

Annual Report 2007



BORNEO  IL
Borneo Oil Berhad
(121919-H)
(formerly known as SugarBun Corporation Berhad)
Incorporated in Malaysia

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cover rationale

The three windows in the shape of the company's logo symbolises the vision and foresight of the company into days ahead- in moving forward and conquering new ventures. It also exemplifies what forms the core of the company. The three images within the windows are the three key businesses of the company, namely; fast food franchising, property and, oil and gas. The metallic background scheme portrays the resilient and sturdy nature of the company, as it is poised to make its mark on a new venture in the oil and gas industry. By combining all the elements, this cover uniquely illustrates Borneo Oil Berhad as a company that thrives on ambition & advancement.



Expanding Horizons  Extending Capabilities  Extracting Values

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Borneo Oil Berhad (121919-H)
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corporate information

Directors

YB Dato' Suhaili Bin Abdul Rahman
(Chairman – Independent Non-Executive Director)

Abd. Hamid Bin Ibrahim
(Non-Independent & Non-Executive Director)

John Lee Yan Hong @ John Lee
(Executive Director)

Teo Kiew Leong
(Executive Director)

Tan Kok Chor
(Independent Non-Executive Director)

Company Secretaries

Chin Siew Kim
(L.S. 000982)

Chin Chee Kee
(MIA 3040)

Audit Committee

Tan Kok Chor
(Independent Non-Executive Director, Chairman)

Teo Kiew Leong
(Executive Director)

Michael Moo Kai Wah
(Independent & Non-Executive Consultant)

Registered Office

Level 9, Wisma Oceanic,
Jalan OKK Awang Besar,
87007, W.P. Labuan
Tel: 087-410509
Fax: 087-410515

Registrar

Labuan Corporate Services Sdn. Bhd.
Level 9, Wisma Oceanic,
Jalan OKK Awang Besar,
87007, W.P. Labuan
Tel: 087-410748
Fax: 087-418840

Auditors

Leou & Associates (AF-0659)
Chartered Accountants
107-B, Jalan Aminuddin Baki,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur

Principal Bankers

Alliance Bank Malaysia Berhad (88103-W)
Standard Chartered Bank Malaysia Berhad (115793-P)
HSBC Bank Malaysia Berhad (127776-V)
RHB Bank Berhad (6171-M)
Hong Leong Bank Berhad (97141-X)
Bank Islam Malaysia Berhad (98127-X)
Malayan Banking Berhad (3813-K)

Solicitors

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

Stock Exchange Listing

2nd. Board of Bursa Malaysia Securities Berhad
Stock Name : BORNIL
Stock Code :- 7036

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the 23 rd Annual General Meeting of BORNEO OIL BERHAD (Co. No. 121919-H) will be held at Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007, W.P. Labuan, on 31 July 2007, Tuesday at 8.00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Directors Report and the Audited Financial Statements for the financial year ended 31st January 2007 together with the Auditors' Report thereon; (Resolution 1)
2. To approve the Directors' fees for the financial year ended 31st January 2007; (Resolution 2)
3. To re-elect YB Dato Suhaili Bin Abdul Rahman who retires as Director in accordance With Article 96 of the Articles of Association of the Company; (Resolution 3)
4. To re-elect Encik Abd. Hamid Bin Ibrahim who retires as Director in accordance with Article 96 of the Articles of Association of the Company. (Resolution 4)
5. To re-elect Mr. Teo Kiew Leong who retires as Director in accordance with Article 96 of the Articles of Association of the Company. (Resolution 5)
6. To re-appoint Messrs. Leou & Associates as Auditors of the Company until the Conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration; (Resolution 6)

SPECIAL BUSINESS

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

ORDINARY RESOLUTION

APPROVAL FOR THE DIRECTORS TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"That , subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the approvals of Bursa Malaysia Securities Berhad and the relevant regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10 % of the total issued share capital of the Company for the time being."

(Resolution 7)

8. To transact any other ordinary business of the Company for which due notice has been given.

By Order of the Board

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

Labuan F.T.

Dated: 9th July 2007

notice of annual general meeting (cont'd)

NOTES:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. To be valid the proxy form duly completed must be deposited at the Registered Office of the Company at Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007, W.P. Labuan not less than forty-eight (48) hours before the meeting.
2. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
4. Explanatory Notes on Special Business:
The proposed Ordinary Resolution, if passed is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This authority will expire at the next Annual General Meeting of the Company.

director's profile

YB Dato Suhaili Bin Abdul Rahman

Chairman

Independent Non-Executive Director

YB Dato Suhaili Bin Abdul Rahman, aged 46, is Borneo Oil Berhad's Chairman. He is a member of parliament for the Federal Territory of Labuan with presidential posts in various government organizations. YB holds an MBA from University of Hull (UK) and is currently pursuing a Phd from University Kebangsaan Malaysia. He is also a member of the Fellowship of the Institute of Professional Finance Managers (UK).

From 1986-1993, YB was working in Siemens AG and was posted to Indonesia and Brunei.

YB is also a patron of various social organizations such as the Labuan Special Olympics Association, Scouts Association of Malaysia, Labuan and the Senior Citizen Association of Labuan.

Currently, he is also the Chairman of Labuan Corporation and Labuan Tourism Action Council.



Abd Hamid Bin Ibrahim

Non-Independent & Non-Executive Director

Abd Hamid Bin Ibrahim, aged 59, is a Non-Independent & Non-Executive Director of Borneo Oil Berhad. In addition, he is also appointed as the Chief Executive Officer of Borneo Oil & Gas Corporation Sdn Bhd and Borneo Energy Sdn Bhd, both wholly owned subsidiaries of Borneo Oil Berhad. He is responsible for the entire operation and performance of the companies.

With a M Eng in Petroleum Engineering from Heriott Watt University and an alumni of the Wharton Advanced Management Program, he has some 30 years experience in the Oil and Gas industry, mainly with the PETRONAS Group. He joined PETRONAS in 1976 and retired in 2003, having served in the exploration & production, petrochemicals and gas sectors. He was the MD/CEO of several PETRONAS subsidiaries for the last 12 years of his service, the last being as MD/CEO of PETRONAS Gas Bhd.

Currently, he is a director of two public listed companies, namely Muhibbah Engineering (Malaysia) Bhd and Borneo Oil Bhd (formerly known as Sugar Bun Corporation Bhd).

He is also active in four NGOs, namely in cancer research, international student exchange, the Malaysian Oil & Gas Services Council and the RESOURCE magazine of the Malaysian Petroleum Club.



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Borneo Oil Berhad (121919-H)
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director's profile (cont'd)



John Lee Yan Hong @ John Lee
Executive Director

John Lee Yan Hong @ John Lee, 37, obtained his Diploma in Music Production and Engineering at the Fullsail Centre of Arts in Orlando, USA in 1993. Throughout his career, he has garnered vast experience in the music and entertainment industry. Having joined the Southern Pacific Hotel Group in 1991, he immediately made an impact on the industry by introducing creative events to assist the Parkroyal Chain of hotels. The hotel transformed and became known for its continuous party-fever events.

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

Succeeding his exceptional career progression, John Lee Yan Hong @ John Lee was appointed as an Executive Director to the Board of Borneo Oil Berhad on 25th April 2006.



Raymond Teo Kiew Leong
Executive Director

Raymond Teo Kiew Leong, aged 42, obtained his college education at Graphic Design & Photography, Regent Fine Art & Design Academy, Kuala Lumpur. He has been with the Group since 1986.

Through his commitment and dedication, he progressed to become the head of the Graphic Department. With his active involvement and contribution in restaurant development, he was subsequently selected to head the Project Department for Sugar Bun Group in the year 2000.

Raymond Teo Kiew Leong initiated the design and setting of the Destination Store Concept in Sabah with the addition of new menus, entertainment facilities and also landscaping. He was subsequently promoted as the Regional General Manager in 2003, to implement the same concept in Sarawak and West Malaysia. He has worked closely with Marketing, Operations, Processing and Distribution within the Group towards achieving the Company's goals and aspirations.

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

He is now an Executive Director in Borneo Oil Berhad responsible of SB Franchise Management Sdn Bhd while also heading the division of L & V Trading Sdn Bhd, who is the supply and logistics arm of Sugar Bun.

director's profile (cont'd)

Tan Kok Chor

Independent Non-Executive Director

Tan Kok Chor, aged 57, is an Independent Non-Executive Director. He was appointed to the Board of Borneo Oil Berhad on 21st August 2004. He has more than 5 years experience in the legal line which involved litigation, conveyancing and preparing legal documentation and related matters. He is also a very experienced businessman on property investment.

He holds various directorships in several other private limited companies, incorporated in Malaysia.





chairman's statement



Dear Shareholders,

On behalf of the Board of Directors, I have pleasure to present herewith the Annual Report of Borneo Oil Berhad, which was formerly known as Sugar Bun Corporation Berhad for the financial year ended 31st January, 2007.

The Group has finally been successful in its efforts to



Despite evident losses, the Group has finally been successful in its efforts to turnaround various business operations within the Group, with the view to enhance overall profitability and cash-flow. Besides positive measures undertaken to address the weaknesses in the Group's fast-food and hospitality, property and property-related businesses, it has since ventured into the oil, gas and energy-related businesses following the successful implementation of an internal re-organization exercise. This culminated in the change of the company's name to the present, representing a new business direction into the fields of oil, gas and energy-related businesses.

Within the year too, the Company has successfully implemented an Employee Share Option Scheme and a Private Placement exercise for various interested investors. This augurs well for the Group as it reflects continued dedication, commitment and loyalty of

chairman's statement (cont'd)

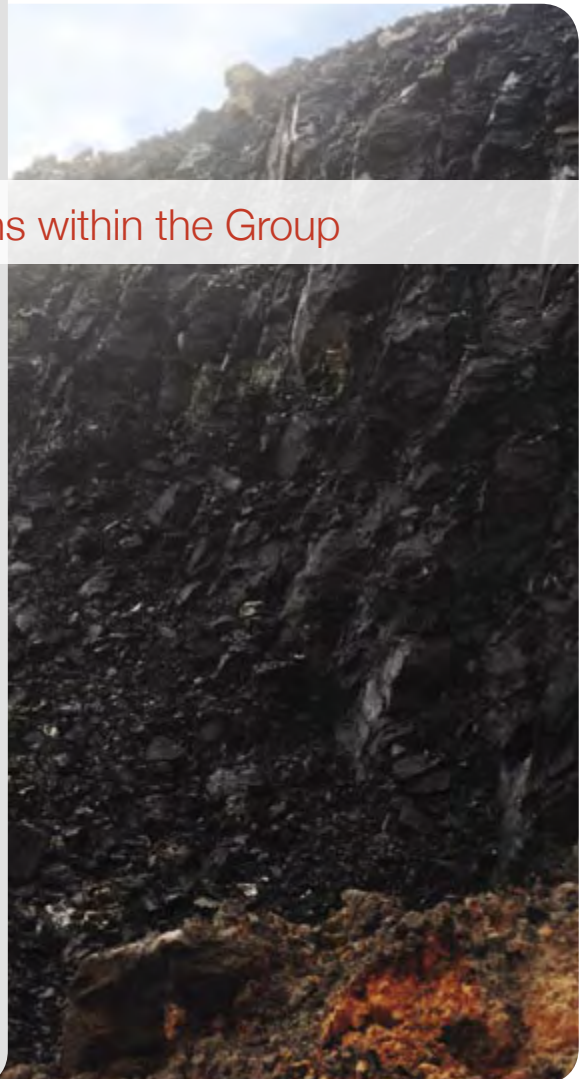
the employees. Most of all, it is a testament of the confidence of these investors in the Group's ability and future direction. It is also noted that the Company's proposal for a Special Issue to Bumiputeras and Rights issue of new warrants have been approved by the Securities Commission on 16th May 2007 which are now only pending implementation.

turnaround various business operations within the Group

With the above new industry ventures and the future direction of the Group as well as the consolidation of the Group's other existing businesses, the Board is optimistic of the Company's prospects in the near future.

On behalf of the Board, I would like to extend our gratitude to all valued shareholders, financiers, franchisees, suppliers, business associates and all employees for their patience and continued support. I would also like to express a special thanks to the relevant authorities for their assistance and approval, which were key in helping the Group sail past these trying times.

Thank you.



review of operations



Oil & Gas

As part of the Company's recent business focus in the oil and gas industry, the Company seeks to develop a balanced portfolio of oil and gas assets i.e. namely in (a) exploration and appraisal assets, (ii) early production and development assets and (iii) matured producing assets.

The oil and gas exploration business involves heavy capital commitments and an inherent level of risk which is unavoidable. However, the acquisition of Capitalrealm, who holds a 10% stake in Bontang PSC in Kalimantan, Indonesia, presents a business opportunity for the Group to partner with a financially strong and experienced oil exploration, development and production, company like Salamander Energy Ltd to venture in the oil and gas exploration business.

This is consistent with the Group's business development strategy to participate in low and medium risk projects with potential growth, with the risks mitigated by partnering with experienced industry players to carry the exploration costs. Ultimately, the acquisition is expected to enhance the earnings base of the Group in the future.

Property

SB Resorts Sdn Bhd (SBR) is a wholly owned subsidiary company of Borneo Oil Berhad involved in the provision of management services, catering services and, food and entertainment operations. Currently, SBR operates two outlets in Kota Kinabalu, the Tanjung Aru First Beach, located in Tanjung Aru beach and the Beach Street located in Jalan Jati, which form part of the tourism spots located within the Kota Kinabalu Central Business District.

SBR has a long term management concessions on both Tanjung Aru First Beach and Beach Street, which is granted by the Mayor of Kota Kinabalu City Hall (Dewan Bandaraya Kota Kinabalu).

The tourism policies implemented by the Government of Sabah has been very successful. The tourism industry recorded a sustainable annual growth of approximately 15% per annum over the last 4 years.

SBR is confident its investments in the upgrading of facilities in both its outlets will register an increase in tourist traffic. These projects have earned acclaim as 'must visit' tourism spots. Furthermore, SBR has taken extensive measures to promote these outlets via strategic partnerships with major groups in the tourism industry.



review of operations (cont'd)



SB Lifestyle Sdn Bhd (SBL) another sub-subsidiary of the Borneo Oil Berhad is involved in project development and property management.

Presently, SBL owns and manages 26 units in Waikiki Condominium, a high-end property located along Tanjung Aru Beach in Kota Kinabalu. It is strategically located within the vicinity of the Kota Kinabalu Golf Club, Kinabalu Yacht Club and the world-renowned Shangri-La Tanjung Aru Resort Hotel.

Attributed to its prime location, the Waikiki Condominium units are undergoing renovations to cater to the ever-growing foreign demand for premium properties. This is parallel to the Government's plans and promotion of Kota Kinabalu under the "My Second Home" programme.

Franchising

SB Franchise Management Sdn Bhd (SBFM) is a sub-subsidiary of Borneo Oil Berhad, which represents the franchising division of the Group. It functions as the management company or appointed franchisor that manages the entire SugarBun franchise business, both locally and on the international front.

SB Franchise Management is entrusted with the role of keeping and protecting the value of SugarBun's

brand image and identity. The company further plays custodian and service provider to all franchisees in terms of business consultation, besides the adherence to day-to-day franchise business compliances by all franchisees.

Thus far, SB Franchise Management has successfully established twenty seven (27) franchise restaurants in Malaysia with twenty six (26) in East Malaysia and one (1) in West Malaysia. There are also four (4) restaurants in Brunei Darussalam and one (1) in Bangladesh.

The company is presently in talks with several parties that are interested in becoming area franchisees in West Kalimantan, Indonesia, Northern India, Vietnam and United Arab Emirates (UAE). SB Franchise Management is confident of SugarBun's advent into West Kalimantan based on positive results from an extensive market survey and research conducted recently.

The domestic growth of the SugarBun franchise restaurants has been targeted at an additional eleven (11) localities to be in operation by the end of 2007. Four (4) new restaurants will be opened in Kuching, one (1) in Bintulu and two (2) each in Miri, Sabah and West Malaysia.



corporate governance statement

BORNEO OIL BERHAD recognizes that maintaining the trust and confidence of shareholders, employees, customers and other people with whom it interacts and does business, as well as the communities in which it operates, is crucial to the Company's continued growth and success.

Its Board of Directors thus is committed to direct and manage the Company towards enhancing business prosperity and corporate accountability with the objective of realising shareholder value whilst taking into account the interests of other stakeholders.

The Company therefore takes every step to ensure compliance to the principles of good corporate governance for Malaysia, to adhere to the Malaysian Code on Corporate Governance's best practices for companies and to fulfil the provisions of the listing requirements of Bursa Malaysia Securities Berhad.

The Board

Borneo Oil Berhad is led and managed by an experienced Board comprising members with a wide range of business, financial, technical and public service background. The directors also have experience in other related industries. This wide spectrum of skills and experience gives added strength to the leadership, thus enabling the Company to rest firmly in the charge of an accountable and competent Board of Directors.

Board meetings are held at quarterly intervals with additional meetings held whenever necessary. The Board met four(4) times during the year under review. All directors fulfilled the requirements of the Articles of Association in respect of board meeting attendance.

Meeting attendance of the Board members are as follows:

Name	Attendance
YB Dato Suhaili Bin Abdul Rahman	6
Abd Hamid Bin Ibrahim	15
John Lee Yan Hong @ John Lee	24
Teo Kiew Leong	-
Tan Kok Chor	25

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

Board Composition

The Board currently comprises of five (5) members: Two (2) executive directors, one (1) Non-independent and Non-Executive director, Two (2) Independent Non-Executive directors including the Chairman. The profile of each director is presented in this Annual Report on pages 5 to 7. It is the practice of the Company that each new director is given a comprehensive understanding of the operations of the Company including briefings of the Company's history, financial control systems and plant visits to ensure first hand understanding of the plant operations.

The Company practices a clear demarcation of responsibilities and a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board. The non-executive directors have the necessary caliber to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of the stakeholders. They contribute to the formulation of policy and decision-making through their expertise and experience. They also provide guidance, promote professionalism and appraises the competency of management and employees.

corporate governance statement (cont'd)

The Company practices a clear demarcation of responsibilities and a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board. The non-executive directors have the necessary caliber to ensure that the strategies proposed by the Management are fully deliberated and examined, taking into account the long-term interest of the stakeholders. They contribute to the formulation of policy and decision-making through their expertise and experience. They also provide guidance, promote professionalism and appraises the competency of management and employees.

The presence of the independent non-executive directors is essential as they provide unbiased and independent views, advise and judgement as well as to safeguard the interest of other parties such as minority shareholders and the community.

The Articles of Association of the Company provides that at least one third of the directors are subject to retirement by rotation at each Annual General Meeting but shall be eligible for re-election.

Providing Information to the Board

Prior to Board meetings, every director is given an agenda and a set of Board papers for each agenda item to facilitate informed decision-making. In arriving at any decision on recommendations by the Management, thorough deliberation and discussion by the Board is a prerequisite. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting in accordance with the provisions of the Companies Act, 1965.

The Board is kept updated on the Company's activities and its operations on a regular basis. The Directors also have access to monthly reports on Company activities, both financial and operational.

All directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that board procedures are followed.

For each financial year, the Board shall approve the Company's Plans and Budget including cash flow forecast for the year outlined projections for the subsequent years. These plans and budgets are prepared by respective operating units and support service units and reviewed the budget results on a monthly basis. Presentation of the results and variances against the budget are made to the Board on a quarterly basis.

Director's Remuneration

All directors are provided with directors fees. The directors fees are approved by the shareholders at the Annual General Meeting, based on the recommendation of the Board. The details of the remuneration of the Directors of the Company for the financial year under review are as follows:

Executive Directors – Fees	RM 13,200
Share-based compensation	RM 611,800
Non-Executive Directors – Fees	RM 177,900
Total	RM 802,900

The number of Directors of the company whose total remuneration during the year fall within the following range are as follows.

Executive Directors Below RM50,000	5
Non Executive Directors Below RM50,000	1

Relationship With Shareholders

The Company recognises the importance of timely and equal dissemination of information to shareholders and stakeholders. In this regard, it strictly adheres to the disclosure requirements of Bursa Malaysia Securities Berhad.

corporate governance statement (cont'd)

Relationship With Shareholders (cont'd)

The Annual General Meeting (AGM) is a crucial mechanism in shareholder communication, shareholders are notified of the meeting and provided with a copy of the Company's Annual Report 21 days before the meeting. At each AGM, the Board presents the progress and performance of the Company and provides shareholders with an opportunity to ask for more information, without limiting the time and type of questions asked, prior to seeking approval by show of hands from members and proxies on the audited accounts.

During the meeting, the Chairman and Board members are prepared to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the shareholders. The external auditors are also present to provide their professional and independent clarification on issues and concerns raised by the shareholders.

The Board has ensured that each item of special business included in the notice of the annual or extraordinary general meeting must be accompanied by a full explanation of the effects of a proposed resolution.

During the year, in providing shareholders with the opportunity to gain first-hand exposure on the Company's operations, visitations programs to its processing plants and its centralized utility facilities were organized. A presentation of the Company's operations and direct dialogue between management and shareholders were made available in each visitation program. Management believes that shareholders by having a better understanding of the Company's activities will enhance their sense of belonging to the Company.

In all circumstances, the Company is cautious not to provide undisclosed material information about the Company and frequently stressed on the importance of timely and equal dissemination of information to shareholders and stakeholders.

Financial Reporting

The directors are responsible to ensure that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also strive to ensure that financial reporting present a fair assessment of the Company's position and prospects.

Quarterly financial statements were reviewed by the Board Audit Committee and approved by the Board of Directors prior to release to Bursa Malaysia securities Berhad.

Relationship with Auditors

The external auditor has continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In so doing, the Company has established a transparent arrangement with the auditors to meet the auditors' professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.

statement on directors' responsibilities

In Respect Of The Audited Financial Statements

The Board of Directors is required under paragraph 15.27 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required to ensure that the financial statements for each financial year are properly drawn up in accordance with the provisions of the Companies Act, 1965 and in compliance with applicable approved accounting standards to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flow of the Group and the Company for the financial year ended 31 January 2007.

The Directors are also pleased to announce that in preparing the financial statements for the year ended 31 January 2007, the Group and the Company have:

- Used appropriate accounting policies and are consistently applied;
- Reasonable and prudent judgements and estimates were made; and
- All applicable approved accounting standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that proper accounting records and other registers are well-maintained and disclosed with reasonable accuracy, the financial position of the Company and of the Group and also to ensure that the financial statements comply with the Companies Act, 1965. In addition, the Board is also responsible for the proper safeguarding of the Group's assets and to take reasonable steps for the prevention and detection of fraud and other irregularities.

audit committee report

Membership

The present membership of the Audit Committee (“the Committee”) comprises the following:

- | | |
|---|--|
| 1. Tan Kok Chor | - Chairman /
Independent Non-
Executive Director |
| 2. Teo Kiew Leong
(appointed on 2.4.2007) | - Member / Executive
Director |
| 3. Michael Moo Kai Wah
(appointed on 2.4.2007) | - Member /
Independent &
Non-Executive
Consultant |

TERMS OF REFERENCE

Constitution

The Board has established a Committee known as the Audit Committee with the following Terms of Reference that are in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.

Membership

- The members of the Audit Committee shall be appointed by the Board, from amongst their number and shall consist of not less than 3 members of whom a majority shall be Independent Directors.
- At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants (MIA); or must have at least 3 years working experience and passed the examinations specified in Part 1 of the 1st. Schedule of the Accountants Act 1967; or must have at least 3 years working experience and is a member of one of the associations of accountants specified in Part II of the 1st. Schedule of the Accountants Act, 1967.
- The members of the Audit Committee shall elect a Chairman from among their numbers who shall be an independent Director.

- If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- No alternate director can be appointed as a member of the Audit Committee.

Meetings

- A quorum shall be 2 members, both being independent directors and one of whom shall be the Chairman of the Audit Committee. At least once a year the Audit Committee shall meet with the External Auditors without any Executive Director present. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.
- The Company Secretary shall be the Secretary of the Audit Committee. Minutes of the meetings shall be duly entered and recorded in the books provided thereon.
- Meetings shall be held not less than 3 times in a year. The external Auditors may request a meeting if they consider it necessary. The Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or shareholders.

Authority

- The Audit Committee is authorized by the Board to investigate any activity within its Terms of Reference. It is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee.

audit committee report (cont'd)

Authority (cont'd)

- The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties and Functions

The duties and functions of the Audit Committee shall be :-

- To consider the appointment of the External Auditor, the audit fee, and any questions of resignation or dismissal of the External Auditor before making recommendation to the Board;
- To discuss with the External Auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review with the Management and the External Auditor the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - any change in accounting policies and practices
 - significant and unusual events
 - major judgemental areas
 - significant adjustments resulting from the audit
 - the going concern assumptions
 - compliance with accounting standards
 - compliance with Bursa Malaysia Securities Berhad and legal requirements
- To arrange for periodic reports from Management, the External Auditors, and the Internal Auditors to assess the impact of significant regulatory changes, and accounting or reporting developments proposed by accounting and other bodies, or any significant matters that may have a bearing on the annual examinations;
- To discuss problems and reservations arising from the interim and final audits, and matters the auditors may wish to discuss (in the absence of Management where necessary);
- To review the internal audit programme, consider the major findings of internal audits and Management's response, and ensure coordination between the Internal and External Auditors;
- 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 questions of management integrity;
- To keep under review the effectiveness of internal control systems, and the Internal and/or External Auditors' evaluation of these systems and in particular review the External Auditor's Management Letter and Management's response;
- To review the audit reports;
- To direct and where appropriate supervise any special project or investigation considered necessary;
- To prepare periodic report to the Board of Directors summarizing the work performed in fulfilling the Audit Committee's primary responsibilities; and
- To consider other topics, as defined.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

statement on internal control

Introduction

The Board of Directors is committed to maintain a sound system of internal control and risk management practices in accordance with paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad. The Board is pleased to provide herewith the following statement, which outlines the state, nature, and scope of internal control of the Group during the financial year.

Internal Control

Borneo Oil Berhad and its subsidiaries (“the Group”) system of internal control is designed to provide a sound system of internal control to safeguard shareholders’ investment and the Group’s assets as well as to improve the Group’s operations and risk management functions. It covers risk management and financial, operational and compliance controls.

Responsibility

The Board fulfills its commitment in establishing an appropriate control environment and also reviews the adequacy and integrity of the system of internal control and risk management practices in all aspects of the Group’s business. However, due to the limitations inherent in any system of internal control, it should be noted that such systems, though implemented, are designed to manage, rather than to eliminate the risk of failure. As such the system can only provide a reasonable but not absolute assurance against risk, material misstatement, loss or failure.

Internal Audit and Risk Management Functions

The Group’s Internal Audit Department and Risk Management Department report directly to the Audit Committee and are independent of the activities or operations of the subsidiaries, departments and sections under review.

The Internal Audit Department performs regular reviews on the internal control procedures,

surveillance and audit of business processes to assess the effectiveness of internal controls and to monitor compliance with procedures. It assesses the integrity of financial information provided and any major weaknesses in control procedures. Significant risks impacting the Group are highlighted with recommendations for improvement and mitigation.

The respective Management of the Company and its subsidiaries, with feedback from Risk Management Department, determine the applicability of risk monitoring and reporting procedures and are responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operations of suitable internal controls.

The Audit Committee, on behalf of the Board, together with Internal Audit Department reviews the effectiveness of the internal financial and operating control environment of the Group primarily through reviews of reports from the internal audit function and any recommendation from the external auditors. Discussions are held with the management of the Company and its subsidiaries on the actions taken in relation to internal control issues identified. The Audit Committee also reviews the quarterly results before approval by the Board for public release, the audit findings and issues of the external auditors, the annual financial statements and the Annual Report of the Group. It also reviews and approves the annual audit plan for the year prior to their execution.

The audit plan for the Group is prepared based on the direction given by the Audit Committee and the risk profiles of the operating entities within the Group. The Audit Committee decides on the scope of the work to be carried out and reviews the internal audit reports to ensure that the Audit Committee obtains the necessary level of assurance with respect to the adequacy of the internal controls as required by the Board. The Audit Committee presents its findings to the Board on a quarterly basis or as and when deemed appropriate.

statement on internal control (cont'd)

Monitoring Mechanism and Management Style

Scheduled periodic meetings of the Board, Board Committees and Management Committees represent the fundamental platform by which the Group's performance, business activities and conduct are monitored. The Board is responsible for setting the business direction and overseeing the overall conduct of the Group's operations and business through its various Management Committees and management reporting mechanism whereby any major or recent development pertaining to internal controls, regulatory compliance, risk taking and financial commitment are promptly being informed.

Other Risks and Control Processes

Members of the Management Committees and the Board would assess the cost and return on investment, profit margin, impact to the Group, review the availability of cash flow before any commitment investment or significant expenditure is made. The various Departments and Management Committees are involved in the day-to-day process of:

- identifying, evaluating and managing risks. and
- Designing and implementing the procedures for planning, capital expenditure, information and reporting system for monitoring the Group's performance.

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.

Regular Board meetings are held to discuss and decide on policies and major business matters, while

the management Committees' discussions, briefings and meetings are held from time to time to:

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

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

The Group emphasizes continuous effort in maintaining the quality of its property development products and services. Its Property Division has ensured that safety and health regulations, environmental controls and all other legislations in connection with the industry have been considered and complied with;

The following are some of the key functions of its Property Divisions which were being implemented

- (a) Project Management function covering product planning and designing. Project planning and scheduling, project costs control and environmental, health and safety;



statement on internal control (cont'd)

- (b) Sales and Marketing of its development products;
- (c) Management of its properties and buildings covering lease and rental, building management and services, and
- (d) Credit Control and Administration function on billings and collections.

Key functions such as finance, tax, treasury, insurance and legal matters are centralized at head office.

Board's conclusion

The Board recognizes that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to support its business objectives. As such, it is pleased to report that the current system of internal controls in place throughout the Group is adequate and satisfactory in addressing its principal risks and to safeguard the Group's interest and assets. The Board believes that a balanced achievement of its business objectives and operational efficiency has been attained and there is no control failure or weakness that would have material adverse effect on the performance and results of the Group for the year under review.

The Board of Directors
Borneo Oil Berhad
(formerly known as Sugar Bun Corporation Berhad)
Date : 11 June 2007

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directors' report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 January 2007.

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and provision of corporate and management services to the Group. All other operational activities of the Group are undertaken by respective subsidiaries and are disclosed in Note 4 to the financial statements.

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

FINANCIAL RESULTS

	Group 2006 RM	Company 2006 RM
Net loss for the year	(18,312,205)	(14,388,237)

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

During the financial year, the Company increased its issued and paid-up share capital from RM90,104,000 to RM117,669,000 through the issuance of 6,500,000, 9,400,000 and 11,665,000 new ordinary shares of RM1 each pursuant to the conversion of warrants, private placement and exercise of ESOS respectively. The new shares rank pari passu in all respects with the existing ordinary shares of the Company.

RESERVES AND PROVISIONS

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

EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 3 October 2006. The ESOS was implemented on 13 October 2006 and is to be in force for a period of 5 years from the date of implementation.

The main features of the ESOS and the movements in the share options for the year ended 31 January 2007 are disclosed in Note 14 to the financial statements.

Details of the options granted to directors are disclosed in the section on Directors' Interests in this report.

directors' report (cont'd)

INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

- a. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b. any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related 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 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:

YB DATO' SUHAILI BIN ABDUL RAHMAN	(APPOINTED ON 08.12.06)
ABD. HAMID BIN IBRAHIM	(APPOINTED ON 16.10.06)
JOHN LEE YAN HONG @ JOHN LEE	(APPOINTED ON 25.04.06)
TEO KIEW LEONG	(APPOINTED ON 02.04.07)
TAN KOK CHOR	
JOPRINE BIN KIMBUN	(RESIGNED ON 02.04.07)
CHIN SE KEONG @ LAWRENCE	(DECEASED ON 26.01.07)

In accordance with Article 96 of the Company's Article of Association, YB Dato' Suhaili Bin Abdul Rahman, Abd. Hamid Bin Ibrahim and Teo Kiew Leong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

Direct Holding

	Number of Ordinary Shares of RM1 Each			
	1.2.2006	Allotted/ Bought	Sold	31.01.2007
John Lee Yan Hong @ John Lee	-	1,330,000	(1,330,000)	-

Employee Share Option Scheme

	Number of Options over Ordinary Shares of RM1 Each			
	1.2.2006	Granted	Exercised	31.01.2007
John Lee Yan Hong @ John Lee	-	1,000,000	(1,000,000)	-

WARRANTS

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

directors' report (cont'd)

WARRANTS (cont'd)

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

	Number of Warrants	
	2007	2006
At beginning of year	18,347,200	18,347,200
Exercised during the financial year	(6,500,000)	-
At end of year	11,847,200	18,347,200

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the year are disclosed in Note 31 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 32 to the financial statements.

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.



Borneo Oil Berhad (121919-H)
(formerly known as Sugar Bun Corporation Berhad)
Incorporated in Malaysia

directors' report (cont'd)

AUDITORS

Messrs. Leou & Associates have indicated their willingness to continue in office.

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

TEO KIEW LEONG

KOTA KINABALU
DATE: 30 May 2007

JOHN LEE YAN HONG @ JOHN LEE

statement by directors

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

We, **TEO KIEW LEONG** and **JOHN LEE YAN HONG @ JOHN LEE**, two of the Directors of BORNEO OIL BERHAD (Formerly known as Sugar Bun Corporation Berhad), state that, in the opinion of the Directors, the accompanying Balance Sheets, Statements of Income, Changes in Equity and Cash Flows of the Group and of the Company, together with the notes thereto, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 January 2007 and of the results and cash flows of the Group and of the Company for the year then ended.

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

TEO KIEW LEONG

KOTA KINABALU
DATE: 30 May 2007

JOHN LEE YAN HONG @ JOHN LEE

statutory declaration

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

I, **TEO KIEW LEONG**, the Director primarily responsible for the financial management of BORNEO OIL BERHAD (Formerly known as Sugar Bun Corporation Berhad), do solemnly and sincerely declare that, to the best of my knowledge and belief, the accompanying Balance Sheets, Statements of Income, Changes in Equity and Cash Flows of the Group and of the Company, together with the notes thereto, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **TEO KIEW LEONG**
at Kota Kinabalu in the State of Sabah
this day of 30 May 2007

Before me:

Mail Bin Ayuh
A-S023
Commissioner for Oaths
Kota Kinabalu
Sabah

TEO KIEW LEONG



Borneo Oil Berhad (121919-H)
(formerly known as Sugar Bun Corporation Berhad)
Incorporated in Malaysia

auditors' report

To The Members Of Borneo Oil Berhad
(Formerly known as Sugar Bun Corporation Berhad)
(Incorporated in Malaysia)

We have audited the accompanying financial statements of BORNEO OIL BERHAD (Formerly known as Sugar Bun Corporation Berhad). These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the above financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accountings Standards in Malaysia for Entities Other Than For Private Entities so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 January 2007 and of the results and cash flows of the Group and of the Company for the year ended on the date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and
- (b) the accounting and other records and registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174 (3) of the Act.

auditors' report (cont'd)

To The Members Of Borneo Oil Berhad
(Formerly known as Sugar Bun Corporation Berhad)
(Incorporated in Malaysia)

Without further qualifying our opinion, we draw attention to Note 7 to the financial statements, which stated that the prepaid lease payments comprise the Group's cost incurred in developing two locations in Kota Kinabalu belonging to a government authority and, in return, the Group is allowed to operate its business operation in these two locations for periods of between eleven and twenty years in lieu of rental payment. These two projects have incurred losses in the past four years which the Directors are of the opinion that they were in their early stages and with the various steps undertaken and improvements made since then, the projects will be able to generate sufficient revenue in the future to ultimately recover the Group's investment costs.

LEOU & ASSOCIATES

CHARTERED ACCOUNTANTS
FIRM NO: AF -0659

KUALA LUMPUR
DATE: 30 May 2007

LEOU THIAM LAI

APPROVED COMPANY AUDITOR
TREASURY APPROVAL NO.1269/6/08(J)

balance sheets

As At 31 January 2007

	Note	Group		Company	
		2007	2006	2007	2006
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	41,168,426	48,057,534	156,499	213,408
Investment in subsidiary companies	4	-	-	200,000	13,810,001
Investment in associated companies	5	-	5,919,010	-	9,006,000
Investment properties	6	12,455,946	13,328,024	-	-
Prepaid lease payments	7	22,438,525	23,511,160	-	-
Development expenditure	8	107,003	-	-	-
Intangible assets	9	1,523,492	2,088,817	1,500,000	2,000,000
		77,693,392	92,904,545	1,856,499	25,029,409
Current assets					
Inventories	10	1,412,987	1,814,870	-	-
Trade receivables	11	8,159,310	5,406,483	65,047	208,316
Other receivables	12	25,530,684	19,591,492	101,037,162	63,682,654
Cash and bank balances	13	15,476,826	712,674	14,575,811	47,669
		50,579,807	27,525,519	115,678,020	63,938,639
Total assets		128,273,199	120,430,064	117,534,519	88,968,048
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	117,669,000	90,104,000	117,669,000	90,104,000
Reserves	15	(42,472,412)	(41,815,157)	(8,461,037)	(11,727,750)
		75,196,588	48,288,843	109,207,963	78,376,250
Minority interest		-	157,060	-	-
Total equity		75,196,588	48,445,903	109,207,963	78,376,250
Non-current liabilities					
Long term borrowings	16	29,564,372	40,011,727	2,836,088	4,325,003
		29,564,372	40,011,727	2,836,088	4,325,003

balance sheets (cont'd)

As At 31 January 2007

	Note	Group		Company	
		2007	2006	2007	2006
		RM	RM	RM	RM
Current liabilities					
Trade payables	18	1,442,085	6,535,610	-	-
Other payables	19	2,643,979	8,301,189	2,294,050	3,928,510
Short term borrowings	16	19,366,195	17,060,635	3,196,418	2,338,285
Provision for taxation		59,980	75,000	-	-
		23,512,239	31,972,434	5,490,468	6,266,795
Total liabilities		53,076,611	71,984,161	8,326,556	10,591,798
Total equity and liabilities		128,273,199	120,430,064	117,534,519	88,968,048

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

income statements

For The Year Ended 31 January 2007

	Note	Group		Company	
		2007	2006	2007	2006
		RM	RM	RM	RM
Revenue	20	9,576,530	24,366,975	-	347,085
Cost of sales		(2,280,090)	(13,087,519)	-	-
Gross profit		7,296,440	11,279,456	-	347,085
Other income		980,533	5,365,688	-	24,670
Gain/(Loss) on disposal of subsidiaries		52,871	2,334,536	395,000	(6,070,000)
Administrative expenses		(25,906,231)	(29,605,286)	(14,401,775)	505,484
Finance costs		(890,707)	(7,126,716)	(381,462)	(489,676)
Share of results of associate		-	(2,334,357)	-	-
Loss before taxation	21	(18,467,094)	(20,086,679)	(14,388,237)	(5,682,437)
Taxation	22	(2,171)	3,650	-	-
Loss for the year		(18,469,265)	(20,083,029)	(14,388,237)	(5,682,437)
Attributable to:					
Equity holders of the Company		(18,312,205)	(20,020,863)		
Minority interest		(157,060)	(62,166)		
Loss for the year		(18,469,265)	(20,083,029)		
Loss per share attributable to ordinary equity holders of the Company					
- Basic (sen)	23	(18.7)	(22.2)		

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

statements of changes in equity

For The Year Ended 31 January 2007

	Attributable to equity holders of the Company					Total	Minority Interest	Total Equity
	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Accumulated Loss			
	RM	RM	RM	RM	RM			
GROUP								
Balance at 1 February 2005	90,104,000	2,848,971	163,097	415,000	(25,058,265)	68,472,803	219,226	68,692,029
Loss for the year	-	-	-	-	(20,020,863)	(20,020,863)	(62,166)	(20,083,029)
Arising on disposal of subsidiaries	-	-	(163,097)	-	-	(163,097)	-	(163,097)
Balance at 31 January 2006	90,104,000	2,848,971	-	415,000	(45,079,128)	48,288,843	157,060	48,445,903
Issuance of shares	27,565,000	12,289,050	-	-	-	39,854,050	-	39,854,050
Loss for the year	-	-	-	-	(18,312,205)	(18,312,205)	(157,060)	(18,469,265)
Arising on disposal of subsidiaries	-	-	-	(400,000)	400,000	-	-	-
Employee's share option scheme:								
- shares issued	-	5,365,900	-	-	-	5,365,900	-	5,365,900
Balance at 31 January 2007	117,669,000	20,503,921	-	15,000	(62,991,333)	75,196,588	-	75,196,588

	Non distributable		Distributable			Total	Minority Interest	Shareholders' Equity
	Share Capital	Share Premium	Revaluation Reserve	Capital Reserve	Accumulated Loss			
	RM	RM	RM	RM	RM			
Company								
Balance at 1 February 2005	90,104,000	2,848,971	-	-	(8,894,284)	-	-	84,058,687
Loss for the year	-	-	-	-	(5,682,437)	-	-	(5,682,437)
Balance at 31 January 2006	90,104,000	2,848,971	-	-	(14,576,721)	-	-	78,376,250
Issuance of shares	27,565,000	12,289,050	-	-	-	-	-	39,854,050
Loss for the year	-	-	-	-	(14,388,237)	-	-	(14,388,237)
Employee's share option scheme:								
- shares issued	-	5,365,900	-	-	-	-	-	5,365,900
Balance at 31 January 2007	117,669,000	20,503,921	-	-	(28,964,958)	-	-	109,207,963

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

consolidated cash flow statement

For The Year Ended 31 January 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(18,467,094)	(20,086,679)
Adjustments for:			
Amortisation of goodwill arising on consolidation		-	39,474
Amortisation of intangible assets		500,000	500,000
Amortisation of investment properties		128,344	136,000
Amortisation of prepaid lease rental		1,072,635	1,430,180
Allowance for doubtful debts		382,687	307,629
Allowance for doubtful debts written back		(1,040,713)	(7,383,585)
Bad debts written off		969,304	252,748
Bad debts recovered		(210,557)	-
Depreciation		4,781,787	5,970,543
Gain on disposal of subsidiary companies		(52,871)	(2,334,536)
Goodwill written off		88,817	-
Interest expenses - current year		2,687,891	7,126,716
- overprovision in prior year		(1,797,184)	-
Interest income		(179)	(8,096)
(Gain)/Loss on disposal of property, plant and equipment		(648,912)	976,053
Loss on disposal of investment properties		46,860	-
Loss on impairment of property, plant and equipment		-	12,314
Loss on disposal of investment in associated company		4,062,010	-
Property, plant and equipment written off		92,636	1,805,057
Share-based compensation	24	5,365,900	-
Share of results in an associated company compensation		-	2,334,357
Operating loss before working capital changes		(2,038,639)	(8,921,825)
Inventories		401,883	1,161,599
Receivables		(11,372,359)	18,558,876
Payables		(8,102,455)	(9,511,426)
Cash (used in)/generated from operations		(21,111,570)	1,287,224
Tax paid		(22,520)	(34,907)
Interest paid		(222,371)	(563,125)
Prepaid lease payments		-	(1,569,000)
Development cost		(107,003)	-
Net cash used in operating activities		(21,463,464)	(879,808)

consolidated cash flow statement (cont'd)

For The Year Ended 31 January 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow arising from acquisition of subsidiary companies	4(a)	(23,492)	-
Net cash inflows arising from disposal of subsidiary companies	4(b)	1,380	200,825
Purchase of property, plant and equipment	3	(859,655)	(3,140,598)
Proceeds from disposal of property, plant and equipment		3,511,411	4,612,474
Proceeds from disposal of investment properties		696,874	2,422,129
Proceeds from disposal of investment in associated company		1,857,000	-
Interest received		179	8,096
Net cash from investing activities		5,183,697	4,102,926
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares, net of related expenses		39,854,050	-
Repayment of finance lease and hire purchase payables		(3,536,653)	(372,325)
Drawdown of term loans		-	142,350
Repayment of term loans		(4,905,246)	(2,265,371)
Net cash from/(used in) financing activities		31,412,151	(2,495,346)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,132,384	727,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(2,403,138)	(3,130,910)
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	12,729,246	(2,403,138)

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

cash flow statement

For The Year Ended 31 January 2007

	Note	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(14,388,237)	(5,682,437)
Adjustments for:			
Amortisation of intangible assets		500,000	500,000
Allowance for doubtful debts		69,145	-
Allowance for doubtful debts written back		(60,000)	(2,858,361)
Bad debts written off		60,000	-
Depreciation		56,909	56,908
Gain on disposal of property, plant and equipment		-	(22,494)
(Gain)/Loss on disposal of investment in subsidiary companies		(395,000)	6,070,000
Loss on disposal of investment of associated company		7,149,000	-
Interest expenses		381,462	489,676
Interest income		-	(5)
Share-based compensation	24	5,365,900	-
Operating loss before working capital changes		(1,260,821)	(1,446,713)
Inventories		-	4,744
Receivables		(36,824,665)	(1,889,828)
Payables		(1,634,460)	(2,151,632)
Net cash used in operations		(39,719,946)	(5,483,429)
Interest paid		(381,462)	(128,132)
Net cash used in operating activities		(40,101,408)	(5,611,561)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of additional shares in subsidiary companies		-	(9,824,997)
Purchase of property, plant and equipment	3	-	(32,080)
Proceeds from disposal of property, plant and equipment		-	11,073,588
Proceeds from disposal of investment in subsidiary companies		14,005,001	5,855,000
Proceeds from disposal of investment in associate company		1,857,000	-
Interest received		-	5
Net cash from investing activities		15,862,001	7,071,516
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares, net of related expenses		39,854,050	-
Repayment of hire purchase financing		(19,067)	(92,518)
Repayment of term loans		(817,054)	(709,566)
Net cash from/(used in) financing activities		39,017,929	(802,084)
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,778,522	657,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(1,390,732)	(2,048,603)
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	13,387,790	(1,390,732)

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

notes to the financial statements

31 January 2007

1. CORPORATE INFORMATION

The Company's principal activities are investment holding and provision of corporate and management services to the Group. All other operational activities of the Group are undertaken by respective subsidiaries and are disclosed in Note 4 to the financial statements.

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

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

The registered office of the Company is located at Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluation of certain property, plant and equipment and investment properties and comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRSs"), the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006, which are follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property



notes to the financial statements (cont'd)

31 January 2007

(a) Basis of accounting (cont'd)

With the exception of FRSs 101, 3, 136 and 2 as explained below, the adoption of the abovenamed revised FRSs did not result in substantial changes to the Group's accounting policies and does not have any financial effect on the loss after taxation of the Group and of the Company for the current and prior financial year.

Presentation of Financial Statements

The application of the revised FRS 101 has resulted in a change in the presentation of the income statements, balance sheets, statements of changes in equity and cash flow statements.

Prior to 1 February 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity.

The application of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net loss for the year in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity.

These changes in presentation have been applied retrospectively and have no impact on the Group's financial statements.

Amortisation of goodwill

Previously, goodwill arising on the acquisition of subsidiary companies reported in the balance sheet as an intangible asset is amortised using the straight-line method over its estimated useful life or 5 years, whichever is shorter.

The adoption of FRS 3 and the revised FRS 136 has resulted in the discontinuance of amortisation of goodwill and the testing for impairment of goodwill annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported in prior periods.

Share-based payment

The adoption of FRS 2 has resulted in a change in accounting policy of share options granted by the Company to employees of the Company and of its subsidiaries.

Prior to 1 February 2006, no compensation expense was recognised in the income statement for share options granted to employees of the Group. Upon the adoption of FRS 2, where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting period of the grants, with a corresponding increase in equity.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 but not yet vested on 1 January 2006. The adoption of this FRS has not resulted in any retrospective impact to the Group as there were no new share options granted by the Group after 31 December 2004 which remains unvested on 1 January 2006.

notes to the financial statements (cont'd)

31 January 2007

(a) Basis of accounting (cont'd)

Accounting Standards Issued but not Effective

The new and relevant standards that have been issued but not yet effective for the Group's current financial year where the Group has not early adopted, are as follows:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not early adopted the deferred FRS 139 Financial Instruments: Recognition and Measurement.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

(b) Basis of consolidation

(i) Subsidiary companies

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

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

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

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

Minority interest is measured at the minorities, share of post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

notes to the financial statements (cont'd)

31 January 2007

(b) Basis of consolidation (cont'd)

(ii) Associated company

Associated company is those company in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated company. Under the equity method of accounting, the Group's share of post acquisition profits less losses of the associated company during the period is included in the consolidated income statement. The Group's interest in associated company is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Property, plant and equipment and depreciation

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

Freehold land is not depreciated. Leasehold land is amortised over the period of the respective leases which ranges from 30 to 999 years. Other property, plant and equipment are depreciated on the reducing-balance and straight-line methods at rates based on their estimated useful lives. The principal annual rates used are as follows:

	Rate
Leasehold properties	2 %
Buildings	2 %
Machinery and equipment	10 -25 %
Furniture, fixture and fittings	5 -20 %
Motor vehicles	10 -20 %

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated losses.

Certain leasehold land and buildings have not been revalued since they were first revalued in 1992 and 1993. The Directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1992 and 1993 valuation less accumulated depreciation and impairment losses.

(d) Goodwill

For acquisitions prior to 1 February 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life or 5 years, whichever is shorter.

notes to the financial statements (cont'd)

31 January 2007

(d) Goodwill (cont'd)

With the adoption of FRS 3 beginning 1 February 2006, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

(e) Investment in Subsidiaries and Associates

Investments in subsidiaries and associates 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 income statement.

(f) Investment properties

Investment properties consist of investments in condominiums that are not substantially occupied for use by, or in the operations, of the Group.

Investment properties are treated as long term investments and are stated at valuation. Revaluations are based on valuations by an independent valuer at least once every 5 years. An increase in carrying amount arising from revaluation of investment properties is credited to equity as a revaluation surplus; any decrease is first offset against any unutilised revaluation surplus on an earlier valuation in respect of the same investment property and is thereafter recognised as an expense. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

Upon disposal of an investment property, the difference between net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus is taken directly to retained profits.

(g) Inventories

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

(h) Cash flow statement

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

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

(i) Finance lease and hire purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

notes to the financial statements (cont'd)

31 January 2007

(i) Finance lease and hire purchase (cont'd)

(i) Finance leases

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 lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant 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 leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(c).

(ii) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

(j) Patents and rights

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

Rights acquired for the use of certain brand names and trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 10 years. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

(k) Prepaid lease payments

Prepaid lease payments are amortised on a straight-line basis over the term of respective leases which ranges from 11 to 20 years.

(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.

notes to the financial statements (cont'd)

31 January 2007

(m) Impairment of assets

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

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

(n) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, to the extent that it prevents the other party from fully pursuing its own separate interest, in making financial and operating decisions.

(o) Foreign currency transactions

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

(p) Provisions for liabilities

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

(q) Revenue recognition

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

(i) Sales of goods

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

notes to the financial statements (cont'd)

31 January 2007

(q) Revenue recognition (cont'd)

(ii) Revenue from fast food operations

Revenue from fast food operations is 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.

(r) 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 at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principal, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

(s) 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 income statement as incurred.

notes to the financial statements (cont'd)

31 January 2007

(s) Employee benefits (cont'd)

(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 Company. The fair value of the share options granted in exchange for the employee services received are recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

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

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

Details of the Group's Employees' Share Option Scheme are set out in Note 14 to the financial statements.

(t) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) *Other non-current investments*

Non-current investments other than investments in subsidiaries, associated companies and joint ventures are stated at cost less impairment losses.

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

(ii) *Receivables*

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

(iii) *Payables*

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

notes to the financial statements (cont'd)

31 January 2007

(t) Financial instruments (cont'd)

(iv) Interest-bearing borrowings

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

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

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity instruments

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

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

GROUP COST	Balance at 01.02.2006	Additions	Disposals/ Written off	Disposal of subsidiaries	Balance at 31.01.2007
	RM	RM	RM	RM	RM
Freehold land	1,712,000	-	-	-	1,712,000
Long term leasehold land and buildings	15,853,480	-	-	-	15,853,480
Short term leasehold land	5,255,000	-	-	-	5,255,000
Machinery and equipment	23,075,838	20,812	(2,777,957)	(25,260)	20,293,433
Furniture, fixture and fittings	23,240,752	838,843	(58,502)	(71,624)	23,949,469
Motor vehicles	2,953,942	-	(985,331)	-	1,968,611
	72,091,012	859,655	(3,821,790)	(96,884)	69,031,993

ACCUMULATED DEPRECIATION	Balance at 01.02.2006	Charge for the year	Disposals/ Written off	Disposal of subsidiaries	Balance at 31.01.2007
	RM	RM	RM	RM	RM
Freehold land	-	-	-	-	-
Long term leasehold land and buildings	682,429	281,414	-	-	963,843
Short term leasehold land	491,919	160,338	-	-	652,257
Machinery and equipment	9,591,914	1,623,461	(580,680)	(22,743)	10,611,952
Furniture, fixture and fittings	11,704,207	2,532,420	(48,578)	(49,986)	14,138,063
Motor vehicles	1,550,695	184,154	(237,397)	-	1,497,452
	24,021,164	4,781,787	(866,655)	(72,729)	27,863,567

notes to the financial statements (cont'd)

31 January 2007

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

ACCUMULATED IMPAIRMENT	Balance at 01.02.2006	Additions	Disposals/ Written off	Disposal of subsidiaries	Balance at 31.01.2006
	RM	RM	RM	RM	RM
Machinery and equipment	3,906	-	-	(3,906)	-
Furniture, fixture and fittings	8,408	-	-	(8,408)	-
	12,314	-	-	(12,314)	-

VALUATION/COST	Balance at 01.02.2005	Additions	Disposals/ Written off	Disposal of subsidiaries	Balance at 31.01.2006
	RM	RM	RM	RM	RM
<u>At valuation</u>					
Long term leasehold land	360,956	-	(360,956)	-	-
Short term leasehold land	386,795	-	-	(386,795)	-
Buildings	539,000	-	(227,000)	(312,000)	-
<u>At cost</u>					
Freehold land	1,712,000	-	-	-	1,712,000
Long term leasehold land and buildings	25,049,250	173,615	(1,509,320)	(7,860,065)	15,853,480
Short term leasehold land	5,255,000	-	-	-	5,255,000
Machinery and equipment	25,449,541	2,056,847	(3,398,207)	(1,032,343)	23,075,838
Furniture, fixture and fittings	27,983,167	910,136	(5,324,084)	(328,467)	23,240,752
Motor vehicles	3,966,639	-	(875,392)	(137,305)	2,953,942
	90,702,348	3,140,598	(11,694,959)	(10,056,975)	72,091,012

ACCUMULATED DEPRECIATION	Balance at 01.02.2005	Charge for the year	Disposals/ Written off	Disposal of subsidiaries	Balance at 31.01.2006
	RM	RM	RM	RM	RM
<u>At valuation</u>					
Long term leasehold land	4,268	-	(4,268)	-	-
Short term leasehold land	83,852	5,125	-	(88,977)	-
Buildings	140,138	5,200	(59,018)	(86,320)	-
<u>At cost</u>					
Freehold land	-	-	-	-	-
Long term leasehold land and buildings	1,453,459	477,681	(273,303)	(975,408)	682,429
Short term leasehold land	386,819	105,100	-	-	491,919
Machinery and equipment	10,114,565	2,285,909	(1,839,687)	(968,873)	9,591,914
Furniture, fixture and fittings	11,031,799	2,740,194	(1,792,681)	(275,105)	11,704,207
Motor vehicles	1,669,081	351,334	(332,418)	(137,302)	1,550,695
	24,883,981	5,970,543	(4,301,375)	(2,531,985)	24,021,164

notes to the financial statements (cont'd)

31 January 2007

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

ACCUMULATED IMPAIRMENT	Balance at 01.02.2005	Additions	Disposals/ Written off	Disposal of subsidiaries	Balance at 31.01.2006
	RM	RM	RM	RM	RM
Machinery and equipment	-	3,906	-	-	3,906
Furniture, fixture and fittings	-	8,408	-	-	8,408
	-	12,314	-	-	12,314

NET BOOK VALUE	2007	2006
	RM	RM
Freehold land	1,712,000	1,712,000
Long term leasehold land and buildings	14,889,637	15,171,051
Short term leasehold land	4,602,743	4,763,081
Machinery and equipment	9,681,481	13,480,018
Furniture, fixture and fittings	9,811,406	11,528,137
Motor vehicles	471,159	1,403,247
	41,168,426	48,057,534

COMPANY COST	Balance at 01.02.2006	Additions	Disposals/ Written off	Balance at 31.01.2007
	RM	RM	RM	RM
Motor vehicles	284,544	-	-	284,544
	284,544	-	-	284,544

ACCUMULATED DEPRECIATION	Balance at 01.02.2006	Charge for the year	Disposals/ Written off	Balance at 31.01.2007
	RM	RM	RM	RM
Motor vehicles	71,136	56,909	-	128,045
	71,136	56,909	-	128,045

COST	Balance at 01.02.2005	Additions	Disposals/ Written off	Balance at 31.01.2006
	RM	RM	RM	RM
Freehold land	1,712,000	-	(1,712,000)	-
Long term leasehold land	5,700,000	-	(5,700,000)	-
Buildings	3,000,000	-	(3,000,000)	-
Machinery and equipment	1,381,681	580	(1,382,261)	-
Furniture, fixture and fittings	589,479	-	(589,479)	-
Motor vehicles	732,667	31,500	(479,623)	284,544
	13,115,827	32,080	(12,863,363)	284,544

notes to the financial statements (cont'd)

31 January 2007

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

ACCUMULATED DEPRECIATION	Balance at 01.02.2005 RM	Charge for the year RM	Disposals/ Written off RM	Balance at 31.01.2006 RM
Freehold land	-	-	-	-
Long term leasehold land	180,393	-	(180,393)	-
Buildings	72,399	-	(72,399)	-
Machinery and equipment	902,314	-	(902,314)	-
Furniture, fixture and fittings	398,683	-	(398,683)	-
Motor vehicles	272,708	56,908	(258,480)	71,136
	<u>1,826,497</u>	<u>56,908</u>	<u>(1,812,269)</u>	<u>71,136</u>

NET BOOK VALUE	2007 RM	2006 RM
Motor vehicles	<u>156,499</u>	213,408
	156,499	213,408

- (a) Land and buildings of the Group with carrying value amounting to RM21,299,978 (2006 – RM21,646,132) are pledged to banks for borrowings granted to the Group as disclosed in Note 16.
- (b) The net book values of property, plant and equipment under hire purchase arrangements are as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Machinery and equipment	927,755	4,526,105	-	-
Motor vehicles	190,913	639,068	156,499	213,408
	<u>1,118,668</u>	<u>5,165,173</u>	<u>156,499</u>	<u>213,408</u>

- (c) Certain land and building of the Group with carrying value of RM11,808,742 (2006–RM18,373,545) are registered under the name of third parties.
- (d) 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	
	2007 RM	2006 RM	2007 RM	2006 RM
Machinery and equipment	2,328,291	2,338,830	-	-
Furniture, fixture and fittings	2,561,570	1,848,912	-	-
Motor vehicles	-	37,404	-	-



notes to the financial statements (cont'd)

31 January 2007

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2007	2006
	RM	RM
Unquoted shares, at cost		
At beginning of year	13,810,001	15,910,004
Add: Additional investment in subsidiary companies	100,000	9,824,997
	13,910,001	25,735,001
Less: Disposal of subsidiary companies	(13,710,001)	(11,925,000)
At end of year	200,000	13,810,001

Details of the subsidiary companies are as follows:

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2007	2006		
Borneo Oil & Gas Corporation Sdn. Bhd. (formerly known as SB Rewards Sdn. Bhd.)	100	100	Malaysia	Oil, gas and energy related businesses.
SB Partners Sdn. Bhd.	100	-	Malaysia	Investment holding.
Sugar Bun Fast Food Centre Sdn. Bhd.	-	100	Malaysia	Investment holding.
Applebee's Bakery Sdn. Bhd.	-	100	Malaysia	Dormant.
Vanilla Foods Centre Sdn. Bhd.	-	100	Malaysia	Food processing, general trading and provision of catering services.
SB Franchise Management Sdn. Bhd.	-	100	Malaysia	Franchise operation, provision of management and marketing services and other food related services.
L&V Trading Sdn. Bhd.	-	100	Malaysia	Food processing, supply of raw material products and general trading.
FB Food Enterprise Sdn. Bhd.	-	100	Malaysia	Dormant.
SB Resorts Sdn. Bhd.	-	100	Malaysia	Investment in properties, management of projects and provision of management services including food and beverage operations.
Subsidiaries of Borneo Oil & Gas Corporation Sdn. Bhd. (formerly known as SB Rewards Sdn. Bhd.)				
Borneo Energy Sdn. Bhd. (formerly known as Kay Loong Sdn. Bhd.)	100	-	Malaysia	Oil, gas and energy related businesses.
Borneo Oil (Indonesia) Limited *	100	-	Wilayah Persekutuan Labuan, Malaysia	Oil, gas and energy related businesses.
Borneo Oil (Thailand) Limited *	100	-	Wilayah Persekutuan Labuan, Malaysia	Oil, gas and energy related businesses.
Bonushopping Sdn. Bhd.	-	100	Malaysia	Provide incentive shopping programme to participating shops.

notes to the financial statements (cont'd)

31 January 2007

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

NAME OF COMPANY	% EQUITY HELD		COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES
	2007	2006		
Subsidiaries of SB Partners Sdn. Bhd.				
SB Franchise Management Sdn. Bhd.	100	-	Malaysia	Franchise operation, provision of management and marketing services and other food related services.
SB Resorts Sdn. Bhd.	100	-	Malaysia	Investment in properties, management of projects and provision of management services including food and beverage operations.
Subsidiary of SB Franchise Management Sdn. Bhd.				
Bonushopping Sdn. Bhd.	100	-	Malaysia	Provide incentive shopping programme to participating shops.
Sugar Bun Fast Food Centre Sdn. Bhd.	100	-	Malaysia	Investment holding.
Applebee's Bakery Sdn. Bhd.	100	-	Malaysia	Dormant.
L&V Trading Sdn. Bhd.	100	-	Malaysia	Food processing, supply of raw material products and general trading.
FB Food Enterprise Sdn. Bhd.	100	-	Malaysia	Dormant
Subsidiaries of SB Resorts Sdn. Bhd.				
SB Lifestyle Sdn. Bhd.	100	100	Malaysia	Investment, management and rental of properties.
The Borneo Bar Sdn. Bhd.	100	-	Malaysia	Dormant.
SB Partners Sdn. Bhd.	-	100	Malaysia	Investment holding.
Subsidiaries of Sugar Bun Fast Food Centre Sdn. Bhd.				
Strawberry Foods Sdn. Bhd.	100	60	Malaysia	Dormant.
Borneo Energy (formerly known as Kay Loong Sdn. Bhd.)	-	100	Malaysia	Oil, gas and energy related businesses.
Subsidiary of Strawberry Foods Sdn. Bhd.				
Strawberry Baking System Sdn. Bhd.	100	76	Malaysia	Dormant.
Subsidiary of Applebee's Bakery Sdn. Bhd.				
The Borneo Bar Sdn. Bhd.	-	100	Malaysia	Dormant.

* Not audited by Leou & Associates

notes to the financial statements (cont'd)

31 January 2007

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

- a) During the year, the Company acquired a 100% equity interest in Borneo Oil (Indonesia) Limited and Borneo Oil (Thailand) Limited for a total cash consideration of RM8,500 and RM15,000 respectively.

- (i) The acquisition had no effects on the Group's financial results for the year.
- (ii) The acquisition had the following effects on the financial position of the Group as at the end of the year:

	GROUP	
	2007	2006
	RM	RM
Cash and bank balances	8	-
Net assets acquired	8	-
Goodwill on consolidation	23,492	-
Total purchase consideration	23,500	-
Less: Cash and bank balances	(8)	-
Gain on disposal to the Group	23,492	-

- (iii) Cash inflow arising on acquisition:

	GROUP	
	2007	2006
	RM	RM
Cash consideration	23,500	-
Cash and cash equivalent of subsidiaries acquired	(8)	-
Net cash inflow to the Group	23,492	-

- (b) During the year, the Company disposed off its 100% equity interest in Vanilla Foods Centre Sdn. Bhd. for a total cash consideration of RM5,000.

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

	GROUP	
	2007	2006
	RM	RM
Revenue	9,497	126,411
Loss from operations	21,022	65,544
Loss for the year	21,022	65,544

notes to the financial statements (cont'd)

31 January 2007

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

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

	GROUP	
	2007	2006
	RM	RM
Property, plant and equipment (Note 3)	11,841	7,524,990
Inventories	-	16,181
Trade and other receivables	2,584,948	264,282
Cash and bank balances	3,620	(554,175)
Trade and other payables	(2,648,280)	(8,803,614)
Deferred taxation	-	(27,200)
Net liabilities disposed	(47,871)	(1,579,536)
Disposal proceeds	(5,000)	(755,000)
Gain on disposal to the Group	(52,871)	(2,334,536)
Disposal proceeds settled by:		
Cash	5,000	755,000

- (iii) Cash inflow arising on disposal:

	GROUP	
	2007	2006
	RM	RM
Cash consideration	5,000	755,000
Cash and cash equivalent of subsidiaries disposed	(3,620)	(554,175)
Net cash inflow to the Group	1,380	200,825

5. INVESTMENT IN ASSOCIATED COMPANY

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Unquoted shares, at cost	9,006,000	9,006,000	9,006,000	9,006,000
Share of post-acquisition reserves	(3,086,990)	(3,086,990)	-	-
	5,919,010	5,919,010	9,006,000	9,006,000
Less: Disposal during the year	(5,919,010)	-	(9,006,000)	-
	-	5,919,010	-	9,006,000

notes to the financial statements (cont'd)

31 January 2007

5. INVESTMENT IN ASSOCIATED COMPANY (cont'd)

The Group's interest in the associated company is analysed as follows:

	GROUP	
	2007	2006
	RM	RM
Share of net assets	-	5,644,528
Premium on acquisition	-	274,482
	-	5,919,010

Details of the associated company are as follows:

Name	:	Gayana Resort Bay Sdn. Bhd.
% equity held	:	Nil (2006-49.7%)
Country of incorporation	:	Malaysia
Principal activities	:	Operating and managing of resort

6. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
<u>Condominiums, at costs:</u>				
At beginning of year	13,600,024	16,047,954	-	-
Less: Disposal during the year	(765,634)	(2,447,930)	-	-
	12,834,390	13,600,024	-	-
<u>Less: Accumulated amortisation</u>				
At beginning of year	272,000	161,801	-	-
Add: Addition during the year	128,344	136,000	-	-
	400,344	297,801	-	-
Less: Disposal during the year	(21,900)	(25,801)	-	-
	378,444	272,000	-	-
Net Book Value	12,455,946	13,328,024	-	-

The above investment properties are charged to the financial institution as security for a term loan facility granted as disclosed in Note 16.

notes to the financial statements (cont'd)

31 January 2007

7. PREPAID LEASE PAYMENTS

	GROUP	
	2007	2006
	RM	RM
Prepaid lease rental	26,141,751	26,141,751
Less: Accumulated amortisation	(3,703,226)	(2,630,591)
	22,438,525	23,511,160

Prepaid lease payments comprise the Group's cost incurred in developing two locations in Kota Kinabalu belonging to a government authority and, in return, the Group is allowed to operate its business operation in these two locations for periods of between eleven to twenty years in lieu of rental payment. These two projects have incurred losses in the past four years which the Directors are of the opinion that they were in their early stages and with the various steps undertaken and improvements made since then, the projects will be able to generate sufficient revenue in the future to ultimately recover the Group's investment costs.

8. DEVELOPMENT EXPENDITURE

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At beginning of year	-	-	-	-
Additions during the year	107,003	-	-	-
At end of year	107,003	-	-	-

9. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
(a) Goodwill arising on consolidation:				
At beginning of year	3,035,723	3,035,723	-	-
Add: Addition during the year	23,492	-	-	-
Less: Accumulated amortisation	(2,946,906)	(2,946,906)	-	-
Less: Goodwill written off	(88,817)	-	-	-
At end of year	23,492	88,817	-	-
(b) Patent and rights, at cost				
At beginning of year	5,000,000	5,000,000	5,000,000	5,000,000
Less: Accumulated amortisation	(3,500,000)	(3,000,000)	(3,500,000)	(3,000,000)
At end of year	1,500,000	2,000,000	1,500,000	2,000,000
	1,523,492	2,088,817	1,500,000	2,000,000

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

notes to the financial statements (cont'd)

31 January 2007

10. INVENTORIES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At cost:				
Food and beverages	725,260	6,059	-	-
Machinery and parts	687,727	1,794,765	-	-
Packing materials and others	-	14,046	-	-
	1,412,987	1,814,870	-	-

11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Trade receivables	8,239,463	6,106,483	134,192	208,316
Less: Allowance for doubtful debts	(80,153)	(700,000)	(69,145)	-
	8,159,310	5,406,483	65,047	208,316

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

Other than the amounts due from an associate and a receivable, the Group has no significant concentration of credit risk that may arise from exposures to a single receivable or to groups of debtors.

12. OTHER RECEIVABLES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Amount due from subsidiary companies	-	-	86,893,298	57,757,121
Amount due from an associated company	-	936,404	-	936,404
Amount due from related parties	3,275,677	6,034,888	-	506,138
Prepayments	123,732	60,437	-	60,000
Deposits	1,543,728	1,632,474	83,572	104,072
Sundry receivables	20,801,885	13,153,659	13,823,856	4,142,483
Tax recoverable	88,196	140,500	236,436	236,436
	25,833,218	21,958,362	101,037,162	63,742,654
Less: Allowance for doubtful debts	(302,534)	(2,366,870)	-	(60,000)
	25,530,684	19,591,492	101,037,162	63,682,654

The amounts due from subsidiary companies and related parties are unsecured, interest-free and have no fixed terms of repayment.

notes to the financial statements (cont'd)

31 January 2007

13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Cash and bank balances	15,471,800	498,313	14,575,811	43,209
Deposits with licensed banks	5,026	214,361	-	4,460
	15,476,826	712,674	14,575,811	47,669
Less: Bank overdrafts (Note 16)	(2,747,580)	(3,115,812)	(1,188,021)	(1,438,401)
	12,729,246	(2,403,138)	13,387,790	(1,390,732)

The deposits of the Group and of the Company amounting to RM5,026 (2006–RM214,361) and NIL (2006–RM4,460) respectively are pledged to banks to secure bank overdrafts and bank guarantee facilities.

The weighted average interest rates of the Group and of the Company of the deposits with licensed banks at the balance sheet date were 3.7% (2006–3.7%) and 3.7% (2006–3.7%) respectively.

The average maturities of deposits of the Group and of the Company as at the end of the financial year was 365 days (2006–251 –365 days) and NIL (2006–365 days) respectively.

The effective interest rate for deposits with licensed banks at the end of the financial year is 3.7% (2006–3.2% and 3.5%).

14. SHARE CAPITAL

	GROUP AND COMPANY	
	2007	2006
	RM	RM
Authorised:		
500,000,000 ordinary shares at RM1 each	500,000,000	500,000,000
Issued and fully paid:		
Ordinary shares at RM1 each		
At beginning of year	90,104,000	90,104,000
Conversion of warrants	6,500,000	-
Issued under private placement	9,400,000	-
Exercise of ESOS	11,665,000	-
At end of year	117,669,000	90,104,000



notes to the financial statements (cont'd)

31 January 2007

14. SHARE CAPITAL (cont'd)

- (a) During the financial year, the Company increased its issued and paid-up share capital from RM90,104,000 to RM117,669,000 through the issuance of 6,500,000, 9,400,000 and 11,665,000 new ordinary shares of RM1 each pursuant to the conversion of warrants, private placement and exercise of ESOS respectively. The new shares rank pari passu in all respects with the existing ordinary shares of the Company.
- (b) The Company's ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 3 October 2006. The ESOS was implemented on 13 October 2006.
- (c) The main features of the ESOS are as follows:
- (i) The ESOS shall be in force for a period of 5 years from the date of the receipt of the last of the requisite approvals and may, at the discretion of the ESOS committee, be extended provided always that the initial 5 year period and such extension made shall not in aggregate exceed a duration of 10 years.
 - (ii) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
 - (iii) The total number of shares to be issued under the ESOS shall not in aggregate exceed 15% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.
 - (iv) The option price for each share shall be based on the weighted average market price of the shares for the 5 market days preceeding the date of offer, with a discount of not more than 10%, if deemed appropriate, or the par value of the shares, whichever is higher.
 - (v) No option shall be granted for less than 100 shares nor more than 3,000,000 shares to any eligible employee.
 - (vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of offer but before the expiry of 5 years.
 - (vii) The persons to whom the options have been granted have no right to participate by virtue of any share issue of any other company.
- (d) The terms of share options outstanding as at the end of the financial year are as follows:

Grant date	Exercise price RM	Number of Share Options				At 31.01.2007	
		At 01.02.2006	Granted	Exercised	Lapsed		
October 2006	1.57	-	11,665,000	(11,665,000)	-	-	
		-	11,665,000	(11,665,000)	-	-	
					31.01.2007	31.01.2006	
Number of options vested at balance sheet date						-	-

notes to the financial statements (cont'd)

31 January 2007

14. SHARE CAPITAL (cont'd)

Details of shares options exercised during the year and the fair value, at exercise date, of ordinary shares issued are as follows:

Period Exercised	Exercise price RM	Fair value of Ordinary Shares RM	Number of Share Options	Consideration Received RM
2007				
February 2006 to January 2007	1.57	1.73 - 2.80	11,665,000	18,314,050
Less: Par value of ordinary shares				(11,665,000)
Share premium				<u>6,649,050</u>

15. RESERVES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Non-distributable:				
Share premium	20,503,921	2,848,971	20,503,921	2,848,971
Capital reserve (Note 26)	15,000	415,000	-	-
Distributable:				
Accumulated loss	(62,991,333)	(45,079,128)	(28,964,958)	(14,576,721)
	<u>(42,472,412)</u>	<u>(41,815,157)</u>	<u>(8,461,037)</u>	<u>(11,727,750)</u>

16. BORROWINGS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short Term Borrowings				
Secured:				
Bank overdrafts (Note 13)	2,747,580	3,115,812	1,188,021	1,438,401
Term loans	15,336,156	12,614,003	803,438	401,934
Hire purchase and lease payables (Note 17)	1,282,459	1,330,820	1,204,959	497,950
	<u>19,366,195</u>	<u>17,060,635</u>	<u>3,196,418</u>	<u>2,338,285</u>

notes to the financial statements (cont'd)

31 January 2007

16. BORROWINGS (cont'd)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Long Term Borrowings				
Secured:				
Term loans	29,310,983	36,606,912	2,645,195	3,439,520
Hire purchase and lease payables (Note 17)	253,389	3,404,815	190,893	885,483
	29,564,372	40,011,727	2,836,088	4,325,003
Total Borrowings				
Bank overdrafts (Note 13)	2,747,580	3,115,812	1,188,021	1,438,401
Term loans	44,647,139	49,220,915	3,448,633	3,841,454
Hire purchase and lease payables (Note 17)	1,535,848	4,735,635	1,395,852	1,383,433
	48,930,567	57,072,362	6,032,506	6,663,288
Maturity of borrowings (excluding hire purchase and finance lease):				
Within 1 year	18,083,736	15,729,815	1,991,459	1,840,335
More than 1 year and less than 2 years	7,852,924	7,836,387	420,994	379,181
More than 2 years and less than 5 years	14,845,794	21,173,801	1,562,370	2,119,523
5 years or more	6,612,265	7,596,724	661,831	940,816
	47,394,719	52,336,727	4,636,654	5,279,855

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	%	%	%	%
Bank overdrafts	8.3 - 8.8	8.5 - 9.5	8.3	8.3 - 8.9
Term loans	3.8 - 10.5	3.8 - 10.5	10.5	7.5 - 10.5

The bank overdrafts of the Group and of the Company are secured over the properties and shares owned by third parties and certain assets of the Group as disclosed in Note 3.

The term loans of the Company are secured by a first legal over the leasehold land and buildings of the Group as disclosed in Note 3.

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

- (i) First legal charge over leasehold land and buildings of the Group as disclosed in Note 3;
- (ii) Properties owned by a third party; and
- (iii) Deed of assignment of all rights, interest and benefits of contract signed in respect of prepaid lease rental as disclosed in Note 7.

notes to the financial statements (cont'd)

31 January 2007

17. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Minimum lease payments:				
Within 1 year	1,325,404	1,564,576	1,241,369	592,476
More than 1 year and less than 2 years	105,539	1,402,240	58,464	479,113
More than 2 years and less than 5 years	147,394	2,484,157	130,442	347,537
5 years or more	52,223	110,530	52,223	106,510
	1,630,560	5,561,503	1,482,498	1,525,636
Less: Future finance charges	(94,712)	(825,868)	(86,646)	(142,203)
Present value of finance lease liabilities	1,535,848	4,735,635	1,395,852	1,383,433

The hire purchase and finance lease payables of the Group bore interest of between 3.8% and 8.7% (2006–3.8% and 8.7%).

18. TRADE PAYABLES

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

19. OTHER PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Accruals	511,091	1,171,058	245,878	706,324
Deposits received	245,645	420,645	131,700	131,700
Sundry payables	1,887,243	5,684,318	1,243,718	1,290,327
Amount due to subsidiary companies	-	-	672,754	808,381
Amount due to related parties	-	1,025,168	-	991,778
	2,643,979	8,301,189	2,294,050	3,928,510

The amount due to the subsidiary companies and related parties are unsecured, interest-free and have no fixed terms of repayment.

notes to the financial statements (cont'd)

31 January 2007

20. REVENUE

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sales from fast food operations	7,586,552	21,339,167	-	-
Sales of machinery, spare parts and phone cards	-	1,067,366	-	-
Revenue from administrative, management and marketing services	1,330,622	452,211	-	111,650
Franchise fees	498,286	1,408,936	-	235,435
Rental income	161,070	99,295	-	-
	9,576,530	24,366,975	-	347,085

21. LOSS BEFORE TAXATION

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Allowance for doubtful debts	382,687	307,629	69,145	-
Allowance for doubtful debts written back	(1,040,713)	(7,383,585)	(60,000)	(2,858,361)
Amortisation of goodwill arising on consolidation	-	39,474	-	-
Amortisation of intangible assets	500,000	500,000	500,000	500,000
Amortisation of prepaid lease rental	1,072,635	1,430,180	-	-
Amortisation of investment properties	128,344	136,000	-	-
Audit fee				
- current year	152,500	175,000	36,000	36,000
- underprovision in prior year	500	-	-	-
Bad debts recovered	(210,557)	-	-	-
Bad debts written off	969,304	252,748	60,000	-
Depreciation	4,781,787	5,970,543	56,909	56,908
(Gain)/Loss on disposal of subsidiary companies	(52,871)	(2,334,536)	(395,000)	6,070,000
Goodwill written off	88,817	-	-	-
Interest expenses:				
- Hire purchase interest	336,866	136,657	-	-
- Overdraft interest	222,371	255,175	62,343	113,570
- Term loan interest	2,128,654	6,611,408	319,119	376,106
- Overprovision of term loan interest in prior year	(1,797,184)	-	-	-
- Late payment interest	-	123,476	-	-
Interest income	(179)	(8,096)	-	(5)
Loss on foreign exchange	1,848	5,327	1,144	1,718

notes to the financial statements (cont'd)

31 January 2007

21. LOSS BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
(Gain)/Loss on disposal of property, plant and equipment	(648,912)	976,053	-	(22,494)
Loss on disposal of investment properties	46,860	-	-	-
Loss on disposal of investment in associated company	4,062,010	-	7,149,000	-
Loss on impairment of property, plant and equipment	-	12,314	-	-
Non-executive Directors' remuneration	177,900	32,000	99,900	32,000
Property, plant and equipment written off	92,636	1,805,057	-	-
Rental income	(6,000)	(35,790)	-	-
Rental of premises	449,237	1,755,541	68,363	24,000
Staff costs (note 24)	7,960,678	5,899,775	5,479,593	931,552

22. TAXATION

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Income tax:				
Provision for the year	1,700	350	-	-
Underprovision in prior year	471	-	-	-
	2,171	350	-	-
Deferred tax:				
Overprovision in prior years	-	(4,000)	-	-
	-	(4,000)	-	-
Tax expense for the year	2,171	(3,650)	-	-

Income tax is calculated at the Malaysian statutory tax rate of 27% (2006- 28%) of the estimated assessable profit for the year.

notes to the financial statements (cont'd)

31 January 2007

22. TAXATION (cont'd)

A reconciliation of income tax expenses applicable to 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	
	2007 RM	2006 RM	2007 RM	2006 RM
Loss before taxation	(18,467,094)	(20,086,679)	(14,388,237)	(5,682,437)
Taxation at statutory tax rate of 27% (2006: 28%)	(4,986,115)	(5,624,270)	(3,884,824)	(1,591,083)
Effect of income subject to lower tax rate	-	(541)	-	-
Income not subject to tax	(422,159)	(1,438,465)	(106,650)	-
Expenses not deductible for tax purposes	4,435,977	3,074,164	3,838,477	1,591,083
Deferred tax assets not recognised on:				
- Unutilised capital allowances	(5,634)	36,938	-	-
- Unabsorbed tax losses	1,130,527	4,133,392	152,997	-
- Allowance for doubtful debts	-	86,136	-	-
Utilisation of previously unrecognised unabsorbed tax losses	(150,896)	(4,848)	-	-
Utilisation of previously unrecognised unutilised capital allowances	-	(261,849)	-	-
Deferred tax assets recognised on unutilised capital allowances	-	(307)	-	-
Overprovision in prior years:				
- Malaysian tax	471	-	-	-
- Deferred tax	-	(4,000)	-	-
Tax expense for the year	2,171	(3,650)	-	-

The Company has tax credit of approximately RM24,075 (2006–RM24,075) under Section 108 of the Income Tax Act, 1967 to frank payment of future dividends. This is subject to agreement by the Inland Revenue Board.

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Deferred tax assets have not been recognised in respect of the following items:				
Unabsorbed tax losses	22,747,000	24,452,000	8,580,000	12,493,000
Unutilised capital allowances	12,590,000	10,120,000	236,000	726,000
Allowance for doubtful debts	-	760,000	-	60,000

notes to the financial statements (cont'd)

31 January 2007

23. LOSS PER SHARE

(a) Basic:

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

	GROUP	
	2007	2006
	RM	RM
Net loss for the year	(18,312,205)	(20,020,863)
Weighted average number of ordinary shares in issue	98,075,781	90,104,000
Basic loss per share (sen)	(18.7)	(22.2)

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

24. STAFF COSTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Wages and salaries	1,998,778	5,126,161	84,662	862,268
Employees Provident Fund and SOCSO	207,626	512,815	26,313	54,447
Share-based compensation	5,365,900	-	5,365,900	-
Retrenchment expenses	331,338	-	-	-
Other staff related expenses	57,036	260,799	2,718	14,837
	7,960,678	5,899,775	5,479,593	931,552

Included in staff of the Group and of the Company are executive Directors' remuneration amounting to RM13,200 (2006-RM44,400) and NIL (2006-RM44,400) respectively as disclosed in Note 25.

The share-based compensation arose from the Company's adoption of FRS 2.

notes to the financial statements (cont'd)

31 January 2007

25. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors of the Company				
Executive:				
Fees	13,200	44,400	-	44,400
Salaries and other emoluments	-	-	-	-
Share-based compensation	611,800	-	611,800	-
	625,000	44,400	611,800	44,400
Non-Executive:				
Fees	177,900	32,000	99,900	32,000
Other Directors				
Non-Executive:				
Fees	-	-	-	-
Salaries and other emoluments	-	-	-	-
Share-based compensation	-	-	-	-
	-	-	-	-
Total	802,900	76,400	711,700	76,400

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

	Number of Directors	
	2007	2006
Executive Directors:		
Below RM50,000	5	1
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
Non-Executive Directors:		
Below RM50,000	1	1

26. CAPITAL RESERVES

This represent a surplus arising on revaluation of an investment.

notes to the financial statements (cont'd)

31 January 2007

27. COMMITMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Capital expenditure:				
Approved and contracted for				
- Land and buildings	-	10,571,000	-	-

28. CONTINGENT LIABILITIES

	COMPANY	
	2007 RM	2006 RM
Unsecured:		
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	44,869,000	44,869,000

29. RELATED PARTY TRANSACTIONS

Related party transactions comprise the following:

	GROUP	
	2007 RM	2006 RM
Transactions with an associated company		
- Sales of inventories	-	3,250
- Management fees received	-	12,000

	COMPANY	
	2007 RM	2006 RM
Transactions with subsidiary companies		
- Marketing and administrative fees received	-	27,450
- Interest received	-	103,114
- Rental of premises	-	65,120

The Directors are of the opinion that all the above transactions have been entered 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.



notes to the financial statements (cont'd)

31 January 2007

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

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

(b) Interest Rate Risk

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

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

(c) Liquidity Risk

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

(d) Credit Risk

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

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

(e) Fair Values

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

The carrying values of the other financial assets and liabilities as at 31 January 2007 are not materially different from the fair values.

notes to the financial statements (cont'd)

31 January 2007

31. SIGNIFICANT EVENTS DURING THE YEAR

- (a) On 10 April 2006, the Company disposed off 500,000 ordinary shares of RM1 each representing 100% equity interest in Vanilla Foods Centre Sdn. Bhd. for a total sales consideration of RM5,000.
- (b) On 26 May 2006, the Company entered into an agreement to dispose off 790,000 ordinary shares of RM1 each representing 49.7% equity interest in the associated company, Gayana Resort Bay Sdn. Bhd., for a net sales consideration of RM1.875 million.
- (c) On 11 August 2006, the Group entered into an agreement to dispose off an industrial land and building for a total sales consideration of RM8.7 million.
- (d) The Company implemented an Employee Share Option Scheme and a Private Placement exercise on 13 October 2006 and 26 October 2006 respectively.
- (e) On 27 October 2006, the Group acquired Borneo Oil (Thailand) Limited, a company incorporated in Wilayah Persekutuan, Labuan, through its wholly owned subsidiary company, Borneo Oil & Gas Corporation Sdn. Bhd. for a consideration of RM15,000.
- (f) On 2 November 2006, the Group, through its wholly owned sub-subdiary, Borneo Energy Sdn. Bhd., entered into service agreements to provide management and technical services relating to the oil, gas and energy related businesses.
- (g) On 14 December 2006, the Group acquired a shelf company, Borneo Oil (Indonesia) Limited, a company incorporated in Wilayah Persekutuan, Labuan, through its wholly owned subsidiary company, Borneo Oil & Gas Corporation Sdn. Bhd. for a consideration of RM8,500.
- (h) On 17 January 2007, the Group entered into a share sale and purchase agreement, through Borneo Oil (Indonesia) Limited, to acquire all the issued shares of Capitalrealm Enterprises Limited, a company incorporated in the British Virgin Islands, for a total cash purchase consideration of USD3,200,000 (RM11,360,000).

32. SUBSEQUENT EVENTS

- (a) The Securities Commission had on 16 May 2007 approved the Company's proposed Special Issue of up to 40,000,000 new ordinary shares of RM1 each and Rights Issue of up to 57,448,000 new warrants 2007/2017 on the basis of one new warrant for every three existing shares held after the proposed Special Issue.
- (b) On 23 May 2007, the Group entered into an agreement, through its wholly owned subsidiary, Sugar Bun Fast Food Centre Sdn. Bhd., for the sale of various equipments and other property, plant and equipment as contained in the outlets franchised to them for a total sale consideration of RM5 million.

33. CHANGE OF COMPANY NAME

The name of the Company has been changed from Sugar Bun Corporation Berhad to Borneo Oil Berhad on 11 January 2007.



notes to the financial statements (cont'd)

31 January 2007

34. MATERIAL LITIGATIONS

- (a) There is a pending legal suit against the Company and the Group by a finance company in respect of hire purchase facilities granted amounting to RM1,138,728. The Company is contesting it on grounds that the facilities were released to the supplier in a manner not consistent with the agreed delivery schedule, thus resulting in the Company unfairly being burdened with early hire purchase instalments. The Company also intends to seek a recourse against the supplier. However both parties had recently met to discuss an amicable solution to resolve the matter.
- (b) There is also a pending suit against the Company amounting to RM764,977 by a creditor in respect of a trade debt which was mutually agreed to be settled by way of a third party quoted shares valued at an agreed price per share as full and final settlement. The supplier has disposed off the said shares which resulted in them incurring a loss and they subsequently filed the claim against the Company to recover it. The Company is contesting it as the debt had already been fully settled and acknowledged.

35. SEGMENTAL INFORMATION

- (a) Business segments

The Group is organised into four major business segment:

Restaurant and franchising operations
General trading of machinery and spare parts, phone cards
Management and operations of resorts
Oil, gas and energy related businesses

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

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

notes to the financial statements (cont'd)

31 January 2007

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35. SEGMENTAL INFORMATION (cont'd)

	Restaurant and Franchising Operations		General Trading		Management and Operations of Resorts		Oil, Gas and Energy related businesses		Elimination		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
Revenue and Expenses												
Revenue												
External sales	8,084,838	22,748,103	-	1,067,366	1,491,692	551,506	-	-	-	-	9,576,530	24,366,975
Inter-segment sales	-	3,454,395	-	-	-	-	-	(3,454,395)	-	-	-	-
Total revenue	8,084,838	26,202,498	-	1,067,366	1,491,692	551,506	-	(3,454,395)	-	-	9,576,530	24,366,975
Results												
Segment results	(14,964,915)	(8,387,411)	(33,122)	1,659,525	(1,809,352)	(3,897,720)	(768,998)	-	-	-	(17,576,387)	(10,625,606)
Loss from operations												
Finance costs, net											(17,576,387)	(10,625,606)
Share of associate's results											(890,707)	(7,126,716)
Taxation											-	(2,334,357)
Loss after taxation											(2,171)	3,650
Minority interest											(18,469,265)	(20,083,029)
Loss for the year											157,060	62,166
											(18,312,205)	(20,020,863)
Assets and Liabilities												
Segment assets	59,994,731	28,775,695	24,928	19,970,499	61,914,868	65,764,860	419,662	-	-	-	122,354,189	114,511,054
Investment in equity method of associate	-	-	-	-	5,919,010	5,919,010	-	-	-	-	5,919,010	5,919,010
											128,273,199	120,430,064
											53,076,611	71,984,161
Segment liabilities	28,446,507	36,694,708	71,023	4,486,115	24,230,529	30,803,338	328,552	-	-	-	58,422,831	37,734,399
Other information												
Capital expenditure	19,474,277	19,474,277	19,474,277	5,966	19,474,277	18,254,156	32,336	-	-	-	4,781,787	5,970,543
Depreciation	3,461,088	3,523,112	3,209	1,048,384	1,285,154	1,399,047	-	-	-	-	1,572,635	1,969,654
Amortisation of goodwill, intangible assets and prepaid lease rental												
	1,572,635	1,969,654	-	-	-	-	-	-	-	-	1,572,635	1,969,654

list of properties

Particulars of the Group's Properties

The properties of the Group as at 31st January 2007 and their Net Book Values ("NBV") are indicated as follows:

Location	Description	Tenure	Land Area	Age of Building	NBV RM '000	Date of Acquisition
NT 013064812 Mansiang, Menggatal, Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	13.08 acres	Nil	2,646	3.7.2002
NT 013061768 Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	5.70 acres	Nil		
FR 014015706 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	23.15 acres	Nil		
NT 013068570 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	16.90 acres	Nil		
FR 014013462 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	15.00 acres	Nil		
NT 013096985 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	3.766 ha	Nil		
NT 013091202 Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	11.70 acres	Nil		
NT 013068954 Tombongon, Menggatal Kota Kinabalu, Sabah	Vacant land	Leasehold 30 years expiring on 2.7.2032	12.67 acres	Nil		
CL 115383929 Jalan Silam, Lahad Datu Sabah	Vacant Land	Leasehold 99 years expiring on 4.1.2058	47.59 acres	Nil	8,161	5.9.2003
CL015279099 Kg. Kiansom Kota Kinabalu, Sabah	Vacant Land	Leasehold 99 years expiring on 31.12.2059	22.15 acres	Nil	1,561	26.12.2002
CL 065284317 Kg. Kundasang, Ranau Sabah	Vacant Land	Leasehold 99 years expiring on 31.12.2062	23 acres	Nil	860	3.4.2003

list of properties (cont'd)

Particulars of the Group's Properties

The properties of the Group as at 31st January 2007 and their Net Book Values ("NBV") are indicated as follows:

Location	Description	Tenure	Land Area	Age of Building	NBV RM '000	Date of Acquisition
CL 015157052	3 units Double storey detached houses at Lot 1, 2 & 3, Lorong Pungguk Satu, Likas	Leasehold 99 years expiring on 15.7.2051	0.550 acres	7	4,263	29.3.2004
CL 015160102		Leasehold 99 years expiring on 26.1.2050	0.282 acres			
NT 013068589 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	6.75 acres	Nil	1,945	5.3.2003
NT 013067939 Kt. Togung Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	2.76 acres	Nil		
NT 013067742 Kg. Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	5.65 acres	Nil		
NT 013064821 Kg. Mansiang, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	3.89 acres	Nil		
NT 013067751 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	12.95 acres	Nil		
FR 014009057 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant land	Perpetuity	12.66 acres	Nil		
FR 014009066 Kg. Kokol, Menggatal Kota Kinabalu, Sabah	Vacant Land	Perpetuity	14.59 acres	Nil		
NT 013068043 Kg. Togung, Menggatal Kota Kinabalu, Sabah	Vacant Land	Perpetuity	2.65 acres	Nil		
NT 065313804 Kg. Kundasang, Ranau, Sabah	Vacant Land	Leasehold 99 years expiring on 31.12.2081	1.57 acres	Nil		

Statement of Shareholdings as at 8th June 2007

analysis of shareholdings

SIZE OF SHARE HOLDINGS	NO. OF SHARE HOLDERS	%	NO. OF SHARES	%
Less than 100	15	0.35	300	0.00
100 - 1,000	836	19.31	798,400	0.66
1,001 - 10,000	2,423	55.96	11,648,200	9.56
10,001 - 100,000	876	20.23	28,105,600	23.08
100,001 and below 5%	179	4.13	74,726,500	61.36
5% and above	1	0.02	6,514,000	5.34
TOTAL	4,330	100.00	121,793,000	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 8TH JUNE 2007

ITEM NO.	NAME	NO. OF SHARES	%
1.	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Coutts Bank Von Ernst Ltd)	6,514,000	5.35
2.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD (Pledged Securities Account for EFG Bank)	4,273,500	3.51
3.	WARISAN HARTA SABAH SDN BHD	3,215,000	2.64
4.	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD (Pledged Securities Account for Energy Resources Investments Limited)	3,100,000	2.55
5.	TAN SOH GEK	2,603,000	2.14
6.	BATU BARA RESOURCES CORPORATION SDN BHD	2,574,000	2.11
7.	TAN SIEW HONG	2,289,300	1.88
8.	AIBB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Yayasan Pok Dan Kassim)	2,000,000	1.64
9.	CITIGROUP NOMINEES (ASING) SDN BHD (Pledged Securities Account for Young Terrence)	1,824,000	1.50
10.	HDM NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Toh Pik Chai)	1,645,500	1.35
11.	CIMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Chancery Capital Ltd)	1,300,000	1.07
12.	OSK NOMINEES (ASING) SDN BHD (Pledged Securities Account for Yiu ay Kae Mavis)	1,272,000	1.04
13.	ECM LIBRA AVENUE NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Chai Bee Foon @ Chua Kuan Fung)	1,036,900	0.85
14.	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Kong Hwai Ming)	1,021,600	0.84
15.	CITIGROUP NOMINEES (ASING) SDN BHD (Pledged Securities Account for Tan Boy Tee)	1,000,000	0.82
16.	TEW BOO SING	981,000	0.81
17.	HDM NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Lo Ga Lung)	933,000	0.77

Statement of Shareholdings as at 8th June 2007 (cont'd)

analysis of shareholdings

LIST OF TOP 30 SHAREHOLDERS AS AT 8TH JUNE 2007 (cont'd)

ITEM NO.	NAME	NO. OF SHARES	%
18.	AMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Kong Hwa Ling)	865,000	0.71
19.	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Low Teng Hoon)	801,400	0.66
20.	CITIGROUP NOMINEES (ASING) SDN BHD (Pledged Securities Account for Sunnyvale Holdings Ltd)	787,700	0.65
21.	MAYBAN SECURITIES NOMINEES (ASING) SDN BHD (Pledged Securities Account for Tham Keng Chuen)	700,000	0.57
22.	HDM NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Sim Hui Leng)	684,000	0.56
23.	AIBB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Batu Bara Resources Corporation Sdn Bhd)	628,500	0.52
24.	AIBB NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Dasburan Sdn Bhd)	608,500	0.50
25.	KE-ZAN NOMINEES (ASING) SDN BHD (Pledged Securities Account for Gan Cheng Chan)	600,000	0.49
26.	LIEW CHEE WAI	600,000	0.49
27.	OSK NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Ravindran A/L Sivasubramaniam)	600,000	0.49
28.	HLG NOMINEE (ASING) SDN BHD (Pledged Securities Account for UOB Kay Hian Pte Ltd)	591,000	0.49
29.	KE-ZAN NOMINEES (ASING) SDN BHD (Pledged Securities Account for Chan Sing Pong @ Cheng Siew Fong)	590,000	0.48
30.	AMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Jennifer Chang Vui Li)	557,000	0.45
		46,195,900	37.93

SUBSTANTIAL SHAREHOLDERS AS AT 8 TH JUNE 2007

NAME	NO. OF SHARES HELD			
	DIRECT	%	INDIRECT	%
HSBC NOMINEES (ASING) SDN BHD	6,514,000	5.35	-	-



Statement of Warrant Holdings as at 8th June 2007

analysis of warrant holders

SIZE OF HOLDINGS	NO. OF WARRANT HOLDERS		NO. OF WARRANT	
		%		%
Less than 100	2	0.28	100	0.00
100 - 1,000	118	16.48	105,500	0.89
1,001 - 10,000	432	60.34	1,873,200	15.81
10,001 - 100,000	145	20.25	4,313,200	36.41
100,001 and below 5%	17	2.37	3,046,100	25.71
5% and above	2	0.28	2,509,100	21.18
TOTAL	716	100.00	11,847,200	100.00

LIST OF TOP 30 WARRANT HOLDERS AS AT 8TH JUNE 2007

ITEM NO.	NAME	NO. OF SHARES	%
1.	LOCK SOI NGEN @ LOCK SOI NGIN	1,831,000	15.46
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Ravindran Sivasubramaniam)	678,100	5.72
3.	MIDF SISMA NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Ravindran A/L Sivasubramaniam)	353,300	2.98
4.	U YONG DOONG @ U SUNG KWI	255,800	2.16
5.	CIMSEC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Jarsuma Investments Ltd)	240,000	2.03
6.	KOH GEOK YONG	215,700	1.82
7.	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Phuay Yong Hen)	200,000	1.69
8.	BATU BARA RESOURCES CORPORATION SDN BHD	194,000	1.64
9.	HSBC NOMINEES (ASING) SDN BHD (Pledged Securities Account for Hartlane Enterprises Inc)	184,000	1.55
10.	VINCENT YONG TUCK SENG	173,000	1.46
11.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Jerald Allen A/L Gomez)	166,000	1.40
12.	CHIAM LEE WAH	155,000	1.31
13.	SIM HUI LENG	144,000	1.22
14.	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Kundadak Ramesh Kudva)	140,000	1.18
15.	LIM PENG KOOI	136,000	1.15
16.	BHLB TRUSTEE BERHAD (Pledged Securities Account for EPF Investment)	135,300	1.14
17.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD (Pledged Securities Account for Yee Thian Soon)	132,000	1.11
18.	HDM NOMINEES (ASING) SDN BHD (Pledged Securities Account for Jerome Chua Chwee Meng)	112,000	0.95
19.	LEE SHENG PING	110,000	0.93

Statement of Warrant Holdings as at 8th June 2007 (cont'd)

analysis of warrant holders

LIST OF TOP 30 SHAREHOLDERS AS AT 8TH JUNE 2007 (cont'd)

ITEM NO. NAME	NO. OF SHARES	%
20. LAU KIM SENG	100,000	0.84
21. P DEIVENDRAN K PATHMANATHAN	82,200	0.69
22. LIM TEIK CHOON	80,000	0.68
23. S.L. SHARLINI A/P MARNICKAM	75,200	0.63
24. TAN LIM CHIN	75,000	0.63
25. SO TIAM HOK	73,000	0.62
26. TAN YIP POOI	71,000	0.60
27. CHUAH TEONG AUNG	70,000	0.59
28. PHUNG KIAN FAAT	70,000	0.59
29. WOO CHIEW LOONG	70,000	0.59
30. CHIA SONG PHUAN	68,000	0.57
	<u>6,389,600</u>	<u>53.93</u>

SUBSTANTIAL WARRANT HOLDERS AS AT 8TH. JUNE 2007

NAME	NO. OF SHARES	%
1. LOCK SOI NGEN @ LOCK SOI NGIN	1,831,000	15.46
2. CIMSEC NOMINEES (TEMPATAN) SDN BHD	<u>678,100</u>	<u>5.72</u>

BORNEO OIL BERHAD
(formerly known as Sugar Bun Corporation Berhad)
(Co. No. 121919-H)

FORM OF PROXY

Shareholding Represented by Proxy	
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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 23rd Annual General Meeting of the Company to be held on 31 July 2007, Tuesday 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 23rd Annual General Meeting.

No.	Ordinary Business	For	Against
1	To receive the Directors' Report and Audited Financial Statements for the financial year ended 31st. January 2007 together with the Auditors' Report thereon.		
2	To approve the Directors' fees for the financial year ended 31 st January 2007.		
3	To re-elect YB Dato' Suhaili Bin Abdul Rahman who retires as Director in accordance with Article 96 of the Articles of Association of the Company.		
4	To re-elect Encik Abd. Hamid Bin Ibrahim who retires as Director in accordance with Article 96 of the Articles of Association of the Company.		
5	To re-elect Mr. Teo Kiew Leong who retires as Director in accordance with Article 96 of the Articles of Association of the Company.		
6.	To re-appoint Messrs. Leou & Associates as Auditors of the Company until conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.		
7.	By way of special business to consider and if thought fit, pass the following resolution: <u>Ordinary Resolution</u> - Approval for the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with a cross (X) in the appropriate spaces how you wish your votes to be cast, if you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

Date:

Signature of First or Sole Shareholder or Common Seal

NOTES:

1. *A member of the Company entitled to attend and vote, is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting, provided that the provisions of Section 149(1)(c) of the Act are complied with. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his share holdings to be represented by each proxy.*
3. *The proxy form must be signed by the appointer or his attorney duly authorized in writing or in the case of a corporation, executed under its common seal or attorney duly authorized in that behalf.*
4. *All proxy forms must be deposited at the Registered Office of the Company at Level 9, Wisma Oceanic, Jalan OKK Awang Besar, 87007 Labuan F.T., not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.*

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Stamp/Setem

THE COMPANY SECRETARY
BORNEO OIL BERHAD
Level 9, Wisma Oceanic,
Jalan OKK Awang Besar,
87007, W.P. Labuan

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