

**BORNEO OIL BERHAD**

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED  
31 OCTOBER 2016**

**(THE FIGURES HAVE NOT BEEN AUDITED)**

**BORNEO OIL BERHAD***(Company No. 121919-H)***Incorporated in Malaysia****QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED 31 OCTOBER 2016**

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Third Quarter</b>		<b>Cummulative Quarter</b>	
	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Current</b>	<b>Preceding</b>	<b>Current</b>	<b>Preceding</b>
	<b>Period</b>	<b>Period</b>	<b>Period</b>	<b>Period</b>
	<b>31-Oct-16</b>	<b>31-Oct-15</b>	<b>31-Oct-16</b>	<b>31-Oct-15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	950,445	23,960	3,492,719	89,772
Cost of sales	(942,475)	(13,616)	(3,463,215)	(65,239)
Gross profit	7,970	10,344	29,504	24,533
Other income	38,663	209	46,839	854
Operating expenses	(22,335)	(5,189)	(35,265)	(16,335)
Profit from operations	24,298	5,364	41,078	9,052
Finance cost	(822)	(97)	(2,552)	(371)
Profit before tax	23,476	5,267	38,526	8,681
Taxation	(1,845)	(4)	(1,845)	(4)
Profit for the period	21,631	5,263	36,681	8,677
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	-	-	-	-
Comprehensive profit for the period	21,631	5,263	36,681	8,677
Profit attributable to equity holders of the Company	21,631	5,263	36,681	8,677
Total comprehensive profit attributable to equity holders of the Company	21,631	5,263	36,681	8,677
Profit per share (sen)				
- basic (sen)	0.71	1.38	1.22	2.31
- fully diluted (sen)	n/a	n/a	n/a	n/a

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	<b>Unaudited as at 31-Oct-16 RM'000</b>	<b>Audited as at 31-Jan-16 RM'000</b>
<b>Non Current Assets</b>		
Property, plant & equipment	103,699	100,682
Investment properties	274,666	190,767
Prepaid lease payments	-	10,044
Intangible assets	14,000	14,000
Development expenditure	12,280	12,325
Investment in quoted shares.	2,875	3,971
Investment in golf club membership	64	64
	<u>407,584</u>	<u>331,853</u>
<b>Current Assets</b>		
Inventories	164,901	92,379
Trade receivables	3,108	4,608
Other receivables	89,137	109,529
Cash and bank balances	121,600	184,113
	<u>378,746</u>	<u>390,629</u>
<b>Total Assets</b>	<u><u>786,330</u></u>	<u><u>722,482</u></u>
<b>Shareholders' Fund</b>		
Share capital	302,880	296,180
Share premium	82,735	80,725
Other reserves	66,268	67,980
Retained profits	129,750	93,069
	<u>581,633</u>	<u>537,954</u>
<b>Current Liabilities</b>		
Trade Payables	103,605	78,476
Other Payables	27,104	9,263
Short term borrowings	70,505	95,394
Tax payable	248	248
	<u>201,462</u>	<u>183,381</u>
<b>Non Current Liabilities</b>		
Deferred taxation	2,992	1,147
Long term borrowings	243	-
	<u>3,235</u>	<u>1,147</u>
<b>Total Equity and Liabilities</b>	<u><u>786,330</u></u>	<u><u>722,482</u></u>
Net assets per share (RM)	<u><u>0.19</u></u>	<u><u>0.18</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Non-distributable reserves						Distributable reserves		
	Share capital RM'000	Share premium RM'000	Exchange reserves RM'000	Treasury Shares RM'000	ESOS reserves RM'000	Capital reserves RM'000	Warrants reserves RM'000	Accumulated (losses)/Profit RM'000	Total Equity RM'000
<b>Year ended 31 January 2016</b>									
<b>Balance as of 1 February 2015</b>	35,129	73,269	(60)	(486)	44	172,472	1,560	2,688	284,616
Issue of shares	261,051	6,261	-	-	-	-	-	-	267,312
Reduction of share capital	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	(172,457)	-	172,457	-
Acquisition of treasury shares	-	-	-	(26,021)	-	-	-	-	(26,021)
Disposal of treasury shares	-	117	-	486	-	-	-	-	603
Effect of issuing warrant C	-	-	-	-	-	-	93,532	(93,532)	-
Effect of conversion of Warrant B	-	1,078	-	-	-	-	(1,078)	-	-
Other comprehensive income									
- Exchange reserve	-	-	(12)	-	-	-	-	-	(12)
Net profit for the year	-	-	-	-	-	-	-	11,456	11,456
<b>Balance as of 31 January 2016</b>	<b>296,180</b>	<b>80,725</b>	<b>(72)</b>	<b>(26,021)</b>	<b>44</b>	<b>15</b>	<b>94,014</b>	<b>93,069</b>	<b>537,954</b>
<b>Year ended 31 January 2017</b>									
<b>Balance as of 1 February 2016</b>	296,180	80,725	(72)	(26,021)	44	15	94,014	93,069	537,954
Issue of shares	6,700	2,010	-	-	-	-	-	-	8,710
Rights issue expenses	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-
Other comprehensive income									
- Exchange reserve	-	-	(546)	-	-	-	-	-	(546)
Acquisition of treasury shares	-	-	-	(1,166)	-	-	-	-	(1,166)
Net profit for the period	-	-	-	-	-	-	-	36,681	36,681
<b>Balance as of 31 October 2016</b>	<b>302,880</b>	<b>82,735</b>	<b>(618)</b>	<b>(27,187)</b>	<b>44</b>	<b>15</b>	<b>94,014</b>	<b>129,750</b>	<b>581,633</b>

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the explanatory notes attached to the interim financial statements.

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**CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited</b>	<b>Preceding year</b>
	<b>Current year</b>	<b>to date</b>
	<b>to date</b>	<b>to date</b>
	<b>31-Oct-16</b>	<b>31-Jan-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	38,526	12,391
Adjustment for:		
Allowance for impairment written back	-	(22)
Amortisation of prepaid lease rental	842	1,123
Bad debts written off	22	-
Impairment loss on investment in quoted shares	-	77
Impairment loss on investment in quoted shares written back	-	(44)
Depreciation - current year	4,206	4,787
- overprovision in prior years	-	(194)
Goodwill written off	-	12
Gain on disposal of investment in quoted shares	(87)	(5,474)
Gain on investment in quoted shares	-	(117)
(Gain)/loss on disposal of property, plant & equipment	(2,183)	6
Prepaid lease rental written off	9,201	-
Project cost written off	-	50
Property, plant & equipment written off	-	1
Net increase in fair value of investment properties	(35,000)	-
Interest income	(3,703)	(1,464)
Interest expenses	2,528	1,433
Operating profit before working capital changes	<u>14,352</u>	<u>12,565</u>
Receivables	21,770	(95,357)
Payables	42,970	70,980
Inventory	(72,522)	(77,614)
Cash used in operations	<u>6,570</u>	<u>(89,426)</u>
Interest paid	(2,528)	(1,433)
Tax refund	101	86
Tax paid	-	(845)
Net cash used in operating activities	<u><u>4,143</u></u>	<u><u>(91,618)</u></u>

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**CONSOLIDATED CASH FLOW STATEMENT (Continue)**

	<b>Unaudited current year to date 31-Oct-16 RM'000</b>	<b>Preceding year to date 31-Jan-16 RM'000</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additional development expenditure	-	(8,879)
Realisation of development expenditure	45	(1,117)
Interest received	3,703	1,464
Purchase of property, plant & equipment	(4,724)	(21,774)
Purchase of investment property	(48,899)	(52,699)
Investment in quoted shares	-	(3,943)
Purchase of intangible assets	-	(14,000)
Proceeds from disposal of investment in quoted shares	1,183	24,096
Placement of fixed deposits	-	-
Proceeds from disposal of property, plant & equipment	-	6,956
Net cash used in investing activities	<u>(48,692)</u>	<u>(69,896)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Acquisition of treasury shares	(1,166)	(26,021)
Disposal of treasury shares	-	602
Proceeds from issuance of shares	8,710	267,311
Repayment of term loan	(811)	(5,500)
Repayment of finance lease payables	(7)	(14,831)
Net cash from financing activities	<u>6,726</u>	<u>221,561</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(37,823)</b>	<b>60,047</b>
<b>Exchange reserve</b>	<b>(545)</b>	<b>(12)</b>
<b>Cash &amp; cash equivalents at the beginning of period</b>	<b>89,529</b>	<b>29,494</b>
<b>Cash &amp; cash equivalents at the end of period</b>	<b>51,161</b>	<b>89,529</b>
Cash & cash equivalents at the end of the financial period:		
Cash and bank balances	10,039	19,169
Fixed deposits with licensed bank	111,561	164,944
	<u>121,600</u>	<u>184,113</u>
Bank overdraft	(70,439)	(94,584)
	<u>51,161</u>	<u>89,529</u>

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the accompanying explanatory notes attached to the interim financial statements.

**A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 January 2016. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 January 2016.

As at 31 October 2016, the following MFRSs and IC Interpretations were not in issue but not yet effective and have not been applied by the Group:

		Effective date for Financial periods <u>Beginning on or after</u>
MFRS 9	Financial instruments (IFRS 9 issued By IABS in November 2009) Financial instruments (IFRS 9 issued By IASB in October 2010)	1 January 2016

All other MFRSs where applicable have been applied by the Group as in previous quarters.

**A2. Audit Report**

The auditors' report on the audited financial statements for the year ended 31 January 2016 was not qualified.

**A3. Seasonal or Cyclical Factors**

The operations of the Group generally move in tandem with the performance of the various industries undertaken.

**A4. Unusual Items**

During the quarter under review there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that were unusual by reason of their nature, size or incidence.

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**A5. Changes in Estimates**

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

**A6. Issuance, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities**

There was an issuance of 18,000,000 ESOS shares of RM0.10 each.

**A7. Dividends Paid**

There is no dividend paid during the quarter under review.

**A8. Valuation of Property, Plant & Equipment**

The Company had undertaken a revaluation of its investment properties as required under FRS 140. The change in their fair value of RM 35,000,400 was based on the professional valuers, VPC Alliance (Sabah) Sdn Bhd reports dated 30<sup>th</sup> and 31<sup>st</sup> October 2016 respectively.

**A9. Significant Event**

There were no significant events during the quarter.

**A10. Subsequent Events**

There were no significant events after the quarter.



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**A11. Changes in Composition of the Group**

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

**A12. Changes in Contingent Liabilities or Contingent Assets**

There was no change in the Group's total contingent liabilities of RM 1.1 million comprising of corporate guarantees during the quarter.

**A13. Group Segmental Information**

Group segmental results by business activities.

	Current quarter to date 31-Oct-16		Preceding quarter to date 31-Oct-15	
	Revenue RM'000	Profit/(Loss) before tax RM'000	Revenue RM'000	Profit/(Loss) before tax RM'000
Head office & others	9	(787)	9	(675)
Fast food & franchise operation	12,082	915	13,746	2,386
Property, Management & operation	1,026	20,761	1,050	(123)
Mining, energy & related operation	937,328	2,587	9,155	3,679
Group revenue and profit from operations (net of finance cost)	950,445	23,476	23,960	5,267

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

**B1. Review of Performance**

The Group's overall performance for the 3<sup>rd</sup> quarter ended 31 October, 2016 was satisfactory with a total revenue of RM950.44 million as compared to the preceding quarter of RM1,047.54million. The drop of 9.26% was mainly attributed to a quieter gold trading and investment climate. However the Group registered an overall profit of RM21.631 million compared to the preceding quarter of RM4.35 million.

The fast food and franchise division continued with its good performance with a recorded revenue of RM12.082 million as compared to that of RM13.666 million in the preceding quarter. This was consistent with the overall slowdown in the general economy which resulted in lower consumers' demand. Despite this, 3 Sugarbun and 4 Pezzo franchised outlets were added during the quarter bringing their total number to 89 and 48 respectively.

The mining, energy & related operations division registered a lower revenue of RM937.33 million against the preceding quarter of RM1.033 million. The trading/investment division purchased 5,426.8 kg of gold and sold 5,508 kg of gold during the quarter leaving a closing inventory of 836.34 kg. The mining activities produced 13.015 kg of gold during the same period.

The Group's other divisions namely its head office and the property, management & operation divisions contributed immensely in this current quarter mainly through a revaluation exercise carried out in October 2016 of its investment properties, which registered an overall increase in the fair value of RM35,000,400.00.

**B2. Review of results**

The Group's increase in its overall profit of RM21.631 million against that of RM4.35 million in the preceding quarter was mainly due to the revaluation of its investment properties as disclosed in Para B1 in which the increase in fair value of RM35,000,400.00 arising from the revaluation exercise had been credited to the current quarter's profit and loss accounts and at the same time certain non-recoverable and intangible assets were written off against it.

The fast-food & franchise division achieved an improved result of RM0.91 million net profit recorded against the RMRM12.08 million turnover as compared to that of RM0.72 net profit from its RM13.66 million turnover in the preceding quarter. A commendable performance in the light of a difficult and soft economy.

As for the mining, energy & related activities division, a total net profit of RM2,587,000.00 was achieved as compared to the preceding quarter of RM3,387,000.00.

**B3. Current year prospects**

Gold prices shot up to US\$1,335.00 per oz briefly on the 10 November 2016 after Donald Trump (President Elect) won the US presidential election and since then have retreated to US\$1,130.00 per oz, a drop of over US\$200.00 per oz over a period of 45 days. Against this, the overall confidence in the US economy under a Trump presidency and leadership have moved the Dow to almost 20,000 points.

The Company is of the view that once the American economy picks up, coupled with the interest rate hikes, inflation will play a major part in the recovery of gold prices, which will eventually catch up with the value of other investment assets. As such, the company still holds a very optimistic long term view on gold.

**B4. Variation Profit Forecast / Profit Guarantee**

There were no profit forecast or guarantee made during the quarter.

**B5. Taxation**

Current quarter provision was made on the increase in the fair value of investment properties recognized as income under MFRS 140.

**B6. Corporate Proposals**

There is no other major corporate proposal during the quarter.

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**B7. Borrowings and Debt Securities**

	<b>Unaudited current year to date</b>	<b>Preceding year to date</b>
	<b>31-Oct-16</b>	<b>31-Jan-16</b>
	RM'000	RM'000
Short term borrowings :		
- Term loans	-	811
- Bank overdraft	70,439	94,583
- Hire purchase payables	66	-
	<u>70,505</u>	<u>95,394</u>
Long term borrowings :		
- Term loans	-	-
- Hire purchase payables	243	-
	<u>243</u>	<u>-</u>
Total borrowings	<u><u>70,748</u></u>	<u><u>95,394</u></u>

All the above borrowings are denominated in Ringgit Malaysia

**B8. Material Litigation**

There is no material litigation that will have a material effect on the financial position and operation of the Company and the Group.

**B9. Dividends**

There was no dividend proposed or declared during the current quarter.

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**B10. Earnings per share**

<b>Basic profit per share</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period attributable to equity holders (RM'000)	21,631	5,263	36,681	8,677
Number Weighted average number of shares in issue ('000)	3,028,605	382,650	2,996,867	375,354
Basic profit per share (sen)	0.71	1.38	1.22	2.31

**B11. Realised and Unrealised Profits/Losses Disclosure**

	<b>Current year to date 31-Oct-16 RM'000</b>	<b>Preceding year to date 31-Jan-16 RM'000</b>
<b>Total unappropriated profits/(losses) of the Company and its subsidiaries:</b>		
- Realised	117,524	(80,649)
- Unrealised	(1,147)	81,420
	116,377	771
Less : Consolidation adjustments	13,373	13,373
Reclassification	-	172,457
Effect of issuing warrant C	-	(93,532)
<b>Total Group retained profits</b>	129,750	93,069

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by BURSA and should not be used for any other purpose.

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**B12. Notes to the Condensed Consolidated Statement of Comprehensive Income**

Profit/(loss) before tax is derived after charging / (crediting) :

	<b>Current quarter 31-Oct-16 RM'000</b>	<b>Current year to date 31-Jan-16 RM'000</b>
Amortisation of prepaid lease rental	843	1,123
Audit fee - current year	-	207
Bad debts written off	22	12
Depreciation	4,206	4,547
Development expenditure written off	-	50
Directors' fee	324	100
Directors' remuneration	65	952
Hire of machineries	-	273
Impairment loss on project development	-	52
Interest expenses:		
- Finance lease interest	24	246
- Late payment interest		11
- Term loan interest	2,528	246
Loss on foreign exchange	-	14
Loss on disposal of property, plant & equipment	36	1
Prepaid lease rental written off	9,201	-
Property, plant and equipment written off	-	11
Rental of equipment, machinery & motor vehicle	256	63
Rental of hostel	95	87
Rental of land	18	-
Rental of premises	550	1,007
Rental of office	419	7
<u>And crediting the following items:</u>		
Allowance for impairment written back	-	22
Dividend income	-	6
Gain on disposal of property, plant and equipment	2,183	8
Gain on foreign exchange	35	133
Gain on other investment	-	1,051
Gain on disposal of quoted shares	87	-
Insurance claim received	-	45
Interest income	3,703	1,464
Licence fee received	13	18
Loan interest haircut	40	-
Rental income	63	-
Net increase in fair values of investment properties	35,000	-

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**B13. STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES**

**(a) Rights Issues Exercise:**

	<b>Proposed Utilisation RM'000</b>	<b>Time frame for utilisation (Months)</b>	<b>Actual utilization RM'000</b>	<b>Balance unutilised RM'000</b>
1. Exploration expenditure for gold mining operation	15,000	Within 24 mths	10,093	4,907
2. Purchase of machineries & Equipment for gold mining operation	30,000	Within 24 mths	19,407	10,593
3. Working capital for gold Mining operation	75,621	Within 30 mths	67,556	8,065
4. Purchase of plant and equipment for limestone mining operation	10,000	Within 12 mths	10,000	-
5. Working capital for limestone mining operation	8,000	Within 24 mths	1,783	6,217
6. Working capital for fast food Operation	5,000	Within 12 mths	4,566	434
7. Future investments	60,000	Within 24 mths	60,000	-
8. Repayment of borrowings	20,409	Within 3 mths	20,409	-
9. Estimated expenses in relation to the Rights Issue with warrants	4,750	Within 3 mths	4,750	-
	<u>228,780</u>		<u>198,564</u>	<u>30,216</u>

**(b) Private Placement Exercise:**

A total of RM 1,064,664 had been incurred out of RM 5.0 million allocated previously for the food processing factory.

By Order of the Board

Chin Siew Kim  
 Company Secretary

27 December 2016