Control

Other key processes that have been established in reviewing the adequacy and effectiveness of the risk management and internal control system include the following :

- **Authority Levels**

The Board clearly defines delegated authority levels for revenue and capital expenditure. The approval of capital and revenue proposals exceeding authorized limits requires decision by the Board. Comprehensive appraisal procedures apply to all major investment decisions.

- **Financial Performance**

Interim financial results, annual budgets and forecasts are reviewed and approved by the Audit Committee, then final approval from the Board before release to Bursa Malaysia Securities Berhad. The variance between actual and budgeted results is analysed for effective management actions thereafter, and presented to the Audit Committee and the Board .

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.

- **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.

- **Accountability and Reporting**

The Group has a clear line of accountability, approval and reporting procedures taking into consideration segregation of duties and other control procedures. These procedures are communicated throughout the Group.

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.

# Statement On Risk Management And Internal Control (Cont'd)

**THE GROUP'S SYSTEM OF INTERNAL CONTROL CAN BE SUMMARISED AS FOLLOWS: (Cont'd)**

## **3. Other key Elements of Internal Control (Cont'd)**

- **Accountability and Reporting (Cont'd)**

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 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 ended 31 January 2015 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 : 8th June 2015

# Corporate Social Responsibility (CSR) Statement

Borneo Oil Berhad's CSR mission statement is to operate in a way that actively recognizes the central role that business plays in the structure of society to improve the quality of life of a broad community.

Caring for the community, protecting the environment and ensuring the welfare of the employees and customers in harmony are some of the overall practices of the Group. The Directors are of the opinion that a well balanced economic growth, environmental protection and social progress can be achieved with proper efforts implemented.

In order to achieve this objective, the Directors will periodically review the Companies' policies, monitor and where necessary improved on the continuous performances through its corporate social responsibility programmes in an ethically and professionally manner.

The various elements of the Corporate Social Responsibility programmes are reflected through the following policies:

## THE WORKPLACE

The Directors believe that dedicated and competent workforce is the key to successful business operations of the Group. Therefore, the Directors value and care for all aspects of their well being and will continue to invest in human resource developments to ensure proper trainings are given to the employees to further enhance their skills and knowledge.

### (a) Safer workplace

The Directors are committed to provide a safe, healthy and quality working environment for the employees and customers and to minimize any preventable accidents and health hazards that may occur in any of the business premises.

The health and safety Committee has raised awareness of occupational health and safety issues and to foster culture of safety within the organization.

Safety talks were conducted by experienced staff to create awareness on the importance of personal safety and hygiene. Staff are also provided with the opportunity of attending safety training courses to further enhance their knowledge on health and safety at the workplace.

### (b) Human resource development

The Directors also ensure there are growth, development and progression opportunities for the employees through in-house training, seminar, workshops and talks. This will equip them with the latest job-related updates and learning.

The Company also provide the opportunity of department rotation to the employees where they are able to expand their knowledge, experience and expertise in various job scopes.

### (c) Educational assistance and financial aids

The Directors are committed in providing educational opportunities to the employees. Financial aids have been provided to the employees to support their quest for a loan during emergencies and to assist the less privileged.

### (d) Appreciating Employees

In appreciation of the employees' loyalty, valuable support and commitments to the Company, Long Service awards were presented to staffs who has work for more than 10 years with the Company.

### (e) Healthy Lifestyle

In order to encourage the employees to adopt a healthy lifestyle, the Company has also subsidized and sponsor special goodies, food vouchers and prizes for certain events held.

# Corporate Social Responsibility (CSR) Statement (Cont'd)

## THE COMMUNITY

The Directors believe that Companies live within the community and they are inter-dependent of one another.

The Directors are committed to provide continuous support to various activities as carried out by the charitable organizations throughout Malaysia.

The Directors will strive to continuously review and improve on the Corporate Social Responsibility programmes as times change to fully support the growth direction of the Group.

## THE ENVIRONMENT

The Directors are also committed to seek in the operation's continuous improvements to minimize any negative impact on the environment. They are to ensure that the business activities are conducted in compliance with approved applicable environmental rules and regulations.

The Directors recognizes the importance of environment in which the business is operated on and have placed their best effort in making it an environmental friendly place to work on.

### (i) Save Energy

Employees are encouraged to switch off non-essential electrical machinery, equipment and appliance when not in use.

### (ii) Save trees

The Company has invested on the information technology system to reduce the usage of paper in the daily operations and to practice recycling paper waste.

### (iii) Recycle of waste

Waste materials were recycled back to production if they are reusable , otherwise it would be sold to scrap collectors who might be able to use them.

## THE MARKETPLACE

The Directors try to add value to the stakeholders by way of engaging in ethical procurement procedures, enhancing good management practices, internal control systems, promoting information sharing and transparency, emphasizing on corporate accountability, corporate governance, reputation, business trust and integrity. In line with good corporate governance practice, they maintain a high level of transparency in dealing with various stakeholders via various communication channels such as regular meeting, timely disclosure to Bursa Malaysia Securities Berhad, annual general meeting and annual report.

# Statement Of Director's Responsibility In Relation To The Financial Statements

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

The Board of Directors is required under the Main Market Listing Requirements of BMSB, to issue a statement explaining their responsibility for preparation of the annual audited financial statements.

The financial statements of the Group and of the Company are properly drawn up in accordance with the Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position and state of affairs of the Group and of the Company as at 31 January 2015 and their financial performance and results of its operations and cash flows for the year ended on that date.

The Directors considered that in preparing the financial statements of the Group and of the Company for the financial year ended 31 January 2015 contained in this Annual Report, the Group:-

- has used appropriate applicable approved accounting standards and policies, which were consistently applied;
- supported by reasonable and prudent judgment and estimates;
- all Malaysian and international Financial Reporting Standards and other statutory requirements 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 Group and the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

# Financial Contents

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Directors' Report	23 - 26
Statement By Directors / Statutory Declaration	27
Independent Auditors' Report	28 - 29
Statements Of Financial Position	30
Statements Of Profit Or Loss And Other Comprehensive Income	31
Statements Of Changes In Equity	32 - 33
Statement Of Consolidated Cash Flows	34 - 35
Statement Of Cash Flows	36
Notes To The Financial Statements	37 - 85

# Directors' Report

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

## PRINCIPAL ACTIVITIES

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

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

## FINANCIAL RESULTS

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

## DIVIDENDS

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

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

## ISSUE OF SHARES AND DEBENTURES

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

- (a) 21,000,000 ordinary shares of RM1.00 each via the exercise of Employee Share Options Scheme.
- (b) 51,540,000 ordinary shares of RM0.10 each via the exercise of Employee Share Options Scheme.
- (c) 46,248,000 ordinary shares of RM0.10 each via a private placement exercise undertaken at an exercise price of RM0.56 per share.
- (d) 22,259,232 ordinary shares of RM0.10 each via conversion of warrants 2008/2018 (Warrant B).

## RESERVES AND PROVISIONS

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

## EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

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

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



# Directors' Report (Cont'd)

## INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as recorded and disclosed in the notes to the financial statements.

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

# Directors' Report (Cont'd)

## DIRECTORS OF THE COMPANY

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

TEO KIEW LEONG

TAN KOK CHOR

MICHAEL MOO KAI WAH

SEROOP SINGH RAMDAY

(APPOINTED ON 01.08.2014)

JOHN LEE YAN HONG @ JOHN LEE

(RESIGNED ON 24.04.2015)

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

## DIRECTORS' INTERESTS

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

## WARRANT B (WARRANTS 2008/2018)

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

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

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

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

# Directors' Report (Cont'd)

## OTHER STATUTORY INFORMATION

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

In the opinion of the Directors:

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

## SIGNIFICANT EVENTS

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

## SUBSEQUENT EVENTS


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

## AUDITORS

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

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

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

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

DATE: 30 April 2015

# Statement By Directors/ Statutory Declaration

We, **MICHAEL MOO KAI WAH** and **TEO KIEW LEONG**, two of the Directors of BORNEO OIL BERHAD, state that, in the opinion of the Directors, the accompanying financial statements of the Group and of the Company, together with the notes thereto, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

  
 MICHAEL MOO KAI WAH

  
 TEO KIEW LEONG

DATE: 30 April 2015

## STATUTORY DECLARATION

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

I, **MICHAEL MOO KAI WAH**, the Director primarily responsible for the financial management of BORNEO OIL BERHAD, do solemnly and sincerely declare that, to the best of my knowledge and belief, the accompanying financial statements of the Group and of the Company, together with the notes thereto, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
 abovenamed **MICHAEL MOO KAI WAH**  
 at Kota Kinabalu in the State of Sabah  
 this day of 30 April 2015

Before me:

  
 MICHAEL MOO KAI WAH

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 financial statements of BORNEO OIL BERHAD which comprise the statements of financial position as at 31 January 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2015 and of their financial performance and cash flows for the financial year then ended.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) we have considered the financial statements and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- (c) we are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) the audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# Independent Auditors' Report

To The Members Of Borneo Oil Berhad (Incorporated In Malaysia) (Cont'd)

## Other Reporting Responsibilities

The supplementary information set out in Note 39 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**STYL ASSOCIATES**  
CHARTERED ACCOUNTANTS  
FIRM NO: AF-1929

KUALA LUMPUR  
DATE: 30 APRIL 2015



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

# Statements Of Financial Position

As At 31 January 2015

ASSETS	Note	GROUP		COMPANY	
		2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-current assets</b>					
Property, plant and equipment	4	90,464,009	43,912,202	15,088,949	155,996
Investment properties	5	138,067,748	135,010,471	-	-
Investment in subsidiary companies	6	-	-	27,500,006	2
Investment in quoted securities	7	61,425	78,303	-	-
Investment in golf club membership	8	64,000	64,000	64,000	64,000
Prepaid lease payments	9	11,166,948	12,357,367	-	-
Development expenditure	10	21,000,005	2,650,001	-	-
Intangible assets	11	11,833	11,833	-	-
<b>Total non-current assets</b>		<b>260,835,968</b>	<b>194,084,177</b>	<b>42,652,955</b>	<b>219,998</b>
<b>Current assets</b>					
Inventories	12	14,763,118	3,356,245	4,200,000	-
Trade receivables	13	4,832,440	2,082,368	-	-
Other receivables	14	13,543,129	11,128,967	4,009,391	722,800
Amount due from subsidiary companies	15	-	-	220,328,227	203,575,662
Cash and cash equivalents	16	29,493,787	6,156,765	19,560,557	2,549,105
<b>Total current assets</b>		<b>62,632,474</b>	<b>22,724,345</b>	<b>248,098,175</b>	<b>206,847,567</b>
<b>TOTAL ASSETS</b>		<b>323,468,442</b>	<b>216,808,522</b>	<b>290,751,130</b>	<b>207,067,565</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	17	35,129,183	210,244,600	35,129,183	210,244,600
Reserves	18	249,487,404	(12,598,683)	246,845,085	(7,533,714)
<b>Shareholders' equity</b>		<b>284,616,587</b>	<b>197,645,917</b>	<b>281,974,268</b>	<b>202,710,886</b>
<b>Non-current liabilities</b>					
Long term borrowings	19	16,501,258	5,364,358	-	-
Deferred tax liabilities	21	226,900	31,300	181,000	-
<b>Total non-current liabilities</b>		<b>16,728,158</b>	<b>5,395,658</b>	<b>181,000</b>	<b>-</b>
<b>Current liabilities</b>					
Trade payables	22	1,781,864	1,958,266	-	-
Other payables	23	14,977,581	8,243,397	6,009,123	1,669,903
Amount due to subsidiary companies	15	-	-	2,586,739	2,565,949
Short term borrowings	19	4,641,779	2,841,157	-	-
Provision for taxation		722,473	724,127	-	120,827
<b>Total current liabilities</b>		<b>22,123,697</b>	<b>13,766,947</b>	<b>8,595,862</b>	<b>4,356,679</b>
<b>Total liabilities</b>		<b>38,851,855</b>	<b>19,162,605</b>	<b>8,776,862</b>	<b>4,356,679</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>323,468,442</b>	<b>216,808,522</b>	<b>290,751,130</b>	<b>207,067,565</b>

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

# Statements Of Profit Or Loss And Other Comprehensive Income

For The Year Ended 31 January 2015

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

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



# Statements Of Changes In Equity

For The Year Ended 31 January 2015

GROUP	Attributable to Owners of the parent									
	Non distributable					Distributable				
	Share Capital	Treasury Shares	Share Premium	Currency Translation Reserves	Warrants Reserves	Capital Reserves	ESOS Reserves	Accumulated Loss	Shareholders' Equity	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 February 2013	199,194,600	-	24,164,992	(5,041)	2,672,933	15,000	45,717	(42,368,081)	183,720,120	
Issuance of shares	11,050,000	-	-	-	-	-	-	-	11,050,000	
Acquisition of treasury shares	-	(194,593)	-	-	-	-	-	-	(194,593)	
Profit for the year	-	-	-	-	-	-	-	3,107,165	3,107,165	
Other comprehensive income for the year	-	-	-	(36,775)	-	-	-	-	(36,775)	
- Currency translation reserves	-	-	-	(36,775)	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	(36,775)	-	-	-	3,107,165	3,070,390	
Balance at 31 January 2014	210,244,600	(194,593)	24,164,992	(41,816)	2,672,933	15,000	45,717	(39,260,916)	197,645,917	
Balance at 31 January 2014	210,244,600	(194,593)	24,164,992	(41,816)	2,672,933	15,000	45,717	(39,260,916)	197,645,917	
Reduction in par value of ordinary shares	(208,120,140)	-	-	-	-	207,379,309	-	-	(740,831)	
Issuance of shares	33,004,723	-	47,326,330	-	-	-	-	-	80,331,053	
Acquisition of treasury shares	-	(5,026,256)	-	-	-	-	-	-	(5,026,256)	
Disposal of treasury shares	-	4,735,219	663,376	-	-	-	-	-	5,398,595	
Effect of exercising of ESOS	-	-	1,762	-	-	-	(1,762)	-	-	
Effect of conversion of warrant	-	-	1,112,961	-	(1,112,961)	-	-	-	-	
Profit for the year	-	-	-	-	-	-	-	7,026,754	7,026,754	
Other comprehensive income for the year	-	-	-	(18,645)	-	-	-	-	(18,645)	
- Currency translation reserves	-	-	-	(18,645)	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	(18,645)	-	-	-	7,026,754	7,008,109	
Accumulated loss written off	-	-	-	-	-	(34,921,942)	-	34,921,942	-	
Balance at 31 January 2015	35,129,183	(485,630)	73,269,421	(60,461)	1,559,972	172,472,367	43,955	2,687,780	284,616,587	

# Statements Of Changes In Equity

For The Year Ended 31 January 2015 (Cont'd)

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

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

# Statement Of Consolidated Cash Flows

For The Year Ended 31 January 2015

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

# Statement Of Consolidated Cash Flows

For The Year Ended 31 January 2015 (Cont'd)

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

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

# Statement Of Cash Flows

For The Year Ended 31 January 2015

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015

## 1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2015.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

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

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

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

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

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

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

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

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

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

#### Standards issued but not yet effective

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

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

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

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

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

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

- MFRS 15 Revenue from Contracts with Customers

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

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

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

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

### (b) Basis of consolidation

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

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (b) Basis of consolidation (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

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

#### (iv) *Subsequent costs*

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

#### (v) *Depreciation*

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

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

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

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

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

### (d) Investment in subsidiary companies

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

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

### (e) Investment properties

#### (i) *Investment properties carried at fair value*

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (e) Investment properties (Cont'd)

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

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

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

#### (iii) *Determination of fair value*

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

### (f) Investments in quoted shares

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

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

### (g) Investments in golf club membership

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

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

### (h) Inventories

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

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

### (i) Cash and cash equivalents

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (j) Hire purchase and leases

#### (i) *Finance leases*

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

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum hire purchase or lease payments at the inception of the hire purchase or lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum hire purchase or lease payments, the discount factor used is the interest rate implicit in the hire purchase or lease, when it is practicable to determine, otherwise, the Group's incremental borrowing rate is used.

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

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

#### (ii) *Operating leases*

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

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

### (k) Intangible assets

#### (i) *Goodwill*

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

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

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

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

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (l) Deferred exploration and development expenditure

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

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

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

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

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

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

### (n) Financial assets

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

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

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

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

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

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

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

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

#### (ii) *Loans and receivables*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

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

A financial asset is derecognised when and only when the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred. On derecognition of a financial asset the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

### (o) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### (i) *Trade and other receivables and other financial assets carried at amortised cost*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

#### (ii) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (p) Foreign currency

#### (i) *Functional and presentation currency*

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

#### (ii) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange difference arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

#### (iii) *Foreign operations*

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the translations. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

### (q) Provisions for liabilities

Provisions for liabilities are recognised when the Group have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (r) Revenue recognition

Revenue of the Group is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

#### (i) Sales of goods

Revenue relating to sales of goods is recognised net of sales tax and discounts upon transfer of risks and rewards.

#### (ii) Revenue from fast food and restaurant operations

Revenue from fast food and restaurant operations are recognised at point of sales, net of service tax and discounts.

#### (iii) Franchisee fees income

Franchisee fees income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### (iv) Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

#### (v) Management income

Management fee is recognised on an accrual basis.

### (s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

### (t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the financial statements liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.



# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (t) Income tax (Cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### (u) Employee benefits

#### (i) Short term benefits

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

#### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the financial statements as incurred.

#### (iii) Share-based compensation

The Group's Employees' Share Option Scheme, an equity-settled, share-based compensation plan, allows the Group's employees to exercise the options granted to acquire ordinary shares of the Group. The fair value of the share options granted in exchange for the employee services received are recognised as an expense in the financial statements over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred directly to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable costs are credited to share capital (nominal value) and share premium when the options are exercised.

Details of the Group's Employees' Share Option Scheme are set out in Note 16 to the financial statements.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (v) Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

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

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

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

#### (ii) *Other financial liabilities*

The Group's and the Company's other financial liabilities include trade payables, other payables, term loans, hire purchase and finance lease payables and amount due to subsidiary companies.

Trade payables, other payables and amount due to subsidiary companies are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Term loans and hire purchase and finance lease payables are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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

### (w) Segment reporting

For management purposes, the Group is organised into operating segments based on their business segment and geographical location which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

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

### (x) Share capital

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

#### (i) *Ordinary shares*

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### (ii) *Treasury shares*

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction cost is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are resold, the difference between the sale consideration and the carrying amount of the treasury shares is shown as a movement in equity.

### (y) Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

### (z) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payment when due. Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs.

Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the receivable fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle.

### (aa) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

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

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

### Judgments Made in Applying Accounting Policies

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

(a) *Classification of Financial Assets*

The Group has classified its investment in quoted securities and golf club membership as available-for-sale financial assets. In applying the accounting policy, the Group assesses its nature and the intention at each reporting date. Should the circumstances change in the future, the classification of this financial asset as available-for-sale may be no longer appropriate.

(b) *Leases*

The Group judged that the leasehold land of the Group are in substance finance leases and has classified its leasehold land as property, plant and equipment.

### Key Sources of Estimation Uncertainty

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

(i) *Impairment of Non-Current Assets*

The Group reviews the carrying amount of its non-current assets, which include property, plant and equipment, to determine whether there is an indication that those assets have suffered an impairment loss in accordance with relevant accounting policies on the respective category of non-current assets. Independent professional valuations to determine the carrying amount of these assets will be procured when the need arise.

(ii) *Useful Lives of Property, Plant and Equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

(iii) *Impairment of Investment in Subsidiaries*

The Group tests investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries affects the result of the impairment test. The impairment made on investments in subsidiaries entails an allowance for impairment to be made to the amount owing by these subsidiaries.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

### Key Sources of Estimation Uncertainty (Cont'd)

#### (iii) *Impairment of Investment in Subsidiaries (Cont'd)*

Significant judgment is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of future cash flows and discount rates. Changes in assumptions could significantly affect the results of the Group's tests for impairment of investment in subsidiaries.

#### (iv) *Deferred Tax Assets*

Deferred tax assets are recognised for all unutilised tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management's judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### (v) *Allowance for Inventories*

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgments and estimates. Possible changes in these estimates could result in revisions to the valuations of inventories.

#### (vi) *Allowance for Impairment of Receivables*

The Group makes allowances for impairment based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analysed historical bad debts, customer credit creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

#### (vii) *Revaluation of Investment Properties*

The Group carries its investment properties at fair values, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine the fair value in October 2010. The valuer used a valuation technique based on open market value basis. The Directors are of the opinion that based on available market information, there are no material changes on the fair value of the Group's investment properties. Therefore, no changes in fair value are recognised in profit or loss during the financial year.

#### (viii) *Income Taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

#### (ix) *Defined Benefit Plan*

The cost of defined benefit plan as well as the present value of the unfunded obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rate, salary incremental rate and pension incremental rate. All assumptions are reviewed at each reporting date.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

GROUP COST	Balance at 01.02.2014 RM	Additions RM	Disposals/ Written off RM	Balance at 31.01.2015 RM
Land	20,484,765	14,819,000	-	35,303,765
Stone quarry	1,000,000	-	-	1,000,000
Bridge	790,000	-	-	790,000
Factory	833,089	6,042,478	-	6,875,567
Leasehold building	6,500,000	4,000,000	-	10,500,000
Coldroom	9,850	549,261	-	559,111
Furniture, fixture and fittings	13,134,585	4,869,272	(18,780)	17,985,077
Motor vehicles	3,983,543	1,865,381	-	5,848,924
Machinery and equipment	15,643,913	16,740,437	(157,146)	32,227,204
Exploration	-	1,160,454	-	1,160,454
	<u>62,379,745</u>	<u>50,046,283</u>	<u>(175,926)</u>	<u>112,250,102</u>

ACCUMULATED DEPRECIATION	Balance at 01.02.2014 RM	Charge for the year RM	Disposals/ Written off RM	Balance at 31.01.2015 RM
Land	-	28	-	28
Stone quarry	-	-	-	-
Bridge	31,600	15,800	-	47,400
Factory	163,919	135,316	-	299,235
Leasehold building	97,015	97,015	-	194,030
Coldroom	985	55,911	-	56,896
Furniture, fixture and fittings	7,632,300	1,155,408	(8,902)	8,778,806
Motor vehicles	2,682,869	476,278	-	3,159,147
Machinery and equipment	7,858,855	1,495,501	(123,024)	9,231,332
Exploration	-	19,219	-	19,219
	<u>18,467,543</u>	<u>3,450,476</u>	<u>(131,926)</u>	<u>21,786,093</u>

COST	Balance at 01.02.2013 RM	Additions RM	Disposals/ Written off RM	Balance at 31.01.2014 RM
Land	19,984,765	500,000	-	20,484,765
Stone quarry	1,000,000	-	-	1,000,000
Bridge	790,000	-	-	790,000
Factory	806,099	26,990	-	833,089
Leasehold building	-	6,500,000	-	6,500,000
Coldroom	-	9,850	-	9,850
Furniture, fixture and fittings	15,752,469	686,653	(3,304,537)	13,134,585
Motor vehicles	3,758,704	323,212	(98,373)	3,983,543
Machinery and equipment	13,761,487	3,420,501	(1,538,075)	15,643,913
	<u>55,853,524</u>	<u>11,467,206</u>	<u>(4,940,985)</u>	<u>62,379,745</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

ACCUMULATED DEPRECIATION	Balance at 01.02.2013 RM	Additions RM	Disposals/ Written off RM	Balance at 31.01.2014 RM
Land	-	-	-	-
Stone quarry	-	-	-	-
Bridge	15,800	15,800	-	31,600
Factory	80,610	83,309	-	163,919
Leasehold building	-	97,015	-	97,015
Coldroom	-	985	-	985
Furniture, fixture and fittings	9,171,849	1,287,109	(2,826,658)	7,632,300
Motor vehicles	2,467,188	314,052	(98,371)	2,682,869
Machinery and equipment	7,829,627	1,375,607	(1,346,379)	7,858,855
	<u>19,565,074</u>	<u>3,173,877</u>	<u>(4,271,408)</u>	<u>18,467,543</u>

NET BOOK VALUE	2015 RM	2014 RM
Land	35,303,737	20,484,765
Stone quarry	1,000,000	1,000,000
Bridge	742,600	758,400
Factory	6,576,332	669,170
Leasehold building	10,305,970	6,402,985
Coldroom	502,215	8,865
Furniture, fixture and fittings	9,206,271	5,502,285
Motor vehicles	2,689,777	1,300,674
Machinery and equipment	22,995,872	7,785,058
Exploration	1,141,235	-
	<u>90,464,009</u>	<u>43,912,202</u>

COMPANY COST	Balance at 01.02.2014 RM	Additions RM	Disposals RM	Balance at 31.01.2015 RM
Furniture, fixture and fittings	83,312	3,704,181	-	3,787,493
Motor vehicles	523,296	-	-	523,296
Office equipment	119,499	7,264,213	-	7,383,712
Leasehold building	-	4,000,000	-	4,000,000
	<u>726,107</u>	<u>14,968,394</u>	<u>-</u>	<u>15,694,501</u>

ACCUMULATED DEPRECIATION	Balance at 01.02.2014 RM	Additions RM	Disposals RM	Balance at 31.01.2015 RM
Furniture, fixture and fittings	28,844	13,211	-	42,055
Motor vehicles	504,872	3,980	-	508,852
Office equipment	36,395	18,250	-	54,645
Leasehold building	-	-	-	-
	<u>570,111</u>	<u>35,441</u>	<u>-</u>	<u>605,552</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COST	Balance at 01.02.2013 RM	Additions RM	Disposals RM	Balance at 31.01.2014 RM
Furniture, fixture and fittings	82,814	498	-	83,312
Motor vehicles	600,544	19,900	(97,148)	523,296
Office equipment	105,689	13,810	-	119,499
	<u>789,047</u>	<u>34,208</u>	<u>(97,148)</u>	<u>726,107</u>
ACCUMULATED DEPRECIATION	Balance at 01.02.2013 RM	Additions RM	Disposals RM	Balance at 31.01.2014 RM
Furniture, fixture and fittings	16,145	12,699	-	28,844
Motor vehicles	600,539	1,480	(97,147)	504,872
Office equipment	25,224	11,171	-	36,395
	<u>641,908</u>	<u>25,350</u>	<u>(97,147)</u>	<u>570,111</u>
NET BOOK VALUE			2015 RM	2014 RM
Furniture, fixture and fittings			3,745,438	54,468
Motor vehicles			14,444	18,424
Office equipment			7,329,067	83,104
Leasehold building			4,000,000	-
			<u>15,088,949</u>	<u>155,996</u>

- (a) Included in property, plant and equipment of the Group are motor vehicles and machinery and equipment acquired under hire purchase arrangements at net book value of RM957,471 and RM6,826,229 (2014 – RM759,742 and RM1,273,500) respectively.
- (b) Included in property, plant and equipment of the Group and of the Company are the costs of the following fully depreciated assets which are still in use:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Machinery and equipment	2,951,213	-	-	-
Furniture, fixture and fittings	713,361	-	-	-
Motor vehicles	806,422	960,606	503,396	503,396
	<u>4,470,996</u>	<u>960,606</u>	<u>503,396</u>	<u>503,396</u>



# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 5. INVESTMENT PROPERTIES

	GROUP	
	2015 RM	2014 RM
At the beginning of the year	135,010,471	133,725,737
Add: Additional during the year	3,057,277	5,892,065
	<u>138,067,748</u>	<u>139,617,802</u>
Less: Disposal during the year	-	(4,607,331)
At the end of the year	<u>138,067,748</u>	<u>135,010,471</u>
Investment properties comprise of the followings:		
Long term leasehold land and buildings	129,289,213	126,231,936
Short term leasehold land	7,611,731	7,611,731
Freehold condominium	1,166,804	1,166,804
	<u>138,067,748</u>	<u>135,010,471</u>

Certain investment properties of the Group with carrying amount of RM15,314,107 (2014 – RM15,314,107) are pledged to financial institutions for borrowings granted to the Group as disclosed in Note 19 to the financial statements.

Certain investment properties of the Group with carrying amount of RM36,988,268 (2014 – RM36,988,268) are registered under the name of third parties.

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

Had the revalued investment properties been carried under the cost model, the carrying amounts of each class of investment properties that would have been included in the financial statements of the Group as at 31 January are as follows:

	GROUP	
	2015 RM	2014 RM
Long term leasehold land and buildings	51,945,207	48,887,930
Short term leasehold land	3,746,846	3,746,846
Freehold condominium	1,166,804	1,166,804
	<u>56,858,857</u>	<u>53,801,580</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 5. INVESTMENT PROPERTIES (Cont'd)

The estimated fair value of the Group's investment properties amounting to RM103,418,000 (2014 – RM103,418,000) was based on valuations carried out by independent valuers, VPC Alliance (Sabah) Sdn. Bhd. and Henry Butcher Malaysia (Sabah) Sdn. Bhd. in October 2010 to reflect the market values. Valuations were based on current prices in an active market for all properties.

## 6. INVESTMENT IN SUBSIDIARY COMPANIES

	GROUP	
	2015 RM	2014 RM
Unquoted shares - at cost	30,100,004	2,600,000
Less: Accumulated impairment losses	(2,599,998)	(2,599,998)
	<u>27,500,006</u>	<u>2</u>

Details of the subsidiary companies are as follows:

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2015	2014		
Borneo Oil & Gas Corporation Sdn. Bhd.	100	100	Malaysia	Mining operations and related activities.
SB Partners Sdn. Bhd.	100	100	Malaysia	Investment holding.
Borneo Resources Limited * ^ (Formerly Known as Legend Wealth Global Limited)	100	-	British Virgin Islands	Investment.
<b>Subsidiaries of Borneo Oil &amp; Gas Corporation Sdn. Bhd.</b>				
Borneo Energy Sdn. Bhd.	100	100	Malaysia	Oil, gas and energy and its related businesses.
Borneo Investments Ltd * @ (Formerly Known as Borneo Oil (Indonesia) Limited)	100	100	Wilayah Persekutuan Labuan, Malaysia	Oil, gas and energy and its related businesses.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 6. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2015	2014		
Subsidiaries of SB Partners Sdn. Bhd.				
SB Franchise Management Sdn. Bhd.	-	100	Malaysia	Franchisee and provision of management and marketing services.
SB Resorts Sdn. Bhd.	100	100	Malaysia	Property management, lodging, food, entertainment and related activities.
SB Supplies & Logistics Sdn. Bhd.	100	-	Malaysia	Manufacturing and sales and distributions of food products.
Subsidiaries of SB Franchise Management Sdn. Bhd.				
Bonushopping Sdn. Bhd.	100	100	Malaysia	Dormant.
SB Supplies & Logistics Sdn. Bhd.	-	100	Malaysia	Manufacturing and sales and distributions of food products.
Applebee’s Bakery Sdn. Bhd.	100	100	Malaysia	Dormant.
L & V Trading Sdn. Bhd.	100	100	Malaysia	Supply of franchise equipment and spare parts.
SB Food Enterprise Sdn. Bhd.	100	100	Malaysia	Dormant.
Sugarbun Pty Ltd *	100	100	Australia	Fast food restaurants and related activities.
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	Dormant.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 6. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2015	2014		
Subsidiary of SB Supplies & Logistics Sdn. Bhd.				
Segama Resources Sdn. Bhd.	100	100	Malaysia	Investment holding.
SB Franchise Management Sdn. Bhd.	100	-	Malaysia	Franchisee and provision of management and marketing services.
Subsidiary of Segama Resources Sdn. Bhd.				
Segama Ventures Sdn. Bhd.	100	100	Malaysia	Dormant.

\* Not audited by STYL Associates

@ Share of Borneo Investments Ltd. (Formerly Known as Borneo Oil (Indonesia) Limited) result was consolidated based on its unaudited management accounts as at 31 January 2015

^ Share of Borneo Resources Limited ("BRL") (Formerly Known as Legend Wealth Global Limited) result for the period ended 31 January 2015 was consolidated based on its unaudited management accounts

On 9 January 2015, the Company acquired 100% equity interest in BRL, a company incorporated in British Virgin Islands for a total consideration of RM4.

## 7. INVESTMENT IN QUOTED SECURITIES

	GROUP	
	2015 RM	2014 RM
<b>Non-current assets</b>		
Available-for-sale financial assets		
<u>Quoted shares - at cost</u>		
At the beginning of the year	3,330,210	3,276,717
Add: Additions during the year	-	53,493
At the end of the year	3,330,210	3,330,210
<u>Less: Accumulated impairment losses</u>		
At the beginning of the year	3,251,907	3,259,215
Add: Impairment during the year	16,878	42,493
Less: Reversal of impairment	-	(49,801)
At the end of the year	3,268,785	3,251,907
Net carrying amount	61,425	78,303
- at market value	61,425	78,303

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 8. INVESTMENT IN GOLF CLUB MEMBERSHIP

	GROUP AND COMPANY	
	2015	2014
	RM	RM
Non-current assets		
Available-for-sale financial assets		
Investment in golf club membership - at cost	<u>64,000</u>	<u>64,000</u>
- at market value	<u>64,000</u>	<u>64,000</u>

## 9. PREPAID LEASE PAYMENTS

	GROUP	
	2015	2014
	RM	RM
Prepaid lease rental	27,474,992	27,474,992
Less: Accumulated amortisation	<u>(16,308,044)</u>	<u>(15,117,625)</u>
	<u>11,166,948</u>	<u>12,357,367</u>

Include in prepaid lease payments is the Group's cost incurred in developing two locations in Kota Kinabalu, Sabah belonging to a government authority and, in return, the Group is allowed to operate its business operation in these two locations for periods of between eleven to twenty years in lieu of rental payment.

## 10. DEVELOPMENT EXPENDITURE

	GROUP	
	2015	2014
	RM	RM
At the beginning of the year	4,155,002	1,505,002
Add: Additions during the year	<u>18,350,004</u>	<u>2,650,000</u>
	22,505,006	4,155,002
Less: Accumulated impairment losses	<u>(1,505,001)</u>	<u>(1,505,001)</u>
At the end of the year	<u>21,000,005</u>	<u>2,650,001</u>

The development expenditure represents preliminary costs incurred for gold mining projects, biomass project and research and development on the Group's leasehold land.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 11. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
(a) Goodwill on consolidation				
At the beginning and end of the year	11,833	11,833	-	-
(b) Patents and rights, at cost				
At the beginning of the year	5,000,000	5,000,000	5,000,000	5,000,000
Less: Accumulated amortisation	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
At the end of the year	-	-	-	-
Total intangible assets	11,833	11,833	-	-

## 12. INVENTORIES

	GROUP		GROUP	
	2015 RM	2014 RM	2015 RM	2014 RM
At cost:				
Food and beverages and packing materials	2,278,543	2,234,841	-	-
Machinery and spare parts	917,136	1,121,404	-	-
Golds	9,093,105	-	4,200,000	-
Marble blocks	2,474,334	-	-	-
	14,763,118	3,356,245	4,200,000	-

## 13. TRADE RECEIVABLES

	GROUP	
	2015 RM	2014 RM
Trade receivables	4,904,357	4,062,189
Less: Allowance for impairment	(71,917)	(1,979,821)
	4,832,440	2,082,368

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 13. TRADE RECEIVABLES (Cont'd)

The ageing analysis of the Group's trade receivables is as follows:

	GROUP	
	2015 RM	2014 RM
Neither past due nor impaired	4,832,440	1,943,761
more than 91 days past due not impaired	71,917	2,118,428
	<hr/>	<hr/>
	4,904,357	4,062,189
Less: Allowance for impairment	(71,917)	(1,979,821)
	<hr/>	<hr/>
	4,832,440	2,082,368
	<hr/>	<hr/>

### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group and mostly are regular customers that have been transacting with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to Nil (2014 – RM138,607) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Movements in the allowance accounts:

	GROUP	
	2015 RM	2014 RM
At the beginning of the year	1,979,821	1,979,821
Add: Charge during the year	50,000	-
Less: Reversal during the year	(1,957,904)	-
	<hr/>	<hr/>
At the end of the year	71,917	1,979,821
	<hr/>	<hr/>

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 14. OTHER RECEIVABLES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Prepayments	90,231	800	-	-
Deposits	1,404,728	2,579,757	25,217	25,217
Sundry receivables	11,725,798	8,505,135	3,781,001	697,583
Tax recoverable	323,097	85,295	203,173	-
	<b>13,543,854</b>	<b>11,170,987</b>	<b>4,009,391</b>	<b>722,800</b>
Less: Allowance for impairment	(725)	(42,020)	-	-
	<b>13,543,129</b>	<b>11,128,967</b>	<b>4,009,391</b>	<b>722,800</b>

### Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Movements in the allowance accounts:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
At the beginning of the year	42,020	2,546,265	-	30,000
Less: Reversal during the year	(41,295)	(2,504,245)	-	(30,000)
At the end of the year	<b>725</b>	<b>42,020</b>	<b>-</b>	<b>-</b>

## 15. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

These amounts are unsecured, interest-free and repayable on demand.

## 16. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the reporting date:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash and bank balances	27,083,494	3,679,306	17,156,737	207,925
Deposits with licensed financial institutions	2,410,293	2,477,459	2,403,820	2,341,180
	<b>29,493,787</b>	<b>6,156,765</b>	<b>19,560,557</b>	<b>2,549,105</b>

The weighted average interest rates of deposits at the end of financial year range from 2.90% to 3.10% (2014 – 2.75% to 2.95%) per annum and the average maturities of deposits are 30 to 365 days (2014 – 30 to 365 days).



# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 17. SHARE CAPITAL

	GROUP AND COMPANY	
	2015 RM	2014 RM
Authorised:		
Ordinary shares of RM0.10/RM1 each		
At the beginning of the year	500,000,000	500,000,000
Adjustment for par value reduction from RM1 to RM0.10 each	4,500,000,000	-
At the end of the year	<u>5,000,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of RM0.10/RM1 each		
At the beginning of the year	210,244,600	199,194,600
Adjustment for par value reduction from RM1 to RM0.10 each	(208,120,140)	-
Issuance of the following shares:		
(a) ESOS	26,154,000	11,050,000
(b) Private placement	4,624,800	-
(c) Conversion of warrants 2008/2018 (Warrant B)	2,225,923	-
At the end of the year	<u>35,129,183</u>	<u>210,244,600</u>

Details of shares issued during the financial year are as follows:

- (a) Employee Share Options Scheme - 21,000,000 ordinary shares of RM1 each at an exercise price of RM1 per share.
- (b) Employee Share Options Scheme - 51,540,000 ordinary shares of RM0.10 each at an exercise price of RM0.605 per share.
- (c) Private placement - 46,248,000 ordinary shares of RM0.10 each at an exercise price of RM0.56 per share.
- (d) Conversion of Warrants 2008/2018 (Warrant B) – to 22,259,232 ordinary shares of RM0.10 each.
- (e) The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 28 December 2011. The ESOS was implemented on 28 February 2012.
- (f) The main features of the ESOS are as follows:
  - (i) The ESOS shall be in force for a period of 5 years from the date of the receipt of the last of the requisite approvals, with extension of a further 5 years and may, at the discretion of the ESOS committee, be extended provided always that the initial 5 year period and such extension made shall not in aggregate exceed a duration of 10 years.
  - (ii) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
  - (iii) The total number of shares to be issued under the ESOS shall not in aggregate exceed 15% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 17. SHARE CAPITAL (Cont'd)

(f) The main features of the ESOS are as follows (Cont'd):

- (iv) The option price for each share shall be based on the weighted average market price of the shares for the 5 market days preceeding the date of offer, with a discount of not more than 10%, if deemed appropriate, or the par value of the shares, whichever is higher.
- (v) No option shall be granted for less than 100 shares nor more than 3,000,000 shares to any eligible employee.
- (vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of offer but before the expiry of 5 years, with extension of a further 5 years.
- (vii) The persons to whom the options have been granted have no right to participate by virtue of any share issue of any other company.

(g) The movement of the ESOS is as follows:

	GROUP AND COMPANY	
	Number of ESOS	
	2015 RM	2014 RM
At the beginning of the year	-	-
Add: ESOS allocated during the year	72,689,000	11,050,000
Less: ESOS exercised during the year	(72,540,000)	(11,050,000)
	<u>149,000</u>	<u>-</u>
At the end of the year		

## 18. RESERVES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Non-distributable:</b>				
Share premium reserves	73,269,421	24,164,992	73,269,421	24,164,992
ESOS reserves	43,955	45,717	43,955	45,717
Warrants reserves	1,559,972	2,672,933	1,559,972	2,672,933
Capital reserves	172,472,367	15,000	172,457,367	-
Currency translation reserves	(60,461)	(41,816)	-	-
Treasury shares	(485,630)	(194,593)	(485,630)	(194,593)
<b>Distributable:</b>				
Unappropriated profit/ (Accumulated loss)	<u>2,687,780</u>	<u>(39,260,916)</u>	<u>-</u>	<u>(34,222,763)</u>
	<u>249,487,404</u>	<u>(12,598,683)</u>	<u>246,845,085</u>	<u>(7,533,714)</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 18. RESERVES (Cont'd)

### Share premium reserves

The reserves comprise of the surplus arising from the issuance of shares at prices above the par value of the respective shares.

### ESOS reserves

The reserves relate to the issuance of shares to the employees under the Employee Share Options Scheme as part of their benefits

### Capital reserves

The reserves comprise of the reserves arising from the surplus on revaluation of investments in subsidiary companies against their respective cost of investments and the reduction of the Company's par value from RM1.00 to RM0.10 per share. The amount as stated represents the surplus of the amount net of any permitted utilisation of the same in the future.

### Currency translation reserves

The reserves comprise of all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than the RM.

### Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount as stated represents acquisition costs of the treasury shares.

Details of shares re-purchased and re-sold during the financial year are as follows:

	GROUP AND COMPANY			
	GROUP	COMPANY		
	2015 RM	2014 RM	2015 RM	2014 RM
At the beginning of the year	420,000	-	194,593	-
Repurchase of shares	6,786,000	420,000	5,026,256	194,593
Re-sale of shares	(6,583,000)	-	(5,398,595)	-
Effect of disposal of shares	-	-	663,376	-
At the end of the year	623,000	420,000	485,630	194,593

During the financial year, the Company:

- Acquired 6,786,000 (2014 – 420,000) shares in the Company through purchase from the open market. The total amount paid to acquire the shares was RM5,026,256 (2014 – RM194,593). The average cost paid for the shares repurchased was RM0.74 (2014 – RM0.46) per share, including transaction costs. This was presented as a component within shareholder's equity
- Sold 6,583,000 (2014 – Nil) shares in the Company through sale from the open market. The total amount proceeds from the re-sale of shares was RM5,398,595 (2014 – Nil). The average cost proceeds for the shares re-sale was RM0.82 (2014 – Nil) per share respectively, including transaction costs. The sales resulted in an increase in shares premium of RM663,376.

As at 31 January 2015, the Company has 623,000 (31 January 2014 – 420,000) ordinary shares held as treasury shares.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 19. BORROWINGS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Short Term Borrowings</b>				
<b>Secured:</b>				
Term loans	3,114,397	2,353,927	-	-
Finance lease payables (Note 20)	1,527,382	487,230	-	-
	<u>4,641,779</u>	<u>2,841,157</u>	<u>-</u>	<u>-</u>
<b>Long Term Borrowings</b>				
<b>Secured:</b>				
Term loans	12,528,379	3,968,013	-	-
Finance lease payables (Note 20)	3,972,879	1,396,345	-	-
	<u>16,501,258</u>	<u>5,364,358</u>	<u>-</u>	<u>-</u>
<b>Total Borrowings</b>				
Term loans	15,642,776	6,321,940	-	-
Finance lease payables (Note 20)	5,500,261	1,883,575	-	-
	<u>21,143,037</u>	<u>8,205,515</u>	<u>-</u>	<u>-</u>
<b>Maturity of borrowings (excluding finance lease payables):</b>				
Within one year	3,114,397	2,353,927	-	-
More than one year and less than two years	2,240,207	1,170,972	-	-
More than two years and less than five years	6,586,991	2,797,041	-	-
More than five years	3,701,181	-	-	-
	<u>15,642,776</u>	<u>6,321,940</u>	<u>-</u>	<u>-</u>

The effective interest rates during the financial year for borrowings, excluding hire purchase and finance lease payables, are as follows:

	GROUP	
	2015 %	2014 %
Term loans	3.75 - 8.35	3.75 - 8.1

The term loans of the Group are secured by the following:

- First legal charge over leasehold land and buildings of the Group as disclosed in Note 5 to the financial statements;
- First fixed legal charge over two parcels of lands owned by a third party;
- First fixed and floating charge by way of debenture on assets of a subsidiary company;
- Corporate guarantee by the Company; and
- Deed of assignment of all rights, interest and benefits of contract signed in respect of prepaid lease payments as disclosed in Note 9 to the financial statements.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 20. FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Minimum lease payments				
- not later than one year	2,028,793	587,748	-	-
- later than one year and not later than two years	2,028,793	587,748	-	-
- later than two years and not later than five years	2,448,972	875,826	-	-
- later than five years	-	48,972	-	-
	<u>6,506,558</u>	<u>2,100,294</u>	<u>-</u>	<u>-</u>
Less: Amount representing finance charges	(1,006,297)	(216,719)	-	-
	<u>5,500,261</u>	<u>1,883,575</u>	<u>-</u>	<u>-</u>
Present value of minimum lease payment				
Represented by:				
Current				
- not later than one year	1,527,382	487,230	-	-
Non-current				
- later than one year and not later than two years	1,527,382	489,399	-	-
- later than two years and not later than five years	2,445,497	864,805	-	-
- later than five years	-	42,141	-	-
	<u>5,500,261</u>	<u>1,883,575</u>	<u>-</u>	<u>-</u>
Analysed as:				
Due within one year	1,527,382	487,230	-	-
Due after one year	3,972,879	1,396,345	-	-
	<u>5,500,261</u>	<u>1,883,575</u>	<u>-</u>	<u>-</u>

The hire purchase and finance lease payables bore interest of between 4.53% and 12.26% (2014 – 2.98% and 8.74%) per annum.

## 21. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
At the beginning of the year	31,300	27,700	-	-
Recognised in the statements of profit or loss and other comprehensive income (Note 27)	195,600	3,600	181,000	-
	<u>226,900</u>	<u>31,300</u>	<u>181,000</u>	<u>-</u>
At the end of the year				

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.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 22. TRADE PAYABLES

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

## 23. OTHER PAYABLES

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Accruals	5,391,417	2,216,377	47,119	46,875
Deposits received	1,853,624	1,789,180	185,100	185,100
Sundry payables	7,732,540	4,237,840	5,776,904	1,437,928
	<b>14,977,581</b>	<b>8,243,397</b>	<b>6,009,123</b>	<b>1,669,903</b>

## 24. REVENUE

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Oil, gas, energy and mining related businesses	34,694,600	1,917,571	-	-
Sales from fast food and restaurant operations	32,615,899	34,597,126	-	-
Revenue from administrative, management and marketing services	4,250,527	1,965,678	1,716,000	636,000
Franchise fees	400,123	2,065,259	-	1,756,358
Contract income	7,597,200	-	7,597,200	-
Rental income	-	51,097	-	-
Machinery and spare parts	4,687,528	1,220,020	-	-
	<b>84,245,877</b>	<b>41,816,751</b>	<b>9,313,200</b>	<b>2,392,358</b>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 25. OTHER INCOME

This has been determined after charging the following items:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Allowance for impairment written back	1,999,200	2,504,245	4,635	30,000
Dividend income	13,748	444	-	-
Gain on disposal of investment properties	-	1,823,167	-	-
Gain on disposal of property, plant and equipment	27,056	29,999	-	29,999
Gain on foreign exchange	13,893	2,799	13,617	-
Gain on other investment	1,050,738	-	-	-
Insurance claim received	45,056	68,520	-	-
Interest income	85,076	64,650	71,845	62,660
License fee received	18,745	-	-	-
Procurement fee	-	6,000,000	-	-
Rental income	2,060	-	-	-
Reversal of impairment on other investment	-	49,801	-	-
Sundry income	184,882	532,719	2,334	76
	<b>3,440,455</b>	<b>11,076,344</b>	<b>92,431</b>	<b>122,735</b>

## 26. PROFIT/(LOSS) BEFORE TAXATION

This has been determined after charging the following items:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Allowance for impairment	50,000	-	6,360	5,498
Amortisation of prepaid lease rental	1,190,419	1,589,895	-	-
Audit fees	161,960	164,115	42,000	42,000
Depreciation	3,450,476	3,173,877	35,441	25,350
Executive Directors' remuneration (Note 30)	217,800	216,000	60,000	60,000
Hire of machineries	273,103	160,931	-	-
Impairment loss on investment in quoted securities	16,878	42,493	-	-
Interest expenses:				
- Finance lease interest	474,649	58,711	-	186
- Late payment interest	11,121	41,475	-	-
- Term loan interest	373,178	354,828	-	-
Loss on bulgary	109,559	-	-	-
Loss on disposal of property, plant and equipment	-	235,410	-	-
Loss on foreign exchange	16,076	-	-	-
Non-executive Directors' remuneration (Note 30)	114,000	130,000	30,000	30,000
Property, plant and equipment written off	13,668	46,805	-	-
Rental of equipment, machinery and motor vehicle	1,343,863	937,942	-	-
Rental of hostel	70,899	26,800	-	-
Rental of land	24,000	70,466	-	-
Rental of premises	1,165,689	923,850	24,000	24,000

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 26. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
and crediting the following items:				
Allowance for impairment written back	1,994,565	3,075,672	4,635	30,000
Dividend income	13,748	444	-	-
Gain on disposal of investment properties	-	1,761,199	-	-
Gain on disposal of property, plant and equipment	27,056	-	-	29,999
Gain on foreign exchange	-	2,799	13,617	-
Gain on other investment	1,050,738	-	-	-
Insurance claim received	45,056	68,520	-	-
Interest income	13,231	64,650	71,845	62,660
License fee received	18,745	-	-	-
Procurement fee	-	6,000,000	-	-
Rental income	2,060	-	-	-
Reversal on impairment of other investment	-	49,801	-	-

## 27. TAXATION

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Provision for current year	217,600	671,500	18,000	342,000
(Over)/Underprovision in prior years	(246,891)	(59,294)	(198,766)	28,817
Deferred taxation (Note 21)	195,600	3,600	181,000	-
	<b>166,309</b>	<b>615,806</b>	<b>234</b>	<b>370,817</b>

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



# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 27. TAXATION (Cont'd)

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(Loss) before taxation	<u>7,193,063</u>	<u>3,722,971</u>	<u>(698,945)</u>	<u>1,288,004</u>
Taxation at the Malaysian statutory tax rate of 25%	1,798,266	930,743	(174,736)	322,001
Income not subjected to tax	(1,280,909)	(3,044,016)	(1,159)	(30,665)
Expenses not deductible for tax purposes	2,969,486	3,374,098	374,895	80,283
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(3,073,643)	(585,725)	-	(29,619)
(Over)/Underprovision of income tax in prior years				
- Malaysian tax	<u>(246,891)</u>	<u>(59,294)</u>	<u>(198,766)</u>	<u>28,817</u>
Tax expense for the year	<u>166,309</u>	<u>615,806</u>	<u>234</u>	<u>370,817</u>

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

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Unabsorbed tax losses	23,013,014	31,453,318	-	-
Unutilised capital allowances	<u>3,139,623</u>	<u>8,506,364</u>	<u>2,595,895</u>	<u>-</u>
	<u>26,152,637</u>	<u>39,959,682</u>	<u>2,595,895</u>	<u>-</u>

The unabsorbed tax losses and unutilised of capital allowances are available for offset against future taxable profits of the subsidiary and Company in which those items arose. These amounts are subject to agreement by the Inland Revenue Board.

## 28. EARNINGS PER SHARE

### Basic earnings per share:

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

	GROUP	
	2015 RM	2014 RM
Profit for the year (RM)	7,026,754	3,107,165
Weighted average number of ordinary shares in issue	257,358,543	202,287,504
Basic earnings per share (sen)	<u>2.73</u>	<u>1.54</u>

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

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 29. STAFF COSTS

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Salaries and allowances	6,927,326	5,343,988	443,644	453,410
E.P.F. and Socso contributions	608,900	498,436	47,198	45,666
Other staff related expenses	516,587	213,397	28,756	19,768
	<u>8,052,813</u>	<u>6,055,822</u>	<u>519,598</u>	<u>518,844</u>

Included in staff costs of the Group and of the Company are executive Directors' remuneration amounting to RM217,800 (2014 – RM216,000) and RM60,000 (2014 – RM60,000) respectively as disclosed in Note 30 to the financial statements.

## 30. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
<b>Directors of the Company</b>				
Executive:				
Fees	<u>217,800</u>	<u>216,000</u>	<u>60,000</u>	<u>60,000</u>
Non-Executive:				
Fees	<u>114,000</u>	<u>130,000</u>	<u>30,000</u>	<u>30,000</u>
Total	<u>331,800</u>	<u>346,000</u>	<u>90,000</u>	<u>90,000</u>

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

	Number of Directors	
	2015	2014
Executive Directors:		
Below RM50,000	-	-
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
Above RM150,000	<u>1</u>	<u>1</u>
Non-Executive Directors:		
Below RM50,000	3	6
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	<u>-</u>	<u>-</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 31. RELATED PARTY TRANSACTIONS

### (a) Significant related party transactions

The significant related party transactions of the Company comprise the following:

	COMPANY	
	2015 RM	2014 RM
Management fee received from subsidiary companies		
- SB Franchise Management Sdn. Bhd.	120,000	600,000
- SB Supplies & Logistics Sdn. Bhd.	1,560,000	-
	<u>1,680,000</u>	<u>600,000</u>
Licensing fee received from subsidiary companies		
- L & V Trading Sdn. Bhd.	-	877,442
- SB Supplies & Logistics Sdn. Bhd.	-	878,916
	<u>-</u>	<u>1,756,358</u>

These transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### (b) Compensation of key management personnel ("KMP")

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. The key management personnel of the Group are executive Directors of the Group.

The remuneration of key management personnel during the year was as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Total KMP's remuneration	<u>217,800</u>	<u>216,000</u>	<u>60,000</u>	<u>60,000</u>

## 32. CONTINGENT LIABILITIES

	COMPANY	
	2015 RM	2014 RM
Unsecured:		
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	<u>29,009,701</u>	<u>13,217,269</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

The table below provides analysis of financial instruments of the Group and of the Company. The Group and the Company categorised financial assets as loans and receivables ("L&R") and available-for-sale financial assets ("AFS") and financial liabilities as other financial liabilities measured at amortised cost ("AC").

Group	AFS RM	L&R RM	AC RM	TOTAL RM
<b>At 31 January 2015</b>				
<b>Financial Assets</b>				
Investment in quoted securities	61,425	-	-	61,425
Investment in golf club membership	64,000	-	-	64,000
Trade receivables	-	4,832,440	-	4,832,440
Other receivables	-	13,543,129	-	13,543,129
Cash and cash equivalents	-	29,493,787	-	29,493,787
	<u>125,425</u>	<u>47,869,356</u>	<u>-</u>	<u>47,994,781</u>
<b>Financial Liabilities</b>				
Trade payables	-	-	1,781,864	1,781,864
Other payables	-	-	14,977,581	14,977,581
Term loans	-	-	15,642,776	15,642,776
Finance lease payables	-	-	5,500,261	5,500,261
	<u>-</u>	<u>-</u>	<u>37,902,482</u>	<u>37,902,482</u>
<b>At 31 January 2014</b>				
<b>Financial Assets</b>				
Investment in quoted securities	78,303	-	-	78,303
Investment in golf club membership	64,000	-	-	64,000
Trade receivables	-	2,082,368	-	2,082,368
Other receivables	-	11,128,967	-	11,128,967
Cash and cash equivalents	-	6,156,765	-	6,156,765
	<u>142,303</u>	<u>19,368,100</u>	<u>-</u>	<u>19,510,403</u>
<b>Financial Liabilities</b>				
Trade payables	-	-	1,958,266	1,958,266
Other payables	-	-	8,243,398	8,243,398
Term loans	-	-	6,321,940	6,321,940
Finance lease payables	-	-	1,883,575	1,883,575
	<u>-</u>	<u>-</u>	<u>18,407,179</u>	<u>18,407,179</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Classification of financial instruments (Cont'd)

Company	AFS RM	L&R RM	AC RM	TOTAL RM
<b>At 31 January 2015</b>				
<b>Financial Assets</b>				
Investment in golf club membership	64,000	-	-	64,000
Other receivables	-	4,009,391	-	4,009,391
Amount due from subsidiary companies	-	220,328,227	-	220,328,227
Cash and cash equivalents	-	19,560,557	-	19,560,557
	<b>64,000</b>	<b>243,898,175</b>	<b>-</b>	<b>243,962,175</b>
<b>Financial Liabilities</b>				
Other payables	-	-	6,009,123	6,009,123
Amount due to subsidiary companies	-	-	2,586,739	2,586,739
	<b>-</b>	<b>-</b>	<b>8,595,862</b>	<b>8,595,862</b>
<b>At 31 January 2014</b>				
<b>Financial Assets</b>				
Investment in golf club membership	64,000	-	-	64,000
Other receivables	-	722,800	-	722,800
Amount due from subsidiary companies	-	203,575,662	-	203,575,662
Cash and cash equivalents	-	2,549,105	-	2,549,105
	<b>64,000</b>	<b>206,847,567</b>	<b>-</b>	<b>206,911,567</b>
<b>Financial Liabilities</b>				
Other payables	-	-	1,669,903	1,669,903
Amount due to subsidiary companies	-	-	2,565,949	2,565,949
	<b>-</b>	<b>-</b>	<b>4,235,852</b>	<b>4,235,852</b>

### (b) Financial Risk Management Policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, foreign currency risk, liquidity risk, precious metals and stones risk and market price risk.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing these risks. The Group's risk management approach seeks to minimise the potential material adverse impact of those exposures.

The following section provides details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial Risk Management Policies (Cont'd)

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest risk arises primarily from interest-bearing financial assets and financial liabilities. The Group's interest-bearing financial assets include fixed deposits that are short term in nature and are held to earn a better yield than cash at banks. The fixed deposits placed with licensed banks at fixed rate expose the Group to fair value interest rate risk. The Group's interest-bearing financial liabilities include hire purchase and finance lease payables and term loans.

Borrowings at floating rates expose the Group to cash flow interest rate risk whilst finance lease payables at fixed rate expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group's and of the Company's financial instruments that are exposed to interest rate risk:

	Note	WAEIR %	Within 1 year RM	2-5 years RM	More than 5 years RM	Total RM
<b>Group</b>						
<b>At 31 January 2015</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.93	2,410,293	-	-	2,410,293
Finance lease payables	20	4.68	1,527,382	3,972,879	-	5,500,261
			<u>3,937,675</u>	<u>3,972,879</u>	<u>-</u>	<u>7,910,554</u>
<b>Floating rate</b>						
Term loans	19	6.32	<u>3,114,397</u>	<u>8,827,198</u>	<u>3,701,181</u>	<u>15,642,776</u>
<b>At 31 January 2014</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.95	2,477,459	-	-	2,477,459
Finance lease payables	20	5.15	487,230	1,396,345	-	1,883,575
			<u>2,964,689</u>	<u>1,396,345</u>	<u>-</u>	<u>4,361,034</u>
<b>Floating rate</b>						
Term loans	19	5.93	<u>2,353,927</u>	<u>3,968,013</u>	<u>-</u>	<u>6,321,940</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial Risk Management Policies (Cont'd)

#### (i) Interest rate risk (cont'd)

	Note	WAEIR %	Within 1 year RM	2-5 years RM	More than 5 years RM	Total RM
<b>Company</b>						
<b>At 31 January 2015</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.75	<u>2,403,820</u>	<u>-</u>	<u>-</u>	<u>2,403,820</u>
<b>At 31 January 2014</b>						
<b>Fixed rate</b>						
Deposits with licensed financial institutions	16	2.75	<u>2,341,180</u>	<u>-</u>	<u>-</u>	<u>2,341,180</u>

#### Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	GROUP	
	2015 Increase/ (Decrease) RM	2014 Increase/ (Decrease) RM
<b>Effect on profit after taxation</b>		
Increase of 100 Basis Point (bp)	(156,428)	(63,219)
Decrease of 100 Basis Point (bp)	<u>156,428</u>	<u>63,219</u>
<b>Effect on equity</b>		
Increase of 100 Basis Point (bp)	(156,428)	(63,219)
Decrease of 100 Basis Point (bp)	<u>156,428</u>	<u>63,219</u>

#### (ii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment in quoted shares and cash and cash equivalents), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Company is also exposed to credit risk arising from corporate guarantee provided in respect of credit facilities granted to the subsidiary companies (Note 32).

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial Risk Management Policies (Cont'd)

#### (ii) Credit risk (cont'd)

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM29,009,701 (2014 – RM13,217,269) relating to corporate guarantees to bank and other financial institutions for credit facilities granted to subsidiary companies.

##### Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 13. Deposits with banks and other financial institutions and quoted shares that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

##### Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Notes 13 and 14.

#### (iii) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales, purchases and investment that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar and Brunei Dollar. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net financial assets/(financial liabilities)			
	<----- held in non-functional currency ----->			
Functional Currency	United States Dollar RM	Singapore Dollar RM	Brunei Dollar RM	Total RM
<b>Group</b>				
<b>At 31 January 2015</b>				
Investment in quoted securities	52,125	-	-	52,125
Trade receivables	82,437	-	28,355	110,792
Trade payables	-	(37,204)	-	(37,204)
	<u>134,562</u>	<u>(37,204)</u>	<u>28,355</u>	<u>125,713</u>
<b>At 31 January 2014</b>				
Investment in quoted securities	67,303	-	-	67,303
Trade receivables	63,069	-	24,934	88,003
Cash and cash equivalents	-	(23,913)	-	(23,913)
	<u>130,372</u>	<u>(23,913)</u>	<u>24,934</u>	<u>131,393</u>



# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial Risk Management Policies (Cont'd)

#### (iii) Foreign currency risk (Cont'd)

##### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the United States Dollar (USD), Singapore Dollar (SGD) and Brunei Dollar (BRN) exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	GROUP	
	2015 RM	2014 RM
USD/RM - Strengthened 5%	6,728	6,519
- Weakened 5%	(6,728)	(6,519)
SGD/RM - Strengthened 5%	(1,860)	(1,196)
- Weakened 5%	1,860	1,196
BRD/RM - Strengthened 5%	1,418	1,247
- Weakened 5%	(1,418)	(1,247)

#### (iv) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	On demand or within 1 year RM	2 - 5 years RM	More than 5 years RM	Total RM
<b>At 31 January 2015</b>				
Trade payables	1,781,864	-	-	1,781,864
Other payables	14,977,581	-	-	14,977,581
Term loans	3,114,397	8,827,198	3,701,181	15,642,776
Finance lease payables	1,527,382	3,972,879	-	5,500,261
	<u>21,401,224</u>	<u>12,800,077</u>	<u>3,701,181</u>	<u>37,902,482</u>
<b>At 31 January 2014</b>				
Trade payables	1,958,266	-	-	1,958,266
Other payables	8,243,398	-	-	8,243,398
Term loans	2,353,927	3,968,013	-	6,321,940
Finance lease payables	487,230	1,396,345	-	1,883,575
	<u>13,042,821</u>	<u>5,364,358</u>	<u>-</u>	<u>18,407,179</u>

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 33. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial Risk Management Policies (Cont'd)

#### (iv) Liquidity risk (Cont'd)

Company	On demand or within 1 year RM	2 - 5 years RM	More than 5 years RM	Total RM
<b>At 31 January 2015</b>				
Other payables	6,009,123	-	-	6,009,123
Amount due to subsidiary companies	2,586,739	-	-	2,586,739
	<u>8,595,862</u>	<u>-</u>	<u>-</u>	<u>8,595,862</u>
<b>At 31 January 2014</b>				
Other payables	1,669,903	-	-	1,669,903
Amount due to subsidiary companies	2,565,949	-	-	2,565,949
	<u>4,235,852</u>	<u>-</u>	<u>-</u>	<u>4,235,852</u>

#### (v) Precious metals and stones risk

The gold industry is generally affected by fluctuations in the price and supply of precious metal and stones. The supply and price of gold in the principal world market are significantly influenced by the supply and demand for gold in the world markets. To date, there has been no material impact on the availability and pricing of and demand for gold. There are no hedging transactions entered into for other precious metals and stones.

#### (vi) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Groups' financial instruments will fluctuate because of changes in market prices.

The Group is exposed to securities price risk from its investment in quoted shares. These quoted shares are classified as available-for-sale financial assets.

The Group's objective is to manage investment returns and the price risk by investing in investment grade securities with steady dividend yield.

## 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets (except investment in quoted shares and investment in golf club membership) and liabilities are reasonable approximation of their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair value of investment in quoted shares and investment in golf club membership is determined by reference to the market price at the reporting date, and is disclosed in Notes 7 and 8.

The Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be received or settled.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 35. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios as at 31 January 2014 and as at 31 January 2015 were as follows:

	GROUP	
	2015 RM	2014 RM
Trade payables	1,781,864	1,958,266
Other payables	14,977,581	8,243,398
Total borrowings (Note 19)	21,143,037	8,205,515
Less: Cash and cash equivalents	(29,493,787)	(6,156,765)
Net debt	8,408,695	12,250,414
Equity attributable to the owners of the parent	284,616,587	197,645,917
Capital and net debt	293,025,282	209,896,331
Debt-to-equity ratio	0.03	0.06

There were no changes in the Group's approach to capital management during the year.

## 36. SIGNIFICANT EVENTS

The following were the significant events during the financial year:

- On 14 March 2014, Borneo Oil & Gas Corporation Sdn. Bhd. ("BOG") entered into a Sub-Contract Agreement with Champmark Sdn. Bhd. to act as its contractor to carry out the prospecting and mining of alluvial and lode gold on an exclusive basis on an area located at Mukim Batu Yon, District of Lipis, Pahang.
- On 5 January 2015, BOG was appointed by Jusra Mining Merapoh Sdn. Bhd. as its contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis on an area located at SG Serumbum, Hutan Simpan Hulu Jelai, Daerah Lipis, Pahang.
- On 9 January 2015, the Company acquired 100% equity interest in Borneo Resources Limited (*Formerly Known as Legend Wealth Global Limited*), a company incorporated in British Virgin Islands for a total consideration of RM4.

## 37. SUBSEQUENT EVENTS

The following were the subsequent events after the financial year:

- On 11 March 2015, BOG entered into an Exclusive Production Sharing Agreement with HDL Global Sdn Bhd to carry out prospecting, exploration, mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold on an exclusive basis on an area known as Blok A, SKC(H) 1/2001, Hutan Simpan Bukit Ibam, Mukin Keratong, Daerah Rompin, Pahang.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 37. SUBSEQUENT EVENTS (cont'd)

- (b) On 27 April 2015, the Company announced the proposed Renounceable Rights Issue of up to 2,349,841,596 new ordinary shares of RM0.10 each in Borneo Oil Berhad (BORNOIL SHARES) at an indicative issue price of RM 0.10 per rights share on the basis of six (6) rights shares for every one (1) existing BORNOIL share held, together with up to 1,174,920,798 free detachable warrants in BORNOIL (Warrants C) on the basis of one (1) free Warrant C for every two (2) rights shares subscribed for, on an entitlement date to be determined later.

## 38. SEGMENTAL INFORMATION

### (a) Operating segments

For management purpose, the Group is organised into four major operating segments based on their products and services as follows:

- (i) Head office and others
- (ii) Fast food operations
- (iii) Management and operations of properties
- (iv) Oil, gas, energy and mining related businesses

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### (b) Geographical segments

Segmental reporting by geographical location has not been prepared as the Group's operations are only carried out in Malaysia.

### (c) Information about major customers

Revenue from major customers of the Group amount to RM1,943,198 (2014 - RM1,926,812) arising from sales by the fast food operations segment.

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 38. SEGMENTAL INFORMATION (Cont'd)

	Head Office and Others		Fast Food Operations		Management and Operations of Properties		Oil, Gas, Energy and Mining Related Businesses		Elimination		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
External sales	7,633,200	36,000	37,315,338	34,323,374	4,602,739	5,539,806	34,694,600	1,917,571	-	-	84,245,877	41,816,751
Inter-segment sales	1,680,000	2,356,358	4,677,628	27,364,215	-	-	-	-	(6,357,628)	(29,720,573)	-	-
Total revenue	9,313,200	2,392,358	41,992,966	61,687,589	4,602,739	5,539,806	34,694,600	1,917,571	(6,357,628)	(29,720,573)	84,245,877	41,816,751
Results												
Segment results	(2,401,869)	(241,467)	5,268,285	5,322,948	(1,377,801)	5,207,951	6,552,275	(6,152,921)			8,040,890	4,136,511
Profit/(Loss) from operations											8,040,890	4,136,511
Finance costs, net											(847,827)	(413,540)
Taxation											(166,309)	(615,806)
Profit/(Loss) after taxation											7,026,754	3,107,165
Profit/(Loss) for the year											7,026,754	3,107,165
ASSETS AND LIABILITIES												
Segment assets	42,932,411	3,590,890	21,251,533	21,004,025	170,978,750	159,817,610	88,305,748	32,395,998			323,468,442	216,808,523
Segment liabilities	6,419,611	2,063,789	4,448,920	4,991,360	6,475,677	7,860,291	21,507,647	4,247,166			38,851,855	19,162,606
OTHER INFORMATION												
Capital expenditure	14,968,394	34,208	2,354,761	8,367,086	3,501,772	6,011,452	28,342,266	1,406,256			49,167,193	15,819,002
Depreciation	35,441	25,350	684,480	685,689	1,146,681	1,532,402	1,583,874	930,436			3,450,476	3,173,877
Amortisation of prepaid lease rental	-	-	-	-	1,190,419	1,589,895	-	-			1,190,419	1,589,895

# Notes To The Financial Statements

For The Year Ended 31 January 2015 (Cont'd)

## 39. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The following analysis of realised and unrealised retained profits or losses of the Group and of the Company as at the reporting date is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealise Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The accumulated losses of the Group and of the Company as at year end is analysed as follows:

	GROUP		COMPANY	
	2015 RM	2014 RM	2015 RM	2014 RM
Total accumulated losses of the Company and its subsidiaries				
- Realised	28,611,116	(144,174,850)	(35,102,942)	(34,222,763)
- Unrealised	(79,651,005)	83,038,956	181,000	-
	<b>(51,039,889)</b>	<b>(61,135,894)</b>	<b>(34,921,942)</b>	<b>(34,222,763)</b>
Add: Consolidated adjustments	18,805,727	21,874,978	-	-
Add: Accumulated loss written off	34,921,942	-	34,921,942	-
Total unappropriated profit/ (accumulated losses)	<b>2,687,780</b>	<b>(39,260,916)</b>	<b>-</b>	<b>(34,222,763)</b>

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

# List Of Properties

## Particulars of the Group's Properties

The properties of the Group as at 31 January 2015 and their carrying values are indicated as follows:

	Location	Description	Tenure	Land Area	Age of Building	Carrying Value RM'000	Date of Acquisition
1	NT 013064812, Kg. Mansiang, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	13.08 acres	Nil	654	3.7.2002
2	NT 013061768, Kg. Mansiang, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	5.70 acres	Nil	383	3.7.2002
3	FR 014015706, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	23.15 acres	Nil	926	3.7.2002
4	NT 013068570, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	16.90 acres	Nil	676	3.7.2002
5	FR 014013462, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	15.00 acres	Nil	570	3.7.2002
6	NT 013096985, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	3.766 hectares	Nil	372	3.7.2002
7	NT 013091202, Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	11.70 acres	Nil	468	3.7.2002
8	NT 013068954, Tombongan, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	12.67 acres	Nil	532	3.7.2002
9	CL 015279099, Kg. Kiansom, Kota Kinabalu, Sabah	Vacant land	Leasehold, 99 years expiring 31.12.2059	22.15 acres	Nil	3,987	26.12.2002
10	NT 013068589, Kg Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	6.75 acres	Nil	270	5.3.2003
11	NT 013067939, Kg Togung, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	2.76 acres	Nil	138	5.3.2003
12	NT 013067742, Kg. Mansiang, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	5.65 acres	Nil	282	5.3.2003
13	NT 013064821, Kg. Mansiang, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	3.89 acres	Nil	194	5.3.2003
14	NT 013067751, Kg Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	12.95 acres	Nil	518	5.3.2003
15	FR 014009057, Kg Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	12.66 acres	Nil	633	5.3.2003
16	NT 014009066, Kg Kokol, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	14.59 acres	Nil	730	5.3.2003
17	NT 013068043, Kg Togung, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold, 30 years expiring 2.7.2032	2.65 acres	Nil	106	5.3.2003
18	CL 065313804, Kg. Kundasang, Ranau, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2081	1.57 acres	Nil	160	5.3.2003
19	CL 095310071, Sg. Metah, Kinabatangan District, Sandakan, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2073	100.07 acres	Nil	2,305	25.7.2008
20	CL 115379265, Kg. Upak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2086	14.41 acres	Nil	255	25.7.2008

# List Of Properties (Cont'd)

## Particulars of the Group's Properties (Cont'd)

	Location	Description	Tenure	Land Area	Age of Building	Carrying Value RM'000	Date of Acquisition
21	Approximately 43% of the undivided Share of CL 115349070, Ulu Segama Lahad Datu	Vacant land	Leasehold, 99 years expiring 31.12.2072	40.82 acres (Total of 92.48 acres)	Nil	21,077	23.1.2009
22	NT 113026305, NT 113016336, NT 113016345, NT113016354, NT113050392, NT 113019551, NT 113019560, NT 113019588, NT113019579, NT 113019597 & NT 113018492, Kg. Upak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 99 years expiring on 31.1.2038	161.57 acres	Nil	56,531	18.2.2008
23	NT 113018509, NT 113018527, NT 113018563, NT 113018554, & NT 113053277, Kg. Upak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 99 years expiring on 31.1.2038	79.89 acres	Nil	13,649	29.2.2008
24	NT013064214, Pulau Gaya Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 31.01.2042	2.05 acres	Nil	4,000	1.02.2012
25	NT013077300, Pulau Gaya Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 31.01.2042	5.16 acres	Nil		1.02.2012
26	1 unit Waikiki Condominium HC-1202, Kota Kinabalu, Sabah	Condominium	leasehold 999 years expiring on 15.3.2925	4,350 sq. ft.	32 years	1,359	17.11.2003
27	PL 066290104, Kg. Lesau, District of Ranau, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2068	31.80 acres	Nil	3,057	20.12.2013
28	NT 053047199, Kg Rukam, Kudat	Vacant land	Leasehold 30 years expiring on 14.7.2040	5.09 acres	Nil	1,850	30.7.2010
29	NT 053047297, Kg Rukam, Kudat	Vacant land	Leasehold 30 years expiring on 14.7.2040	3.36 acres	Nil	1,400	30.7.2010
30	NT113065062, Ulu Segama Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 30.09.2042	8.465 acres	Nil	1,172	01.10.2012
31	NT113065071, Ulu Segama Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 30.09.2042	8.675 acres	Nil		01.10.2012
32	NT113053053, Ulu Segama Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 30.09.2042	7.652 acres	Nil		01.10.2012
33	NT113065053, Ulu Segama Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 30.09.2042	8.687 acres	Nil		01.10.2012
34	NT06301807, Kampung Silad Ranau, Sabah	Vacant land	Leasehold 30 years expiring on 30.11.2042	18.08 acres	Nil	4,520	01.12.2012
35	NT113006474, Silam Road, Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 28.02.2042	16.16 acres	Nil	5,040	21.03.2012
36	CL065311908, Kampung Bongkud, Ranau, Sabah	Vacant land	Leasehold 99 years expiring on 31.12.2072	11.51 acres	Nil	3,453	12.12.2012
37	NT063064648, Kampung Kilimu Ranau, Sabah	Vacant land	Leasehold 30 years expiring on 1.06.2042	11.76 acres	Nil	2,000	01.06.2012
38	NT113065080, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 1.06.2043	7.914 acres	Nil	500	31.07.2013
39	NT 113054514, Kg. Upak, Ulu Segama, Lahad Datu, Sabah	Vacant land	Leasehold 30 years expiring on 28.02.2044	16.90 acres	Nil	4,000	14.11.2014
40	CL 115474569, Mile 8, Jalan Silam, District of Lahad Datu	Vacant land	Leasehold 99 years expiring on 04.01.2058	32.65 acres	Nil	10,819	14.11.2014



# Statement Of Shareholdings

As At 29th May 2015

## ANALYSIS OF SHAREHOLDINGS

SIZE OF SHARE HOLDINGS	NO. OF SHARE HOLDERS	%	NO. OF SHARES	%
Less than 100	35	0.93	627	-
100 to 1,000	586	15.49	546,473	0.14
1,001 to 10,000	1,895	50.09	10,206,900	2.73
10,001 to 100,000	994	26.28	33,755,600	9.26
100,001 to less than 5% of issued shares	270	7.13	169,167,000	46.42
5% and above of issued shares	3	0.08	157,122,900	41.45
*** TOTAL	3,783	100.00	370,799,500	100.00

## LIST OF TOP 30 SHAREHOLDERS AS AT 29TH MAY 2015

ITEM	NAME	NO. OF SHARES	%
1	AFFIN HWANG NOMINEES (ASING) SDN BHD (Pledged Securities Account for Lei Shing Hong Securities Limited)	94,874,900	25.03
2	HAP SENG INSURANCE SERVICES SDN BHD	36,248,000	9.56
3	RHB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Hap Seng Insurance Services Sdn Bhd)	26,000,000	6.86
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (Pledged Securities account for Victoria Capital Sdn Bhd )	7,342,400	1.94
5	KHOO YONG AI	6,100,000	1.61
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Batu Bara Resources Corporation Sdn Bhd)	5,560,000	1.47
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Azeman Sipang)	4,851,800	1.28
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim)	4,819,900	1.27
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account CIMB Bank for Phang Miow Sin )	4,783,500	1.26
10	OLIVIA CARLA LING LEE LIAN	4,074,900	1.08
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Su Haw Tieng @ John )	3,725,000	0.98
12	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Lu Li)	3,526,000	0.93
13	H'NG CHEOW SEN	3,285,000	0.87
14	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (Pledged Securities Account for Bank Of Singapore Limited)	3,226,000	0.85
15	KHOO BUCK CHEW	2,970,000	0.78

# Statement Of Shareholdings

As At 29th May 2015 (Cont'd)

## LIST OF TOP 30 SHAREHOLDERS AS AT 29TH MAY 2015 (Cont'd)

ITEM	NAME	NO. OF SHARES	%
16	VICTORIA CAPITAL SDN BHD	2,768,100	0.73
17	THIEN NYUK SHEN	2,689,400	0.71
18	CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account For Fong Kim Fay)	2,680,000	0.71
19	TAN SOH GEK	2,659,000	0.70
20	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account For Credit Suisse)	2,327,000	0.61
21	SOCIAL CARE FOUNDATION	2,052,400	0.54
22	AMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Energy Resources Investments Limited)	2,040,200	0.54
23	AMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account For Lim Shen Huei @ Phoebe)	2,013,966	0.53
24	AZAHAR BIN RASUL	2,000,000	0.53
25	H'NG CHIAU CHIN	1,981,800	0.52
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account CIMB Bank For Chong Kim Shing @ Chong Pan Kim)	1,891,000	0.50
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Teoh Kah Keat)	1,877,200	0.50
28	KO KIM KWA	1,722,500	0.45
29	UOB KAY HIAN NOMINEES (ASING) SDN BHD (Pledged Securities Account For UOB Kay Hian Pte Ltd)	1,713,000	0.45
30	VICTORIA CAPITAL SDN BHD	1,655,500	0.44
		243,458,466	64.23

## SUBSTANTIAL SHAREHOLDERS AS AT 29TH MAY 2015

NAME	NO. OF SHARES HELD			%
	Direct	%	Indirect	
AFFIN HWANG NOMINEES (ASING) SDN BHD (Pledged Securities Account For Lei Shing Hong Securities Limited)	9 4,874,900	25.03	-	-
HAP SENG INSURANCE SERVICES SDN BHD	3 6,248,000	9.56	-	-
RHB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account For Hap Seng Insurance Services Sdn Bhd)	2 6,000,000	6.86	-	-

# Statement Of Warrant B (2008/2018) Holdings

As At 29th May 2015

## ANALYSIS OF WARRANT B (2008/2018) HOLDINGS

SIZE OF HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
Less than 100	103	12.62	4,396	0.03
100 to 1,000	212	25.98	135,571	0.83
1,001 to 10,000	328	40.20	1,313,475	8.05
10,001 to 100,000	138	16.91	5,107,026	31.32
100,001 to less than 5% of issued warrants	34	4.17	8,641,366	52.99
5% and above of issued warrants	1	0.12	1,105,100	6.78
*** TOTAL	816	100.00	16,306,934	100.00

## LIST OF TOP 30 WARRANT B (2008/2018) HOLDERS AS AT 29TH MAY 2015

NAME	No. of Warrants	%
1 VINCENT YONG TUCK SENG	1,105,100	6.78
2 CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for CIMB Securities (Singapore) Pte Ltd )	690,000	4.23
3 LU LI	630,000	3.86
4 RHB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim)	623,900	3.83
5 TAN BENG SIM	526,500	3.23
6 GOH KAY CHUAN	400,000	2.45
7 CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Cheah Chee Siong)	398,100	2.44
8 LIEW LI FONG SUSAN	364,200	2.23
9 AFFIN HWANG NOMINEES (ASING) SDN. BHD. (Pledged Securities Account for UOB KAY HIAN PTE LTD For Lian Suat Hia)	343,700	2.11
10 SENTRAL BINA JAYA SDN. BHD.	340,000	2.09
11 PUBLIC INVEST NOMINEES (ASING) SDN BHD (Pledged Securities Account for Phillip Securities Pte Ltd)	310,000	1.90
12 WONG SENG POH	300,433	1.84
13 ENG CHONG HENG	250,000	1.53
14 FIORN AMBER LEE YEE FONG	246,000	1.51
15 LIM GHIM SOON	230,000	1.41

# Statement Of Warrant B (2008/2018) Holdings

As At 29th May 2015 (Cont'd)

## LIST OF TOP 30 WARRANT B (2008/2018) HOLDERS AS AT 29TH MAY 2015 (Cont'd)

	NAME	No. of Warrants	%
16	AFFIN HWANG NOMINEES (ASING) SDN. BHD. (Pledged Securities Account for DBS Vickers Secs (s) Pte Ltd For Phuay Yong Hen)	181,400	1.11
17	KO KIM KWA	179,500	1.10
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Chua Peng Boon @ Choy Ah Mun)	177,900	1.09
19	SOCIAL CARE FOUNDATION	175,000	1.07
20	THIEN NYUK SHEN	173,000	1.06
21	LIM TSHUNG YAW	170,000	1.04
22	H'NG CHIAU CHIN	161,300	0.99
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Chiam Yeong Hock)	158,800	0.97
24	LOW KWAI LENG	500,000	0.92
25	OLIVIA CARLA LING LEE LIAN	149,900	0.92
26	H'NG CHEOW SEN	145,000	0.89
27	TIAM SIEW KIM	140,200	0.86
28	AFFIN HWANG NOMINEES (ASING) SDN. BHD. (Pledged Securities Account for Jerome Chua Chwee Meng)	140,000	0.86
29	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Khor Kok Cheng)	137,500	0.84
30	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD (Pledged Securities Account for Ho Ai Lian)	136,300	0.84
		9,483,733	56.00

## SUBSTANTIAL WARRANT B (2008/2018) HOLDERS AS AT 29TH MAY 2015

	NAME	No. Of Warrants	%
	VINCENT YONG TUCK SENG	1,105,100	6.78

# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 31<sup>st</sup> Annual General Meeting of BORNEO OIL BERHAD (Co. No. 121919-H) will be held at 2<sup>nd</sup> Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan, on Friday, 31st July 2015, at 8.00 am to transact the following :-

## AS ORDINARY BUSINESS :

1. To table the Audited Financial Statements for the financial year ended 31 January 2015 together with the Reports of Directors and Auditors. **(note 1)** **(Resolution 1)**

To consider and if thought fit, to pass the following ordinary resolutions:-

2. To re-elect Mr. Seroop Singh Ramday who shall retire in accordance with Articles 91 & 96 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(note 2)** **(Resolution 2)**
3. To approve the payment of Directors' remuneration of RM331,800 for the financial year ended 31 January 2015. **(Resolution 3)**
4. To re-appoint Messrs STYL Associates as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors of the Company. **(note 3)** **(Resolution 4)**

## AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions :

5. **Ordinary Resolution**  
**- Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**  

"That subject always to the approvals of the relevant authorities, the Directors of the Company be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time upon such terms and conditions, and for such purposes as the Directors of the Company may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and that the Directors of the Company be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." **(note 4)**

**(Resolution 5)**

6. **Ordinary Resolution**  
**- Proposed renewal of authority for the purchase of own shares by the Company ("Proposed Renewal")** **(Resolution 6)**  

"That subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of ordinary shares of RM0.10 each in the Company ("Bornoil Shares") as may be determined by the Directors of the Company from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that :

- (a) the aggregate number of ordinary shares purchased does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

# Notice Of Annual General Meeting (Cont'd)

## 6. Ordinary Resolution

### - Proposed renewal of authority for the purchase of own shares by the Company ("Proposed Renewal") (Cont'd)

- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the total retained earnings and share premium reserves of the Company at the time of the purchase(s); and
- (c) the Directors of the Company may decide to :-
  - (i) retain the shares purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; and/or
  - (ii) cancel the shares so purchased; and/or
  - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder.

AND THAT such authority shall commence upon passing of this resolution and shall continue to be in force until :-

- (a) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming Annual General Meeting at which such resolution was passed at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next Annual General Meeting after the date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occur first;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assert to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities." (note 5)

- 7. To transact any other business of the Company for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

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

Labuan F.T.  
Dated : 9<sup>th</sup> July 2015

# Notice Of Annual General Meeting (Cont'd)

## Explanatory notes (note 1 to 5) to the Agenda:-

1. Pursuant to section 169(1) of the Companies Act, 1965 Act), the Directors shall lay before the Company at its Annual General Meeting its annual financial statements made up to a date not more than 6 months before the date of the meeting. There will be no resolution to be passed on this item 1.
2. Pursuant to Articles 91 and 92 of the Company's Articles of Association and paragraph 7.28(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), at every annual general meeting, one-third(1/3) of the Directors of the Company for the time being shall retire from office once at least in every three(3) years and shall be eligible for re-election.

Pursuant to Article 96 of the Articles of Association, any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

3. Pursuant to section 172(2) of the Act, the Company shall at every annual general meeting appoint its auditors who shall hold office until the conclusion of the next annual general meeting.
4. This section 132D authority, if approved, will empower the directors of the Company to issue ordinary shares in the Company up to 10% of the issued and paid-up share capital of the Company for the time being, subject to compliance with all other regulatory requirements and this will enable the Company to finance investment projects, working capital and/or acquisitions by issuing new shares as and when the need arises without delay or incurring costs in convening a separate general meeting. This authority, unless revoked or varied at an earlier general meeting, will expire at the conclusion of the next annual general meeting of the Company.

As at the date of this notice of annual general meeting, the Company has not issued any new shares pursuant to the existing section 132D authority obtained during the last annual general meeting held on 31 July 2014, which authority shall lapse at the conclusion of this annual general meeting.

5. This resolution, if approved, will provide a mandate for the Company to purchase its own shares of up to ten percent (10%) of the total issued and paid-up share capital of the Company and shall lapse at the conclusion of the next Annual General Meeting unless authority for the renewal is obtained from the shareholders of the Company at a general meeting.

## Notes to the notice of annual general meeting:-

1. A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 23<sup>rd</sup> July 2015 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.
2. Subject to note 3 below, a member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than 2 or in the case of a corporation, a duly authorized representative) to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need(s) not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.
3. Where a member is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depository) Act 1991, there is no limit on the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised 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, and such duly executed instrument appointing a proxy must be deposited at the Registered Office at 1<sup>st</sup> & 2<sup>nd</sup> 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 any adjournment thereof.

# Statement Accompanying Notice Of Annual General Meeting

1. The Director who stands for re-election pursuant to Articles 91 & 96 of the Articles of Association of the Company:

(a) Mr Seroop Singh Ramday

the profile of the above Director is presented in the "Directors' Profile" section on pages 5.

2. Board meetings held during the financial year ended 31 January 2015

The Board has held 26 meetings during the financial year to review and monitor the development of the Group. The details of the attendance of each member of the Board are tabulated as follows:

Directors	Date of Appointment	No. of meetings Held
(i) Teo Kiew Leong	2 April 2007	22/26
(ii) John Lee Yan Hong @ John Lee	25 April 2006 (Resigned : 24.4.2015)	24/26
(iii) Tan Kok Chor	21 August 2001	26/26
(iv) Michael Moo Kai Wah	15 Jan 2008	26/26
(v) Seroop Singh Ramday	1 August 2014	11/13

3. The place, date and time of the 31<sup>st</sup> Annual General Meeting :

2<sup>nd</sup> Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan on 31<sup>st</sup> July 2015, Friday at 8.00 am.

4. General Meeting Record of Depositors

For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 49 of the Articles of Association of the Company and Paragraph 7.16 (2) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, a Record of Depositors as of 23<sup>rd</sup> July 2015, and a depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting or appoint proxy to attend, speak and/or vote in his stead.



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**proxy form**

Shareholding Represented by Proxy	
CDS Number	

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of the above-named company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing whom \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy for me/us and on my/our behalf at the 31<sup>st</sup> Annual General Meeting of the Company to be held on 31<sup>st</sup> July 2015, Friday 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 31<sup>st</sup> Annual General Meeting.

NO.	RESOLUTION	FOR	AGAINST
1.	To table the Audited Financial Statements for the financial year ended 31 January 2015 together with the Reports of Directors and Auditors thereon.		
2.	To re-elect Mr Seroop Singh Ramday in accordance with Articles 91 & 96 of the Company's Articles of Association.		
3.	To approve the Directors' remuneration for the financial year ended 31 <sup>st</sup> January 2015.		
4.	To re-appoint Messrs STYL Associates as Auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	<b>As Special Business :</b>  Ordinary Resolution 1 - To authorize Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965.		
6.	Ordinary Resolution 2 - Renewal of Authority for the purchase of own shares by the Company.		
7.	To transact any other Business of the Company (if any)		

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:**

- A depositor shall not be regarded as a member entitled to attend this general meeting and to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 23<sup>rd</sup> July 2015 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd (Bursa Depository) upon the Company's request in accordance with the rules of the Bursa Depository.
- Subject to note 3 below, a member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than 2 or in the case of a corporation, a duly authorized representative) to attend and vote in his/her stead. Where a member appoints more than 1 proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need(s) not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.
- Where a member is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry (Central Depository) Act 1991, there is no limit on the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised 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, and such duly executed instrument appointing a proxy must be deposited at the Registered Office at 1<sup>st</sup> & 2<sup>nd</sup> 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 any adjournment thereof.

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Affix  
stamp

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

Please Fold Here

1<sup>st</sup> & 2<sup>nd</sup> Floor. Victoria Point,  
Jalan OKK Awang Besar, 87007,  
W.P. Labuan, Malaysia.