Energy within Reach

REACH ENERGY

Annual Report 2020

ENERGY WITHIN REACH ENERGY

Globally, substantial oil and gas reserves still remain unreachable or untapped in mature hydrocarbon basins. Our tagline "Energy Within Reach" reflects Reach Energy's goal of rejuvenating brownfields and mature assets in these basins to economically access the remaining hydrocarbon reserves with new techniques and technologies.

CORPORATE STRATEGIES

- To build a strong base in the global upstream oil and gas value chain
- To establish an organisation of multidisciplinary teams with the right talent and capabilities to realise our Vision and Mission
- To access world-class expertise and resources
- To establish strategic alliances
- To develop a productive relationship with stakeholders
- To create a balanced Exploration and Production ("E&P") portfolio
- To manage risks effectively

VISION

REACH ENERGY aspires to be a leading independent Malaysian Oil & Gas Company

MISSION

REACH ENERGY aims to be a Global player in the Oil & Gas Industry to:

Grow upstream petroleum reserves

Deliver robust shareholder value

Increase oil and gas production

Develop strong technical base

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid
(Non-Independent Non-Executive Chairman)

Izlan Bin Izhab
(Senior Independent Non-Executive Director)

Nik Din Bin Nik Sulaiman
(Independent Non-Executive Director)

Dato' Jasmy Bin Ismail
(Independent Non-Executive Director)

Dato' Berikkazy Seksenbayev
(Independent Non-Executive Director)

Yerlan Issekeshev
(Independent Non-Executive Director)

Noor Lily Zuriati Binti Abdullah
(Independent Non-Executive Director)

Ku Azhar Bin Ku Akil
(Executive Director)

Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin
(Executive Director)

AUDIT COMMITTEE

Nik Din Bin Nik Sulaiman *(Chairman)*
Izlan Bin Izhab
Dato' Jasmy Bin Ismail

NOMINATION AND REMUNERATION COMMITTEE

Izlan Bin Izhab *(Chairman)*
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid
Nik Din Bin Nik Sulaiman

RISK MANAGEMENT COMMITTEE

Noor Lily Zuriati Binti Abdullah *(Chairman)*
Nik Din Bin Nik Sulaiman
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin

COMPANY SECRETARIES

Chen Bee Ling (MAICSA 7046517)
SSM PC No. 202008001623
Tan Lai Hong (MAICSA 7057707)
SSM PC No. 202008002309

REGISTERED OFFICE

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel No : (603) 7890 4800
Fax No : (603) 7890 4650

HEAD OFFICE

D3-5-8, Block D3, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel No : (603) 6412 3000
Fax No : (603) 6412 8005
Email : info@reachenergy.com.my
Website : www.reachenergy.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Registration No. 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7890 4700
Fax No : (603) 7890 4670

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur

PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
(Sector: Energy)

STOCK SHORT NAME AND CODE

REACH 5256 & 5256 WA

PROFILE OF BOARD OF DIRECTORS

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID

Non-Independent Non-Executive Chairman

Nationality	:	Malaysian
Age	:	61
Date of Appointment	:	23 January 2017
Tenure of Directorship	:	Four (4) years and four (4) months

MEMBERSHIP OF BOARD COMMITTEE:

- Nomination & Remuneration Committee
- Business/Finance Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Doctorate of Science (Honorary), University of Hertfordshire, Hatfield, England
- Master of Business Administration, California State University, Dominguez Hills
- Bachelor of Science in Civil Engineering, Northrop University, Los Angeles, California
- Bachelor of Science in Civil Engineering, University of Hertfordshire, Hatfield, England

WORK EXPERIENCE:

Tan Sri Dr. Azmil Khalili bin Dato' Khalid ("Tan Sri Dr. Azmil") began his career with Tarmac National Construction in the United Kingdom and upon his return to Malaysia worked for Trust International Insurance and Citibank NA. Later, Tan Sri Dr. Azmil joined the AlloyMTD Group where he held the position of General Manager of Corporate Planning before moving on to MTD Capital Bhd in 1993 and assumed the position of Group Managing Director in 1996. On 1 June 2009, he was re-designated as President and Chief Executive Officer. He concurrently held the same position in the listed subsidiary of MTD Capital Bhd, namely, MTD ACPI Engineering Berhad, and was also the Chairman of MTD Walkers PLC, a foreign subsidiary of MTD Capital Bhd listed on the Colombo Stock Exchange in the Republic of Sri Lanka. Tan Sri Dr. Azmil was the President and Chief Executive Officer of ANIH Berhad, a toll concession company. He is a Trustee of the Perdana Leadership Foundation, and Chairman of the Malaysia-Philippines Business Council (2014). Tan Sri Dr. Azmil also sits on the board of several private limited companies.

OTHER INFORMATION:

Tan Sri Dr. Azmil has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. Tan Sri Dr. Azmil is deemed a major shareholder of the Group and his interest is disclosed in the securities of the Group as set out in the Analysis of Shareholdings of this Annual Report. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended ten (10) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- UEM Sunrise Bhd
- UEM Edgenta Bhd

PROFILE OF BOARD OF DIRECTORS
(cont'd)

IZLAN BIN IZHAB
Senior Independent Non-Executive Director

Nationality	:	Malaysian
Age	:	76
Date of Appointment	:	1 July 2013
Tenure of Directorship	:	Seven (7) years and eleven (11) months

MEMBERSHIP OF BOARD COMMITTEE:

- Nomination & Remuneration Committee (Chairman)
- Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Laws, University of London, UK
- Advanced Management Program, University of Hawaii, USA

WORK EXPERIENCE:

Encik Izlan Bin Izhab ("Encik Izlan") started his career in 1973 as Assistant Legal Officer with Majlis Amanah Rakyat (MARA). From 1975 to 1978, he was the Company Secretary of Komplek Kewangan Malaysia Berhad. From 1978 to 1984, he was the Company Secretary of Permodalan Nasional Berhad. He spent the next 15 years from 1985 to 2000 with the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) as the Executive Vice President, Corporate and Legal Affairs until his retirement. He was responsible for company secretarial functions, legal advisory on capital market laws and regulations and conducted lectures on capital market laws and regulations. From 2004 until May 2013, he was a member of Bursa Malaysia Berhad Appeals Committee. From 2000 to date, Encik Izlan has served as Board director on various public-listed companies such as Malaysian Airports Holdings Berhad and Kenanga Investment Bank Berhad, where he served as Chairman from 7 February 2017 to 30 June 2020. Currently, Encik Izlan is an Executive Committee member at the Federation of Public Listed Companies Berhad.

OTHER INFORMATION:

Encik Izlan has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended ten (10) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Federation of Public Listed Companies Bhd

PROFILE OF BOARD OF DIRECTORS
(cont'd)

NIK DIN BIN NIK SULAIMAN
Independent Non-Executive Director

Nationality	:	Malaysian
Age	:	73
Date of Appointment	:	1 July 2013
Tenure of Directorship	:	Seven (7) years and eleven (11) months

MEMBERSHIP OF BOARD COMMITTEE:

- Audit Committee (Chairman)
- Risk Management Committee
- Nomination & Remuneration Committee
- Business/Finance Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- A member of the Malaysian Institute of Accountants ("MIA")
- Fellow member of the Association of Chartered Certified Accountants ("FCCA"), United Kingdom

WORK EXPERIENCE:

Encik Nik Din bin Nik Sulaiman ("Encik Nik Din") has more than 36 years' experience in the fields of accounting, auditing and finance. He started his career as an Accountant with Beecham Products (F.E.) Sdn. Bhd. in 1974 before leaving to join Pfizer Pte. Ltd. as Finance Manager. He was subsequently appointed as Group Financial Controller in Kumpulan Perangsang Selangor Berhad, an investment arm of Selangor State Government from 1978 to 1981. He also worked for Promet Berhad from 1982 to 1992 initially as its Financial Controller and later as Finance Director. He served in Sime Darby Group from 1992 to 2004 initially as Finance Director in the Malaysia Region, followed by Finance Director of Tractors Malaysia Holdings Berhad, a subsidiary of Sime Darby Berhad. He was also a director of Sime Bank Berhad. Subsequently, he was the Group Chief Internal Audit Manager and his last position was as Finance Director in Sime Engineering Berhad. He currently holds directorships in MTD ACPI Engineering Berhad, which is listed on Bursa Malaysia Securities Berhad, and MTD Capital Berhad.

OTHER INFORMATION:

Encik Nik Din has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended all eleven (11) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- MTD ACPI Engineering Berhad
- MTD Capital Berhad

PROFILE OF BOARD OF DIRECTORS
(cont'd)

DATO' JASMY BIN ISMAIL
Independent Non-Executive Director

Nationality	:	Malaysian
Age	:	57
Date of Appointment	:	3 September 2020
Tenure of Directorship	:	Eight (8) months

MEMBERSHIP OF BOARD COMMITTEE:

- Business/Finance Committee (Chairman)
- Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Master of Science (MSc) in Transport Management, City University, London
- Member, Chartered Institute of Logistics and Transport, United Kingdom

WORK EXPERIENCE:

Dato' Jasmy bin Ismail ("Dato Jasmy") started his career in 1988 with IBM Malaysia and held various positions within the Sales and Marketing Division, responsible mainly for the Public Sector and Financial Services Industries. Prior to leaving IBM Malaysia, he was the Administrative Assistant to the Chief Executive Officer.

In 1996, he joined CCAAP Technologies Sdn. Bhd. as its General Manager. Subsequently, he was appointed as the Executive Director of New Technology & Innovation Sdn. Bhd., responsible for its banking and finance businesses.

He was one of the co-founders of Symphony House Berhad which was listed on Bursa Malaysia in 2003. During this period, he was the Chief Executive of its Technology Division and also served as the Chairman of BCSIS Sdn. Bhd., a joint-venture company with OCBC Bank Singapore's subsidiary BCSIS and held the position until 2007.

He served as an Independent Non-Executive Director of Malaysia Building Society Berhad from 2009 until February 2018 and was the Chairman of the Nomination and Remuneration Committee and member of the Audit Committee.

Throughout his career of more than 30 years, Dato' Jasmy has participated in numerous private and public sector projects, forums and committees involved in information technology organised by various agencies and bodies such as the Implementation Coordination Unit of the Prime Minister's Department, LOFSA, Bursa Malaysia and Ministry of Women, Family and Social Development ("KPWKM").

Currently, Dato' Jasmy is a director of SGT International Sdn. Bhd., a private company involved in the information technology services. He is also the Chairman of Naza TTDI Sdn. Bhd. and Naza Automotive Group. He is presently the Independent Non-Executive Chairman of Symphony Life Berhad and an Independent Non-Executive Director of TSH Resources Berhad. He is an appointed Council Member of the Badminton Association of Malaysia and a Trustee of Yayasan Budi Penyayang.

OTHER INFORMATION:

Dato' Jasmy has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended four (4) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- TSH Resources Berhad
- Symphony Life Berhad

PROFILE OF BOARD OF DIRECTORS

(cont'd)

NOOR LILY ZURIATI BINTI ABDULLAH

Independent Non-Executive Director

Nationality	:	Malaysian
Age	:	63
Date of Appointment	:	3 September 2020
Tenure of Directorship	:	Eight (8) months

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee (Chairman)

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- LLB (Hons), University of London, United Kingdom
- Senior Leadership Programme, INSEAD
- Certified Legal Practitioner by Lembaga Kelayakan Profession Undang-Undang, Malaysia
- Licensed Company Secretary

WORK EXPERIENCE:

Puan Noor Lily Zuriati binti Abdullah ("Puan Noor Lily") has more than 27 years' experience in providing legal services, company secretary services and governance management. Additionally, she also has a total of 10 years' experience in managing corporate communications and stakeholders' engagement having worked in the Oil and Gas industry since 1991.

She began her career in 1985 as a Legal Officer, responsible for loan and security documentations with Bank Pertanian Malaysia Kuala Lumpur (now known as Agro Bank). From 1991 to 1992, she was a Legal Manager, Procurement, Tender & Contract at PETRONAS Holdings. She spent the next 9 years with Malaysia LNG Group of Companies as Senior Legal Manager & Company Secretary for the Group.

Puan Noor Lily joined PETRONAS Dagangan Bhd in 2002 as Senior Manager, Legal & Company Secretary. In 2008 to 2010, she was a Senior Manager of Legal & Corporate Affairs, Stakeholder Management and Communication in PETRONAS Int. Corp. Ltd., Egypt. She then returned to PETRONAS Holdings as its General Counsel/Head of Legal, Engineering, Technology & Intellectual Property in 2011 to 2014.

She was appointed as General Counsel/Head of Legal for the Group, Company Secretary for PETRONAS Chemical Group Bhd, and Non-Independent Non-Executive Director for the Group of subsidiaries from 2014 to May 2018.

OTHER INFORMATION:

Puan Noor Lily has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. She has not been convicted of any offence within the past five (5) years other than traffic offences, if any. She has attended five (5) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

YERLAN ISSEKESHEV
Independent Non-Executive Director

Nationality	:	Kazakh
Age	:	53
Date of Appointment	:	31 March 2021
Tenure of Directorship	:	Two (2) months

MEMBERSHIP OF BOARD COMMITTEE:

Nil

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- International Executive Master of Business Administration, Ecole des Hautes Etudes Commerciales (HEC), Paris, France
- Degree in Economics, Turan University, Almaty, Kazakhstan
- Diploma in Electrical Engineer, Alma-Ata Power Engineering Institute
- Certificate of Management of Power Generation Companies within Pool Arrangements in Liberalised Electricity Market, The Transeuropean Centre Limited, London and Oxford, United Kingdom

WORK EXPERIENCE:

Mr. Yerlan Issekeshev ("Mr. Yerlan") began his career in 1992 as a Complete Equipment Engineer with Kazakhgaz Holding Company. Between 1993 to 2000, he joined Karagandy Power L.L.P., Atyrau Petrochemical Plant and other commercial entities in Karaganda, Atyrau, Astana holding Executive positions.

In 2000, Mr. Yerlan joined Astana Energoservis OJSC as its Deputy Director. He then moved on to Karagandy Zhylu L.L.P. as Director General, Commercial Director from 2002 until 2007. Subsequently, he was appointed as the Deputy Utilities Akim in the Akimat of Karaganda region for two years. He later joined Falah Partners Investment Fund as its Managing Partner from 2009 until 2011. Concurrently in 2009, he was appointed as Independent Director in Samruk-Energy JSC until 2012. Since then, Mr. Yerlan has been the Chairman of ISS Corporation. He has also been serving on the Board of Directors of Transtelecom JSC as Independent Director since 2016.

OTHER INFORMATION:

Mr. Yerlan has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

DATO' BERIKKAZY SEKSENBAYEV
Independent Non-Executive Director

Nationality	:	Kazakh
Age	:	54
Date of Appointment	:	31 March 2021
Tenure of Directorship	:	Two (2) months

MEMBERSHIP OF BOARD COMMITTEE:

Nil

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Sports Studies, Kazakh Institute of Physical Culture and Sports and the Republican School of Higher Sportsmanship

WORK EXPERIENCE:

Dato' Berikkazy Seksenbayev ("Dato' Berikkazy") joined the civil service in 2000 as Deputy General Director of Republican State Enterprise ("RSE") in Astana. After a short stint, he was appointed as the General Director of RSE. One and a half years later, he was appointed as Deputy Chairman of the Agency for State Material Reserves of the Republic of Kazakhstan, and later the First Deputy Chairman of the Agency for State Material Reserves of the Ministry of Emergency Situations of the Republic of Kazakhstan in November 2014.

In December 2013, Dato' Berikkazy works as Chairman of Becker & Co. L.L.P., a position he continues to hold until today. Becker & Co. L.L.P. is involved in the production and sale of meat products, frozen semi-finished products, bakery, confectionery and culinary products, beer, restaurant services, and organisation of its own retail network, which now comprises 19 supermarkets and 25 branded shops in Almaty and Astana. Becker & Co. L.L.P. became one of 32 companies selected under the state program "Leaders of Competitiveness – National Champions".

Dato' Berikkazy has been the Chairman of Saryarka-Energy L.L.P. which is involved in the coal mining industry since June 2015. He was awarded the Miner's Glory Medal (the 1st Degree) and the Medal of Honorary worker of the coal industry in 2015 and 2017 respectively. He was also awarded medals in honour of the Republic of Kazakhstan's Ministry of Internal Affairs' 25th Anniversary and border service of the National Security Committee of the Republic of Kazakhstan, as well as the prestigious governmental award – the Order of Kurmet.

OTHER INFORMATION:

Dato' Berikkazy has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

Y.M. TUNKU DATUK NOORUDDIN BIN TUNKU DATO' SRI SHAHABUDDIN
Executive Director

Nationality	:	Malaysian
Age	:	57
Date of Appointment	:	11 August 2017
Tenure of Directorship	:	Three (3) years and nine (9) months

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- O & A Level (Oxbridge) Cheltenham College, Gloucestershire, England (1979).
- B.Sc (Business Administration) United States International University (USIU, now renamed as Alliant University), San Diego, USA (London Campus) (1986)

WORK EXPERIENCE:

Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin ("Y.M. Tunku Datuk Nooruddin") was educated in the United Kingdom. He held positions in and represented companies involved in the Oil & Gas industries including Esso Malaysia Berhad - Downstream (Exxon Mobil) where he was responsible for Refinery products distribution and Government National Accounts. He was the Executive Director of Baker Hughes INTEQ ("BHI") plus other Baker Hughes Group of Companies in Malaysia involved in Upstream O&G Exploration and Development Activities. His primary responsibilities were to secure supply of goods and services to O&G Operators locally and international participants in Malaysia. As a PSC licensed service provider to Petronas, its international activities would include BHI Malaysia's participation.

As a director of Alfa Meli Sdn Bhd, which is a supplier of O&G equipment, he was involved in the marketing and promotion of its products and services.

He has acquired extensive business experience from more than a decade long career in advisory capacity in international trade representing companies such as Avaria International FZE (UAE), Jotun Paints (Malaysia), Al Madina LLC (Oman), SCS Computer Systems Sdn Bhd, Electrolux (Malaysia), Tideway-Dredging International (Malaysia), Yoshida BM Japan, Paylink Global Sdn Bhd (e-payment platforms), Japan Halal Promotion Association, Malene Insurance Brokers, ERM Property Management, R Zain Associates (Consultant Civil & Structural Engineers), Singapore Precious Metals Exchange (SGPMX Malaysia), and others in South East Asia, UAE, Oman and Kazakhstan.

Y.M. Tunku Datuk Nooruddin has been appointed as Honorary Consul for the Republic Of Kazakhstan (East Coast Region of Malaysia) since June 2014.

Y.M. Tunku Datuk Nooruddin has been appointed as Pro Chancellor for University Sultan Zainal Abidin (UNiSZA) of the state Terengganu since September 2020.

OTHER INFORMATION:

Y.M. Tunku Datuk Nooruddin has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended ten (10) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

KU AZHAR BIN KU AKIL
Executive Director

Nationality	:	Malaysian
Age	:	56
Date of Appointment	:	4 May 2020
Tenure of Directorship	:	One (1) year

MEMBERSHIP OF BOARD COMMITTEE:

Nil

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Science in Chemical Engineering, University of Missouri-Rolla, USA, Summa Cum Laude (1987)

WORK EXPERIENCE:

Encik Ku Azhar bin Ku Akil ("Encik Ku Azhar") has more than 30 years' experience in the upstream oil and gas business, and has worked in various technical and managerial roles associated with the assessment, development and operations of the oil and gas fields. He has a broad and diverse experience having covered operations in onshore, shallow-water and deep-water environment; inside and outside Malaysia. Encik Ku Azhar spent 15 years with Esso, 10 years with Murphy Oil and more than six years with Sapura Energy Berhad.

Encik Ku Azhar started his career as a Reservoir Engineer with Esso Production Malaysia Inc. ("EPMI") in 1988, and has since worked in key areas such as sub-surface engineering, corporate planning, front end engineering, project coordination, project costing and scheduling, and facilities engineering. He was also part of PETRONAS CORAL initiative as a full-time member, representing EPMI. He then moved on to work with Murphy Oil as Project Services Manager and subsequently promoted as Development Manager for Murphy's shallow water fields and then as Project Manager for one of its deep-water fields.

Encik Ku Azhar joined Sapura Energy in 2013 as Vice President, Technical Support and Services as part of Sapura's ventures to become E&P operator and was instrumental in the successful acquisition of Newfield Malaysia operations. He was also the Director of Sapura Energy's joint-venture operations in Uzbekistan. His last position with Sapura Energy was Vice President, Performance and Planning.

OTHER INFORMATION:

Encik Ku Azhar has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended nine (9) Board meetings held during the financial year ended 31 December 2020.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF KEY SENIOR MANAGEMENT PERSONNEL

TAN SIEW CHAING ("MS. TAN")

Interim Chief Executive Officer, Reach Energy Berhad
53, Female, Malaysian

Academic/Professional Qualification(s):

- Member of the Malaysian Institute of Accountants ("MIA")
- Member of the Chartered Institute of Management Accountants ("CIMA"), United Kingdom

Working Experiences:

- Ms. Tan has more than 28 years of experience in the management of large group of companies with diverse businesses in Malaysia and oversea countries. Her specialty areas include Group reporting, treasury management and budgeting, corporate finance, tax planning and risk management, investment evaluation, business strategies, merger and acquisition, and operation management. Her experience covers various industries such as concession business, real estate, construction, manufacturing and oil and gas services.

- She formerly worked with conglomerate AlloyMtd Group of companies and Syarikat Bekalan Air Selangor Sdn. Bhd.

- She started as a Financial Controller of AlloyMtd in 2007 before moving up the ranks as a Senior Vice President and later was promoted to the position of Executive Vice President, Head of Finance and Treasury of AlloyMtd Group. She was a member of the Management Committee of AlloyMtD Group and holds directorship in local and oversea companies.

Y.M. TUNKU DATUK NOORUDDIN BIN TUNKU DATO' SRI SHAHABUDDIN ("YM TUNKU DATUK NOORUDDIN")

Executive Director - Country Director
57, Male, Malaysian

Academic/Professional Qualification(s):

- O & A Level (Oxbridge) Cheltenham College, Gloucestershire, England (1979).
- Bachelor of Science in Business Administration, United States International University (USIU, now renamed as Alliant University), San Diego, USA. London Campus (1986)

Working Experiences:

- YM Tunku Nooruddin has held positions in and represented companies involved in the Oil & Gas industries including Esso Malaysia Berhad – Downstream (Exxon Mobil) where he was responsible for Refinery products distribution and Government National Accounts.

- He was the Executive Director of Baker Hughes INTEQ ("BHI") as well as other Baker Hughes Group of Companies in Malaysia involved in Upstream O&G Exploration and Development Activities. His primary responsibilities were to secure supply of goods and services to O&G Operators locally and international participants in Malaysia. As a PSC licensed service provider to Petronas, its international activities would include BHI Malaysia's participation.

- He has acquired extensive business experience from more than a decade long career in advisory capacity in international trade representing companies such as Avaria International FZE (UAE), Jotun Paints (Malaysia), Al Madina LLC (Oman), SCS Computer Systems Sdn Bhd, Electrolux (Malaysia), Tideway-Dredging International (Malaysia), Yoshida BM Japan, Paylink Global Sdn Bhd (e-payment platforms), Japan Halal Promotion Association, Malene Insurance Brokers, ERM Property Management, R Zain Associates (Consultant Civil & Structural Engineers), Singapore Precious Metals Exchange (SGPMX Malaysia), and others in South East Asia, UAE, Oman and Kazakhstan.

PROFILE OF KEY SENIOR MANAGEMENT PERSONNEL
(cont'd)

KU AZHAR BIN KU AKIL ("KU AZHAR")

Executive Director, Technical
56, Male, Malaysian

Academic/Professional Qualification(s):

- Bachelor of Science in Chemical Engineering, University of Missouri-Rolla, USA, Summa Cum Laude (1987)

Working Experiences:

- Encik Ku Azhar has more than 30 years' experience in the upstream oil and gas business, and has worked in various technical and managerial roles associated with the assessment, development and operations of the oil and gas fields.

- He has broad and diverse experience having covered operations in onshore, shallow-water and deep-water environment, inside and outside Malaysia. Encik Ku Azhar's lengthy career included 15 years spent with Esso, 10 years with Murphy Oil and more than six years with Sapura Energy Berhad.

- His tenure in Sapura Energy as its Vice President of Technical Support and Services helped Sapura Energy's venture into becoming a fields' operator. He was also instrumental in the successful acquisition of Newfield Malaysia operations. He was also the Director of Sapura Energy's joint-venture operations in Uzbekistan. His last position with Sapura Energy was Vice President of Performance and Planning.

SHARON LING SHIAU RUENN ("SHARON")

Finance Manager
45, Female, Malaysian

Academic/Professional Qualification(s):

- Bachelor of Arts in Accounting and Administration, University of Strathclyde, Glasgow, United Kingdom
- Fellow Member of Association of Chartered Certified Accountants ("FCCA"), United Kingdom
- Member of Malaysia Institute of Accountants ("MIA")

Working Experiences:

- Sharon has accumulated over 20 years of experience in the accounting field.

- She started her career in the Finance Department of one of the Big 4 audit firms where she was responsible for financial and management reporting, financial analysis, cash management and finalisation of financial statements as well as tax reporting.

- She then progressed to the Corporate Services Department in the same company where she provided secondment services to clients and assisted in managing a team of accounting specialists providing monthly services to a wide array of clients from various industries. These services included day-to-day operation, preparation of monthly management reports, financial statements and analysis, cash flow statement, financial projection, management reporting, annual financial statements preparation and analysis as well as providing advices to clients on accounting matter to ensure legal and regulatory compliance with all financial and accounting reporting as imposed by all relevant regulatory bodies.

PROFILE OF KEY SENIOR MANAGEMENT PERSONNEL
(cont'd)

IBNI HAJAR BT OMAR ("PUAN IBNI")
Human Resources & Administration Manager
52, Female, Malaysian

Academic/Professional Qualification(s):

- Master of Business Administration (MBA), Universiti Utara Malaysia, Sintok (2010)

Working Experiences:

- Puan Ibni has 25 years of experience in human resources and administration including five years in the oil and gas industry.
- Her responsibilities include all human resources and administration matters, including recruitment and selection, payroll administration, performance management, compensation and benefits, training and development, employee relations, succession planning and staff induction.
- She also has accumulated experience in supporting Finance and IT Departments on annual budgeting auditing.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Reach Energy Berhad ("Reach Energy" or the "Group"), I am pleased to present the Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2020 ("FYE 2020").

2020 AT A GLANCE

In 2020, the global economy was impacted by a major headwind, the COVID-19 pandemic outbreak, whose continued effects are having a profound impact on the way we live our lives, and how we conduct our business. The oil and gas industry, like most industries, has of course been affected by this crisis partly by the pandemic and another by the continuing Saudi Arabia-Russia price war as a result of the collapse of the OPEC+ agreement. Energy producers throughout the world are still dealing with the repercussion of dramatic demand destruction that sent the oil price tumbling to USD19 per barrel in March.

Many, just like us, have had to rethink our business plans and in many cases, have been forced to make fundamental changes to our operations to cope with this new reality. With this sobering backdrop, we are proud to inform that the Group had recorded a few accomplishments in 2020 which included the securement of production contracts for our North Kariman and Yessen fields for 16 years and 25 years respectively, commencing from year 2020. On top of that, we also successfully extended our Exploration Contract for three years until 31 December 2022, which consists of eight Exploration Projects which we optimistically believe will contribute to our reserves in the near future. These accomplishments as well as our intent to focus on oil and gas exploration and development while increasing our reserves and production are a testament to our resolve to steer the Group back to profitability.

CHAIRMAN'S STATEMENT
(cont'd)

OUR FINANCIAL PERFORMANCE

For the Financial Year Ended 31 December 2020, Reach Energy Berhad recorded a revenue of RM79.54 million (FYE 2019: RM170.81 million) from our Oil & Gas activities, a decrease of RM91.27 million or 53% from the previous year. The Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the Group was recorded at negative RM125.40 million (FYE 2019: negative RM34.94 million) in the year under review. The higher negative EBITDA was a result of lower revenue and higher impairment of asset. Meanwhile, we recorded a Net Asset Per Share of RM0.44 (FYE 2019: RM0.63).

COMPANY OUTLOOK

After several tumultuous years, 2021 will signal the beginning of change in the Group. In accordance with this, the Group will embark on a four-phase Turnaround Plan spanning over five years until 2025. In line with this, the Group has analysed our business and operations, identified the problems afflicting our operations, and formulated a strategy which will include Rebuilding, Transformation, Growth and Expansion. During the five years, a range of plans will be put in motion with the Board and the Key Management playing a key role in the oversight and implementation of the Turnaround Plan from start to finish.

As a Group, we are thoroughly optimistic that the Turnaround Plan, combined with other future plans such as the ongoing growth of our reserves base, increasing production volume via the drilling of new wells and improving export quota, will rejuvenate and ultimately create sustainability in the long run.

We will continue our efforts to secure more financing facilities to enable us to leverage on the Balance Sheet more efficiently as we grow the Group.

As we work on turning the Group around, we continue to navigate challenges such as the COVID-19 pandemic, further headwinds threatening the global economies as well as the volatile international oil price. Despite these uncertainties, I would like to assure all our shareholders that Reach Energy is making every effort to carry out our business in the most efficient manner. To that end, we will closely monitor changes in the external environment and the movement of international oil prices, implement more stringent cost controls and more prudent investment decisions, strengthen cash flow management, overcome the impact of the pandemic and maintain the Group's long-term sustainable development.

As we embark on our new journey, we vow to forge ahead despite all obstacles, make every effort to transform the Group into a world-class energy company and ultimately taking it to a new level.

APPRECIATION

On behalf of the Board, I would like to welcome the redesignation of Ms. Tan Siew Chaing as the Group's Interim CEO and would also like to extend my gratitude to my fellow Board members for their continued wisdom, guidance and support in navigating the challenging year that was 2020.

On behalf of the Group, I would also like to extend a warm welcome to our new Board members, Dato' Jasmy bin Ismail, Pn. Noor Lily Zuriati binti Abdullah, Mr. Yerlan Issekeshev and Dato Berikkazy Seksenbayev as Independent Non-Executive Directors. The appointments have indeed further enhanced the Board's experience and diversity, increasing our ability to make better decisions in the Group's best interest.

Second, to the authorities, our customers, vendors, advisors and our shareholders – a big thank you for your unwavering support and we look forward to a better relationship in the near future.

Last but not least, I would like to extend my gratitude to our Management Team and employees who have shown incredible support and pledge to the growth of the Group. 2021 will be a challenging one and I have no doubt that all of you will play an important role in helping us move forward and achieve our various milestones along the way.

Tan Sri Dr. Azmil Khalili bin Dato' Khalid
Chairman

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS

Dear Shareholders,

Throughout 2020, the world was rattled with the outbreak of the COVID-19 pandemic. From the very outset of the pandemic, it was crystal clear that the oil and gas industry would be significantly affected worldwide. The unfortunate chain reaction of events – the drastic measures taken worldwide to mitigate the spread of COVID-19 - alongside market reactions have created a new reality in the oil and gas industry to which all players must become accustomed. This also led to an unprecedented drop in the demand for oil and a corresponding catastrophic collapse in prices.

While crude oil prices have recovered albeit slightly, with Brent crude hovering around USD50 in January 2021 and gradually increasing to above USD60 in April 2021, the sustainability of its price remains a concern. However, the oil and gas industry is hopeful that with the development and implementation of the COVID-19 vaccines, the oil market and economies will recover in 2021.

In order to provide shareholders with an overview of the business operations of Reach Energy Berhad ("Reach Energy" or "the Group"), the financial review of 2020 and the Group's expectations of the business going into 2021, we have prepared the CEO's Report and Management's Discussion & Analysis ("MD&A") statement for your perusal.

TAN SIEW CHAING
Interim Chief Executive Officer

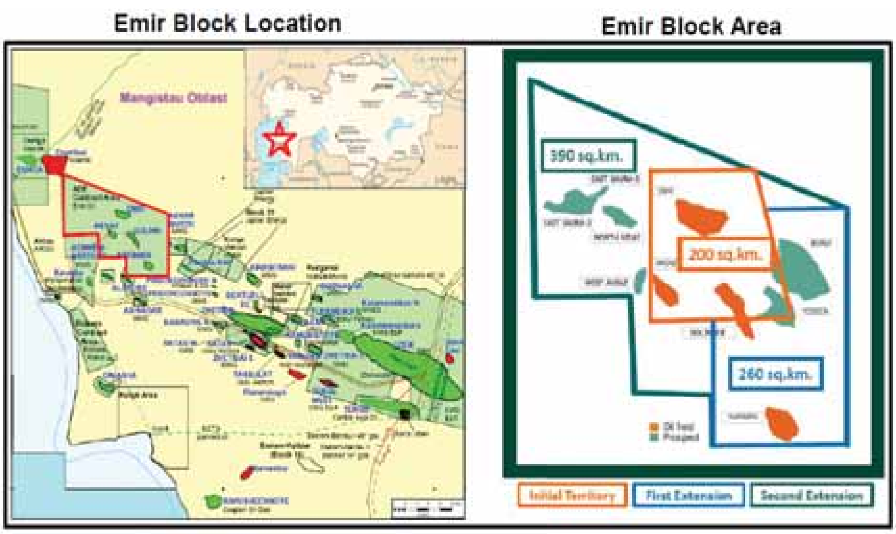
OVERVIEW OF OUR BUSINESS AND OPERATIONS

In November 2016, Reach Energy completed the acquisition of a 60% equity interest in Palaeontol B.V. ("PBV") from MIE Holdings Corporation ("MIEH") for USD175.9 million, with Reach Energy reclassified shortly thereafter from a SPAC to the Energy sector of Bursa Malaysia. Palaeontol B.V. is an investment holding company and is the sole interest holder of Emir-Oil LLP ("Emir-Oil") which holds the entire subsoil use rights (100% working interest) in the Emir-Oil Concession Block in Kazakhstan.

The Emir-Oil Concession Block is located onshore in the Mangystau Oblast (situated in the southwestern region of Kazakhstan), about 40 km northeast of the City of Aktau which is Kazakhstan's largest sea-port on the Caspian Sea coast. The Emir-Oil Concession Block has a total contract area of approximately 850.3 km^2.

The Emir-Oil Concession Block location and area are shown in Figure 1 below.

Figure 1: Emir-Oil Concession Block Location and Area



CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

A summary of the components of the Emir-Oil Concession Block is as follows:

Fiscal System		Concession					
Type of Field		Commencement Date	Production Commencement Year	Type of Contract	Remaining Contract Period (years)	Expiry Date	Area (km²)
Producing Fields							
Kariman	Oil	9 Sep 2011	2011	Production Contract	16	31 Dec 2036	12.24
Dolinnoe	Oil	9 Sep 2011	2011	Production Contract	16	31 Dec 2036	18.24
Aksaz	Light Oil	9 Sep 2011	2011	Production Contract	16	31 Dec 2036	11.48
Emir	Oil	1 Mar 2013	2013	Production Contract	9	1 Dec 2029	3.53
North Kariman	Oil	5 Jan 2020	2020	Production Contract	16	31 Dec 2036	4.55
Yessen	Oil	5 Jan 2020	2020	Production Contract	24	31 Dec 2044	6.69
Exploration Area	-	5 Jan 2020	-	Exploration Contract #482	2	31 Dec 2022	791.01
Total Acreage							**847.74**

The Emir-Oil Concession Block consists of several discovered oil fields and prospects. The area includes six production contract areas, namely Kariman, Dolinnoe, Aksaz, Emir, North Kariman and Yessen. The discovered fields in the area are Emir, Kariman, North Kariman, Dolinnoe, Aksaz, Borly and Yessen while several prospects which are Begesh, East Saura, Aidai, North Aidai, Tanirbergen, Kariman Extension, Emir Extension, Aksaz Extension, Dolinnoe Extension, and Emir (Downdip) have been identified from various studies conducted by Emir-Oil. Figures 2 and 3 below illustrate the approved production contract areas, discoveries and prospects within the Emir-Oil Concession Block.

Emir-Oil has successfully obtained Production Contracts for the North Kariman and Yessen fields, which would allow for commercial production of oil and gas from these fields to commence for a period of 17 years and 26 years respectively starting from 1 January 2020. This coincides with Emir-Oil's Master Development Plan to integrate the Kariman and North Kariman fields as one large hydrocarbon bearing structure in the near future. The Group plans to exploit these new commercial fields with best-in-class operation and reservoir management practices.

As our Exploration Contract-482 period expired on 9 January 2020, the Group had successfully obtained a three-year extension to the 791.01 km² Exploration Contract from the Ministry of Energy of Kazakhstan ("MOE") until 31 December 2022.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

Figure 2: Emir-Oil Concession Block with Approved Production Contract Areas

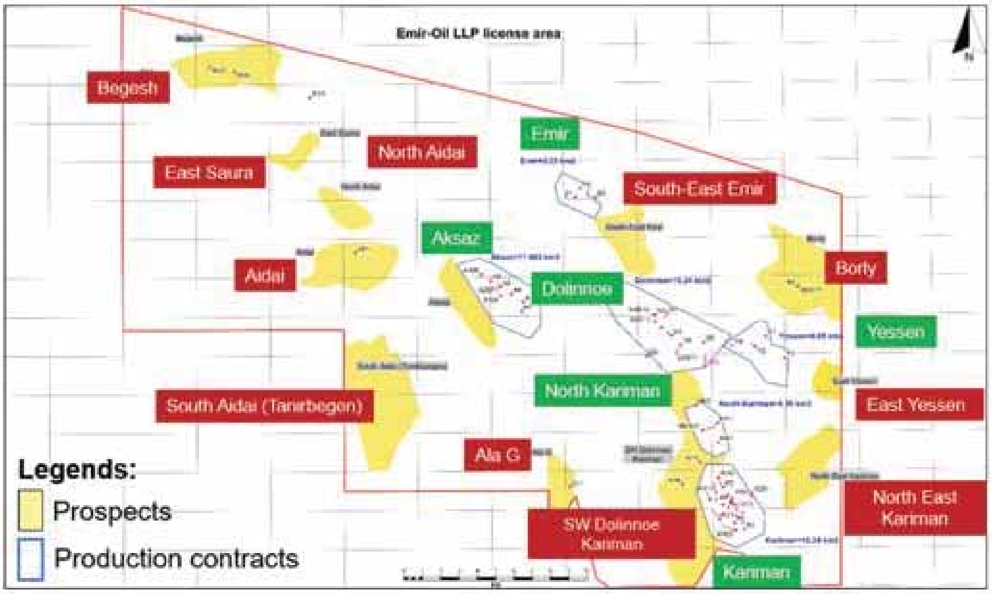
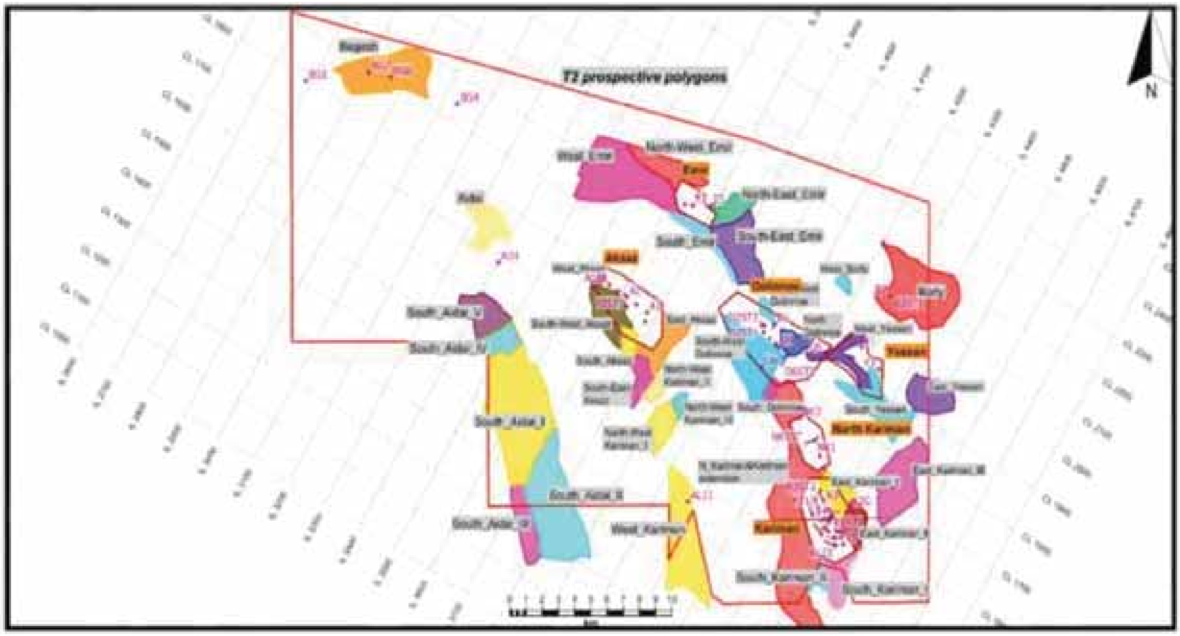


Figure 3: Discoveries and Prospects in Emir-Oil Concession Block



The near-term focus of the Group is exploitation of the 1P and 2P reserves, although there are plans to assess and exploit the potentially material upside in the medium-term through studying seismic interpretations, appraising undrilled structures, developing shallower horizons, exploiting unperforated intervals and side-tracking old wells.

Currently, there are six producing fields namely Aksaz, Dolinnoe, Emir, Kariman, North Kariman and Yessen. As of December 2020, we have maintained 20 producing wells with plans to drill more wells in FYE 2021.

The Aksaz gas-condensate field was discovered in 1995 and began production in 2005. A total of seven wells have been drilled in the field, of which five are producing and two are shut-in. Current production is approximately 57 bopd of condensate, and the cumulative condensate production as of 31 December 2020 is 1.11 million barrels ("MMBbl").

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

The Dolinnoe field was discovered in 1994 and began production in 2004. A total of 11 wells have been drilled in the field, with five wells producing and six suspended. Current production is approximately 262 bopd, and the cumulative oil production as of 31 December 2020 is 2.7 MMBbl.

The Emir oil field was discovered in 1996 and put into production in 2004. Four wells have been drilled, with one producing intermittently in 2020. The cumulative oil production as of 31 December 2020 is 0.03 MMBbl.

The Kariman oil field was discovered in 2006 and began production in March 2007. The Kariman field, the largest in size, is the main contributor towards production. A total of 28 wells have been drilled in the field of which 13 are currently in production and 15 are shut-in. Current production is approximately 1,620 bopd, and the cumulative oil production as of 31 December 2020 is 11.66 MMBbl.

Meanwhile, the Yessen oil field has produced about 0.08 MMBbl.

The cumulative oil production from Emir-Oil Concession Block in the field was 15.58 MMBbl by 31 December 2020, with the Kariman and Dolinnoe fields being the biggest contributors to the overall recovery.

In an effort to improve oil recovery, we are also taking measures through active workover program and gas injection, which is also an alternative to maintain the reservoir pressure in the Kariman field. The gas injection initiative will commence in 2021 with wells to be tested in 2022 and 2024. Emir-Oil has scheduled a five-year plan for workover and exploration activities on selected wells which also includes our target to commercialise K15 and K16 in 2023 by obtaining a license after well testing from the MOE to convert the exploration wells into production.

Crude oil is processed in Dolinnoe and then trucked to the nearby oil terminal, Ansagan Oil Terminal, before being pumped into a state-owned oil trunk-line. Reach Energy is required to allocate up to 30% of annual production to the domestic Kazakhstan market. However, as export sales is more profitable than domestic, Emir-Oil continues to strive to get more export quota every month from the MOE.

Gas, meanwhile, is sold via an existing gas pipeline to state-owned KazTransGas JSC ("KTG").

OUR PLANS AND PROSPECTS

The oil and gas outlook for this year is expected to remain challenging, due to the volatility in the global and domestic markets. In this respect, Reach Energy together with our major sub-subsidiary, Emir-Oil has developed the Emir-Oil Turnaround Plan ("EOTP") aimed at steering the Group back to profitability. The EOTP comprises four phases which are Rebuilding, Transformation, Growth and Expansion and will be overseen and led by the Key Senior Management Team with the Board of Directors' support and guidance.

For a start, we will be focusing on the first two phases which are the Rebuilding phase and the Transformation phase which will begin in 2021. The Rebuilding phase will involve an organisational restructuring to streamline the key function which will embolden our operational performance in the long run. We will also be embarking on process improvement to eliminate weak points and improve operational efficiency.

Emir-Oil is committed to resolve all gas violation issues by 2022 through a two-phase program, the short-term and long term. The short-term phase is a quick-fix solution to enable operations within the stipulated guidelines while the long-term phase involves a comprehensive modernisation work of the entire facilities. To recap, the Group's sub-subsidiary had received a penalty of 2,917,000 KZT (approximately RM27,780) and a two-month suspension of operations which commenced on 12 February 2021 as a result of an audit conducted by the MOE. Emir-Oil resumed operations on 13 April 2021.

Meanwhile, our planned workover program will focus on maintaining current production level mainly through electrical pumps replacement, reperforation and rejuvenation of idle wells. To take production to a higher level, Emir-Oil needs to drill new wells and install the gas injection program for reservoir pressure maintenance purposes. The gas injection program is divided into two phases with Phase 1 being a pilot project to inject gas through one of the Kariman wells. Both drilling of new wells and Phase 1 of the gas injection program is targeted to commence in the second half of 2021.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

Simultaneously, the Transformation phase of our EOTP will involve several initiatives such as the drilling of four new wells as well as the management of idle wells in 2021 as part of our enhanced oil recovery initiative. As of FYE 31 December 2020, Emir-Oil's reserves base stands at 66 million barrels of oil equivalent ("MMboe") as reported by Gaffney, Cline & Associates (Consultants) Pte. Ltd. ("GCA"). To capture these reserves, 31 new development wells are required to be drilled. One of the strategies to be explored to increase production immediately is to drill new development wells in prolific locations first, and the remaining program will be conducted in stages in accordance with the Group's financial capability.

There are also two exploration commitment wells, which are now deferred until the end of its exploration period, currently in 2022. In addition, 13 new prospects remain in the exploration Block, and we will continue to assess the Block's potentials based on the outcome from the new exploration wells.

On the cost optimisation efforts, Emir-Oil has also been keeping the unit production cost down to a more sustainable level. We managed to keep the unit production cost at slightly above USD10/barrel in the fourth quarter of 2020 as compared to USD16/barrel in the first quarter of 2020.

In addition to that, we had also been working on securing financing which is intended to be used as working capital and capital investment. On this note, Emir-Oil was approved for financing by Joint Stock Company Bank RBK, a local Kazakhstan bank, for USD9.3 million (approximately RM37.2 million). Following this, we also plan to secure an additional loan between USD25 million to USD30 million in the next few years to fund our medium-term and long-term CAPEX investment plans.

The Board of Directors and management believe with our well positioned strategies to continue developing the plans, the Group will generate an improved bottom-line. Cost containment will continue to be paramount, and we will continue to focus intently on maintaining strong cost discipline through proven cost optimisation efforts to underline our competitiveness and resilience. The Group will however remain focused in growing its core business despite these challenges.

RESERVES, CONTINGENT AND PROSPECTIVE RESOURCES

As part of our responsibilities as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, GCA, had completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date of 31 December 2020.

In general, the oil reserves is slightly lower than last year mainly due to deferment of both the drilling program and implementation of the gas injection program. The prospective resources is based on last year's report as there were no new studies or analysis performed in 2020.

With regard to Prospective Resources, GCA has reported same as previous year's volumes.

As at 31 December 2020, the gross reserves (100% basis) of Emir-Oil Concession Block are summarised in the table below.

(I) OIL AND LIQUEFIED PETROLEUM GAS (LPG)

FIELD	OIL RESERVES (MMSTB) 1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	11.95	48.06	81.05
Dolinnoe	1.66	3.67	6.46
Aksaz	0.25	0.42	0.68
Yessen	1.15	1.33	1.41
Emir	0.03	0.07	0.14
Total	**15.04**	**53.55**	**89.74**

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

(II) GAS

FIELD	GAS RESERVES (BSCF) 1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	10.68	57.25	87.28
Dolinnoe	7.47	15.87	27.25
Aksaz	1.83	3.04	4.96
Yessen	0.05	0.06	0.06
Emir	0.00	0.01	0.04
Total	**20.03**	**76.23**	**119.59**

(III) OIL, LPG AND GAS

FIELD	OIL AND GAS RESERVES (MMBOE) 1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.73	57.60	95.60
Dolinnoe	2.91	6.32	11.00
Aksaz	0.56	0.93	1.51
Yessen	1.16	1.34	1.42
Emir	0.03	0.07	0.15
Total	**18.39**	**66.26**	**109.68**

In the previous year, GCA reported 72.93 MMboe of 2P Reserves as opposed to the current year estimate of 66.26 MMboe. This variation accounts for the volume produced during the year as well as taking into consideration well production performance, recovery factors, drilling schedule, and geological studies carried out during the year.

As at 31 December 2020, the gross field Contingent Resources (100% basis) of Emir-Oil Concession Block are summarised in the table below.

FLUID	CONTINGENT RESOURCES 1C	2C	3C
Oil (MMBbl)	2.40	10.43	28.15
Gas (Bscf)	5.76	19.44	44.43

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

PRODUCTION

The cumulative oil and gas production from the Emir-Oil Concession Block as at 31 December 2020 is shown in the table below. The total production in 2020 was 0.65 MMBbl of oil and 1.16 billion standard cubic feet ("Bscf") of gas.

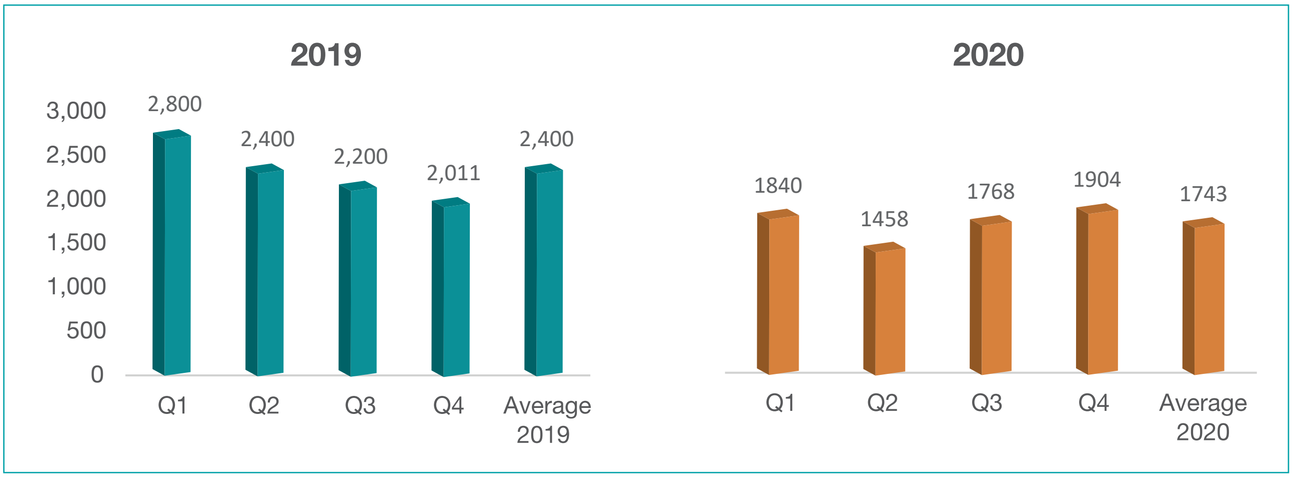
Emir-Oil Concession Block - Cumulative Production as at 31 December 2020

Field	Cumulative Oil Production (MMBbl)	Cumulative Gas Production (Bscf)
Kariman	11.66	5.25
Dolinnoe	2.70	7.31
Emir	0.03	0.00
Yessen	0.08	0.02
Aksaz	1.11	9.29
TOTAL	**15.58**	**21.88**

Production Summary of Emir-Oil Concession Block

Average daily oil production in 2020 vs 2019 is shown in Figure 4 below.

Figure 4: Average Daily Oil Production



It is noted that there is a gradual decline in production from 2019 to 2020 due to the decline in well productivity owing to the depletion in reservoir pressure which is a normal occurrence in this type of operation. This trend highlights the need for implementing reservoir pressure maintenance through gas or water injection which is a common practice in the industry as well as the drilling of new wells to increase production. As such, we had slowly increased production in the fourth quarter by increasing the number of wells on artificial lift through ESPs. This is also one of the methods to manage the reservoir pressure depletion and to optimise our production. ESP is an efficient and reliable artificial-lift method for lifting moderate to high volumes of fluids from wellbores. It can be designed to handle fluids and cover various well conditions and production profiles, and generally a low-cost solution for high volumes of lifting.

We are planning to drill new wells and commence the implementation of our gas injection initiative in 2021.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

GROUP FINANCIAL PERFORMANCE REVIEW

- **Summary Statement of Comprehensive Income**

	2020	2019	Variance	
	RM'000	RM'000	RM'000	%
Revenue	79,542	170,812	(91,270) ▼	-53%
Operating expenses	(267,331)	(296,887)	29,556 ▼	-10%
Loss from operations	**(187,789)**	**(126,075)**	**(61,714)** ▲	**49%**
Finance income	2,114	2,407	(293) ▼	-12%
Finance cost	(61,307)	(69,434)	8,127 ▼	-12%
Finance cost - net	(59,193)	(67,027)	7,834 ▼	-12%
Loss before income tax	**(246,982)**	**(193,102)**	**(53,880)** ▲	**28%**
Income tax benefit	50,146	12,988	37,158 ▲	286%
Loss for the financial year	**(196,836)**	**(180,114)**	**(16,722)** ▲	**9%**
Loss attributable to:				
Owners of the Company	(128,690)	(128,403)	10,713 ▼	-8%
Non-controlling interest	(68,146)	(51,711)	(27,435) ▲	53%
Loss for the financial year	**(196,836)**	**(180,114)**	**(16,722)** ▲	**9%**

For FYE 2020, the Group recorded revenue of RM79.5 million as compared to preceding financial year's revenue of RM170.8 million marking a decline of 53%. The lower revenue in FYE 2020 was due to the outbreak of the COVID-19 pandemic and unprecedented drop in the demand for oil and a corresponding catastrophic collapse in prices. The average production for year 2020 is 1,742 bopd as compared to 2,332 bopd in year 2019.

Operating expenses reduced by 10% from RM296.9 million to RM267.3 million. These costs were lower mainly due to the decrease in the Depreciation, Depletion and Amortisation ("DD&A") and lower in Taxes other than Income Taxes caused by lower production.

Loss before Tax was recorded at RM247.0 million as compared to RM193.1 million in prior year. Loss after Tax was recorded at RM196.8 million as compared to RM180.1 million in prior year. The bigger loss was primarily due to the higher impairment loss of asset and lower revenue.

No dividends were declared, paid or proposed in FYE 2020 given that the Group is still aggressively pursuing growth opportunities.

i) EBITDA

EBITDA refers to earnings before finance income, finance cost, income tax and depreciation and amortisation.

We have included EBITDA as we believe EBITDA is a commonly used measure in the oil and gas industry. EBITDA is used as a supplemental financial measure by our management as well as by investors, research analysts, bankers and other external parties, to assess our operating performance, cash flow and return on capital as compared to those of other companies in the oil and gas industry. EBITDA should not be considered in isolation or seen as an alternative to profit from operations or any other measure of performance or as an indicator of our operating performance or profitability. EBITDA does not also consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

The following table presents a reconciliation of EBITDA from continuing operations for FYE 31 December 2020 and for FYE 31 December 2019:

	REB Group	REB Group
	1.1.2020-31.12.2020	**1.1.2019-31.12.2019**
	RM'000	**RM'000**
Loss before Income Tax	(246,982)	(193,102)
Finance Income	(2,114)	(2,407)
Finance Cost	61,307	69,434
Depreciation, Depletion, Amortisation	62,386	91,135
EBITDA from continuing operations	**(125,403)**	**(34,940)**

As a result of lower revenue and impairment of asset, the Group recorded higher negative EBITDA of RM125.4 million for FYE 2020 as compared to negative EBITDA of RM34.9 million for FYE 2019.

ii) REVENUE ANALYSIS

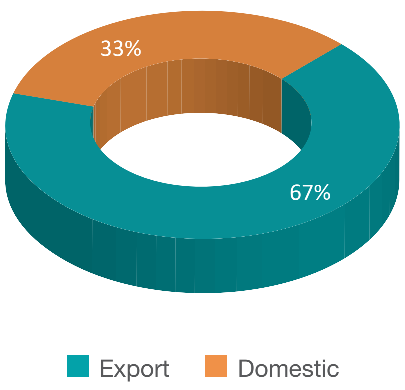
The revenue of the Group is derived 100% from the sale of crude oil and gas produced by Emir-Oil under the Production Contracts and Exploration Contract. Revenue is recognised on the transfer of risk and rewards of ownership or in the case of gas, it is recognised when the gas arrives at the gas pipeline. The revenue of PBV Group is denominated in US Dollar ("USD") for export sales and Kazakhstani Tenge ("KZT") for domestic sales.

No revenue is recorded for Reach Energy, Reach Energy Ventures Sdn. Bhd. ("REV") and PBV.

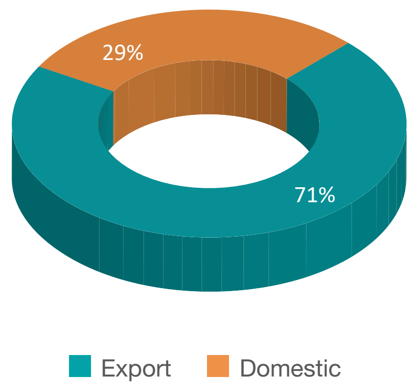
For the FYE 31 December 2020, the Group recorded a revenue of RM79.5 million (USD18.9 million) as compared to RM170.8 million (USD41.2 million) in FYE 31 December 2019. The reduction in revenue is mainly caused by the decrease in production volume.

The breakdown of the revenue by product and geographical market for FYE 31 December 2020 is set out as below:

Year 2020 Oil Sales by Geographical Market



Year 2019 Oil Sales by Geographical Market



CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

Oil Sales

For FYE 2020, the Group recorded RM77.2 million (USD18.4 million) of revenue from the sale of crude oil. The revenue from the crude oil depends primarily on the global oil price at the point of sale and the production by Emir-Oil.

Revenue from export sales continued to make the largest contribution to the Group's revenue at RM64.9 million (USD15.5 million) or 82% of total oil sales. Revenue from domestic sales contributed RM12.4 million (USD2.9 million) for FYE 2020.

The weighted average realised oil price per barrel for both export and domestic sales is RM128.5 (USD30.6) per barrel for FYE 2020. The average oil price from export sales was RM161.2 (USD38.4) per barrel and RM61.7 (USD14.7) per barrel for domestic sales. Overall lower average oil price was due to unprecedented double blow, a global economic contraction driven by the COVID-19 pandemic and an oil market collapse. As export sales is more profitable than domestic, Emir-Oil is striving to get more export quota every month from the Ministry of Energy of Kazakhstan.

The Group's oil sales volume for FYE 2020 was 601,250 barrels which consisted of the export sales volume of 403,008 barrels and domestic sales volume of 198,242 barrels. The average daily oil production for FYE 2020 was 1,742 bopd.

Gas Sales

The revenue from gas sales for FYE 2020 is RM2.3 million (USD0.5 million). The revenue from gas sales is in line with the average gas price of RM2.1/Mscf (USD0.49/Mscf) for FYE 2020 as well as the gas sales volume which totalled 1,110,978 Mscf for the whole of 2020. The average daily production for FYE 2020 was 3,035 Mscfd.

iii) OPERATING EXPENSES

The Group recorded total operating expenses of RM267.3 million (USD63.7 million) for FYE 31 December 2020.

Staff Cost

The Group incurred employee compensation costs amounting to RM13.9 million (USD3.3 million) in which PBV Group recorded a total of RM8.6 million (USD2.0 million) while REV and Reach Energy recorded a total of RM5.3 million (USD1.3 million). The employee compensation costs comprise wages, salaries, allowances, welfare and other expenses.

Purchases, services and other direct costs

The purchases, services and other direct costs comprise direct operating and maintenance costs of wells and related facilities, including direct material costs, fuel costs and electricity costs, safety fees, third party costs such as oil displacement injection costs, downhole operating costs and oil and gas transportation costs within fields, and other direct expenses and management fees.

The Group incurred a cost totalling RM30.2 million (USD7.2 million) during the year and it is solely from Emir-Oil.

Depreciation, Depletion and Amortisation

During the year, the Group recorded a net total of RM62.4 million (USD14.9 million) for Depreciation, Depletion and Amortisation. The cost of oil and gas properties is amortised at the field level based on the unit of production method. Depreciation on other assets are calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Impairment of Property, Plant and Equipment

During the year, the Group recorded a net total of RM109.9 million (USD26.2 million) for Impairment of Property, Plant and Equipment. The impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and accumulated impairment losses.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

Distribution expense

The Group recorded a total of RM12.8 million (USD3.0 million) for Distribution Expenses. The distribution expenses comprise pipeline, transport and the engagement of a third-party intermediary (i.e., shipping company) to transport the commodity to the purchaser (i.e., customer).

Taxes other than income taxes

The Group also incurred taxes other than income tax expenses totalling RM22.2 million (USD5.3 million) which were solely from Emir-Oil. The taxes consist of Mineral Extraction Tax, Export Duty, Export Rent Tax and Property Tax which are directly related to our oil and gas activities.

Export Rent Tax
Export Rent Tax is payable on export oil and is calculated based on the realised prices for crude oil. Export Rent Tax rate ranges from 0% (if export price is less than USD40.0 per barrel) to 32% (if export price is higher than USD180.0 per barrel).

Mineral Extraction Tax ("MET")
For production of less than 250,000 tons per annum, MET is payable at a rate of 5% for export oil and 2.5% on domestic oil. MET for export oil is based on barrels of oil produced less barrels of domestic oil and barrels of internally consumed oil, multiplied by world price per barrel. World price shall be taken as Brent Dated. MET for domestic oil is calculated based on barrels of domestic oil multiplied by production cost per barrel multiplied by 120%.

Rent Export Duty Expenditure
Rent export duty expenditure is payable on barrels of oil exported. Effective 1 March 2016, the rent export duty expenditure is progressive and ranges from USD0 per metric tonnes when average market price of crude oil is less than USD25.0 per barrel up to USD236.0 per mt if average market price of crude oil is above USD185.0 per barrel.

Property Tax
Property tax is payable on oil and gas assets, which have been granted a production license at the rate of 1.5% based on the average balance of oil and gas properties.

Withholding Tax
Represents the withholding tax on interests charged on intercompany loans and transportation cost from Euro-Asian Oil SA.

Notes:
The average of middle rates for RM/USD on the daily basis of the month of December in Malaysia as published by BNM for the FYE 31 December 2020 is as follows:

FYE 31 December 2020 **Average exchange rate (RM/USD): 4.1988**

RISK FACTOR

Domestic and international expansion exposes Reach Energy to unfamiliar and complex risks, which we are managing through a combination of risk identification, monitoring and control. Our risk management processes ensure all decisions are made with a firm understanding of the level of risks involved such that the appropriate controls can be implemented.

The Risk Management Committee ("RMC") is responsible to monitor the risks that may impact the Group and proposes measures to mitigate these risks where possible. The table below is a summary of eight key risk factors, and the mitigating measures that are being implemented by the Group.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

Risk Factor	Description	Mitigation Measures
Production Performance	Production performance may drop due to well behaviour.	Optimising production through rigorous well surveillance and regular production analysis. An intensive well workover program has been implemented to re-open idle wells and improve existing well productivity. Allocating CAPEX for the implementation of reservoir pressure maintenance through gas injection and drilling of new development wells.
Subsoil User Contract ("SUC") Obligations	Failure to meet contractual obligations may lead to licenses terminations (for both production and exploration contracts).	The Group has assigned a team to monitor the yearly work programme ("WP") and to ensure the WP is aligned with our available resources, business needs, and financial planning while also fulfilling commitments to the Government. Revisions and deviation are communicated with the authorities.
Oil Price Fluctuations	Any adverse movement in oil prices will reduce our profitability and any volatility in the outlook in these commodities will also affect our planning decisions for future investments and production budget.	The Group will continue to study and implement cost reduction measures to lower its production cost base, ensuring financial sustainability in the face of oil price fluctuations and to improve netback per barrel.
Foreign Exchange Rates	Most of the revenue of the PBV Group is denominated in USD, while the production, purchases and other expenses are transacted in KZT. The reporting currency of our Company is in Ringgit Malaysia ("RM"). In view of that, the fluctuation in foreign exchange rates could have a significant adverse effect on the financial results of our enlarged Group with the consolidation of the financial results of the PBV Group. However, this is common in the global oil & gas sector as most of the transactions are conducted in USD.	The Group is constantly alerted to its exposure to foreign exchange risks and monitors its exposure by performing sensitivity analysis on the financial position of the Group.
Asset Integrity	Asset Integrity can be defined as the ability for an asset to perform its required function effectively and efficiently whilst protecting health, safety, and the environment.	An enhanced plant-wide preventive and planned maintenance program will be implemented once the Computerised Maintenance Management System ("CMMS") framework has been finalised. This enhanced program aims to improve the technical integrity of our facilities, including processing systems, pipelines and structures.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(cont'd)

Risk Factor	Description	Mitigation Measures
Health, Safety, Security & Environmental ("HSSE") Performance	We are potentially exposed to a wide range of HSSE risks given the current pandemic (COVID-19), operating environment, the geographical range and the technical complexity of our operations. Any major HSSE incidents may result in injury or loss of life, asset or environmental damage, financial or reputational impact.	Enhance HSSE visibility and awareness and provide appropriate training to staff to ensure HSSE competence is maintained and, where appropriate, further developed. Our capability to manage our assets safely, securely and with consideration towards the health of our employees, stakeholders and care for the environment is a primary consideration of a host government when allowing us to operate in a jurisdiction. The COVID-19 SOPs have been put in place.
Strategic Investment	Every business investment carries a risk. We need to do proper due diligence before we venture into a new business segment or acquire a new asset.	Assess growth opportunities through market-back approach. Ensure sufficient pool of projects (as back-up options) in the event the identified projects pursued become unfavourable.
Regulation and Policy	Regulators for listed companies and the energy industries may impose heavier governance and compliance burdens. As we expand our footprint globally, compliance is increasingly a challenge, especially in an environment where laws and regulations are getting more stringent. Any change in laws or regulations may have an impact on our operations or future investment opportunities.	Continue tracking changes in regulatory requirements. Liaise proactively with relevant local authorities (i.e., Republic of Kazakhstan's Ministry of Energy), agencies and service providers to get timely updates on any new regulatory changes .

IN APPRECIATION

The past year has been nothing short of challenging for the world in general. The global economic downturn and the inevitable price collapse was a deterrent for the Group's growth. However, coming into 2021 with a new game plan, we are hopeful of better days ahead.

Having said that, this will of course not be possible without the support of various parties. Most important, our shareholders, government regulators, partner, bankers, suppliers and customers have our utmost gratitude for their continued support and wise counsel. The Board of Directors' and my gratitude also goes out to our workforce in both Kazakhstan and Malaysia, who have been resilient while operating in tough circumstances.

As we continue to navigate this tough operating landscape, we are hopeful that the Emir-Oil Turnaround Plan combined with the renewed vigour that the New Year brings will result in sustainable value to our shareholders.

Thank you.

SUSTAINABILITY STATEMENT

GOVERNANCE STRUCTURE

As a public listed company, Reach Energy is properly guided by our Board of Directors ("the Board") who has the ultimate responsibility to ensure that our sustainability efforts are embedded in the strategic direction of the Group. Although we have not established a Corporate Sustainability Committee, the Board and the Key Management team work hand in hand to oversee the formulation, implementation and effective management of our sustainability matters. Our Executive Directors are supported by Heads of Departments who monitor, manage and collate all relevant sustainability matters in their respective business units for reporting. Due to the lean organisational structure of the Group, our governance structure is designed around the various key departments as the working groups.

STAKEHOLDER ENGAGEMENT

Our interaction involves a large number of different stakeholder groups and such engagement is important to ensure we can identify, prioritise and address material matters to be adopted in our business strategies. We conduct ongoing engagements on a regular basis where applicable as they are pivotal to our business development relationship with stakeholders and commitment to sustainability. Our key stakeholders are outlined in the table below, along with the forms of engagement and key topics of interest that we seek to address.

Stakeholder	Engagement Methods	Priority Issues
Employees	• On-going education and training programmes • Employee events • Internal e-announcements	• Employee satisfaction and well being • Trainings and development • Performance management • Occupational safety and health • Employee engagement • Employee welfare
Shareholders and investors	• Annual report • AGM • Analyst meetings • Announcements on Bursa Malaysia Securities Berhad • Corporate website	• Company development • Business strategy • Regulatory compliance • Financial performance
Financiers/banks	• Meetings and discussions • Announcements on Bursa Malaysia Securities Berhad	• Funding methods
Local authorities/ municipalities/ regulators/government ministries	• Meetings and discussions	• Strategic partnerships and agreements • Regulatory compliance • Briefings and trainings
Sub-contractors/suppliers	• Meetings and discussions	• Tenders
Media	• Interviews • Press release	• Business development and performance

SUSTAINABILITY STATEMENT
(cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY

Code of Conduct

We maintain our commitment to conduct our businesses and operations with integrity, openness, accountability and also conduct our affairs in an ethical, responsible and transparent manner. The Group has a Code of Conduct that sets out the standards and ethical conduct expected of all employees, Directors as well as third-party vendors and sub-contractors.

We have in place a Whistleblowing Policy to allow our employees to highlight potential practices that are contrary to the Group's ethics and code of conduct. The primary aim of the Whistleblowing Policy and its supporting mechanism is to enable individuals to raise genuine concerns without fear of retaliation. The Whistleblowing Policy provides clarity on the oversight and responsibilities of the whistleblowing process, the reporting process, the protection to whistleblowers and the confidentiality afforded to whistleblowers.

Promoting Health & Safety

It is one of our key priorities to maintain a safe and healthy working environment for our employees. A strong health and safety culture would create work productivity that enhances the Group's operations and assures our customers a peace of mind.

As part of this efforts, we have in place a Health, Safety, Security and Environment ("HSSE") Department to spearhead the HSSE framework, policies, processes and procedures. The HSSE Department is helmed by the Corporate HSSE Manager who is supported by the Health and Safety Engineer, Ecology Engineers, HSSE Specialist, Security Manager and Field HSSE Coordinators. The HSSE Department also had implemented COVID-19 standard operating procedures ("SOP") in place to minimise our employees' exposure to the virus but also to ensure the sustainability of our operations amidst this pandemic outbreak. These SOPs include maintaining a one-meter physical distancing, mandatory use of face masks, and daily temperature screening amongst others.

During the year under review, we had zero Lost Time Incident ("LTI"). However, we recorded one fatality in Kazakhstan in July due to COVID-19 but has had zero fatalities since then. We have also disinfected our premises since then.

Raising staff awareness on technology risk is carried out throughout the year. This was done through the periodic dissemination of reminders on cyber threats and online banking safe practices to our staff as well as trainings in cyber security principles. As another method of prevention, we have also installed antivirus and antispyware software, which are regularly updated, on every computer used in the Company. As a result of our pre-emptive action, we did not receive any threats in the form of malicious attachments, links to malicious web pages and enticements to perform transaction.

Empowering Our People

We continue to focus our efforts on equipping our people with the skills and capabilities to function as high performing teams. We place great importance on employee engagement and ensuring a conducive workplace to retain our talent. In order to attract, retain and develop our talent, we constantly nurture the skills and knowledge of our people by providing them with equal training and skills development opportunities which includes on-the-job trainings, secondment opportunities and mentorship programmes. We also promote a culture of recognition and appreciation, encouraging openness in communication, and instilling the Group's core values into our internal engagement activities.

SUSTAINABILITY STATEMENT
(cont'd)

Overview of the Group's employees (as at 31 December 2020)

Breakdown of Employees by Country

Malaysia
8.62%

Republic of Kazakhstan
90.81%

China
0.57%

Breakdown of Employees by Gender

Male
77.01%

Female
22.99%

Breakdown of Employees by Age Range

≤30 years old
10.34%

31 - 60 years old
82.19%

≥60 years old
7.47%

SUSTAINABILITY STATEMENT
(cont'd)

As a multicultural company, embracing and understanding an eclectic mix of cultures is a part of our effort to create a cohesive and respectful workforce. In 2020, we had hosted several festival celebrations which also doubled as team get-togethers such as Nauryz (Kazakh New Year), Independence Day, International Women's Day, Defender of the Fatherland's Day and Oilman's Day. During these celebrations, tokens of appreciation in the form of monetary contributions were made to all employees. In 2020, we gave out a total of 20,535,000 KZT (approximately RM197,779) throughout the year as bonuses to our employees during these festive seasons.

We also work hard at creating and maintaining a positive and empowering work environment in which employees feel valued for the work they do and subsequently the impact they make. We attract and retain our employees by offering employee benefits which boost employees' morale, promote employee health and wellness and create loyalty. One of the benefits we provide to our employees is long-service allowance for employees who have worked more than three years with Emir-Oil. A total of 6,120,000 KZT (approximately RM58,944) was disbursed to nearly 100 employees in 2020. We also provide medical insurance and financial assistance to our employees. In the past year, a total of approximately 8,704,446 KZT (approximately RM83,835) and 700,000 KZT (approximately RM6,742) were disbursed for medical insurance and financial assistance in the event of deaths in the family respectively.

Protecting the Environment

Industrial operations are responsible for intensive water consumption and discharge, energy consumption, waste generation, and material use. We acknowledge that our operations may consume the most resources, namely energy, waste and water management. As a result, we strive towards minimising pollution through strict means of self-regulation while simultaneously abiding with Kazakhstan's regulation on environmental protection.

In our business of oil and gas production, emission of greenhouse gases including carbon dioxide, methane, and nitrous oxide occur naturally. In 2020, the amount of greenhouse gases our operations emitted are shown in the table below:

Gas	2020
Methane (C1)	34,422 tonnes of CO2e
Carbon Dioxide	8.805 tonnes of CO2e

Many of our core activities at the Emir-Oil fields also generate air emissions such as inorganic dust among other things. For the year under review, our operations emitted a total of 13.06187 tons of inorganic dust comprising 20% to 70% silica and 0.5604 tons of inorganic dust comprising below 20% silica. As we move on to another year of sustainable operations, we will remain vigilant of our environmental responsibility through unceasing learning and adaptation of our operations in order to offset or mitigate any environmental impact in the future.

In 2020, we disposed of 85 cubic metre (m^3) domestic sewage, which is a reduction of 97.55% as compared to last year's generation of domestic sewage which stood at 3,466 m^3. Meanwhile, we had also discharged approximately 2,700 m^3 of associated oil water, a decrease of 36% as compared to the previous year's 4,220 m^3. On top of that, we had also returned 36 tonnes of waste materials to the landfill for disposal. We also consumed a total of 16,614 m^3 of water, which was used in our operations as well as for drinking.

Conservation of ecosystem and the promotion of biodiversity remains of key importance to the Company. In this respect, it continues to be our view that conservation shall remain a priority in spite of our intensive development efforts. In line with this, we had identified six significant operating sites namely Aksaz, North Kariman, Dolinnoe, Yessen, Emir and Kariman, where biodiversity risks have been assessed and monitored. Continuing on from this, we had also identified the Kariman waters as an area of high biodiversity conservation significance. To-date, our operations do not have any significant impacts on the biodiversity surrounding the area. In fact, our operations are run in accordance with the ecology permits and requirements.

In order to ensure that the legal and regulatory requirements of environmental compliance is adhered to, we had developed a Compliance Programme which has been ingrained into every one of our employees. However, despite our best efforts, we received a penalty amounting to 2,917,000 KZT (equivalent to RM27,780) and a two-month suspension of operations as a result of an audit conducted by the Republic of Kazakhstan's Ministry of Energy who discovered some violations of gas dispersion at Emir-Oil facilities during oil operations. The two-month suspension commenced on the ruling date of 12 February 2021 and was lifted on 13 April 2021.

SUSTAINABILITY STATEMENT
(cont'd)

Supporting Local Communities

As a socially responsible corporation, we continue to support and grow the local communities surrounding us through continuous engagement with them. Ultimately, we aim to uplift their living standards while simultaneously offering business and employment opportunities to interested parties where possible. For the year under review, we recorded 95% of Goods, Works & Services ("GWS") purchases through the tendering procedure.

In another effort to engage and to contribute to the resources and expertise to local economies and in particular, the surrounding communities, we had created direct employment opportunities. In fact, as mentioned earlier, a 100.00% of our low-skilled workers are from the surrounding local communities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The Group is principally engaged in the exploration, development and sale of crude oil and other petroleum products.

The principal activities of the subsidiaries are set out in Note 15. There has been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year attributable to:		
- Owners of the Company	(128,690)	(363,688)
- Non-controlling interest	(68,146)	-
Loss for the financial year	(196,836)	(363,688)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	
Izlan Bin Izhab	
Nik Din Bin Nik Sulaiman	
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	
Ku Azhar Bin Ku Akil	
Ikram Iskandar Bin Abd Rahim	(Resigned on 4 August 2020)
Shahul Hamid Bin Mohd Ismail	(Resigned on 16 October 2020)
Dato' Jasmy Bin Ismail	(Appointed on 3 September 2020)
Noor Lily Zuriaty Binti Abdullah	(Appointed on 3 September 2020)
Dato' Berikkazy Seksenbayev	(Appointed on 31 March 2021)
Yerlan Issekeshev	(Appointed on 31 March 2021)

In accordance with Clause 86 of the Constitution of the Company, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin and Izlan Bin Izhab retire at the forthcoming Eighth Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Clause 91 of the Constitution of the Company, Dato' Jasmy Bin Ismail, Noor Lily Zuriati Binti Abdullah, Dato' Berikkazy Seksenbayev and Yerlan Issekeshev retire at the forthcoming Eighth Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by 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 that certain Directors received remuneration from its related corporations.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company, its subsidiaries or any related corporations during the financial year except as follows:

	Number of ordinary shares/warrants			
	At 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Interest in the Company				
Nik Din Bin Nik Sulaiman	400,000	-	-	400,000
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	43,631,400	13,011,510	-	56,642,910
Deemed interest/Indirect interest in the Company				
Nik Din Bin Nik Sulaiman				
- ordinary shares	350,000*	-	-	350,000
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid				
- ordinary shares	40,000,000**	650,000	-	40,650,000
- warrants	40,000,000**	-	-	40,000,000

* Indirect interest by virtue of the interest of his spouse, Nik Aminah Binti Nik Abdullah, pursuant to Section 8(4)(a) of the Companies Act 2016.

** Indirect interest by virtue of the interest of his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein, pursuant to Section 59(11)(c) of the Companies Act 2016.

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in the shares and/or options over shares in the Company or in its related corporations during the financial year.

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2020.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 12 to the financial statements. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company was RM7,025,000.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

  (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

  (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

  (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group 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 affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

(e) 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 of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

  (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 11 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 17 May 2021.

Signed on behalf of the Board of Directors:

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

Kuala Lumpur

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	6	79,542	170,812	-	-
Operating expenses					
Taxes other than income taxes	7	(22,233)	(55,635)	-	-
Purchases, services and other costs of operation		(30,204)	(34,790)	-	-
Depreciation, depletion and amortisation	16	(62,386)	(91,135)	(250)	(255)
Impairment of non-financial assets	16	(123,809)	(79,223)	-	-
Reversal of impairment of non-financial assets	16	13,919	-	-	-
Impairment on investment in subsidiaries		-	-	(356,800)	-
Distribution expense		(12,806)	(18,153)	-	-
Employee compensation costs	8	(13,865)	(14,012)	(5,288)	(5,050)
General and administrative expenses		(17,551)	(7,880)	(1,448)	(2,122)
Net (loss)/reversal on impairment of financial instruments		(1,326)	217	-	-
Other operating income/(expense) – net	9	2,930	3,724	(12)	14
Total operating expenses		(267,331)	(296,887)	(363,798)	(7,413)
Loss from operations		(187,789)	(126,075)	(363,798)	(7,413)
Finance income	10	2,114	2,407	139	495
Finance cost	10	(61,307)	(69,434)	(29)	(56)
Finance (cost)/income – net	10	(59,193)	(67,027)	110	439
Loss before income tax	11	(246,982)	(193,102)	(363,688)	(6,974)
Income tax benefit	13	50,146	12,988	-	-
Loss for the financial year		(196,836)	(180,114)	(363,688)	(6,974)
Loss attributable to:					
Owners of the Company		(128,690)	(128,403)	(363,688)	(6,974)
Non-controlling interest		(68,146)	(51,711)	-	-
Loss for the financial year		(196,836)	(180,114)	(363,688)	(6,974)
Basic loss per ordinary share (RM)	14	(0.12)	(0.12)		
Diluted loss per ordinary share (RM)	14	(0.12)	(0.12)		

The notes set out on pages 50 to 101 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss for the financial year	(196,836)	(180,114)	(363,688)	(6,974)
Other comprehensive income, net of tax				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation differences	9,500	(997)	-	-
Total comprehensive expense for the financial year	(187,336)	(181,111)	(363,688)	(6,974)
Total comprehensive expense attributable to:				
Owners of the Company	(122,956)	(129,001)	(363,688)	(6,974)
Non-controlling interest	(64,380)	(52,110)	-	-
Total comprehensive expense for the financial year	(187,336)	(181,111)	(363,688)	(6,974)

The notes set out on pages 50 to 101 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	15	-	-	253,237	610,037
Property, plant and equipment	16	1,257,149	1,425,941	6	14
Right of use of assets	17	2,420	5,856	102	343
Intangible assets		1,490	1,705	-	-
Prepayments and other receivables	18	3,274	7,402	-	-
Restricted cash	20	6,953	6,860	-	-
		1,271,286	1,447,764	253,345	610,394
CURRENT ASSETS					
Inventories		1,835	3,553	-	-
Prepayments and other receivables	18	10,559	16,743	154	178
Trade receivables	19	5,664	296	-	-
Amount due from subsidiary	21	-	-	3,071	3,003
Amount due from corporate shareholder in a subsidiary	21	4,007	3,237	4,007	3,237
Deposits, cash and bank balances	20	10,163	35,958	1,818	9,590
		32,228	59,787	9,050	16,008
CURRENT LIABILITIES					
Trade payables	26	55,824	42,399	-	-
Accruals and other payables	27	19,668	18,025	1,007	1,146
Lease liabilities	17	352	912	182	249
Amounts due to corporate shareholder in a subsidiary	21	331,340	8,149	-	-
Tax payable		2,886	3,513	-	-
Provisions	28	11,205	-	-	-
		421,275	72,998	1,189	1,395
NET CURRENT (LIABILITIES)/ASSETS		(389,047)	(13,211)	7,861	14,613
TOTAL ASSETS LESS CURRENT LIABILITIES		882,239	1,434,553	261,206	625,007

The notes set out on pages 50 to 101 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020
(cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	25	60,758	108,756	-	-
Amounts due to corporate shareholder in a subsidiary	21	317,278	617,131	-	-
Trade payables	26	8,771	22,356	-	-
Accruals and other payables	27	334	864	-	-
Lease liabilities	17	2,079	4,859	-	113
Provisions	28	5,506	5,738	-	-
		394,726	759,704	-	113
NET ASSETS		487,513	674,849	261,206	624,894
EQUITY					
Capital	23	488,975	488,975	488,975	488,975
Other reserves	24	181,842	176,108	199,735	199,735
Accumulated losses		(301,796)	(184,106)	(427,504)	(63,816)
Equity attributable to owners of the company		358,021	480,977	261,206	624,894
Non-controlling interests		129,492	193,872	-	-
TOTAL EQUITY		487,513	674,849	261,206	624,894

The notes set out on pages 50 to 101 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		← Attributable to owners of the Company					→		
	Note	Capital	Warrant reserve	Share based payment reserve	Foreign exchange reserve	Accumulated losses	Total	Non-controlling interest	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
As at 1 January 2020		488,975	198,914	821	(23,627)	(184,106)	480,977	193,872	674,849
Loss for the financial year		-	-	-	-	(128,690)	(128,690)	(68,146)	(196,836)
Other comprehensive income-net of tax									
- Foreign currency translation		-	-	-	5,734	-	5,734	3,766	9,500
Total comprehensive income/ (expense) for the financial year		-	-	-	5,734	(128,690)	(122,956)	(64,380)	(187,336)
As at 31 December 2020	23, 24	488,975	198,914	821	(17,893)	(312,796)	358,021	129,492	487,513

The notes set out on pages 50 to 101 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

		Attributable to owners of the Company								
	Note	Capital RM'000	Warrant reserve RM'000	Share based payment reserve RM'000	Foreign exchange reserve RM'000	Capital contribution RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
As at 1 January 2019		488,975	198,914	821	(23,029)	81,682	(55,703)	691,660	162,480	854,140
Loss for the financial year		-	-	-	-	-	(128,403)	(128,403)	(51,711)	(180,114)
Other comprehensive income-net of tax										
- Foreign currency translation		-	-	-	(598)	-	-	(598)	(399)	(997)
Total comprehensive income/(expense) for the financial year		-	-	-	(598)	-	(128,403)	(129,001)	(52,110)	(181,111)
Impact of restructuring of loan from corporate shareholder of a subsidiary		-	-	-	-	(81,682)	-	(81,682)	83,502	1,820
As at 31 December 2019	23, 24	488,975	198,914	821	(23,627)	-	(184,106)	480,977	193,872	674,849

The notes set out on pages 50 to 101 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Non-distributable					
	Note	Capital	Capital redemption reserve	Warrant reserve	Share based payment reserve	Accumulated losses	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
As at 1 January 2020		488,975	-	198,914	821	(63,816)	624,894
Total comprehensive expense/ loss for the financial year)		-	-	-	-	(363,688)	(363,688)
As at 31 December 2020	23, 24	488,975	-	198,914	821	(427,504)	261,206
As at 1 January 2019		488,975	-	198,914	821	(56,842)	631,868
Total comprehensive expense/ loss for the financial year		-	-	-	-	(6,974)	(6,974)
As at 31 December 2019	23, 24	488,975	-	198,914	821	(63,816)	624,894

The notes set out on pages 50 to 101 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Loss before income tax		(246,982)	(193,102)	(363,688)	(6,974)
Adjustments for:					
Depreciation, depletion and Amortisation		62,386	91,135	250	255
Impairment of non-financial assets		123,809	79,223	356,800	-
Reversal of impairment of non-financial assets		(13,919)	-	-	-
Unrealised foreign exchange loss/(gain)		9,613	5,463	-	(10)
Finance cost		51,694	63,971	29	56
Finance income		(2,114)	(2,407)	(139)	(485)
Provisions for claims		11,724	-	-	-
Change in estimate of asset retirement obligations		(263)	(4,608)	-	-
Loss on disposal of assets		132	472	-	-
Write off of inventory		184	357	-	-
Write off of property, plant and equipment		70	429	-	-
Impairment charge/(reversal) of:					
- trade receivable		(2)	15	-	-
- cash and bank balances		(59)	(232)	-	-
- other receivables		1,387	-	-	-
Net (reversal)/provision for inventory obsolescence		(1,173)	832	-	-
		(3,513)	41,548	(6,748)	(7,158)
Changes in working capital:					
Inventories		2,549	(1,730)	-	-
Trade receivables		(5,620)	13,726	-	-
Prepayment and other receivables		2,270	(8,847)	21	29
Trade payables		2,888	9,098	-	-
Other payables and accruals		3,487	(858)	(138)	245
Amount due from corporate shareholder in a subsidiary		(770)	(1,158)	(769)	(1,158)
Cash flows generated/(used in) from operating activities		1,291	51,779	(7,634)	(8,042)
Income tax refund		-	164	-	164
Net cash generated/(used in) from operating activities		1,291	51,943	(7,634)	(7,878)

The notes set out on pages 50 to 101 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(15,152)	(36,814)	-	(9)
Finance income received		750	1,634	139	485
Advances to a subsidiary		-	-	(68)	(870)
Advances to corporate shareholder		-	-	-	(209)
Net cash (used in)/generated from investing activities		(14,402)	(35,180)	71	(603)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		-	(2,914)	-	-
Payment of amount due to corporate shareholder in a subsidiary		(12,294)	(25,866)	-	-
Payment of lease interest		(103)	(62)	(180)	(56)
Payment of lease principal		(857)	(451)	(29)	(223)
Net cash used in financing activities		(13,254)	(29,293)	(209)	(279)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(26,365)	(12,530)	(7,772)	(8,760)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		35,958	49,007	9,590	18,340
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		570	(519)	-	10
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	20	10,163	35,958	1,818	9,590

The notes set out on pages 50 to 101 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

Reconciliation of liabilities arising from financing activities:

2020			Non-cash changes		
	At 1 January	Cash flows	Interest expense	Others	At 31 December
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Amount due to corporate shareholder in a subsidiary	625,280	(12,294)	49,270	(13,638)*	648,618
Lease liabilities	5,771	(960)	103	(2,483)**	2,431
Total liability arising from financing activities	631,051	(13,254)	49,373	(16,121)	651,049
Company					
Lease liabilities	362	(209)	29	-	182

* Mainly comprises the effect of foreign currency translation
** Comprises termination of a lease and entering into a new lease

2019					
Group					
Amount due to corporate shareholder in a subsidiary	600,220	(28,780)	60,695	(6,855)*	625,280
Lease liabilities	585	(513)	62	5,637**	5,771
Total liability arising from financing activities	600,805	(29,293)	60,757	(1,218)	631,051
Company					
Lease liabilities	585	(279)	56	-	362

* Comprises the effect of extensions of tenure, early repayment and foreign currency translation.
** Comprises new leases entered during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

The Company is incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

D3-5-8, Block D3
Solaris Dutamas
No.1, Jalan Dutamas 1
50480 Kuala Lumpur

Registered office

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Sekyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

The principal activity of the Company is that of investment holding. The Group is principally engaged in the explorations, development, production and sale of crude oil and other petroleum products.

The principal activities of the subsidiaries are set out in Note 15. There has been no significant changes in the nature of these activities during the financial year.

2 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 May 2021.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in this significant accounting policies.

The preparation of consolidated financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group and the Company’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding that the Group and the Company incurred losses after tax of RM196.8 million and RM363.7 million respectively for the financial year ended 31 December 2020. At that date, the Group's current liabilities exceeded its current assets by RM389.0 million.

The Group and the Company continue to face challenges in generating positive internal cash flows as the Group's recovery led by the improvement in crude oil demand and price were dampened by the operational challenges caused by the COVID-19 pandemic and the suspension of operations of the Group's subsidiary, Emir-Oil LLP imposed by the Ministry of Energy of Kazakhstan as disclosed in Note 32. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern.

In order to strengthen the Group and the Company's cash positions for the next 12 months from the reporting date, the Group has undertaken various initiatives to address the operational issues to avoid recurrence of the suspension of its operations and secure additional external financing, as disclosed in Note 32. Subsequent to the financial year end, the Group has received an offer from a financial institution for additional financing and is currently in negotiations with the financial institution. The Directors believe that the Group will be able to avoid a recurrence of the suspension and obtain the additional financing. Accordingly they are confident that the continuing use of the going concern assumption in the preparation of the Group and Company's financial statements is appropriate.

If the Group and the Company are unable to achieve the abovementioned plans to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

3.1.1 Amendments to published standards that are effective and applicable to the Group and Company

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

3.1.2 Amendments to published standards that have been issued but not yet effective and applicable to the Group and the Company

A number of amendments to standards are effective for financial year beginning after 1 January 2021. None of these are expected to have a significant effect on the Group and the Company

- Amendments to MFRS 16 'Covid-19-Related Rent Concessions' (effective 1 June 2020)
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022)
- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022)
- Amendments to MFRS 116 'Proceeds before Intended Use' (effective 1 January 2022)
- Amendments to MFRS 137 'Onerous contracts—cost of fulfilling a contract' (effective 1 January 2022)
- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023)
- Amendments to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021' (effective 1 June 2021)

3.2 Consolidation and subsidiaries

(a) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation and subsidiaries (continued)

(b) Business combination (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(d) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(e) Investment in subsidiaries in separate financial statements

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of comprehensive income.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including chief accountant), (collectively referred to as the "Executive Management") that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign exchange currency

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss on a net basis within 'Other operating expenses - net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income under 'foreign exchange reserve'.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment

Property, plant and equipment, including oil and gas properties, are stated at historical cost less accumulated depreciation, depletion and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

The cost of oil and gas properties is amortised at the field level based on the unit of production method. Unit of production rates are based on oil and gas proved and probable developed (producing and non-producing) reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements. The Group's reserves estimates represent crude oil and gas which management believes can be reasonably produced within the current terms of their production agreements.

Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Office furniture and equipment	3 to 15 years
Leasehold improvement	2 years
IT Network equipment	2 years
Motor vehicles	5 to 7 years
Production equipment	up to 10 years
Buildings	up to 12 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses - net' in profit or loss.

3.6 Exploration and evaluation expenditure

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, geological and geophysical costs are expensed when incurred. Costs of exploratory wells (including certain geophysical costs which are directly attributable to the drilling of these wells) are capitalised as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Should the efforts be determined to be successful, all costs for development wells, supporting equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised in exploration and evaluation assets only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any costs of unproved properties capitalised in oil and gas properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Exploration and evaluation expenditure (continued)

Identifiable exploration assets acquired are recognised as assets at their fair value, as determined by the requirements of business combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with the policy outlined above.

3.7 Intangible assets

Intangible assets represent computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

3.9 Financial assets

(a) Classification

The Group and the Company classify their financial assets measured at amortised cost ("AC").

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

(i) Initial recognition

The Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

(c) Measurement (continued)

(ii) Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(d) Impairment

<u>Impairment of debt instruments</u>

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at AC. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The following financial instruments are subject to the ECL model:

- Trade receivables
- Other receivables
- Amount due from subsidiary
- Amount due from corporate shareholder in a subsidiary
- Amount due from corporate shareholder
- Deposits, cash and bank balances

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group and the Company apply the MFRS 9 'Financial Instruments' simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and trade related intercompany balances.

For non-trade financial assets, the Group and the Company measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

(d) Impairment (continued)

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria;

  The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment 365 days from when they fall due. This is determined based on historical evidence that demonstrated payments past due 365 days meet the default criterion.

- Qualitative criteria;

  The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

  - the debtor is in breach of financial covenants
  - concessions have been made by the lender relating to the debtor's financial difficulty
  - it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
  - the debtor is insolvent

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

(d) Impairment (continued)

Write-off

Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payment. Nevertheless, trade receivables and contract assets that are written-off could still be subject to enforcement activities.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Non-trade receivables

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

3.10 Financial liabilities

Financial liabilities are recognised initially at fair value minus any directly attributable transaction costs incurred at the acquisition or issuance of financial instrument.

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in the profit or loss when the liabilities are derecognised. Any gains or losses arising from changes in fair value of derivatives are recognised in the statements of comprehensive income. Net gains or losses on derivatives include exchange differences.

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

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.12 Inventories

Inventories are crude oil and materials and supplies which are stated at the lower of cost and net realisable value. Materials and supplies costs are determined using the first-in first-out method. Crude oil costs are determined using the weighted average cost method. The cost of crude oil comprises direct labour, depreciation, other direct costs and related production overhead.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions or other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.14 Share capital

(i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

(ii) Share issue costs

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iv) Warrants reserve

The warrants reserve arose from the proceeds from issuance of warrants and is non-distributable by way of dividends. Warrants reserve is transferred to share premium upon exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry date of the warrants period will be transferred to retained earnings.

(v) Share-based payment reserve

The fair value of the warrants granted to a shareholder is recognised as operating expenses with a corresponding increase in the share-based payment reserve over the vesting period.

The fair value of the warrants is measured using Bloomberg Trinomial Lattice Model. Measurement inputs include subscription price on grant date, exercise price of the warrants, tenure of the warrants, risk-free interest rate, expected dividend yield and the expected volatility based on the historical volatility of a similar listed entity.

3.15 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current and deferred income tax (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

<u>Provision for asset retirement obligations</u>

Asset retirement obligations (including future decommissioning and restoration) which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Provisions (continued)

Provision for asset retirement obligations (continued)

Changes in the obligation due to revised estimates of the amount or timing of cash flows required to settle the future liability is recognised by increasing or decreasing the carrying amount of the asset retirement obligation ("ARO") liability and the ARO asset. The adjustments to the asset are restricted, that is to say the asset cannot decrease below zero and cannot increase above its recoverable amount. The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

Changes due solely to the passage of time (i.e: accretion of the discounted liability) is recognised as an increase in the carrying amount of the liability and is recognised as accretion expense in the profit or loss under finance cost. This accretion expense is recognised based on the effective interest method during the useful life of the related oil and gas properties.

The effects of foreign exchange differences resulted from the re-measurement of ARO in foreign currencies is recognised by increasing or decreasing the carrying amount of the ARO liability and ARO asset.

If the conditions for the recognition of the provisions are not met, the expenditure for the decommissioning, removal and site cleaning will be expensed in profit or loss when incurred.

3.17 Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of MFRS 137 'Provisions, contingent liabilities and contingent assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Revenue recognition

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of estimated returns, discounts, commissions, rebates and taxes. Discounts and rebates are measured using the most likely amount method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good promised in the contract.

Revenue from the sale of crude oil and gas are recognised at a point in time when the control of the product is transferred to the customer.

The Group does not expect any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group and the Company do not adjust any of the transaction prices for the time value of money.

3.19 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.20 Borrowing costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3.21 Leases

(i) The Group and the Company as a lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group and Company (i.e. the commencement date).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leases (continued)

(i) The Group and the Company as a lessee (continued)

Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affects whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statement of financial position.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments may include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leases (continued)

(i) The Group and the Company as a lessee (continued)

Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Group and the Company may be exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised as an expense in profit or loss.

3.22 Contract liabilities

Contract liabilities of the Group represent advance receipts from customers on sales that have yet to be rendered or completed. Contract liabilities are named as advance payments and classified under other payables and accruals.

All other contract liabilities are expected to be recognised as revenue over the next 12 months.

3.23 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group and the Company's activities expose it to a variety of financial risks: market risk (including interest risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and the Company's financial performance.

The Group and the Company have established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Foreign exchange risk

The Group and the Company are exposed to foreign currency risks on trade and other receivables, trade and other payables, cash and cash equivalents and amount due to and amount due from corporate shareholder in a subsidiary that are denominated in currency that is different from the functional currency. The currency giving rise to this risk is primarily United States Dollars ("USD") and Kazakhstani Tenge ("KZT").

The Group and the Company do not hedge their foreign currency denominated obligations.

The KZT is not a freely convertible currency. Limitation in foreign exchange transactions could cause future exchange rates to vary significantly from current or historical exchange rates. Management is not in a position to anticipate changes in the foreign exchange regulations and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes in exchange rates.

The Group's and the Company's currency exposure profile is as follows:

	Denominated in KZT		Denominated in USD	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets				
Restricted cash	6,953	6,860	-	-
Other receivables	1,437	3,051	-	-
Trade receivables	463	321	-	-
Cash and cash equivalents	2,471	795	-	18
Amount due from corporate shareholder in a subsidiary	-	-	4,007	3,237
	11,324	11,027	4,007	3,255

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group's and the Company's currency exposure profile is as follows: (continued)

	Denominated in KZT		Denominated in USD	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Group				
Financial liabilities				
Trade payables	55,630	52,981	-	-
Lease liabilities	2,325	5,409	-	-
Accruals and other payables	1,063	2,236	-	-
Amount due to corporate shareholder in a subsidiary	-	-	221,646	216,100
	59,018	60,626	221,646	216,100
Company				
Financial asset				
Cash and cash equivalents	-	-	-	18
Amount due from corporate shareholder in a subsidiary	-	-	4,007	3,237
	-	-	4,007	3,255

The table below summarises the change in foreign currency rate to the Group and the Company's loss after taxation. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Effect on profit/(loss) after taxation and equity	
	Company	
	2020	2019
	RM'000	RM'000
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	401	325
- 10%	(401)	(325)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	Effect on profit/ (loss) after taxation and equity	
	Group	
	2020	2019
	RM'000	RM'000
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	(21,764)	(21,285)
- 10%	21,764	21,285
Increase/Decrease in foreign exchange rate		
KZT strengthened/weakened by:		
+ 10%	(4,770)	(4,960)
- 10%	4,770	4,960

(ii) Interest rate risk

The Group and the Company have no significant interest bearing cash assets. The Group and the Company's income and operating cash flows are substantially independent of the changes in market rates as all interest rates arising from intra-group loans are fixed. A detailed analysis of the Group's loan, together with their respective effective interest rates and maturity dates, are included in Note 21. The Group and the Company's deposits that are placed in financial institution are not exposed to significant interest rate risk.

(iii) Price risk

The Group and the Company are not subject to significant price risk.

(b) Credit risk

Financial assets that are primarily exposed to credit risks are trade and other receivables, amount due from subsidiary, amount due from corporate shareholder, amount due from corporate shareholder in a subsidiary and cash and bank balances. Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group and the Company. At the reporting date, the Group and the Company's maximum exposure to credit risk is represented by carrying amounts of each class of financial assets recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables

The Group applies the MFRS 9 simplified approach to measure expected credit losses ("ECL") of its trade receivables.

The expected loss rates are based on the payment profiles of sales over a certain period before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group has one customer which in aggregate accounts for more than 92% (2019: 85%) of the Group's revenue and as such, has concentration of credit risk for its trade receivables. The Group assessed the probability of default as low due to the good repayment trend of the customer with consideration of current market condition. Therefore, the impact of ECL is immaterial.

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from other receivables are represented by the carrying amounts in the statement of financial position.

The Group uses the three stages approach for other receivables which reflect their credit risk and how the loss allowances are determined for each of those stages. The Group determines the probability of default for these other receivables considering historical data and macroeconomic information.

Other receivables are assessed using the lifetime ECL methodology under Stage 2 as there is a heightened risk on those balances.

Amount due from subsidiary, corporate shareholder and corporate shareholder in a subsidiary

The Company enters into trade and non-trade transactions with its subsidiary. The Group and the Company also enter into trade and non-trade transactions with their corporate shareholder and corporate shareholder in a subsidiary. As at 31 December 2020, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Group and the Company apply the simplified approach to measure ECL on such balances, similar to the methodology applied on trade receivables.

The Group and the Company use the three stages approach for non-trade intercompany balances which reflect their credit risk and how the loss allowances are determined for each of those stages. The Company determines the probability of default for these amounts due from subsidiaries individually using internal information available.

These intercompany balances are assessed using the 12-month ECL methodology under Stage 1 as the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. On that basis, the impact of ECL is not material for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

Deposits, cash and bank balances

The Group and the Company place its restricted cash and deposits, cash and bank balances with various creditworthy financial institutions. As at the end of the reporting period, the maximum exposure to credit risk arising from restricted cash and cash and cash equivalents are represented by the carrying amounts in the statements of financial position.

The Group and the Company use the three stages approach for deposits, cash and bank balances which reflect their credit risk and how the loss allowances are determined for each of those stages. The Group determines the probability of default for these balances considering historical data and macroeconomic information (such as market interest rates).

The analysis of the credit exposure of deposits, cash and bank balances for which an ECL allowance is recognised is disclosed in Note 20.

(c) Liquidity risk

The Group and the Company's liquidity risk management involve maintaining sufficient cash and cash equivalents and availability of funding through an adequate amount of committed credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining year at the end of the reporting period to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows of principal amount and interests.

	Contractual undiscounted cash flows					
	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2020						
Trade payables	64,595	55,824	8,809	-	-	64,633
Accruals and other payables (excluding statutory liabilities)	3,918	3,464	837	161	-	4,462
Amount due to corporate shareholder in a subsidiary	648,618	346,134	-	289,944	398,297	1,034,375
Lease liabilities	2,431	544	362	1,085	3,889	5,880

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

		Contractual undiscounted cash flows				
	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2019						
Trade payables	64,755	42,399	23,506	-	-	65,905
Accruals and other payables (excluding statutory liabilities)	4,613	3,581	796	361	-	4,738
Amount due to corporate shareholder in a subsidiary	625,280	8,149	344,410	290,909	406,188	1,049,656
Lease liabilities	5,771	1,021	951	2,505	9,810	14,287
Company						
2020						
Accruals and other payables (excluding statutory liabilities)	926	926	-	-	-	926
Lease liabilities	182	182	-	-	-	182
2019						
Accruals and other payables (excluding statutory liabilities)	899	899	-	-	-	899
Lease liabilities	362	278	116	-	-	394

4.2 Fair value estimation

Except as disclosed below, the carrying amounts of the Group and the Company's financial assets and liabilities approximate their fair values due to the relatively short term nature of financial instruments.

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
At 31 December 2020				
Trade payables	8,771	8,851	-	-
Amount due to corporate shareholder in a subsidiary	648,618	695,473	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (continued)

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
At 31 December 2019				
Trade payables	22,356	22,580	-	-
Amount due to corporate shareholder in a subsidiary	625,280	701,369	-	-

Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and the Company determine the fair value based on discounted estimated future cash flows using the prevailing market rates for similar credit risks and remaining year of maturity. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving at fair value.

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Valuation technique

The fair value of the amount due to corporate shareholder in a subsidiary, trade payables and lease liabilities as disclosed is measured based on Level 2 fair value measurement hierarchy using the discounted cash flows model.

4.3 Capital risk management

The Group and the Company's objectives when managing capital are to safeguard the Group and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and the Company monitor capital on the basis of Debt over Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA"). Debt is calculated as total amounts due to corporate shareholder in a subsidiary. EBITDA is determined as profit before finance income, finance cost, income tax and depreciation, depletion and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Capital risk management (continued)

The Debt over EBITDA ratios of the Group as follows:

	2020 RM'000	2019 RM'000
Total borrowings	648,618	625,280
Loss before income tax	(246,982)	(193,102)
Finance income	(2,114)	(2,407)
Finance cost	61,307	69,434
Depreciation, depletion and amortisation	62,386	91,135
EBITDA	(125,403)	(34,940)
Debt over EBITDA ratio	(5.17)	(17.90)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of proved and probable oil reserves

Proved reserves are those quantities of petroleum that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. Economic conditions include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved developed reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Proved undeveloped reserves are quantities expected to be recovered through future investments: from new wells on undrilled acreage in known accumulations, from extending existing wells to a different (but known) reservoir, or from infill wells that will increase recovery. Probable reserves are additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are likely to be recovered.

The Group's reserves estimates were prepared for each oilfield and include crude oil and liquefied petroleum gas that the Group believes can be reasonably produced within current economic and operating conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Estimation of proved and probable oil reserves (continued)

Proved and probable reserves cannot be measured exactly. Reserves estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserves estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance. Well tests and engineering studies will likely improve the reliability of the reserves estimates. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

In general, changes in the technical maturity of reserves resulting from new information becoming available from development and production activities and change in oil and gas price have tended to be the most significant cause of annual revisions.

Changes to the Group's estimates of proved-plus-probable developed reserves affect the amount of depreciation, depletion and amortisation recorded in the financial statements for property, plant and equipment. These changes can, for example, be the result of production and revisions. A reduction in proved-plus-probable reserves will increase the rate of depreciation, depletion and amortisation charges (assuming constant production) and reduce income. If the proved-plus-probable developed reserves estimates increase by 10% the depreciation, depletion and amortisation charges will decrease by RM6,682,671. Decreasing the proved-plus-probable developed reserves estimates by 10% will increase the depreciation, depletion and amortisation charges by RM5,650,792.

Changes to the Group's estimates of proved and probable developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of oil and gas properties. Information about the carrying amounts of these assets and the amounts charged to profit or loss, including depreciation, depletion and amortisation is presented in Note 16.

Changes to the Group's estimates of proved-plus-probable reserves would also impact assumptions used in determining deferred tax asset recognition and impairment.

(b) Depletion, depreciation and amortisation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation and amortisation charges for other property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will adjust the estimated useful lives where useful lives vary from previously estimated useful lives.

(c) Impairment of property, plant and equipment

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Determination as to whether and how much an asset is impaired involve management's estimates and judgements such as future prices of crude oil and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the market conditions and data. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. Details of the estimates and judgements are set out in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Exploration and evaluation expenditure

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. In making decisions about whether to continue capitalising the exploration costs, it is necessary to make judgements about the economic viability of the exploratory wells. If there is a change in one of these judgements in a subsequent period, then the related capitalised exploration costs would be expensed in that period, resulting in a charge to the profit or loss.

(e) Current and deferred income tax

The Group and the Company are subject to income taxes in Malaysia, Netherlands and Kazakhstan jurisdiction. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is still subject to finalisation. The Group and the Company recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax in Kazakhstan has been re-measured to reflect the changes in excess profit tax rate that will be applicable in the periods in which the deductible/taxable temporary differences are expected to reverse.

Income in Kazakhstan is taxed at the excess profit tax rate which is based on rate of return on subsurface use operations and requires estimation of future taxable income, capital expenditures and other assumptions which affect the estimation of amounts and periods when deductible/taxable temporary differences existing at the reporting date are reversed/settled.

(f) Impairment of investment in subsidiaries

Investment in subsidiaries are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determination as to whether and how much an investment is impaired involve management estimates and judgements such as future prices of crude oil, estimation of proved and probable oil reserves and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the market conditions and data.

Details of the estimates and judgements are set out in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

6 REVENUE

	Group	
	2020	**2019**
	RM'000	**RM'000**
Sales of crude oil	77,250	167,927
Sales of gas	2,292	2,885
	79,542	170,812

The above revenue is recognised at one point of time.

7 TAXES OTHER THAN INCOME TAXES

	Group	
	2020	**2019**
	RM'000	**RM'000**
Rent export tax	4,305	22,534
Rent export duty expenditure	8,154	19,775
Mineral extraction tax	4,262	9,026
Property tax	5,512	4,300
	22,233	55,635

8 EMPLOYEE COMPENSATION COSTS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and allowances	12,696	12,422	4,539	3,949
Welfare and other expenses	1,169	1,590	749	1,101
	13,865	14,012	5,288	5,050

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

9 OTHER OPERATING INCOME/(EXPENSES) – NET

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Write off of inventory	(243)	(357)	-	-
Write off of property, plant and equipment	(11)	(429)	-	-
Foreign exchange gain/(expense) on operation - net	805	(749)	12	14
Change in estimate of asset retirement obligations	263	4,608	-	-
Others	2,116	651	-	-
	2,930	3,724	12	14

Foreign exchange arising from purchases and services procured are classified as part of operating expenditure.

10 FINANCE (COSTS)/INCOME – NET

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Finance income				
Profit income from deposits with licensed islamic banks	139	485	138	485
Interest income from deposits with other licensed banks	611	1,140	-	-
Foreign exchange gain	1,364	772	1	10
Others	-	10	-	-
Finance income	2,114	2,407	139	495
Finance costs				
Interest expenses on loan from corporate shareholder (Note 21)	(26,454)	(35,328)	-	-
Interest expense on deferred consideration (Note 21)	(22,816)	(25,367)	-	-
Accretion of asset retirement obligations (Note 28)	(471)	(1,026)	-	-
Foreign exchange loss	(9,613)	(5,463)	-	-
Net loss on modification of loan	-	(1,796)	-	-
Others	(1,953)	(454)	(29)	(56)
Finance costs	(61,307)	(69,434)	(29)	(56)
	(59,193)	(67,027)	110	439

Foreign exchange impact arising from amounts due from/to corporate shareholder in a subsidiary is classified as part of finance (cost)/income – net.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

11 LOSS BEFORE INCOME TAX

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):				
Auditor remuneration:				
- Statutory audit fees				
- PricewaterhouseCoopers, Malaysia	275	348	202	286
- Member firm of PricewaterhouseCoopers International Limited*	548	600	-	-
- Non audit fees:				
- Member firm of PricewaterhouseCoopers International Limited*	7	35	-	-
Employee compensation cost (Note 8)	13,865	14,012	5,288	5,050
Depreciation:				
- Property, plant and equipment (Note 16)	61,584	90,705	8	13
- Right of use of assets (Note 17)	543	366	242	242
Amortisation of intangible assets	259	64	-	-
Professional fees	1,755	2,320	866	1,328
Realised foreign exchange loss/(gain)	1,160	1,521	12	14
Unrealised foreign exchange loss/(gain)	9,613	3,071	(1)	10
Expenses arising from leases:				
- short-term leases				
• Premises	202	604	-	-
- low-value assets leases				
• Office equipment	15	18	15	18

* *PricewaterhouseCoopers PLT Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.*

12 DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors during the financial year was as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors' fee	287	290	287	290
Salaries, wages and bonus	2,580	1,912	2,426	1,912
Defined contribution plans	265	205	265	205
	3,132	2,407	2,978	2,407

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

13 INCOME TAX BENEFIT

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Foreign income tax:				
- Current financial year	(1,047)	954	-	-
Deferred tax (benefit)/expense				
Origination and reversal of temporary difference	(49,478)	(21,521)	-	-
Under-accrual from prior financial years	379	7,579	-	-
	(50,146)	(12,988)	-	-

The explanation of the relationship between tax expense and loss before income tax is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss before income tax	(246,982)	(193,102)	(363,688)	(6,974)
Tax calculated at the statutory tax rates of 24% (2019: 24%)	(59,276)	(46,345)	(87,285)	(1,674)
Tax effects of:				
- Income not subject to tax	(8,955)	(1,013)	(6)	(9)
- Expenses not deductible for tax purposes	16,197	20,658	87,291	1,683
- Difference in overseas tax rates and tax base	9,901	7,236	-	-
- Re-measurement of deferred tax due to change in the excess profit tax rate	(8,392)	(1,103)	-	-
- Temporary differences in respect of prior financial year	379	7,579	-	-
Income tax (benefit)/expense	(50,146)	(12,988)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

14 LOSS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2020 was based on the profit or loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2020	**2019**
Loss attributable to ordinary shareholders (RM'000)	(128,690)	(128,403)
Weighted average number of ordinary shares ('000)	1,096,412	1,096,412
Basic loss per ordinary share (RM)	(0.12)	(0.12)
Diluted loss per ordinary share (RM)	(0.12)	(0.12)

The Group and the Company present basic and diluted profit per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise free convertible warrants granted to the shareholders.

The assumed conversion from the exercise of warrants and share based payments would be anti-dilutive.

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2020	**2019**
	RM'000	**RM'000**
Unquoted shares - at cost*	-	-
Cost of investment	25,646	25,646
Capital contributions to a subsidiary	584,391	584,391
Less: Accumulated impairment losses	(356,800)	-
	253,237	610,037

Impairment assessment of investment in REVSB

As a result of the continued challenging operating environment of the Group and the Company coupled with the continuing losses during the financial year, management has performed an assessment to identify whether an impairment is required with regards to the Company's investment in REVSB.

The recoverable amount of investment in REVSB is determined based on the FVLCD method. The fair value measurement is calculated using the discounted cash flow method categorised under Level 3 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Impairment assessment of investment in REVSB (continued)

The key assumptions used in determining the recoverable amount is as follows:

	2020	**2019**
Period of projection	2021 – 2036	2020 – 2036
Selling price	USD51 – USD76	USD63 – USD91
Reserves volume	49.4 MMBbl	57.5 MMBbl
Inflation rate (USD)	2.0% - 2.5%	1.8% - 2.5%
Inflation rate (KZT)	2.7% - 6.2%	2.2% - 5.8%
Cost of equity (USD)	15.1%	15.3%
Capital expenditure	USD211.8 million	USD227.6 million
Debt from financial institution	USD71.3 million	USD80.0 million
Repayment of debt	Over the projection period	Over the projection period

The Company uses the period of subsoil use rights as the period of the projection.

The Company recorded an impairment of RM356.8 million due to a shortfall between the carrying value the investment and its recoverable amount.

The Company's review includes an impact assessment of changes in key assumptions. If the average oil price had been USD11/bbl lower than management's estimates, it would result in an impairment of RM51.6 million to the investment in subsidiaries.

If the reserves volume had been 5% lower than management's estimates, it would result in an additional impairment of RM11.1 million to the investment in subsidiaries.

If the inflation rate had been 1% lower than management's estimates, it would result in an additional impairment of RM6.9 million to the investment in subsidiaries.

If the estimated cost of equity applied to the discounted cash flows had been 1% higher than management's estimates, it would result in an additional impairment of RM19.2 million to the investment in subsidiaries.

The details of the subsidiaries are as follows:

Name of subsidiary	**Group's interest 2020** %	**2019** %	**Country of incorporation**	**Principal activities**
Reach Energy Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding company
Subsidiary held through Reach Energy Ventures Sdn. Bhd.				
Palaeontol B.V.	60	60	Netherlands	Investment holding company
Subsidiary held through Palaeontol B.V.				
Emir-Oil LLP**	100	100	Republic of Kazakhstan	Exploration, development, production and sale of crude oil and other petroleum products

The financial year end of the subsidiaries fall on 31 December.

* *Denotes RM2*
** *Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT Malaysia.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information for subsidiary

Set out below are the summarised financial information for Palaeontol B.V. Group ("PBV Group") before intercompany elimination:

Summarised statement of financial position

	2020 RM'000	2019 RM'000
Non-current assets	1,271,180	1,447,407
Current assets	32,228	34,163
Current liabilities	(801,329)	(65,696)
Non-current liabilities	(166,104)	(931,195)
Net assets	335,975	484,679
Accumulated non-controlling interests	129,492	193,872

Summarised statement of comprehensive income

Revenue	79,542	170,812
Loss for the financial year	(158,121)	(129,279)
Loss allocated to non-controlling interests	(68,146)	(51,711)

Other than the restricted cash set aside for environmental remediation relation to its operations as disclosed in Note 20, there is no restriction on the Group's ability to access or use the assets or settle the liabilities of the PBV Group.

Summarised statement of cash flows

	2020 RM'000	2019 RM'000
Net cash generated from operating activities	23,319	34,100
Net cash used in investing activities	(14,931)	(36,778)
Net cash used in financing activities	(1,984)	(13,148)
Exchange differences	(12,115)	(1,046)
Net decrease in cash and cash equivalents	(5,711)	(16,872)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT

Group	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Buildings and leasehold improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
2020							
Cost							
At 1 January	146,904	1,298,878	7,042	6,604	63	255,630	1,715,121
Additions	13,458	624	-	130	-	940	15,152
Disposal	-	-	(5)	(47)	-	(9)	(61)
Transfer in/(out)	(6,098)	6,065	-	33	-	-	-
Write-off	-	-	(1)	(69)	-	-	(70)
Foreign exchange translation	(624)	(21,801)	(136)	(124)	-	(5,007)	(27,692)
At 31 December	153,640	1,283,766	6,900	6,527	63	251,554	1,702,450
Accumulated depreciation							
At 1 January	-	208,412	2,131	280	63	-	210,886
Charge for the financial year	-	60,297	787	500	-	-	61,584
Write-off	-	-	(5)	(65)	-	-	(70)
Foreign exchange translation	-	(11,367)	(113)	(59)	-	-	(11,539)
At 31 December	-	257,342	2,800	656	63	-	260,861
Accumulated impairment							
At 1 January	-	50,679	-	-	-	27,615	78,294
Charge for the financial year	84,611	39,198	-	-	-	-	123,809
Reversal for the financial year	-	(6,765)	-	-	-	(7,154)	(13,919)
Foreign exchange translation	(3,745)	(710)	-	-	-	711	(3,744)
At 31 December	80,866	82,402	-	-	-	21,172	184,440
Net book value							
At 31 December	72,774	944,022	4,100	5,871	-	230,382	1,257,149

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Buildings and leasehold improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
2019							
At 1 January	81,431	1,313,811	7,245	6,859	63	296,580	1,705,989
Additions	10,106	4,052	-	1,661	-	22,038	37,857
Disposal	(472)	-	-	-	-	-	(472)
Transfer in/(out)	59,636	-	-	-	-	(59,636)	-
Write-off	-	-	(124)	(1,845)	-	(285)	(2,254)
Adjustments (Note 28)	(2,092)	(2,742)	-	-	-	(214)	(5,048)
Foreign exchange translation	(1,705)	(16,243)	(79)	(71)	-	(2,853)	(20,951)
At 31 December	146,904	1,298,878	7,042	6,604	63	255,630	1,715,121
Accumulated depreciation							
At 1 January	-	124,599	1,736	1,644	63	-	128,042
Charge for the financial year	-	89,374	790	541	-	-	90,705
Write-off	-	-	(118)	(1,707)	-	-	(1,825)
Foreign exchange translation	-	(5,561)	(277)	(198)	-	-	(6,036)
At 31 December	-	208,412	2,131	280	63	-	210,886
Accumulated impairment							
At 1 January	-	-	-	-	-	-	-
Charge for the financial year	-	51,281	-	-	-	27,942	79,223
Foreign exchange translation	-	(602)	-	-	-	(327)	(929)
At 31 December	-	50,679	-	-	-	27,615	78,294
Net book value							
At 31 December	146,904	1,039,787	4,911	6,324	-	228,015	1,425,941

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings And leasehold improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Total RM'000
Cost				
At 1 January/31 December 2020	403	310	63	776
Accumulated depreciation				
At 1 January 2020	403	296	63	762
Charge for the financial year	-	8	-	8
At 31 December 2020	403	304	63	770
Net book value				
At 31 December 2020	-	6	-	6
Cost				
At 1 January 2019	403	301	63	767
Additions	-	9	-	9
At 31 December 2019	403	310	63	776
Accumulated depreciation				
At 1 January 2019	403	283	63	749
Charge for the financial year	-	13	-	13
At 31 December 2019	403	296	63	762
Net book value				
At 31 December 2019	-	14	-	14

In accordance with MFRS 136 'Impairment of assets', the recoverable amount of assets is the greater of its value in use and its fair value less costs to sell. During the financial year ended 31 December 2020, due to the continued losses and the revision of reserves volume reported from an independent reserves engineer, the Group performed an assessment of the recoverability of its a) exploration and evaluation assets; b) oil and gas properties; and c) construction in progress. The recoverable amount is determined based on fair value less cost of disposal ("FVLCD"). The fair value measurement is calculated using the discounted cash flow method categorised under Level 3 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The key assumptions used in determining the recoverable amount is as follows:

2020

Period of projection	2021 - 2036
Selling price	USD51 – USD76
Reserves volume	49.4 MMBbl
Inflation rate (USD)	2.0% - 2.5%
Inflation rate (KZT)	2.7% - 6.2%
Weighted average cost of capital (USD)	11.60%
Weighted average cost of capital (KZT)	15.90%
Capital expenditure	USD211.8 million over the projection period

2019

Period of projection	2020 - 2036
Selling price	USD63 – USD91
Reserves volume	57.5 MMBbl
Inflation rate (USD)	1.8% - 2.5%
Inflation rate (KZT)	2.2% - 5.8%
Weighted average cost of capital (USD)	12.09%
Weighted average cost of capital (KZT)	15.37%
Capital expenditure	USD227.6 million over the projection period

The Group determines the individual oil field to be the CGUs in assessing impairment of its oil and gas properties and exploration and evaluation assets. Each oil field is capable of generating cash flows independent of other assets. The Group uses the period of subsoil use rights as the period of the projection.

The Group recorded an impairment for of RM109.9 million due to a shortfall between the carrying value of the assets and their FVLCD.

If the average oil price had been USD11/bbl lower than management's estimates, it would result in an additional impairment of RM51.6 million to the property, plant and equipment.

If the reserves volume had been 5% lower than management's estimates, it would result in an additional impairment of RM11.1 million to the property, plant and equipment.

If the inflation rate had been 1% lower than management's estimates, it would result in an additional impairment of RM6.9 million to the property, plant and equipment.

If the estimated WACC used in determining the after-tax discount rate applied to the discounted cash flows had been 1% higher than management's estimates, it would result in an additional impairment of RM39.0 million to the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

17 RIGHT OF USE OF ASSETS/ LEASE LIABILITIES

(a) Right of use of assets

Buildings	Group RM'000	Company RM'000
Cost		
At 1 January 2020	6,221	585
Additions	2,452	-
Termination	(5,378)	-
Foreign translation effects	21	-
At 31 December 2020	3,316	585
Accumulated depreciation		
At 1 January 2020	365	242
Charge for the financial year	544	241
Foreign translation effects	(13)	-
At 31 December 2020	896	483
Net book value		
At 1 January 2020	5,856	343
At 31 December 2020	2,420	102
Cost		
Initial application at 1 January 2019	585	585
Additions	5,703	-
Foreign translation effects	(67)	-
At 31 December 2019	6,221	585
Accumulated depreciation		
Initial application at 1 January 2019	-	-
Charge for the financial year	366	242
Foreign translation effects	(1)	-
At 31 December 2019	365	242
Net book value		
At 1 January 2019	585	585
At 31 December 2019	5,856	343

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

17 RIGHT OF USE OF ASSETS/ LEASE LIABILITIES (CONTINUED)

(b) Lease liabilities

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current	(352)	(912)	(182)	(249)
Non-current	(2,079)	(4,859)	-	(113)
	(2,431)	(5,771)	(182)	(362)

As of the year end, there is no future cash flows attributable to extension and termination options which the Group is potentially exposed to that are not reflected in the lease liability.

18 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Advances to external parties	4,479	7,623	18	18
Value-added tax and other statutory receivables	10,422	14,562	-	-
	14,901	22,185	18	18
Less: Loss allowance	(2,639)	(1,252)	-	-
	12,262	20,933	18	18
Other receivables	1,437	3,076	-	24
Deposits	134	136	136	136
Total deposits, prepayments and other receivables – net	13,833	24,145	154	178
Represent:				
Non-current	3,274	7,402	-	-
Current	10,559	16,743	154	178
	13,833	24,145	154	178

As at 31 December 2020, substantially all other receivables are denominated in KZT. The fair values of other receivables (excluding VAT receivables) approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

18 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The movement in the Group's loss allowance for other receivables is as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	1,252	1,252
Increase in loss allowance	1,387	-
As at the end of the financial year	2,639	1,252

The following table contains an analysis of the credit risk exposure of other receivables for which an ECL allowance is recognised:

Group internal credit rating	ECL rate	Basis for recognition of ECL provision	Estimated gross carrying amount at default	Loss allowance	Carrying amount (net of ECL provision
			RM'000	RM'000	RM'000
2020					
Stage 2	18%	Lifetime ECL	4,479	(2,639)	1,840
2019					
Stage 2	6%	Lifetime ECL	7,623	(1,252)	6,371

19 TRADE RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade receivables	5,687	321	-	-
Less: loss allowance	(23)	(25)	-	-
Trade receivables – net	5,664	296	-	-

The Group's trade receivables have credit terms of between 30 days to 60 days.

There is no contract asset recognised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

19 TRADE RECEIVABLES (CONTINUED)

The aging analysis of trade receivables were as follows:

Group

	Gross	Average Expected loss rate	Collective impairment	Net
	RM'000	%	RM'000	RM'000
2020				
Not past due	5,634	0	-	5,634
Past due 60 to 180 days	9	0	-	9
Past due more than 180 days	44	52.3	(23)	21
	5,687		(23)	5,664
2019				
Not past due	236	0	-	236
Past due 60 to 180 days	51	0	-	51
Past due more than 180 days	34	73.5	(25)	9
	321		(25)	296

The carrying amounts of trade receivables are denominated in the following currencies:

	Group	
	2020	2019
	RM'000	RM'000
United States Dollar ("USD")	5,224	-
Kazakhstani Tenge ("KZT")	440	296
At 31 December	5,664	296

The movement in the Group and the Company's provision for impairment of trade receivables is as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	25	10
(Decrease)/increase in loss allowance	(2)	15
At 31 December	23	25

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	8,477	26,686	267	95
Deposits with licensed financial institution	8,803	16,355	1,551	9,495
	17,280	43,041	1,818	9,590
Less: Loss allowance	(164)	(223)		-
	17,116	42,818	1,818	9,590
Less: Deposits with licensed financial institution/ banks which are restricted in use*	(6,953)	(6,860)	-	-
Total cash and cash equivalents at the end of financial year	10,163	35,958	1,818	9,590

* Under the laws of Kazakhstan, the Group is required to set aside funds for environmental remediation relating to its operations. Management is unable to estimate reliably when these amounts will be utilised, and therefore, these amounts are classified as non-current.

The maturity and effective interest rate for the fixed deposits with licensed banks ranges from 12 to 26 days (2019: from 1 to 31 days).

The movement in the Group's loss allowance for cash and bank balances is as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	223	455
(Decrease)/increase in loss allowance	(59)	(232)
As at the end of the financial year	164	223

The following table contains an analysis of the credit risk exposure of cash and bank balances for which an ECL allowance is recognised:

Group internal credit rating	ECL rate	Basis for recognition of ECL provision	Estimated gross carrying amount at default	Loss allowance	Carrying amount (net of ECL provision
			RM'000	RM'000	RM'000
2020					
Stage 1	1%	12-month ECL	17,280	(164)	17,116
2019					
Stage 1	1%	12-month ECL	43,041	(223)	42,818

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

20 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
United States Dollar ("USD")	5,330	13,166	-	18
Kazakhstani Tenge ("KZT")	9,259	7,431	-	-
Euro ("EUR")	403	32	-	1
Malaysian Ringgit ("MYR")	2,124	22,189	1,818	9,571
	17,116	42,818	1,818	9,590

21 AMOUNT DUE FROM SUBSIDIARY, AMOUNTS DUE FROM/(TO) CORPORATE SHAREHOLDER IN A SUBSIDIARY AND AMOUNT DUE FROM CORPORATE SHAREHOLDER

(a) Amount due from subsidiary

The amount due from subsidiary is denominated in Ringgit Malaysia. The amount is non-interest bearing, unsecured and has no fixed terms of repayment.

(b) Amount due from corporate shareholder in a subsidiary

The amount due from corporate shareholder is denominated in Ringgit Malaysia. The amount is non-interest bearing, unsecured and is repayable on demand.

(c) Amounts due to corporate shareholder in a subsidiary

The amounts due to corporate shareholder in a subsidiary is denominated in United States Dollars, is unsecured, with the repayment terms and interest exposure as follows:

Non-current RM'000	Current RM'000	Interest	Repayment terms
155,493	-	14%	No fixed repayment period*
-	230,324	5%	Due in 2021
-	92,568	Interest free	Due in 2021
58,996	-	4.86%	Due in 2036
34,379	-	Interest free	Due in 2036
-	8,448	Interest free	Repayable on demand
1,559	-	5%	Due in 2023
698	-	Interest free	Due in 2023
66,153	-	Interest free	No fixed repayment period*
317,278	331,340		

* The repayment term at the discretion of borrower (i.e. the Group), repayable at any time after completion of the transaction. The Group intended to defer repayment of the amount for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

22 SIGNIFICANT RELATED PARTY DISCLOSURES

The related party transactions of the Group and the Company comprise mainly transactions between the Company and its subsidiaries and corporate shareholders.

The related parties and their relationship with the Company are as follows:

Companies	**Relationship**
Reach Energy Ventures Sdn Bhd ("REVSB")	Subsidiary
Palaeontol B.V. ("PBV")	Subsidiary
MIE Holdings Corporation ("MIEH")	Corporate shareholder in a subsidiary
Reach Energy Holdings Sdn Bhd ("REHSB")	Corporate shareholder

All related party transactions were carried out on agreed terms with the related parties. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions:

(a) Details of significant transactions arising during the financial year with the related companies are as follows:

		Company	
		2020	**2019**
		RM'000	**RM'000**
(i)	Transactions with subsidiaries		
	Payments on behalf	68	1,288

		Group	
		2020	**2019**
		RM'000	**RM'000**
(ii)	Transactions with a corporate shareholder in a subsidiary		
	Repayments of deferred consideration principal	12,294	9,536
	Repayments of shareholder loan principal	-	16,330
	Interest expenses on loans	26,454	35,328
	Interest expenses on deferred consideration	22,816	25,367

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors:				
- Fees	287	290	287	290
- Remuneration and other emoluments	2,580	1,912	2,426	1,912
- Defined contribution plans	265	205	265	205
	3,132	2,407	2,978	2,407
Other key management personnel:				
- Remuneration and other emoluments	565	1,006	565	1,006
- Defined contribution plans	69	66	69	66
	634	1,072	634	1,072
	3,766	3,479	3,612	3,479

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of the senior management of the Group.

23 CAPITAL

	Group and the Company	
	2020	**2019**
	RM'000	**RM'000**
Total share capital	678,968	678,968
Proceeds of shares allocated to warrant reserve	(189,993)	(189,993)
	488,975	488,975

The movement in the share capital of the Group and of the Company are as follows:

Share capital

	2020		2019	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	**RM'000**	**'000**	**RM'000**
Group and the Company				
Issued and fully paid:				
At 1 January/31 December	1,096,412	678,968	1,096,412	678,968

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

24 OTHER RESERVES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Warrants reserve	(a)	198,914	198,914	198,914	198,914
Share-based payment reserve	(b)	821	821	821	821
Foreign exchange reserve	(c)	(17,893)	(23,627)	-	-
		181,842	176,108	199,735	199,735

(a) Warrants reserve

The movements in the warrants reserve of the Group and of the Company are as follows:

	2020 Number of warrants	2020 Amount RM'000	2019 Number of warrants	2019 Amount RM'000
At 1 January/31 December	1,277,822	198,914	1,277,822	198,914

The subscription of ordinary shares by the previous holding company, Reach Energy Holdings Sdn. Bhd. in the previous financial years was with free detachable warrants with the following features:

(i) 1 free warrant for 1 ordinary share of RM1 each;
(ii) Exercise price for each warrant is RM0.75; and
(iii) There is a moratorium in place whereby the warrants are not transferable during the moratorium period which is from the date of listing until the Company has commenced commercial production and generated one full financial year of audited operating revenue.

Upon REB generating one full financial year of audited operating revenue, the warrants may thereafter sell, transfer or assign up to a maximum of 50% per annum (on a straight line basis).

On 19 November 2019, REB had obtained its approval from Securities Commission of uplifting of moratorium for 50% of security.

Each warrant shall entitle the holder to subscribe for one new ordinary share of RM0.75 at the exercise price at any time during the exercise period and shall be subject to adjustments in accordance with the provision of the warrants deed poll. The warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants into new shares.

The new shares arising from the exercise of warrants shall, upon allotment and issue, rank pari passu with the then existing shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

The warrants shall be transferable in the manner in accordance with the warrants deed poll subject always to the provisions of the SICDA (Securities Industry (Central Depositories) Act) and the rules of Bursa depository and any appendices.

The expiry date of the warrants is on 15 August 2022.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

24 OTHER RESERVES (CONTINUED)

(b) Share-based payment reserve

The movements in the share-based payment reserve of the Group and the Company are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January/31 December	821	821	821	821

The fair values of share-based payment were estimated using the Trinomial Lattice Model based on the following key assumptions:

		Tranche 1	**Tranche 2**
(i)	Grant date	31 July 2013	30 June 2014
(ii)	Subscription price	RM0.045 per share	RM0.099 per share
(iii)	Exercise price	RM0.75 per warrant	RM0.75 per warrant
(iv)	Tenure of the Warrant	8 years	8 years
(v)	Risk free interest rate	3.222%	3.222%
(vi)	Expected dividend yield	0%	0%
(vii)	Expected share price volatility	56.65%	34.11%
(viii)	Number of share options issued	113,600,000	142,000,000
(ix)	Fair value at grant date	RM0.0046 per warrant	RM0.0021 per warrant
(x)	Expiry date	30 July 2021	29 June 2022

(c) Forex exchange reserve

The foreign exchange reserve arises from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

25 DEFERRED TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2020	**2019**
	RM'000	**RM'000**
Deferred tax liabilities to be settled after more than 12 months	(60,758)	(108,756)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

25 DEFERRED TAX LIABILITIES (CONTINUED)

The movements during the financial year relating to deferred tax are as follows:

	Group	
	2020	**2019**
	RM'000	**RM'000**
At 1 January	(108,756)	(123,672)
Forex exchange translation	(1,101)	1,928
Credited/ (Charged) to profit or loss (Note 13)		
- tax losses	23,877	(12,672)
- provisions	(1,120)	(2,644)
- lease liabilities	(624)	1,095
- property, plant and equipment	27,692	21,395
- intangible assets	(195)	6,930
- right of use of assets	(531)	(1,116)
	49,099	12,988
At 31 December	(60,758)	(108,756)
Subject to income tax		
Deferred tax assets (before offsetting):		
- tax losses	147,115	126,757
- provisions	2,372	2,969
- lease liabilities	465	1,082
	149,952	130,808
Offsetting	(149,952)	(130,808)
Deferred tax assets (after offsetting)	-	-

	Group	
	2020	**2019**
	RM'000	**RM'000**
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	(209,444)	(238,120)
- intangible assets	(345)	(341)
- right of use of assets	(464)	(1,103)
	(210,253)	(239,564)
Offsetting	149,495	130,808
Deferred tax liabilities (after offsetting)	(60,758)	(108,756)

In accordance with the laws of Kazakhstan, the unutilised tax losses arising from a year of assessment ("YA") are allowed to only be carried forward for utilisation up to 10 consecutive YAs from that YA.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

26 TRADE PAYABLES

The carrying amounts of trade payable are denominated in the following currencies:

	Group	
	2020	2019
	RM'000	RM'000
Kazakhstani Tenge ("KZT")	55,630	52,981
United States Dollars ("USD")	8,965	11,774
	64,595	64,755
Represent:		
Non-current	8,771	22,356
Current	55,824	42,399
	64,595	64,755

Non-current trade payable balances relate to purchases of fixed assets which have repayment terms between 1 to 3 years.

27 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Contract liabilities	12,907	5,240	-	-
Withholding and other tax payable	2,504	7,795	-	-
Salary and welfare payable	673	1,241	81	247
Accruals and other payables	3,918	4,613	926	899
Total accruals and other payables	20,002	18,889	1,007	1,146
Represent:				
Non-current	334	864	-	-
Current	19,668	18,025	1,007	1,146
	20,002	18,889	1,007	1,146

The Group's unsatisfied performance obligations as at 31 December 2020 is represented by the contract liabilities balance.

The movement in contract liabilities during the financial year is not significant to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

28 PROVISIONS

	Provision for ARO (Non-current)		Provision for claims (Current)
	Group		Company
	2020	2019	2020
	RM'000	RM'000	RM'000
	5,506	5,738	11,205
Movements of provisions are as follows:			
At 1 January	5,738	13,533	-
Additional provision during the financial year	215*	770	11,724**
Foreign exchange translation	(655)	65	(519)
Changes in estimates	(263)	(9,656)	-
Accretion of asset retirement obligations	471	1,026	-
At 31 December	5,506	5,738	11,205

* The additional provision recognised during the financial year is the result of drilling of new wells.

** In November 2020, the Group's subsidiary, Emir-Oil LLP, received claims of damages totaling RM11.7 million from the Ministry of Energy of Kazakhstan in connection with violations of gas dispersion limits during operation identified from inspections performed in 2019.

29 COMMITMENTS

(i) Capital commitments for the purchase of property, plant and equipment:

	Group	
	2020	2019
	RM'000	RM'000
Authorised but not contracted for	7,090	35,526
Contracted but not provided for	28,648	107,170
	35,738	142,696

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

29 COMMITMENTS (CONTINUED)

(ii) According to the production contracts for four blocks in Kazakhstan, the Group is committed to perform minimum work program during the life of the production contracts. Set out below is the commitment for the minimum work program:

	Group	
	2020	2019
	RM'000	RM'000
<1 year	477,488	201,733
1-2 years	551,185	326,752
2-5 years	617,844	299,768
>5 years	1,344,605	763,252
	2,991,122	1,591,505

The minimum work program includes capital expenditure of RM850 million (2019: RM931 million) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly other direct operation and maintenance costs of wells and related facilities.

30 FINANCIAL INSTRUMENTS BY CATEGORY

a) The table below provides an analysis of financial instruments categorised as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Financial assets at amortised costs				
Trade receivables	5,664	296	-	-
Other receivables (excluding prepayments)	1,571	3,212	134	159
Deposits, cash and bank balances	17,116	42,818	1,818	9,590
Amount due from subsidiary	-	-	3,071	3,003
Amount due from corporate shareholder in a subsidiary	4,007	3,237	4,007	3,237
	28,358	49,563	9,030	15,989
Financial liabilities at amortised costs				
Trade payables	64,595	64,755	-	-
Accruals and other payables (excluding statutory and contract liabilities)	3,918	4,613	1,007	899
Amount due to corporate shareholder in a subsidiary	648,618	625,280	-	-
	717,131	694,648	1,007	899

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(cont'd)

31 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Management (Chief Operating decision maker).

During the financial year, the Group has one single operating segment, which operates the exploration, development, production and sales of oil and other petroleum products in the Republic of Kazakhstan. The segment information is consistent with the financial position and financial performance as shown in the statement of financial position and statement of comprehensive income including related notes to the financial statements.

The reportable operating segment derive all revenue from the sale of crude oil in the Republic of Kazakhstan (the "Kazakhstan"). All revenue of the operating segment is contributed by external customers. The major customer, Euro Asian Oil SA ("Euro Asian") is one of the largest trading companies in the Mangistau region of Western Kazakhstan. Euro Asian contributes revenue of RM64.8 million (2019: RM145.0 million).

	Malaysia	Kazakhstan	Total
	RM'000	RM'000	RM'000
Statement of financial position			
2020			
Non-current assets			
Property, plant and equipment	6	1,257,143	1,257,149
Intangible assets	-	1,490	1,490
Total	6	1,258,633	1,258,639
2019			
Non-current assets			
Property, plant and equipment	14	1,425,927	1,425,941
Intangible assets	-	1,705	1,705
Total	14	1,427,632	1,427,646

32 SUBSEQUENT EVENT

As at the end of the financial year, the COVID-19 pandemic that had severely impacted the financial performance for the year ended 31 December 2020 is still evolving which resulted in measures undertaken by the governments such as strict movement controls. Resultantly, the financial performance for the financial year ending 31 December 2021 is expected to remain challenging. Nevertheless, the Group and the Company are implementing appropriate measures to minimise the impact.

On 14 January 2021, the Group's subsidiary, Emir-Oil LLP has accepted funding facilities comprising a term loan facility and a revolving credit facility offered by a financial institution in Kazakhstan amounted to RM37.2 million.

On 12 February 2021, the Group's subsidiary, Emir-Oil LLP, had been imposed with a suspension order of operations by the Ministry of Energy of Kazakhstan from 12 February 2021 to 12 April 2021 as a result of violations of gas dispersion identified from an inspection carried out in November 2020. Emir-Oil has resumed its operations beginning 13 April 2021.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Dr. Azmil Khalili bin Dato' Khalid and Izlan Bin Izhab, two of the Directors of Reach Energy Berhad, hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 40 to 101 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended 31 December 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 May 2021.

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Tan Siew Chaing, the Officer responsible for the financial management of Reach Energy Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 101 are, to the best of my knowledge and belief, 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.

TAN SIEW CHAING

Subscribed and solemnly declared by the abovenamed Tan Siew Chaing, at Kuala Lumpur in Malaysia on 17 May 2021, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Reach Energy Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 101.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material uncertainty related to going concern

We draw attention to Note 3.1 of the financial statements which indicates that the Group and the Company incurred net losses of RM196.8 million and RM363.7 million respectively during the financial year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM389.0 million. As stated in Note 3.1, these events or conditions, along with other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of property, plant and equipment As at 31 December 2020, the Group recorded property, plant and equipment of RM1,257.1 million. The recoverable amount of the Group's property, plant and equipment is determined using Fair Value Less Cost of Disposal ("FVLCD") which is based on the discounted cash flow model. The assessment of the recoverable amount of the relevant cash-generating units ("CGU"), incorporates significant judgement and estimates in respect of factors such as future oil prices, future production levels, revenue discount amounts, operating costs/ capital expenditure and economic assumptions such as discount rates and inflation rates. These forward-looking estimates are inherently difficult to determine with precision. We focused on this area due to the significance of the oil and gas assets balance and the significant estimates in determining the inputs used by management in determining the recoverable amount of the oil and gas assets. As a result of the assessment, an impairment charge of RM109.9 million had been recognised. Refer to Note 5(c) in the critical accounting estimates and judgements and Note 16 of the consolidated financial statements.	Our audit procedures to evaluate the reasonableness of key assumptions used in the determination of the recoverable amount of oil and gas assets comprised the following: a) Tested the key assumptions used in determining the recoverable amount of the CGUs by performing the following: • Compared the forecast oil prices against available independent market data and estimates; • Compared the revenue discount amounts against historical trend; • Compared the inflation and discount rates against industry data; • Compared the level of reserves and expected capital expenditures against the management's external expert reserves report, prepared based on industry data; • Evaluated the competency and objectivity of the experts used by the Group who produced the reserves estimates used in the valuations by reference to their professional qualifications and experience; • Engaged our valuation expert in testing the appropriateness of the methodology and the discount rates adopted in the assessment of the recoverable amounts of the CGUs; and • Assessed reliability of management's forecast through the review of past trends of actual sales volume of crude oil against the forecast production profile and forecast capital expenditure against actual capital expenditure incurred. b) Assessed adequacy and reasonableness of the disclosures in the financial statements. We did not identify any material exceptions from the procedures performed.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Impairment assessment of investments in subsidiaries

As at 31 December 2020, the Company recorded investments in subsidiaries of RM253.2 million.

The recoverable amount of the Company's investments in subsidiaries are determined using the FVLCD which is based on the discounted cash flow model.

The assessment of the recoverable amount incorporates significant judgement and estimates in respect of REVSB's ability to distribute dividends to the Company from the Group's operations at Emir-Oil. This is influenced by factors such as future oil prices, future production levels, revenue discount amounts, operating costs/capital expenditure and economic assumptions such as discount rates and inflation rates. These forward-looking estimates are inherently difficult to determine with precision.

We focused on this area due to the significance of the investments in subsidiaries balance and the significant estimates in determining the inputs used by management in determining the recoverable amount of the investments.

As a result of the assessment, an impairment charge of RM356.8 million had been recognised.

Refer to Note 5(g) in the critical accounting estimates and judgements and Note 15 of the financial statements.</td><td>Our audit procedures to evaluate the reasonableness of key assumptions used in the determination of the recoverable amount of investment in subsidiaries comprised the following:

(a) Tested the key assumptions used in determining the recoverable amount of the CGUs by performing the following:

● Compared the forecast oil prices against available independent market data and estimates;

● Compared the revenue discount amounts against historical trend;

● Compared the inflation and discount rates against industry data;

● Compared the level of reserves and expected capital expenditures against the management's external expert reserves report, prepared based on industry data;

● Evaluated the competency and objectivity of the experts used by the Group who produced the reserves estimates used in the valuations by reference to their professional qualifications and experience;

● Engaged our valuation expert in testing the appropriateness of the methodology and the discount rates adopted in the assessment of the recoverable amounts of the CGUs;

● Assessed reliability of management's forecast through the review of past trends of actual sales volume of crude oil against the forecast production profile and forecast capital expenditure against actual capital expenditure incurred; and

● Assessed reasonableness of management's assumption on financing obtained to fund the expected capital expenditure.

(b) Assessed adequacy and reasonableness of the disclosures in the financial statements.

We did not identify any material exceptions from the procedures performed.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, CEO's Report, Statement on Risk Management and Internal Control, Group Financial Review, Sustainability Statement, Corporate Governance Overview Statement, Audit Committee Report, Director's Report, and other sections of the 2020 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditor, is disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2023 J
Chartered Accountant

Kuala Lumpur
17 May 2021

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Companies Act 2016, ("the Act") requires the Board to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Company. As required by the Act and the Main Market Listing Requirements of Bursa Securities, the financial statements for the financial year ended 31 December 2020 ("FY2020") have been prepared in accordance with the applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

In preparing the financial statements for the FY2020 set out in this Annual Report, the Directors consider that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have the responsibility in ensuring that the Company maintains accounting records that disclose the financial position of the Company with reasonable accuracy to ensure that the financial statements are in compliance with the Act. The Directors also have the overall responsibility to take such steps that are reasonably available to them to safeguard the assets of the Company as well as to prevent any irregularities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Reach Energy Berhad ("Reach Energy" or "Reach Energy Group" or "the Group") is entrusted with the responsibility of safeguarding the Group's resources in the interest of its shareholders by exercising due and reasonable care. The Board recognises that its primary role is to protect and promote the interests of its shareholders, with the overriding objective of enhancing the long-term value of Reach Energy. The Board remains focused and committed to maintaining high standards of corporate governance and management of risks.

The Board continues to review its existing corporate governance practices and policies throughout the Group in ensuring full application of key corporate governance principles as set out in the Malaysian Code of Corporate Governance ("MCCG").

This Corporate Governance Overview Statement is supported with a report ("Corporate Governance Report"), based on a prescribed format as outlined in paragraph 15.25(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") so as to map the application of Reach Energy's corporate governance practices against the MCCG. The Corporate Governance Report is available on the Group's website, www.reachenergy.com.my as well as via an announcement on the website of Bursa Securities.

In line with the requirements of the MCCG, the Group has provided clear and forthcoming explanations for departures from the Practices in the Corporate Governance Report. With regards to departure in Practices, the Board has provided disclosures on the alternative measures in place which will achieve similar outcomes of those Intended Outcomes of the MCCG. The explanations on the departures, supplemented with disclosure on the alternative practices are contained in the Corporate Governance Report.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

A1. Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for determining all major policies, reviewing the system of internal control, ensuring that effective strategies and management are in place, sets the business direction and overseeing the conduct of the Group based on the periodic performance of the Group reported by Management in the quarterly financial results and has full access to all operational information together with the explanation provided by Management.

It is also the Directors' responsibility to declare to the Board whether they have any potential or actual conflict of interest in any transactions or in any contract or proposed contract with the Group or any of its related companies. Where issues involve conflict of interest, the Directors will abstain from discussion and voting on the matters as well as abstain from any other decision-making process in relation to these transactions.

The Board is mindful of the importance of the establishment of clear role and responsibilities in discharging its fiduciary and leadership functions. The practices applied and exercised by the Board are set out below.

1.1 Board Independence and Effectiveness

The roles of the Chairman and the Interim Chief Executive Officer are separate to ensure balance of power and authority, so that no individual has unfettered powers of decision. The Executive Directors are responsible to the Board for implementing operational and corporate decisions while the Non-Executive Directors are responsible for providing independent views, advice and judgment in consideration of the interests of shareholders at large in order to effectively check and balance the Board's decision making process.

The Chairman provides leadership at Board level, chairing the meetings of the Group and the Board, represents the Board to the shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A1. Board Responsibilities (continued)

1.2 Company Secretary

The Board is supported by qualified and competent Company Secretaries. The Board has direct access to the advice and services of the Company Secretaries. Both the Company Secretaries of the Group are qualified to act as Company Secretaries under the Companies Act 2016 ("CA 2016") and are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries play an advisory role to the Board in relation to the Group's Constitution, Board's policies and procedures, CG and compliance with the relevant regulatory requirements and legislations. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required.

The Board recognises that the decision-making process is highly dependent on the quality of information furnished. In furtherance to this, every Director has access to all information within the Group and all meeting materials are prepared and issued to the Board of Directors and Board Committee members at least five (5) business days prior to the meetings to enable them to receive the information in a timely manner.

1.3 Board Meetings

The Board meets at least once in every quarter with additional meetings convened as and when necessary. The meeting agenda, the relevant reports and Board papers are furnished to the Directors and Board Committee members at least five (5) business days prior to the meetings to allow the Directors to have sufficient time to read them for effective discussion and decision making at the meetings. The Senior Management is invited to attend these meetings to explain and clarify matters being tabled. Matters requiring Board's decision during the intervals between the Board meetings are circulated and approved through circular resolutions.

The Board has a formal schedule of matters reserved at Board Meetings which includes, corporate plans, annual budgets, Management and Group's performance review, operational updates and financial decisions, changes to the Management and control structure within the Group, including key policies and procedures and delegated limits of authorities.

The Board is supplied with information in a timely manner and appropriate quality to enable them to discharge their duties with regards to the issues to be discussed. The Company Secretaries shall organise and attend all Board Meetings to ensure proper records of the proceedings. The minutes of meetings of Board and Board Committees will be circulated to the Board Committee members and other members of the Board for review and comments within a reasonable timeframe prior to the Chairman's confirmation at the next Board and Board Committees meetings.

Eleven (11) Board of Directors' meetings were held for FY2020. The record of attendance of the Directors who held office during FY2020 is as follows:

Directors	Number of meetings attended/held
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid (Non-Independent Non-Executive Director)	10/11
Encik Izlan Bin Izhab (Senior Independent Non-Executive Director)	10/11
Encik Nik Din Nik Sulaiman (Independent Non-Executive Director)	11/11
Dato' Jasmy Bin Ismail (Independent Non-Executive Director) *(Appointed on 3 September 2020)*	4/11

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A1. Board Responsibilities (continued)

1.3 Board Meetings (continued)

Eleven (11) Board of Directors' meetings were held for FY2020. The record of attendance of the Directors who held office during FY2020 is as follows: (continued)

Directors	Number of meetings attended/held
Dato' Berikkazy Seksenbayev (Independent Non-Executive Director) *(Appointed on 31 March 2021)*	N/A
Mr. Yerlan Issekeshev (Independent Non-Executive Director) *(Appointed on 31 March 2021)*	N/A
Puan Noor Lily Zuriati Binti Abdullah (Independent Non-Executive Director) *(Appointed on 3 September 2020)*	5/11
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin (Executive Director)	10/11
Encik Ku Azhar Bin Ku Akil (Executive Director) *(Appointed on 4 May 2020)*	9/11

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

1.4 Directors' Training

The Directors recognise the importance and value of attending programmes, seminars and forums in order to keep themselves abreast with the current developments of the industry as well as the new statutory and regulatory requirements. The training needs of each Director would be assessed and proposed by the individual Director.

Details of trainings attended by the Directors during the FY2020 are as follows:

Directors	Training Programmes Attended
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid (Non-Independent Non-Executive Chairman)	1. Corruption Risk Management Awareness Session 2. Knowledge Sharing Session with MACC : Corporate Malaysia's New Norm (Speaker : MACC Officer) 3. Anti-Bribery and Anti-Corruption Awareness Programme
Encik Izlan Bin Izhab (Senior Independent Non-Executive Director)	1. Corporate Board Leadership Symposium 2020 2. The Board Chair - First Among Equals 3. Governance Symposium 2020: Driving Governance in the New Normal: The Future Begins Now 4. Anti-Bribery and Anti-Corruption Awareness Programme
Encik Nik Din Nik Sulaiman (Independent Non-Executive Director)	1. Corporate Liability Under The New Section 17A of The MACC Act: What Directors and Top-level Management Need to Know 2. Anti-Bribery and Anti-Corruption Awareness Programme

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A1. Board Responsibilities (continued)

1.4 Directors' Training (continued)

Details of trainings attended by the Directors during the FY2020 are as follows: (continued)

Directors	Training Programmes Attended
Dato' Jasmy Bin Ismail (Independent Non-Executive Director) (Appointed on 3 September 2020)	1. Corporate Liability Provision (Section 17A) of the MACC Act 2019
Dato' Berikkazy Seksenbayev (Independent Non-Executive Director) (Appointed on 31 March 2021)	N/A
Mr. Yerlan Issekeshev (Independent Non-Executive Director) (Appointed on 31 March 2021)	N/A
Puan Noor Lily Zuriati Binti Abdullah (Independent Non-Executive Director) (Appointed on 3 September 2020)	1. Mandatory Accreditation Program (MAP)
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin (Executive Director)	1. Anti-Bribery and Anti-Corruption Awareness Programme
Encik Ku Azhar Bin Ku Akil (Executive Director) (Appointed on 4 May 2020)	1. Anti-Bribery and Anti-Corruption Awareness Programme

The Directors will continue to attend relevant training courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

The Company Secretaries facilitated the organisation of the internal training programmes and keep the Directors informed of relevant external training programmes. The Company Secretaries also circulated the relevant guidelines on the statutory and regulatory requirements from time to time for the Board's reference and briefed the Board on these updates at the Board meetings.

The External Auditors also briefed the Board on changes to the Malaysian Financial Reporting Standards ("MFRS") that affect the Group's financial statements during the year, where applicable.

1.5 Access to Information and Advise

The Board has unrestricted access to timely and accurate information in furtherance of its duties.

The Directors are given access to any information within the Group and have full access to the advice and services of the Company Secretaries and are free to seek an independent professional advice at the Group's expense, if necessary, to ensure effective functioning of the Board in discharging its various duties. Procedurally, when external advices are necessary, a Director who intends to seek such consultation or advice shall notify the Management of such request. Upon obtaining the Board Chairman's approval, the Director shall acquire the independent professional advice. All advices and opinions from the advisers shall be reported to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A1. Board Responsibilities (continued)

1.6 Board Committees

To assist in the discharge of its duties and responsibilities, the Board has established the following Board Committees to perform certain functions and to provide recommendations and advice:-

- Audit Committee ("AC");
- Risk Management Committee ("RMC"); and
- Nomination and Remuneration Committee ("NRC").

The Board Committees are entrusted with specific responsibilities to oversee the Group's affairs with authority to act on behalf of the Board and operate within their respective approved Terms of Reference ("TOR") by the Board which are periodically reviewed by the Board and the Board appoints the Chairman and members of each Board Committee.

The Chairman of the respective Board Committees reports to the Board on key matters deliberated at the Board Committees' meetings and makes necessary recommendations to the Board. The ultimate responsibility for decision making lies with the Board.

The Directors allocate sufficient time and effort to carry out their responsibilities. It is also the Board's policy for Directors to notify the Chairman of the Board before accepting any new directorships notwithstanding that the MMLR allows a Director to sit on the board of up to five (5) listed issuers.

The details of the AC and NRC can be found in this report.

1.7 Board Charter & Code of Conduct and Ethics

A Corporate Code of Conduct, formalised in December 2014 by the Board, sets out the standard business and ethical conduct of the Board, Management and Employees of the Group in the performance and execution of respective responsibilities.

The Board Charter, which was formalised in 2013 and revised in March 2018 to be in line with MCCG, sets out inter alia, the roles and responsibilities of the Board and Board Committees, the procedures for convening Board meetings, financial reporting, investor relations and shareholder communication. The Charter which serves as a source of reference for new Directors, will be reviewed and updated periodically in accordance with the needs of the Group and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter and Corporate Code of Conduct are available for reference at the Group's website at www.reachenergy.com.my.

1.8 WhistleBlowing Policy and Procedures

The Whistleblowing Policy, which was adopted by the Group in June 2014, is intended to cover protection for staff who raise concerns in relation to irregular and unlawful practices.

The Senior Independent Director will receive whistleblower reports made by employees or external parties as prescribed under the Whistleblowing Policy.

The details of the procedures and lodgement channels of the Whistleblowing Policy are available on the Group's website at www.reachenergy.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A1. Board Responsibilities (continued)

1.9 Anti-Bribery Policy & No Gift Policy

The Group had in place Anti-Bribery Policy & No Gift Policy in compliance with the recent amendment of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and guided by the principles of the Ministerial Guidelines and Paragraph 15.29 of the MMLR of Bursa Securities in relation to anti-bribery.

The Anti-Bribery Policy & No Gift Policy seeks to establish and adopt the highest standards of personal and professional integrity in executing its business activities within the organisation and external to the organisation. Reach Energy is committed to ethical business practices and good corporate governance. Thus, this Anti-Bribery Policy & No Gift Policy sets out the Group's expectations for internal and external parties working with, for, and on behalf of the Group in upholding the Group's commitment and stance against bribery.

A2. Board Composition

The Board is currently made up of nine (9) members comprising six (6) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman and two (2) Executive Directors. This is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) directors or one-third of the Board, whichever is higher, to be independent and recommended Practice 4.1 of MCCG of having at least half of the Board comprising independent directors. The Chairman of the Board is a Non-Independent Non-Executive Director who carries out a leadership role in the conduct of the Board and its relations with shareholders and stakeholders.

The presence of the Independent Directors safeguards the interest of stakeholders in ensuring the highest standard of conduct and integrity are maintained. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regards to the long-term interest of all stakeholders. A brief profile of each director can be found in this Annual Report.

The Board is satisfied that the present size and composition of the Board is appropriate for the complexity and scale of operations of Reach Energy. As presently constituted, the Board is well balanced and has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

The Independent Directors play a strong and vital role in entrenching good governance practices in the affairs of the Group through their participations in the respective Board Committees. The Independent Non-Executive Directors of the Group had devoted sufficient time and attention to the Group's affairs. None of the Directors on the Board hold more than five (5) directorships in other listed issuers on Bursa Securities.

The practices applied by the Board with regard to its composition are set out below.

2.1 Tenure of Independent Directors

The MCCG provides that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the re-designation of the independent director as a non-independent director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

The Board has developed a policy which limits the tenure of its Independent Directors to nine (9) years and embraces the practice for retaining an independent director beyond nine (9) years and shall provide justification for doing so and seek shareholders' approval annually in that respect. If the Board continues to retain the Independent Directors after the twelfth (12th) year, in addition to providing justification as explained above, the Board will seek shareholders' approval through a two-tier voting process, unless the said Independent Director wishes to be re-designated as non-independent non-executive Director which shall be decided by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A2. Board Composition (continued)

2.1 Tenure of Independent Directors (continued)

During the FY2020, the Board via the NRC assessed the independence of its Independent Directors and based on the assessment, the Independent Directors were found to have independence of mindset of which they will continue to be independent and be able to provide objective judgement during the Board's deliberations and decision-making. None of the Independent Directors has served more than a cumulative term of nine (9) years.

2.2 Appointment of Directors

The Board does not set specific criteria for the assessment and selection of director candidate. However, the consideration would be taken on the need to meet the regulatory requirement such as the Act and MMLR, the achievement in the candidate's personal career, integrity, wisdom, independence of the candidate, ability to make independent and analytical inquiries, ability to work as a team to support the Board, possession of the required skill, qualification and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board to select a suitable candidate.

The NRC is responsible to recommend an identified candidate to the Board if there is any vacancy arising from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession based on the recommendation from the Board in order to close the competency gap in the Board identified by the NRC. The potential candidate may be proposed by an existing director, senior management staff, shareholders or third party referrals and/or independent sources.

Upon receipt of the proposal, the NRC is responsible to conduct an assessment and an evaluation on the proposed candidates based on skills, knowledge, character, integrity, expertise and experience, competency, commitment (including time commitment) and where appropriate, the independence of proposed candidates for the appointment of independent directors. The NRC may, at its discretion, conduct legal and other background searches on the proposed candidates as well as a formal or informal interview.

Upon completion of the assessment and evaluation of the proposed candidates, the NRC would make its recommendation to the Board. Based on the recommendation of the NRC, the Board would evaluate and decide on the appointment of the proposed candidates.

2.3 Gender Diversity

The Board acknowledges the recommendation of the Code on gender diversity and has established a gender diversity policy whereby the Group would endeavour to have female participation in the Board. Presently, the Group has one (1) female Independent Non-Executive Director in the Board.

The NRC is responsible in ensuring that gender diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

The Group also ensures diversity in its management level by having strong female representation at the management level which could potentially be a pipeline for future candidates to be appointed as Directors or Senior Management. To nurture diversity within the Group, the Group would endeavour to provide a suitable working environment that is free from harassment and discrimination, and to provide fair and equal opportunities to all employees within the Group.

The Board recognises and embraces the benefits of having gender diversity in the boardroom as a mix-gendered board would offer different viewpoints, ideas and market insights which enables better problem solving to gain a competitive advantage in serving an increasingly diverse customer base compared to a boardroom that is dominated by one gender.

The Board will focus its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A2. Board Composition (continued)

2.4 Board Annual Evaluation and Effectiveness

During the FY2020, the Board, through the NRC, had carried out the annual assessment conducted internally and facilitated by the Company Secretaries to review the effectiveness of the Board as a whole, Board Committees as well as the contribution of each individual director and assessment on the independence of the independent directors.

Based on the results of annual assessment, the Board was satisfied with the current composition of the Board and its committees in respect of their balanced mix of skills, experience and expertise, as well as individual director's personal attributes and contribution to the Board. The results of the annual assessment have been documented.

The directors who are subject to re-election and/or re-appointment at the next Annual General Meeting ("AGM") shall be assessed by the NRC before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the NRC would be based on the annual assessment conducted.

A3. Remuneration

The Board believes in a competitive and transparent remuneration framework that supports the Directors' and Senior Management's responsibilities and fiduciary duties in managing the Group to achieve its long-term objective and enhance stakeholders' value.

The Board through the NRC has established a Directors' Remuneration Policy and Procedure to assist the Group in attracting, retaining and motivating its Directors and Senior Management in order to run the Group successfully.

The NRC consists of the following members:

Name	Designation
Encik Izlan Bin Izhab	Chairman
Encik Nik Din Bin Nik Sulaiman	Member
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	Member

The remuneration of Directors is determined at levels which enable the Group to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of Executive Directors, the remuneration is structured to link rewards to corporate and individual performance based on key performance indicators. For Non-Executive Directors, the level of remuneration reflects their experience and level of responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

A3. Remuneration (continued)

The remuneration of the Directors on a named basis are set out below:-

Name	Fees (RM)	Bonus (RM)	Defined contribution plan – EPF (RM)	Other emoluments/ allowances (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors						
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin *1	25,000	-	-	-	-	25,000
Encik Ku Azhar Bin Ku Akil *1	4,704	-	-	-	-	4,704
Non-Executive Directors						
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	75,000	-	-	46,500	-	121,500
Encik Izlan Bin Izhab	50,000	-	-	49,752	-	99,752
Encik Nik Din Bin Nik Sulaiman	50,000	-	-	57,133	-	107,133
Dato' Jasmy Bin Ismail (Appointed on 3 September 2020)	16,389	-	-	13,500	-	29,889
Dato' Berikkazy Seksenbayev (Appointed on 31 March 2021)	-	-	-	-	-	-
Mr. Yerlan Issekeshev (Appointed on 31 March 2021)	-	-	-	-	-	-
Puan Noor Lily Zuriati Binti Abdullah (Appointed on 3 September 2020)	16,389	-	-	16,500	-	32,889
TOTAL	237,482	-	-	183,385	-	420,867

Notes:

@ Other emoluments / allowances comprising meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended in the year 2020.

*1 The Board is of the view that it would not be in the best interest of the Group to disclose such sensitive information, ie. salary and other emoluments given the competitiveness in the market for talent in the oil and gas industry. In view thereof, the remuneration (including salary, bonus, allowances, benefits-in-kind and other emoluments) of top five (5) key senior management personnel on a named basis during the financial year will not be disclosed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

B1. Audit Committee

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. They are:-

Name	Designation
Encik Nik Din Bin Nik Sulaiman	Chairman
Encik Izlan Bin Izhab	Member
Dato' Jasmy Bin Ismail *(Appointed on 3 September 2020)*	Member

The role of the AC is to support the Board in overseeing the processes for production of the financial data, review the financial reports and the internal control of the Group.

The Chairman of the AC is not the Chairman of the Board ensuring that the impairment of objectivity of the Board's review of the AC findings and recommendations remain intact. The AC assesses the performance (including independence) and recommends to the Board annually the appointment or re-appointment of the External Auditors guided by the factors as prescribed under Paragraph 15.21 of the MMLR. The External Auditors confirmed that they are and have been independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The Audit partner in-charge of a public listed company would be rotated (within the audit firm) every five years to ensure independence of audit.

The composition of the AC is reviewed by the NRC annually and recommended to the Board for approval. In safeguarding an independent and effective AC whilst taking guidance from the MCCG, the membership for AC consists of at least one (1) member who is financially literate and possesses appropriate level of expertise, experience and strong understanding of the Group's business.

The AC had met with the external auditors once during the FY2020 without the presence of the Management to discuss any key areas or issues which require the attention of the AC and Board. All members of the AC undertake continuous professional development to keep themselves abreast with the relevant developments in accounting and auditing standards, practices and rules.

The Terms of Reference of the AC sets out its rights, duties, responsibilities and criteria on the composition of the AC, which includes former key audit partner of the Group to observe cooling-off period of at least two (2) years before being able to be appointed as member of the AC.

The Board, with the recommendations of the AC, will ensure that all quarterly announcements and annual reports present a balanced and understandable assessment of the Group's financial position and prospect.

The detailed roles, functions, responsibilities and summary of work done by the AC during the FY2020 are as set out in the AC Report of this Annual Report.

B2. Risk Management and Internal Control Framework

The Board understands that the ultimate responsibility for ensuring a sound internal control system which provides reasonable assurance on the effectiveness and efficiency of the system lies with the Board. The Group's internal control system is crafted to manage the risks to achieve the Group's objectives aside from safeguarding the stakeholders' interests and the Group's asset.

The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

B3. Internal Audit

The Internal Audit function is out-sourced to Tricor Axcelasia Sdn Bhd (F.K.A. Axcelasia Columbus Sdn Bhd") ("Tricor Axcelasia") an independent professional services firm which is a corporate member of the Institute of Internal Auditors ("IIA") Malaysia.

On an annual basis, Tricor Axcelasia provides the Board with a signed declaration of competency and list of trainings attended by the audit engagement team.

The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are presented and discussed during the AC meetings. Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. The action plans are reviewed and followed up by the internal audit function on a periodical basis to ensure the recommendations are effectively implemented.

The Board acknowledges that risk management is an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritise and mitigate the risks involved in all the Group's activities and to balance between the cost and benefits of managing and treating risks, and the anticipated returns that will be derived therefrom.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

C1. Communication with Stakeholders

Reach Energy recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the Group complies strictly with the disclosure requirements of Bursa Securities for the Main Market and the Malaysian Accounting Standards Board. Various channels of communications are employed to promote effective dissemination of information. Information is disseminated via annual reports, circulars to shareholders, press releases, quarterly financial results and various announcements made from time to time to Bursa Securities. Reach Energy also maintains a website at www.reachenergy.com.my that allows all shareholders and investors to gain access to information on the Group. Any enquiries may be directed to this email address, info@reachenergy.com.my

All announcements made by the Group, financial results, annual reports as well as the notice of general meetings are also made available on the Group's website.

In addition to the above, the Board identified Encik Izlan bin Izhab as the Senior Independent Non-Executive Director to whom all concerns from the shareholders or investors may be conveyed.

C2. Conduct of General Meetings

All shareholders are encouraged to attend the Group's AGM, where shareholders can participate and be given the opportunity to ask questions regarding the business operations and financial performance and position of the Group. The Group allows a member to appoint two (2) proxies, who may, but need not, be members of the Group. A member may appoint any person to be his/her proxy without limitation and the proxy shall have the same rights as the member to speak at the general meetings.

Resolutions will be voted by way of poll, as required under the Listing Requirements of Bursa Securities. An Independent Scrutineer will be appointed to validate the poll results and the Group will make an announcement on the detailed results to Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

C2. Conduct of General Meetings (continued)

In order to help the effort of the Government of Malaysia to curb the spread of the coronavirus disease ("COVID-19") in year 2020, the Group had on 5 August 2020 successfully conducted its Annual General Meeting entirely via remote participation and electronic voting. This is in accordance to Section 327 of the Companies Act 2016 and Clause 56 of the Group's Constitution which allows for General Meetings to be held using any technology or electronic means.

During the AGM, the Chief Executive Officer presented the Group's performance and highlighted salient items to the shareholders. The Board also encouraged participation from shareholders by having question and answer session during the AGM through typed text.

This Corporate Governance Overview Statement was approved by the Board of Reach Energy on 5 May 2021.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Audit Committee ("AC") Report and its activities held throughout the financial year ended 31 December 2020 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

1. COMPOSITION, MEETINGS AND ATTENDANCE

The AC comprises three (3) members all of whom are Independent Non-Executive Directors. The Chairman of the AC is a Chartered Accountant and also a member of the Malaysian Institute of Accountants. These criteria are in compliance with Paragraphs 15.09 and 15.10 of the MMLR as well as Practice 8.4 of the Malaysian Code on Corporate Governance.

Directors	Position	Directorship
Nik Din Bin Nik Sulaiman	Chairman	Independent Non-Executive Director
Izlan Bin Izhab	Member	Senior Independent Non-Executive Director
Ku Azhar Bin Ku Akil *(Resigned as member on 17 August 2020)*	Member	Executive Director
Dato' Jasmy Bin Ismail *(Appointed as member on 3 September 2020)*	Member	Independent Non-Executive Director

During the financial year ended 31 December 2020, the AC had met five (5) times, four (4) of which were meetings with the External Auditors and two (2) of which were meetings with the Internal Auditors, however both in a separate session. The AC was facilitated by the Executive Directors/Interim Chief Executive Officer to provide clarification on the quarterly report, audits and operations issues. The attendance record of the AC members is shown as follows: -

Name of Member	Number of Meetings Attended
Nik Din Bin Nik Sulaiman	5/5
Izlan Bin Izhab	4/5
Ku Azhar Bin Ku Akil	2/5
Dato' Jasmy Bin Ismail	1/5

2. ROLES AND RESPONSIBILITIES OF THE AC

The primary objective of the AC is to assist the Board in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Group and to ensure the adequacy and effectiveness of the Group's internal control measures.

Pursuant to Paragraph 15.11 of the MMLR, the Terms of Reference ("TOR") of the AC has been drawn up and approved by the Board and this is available for reference on the Group's website at www.reachenergy.com.my. The terms of reference of the AC is reviewed regularly. Any revision or amendment shall form part of terms of reference and shall be considered reviewed or amended. The terms of reference of the AC was last reviewed on 25 March 2021.

AUDIT COMMITTEE REPORT
(cont'd)

3. REVIEW OF PERFORMANCE OF THE AC

The performance and effectiveness of the AC is reviewed and assessed annually by the Board through its Nomination and Remuneration Committee. For FY2020, the Board is satisfied that the AC has effectively discharged its duties, functions and responsibilities in accordance with the TOR of the AC.

4. SUMMARY OF WORK DONE BY THE AC DURING THE FINANCIAL YEAR

During the financial year, the AC carried out its duties in accordance with its terms of reference. The main activities carried out by the AC were as follows:-

Financial and Operations Review

(a) Reviewed the quarterly financial results through discussions with Management before recommending to the Board for consideration and approval, focusing particularly on financial reporting issues, significant judgement made by the Management and unusual events as well as compliance with accounting standards and other requirements;

(b) Reviewed the annual audited financial statements prior to submission to the Board for consideration and approval. The review focused particularly on changes of accounting policy, significant matters highlighted including key audit matters, financial reporting issues, significant and unusual events/transactions and how these matters are addressed and compliance with applicable approved accounting standards in Malaysia;

(c) Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2020;

(d) Reviewed and approved the Audit Committee Report for inclusion in the Annual Report 2020;

(e) Reported to the Board on significant issues and concerns discussed during the Audit Committee Meetings together with applicable recommendations. Minutes of the Audit Committee Meetings were tabled and noted by the Board;

(f) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2017 in conjunction with the preparation of the Corporate Governance Overview Statement and Statement on Risk Management and Internal Control;

(g) Reviewed the provision of non-audit services by the External Auditor, the performance of the External Auditors and evaluated their suitability and independence before making recommendations to the Board on their reappointment;

(h) Recommended to the Board the need for the appointment of external auditor to assist the Group to establish an anti-bribery and anti-corruption policy to comply with Section 17A of the Malaysian Anti-Corruption Commission Act 2019 and the new paragraph 15.29 of the Main Market Listing Requirement; and

(i) Reported to the Board on matters discussed and addressed at the AC meetings.

AUDIT COMMITTEE REPORT
(cont'd)

4. SUMMARY OF WORK DONE BY THE AC DURING THE FINANCIAL YEAR (CONTINUED)

External Audit

(a) Reviewed with the External Auditors:-

- the audit planning memorandum, audit strategy and scope of work for the FY2020;
- the results of the annual audit and accounting issues arising from the audit, their audit report and Management Letter together with the management's responses to the findings of the External Auditors; and
- the impact of any changes to the accounting standards, the impact and adoption of new accounting.

(b) Reviewed with the external auditors, the extent of assistance rendered by Management and issues arising from their audit, without the presence of the executive board members and Management;

(c) Reviewed with the external auditors the approved accounting standards applicable to the financial statements of the Group;

(d) Reviewed with the external auditors the results of the audit, the audit report, issues, reservations and management's responses arising from the audit, as well as the audit and non-audit fees;

(e) Reviewed the conduct, suitability, independence and the remuneration and re-appointment of the external auditors;

(f) Ensured the independence of the external auditors by obtaining written assurance from the external auditors that the external auditors are independent in accordance with the by-laws (on professional ethics, conducts and practices) of the Malaysian Institute of Accountants; and

(g) Conducted a private session with the External Auditors in the absence of the Executive Directors and the Management in conjunction with the AC meeting.

Internal Audit

(a) Reviewed the annual internal audit plan for adequacy of scope and coverage on the activities. Audit areas were discussed with the Internal Auditor and annual internal audit plan was approved for adoption;

(b) Reviewed the internal audit reports and the status of action plans committed by Management arising from the follow-up reviews of each audit reports previously reported and to communicate to the Board on relevant issues; and

(c) Discussed the results arising from the internal audit activities, the recommendations by the internal auditors on the systems controls and weaknesses and ensured that corrective actions were taken by the Management.

As part of the duties and responsibilities to review the financial reporting, the AC ensures that the changes in or implementation of major accounting policy changes and all significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and how these matters are addressed and adhered to.

The AC also ensures that the financial reporting of the Group and Company are in compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements.

AUDIT COMMITTEE REPORT
(cont'd)

5. INTERNAL AUDIT FUNCTION AND SUMMARY OF WORK DONE FOR THE FINANCIAL YEAR

The internal audit function, which is outsourced to a an independent professional firm, Tricor Axcelasia Sdn. Bhd. (F.K.A. Axcelasia Columbus Sdn. Bhd.) is an integral part of the assurance mechanism in ensuring the Group's system of internal control are adequate and effective. The Internal Auditor reports directly to the AC and assist the AC to discharge its duties and responsibilities.

The Internal Auditor prepares and tables the Internal Audit Plan for the consideration and approval of the AC. It conducts independent reviews of the key activities with the Group's operation based on the Internal Audit Plan approved by the AC. The Internal Auditor reports to the AC twice yearly and provides the AC with independent views on the adequacy, integrity and effectiveness of the system of internal control after its reviews.

Prior to the presentation of report to the AC, comments from the Management are obtained and incorporated into the internal audit findings and reports. The review conducted by the Internal Auditor during FY2020 are as follows:-

- Corporate Governance
- Production Operation
- Procurement Management
- Maintenance Management
- Design of Oil & Gas Systems and Facilities
- Strategic Management
- HSSE Management
- IT Management

The outsourced internal auditor used international practices framework and a risk-based approach in preparing their internal reviews. The results of the audits provided in the Internal Audit Reports together with the findings and recommendation for improvements were presented to the Audit Committee for deliberation. The resulting reports from the audits were also forwarded to the Management for attention and necessary corrective actions.

The total cost incurred for the internal audit function for the financial year ended 31 December 2020 amounted to RM80,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2017 requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets.

The Board of Directors ("the Board") of Reach Energy Berhad is pleased to provide the following Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2020. This Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group including reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets.

BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES

In accordance with the Malaysian Code on Corporate Governance, the Board is responsible and accountable for the Group's system of risk management framework and internal control, which includes the establishment of an appropriate risk management framework and control environment, as well as reviewing its effectiveness, adequacy and integrity. The system of internal control covers governance, financial, organisational, operational and compliance controls.

However, due to limitations that are inherent in any systems of risk management and internal control, the system adopted by the Group is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Therefore, the system of risk management and internal control can only provide reasonable but not absolute assurance against any material misstatement, fraud or loss.

The Management has assessed the risks faced by the Group by identifying the Group's ability to reduce the incidence and impact of risks, and ensuring that the benefits outweigh the costs of operating the controls. Through the Risk Management Committee, the Board observed that measures were taken on areas identified for improvement, as part of the management's continued efforts to strengthen the Group's internal control.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

Risk management is regarded by the Board to be a component of internal control and integral to operations. It is unified into the Group's governance and business operations, which consist of structured and systematic process that enable continuous improvement in decision-making, through a robust Risk Management Framework.

To achieve the above, the Group has established and carried on the processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation are embedded in the Group's strategic planning and day-to-day operations.

In the event that breaches of controls are noted, the relevant parties would be informed accordingly and steps would be taken to rectify such breaches.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONTINUED)

A. Management

The Management acknowledges their responsibility in risk management specifically for implementing the processes for identifying, evaluating, monitoring and reporting risks and for taking appropriate and timely corrective or mitigating actions as needed, in particular the following areas:

- *Operational level*

  Detailed risk assessments and mitigation plans of each project are led by the relevant manager involving health, safety, security and environment ("HSSE") specialists, geologists, petroleum engineers, primary contractors and joint venture representatives. These also include sub surface, wells, facilities, operations, business processes, commercial and regulatory matters.

- *Group level*

  The key risks are reported to the Risk Management Committee on a regular basis for monitoring and review. The Risk Management Committee comprises key personnel from different technical, operational and financial disciplines, who are responsible for ensuring effective risk governance and implementation within the Group and meets at least twice a year to review and update the risk events, procedures and mitigating measures that are undertaken and also proposes new mitigation measures to contain risks which all remain prevalent.

The risk profiles at each entity level are also regularly discussed at the management level to ensure risks and controls are designed to meet the agreed business objectives.

B. Internal Audit

The internal audit's role is to assist the Risk Management Committee by independently reviewing the adequacy and effectiveness of the controls implemented based on identified risk and risk management strategies relevant to the audit engagement.

To achieve the above, the Group's outsourced the internal audit functions to Tricor Axcelasia Sdn Bhd. Their primary role is to provide an independent assessment of the adequacy and effectiveness of the Group's internal control system and report to the Audit Committee on the status of specific areas (i.e., Corporate Governance, Production Operation, Procurement Management, Maintenance Management, Design of Oil & Gas Systems and Facilities, Strategic Management, HSSE Management and IT Management) identified for improvement based on the annual audit plan approved by the Audit Committee.

C. Board of Directors

The Board considers whether business risks have impacted or are likely to impact the Group's achievement of its objectives and strategies in assessing the effectiveness of the risk oversight and internal control activities of the Group.

The Board meets the Risk Management Committee at least twice a year to highlight and discuss the key risks as well as the status of mitigation plans. As such, the Risk Management Committee, on behalf of the Board, is tasked to:

a. provide oversight, direction and counsel to the Company's/Group's risk management framework, policies and process which include the following:

   - Establish the Company's/Group's Risk Management Framework based on an internationally recognised risk management framework;

   - Conduct annual review and periodic testing of the Company's/Group's Risk Management Framework. This should include any insights it has gained from the review and any changes made to its Risk Management Framework arising from the review;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONTINUED)

C. Board of Directors (continued)

a. provide oversight, direction and counsel to the Company's/Group's risk management framework, policies and process which include the following: (continued)

- Monitor the Company's/Group's Divisional level risk exposures and management of the significant financial and non-financial risks identified;
- Evaluate new risks identified including the likelihood of the emerging risks happening in the near future and consider the need to put in place appropriate controls;
- Review Company's/Group's Risk Profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner;
- Review the status of the implementation of management action plans in mitigating significant risks identified; and
- Review and recommend the Company's/Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' interest and the Company's/Group's assets.

b. review the risk identification process to confirm it is consistent with the Group's strategy and business plan;

c. inquire of management/department heads and the external/internal auditors about significant business, political, financial and control risks or exposure to such risk;

d. oversee and monitor the Group's documentation of the material risks that the Group faces and update as events change and risks shift;

e. assess the steps the management has implemented to manage and mitigate identifiable risk, including the use of hedging and insurance;

f. oversee and monitor at least annually, and more frequently if necessary, the Group's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks); and

g. review the following, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:

   i. the management's tolerance for financial risks;

   ii. the management's assessment of significant financial risks facing the Group;

   iii. the Group's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and

   iv. legal matters which could have a material impact on the Group's public disclosure, including financial statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONTINUED)

C. Board of Directors (continued)

Throughout the financial year and up to the date of this statement, the Board had considered all key issues that have been highlighted, and how these had been addressed, including all additional information necessary to ensure it had taken into account all significant aspects of risk factors and internal control of the Group. Among the issues considered were:

(a) changes in the nature and the extent of significant risk factors since the previous assessment and how the Group has responded to changes in its business and the external environment;

(b) the effectiveness of the Group's risk management and internal control system;

(c) the work of its internal audit, risk management team and other assurance providers, including the external auditors;

(d) the extent and adequacy of the communication of the results of the monitoring to the Board;

(e) the incidence of any control failure or weaknesses that were identified at any time during the year and their impact on the Group's performance or financial, business or operational conditions;

(f) events that had not been anticipated by the management which impacted the achievement of the Group's objectives; and

(g) the adequacy and effectiveness of the risk management and internal control policies as a whole.

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

The Group's internal control framework and assessment are segregated into two inter-related components, as follows:

A. Control Environment

Control environment is the organisational structure and culture created by the management and employees to sustain organisational support for effective internal control, whereby it is the foundation for all the other components of internal control, providing discipline and structure. The management's commitment to establishing and maintaining effective internal control is flowed downwards and spread throughout the Group's control environment, in supporting the implementation of internal control.

The key elements of control environment are as follows:

Organisational Structure

The Group has a well-defined organisational structure that is aligned to its business operation requirements, which includes check and balance through segregation of duties. Well-established reporting lines and authority limits govern the approval process, driven by Limits of Authority set by the Board.

Through the abovementioned structure, the Board approved and monitored the key strategic, business and investment plans. The Board papers include both financial and non-financial matters such as cash flow forecasts, business strategies, business opportunities, corporate exercises, and any other key matters to be considered for the Group. These are escalated to the Board for deliberation and approval.

Limits of Authority

The Board, through a clear and formally defined Limits of Authority, delegates authorities to the Board Committees and the management which deal with areas of corporate, financial, operational, human resource, and work plans and budgets. The Limits of Authority is the primary instrument that governs and manages the Group's business decision process. The objective of the Limits of Authority is to ensure a system of internal control of checks and balances to empower management in executing business activities. The Limits of Authority will be reviewed and updated periodically to ensure its relevance to the Group's business.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONTINUED)

A. Control Environment (continued)

Board and Management Committees

The Board Committees, namely the Audit Committee, Nomination & Remuneration Committee, and Risk Management Committee are all governed by clearly defined terms of reference.

The Audit Committee encompasses a majority of independent directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. Its members continue to meet regularly and have unimpeded access to both the internal and external auditors during the financial year.

Human Resource Policies and Procedures

There are guidelines within the Group for the hiring and termination of staff, annual performance appraisals, human capital development and other relevant procedures to ensure that employees are competent and adequately trained to carry out their duties and responsibilities.

Code of Conduct and Ethics (Code)

Employees and directors are required to read, understand and adhere to the Code of Conduct policy. The policy encompasses sections such as Conflict of Interest, Insider Trading, Discrimination and harassment, health & safety and other relevant sections.

Health, Safety and Environment Policy

The Group continues to instill awareness and build commitment on health, safety and environment throughout the whole organisation. Reasonable and practical steps are undertaken to eliminate or prevent the risk of personal injury, occupational illnesses and damage to properties as well as protect and conserve the environment.

To achieve the above, management is committed to:

(a) Comply with health, safety and environment legal requirements wherever the Group operates;
(b) Identify, evaluate and control safety and health risks, and environmental impacts relating to the operations and prevent health, safety and environment incidents;
(c) Provide competent workforce, adequate resources and organisation in all activities in ensuring a safe environment at the workplace;
(d) Maintain a healthy and safe working place for the employees and contractors;
(e) Promote productive health, safety and environment engagement with the employees, regulatory authorities, contractors and other relevant key stakeholders;
(f) Implement a fit-for-purpose Health, Safety and Environment Management System (HSE-MS);
(g) Establish effective crisis management and emergency response capabilities in the operations; and
(h) Continually improve the Health, Safety and Environment performance.

Other Policies

Key policies and procedures such as Procurement, Finance Management, Information & Technology, Quality Management, Whistleblowing, Personal Data Protection, Anti Bribery, Corporate Communications, No Smoking, Drugs and Alcohol are available via the Group's shared drive. These are revised periodically to meet changing business, operational and statutory reporting needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONTINUED)

B. Monitoring

Monitoring the effectiveness of internal control is embedded in the normal course of the business. Periodic assessments are integral to management's continuous monitoring of internal control.

Management and Board Meetings

The Board members meet regularly with a set schedule of matters, which is required to be brought to their attention for discussion to ensure the effectiveness of supervision over appropriate control.

To achieve the above, the Board meetings encompasses the following activities:

(a) The Chief Executive Officer ("CEO") and key management personnel lead the presentation of Board papers and provide explanations of pertinent issues; and

(b) The Board members, through a thorough deliberation and discussion, act on the recommendations by the management.

The Group's overall strategic business plan which maps out its objectives, business direction and highlights project risks with particular focus on the operation of Emir-Oil LLP concession block in Kazakhstan is presented by the management to the Board for their deliberation and approval. The management, together with the Board, regularly reviews issues covering, but not limited to, business strategy, risks, performance, resources and future business appraisals.

The Audit Committee and Risk Management Committee monitor the risks associated with this operation and report their findings to the Board. Significant changes in the business and the external environment, and strategic plans to address these changes are reported by the management to the Board on an on-going basis.

In addition, quarterly unaudited financial results and other information are provided to the Audit Committee and the Board to enable the Board to monitor and evaluate the business and financial performance.

Internal Audit

The Internal Audit Function is outsourced to an external service provider. The outsourced internal auditor directly reports to the Audit Committee on the effectiveness of the current system of internal controls from the perspective of governance, risks and controls.

The internal and external audit plans are approved by the Audit Committee on a periodic basis. The Audit Committee also monitors major internal and external audit issues to ensure they are promptly addressed and resolved. Significant findings and recommendations for improvements are highlighted to the management and Audit Committee, with follow-up and reviews of action plans.

Adequacy and effectiveness of the Group's risk management and internal control systems

The Group's internal control system does not apply to its corporate shareholder, MIE Holdings Corporation ("MIEH") but to its subsidiaries, PBV and Emir-Oil which fall within the control of its majority shareholders.

The Group's internal control system described in this statement applies for subsidiaries where the Group is the operator and has the ability to participate in the key decision-making process of the subsidiaries.

The Board and Audit Committee review management accounts of subsidiaries. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditor, PricewaterhouseCoopers ("PwC") has reviewed this Statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2020. Their review was conducted in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement, issued by the Malaysian Institute of Accountants ("MIA"). AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. The Board has received assurance from the CEO that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

This statement on risk management and internal control is made in accordance with the resolution of the Board dated 5 May 2021.

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the following additional information is provided:-

UTILISATION OF PROCEEDS

The Company did not carry out any corporate exercise to raise funds during the financial year ended 31 December 2020.

AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for services rendered to the Group and Company for the financial year ended 31 December 2020 are as follows:-

	RM '000
AUDIT FEES	
- PricewaterhouseCoopers, Malaysia	275
- Member firm of PricewaterhouseCoopers International Limited	548
NON-AUDIT FEES	
- PricewaterhouseCoopers, Malaysia	-
- Member firm of PricewaterhouseCoopers International Limited	7
	830

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company involving directors' and major shareholders' interests during the financial year ended 31 December 2020.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE IN NATURE

There were no recurrent related party transactions of a revenue nature which require shareholders' mandate during the financial year ended 31 December 2020.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 APRIL 2021

Issued and fully paid-up share capital	:	RM10,964,127.75 comprising 1,096,412,775 ordinary shares
Class of shares	:	Ordinary Shares
Voting rights by show of hand	:	One (1) vote for each member
Voting rights by poll	:	One (1) vote for each ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	15	0.20	397	0.00
100 - 1,000	456	6.02	250,559	0.02
1,001 - 10,000	2,566	33.90	17,491,400	1.60
10,001 - 100,000	3,572	47.18	149,169,219	13.61
100,001 to less than 5% of issued shares	959	12.67	718,624,602	65.54
5% and above of issued shares	2	0.03	210,876,598	19.23
Total	**7,570**	**100.00**	**1,096,412,775**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD (Direct Interest)	%	NO. OF SHARES HELD (Deemed/ Indirect Interest)	%
1	MTD Capital Bhd	136,234,190	12.43	-	-
2	Reach Energy Holdings Sdn Bhd	127,800,100	11.66	-	-
3	Ir. Shahul Hamid Bin Mohd Ismail	981,000	0.09	127,800,100 [a]	11.66
4	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,642,910	5.17	40,650,000 [b]	3.71
5	Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein	40,000,000	3.65	57,292,910 [c]	5.23

ANALYSIS OF SHAREHOLDINGS

AS AT 20 APRIL 2021
(cont'd)

DIRECTOR'S SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

NO.	NAME OF DIRECTOR	NO. OF SHARES HELD (Direct Interest)	%	NO. OF SHARES HELD (Deemed/ Indirect Interest)	%
1	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,642,910	5.17	40650000 [d]	3.71
2	Izlan Bin Izhab	-	-	-	-
3	Nik Din Bin Nik Sulaiman	400,000	0.04	350,000 [e]	0.03
4	Ku Azhar Bin Ku Akil	-	-	-	-
5	Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	-	-	-	-
6	Dato' Jasmy Bin Ismail	-	-	-	-
7	Noor Lily Zuriati Binti Abdullah	-	-	-	-
8	Dato' Berikkazy Seksenbayev	-	-	-	-
9	Mr. Yerlan Issekeshev	-	-	-	-

Notes:

a Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd, pursuant to Section 8(4)(c) of the Companies Act, 2016

b, d Indirect interest by virtue of the shareholding of his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein, pursuant to Section 59(11)(c) of the Companies Act, 2016

Deemed interest by virtue of his interest and his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein's interest in Azimah Properties Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016

c Indirect interest by virtue of the shareholding of her spouse, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid, pursuant to Section 59(11)(c) of the Companies Act, 2016

e Indirect interest by virtue of the shareholdings of his spouse, Nik Aminah Binti Nik Abdullah, pursuant to Section 59(11)(c) of the Companies Act, 2016

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Shareholdings
1	REACH ENERGY HOLDINGS SDN BHD	127,800,100	11.66
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR MTD CAPITAL BHD (PB)*	83,076,498	7.58
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *EXPORT-IMPORT BANK OF MALAYSIA BERHAD FOR MTD CAPITAL BHD*	53,157,692	4.85
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ABDUL AZIZ BIN ABDUL KADIR*	45,000,000	4.10
5	NIK FUZIAH BINTI NIK HUSSEIN	40,000,000	3.65
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AZMIL KHALILI BIN KHALID*	38,892,910	3.55

ANALYSIS OF SHAREHOLDINGS

AS AT 20 APRIL 2021
(cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONTINUED)

No.	Name of Shareholders	No. of Shares	% of Shareholdings
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD*	28,000,000	2.55
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR AZMIL KHALILI BIN KHALID (PB)*	17,750,000	1.62
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LAI MING CHUN @ LAI POH LIN (PB)*	11,000,000	1.00
10	RHB CAPITAL NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR IOANNIS KOROMILAS*	10,121,800	0.92
11	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG KWEE LIAN*	10,000,000	0.91
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RICKOH CORPORATION SDN. BHD.*	10,000,000	0.91
13	YAYASAN POK DAN KASSIM	9,500,000	0.87
14	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITES ACCOUNT FOR YONG LOY HUAT*	5,500,000	0.50
15	KU LIAN SIN	5,407,800	0.49
16	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHENG TECK LOONG*	5,238,000	0.48
17	LEE CHEE MING	5,000,000	0.46
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP*	5,000,000	0.46
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK*	5,000,000	0.46
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAM SENG @ TAM SENG SEN (E-PTS)*	5,000,000	0.46
21	TENGKU ADNAN BIN TENGKU MANSOR	5,000,000	0.46
22	KHOO CHANG CHIANG	4,784,000	0.44
23	NG KIM KEONG	4,398,900	0.40
24	TEO CHIN SIONG	4,053,400	0.37
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT (7000875)*	4,000,000	0.36
26	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN PEE KE'NG (MY3074)	4,000,000	0.36
27	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ABD RAHMAN BIN SOLTAN*	4,000,000	0.36
28	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU KAH CHIONG*	3,838,400	0.35
29	CHUA CHIN CHYANG	3,500,000	0.32
30	SUM TIM WAH	3,249,000	0.30
	TOTAL	**561,268,500**	**51.19**

ANALYSIS OF WARRANT HOLDINGS

AS AT 20 APRIL 2021

No. of Warrants Issued	:	1,277,822,225
No. of Warrants Unexercised	:	1,277,822,225
Exercise Price	:	RM0.75
Expiry Date	:	The expiry dates of the warrants is as follows:- 15 August 2022 if the completion of Qualifying Acquisitions takes place within 36 months from the date of listing of the Company (i.e 15 August 2014).
Rights of Warrant Holder	:	The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants into new ordinary shares of the Company.

ANALYSIS BY SIZE OF WARRANT HOLDINGS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	% OF WARRANT HOLDERS	NO. OF WARRANTS	% OF WARRANT HOLDINGS
1 - 99	2	0.04	125	0.00
100 - 1,000	109	2.25	66,800	0.01
1,001 - 10,000	920	18.98	6,431,200	0.50
10,001 - 100,000	2,240	46.22	115,237,900	9.02
100,001 to less than 5% of issued warrant	1,576	32.51	1,156,086,200	90.47
5% and above of issued warrant	-	0.00	-	0.00
Total	**4,847**	**100.00**	**1,277,822,225**	**100.00**

SUBSTANTIAL WARRANT HOLDERS AS PER THE REGISTER OF SUBSTANTIAL WARRANT HOLDERS

NO.	NAME OF WARRANT HOLDERS	NO. OF WARRANTS HELD (Direct Interest)	%	NO. OF WARRANTS HELD (Deemed/ Indirect Interest)	%
N/A	N/A	N/A	N/A	N/A	N/A

ANALYSIS OF WARRANT HOLDINGS

AS AT 20 APRIL 2021
(cont'd)

DIRECTOR'S WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS' WARRANT HOLDINGS

NO.	NAME OF DIRECTOR	NO. OF WARRANTS HELD (Direct Interest)	%	NO. OF WARRANTS HELD (Deemed/ Indirect Interest)	%
1	Tan Sri Dr. Azmil Khalili bin Dato' Khalid	-	-	40,000,000 ^	3.13
2	Izlan Bin Izhab	-	-	-	-
3	Nik Din Bin Nik Sulaiman	-	-	-	-
4	Ku Azhar Bin Ku Akil	-	-	-	-
5	Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	-	-	-	-
6	Dato' Jasmy Bin Ismail	-	-	-	-
7	Noor Lily Zuriati Binti Abdullah	-	-	-	-
8	Dato' Berikkazy Seksenbayev	-	-	-	-
9	Mr. Yerlan Issekeshev	-	-	-	-

Notes:

^ *Indirect interest by virtue of the warrant holdings of his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein, pursuant to Section 59(11)(c) of the Companies Act, 2016*

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
1	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ABDUL AZIZ BIN ABDUL KADIR*	40,000,000	3.13
2	NIK FUZIAH BINTI NIK HUSSEIN	40,000,000	3.13
3	CITIGROUP NOMINEES (ASING) SDN BHD *CBHK PBGSGP FOR SUNNYVALE HOLDINGS LTD*	22,710,300	1.78
4	KU LIAN SIN	19,873,200	1.56
5	YIN YIT FUN	18,500,000	1.45
6	TEH KAI SING	18,000,000	1.41
7	CHUA CHIN CHYANG	14,500,000	1.13
8	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN SOON LAI (MY0871)*	11,000,000	0.86
9	CHUA CHIN CHYANG	11,000,000	0.86
10	TEOH KAH CHONG	10,903,200	0.85
11	ERA BINA SDN BHD	10,550,000	0.83
12	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)*	10,500,000	0.82
13	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KIM HEUNG (MY1989)*	10,000,000	0.78
14	HAMDAN BIN RASID	10,000,000	0.78
15	MOHANADASS KANAGASABAI	9,215,000	0.72
16	TEOH YIE HAO	6,900,000	0.54

ANALYSIS OF WARRANT HOLDINGS

AS AT 20 APRIL 2021
(cont'd)

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
17	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM KAI SWEE (MY1585)*	6,500,000	0.51
18	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HAN JOEH (MY2811)*	6,000,000	0.47
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MOHD AFIZ BIN AMINUDDIN*	6,000,000	0.47
20	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW SOEW WENG*	6,000,000	0.47
21	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE SUH MUN*	5,973,900	0.47
22	GOH PEI KIAT	5,892,000	0.46
23	YAYASAN POK DAN KASSIM	5,500,000	0.43
24	MOHAMED ROZHAN BIN MOHD GHAZALLI	5,378,500	0.42
25	CHUA CHIN CHYANG	5,000,000	0.39
26	GUOY TONG KIAT	5,000,000	0.39
27	LAM AH CHOI	4,772,200	0.37
28	LOH NAM HOOI	4,400,000	0.34
29	TEH BOON KING	4,282,500	0.34
30	AMSEC NOMINEES (TEMPATAN) SDN BHD *AMBANK (M) BERHAD FOR LOO KOK WENG (6929-1502)*	4,000,000	0.31
	TOTAL	**338,350,800**	**26.48**

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting ("8th AGM") of the Company will be conducted on a fully virtual basis through live streaming from the broadcast venue at the Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 10:00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the resolutions set out in this notice.

A G E N D A

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Directors' and Auditors' Reports thereon.	**Please refer to Explanatory Note to the Agenda**
2.	To re-elect Encik Izlan Bin Izhab, who retires by rotation pursuant to Clause 86 of the Constitution of the Company.	**Ordinary Resolution 1**
3.	To re-elect Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin, who retires by rotation pursuant to Clause 86 of the Constitution of the Company.	**Ordinary Resolution 2**
4.	To re-elect Dato' Jasmy Bin Ismail, who retires pursuant to Clause 91 of the Constitution of the Company.	**Ordinary Resolution 3**
5.	To re-elect Puan Noor Lily Zuriati Binti Abdullah, who retires pursuant to Clause 91 of the Constitution of the Company.	**Ordinary Resolution 4**
6.	To re-elect Dato' Berikkazy Seksenbayev, who retires pursuant to Clause 91 of the Constitution of the Company.	**Ordinary Resolution 5**
7.	To re-elect Mr. Yerlan Issekeshev, who retires pursuant to Clause 91 of the Constitution of the Company.	**Ordinary Resolution 6**
8.	To approve the proposed payment of Directors' fees amounting to RM200,000 in respect of the financial year ending 31 December 2021, to be made payable quarterly.	**Ordinary Resolution 7**
9.	To approve the payment of Directors' benefits (other than Directors' fees) up to an amount of RM200,000 for the period from 1 January 2021 until the conclusion of the next Annual General Meeting of the Company, to be made payable quarterly.	**Ordinary Resolution 8**
10.	To re-appoint PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146) as the Company's Auditors and to authorise the Board of Directors to determine their remuneration.	**Ordinary Resolution 9**

AS SPECIAL BUSINESS

11. To consider and if thought fit, to pass the following Resolutions:-

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016 — **Ordinary Resolution 10**

"**THAT** subject always to the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Constitution of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 and 76 of the Companies Act, 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING
(cont'd)

AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

12. **Proposed Amendments to the Clauses in the Company's Constitution.** **Special Resolution 1**

"**THAT** the deletions, alterations, modification and variations to the Clauses in the Company's Constitution be and are hereby approved.

AND THAT the Directors and the Secretaries of the Company be and are hereby authorised to carry out all the necessary formalities in affecting the above proposed amendments to the Constitution of the Company."

ANY OTHER BUSINESS

13. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

TAN LAI HONG (MAICSA 7057707)
SSM PC No. 202008002309
CHEN BEE LING (MAICSA 7046517)
SSM PC No. 202008001623
Company Secretaries
Selangor Darul Ehsan
Date : 24 May 2021

Notes:

1. The 8th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities provided by Boardroom Share Registrars Sdn Bhd at http://web.lumiagm.com. Please follow the procedures as set in the Administrative guide in order to register, participate and vote remotely via RPEV facilities.

2. For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this AGM in person at the broadcast venue on the day of the AGM.

3. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 17 June 2021 shall be eligible to attend the Meeting and to speak and vote thereat.

4. A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

5. A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, the member shall specify the proportion of his(her) shareholdings to be represented by each proxy.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING
(cont'd)

6. In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.

7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the Meeting.

8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.

9. The instrument appointing a proxy or proxies may be deposited at the office of the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or at its website at https://boardroomlimited.my ("eProxy Lodgement") not less than 48 hours before the Meeting. Please refer to the "Administrative Details" for the 8th AGM for the steps of the eProxy Lodgement.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the 8th AGM will be put to vote on a poll.

Explanatory Notes to the Agenda:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Items 2 and 3 of the Agenda

Clause 86 of the Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting of the Company. With the current Board size of nine (9) directors, two (2) directors are to retire in accordance with Clause 86 of the Constitution. The computation excludes Dato' Jasmy Bin Ismail, Puan Noor Lily Zuriati Binti Abdullah, Dato' Berikkazy Seksenbayev and Mr. Yerlan Issekeshev who will be retiring pursuant to Clause 91 of the Constitution.

Items 4, 5, 6 and 7 of the Agenda

Clause 91 of the Constitution provides that any director appointed during the year under review shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. This re-election shall not take into consideration the directors who will be retiring pursuant to Clause 91 of the Constitution. Dato' Jasmy Bin Ismail, Puan Noor Lily Zuriati Binti Abdullah, Dato' Berikkazy Seksenbayev and Mr. Yerlan Issekeshev who were appointed during the year under review are to retire in accordance to Clause 91 of the Constitution.

Items 8 and 9 of the Agenda

Payment of Directors' fees and benefits

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Company is seeking shareholders' approval for the payment of Directors' fees totaling RM200,000 for the financial year ending 31 December 2021.

Besides, the Company is also seeking shareholders' approval for the payment of Directors' benefits up to an amount of RM200,000 for the period from 1 January 2021 until the conclusion of the next Annual General Meeting of the Company.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING
(cont'd)

The estimated amount payable (Directors' fees and benefits) is based on the assumption that the Company maintain its existing Board composition. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional benefits to meet the shortfall.

The proposed payment of benefits comprises meeting allowances and training allowances payable to the Chairman and members of the Board and Board Committees.

Item 11 of the Agenda

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 5 August 2020 ("the previous mandate"). The previous mandate was not utilised and accordingly, no proceeds were raised.

The proposed Ordinary Resolution 10 is to empower the Directors to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the total issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Item 12 of the Agenda

Proposed Amendments to the Clauses in the Company's Constitution

Please refer to the Circular to the Shareholders dated 24 May 2021.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

No notice in writing has been received by the Company nominating any candidate for election as Directors at the 8th AGM of the Company. The Directors who are due for retirement and seeking for re-election pursuant to the Company's Constitution are as set out in the Notice of 8th AGM and their profile are set out in the Directors' Profile in the 2020 Annual Report.

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016

This is a renewal of the mandate obtained from the shareholders of the Company at the Annual General Meeting of 5 August 2020 and if passed, will empower the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

The renewal of this mandate would provide flexibility to the Company for any possible fund-raising exercise, including but not limited for further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 7th AGM held on 5 August 2020 and which will lapse at the conclusion of the 8th AGM to be held on 24 June 2021.

ADMINISTRATIVE GUIDE

FOR THE EIGHTH ANNUAL GENERAL MEETING OF REACH ENERGY BERHAD

Mode of Meeting

1. As a precautionary measure amid the COVID-19 pandemic and taking into consideration the health and safety of the shareholders and all participants, the Eighth ("8th") Annual General Meeting ("**AGM**") of Reach Energy Berhad ("**REB**") will be conducted on a fully virtual basis with proceedings of the 8th AGM being streamed live from the broadcast venue on the date and time as set out below:

Day, Date and Time of meeting	:	Thursday, 24 June 2021 at 10.00 a.m.
Broadcast venue	:	Symphony Square Auditorium, 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

2. Shareholders will be able to access and participate in the proceedings through Remote Participation and Electronic Voting ("**RPEV**") facilities, which will be made available on the online portal of Boardroom Share Registrars Sdn Bhd at https://web.lumiagm.com.

3. The broadcast venue is only meant to facilitate the conduct of the virtual AGM. **No shareholder or proxy shall be physically admitted to the broadcast venue on the day of the AGM**.

Entitlement to Participate and Vote Remotely

1. A shareholder whose name appears on the Record of Depositors as at 17 June 2021 shall be eligible to participate the meeting or appoint proxy(ies) to participate on his/her behalf.

2. If a shareholder is unable to participate at the AGM, he/she may also appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

Voting Procedure

1. Voting will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom Share Registrars Sdn Bhd ("**Boardroom**") as the Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Boardroom Corporate Services Sdn Bhd as Independent Scrutineer to verify the poll results.

2. e-Voting for the resolution set out in the Notice of 8th AGM will take place immediately after questions on all resolutions have been addressed.

3. Members and proxies are required to use one of the following methods to vote remotely:

   a. Download Lumi AGM App (free of charge) onto your personal voting device prior to the AGM from Apple App Store or Google Play Store; or
   b. Launch Lumi AGM by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
   c. Access to Lumi AGM via website URL https://web.lumiagm.com.

   For the purpose of this AGM, e-Voting can be carried out by using either personal smart mobile phones, tablets, personal computers or laptops.

4. During the AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of poll.

5. The Scrutineer will verify the poll result reports upon closing of the poll session by the Chairman. Thereafter, the Chairman will announce and declare whether the resolutions put to vote were successfully carried or otherwise.

ADMINISTRATIVE GUIDE

FOR THE EIGHTH ANNUAL GENERAL MEETING OF REACH ENERGY BERHAD
(cont'd)

Lodgement of Proxy Form

1. If you are unable to attend the AGM via RPEV facilities and wish to appoint the Chairman of the AGM as your proxy to vote on your behalf, please deposit your Proxy Form at the office of the Poll Administrator, Boardroom at **11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest by Tuesday, 22 June 2021 at 10.00 a.m.. Any alteration to the Form of Proxy must be initialled.

2. Alternatively, the proxy appointment may also be lodged electronically at https://boardroomlimited.my, which is free and available to all individual shareholders, not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest by Tuesday, 22 June 2021 at 10.00 a.m.. For further information, kindly refer to the "Electronic Lodgement of Form of Proxy" below:

   Step 1: Register Online with Boardroom Smart Investor Portal (for first time registration only)

   (Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 on eProxy Lodgement.)

   a. Access website **https://boardroomlimited.my**
   b. Click **<<Login>>** and click **<<Register>>** to sign up as a user.
   c. Complete the registration and upload a softcopy of your MyKAD/Identification Card (front and back) or Passport in JPEG or PNG format.
   d. Please enter a valid email address and wait for Boardroom's email verification.
   e. Your registration will be verified and approved within one (1) business day and an email notification will be provided.

   Step 2: eProxy Lodgement

   a. Access website **https://boardroomlimited.my**
   b. Login with your User ID and Password given above.
   c. Go to "**E-PROXY LODGEMENT**" and browse the Meeting List for "**REACH ENERGY BERHAD EIGHTH ANNUAL GENERAL MEETING**" and click "**APPLY**".
   d. Read the terms & conditions and confirm the Declaration.
   e. Enter your CDS Account Number and indicate the number of securities.
   f. Appoint your proxy(ies) or the Chairman of the AGM and enter the required particulars for your proxy(ies).
   g. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your votes.
   h. Review and confirm your proxy(ies) appointment.
   i. Click submit.

* **If you wish to participate in the AGM yourself, please do not submit any proxy form for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.**

Revocation of Proxy

If you have submitted your Proxy Form prior to the AGM and subsequently decide to appoint another person or wish to participate in the AGM yourself, please write in to **BSR.Helpdesk@boardroomlimited.com** to revoke the earlier appointed proxy(ies) at least forty-eight (48) hours before the AGM. On revocation, your proxy(ies) will not be allowed to participate in the AGM. In such event, you should advise your proxy(ies) accordingly.

Remote Participation and Electronic Voting ("RPEV")

1. All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorized nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the AGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.

ADMINISTRATIVE GUIDE

FOR THE EIGHTH ANNUAL GENERAL MEETING OF REACH ENERGY BERHAD
(cont'd)

2. Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants. Therefore, kindly ensure that connectivity for the duration of the meeting is maintained.

3. Kindly follow the steps below to request for your login ID and password and usage of the RPEV facilities:

Procedure		Action
Before the day of the AGM		
1.	Register online with Boardroom Smart Investor Portal **(for first time registration only)**	*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.]* a. Access website https://boardroomlimited.my b. Click **<<Login>>** and click **<<Register>>** to sign up as a user. c. Complete registration and upload softcopy of MyKAD/Identification Card (front and back) or Passport in JPEG or PNG format. d. Please enter a valid email address and wait for Boardroom's email verification. e. Your registration will be verified and approved within one business day and an email notification will be provided.
Procedure		**Action**
Before the day of the AGM		
2.	Submit request for remote participation **(user ID and password)**	*(Note: Registration for remote access will be opened on Monday, 24 May 2021. Please note that the closing time to submit your request is not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest Tuesday, 22 June 2021 at 10.00 a.m.)* **Individual Members** a. Log in to https://boardroomlimited.my using your user ID and password. b. Select "Virtual Meeting" from main menu and select the correct Corporate Event "**REACH ENERGY BERHAD EIGHTH ANNUAL GENERAL MEETING**". c. Read and agree to the Terms & Condition. d. Enter your CDS Account Number and thereafter submit your request. **Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee** a. Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request. b. Please provide a copy of Corporate Representative's MyKAD/Identification Card (front and back) or Passport in JPEG or PNG format as well as his/her email address.
Procedure		**Action**
Before the day of the AGM		
3	Email notification	a. You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified. b. Upon system verification against the AGM Record of Depositories as at 17 June 2021, you will receive an email from Boardroom either approving or rejecting your registration for remote participation. c. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date. d. Please note that the closing date and time to submit your request is by *Tuesday, 22 June 2021 at 10.00 a.m.*.

ADMINISTRATIVE GUIDE

FOR THE EIGHTH ANNUAL GENERAL MEETING OF REACH ENERGY BERHAD
(cont'd)

Procedure (continued)		Action (continued)
On the day of the AGM		
4.	Login to Meeting Platform	a. The AGM virtual meeting portal will be opened for login at 9.00 a.m. on Thursday, 24 June 2021 which can be accessed via one of the following methods:- ➢ Download the free **Lumi AGM** application from Apple App Store or Google Play Store; ➢ Launch Lumi AGM by scanning the QR Code provided in the email notification; ➢ Access to Lumi AGM webportal via website at https://web.lumiagm.com/ b. Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3 above.
5.	Participate	*[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition.]* a. If you would like to view the live webcast, select the broadcast icon. b. If you would like to ask a question during the AGM, select the messaging icon. c. Type your message within the chat box, once completed click the send button.
6.	Voting	a. Once voting has been opened, the polling icon will appear with the resolutions and your voting choices. b. To vote simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received. c. To change your vote, simply select another voting direction. d. If you wish to cancel your vote, please press "Cancel".
7.	End of Participation	a. Upon the announcement by the Chairman on the closure of the AGM, the live webcast will end and the Messaging window will be disabled. b. You can now logout from the virtual meeting platform.

Submission of Questions

1. Shareholders may submit questions in advance on the AGM resolution commencing from Monday, 24 May 2021 and in any event no later than 10.00 a.m., Thursday, 22 June 2021 via Boardroom's website at **https://boardroomlimited.my** using the same user ID and password provided in Step (3) above, and select "SUBMIT QUESTION" to pose questions ("**Pre-AGM Meeting Questions**").

2. Thereafter, on the morning of the AGM, shareholders may also submit questions via the messaging box on Lumi AGM webportal at https://web.lumiagm.com starting at 9.00 a.m.. This webportal will remain open throughout the virtual AGM session.

3. The Board will endeavour to respond to Pre-AGM Meeting Questions and questions submitted from 9.00 a.m. on the day of the AGM and throughout the meeting. However, not all questions will be answered during the meeting. In such event, the responses will be posted on the Company's website as soon as practicable.

Gift policy

No gift voucher will be given to shareholders/proxy holders who participate in the AGM.

No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

ADMINISTRATIVE GUIDE

FOR THE EIGHTH ANNUAL GENERAL MEETING OF REACH ENERGY BERHAD
(cont'd)

Digital Copies of AGM Documents

1. As part of our commitment to protect the environment from paper waste, the following documents can be accessed from our website at www.reachenergy.com.my:

   a. Annual Report 2020
   b. Corporate Governance Report 2020
   c. Notice of the 8th AGM, Proxy Form and Administrative Guide
   d. Circulation in relation to Amendments to the Constitution dated 24 May 2021 ("**Circular**")

2. If you wish to receive a copy of the Annual Report 2020 and the Circular, you may submit your on-line request via the Share Registrar's website at bsr.helpdesk@boardroomlimited.com. The printed Annual Report 2020 and the Circular will be sent to you by ordinary post within four (4) market days from the date of the receipt of your request.

Enquiry

If you have any enquiries prior to the AGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30. p.m.):-

Boardroom Share Registrars Sdn. Bhd.

Address	:	11th Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
General Line	:	603-7890 4700
Fax Number	:	603-7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

This page has been intentionally left blank.

REACH ENERGY BERHAD
REGISTRATION NO. 201301004557 (1034400-D)

PROXY FORM

CDS Account No.	
No. of Shares Held	

I/We ____
(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No ______________________________) of

____
(ADDRESS)

being a member/members of **REACH ENERGY BERHAD**, hereby appoint:

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting ("8th AGM') of **REACH ENERGY BERHAD** to be conducted fully virtual at Symphony Square Auditorium 3A Floor, No. 5, Menara Symphony, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 24 June 2021 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

RESOLUTION NO.	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	To re-elect Encik Izlan Bin Izhab.		
Ordinary Resolution 2	To re-elect Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin.		
Ordinary Resolution 3	To re-elect Dato' Jasmy Bin Ismail.		
Ordinary Resolution 4	To re-elect Puan Noor Lily Zuriati Binti Abdullah.		
Ordinary Resolution 5	To re-elect Dato' Berikkazy Seksenbayev.		
Ordinary Resolution 6	To re-elect Mr. Yerlan Issekeshev.		
Ordinary Resolution 7	To approve the proposed payment of Directors' fees in respect of the financial year ending 31 December 2021, to be made payable quarterly.		
Ordinary Resolution 8	To approve the proposed payment of Directors' benefits (other than Directors' fees) for the period from 1 January 2021 until the conclusion of the next Annual General Meeting.		
Ordinary Resolution 9	Re-appointment of PricewaterhouseCoopers PLT as the Company's Auditors.		
Ordinary Resolution 10	Authority to issue and allot shares pursuant to Section 75 and 76 of the Companies Act, 2016.		
Special Resolution 1	Proposed Amendments to the Clauses in the Company's Constitution.		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed this __________ day of __________________, 2021

____
Signature of Shareholder/ Attorney
(if shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

Fold this flap for sealing

Notes:

1. *The 8th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities provided by Boardroom Share Registrars Sdn Bhd at http://web.lumiagm.com. Please follow the procedures as set in the Administrative guide in order to register, participate and vote remotely via RPV facilities.*
2. *For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the AGM. Members/Proxies/Corporate Representatives will not be allowed to attend this AGM in person at the broadcast venue on the day of the AGM.*
3. *In regard of deposited securities, only members whose names appears in the Record of Depositors as at 17 June 2021 shall be eligible to attend the Meeting and to speak and vote thereat.*
4. *A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
5. *A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, the member shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
6. *In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.*
7. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the Meeting.*
8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*

Then fold here

AFFIX
STAMP
HERE

COMPANY SECRETARY
REACH ENERGY BERHAD
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

1st fold here

9. *The instrument appointing a proxy or proxies may be deposited at the office of the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or at its website at https://boardroomlimited.my ("eProxy Lodgement") not less than 48 hours before the Meeting. Please refer to the "Administrative Details" for the 8th AGM for the steps of the e-Proxy Lodgement.*
10. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the 8th AGM will be put to vote on a poll.*

WWW.REACHENERGY.COM.MY

REACH ENERGY BERHAD
Registration No. 201301004557 (1034400-D)

D3-5-8, Block D3, Solaris Dutamas, No.1,
Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia.

Tel: +603 6412 3000
Fax: +603 6412 8005
Email: info@reachenergy.com.my