

BORNEO OIL BERHAD

**Company Reg. No. 198901005309 (121919-H)
(Incorporated in Malaysia)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED
31 DECEMBER 2019**

(THE FIGURES HAVE NOT BEEN AUDITED)

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(THE FIGURES HAVE NOT BEEN AUDITED)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 Months 1 Oct 2019 to 31 Dec 2019 RM'000	3 Months 1 Oct 2018 to 31 Dec 2018 RM'000	6 Months 1 Jul 2019 to 31 Dec 2019 RM'000	6 Months 1 Jul 2018 to 31 Dec 2018 RM'000
Revenue	29,173	23,757	52,406	44,530
Cost of sales	(21,813)	(18,038)	(39,228)	(31,953)
Gross profit	7,360	5,719	13,178	12,577
Other income	310	147	2,676	471
Operating expenses	(6,845)	(6,988)	(14,310)	(13,369)
Profit/(Loss) from operations	825	(1,122)	1,544	(321)
Finance costs	(291)	(166)	(606)	(254)
Profit/(Loss) before taxation	534	(1,288)	938	(575)
Taxation	(10)	-	(38)	-
Profit/(Loss) for the period	524	(1,288)	900	(575)
Other comprehensive income/(deficit) for the financial period				
- Foreign currency translation	(28)	28	18	13
Total comprehensive income/(deficit) for the financial period	496	(1,260)	918	(562)
Income/(Deficit) attributable to:				
- Owners of the parent	524	(1,288)	900	(575)
Total comprehensive income/(deficit) attributable to:				
- Owners of the parent	496	(1,260)	918	(562)
Earnings/(Loss) per share				
- basic (sen)	0.01	(0.02)	0.02	(0.01)
- diluted (sen)	0.01	(0.02)	0.02	(0.01)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 30 June 2019.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Dec 2019 RM'000	Audited as at 30 Jun 2019 RM'000
Non Current Assets		
Property, plant and equipment	32,365	34,585
Right-of-use assets	4,069	-
Investment properties	615,610	615,545
Other investments	64	64
Development expenditure	181	-
	<u>652,289</u>	<u>650,194</u>
Current Assets		
Inventories	23,757	25,206
Biological assets	35	33
Trade receivables	34,840	15,754
Other receivables	5,024	7,713
Contract asset	-	6,442
Tax recoverable	2,182	1,827
Fixed deposits with licensed banks	3,661	3,625
Cash and bank balances	11,377	24,019
	<u>80,876</u>	<u>84,619</u>
Total Assets	<u>733,165</u>	<u>734,813</u>
Shareholders' Fund		
Share capital	536,349	536,349
Reserves	77,990	80,296
Retained earnings	57,337	56,833
	<u>671,676</u>	<u>673,478</u>
Non Current Liabilities		
Long term borrowings	11,036	9,224
Hire purchase creditors	1,376	1,905
Lease liabilities	2,856	-
Deferred tax liabilities	17,121	17,121
	<u>32,389</u>	<u>28,250</u>
Current Liabilities		
Trade payables	4,173	7,946
Other payables	19,035	20,760
Hire purchase creditors	985	1,066
Short term borrowings	1,954	1,488
Lease liabilities	1,651	-
Bank overdraft	1,174	1,731
Tax payable	128	94
	<u>29,100</u>	<u>33,085</u>
Total Equity and Liabilities	<u>733,165</u>	<u>734,813</u>
Net assets per share (RM)	<u>0.13</u>	<u>0.13</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 30 June 2019.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-Distributable Reserves				Distributable Reserves	Total Equity
	Share Capital	Warrants Reserve	Treasury Shares	Translation Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2019, previously stated	536,349	93,441	(13,238)	93	56,833	673,478
Adjustment on initial application of MFRS 16, net of tax	-	-	-	-	(396)	(396)
At 1 July 2019, restated	536,349	93,441	(13,238)	93	56,437	673,082
Total comprehensive income for the financial period:-						
Profit for the financial period	-	-	-	-	900	900
Other comprehensive income for the financial period	-	-	-	18	-	18
Total comprehensive income	-	-	-	18	900	918
Transactions with owners:-						
Acquisition of treasury shares	-	-	(2,324)	-	-	(2,324)
Total transactions with owners	-	-	(2,324)	-	-	(2,324)
At 31 December 2019	536,349	93,441	(15,562)	111	57,337	671,676

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Non-Distributable Reserves				Distributable Reserves	Total Equity RM'000
	Share Capital RM'000	Warrants Reserve RM'000	Treasury Shares RM'000	Translation Reserve RM'000	Retained Earnings RM'000	
Balance as at 1 July 2018	536,349	93,441	(11,961)	71	66,696	684,596
Total comprehensive income/ (deficit) for the financial period:-						
Loss for the financial period	-	-	-	-	(575)	(575)
Other comprehensive income for the financial period	-	-	-	13	-	13
Total comprehensive income/(deficit)	-	-	-	13	(575)	(562)
Transactions with owners:-						
Acquisition of treasury shares	-	-	(809)	-	-	(809)
Total transactions with owners	-	-	(809)	-	-	(809)
Balance as at 31 December 2018	536,349	93,441	(12,770)	84	66,121	683,225

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 30 June 2019.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months 1 Jul 2019 to 31 Dec 2019 RM'000	6 Months 1 July 2018 to 31 Dec 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:-		
Profit/(Loss) before taxation	938	(575)
Adjustments for:		
Amortisation of prepaid lease rental	10	-
Bad debts written back - other receivables	(330)	-
Fair value adjustment on biological assets	(2)	-
Reversal of impairment loss on other receivables	(1,740)	-
Reversal of impairment loss on trade receivables	(21)	-
Depreciation of properties, plant and equipment	3,361	3,542
Loss on disposal of property, plant and equipment	122	-
Loss/(Gain) on unrealised exchange difference	42	-
Property, plant and equipment written off	262	-
Interest expense	606	254
Interest income	(74)	(46)
Changes in working capital:-	<u>3,174</u>	<u>3,175</u>
Inventories	1,449	(12,270)
Trade receivables	(19,107)	4,147
Other receivables, deposits and prepayments	4,759	2,975
Trade payables	(3,773)	3,243
Other payables and accruals	(1,726)	(453)
Contract asset	6,442	(9,897)
	<u>(8,782)</u>	<u>(9,080)</u>
Interest paid	(606)	(254)
Tax paid	(359)	(673)
Net Operating Cash Flows	<u>(9,747)</u>	<u>(10,007)</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	6 Months 1 Jul 2019 to 31 Dec 2019 RM'000	6 Months 1 July 2018 to 31 Dec 2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES:-		
Acquisition of investment properties	(65)	(622)
Additional of development expenditure	(181)	(340)
Additional of exploration expenditure	-	(3,537)
(Placement)/withdrawal of fixed deposits	(36)	791
Proceeds from disposal of properties, plant and equipment	88	-
Purchases of properties, plant and equipment	(616)	(3,057)
Interest received	74	46
Net Investing Cash Flows	(736)	(6,719)
CASH FLOWS FROM FINANCING ACTIVITIES:-		
Acquisition of treasury shares	(2,324)	(809)
Net lease liabilities	(975)	-
(Repayment)/drawdown of hire purchase payables, net	(609)	985
Drawdown/(repayment) of term borrowings, net	1,861	6,861
Drawdown/(repayment) of banker's acceptance, net	417	684
Net Financing Cash Flows	(1,630)	7,721
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,113)	(9,005)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	28	13
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	22,288	15,200
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	10,203	6,208
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,377	8,208
Bank overdrafts	(1,174)	(2,000)
	10,203	6,208

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 30 June 2019.

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134, *INTERIM FINANCIAL REPORTING*

A1. Basis of Preparation

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad and complies with MFRS 134, *Interim Financial Reporting* and other MFRS issued by the Malaysian Accounting Standards Board (“MASB”).

The interim financial report is unaudited and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2019.

These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

A2. Changes in accounting policies arising from adoption of new MFRSs, Amendments to MFRSs and IC Interpretations

The accounting policies adopted for the interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2019 except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations:-

Effective for financial periods beginning on or after 1 January 2019:

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendment to MFRS 9, Prepayment Features with Negative Compensation
- Amendments to MFRS 128, Long-term Interests in Associates and Joint Ventures
- Amendment to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements-Previously Held Interest in a Joint Arrangements
- Amendment to MFRS 112, Income Taxes Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to MFRS 119, Plan Amendment, Curtailment or Settlement
- Amendment to MFRS 123, Borrowing Costs Eligible for Capitalisation

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations did not result in material impact to the interim financial statements of the Group, except for the following:-

(a) MFRS 16: Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and

disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the

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A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134, *INTERIM FINANCIAL REPORTING*

A2. Changes in accounting policies arising from adoption of new MFRSs, Amendments to MFRSs and IC Interpretations (Continued)

accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees is also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group has adopted MFRS 16 using the modified retrospective method. Accordingly, the Group has not restated the comparative information. The Group has elected to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. The Group therefore has not applied the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IC Interpretation 4.

The summary of the impact (increase/(decrease)) from MFRS 16 adoption on the statement of financial position as at 1 July 2019 is as follows:

Group	RM'000
Non-current assets	
Right-of-use assets	5,086
Non-current liabilities	
Lease liabilities	3,577
Current liabilities	
Lease liabilities	1,905
Equity	
Retained earnings	(396)

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134, *INTERIM FINANCIAL REPORTING*

A2. Changes in accounting policies arising from adoption of new MFRSs, Amendments to MFRSs and IC Interpretations (Continued)

(a) MFRS 16: Leases (continued)

- 1) Recognition of right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments immediately before the date of initial application.
- 2) Recognition of lease liability at the date of initial application, measured at the present value of remaining lease payments, discounted at the Group's weighted average incremental borrowing rate of 4.9%.

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective

The following MFRSs, Amendments to MFRSs have been issued but are not yet effective, and have yet to be adopted other than marked “*” which are not applicable to the Group:-

Effective for financial periods beginning on or after 1 January 2020:

- Amendments to MFRS 2, *Share-based Payment* *
- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 14, *Regulatory Deferral Accounts* *
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138, *Intangible Assets*
- Amendments to IC Interpretation 12, *Service Concession Arrangements* *
- Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments* *
- Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine* *
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration* *
- Amendments to IC Interpretation 132, *Intangible Assets – Web Site Costs* *

Effective for annual periods beginning on or after 1 January 2021:-

- MFRS 17, *Insurance Contracts* *

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A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134, *INTERIM FINANCIAL REPORTING*

A2. Changes in accounting policies arising from adoption of new MFRSs, Amendments to MFRSs and IC Interpretations (Continued)

MFRSs, Amendments to MFRSs and IC Interpretations issued but not yet effective (Continued)

Effective for a date yet to be confirmed:-

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

A3. Audit Report

The auditors' report on the audited financial statements for the financial year ended 30 June 2019 was not qualified.

A4. Seasonal or Cyclical Factors

The operations of the Group are not materially affected by seasonal or cyclical factors.

A5. Unusual Items

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that were unusual by reason of their nature, size or incidence.

A6. Material Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the results in the quarter under review.

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134, *INTERIM FINANCIAL REPORTING*

A7. Issuance, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities

There were repurchases of 9,420,000 issued ordinary shares from the open market during the quarter. Cumulative total number of shares repurchased at the end of the quarter was 202,576,000. The shares repurchased are being held as treasury shares in accordance with Section 127 of Companies Act 2016.

There were no other issuance, cancellations, resale and repayment of debt and equity securities other than disclosed above.

A8. Dividends Paid

There was no dividend paid during the quarter under review.

A9. Valuation of Investment Properties

There was no valuation conducted during the quarter.

A10. Significant Event

There was no significant event during the quarter.

A11. Material Subsequent Event

There was no material event subsequent to the end of the current quarter under review to the date of this report.

A12. Changes in Composition of the Group

There were no changes in the Group's composition during the quarter.

A13 Changes in Contingent Liabilities or Contingent Assets

The Group's contingent liabilities totalling RM 20.10 million comprises of corporate guarantees to licensed financial institutions for banking facilities granted to the subsidiaries of the Group.

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A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134, *INTERIM FINANCIAL REPORTING*

A14. Capital Commitments

There was no material capital commitment which was not provided for in the Interim Financial Statements as at reporting date.

A15. Significant Related Party Transactions

	Individual Quarter		Cumulative Quarter	
	3 Months 1 Oct 2019 to 31 Dec 2019 RM'000	3 Months 1 Oct 2018 to 31 Dec 2018 RM'000	6 Months 1 Jul 2019 to 31 Dec 2019 RM'000	6 Months 1 Jul 2018 to 31 Dec 2018 RM'000
Sales of fast food and restaurant operations among subsidiaries	191	280	477	608
Sales of limestones among subsidiaries	144	-	218	-
Rental income among subsidiaries	24	24	48	48
Management fee among subsidiaries	330	330	660	660
Consultancy fee among subsidiaries	82	82	164	163

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A16. Group Segmental Information

	Head office & others		Fast food and franchise operations		Management and operation of properties		Oil, gas, energy and mining related		Total Consolidated	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue										
External revenue	18	18	24,840	24,733	23,293	14,201	4,255	5,578	52,406	44,530
Inter-segment revenue	843	383	477	608	-	-	218	-	1,538	991
Total revenue	861	401	25,317	25,341	23,293	14,201	4,473	5,578	53,944	45,521
Less: Inter-segment revenue									(1,538)	(991)
									52,406	44,530
Results										
Segment results	(1,058)	(985)	2,078	1,108	921	449	2,909	1,976	4,850	2,548
Consolidation elimination									(19)	(60)
									4,831	2,488
<i>Not included in the measure of segment profit/(loss):-</i>										
Depreciation and amortisation									(3,361)	(2,855)
Finance costs									(606)	(254)
Interest income									74	46
Income tax expenses									(38)	-
Profit/(Loss) for the financial period									900	(575)

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A16. Group Segmental Information (Continued)

	Head office & others		Fast food and franchise operations		Management and operation of properties		Oil, gas, energy and mining related		Total Consolidated	
	31.12.2019	30.06.2019	31.12.2019	30.06.2019	31.12.2019	30.06.2019	31.12.2019	30.06.2019	31.12.2019	30.06.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets										
Segment assets	628,016	631,757	36,349	34,109	506,555	491,086	266,863	267,534	1,437,783	1,424,486
Consolidation elimination									(704,618)	(689,673)
Consolidated total assets									733,165	734,813
Liabilities										
Segment liabilities	7,330	7,300	35,312	52,755	427,360	412,690	271,697	272,931	741,699	745,676
Loans and borrowings	-	-	5,640	3,411	361	445	10,524	11,558	16,525	15,414
Deferred tax liabilities	-	-	254	254	13,535	13,535	3,332	3,332	17,121	17,121
Consolidation elimination									(713,856)	(716,876)
Consolidated total liabilities									61,489	61,335

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Financial Review for the Current Quarter

	Individual Quarter		Individual Quarter	
	1 Oct 2019 to 31 Dec 2019		1 Oct 2018 to 31 Dec 2018	
	Revenue	Profit/(Loss)	Revenue	Profit/(Loss)
	RM'000	RM'000	RM'000	RM'000
Head office & others	9	(1,175)	9	(1,197)
Fast food and franchise operations	12,404	563	12,826	209
Management and operation of properties	13,474	895	9,726	236
Oil, gas, energy and mining related businesses	3,286	251	1,196	(536)
Group revenue and profit/(loss) from operations (net of finance cost)	29,173	534	23,757	(1,288)

The Group's revenue of RM29.17 million for the current quarter was higher by RM5.41 million as compared to RM23.76 million for the corresponding quarter. This was mainly due to the increased in revenue contributed by the Management and operation of properties and Oil, gas, energy and mining related businesses segment.

The Group's profit before tax of RM0.53 million for the current quarter was higher by RM1.82 million as compared to a loss before tax of RM1.29 million for the corresponding quarter. This was mainly due to the turnaround from the Oil, gas, energy and mining related businesses segment derived from the limestone activities.

The Fast food and franchise operations ("FFF") recorded a reduction in revenue of RM0.42 million was mainly due to the closure of 3 of our own SugarBun outlets (2 in West Malaysia and 1 in East Malaysia) due to the economic downturn effecting these locations directly. The closure of these non-performing outlets helped to boost the FFF's profit before tax by RM0.35 million for the current quarter. With the closure of these outlets, the Management were able to reallocate and better utilise the available resources.

The Management and operation of properties ("MOP") registered a higher revenue of RM3.75 million and a corresponding higher profits of RM0.66 million against the preceding corresponding quarter. This was derived mainly from the project management of the construction of an Integrated Limestone Processing Plant with a proportionate increase in profits.

The Oil, gas, energy and mining related businesses ("OGEM") reported an increase in revenue of RM2.09 million with a corresponding increase in profits of RM0.79 million for the current quarter mainly due to the increased in sale of limestones and marble quarrying tribute.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B2. Financial Review for the Current Quarter Compared with the Immediate Preceding Quarter

	Current Quarter ended 31 Dec 2019 RM'000	Preceding Quarter ended 30-Sep-19 RM'000	Variances	
			RM'000	%
Revenue	29,173	23,233	5,940	26%
Profit before taxation	534	404	130	32%

The Group registered a revenue of RM29.17 million and a profit before taxation of RM0.53 million for the current quarter as compared to a revenue of RM23.23 million and a profit before taxation of RM0.40 million for the immediate preceding quarter.

The Group posted a higher revenue of RM5.94 million was primarily due to the increased in activities of the project management for the construction of an Integrated Limestone Processing Plant and sale of limestones during the current quarter.

However, the disproportionate increased in profit before taxation of RM0.13 million from the higher revenue was mainly due to the bad debts of RM0.33 million written back and the reversal of impairment loss on other receivables of RM1.74 million as reported in the immediate preceding quarter.

B3. Prospects

The economic prospects of Malaysia looks grim with the current political instability. On the global stage, major economies are already feeling the brunt with the emergence of COVID-19 and on-going unresolved US-China trade war.

Malaysia's economic performance may be relatively subdued, given the backdrop of local and global uncertainties, the Board foresee it may have an impact to the Group's businesses.

Nevertheless, the Board will continue to exercise caution and focus on its fundamentals to keep the Group's businesses on track.

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B4. Variation Profit Forecast/Profit Guarantee

Not applicable as there were no profit forecast or guarantee issued.

B5. Taxation

The tax charge for the Group are as follows:-

	Individual Quarter	Cumulative Quarter
	3 Months	6 Months
	1 Oct 2019 to 31 Dec 2019	1 Jul 2019 to 31 Dec 2019
	RM'000	RM'000
Income tax- current year	(10)	(38)
Income tax- prior year	-	-
Deferred tax- current year	-	-
Deferred tax- prior year	-	-
	(10)	(38)

The disproportionate tax charge of the Group for the current quarter was mainly due to the utilisation of tax losses bought forward by the subsidiary companies.

B6. Corporate Proposals

Save as disclosed below, there were no other corporate proposals announced but not completed as at the date of this interim financial report:

Multiple Proposals as announced on 31 December 2019 and 14 February 2020

Borneo Oil Berhad ("Bornoil" or the "Company")

- i. proposed private placement of up to 10% of the total number of issued shares of Bornoil;
- ii. proposed termination of existing Employees' Share Option Scheme ("ESOS") of the company; and
- iii. proposed establishment of new ESOS (collectively, the "Proposals")

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B7. Borrowings and Debts Securities

	Unaudited as at 31 Dec 2019 RM'000	Audited as at 30 Jun 2019 RM'000
Short term borrowings:		
- Bank overdrafts	1,174	1,731
- Bankers' acceptances	1,598	1,181
- Lease liabilities	1,651	-
- Term loans	356	307
- Hire purchase payables	985	1,066
	<u>5,764</u>	<u>4,285</u>
Long term borrowings:		
- Lease liabilities	2,856	-
- Term loans	11,036	9,224
- Hire purchase payables	1,376	1,905
	<u>15,268</u>	<u>11,129</u>
Total borrowings	<u>21,032</u>	<u>15,414</u>

All the above borrowings are denominated in Ringgit Malaysia.

B8. Material Litigation

The Management is not aware of any litigation which will have a material effect on the financial position or the business of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group at the date of this report.

B9. Dividends

No dividend has been proposed and paid for during the current financial quarter.

BORNEO OIL BERHAD
Company Reg. No. 198901005309 (121919-H)
Incorporated in Malaysia

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B10. Earnings per Share

	Individual Quarter		Cumulative Quarter	
	3 Months	3 Months	6 Months	6 Months
	1 Oct 2019 to 31 Dec 2019	1 Oct 2018 to 31 Dec 2018	1 Jul 2019 to 31 Dec 2019	1 Jul 2018 to 31 Dec 2018
(a) Basic EPS				
Net profit/(loss) for the period attributable to equity holders (RM'000)	524	(1,288)	900	(575)
Weighted average number of ordinary shares in issue ('000)	5,140,871	5,199,238	5,159,363	5,199,517
Basic earnings/(loss) per share (sen)	0.01	(0.02)	0.02	(0.01)
(b) Diluted EPS				
Net profit/(loss) for the period attributable to equity holders (RM'000)	524	(1,288)	900	(575)
Weighted average number of ordinary shares in issue ('000)	5,140,871	5,199,238	5,159,363	5,199,517
Effects of dilution of Warrants C (Warrants 2015/2025) ('000)	1,734,680	1,734,680	1,734,680	1,734,680
Effects of dilution of Warrants C (Warrants 2017/2027) ('000)	378,684	378,684	378,684	378,684
Adjusted weighted average number of ordinary shares in issue ('000)	7,254,234	7,312,602	7,272,727	7,312,881
Diluted earnings/(loss) per share (sen)	0.01	(0.02)	0.01	(0.01)

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B11. Notes to the Condensed Consolidated Statement of Comprehensive Income

Total comprehensive income is arrived at after crediting/(charging):-

	Individual Quarter	Cumulative Quarter
	3 Months	6 Months
	1 Oct 2019 to	1 Jul 2019 to
	31 Dec 2019	31 Dec 2019
	RM'000	RM'000
Profit before tax is arrived after (charging):		
Amortisation of prepaid lease rental	(5)	(10)
Loss on disposal of property, plant and equipment	-	(122)
Property, plant and equipment written off	(2)	(262)
Depreciation of property, plant and equipment	(1,644)	(3,361)
Interest expense	(291)	(606)
and crediting the following items:		
Bad debts written back - other receivables	-	330
Fair value adjustment on biological assets	6	2
Gain / (Loss) on unrealised exchange difference	40	(42)
Interest income	10	74
Reversal of impairment loss on other receivables	2	1,740
Reversal of impairment loss on trade receivables	-	21

B12. Fair Value Changes of Financial Liabilities

There were no material gain/loss arising from fair value changes of financial liabilities for the current financial quarter ended 31 December 2019.

NOTES ON THE QUARTERLY REPORT- 31 DECEMBER 2019

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES
BERHAD LISTING REQUIREMENTS**

B13. Review by External Auditors

The Board had engaged the external auditors to review and report on the interim condensed consolidated financial statements for the three-month period ended 31 December 2019. Accordingly, the interim condensed consolidated financial report for the financial period under review has been reviewed by the Company's external auditors in accordance with International Standard on Review Engagement 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*".

Based on the review by the external auditors, nothing has come to the external auditors' attention that causes them to believe that the accompanying condensed consolidated financial statements of Borneo Oil Berhad for the six months ended 31 December 2019 are not prepared, in all material respects, in accordance with MFRS 134, *Interim Financial Reporting*. The report was made to the Board in accordance to the terms of the engagement letter with the external auditors and for no other purpose.

By Order of the Board

Chin Siew Kim
Company Secretary

27 February 2020