CEO REPORT

The year 2016 was definitely a very exciting year for our Company. I am proud to report that Reach Energy Berhad ("Reach Energy") passed a significant milestone by completing the transaction to acquire a 60% indirect equity interest in Emir-Oil LLP ("Emir-Oil") on 25 November 2016 and, alongside with it, accomplishing the Qualifying Acquisition ("QA") for our Company. This has been a remarkable achievement for our team and it would not have been possible without the full support received from our shareholders, our appointed advisors and consultants, our partner, MIE Holdings Corporation ("MIEH"), and other stakeholders.

BUSINESS ACTIVITIES

Emir-Oil holds the entire subsoil use rights (100% working interest) in an 850.3 square kilometres onshore hydrocarbon exploration and production (E&P) contracted area located in the Mangystau Oblast (Province) in the southwestern region of the Republic of Kazakhstan ("Concession Block"). The successful acquisition of Emir-Oil has put us a step forward in realising our vision to be a leading independent Malaysian oil and gas company.

Emir-Oil has a producing asset with significant upside potential. It is currently producing oil and gas from four fields, namely, Aksaz, Dolinnoe, Emir and Kariman and has two development fields, namely, North Kariman and Yessen, which are to be added to the production pipeline in the near-term. As at 1 July 2016 and after completing a technical and commercial due diligence, our Independent Technical Consultant, RPS Energy Limited ("RPS"), assessed that Emir-Oil's Concession Block has significant oil and gas reserves and resources to be exploited as tabulated in the table below:

	Gross (100%)			Net to REB (60%)		
	1P	2P	3P	1P	2P	3P
Oil Reserves (MMstb)	24.6	70.0	116.1	14.8	42.0	69.7
Gas Reserves (Bscf)	17.7	116.3	184.1	10.6	69.8	110.4
Total Reserves (MMboe)	27.6	89.4	146.8	16.6	53.6	88.1

Note: MMstb - Million stock tank barrels; Bscf - Billion standard cubic feet; MMboe - Million barrels of oil equivalent

CEO REPORT (cont'd)

As at end of 2016, Emir-Oil has a staff strength of 217 employees and producing with existing production facilities and infrastructure. In 2016, average oil and gas production for Emir-Oil were 3,301 barrels of oil per day ("BOPD") and 5.6 million standard cubic feet of gas per day ("MSCFD"). The oil and gas production and sales figures in 2016 and 2015 are shown in the table below:

Year	Production		Sales	
	Oil (MMstb)	Gas(Bscf)	Oil (MMstb)	Gas (Bscf)
2016	1.20	2.05	1.17	1.87
2015	1.25	2.15	1.09	2.00

Note: MMstb - Million stock tank barrels; Bscf - Billion standard cubic feet

The average realised oil price for Emir-Oil in 2016 was US$35.44/barrel (2015: US$43.95/barrel), with export sales comprising 86% (2015: 88%) of total sales volume. The average realised oil export price was US$39.13/barrel (2015: US$48.41/barrel) while the average realised domestic oil price was US$13.14/barrel (2015: US$12.02/barrel). Average realised gas price was US$0.78/MSCF (2015: US$0.95/MSCF).

In 2016, Emir-Oil completed two exploration wells, Dolinnoe-8 and Yessen-3, as per the requirements under its exploration license. Geological logging of both wells indicates oil and gas shows, and our plans are for these wells to be tested in 2017.

In January 2017, Emir-Oil and the Ministry of Energy (MoE) of Kazakhstan executed an agreement extending the expiration date of the Aksaz-Dolinnoe-Emir-Kariman ("ADEK") Exploration Contract by three years to 9 January 2020. Under the terms of the contract extension, Emir-Oil will drill a total of six exploration wells during the period 2017-2019. Based on our current technical knowledge of the Concession Block, we are pleased with this exploration contract extension and are positive about the oil and gas reserves and resources potential to be achieved over the next three years.

Since the completion of the acquisition of Emir-Oil in late November 2016, our Company has taken the necessary steps and actions to assume management, financial and operational control of Emir-Oil. Within the short period since our acquisition of Emir-Oil, we have made significant progress with the full support from all departments within Emir-Oil. We have reviewed the modus operandi and state of affairs of Emir-Oil and are making the necessary adjustments incorporating the business approach and strategy of Reach Energy with the view to drive Emir-Oil towards achieving our business objectives early in the coming years.

CEO REPORT (cont'd)

BUSINESS APPROACH AND STRATEGY

Our objectives for 2017 are very clear. First of all, we will maximise our existing operational efficiency to establish a solid foundation of strong cash flow for the next growth phase of Reach Energy. Capital expenditure (CAPEX) and operational expenditure (OPEX) efficiencies are in the forefront of our minds. We are also embracing the low oil price environment as a time of opportunity to optimize costs. Secondly, we will continue to work hard to maintain a robust balance sheet and strong access to liquidity. Thirdly, as the operator of the asset, we will continue to play a proactive role towards developing the Emir-Oil fields and provide all the support required to maximise the ultimate profitability of this good quality asset. We will also be continuing with the existing successful field development plans and application of new technologies so as to optimise near-term production growth rate and maximise returns to our shareholders in the long run.

In the near to mid-term, we aim to focus our attention and resources to develop Emir-Oil to maximize its full potential. With Emir-Oil as our platform, we aspire to develop a balanced portfolio of assets to create a sustainable business model to strengthen our position in both regional and global markets.

As our activities intensify, we are committed to ensure that our business is conducted with high integrity, good corporate governance and acceptable practices. In this respect, we will continue to maintain and develop our Four-Pronged Business Strategy, at Reach Energy, as well as instilling the same principles in the operations of Emir-Oil, that focuses on a) **Operational excellence** - Enhanced operating efficiency drives significant reductions in operating costs; b) **Robust management systems** – To establish Standard Operating Procedures for all units in Emir-Oil; c) **Human capital development** - We strive to provide all employees with fulfilling career and personal development opportunities through training and development; and d) **Sustained business growth** - To devise a business growth strategy in developing the Emir-Oil fields.

We have also recognized the importance of delivering world-class health, safety, security and environment performance in our business. In view of this, we have established a Health, Safety, Security and Environment Policy and Manual that forms part of Reach Energy's commitment to managing the safety of people, assets and the environment.

CEO REPORT (cont'd)

Our business is built on trust and relationships and our success lies in earning the trust of our stakeholders by ensuring that our business is conducted responsibly and with the highest standards of governance. In promoting a culture of integrity and ethical values within our organisation, we have put in place our Code of Conduct and Business Ethics.

As a public-listed company, we are responsible for driving our business forward for the benefit of all our stakeholders and providing our shareholders with adequate return on their investment.

APPRECIATION

Great companies are made up of great people. Our team is fully committed to our motto of "One Team, One Goal" and our Core Values of "Reliable, Responsible and Results-Oriented". The spirit of teamwork displayed by all of our employees has been the key to our success in achieving our objectives to date. Our team evidently understands that how we operate is just as crucial as what we accomplish. It is through the spirit of teamwork and strong sense of vision that we stride towards our goal.

As we enter the new phase of operating a producing E&P asset, I am confident of meeting the expectations of our shareholders with the resources we have in place. I am grateful for the continued support from our shareholders, the Board of Directors, the teams at Reach Energy and Emir-Oil, and other stakeholders.

Ir. Shahul Hamid Bin Mohd Ismail
CEO

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Reach Energy Berhad ("REB" or "the Company") listed its shares and warrants as a Special Purpose Acquisition Company ("SPAC") on the Main Market of Bursa Malaysia Securities Berhad on 15 August 2014. It intended to acquire qualifying oil and gas assets in the exploration and production sector of the petroleum industry ("Qualifying Acquisition").

On 5 March 2016, the Company entered into a tri-partite conditional Sales and Purchase Agreement with Palaeontol Cooperatief U.A ("Palaeontol COOP") and MIE Holdings ("MIEH"), a corporation listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK"), for the acquisition of 60% equity interest in Palaeontol B.V. ("PBV") and 60% of the Shareholders' Loan ("Shareholders' Loan") from MIEH for a total cash consideration of USD154.9 million subject to adjustments. On 25 November 2016, REB completed the transaction where, Reach Energy Ventures Sdn Bhd ("REV"), a wholly-owned subsidiary of REB acquired 60% equity interest in PBV and 60% of the Shareholders' Loan at an adjusted purchase consideration of USD175.9 million.

With the completion of the Qualifying Acquisition, the company is no longer a SPAC. On 16 December 2016, the Company was reclassified from the SPAC sector to the Industrial Products sector on the Main Market of Bursa Malaysia Securities.

PBV is an investment holding company and is the sole interest holder of Emir-Oil LLP ("Emir-Oil"). Emir-Oil holds the entire subsoil use rights (100% working interest) in an 850.3 square kilometres onshore hydrocarbon exploration and production contracted area located in the Mangystau Oblast in the southwestern region of the Republic of Kazakhstan ("Emir-Oil Concession Block"). Emir-Oil is principally engaged in the exploration, development, production and sale of crude oil and other petroleum products in Kazakhstan. Emir-Oil is currently the licence owner for the Aksaz-Dolinnoe-Emir-Kariman ("ADEK") Exploration Contract and four (4) Production Contracts, namely Aksaz, Dolinnoe, Emir and Kariman and has two fields, North Kariman and Yessen under development stage.

Remarks:

* *The Group refers to REB Group of Companies which includes Reach Energy Berhad, Reach Energy Ventures Sdn Bhd, Palaeontol B.V. and Emir-Oil LLP*

* *PBV Group refers to PBV Group of Companies which includes Palaeontol B.V and Emir-Oil LLP*

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

PROSPECT

After the completion of the Qualifying Acquisition, with effective control of Emir-Oil which holds the entire subsoil use rights of the Emir-Oil Concession Block, the Company intends to pursue various value adding measures which focus on maximizing production (subject to prevailing oil and gas price environment) and optimizing costs. Such measures include the implementation of effective field development plans and application of modern technologies to enhance near-term production growth and maximize returns to our shareholders.

Based on the transacted price as well as the transaction structure of the Qualifying Acquisition, including the payment schedule of the purchase consideration, the project IRR for the Emir-Oil Concession Block, as estimated by our Independent Technical Consultant, RPS Energy Limited, is 18.7%. This transacted price only considers the reserves of Emir-Oil Concession Block and does not consider the prospective resources of the exploration area of 804.8 square kilometres and other potential upsides. Based on the Independent Upside Report as set out in REB Circular dated 13 October 2016, we have identified several measures/initiatives which are expected to substantially grow the value and the reserves potential of Emir-Oil Concession Block.

RESERVES

Following completion of the Qualifying Acquisition, Reach Energy Berhad is now a full-fledged Independent Oil and Gas Exploration and Production (E&P) company, with our maiden asset in Emir-Oil Concession Block in Mangystau Oblast, Kazakhstan. As an E&P company, our primary assets are our Oil and Gas Reserves.

Reserves are estimated remaining quantities of oil and natural gas anticipated to be recoverable from known accumulations, based on the analysis of drilling, geological, geophysical and engineering data, obtained from the use of established technology and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates:

i. Proved Reserves (P1) are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under defined economic conditions, operating methods, and government regulations.

ii. Probable Reserves (P2) are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

iii. Possible Reserves (P3) are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Probable Reserves.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

As part of our responsibility as a public-listed E&P Company, we will provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Auditors, Chapman Petroleum Engineering Ltd, have recently completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date on 1 January 2017.

The gross reserves (100% basis) of Emir-Oil Concession Block are summarized in the tables below:

Oil (MMstb)	1P (P1= Proved Reserves)	2P (P1+P2 = Proved and Probable Reserves)	3P (P1+P2+P3 = Proved, Probable and Possible Reserves)
Kariman	20.173	46.229	47.916
Dolinnoe	6.448	13.024	19.011
Aksaz	1.795	2.835	2.916
Exploration (NK, Y, Borly)	1.725	13.757	21.05
Emir	0.847	5.297	10.242
TOTAL	31.528	81.142	101.135

Source: Chapman Petroleum Engineering, Evaluation of Reserves and Prospective Resources Oil and Gas Properties ADEK Block (License Area), Mangystau Oblast, Republic of Kazakhstan, 31st December 2016

Gas (Bscf)	1P (P1= Proved Reserves)	2P (P1+P2 = Proved and Probable Reserves)	3P (P1+P2+P3 = Proved, Probable and Possible Reserves)
Kariman	8.523	18.805	19.532
Dolinnoe	13.837	27.677	39.865
Aksaz	12.782	22.320	23.251
Exploration (NK, Y, Borly)	0.645	4.833	9.393
Emir	0.145	0.799	1.412
TOTAL	35.932	74.434	93.453

Source: Chapman Petroleum Engineering, Evaluation of Reserves and Prospective Resources Oil and Gas Properties ADEK Block (License Area), Mangystau Oblast, Republic of Kazakhstan, 31st December 2016

Oil and Gas (MMboe)	1P (P1= Proved Reserves)	2P (P1+P2 = Proved and Probable Reserves)	3P (P1+P2+P3 = Proved, Probable and Possible Reserves)
Kariman	22.133	49.362	51.171
Dolinnoe	8.755	17.638	25.656
Aksaz	3.925	6.555	6.791
Exploration (NK, Y, Borly)	1.833	14.563	22.616
Emir	0.871	5.430	10.477
TOTAL	37.517	93.548	116.711

Source: Chapman Petroleum Engineering, Evaluation of Reserves and Prospective Resources Oil and Gas Properties ADEK Block (License Area), Mangystau Oblast, Republic of Kazakhstan, 31st December 2016

As highlighted in the tables above, the Emir-Oil Concession Block holds significant oil and gas reserves with upside potential. In addition, the crude oil produced from these fields contain desirable properties as it is light and sweet (benchmarked to Brent crude price). We are excited in capitalizing our team's experience and technical know-how to maximize the value of this asset for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL PERFORMANCE REVIEW

The average of the middle rates for RM/USD on the daily basis during the month of December in Malaysia as published by BNM for the FYE 31 December 2016 is as follows:

FYE 31 December (RM/USD)	Average exchange rate
2016	4.4615

Income Statement Related Financial Data

	REB Group (Post Qualifying Acquisition) 01.01.2016-31.12.2016	REB Company (Pre Qualifying Acquisition) 01.08.2014-31.12.2015
	RM000'	**RM000'**
Revenue	14,994	-
Negative Goodwill	156,873	-
Operating Expenses	(55,058)	(13,312)
Finance Income	33,384	41,070
Finance Cost	(23,924)	(49,659)
Finance Net	9,460	(8,589)
Profit/(Loss) during the financial year	**126,269**	**(21,901)**
Income Tax Expense	(6,025)	(10,252)
Profit/(Loss) after taxation	120,244	(32,153)
Profit/(Loss) attributable to:		
Owners of the Company	125,526	(32,153)
Non-Controlling Interest	(5,282)	-

Due to the acquisition of PBV Group, Emir-Oil now represents a new business segment, which is a major line of business for the Group. Emir-Oil's operating results for the month of December 2016 were included in the Group's FYE 2016 financial results as a continuing business.

The Group observed a surge in its Profit After Tax from a loss of RM32.2 million in the 17 months' financial period from 1 August 2014 to 31 December 2015 to RM120.2 million in December 2016. During the 12 months ended 31 December 2016, the Group achieved a Profit Before Tax ("PBT") of RM126.3 million on the back of revenue totalling RM15.0 million, primarily driven by negative goodwill of RM 156.9 million.

No dividends were declared, paid or proposed in FYE 2016 given that the Group is still aggressively pursuing growth opportunities.

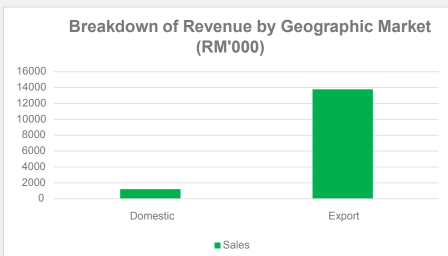
i) REVENUE ANALYSIS

The revenue of the Group is derived entirely from the sales 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 United States Dollar ("USD") for export sales and Kazakhstan Tenge ("KZT") for domestic sales.

No revenue is recorded for REB, REV and PBV.

For the month of December 2016, the Group recorded a revenue of RM15.0 million (USD3.4 million).

The breakdown of the revenue by product and geographical market for the month of December 2016 is set out below:



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Oil Sales

For the month of December 2016, the Group recorded RM14.4 million (USD3.2 million) of revenue from crude oil sales. The revenue from the crude oil depends primarily on the oil production of Emir-Oil and the global crude oil price at the point of sale.

The average realised oil price per barrel (for both export and domestic sales) is RM198 (USD 44.3) per barrel for December 2016, whereby the average realised oil price from export sales was RM226.2 (USD 50.7) per barrel (after deduction of RM14.2 (USD 3.2 per barrel for transportation tariffs and discount), and RM52.3 (USD 11.7) per barrel from domestic sales.

The Group's oil sales volume for the month of December 2016 was 72,900 barrels wherein the export sales volume was 60,907 barrels and domestic sales volume was 11,993 barrels. For the month of December 2016, the average daily oil production was 2902 bbl/d which is in line with the oil sales volume.

Revenue from export sales contributed to 92% of the Group's total oil revenue for the month of December 2016.

Gas Sales

Gas produced is entirely for the domestic market and is sold to KazTransGaz JSC (KTG). As per the 2016 gas sales contract with KTG, the buyer takes around 4.65 million cubic meter per month (164.2 MMscf), on average. The gas sales contract is negotiated on an annual basis.

The revenue from gas sales for the month of December 2016 is RM0.6 million (USD 0.2 million). The revenue from the gas sales is in line with the average realised gas price of RM3.6/Mscf (USD 0.80/Mscf) for December 2016 as well as the gas sales volume which recorded a total of 164.7 MMscf for the said month. The average daily production for December 2016 is 5.6 MMscf.

ii) NEGATIVE GOODWILL

The Group recorded a negative goodwill of RM156.9 million during the year as a result of the Qualifying Acquisition.

Negative goodwill represents the total consideration transferred less the fair value of the net assets of the subsidiary acquired.

ii) OPERATING EXPENSES

The Group recorded total operating expenses of RM55.1 million for FYE 31 December 2016.

Qualifying Asset Expenses

The Group incurred a significant amount of qualifying asset expenses totalling to RM25.6 million which is the cost that is directly attributable to the acquiring of 60% equity interest in PBV who is the sole interest holder of Emir-Oil and 60% of the shareholder's loan.

Staff Cost

The Group also incurred employee compensation costs amounting to RM6.9 million in which PBV Group recorded a total of RM1.0 million (USD0.23 million) while REV and REB recorded a total of RM5.9 million. The employee compensation costs comprise of wages, salaries, allowances, welfare and other expenses.

Purchases, services and other direct costs

The purchases, services and other direct costs comprise of 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 O&G transportation costs within fields, and other direct expenses and management fees. The Group incurred a cost totalling to RM3.6 million (USD796.8 thousand) during the month and it is solely from Emir-Oil.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Depreciation, Depletion and Amortization

During the financial year, the Group recorded a total of RM3.4 million for Depreciation, Depletion and Amortization. The cost of O&G 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.

Taxes other than income taxes

The Group also incurred taxes other than income tax expenses totalling to RM4.7 million (USD1.1 million) which were solely from Emir-Oil. Set down below are the various taxes that our Kazakhstan operation is subject to:

Rent Export Tax

Rent Export Tax is payable on export oil and is calculated based on the realized prices for crude oil. Rent Export Tax rate ranges from 0% (if export price is less than USD 40 per barrel) to 32% (if export price is higher than USD190 per barrel).

Mineral Extraction Tax ("MET")

For production of less than 250,000 tons per annum, MET is payable at 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 average realized price per barrel. 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 14 April 2013, rent export duty expenditure was USD 60 per metric tonne ("mt") but the duty was increased to USD80 per mt with effect from 12 March 2014 and subsequently reduced to USD60 per mt with effect from April 2015. Effective 1 January 2016, the rent export duty expenditure has been further reduced to USD40 per mt. Effective 1 March 2016, the rent export duty expenditure is progressive and ranges from USD 0 per mt when average market price of crude oil is less than USD 25 per barrel up to USD 236 per mt if average market price of crude oil is above USD 185 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 accrual of withholding tax on interest charged on intercompany loans and transportation cost from Euro- Asian Oil SA.

iv) EBITDA

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

The following table presents a reconciliation of EBITDA from continuing operations for FYE 31 December 2016 and for the 17 months period ending 31 December 2015:

	REB Group (Post Qualifying Acquisition) 01.01.2016-31.12.2016	REB Company (Pre Qualifying Acquisition) 01.08.2014-31.12.2015
	RM000'	**RM000'**
Profit/(Loss) after tax	120,244	(32,153)
Income tax expenses	6,025	10,252
Finance Income	(33,384)	(41,070)
Finance Cost	23,924	49,659
Depreciation, Depletion, Amortization	3,361	452
EBITDA from continuing operations	**120,170**	**(12,860)**

Risk Factors

The risks laid down below could have a significant adverse effect separately, or in combination, on our financial performance, earnings, financial conditions and cash flows. In view of that, investors should carefully consider these risks.

We have established risk management policies, guidelines, and procedures in order to manage exposure to risks and these measures are set out in relevant sections of this Report. The Board's responsibility for identifying, evaluating and managing our significant risks is discussed in "Statement on Corporate Governance" on page 107.

Operating environment exposure to health, safety, security and environmental risk

We are potentially exposed to a wide range of Health, Safety, Security and Environment factors ("HSSE"), given the operating environment, the geographical range and the technical complexity of our operations. In view of this, we have established a Health, Safety, Security and Environment Policy and Manual that form part of REB Group commitment to upholding the highest standards of corporate governance thus ensuring integrity and professionalism in all of our business conducts.

In the event a major HSSE risk materialises, such as an oil spill or an explosion, each of which could result in injuries, loss of life, substantial damage to the environment, oil wells, production facilities as well as causing disruption in our business activities and potential loss or suspension of our license to operate.

Our operations are subject to rigorous HSSE requirement and are likely to become more stringent over time. Due to such HSSE compliance requirements, we could potentially incur additional cost in the future. Additional cost may also arise as a result of violation, laws and regulations such as fines, penalties, clean-up cost and third party claims.

In view of that, if the HSSE risk materialises, it may materially and adversely affect our financial condition or results of operations.

Exposure to fluctuating prices of crude oil, natural gas and oil products

The supply and demand of crude oil, natural gas and oil products primarily drive the oil industry, both globally and locally. There are several factors that influence the supply and demand of these commodities which include natural disasters, economic conditions, political unrest, operational issues, restrictive legislation and the action of the Organisation of Petroleum Exporting Countries ("OPEC") wherein they can either increase or reduce the production among the member countries. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

We would generate a lesser revenue from our Upstream Production (Exploration and Production Sector) in a low oil and gas price environment. In this scenario, some of our long-term projects could either incur loss or be less lucrative. In addition to that, low oil and gas prices could result in the de-booking of proved oil and gas reserves in the event they become uneconomic in such environment. Prolonged periods of low oil and gas prices could also result in delays or cancellation of projects. Assets have been impaired in the past and there could be further impairments in the future if the low-price environment continues. Low oil and gas prices could also affect our ability to maintain our long-term capital investment programmes and dividend payments. In view of this, if the oil and gas prices remain at the same levels as observed in early 2016, there is a good possibility that the subsidiary will continue to incur losses.

The acquisition of PBV and Emir-Oil exposes us to integration risks

Our future projection will be dependent on our ability to fully and successfully integrate Palaeontol B.V. and Emir-Oil ("PBV Group") without any interruptions to our existing business. We will face new challenges when integrating these businesses, including the standardisation of processes and systems, working culture, policies and procedures and working through the language barrier between us and our Kazakhstan asset.

The PBV Group acquisition was executed on the grounds of expected benefits from the synergies as well as the expectation of future oil and gas prices. However, in the event the synergies do not take place and the price of oil and gas remains low, we would then have to further impair our assets which would lead to further pressure on our financial results.

Due to several new challenges and uncertainties, no assurance can be given that the integration process will be done smoothly and that it will deliver all the expected benefits within the stipulated time frame.

We could also be recording a higher cost of integration due to some unforeseen circumstances, tax impacts, liabilities and unknown pre-existing issues which would lower the realisable benefits.

Exposure to foreign exchange translation risk

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.

Risk in Reserves estimates

The process of estimating the quality and quantity of oil and gas reserves is dynamic, requiring interpretation of technical seismic data and many assumptions. Consequently, the reserve estimates are subject to revisions as additional data become available during the exploration and production life of a reservoir. Any material deviations from these technical interpretations and assumptions could significantly affect the estimated quantities of reserves reported, and reluctantly the basis of depreciation of oil & gas assets. Due to inherent uncertainties, the reserve estimates concluded may be inaccurate. These factors may materially affect our business and financial conditions if drilling activities do not yield oil or natural gas in quantities that are commercially viable.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2016

The Directors hereby submit their report and the audited financial statements of the Group and Company for the financial year ended 31 December 2016.

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	(appointed on 23 January 2017)
Shahul Hamid Bin Mohd Ismail	
Tan Siew Chaing	(appointed on 23 January 2017)
Izlan Bin Izhab	
Nik Din Bin Nik Sulaiman	
Aonghus Joseph O'Carroll	

In accordance with Article 70 of the Constitution of the Company, Shahul Hamid Bin Mohd Ismail retires at the forthcoming Fourth Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 75 of the Constitution of the Company, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid and Tan Siew Chaing retire at the forthcoming Fourth Annual General Meeting and, being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

The principal activity of 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 17. There have been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	125,526	(4,225)
- Non-controlling interest	(5,282)	–
Profit/(Loss) for the financial year	120,244	(4,225)

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2016
(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.

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

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 in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares/warrants			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	741,000	25,000	–	766,000
- warrants	1,000,000	–	–	1,000,000
Nik Din Bin Nik Sulaiman	–	400,000	–	400,000
Deemed interest/ Indirect interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	255,600,200*	–	–	255,600,200*
- warrants	255,600,000*	–	–	255,600,000*
Nik Din Bin Nik Sulaiman	–	350,000**	–	350,000**

* Deemed interested by virtue of his interests in Reach Energy Holdings Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

** Indirect interest by virtue of the interest of his spouse, Nik Aminah Binti Nik Abdullah pursuant to Section 134 of the Companies Act, 1965.

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 period. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2016.

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2016
(cont'd)

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 13 to the financial statements.

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 2016

(cont'd)

SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 12 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 April 2017.

SHAHUL HAMID BIN MOHD ISMAIL
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2016

	Note	Group	Company	
		1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Revenue	7	14,994	–	–
Negative goodwill	16	156,873	–	–
Operating expenses				
Taxes other than income taxes	8	(4,743)	–	–
Purchases, services and other direct costs		(3,555)	–	–
Depreciation, depletion and amortisation	18	(3,361)	(227)	(452)
Distribution expense		(3,006)	–	–
Employee compensation costs	9	(6,895)	(5,873)	(7,513)
General and administrative expenses		(5,287)	(2,417)	(1,710)
Other operating expenses – net	10	(28,211)	(48)	(3,637)
Total operating expenses		(55,058)	(8,565)	(13,312)
Profit/ (Loss) from operations		116,809	(8,565)	(13,312)
Finance income	11	33,384	28,216	41,070
Finance cost	11	(23,924)	(21,040)	(49,659)
Finance income/(cost) – net	11	9,460	7,176	(8,589)
Profit/ (Loss) before income tax	12	126,269	(1,389)	(21,901)
Income tax expense	14	(6,025)	(2,836)	(10,252)
Profit/ (Loss) for the financial year/ period		120,244	(4,225)	(32,153)
Profit/(Loss) attributable to:				
Owners of the Company		125,526	(4,225)	(32,153)
Non-controlling interests		(5,282)	–	–
Profit/(Loss) for the financial year/period		120,244	(4,225)	(32,153)
Basic earnings per ordinary share (RM)	15	0.10		
Diluted earnings per ordinary share (RM)	15	0.10		

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2016

(cont'd)

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Profit/(Loss) for the financial year/period	120,244	(4,225)	(32,153)
Other comprehensive income, net of tax			
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation differences	213	–	–
Total comprehensive income/(expense) for the financial year/period	120,457	(4,225)	(32,153)
Total comprehensive income/(expense) attributable to:			
Owners of the Company	125,654	(4,225)	(32,153)
Non-controlling interests	(5,197)	–	–
Total comprehensive income/(expense) for the financial year/period	120,457	(4,225)	(32,153)

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

	Note	Group 31.12.2016 RM'000	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000
ASSETS				
NON-CURRENT ASSETS				
Investment in subsidiary	17	–	610,007	–
Property, plant and equipment	18	1,806,504	94	305
Intangible assets		713	–	–
Prepayments and other receivables	19	4,864	–	–
Restricted cash	21	6,915	–	–
		1,818,996	610,101	305
CURRENT ASSETS				
Inventories		7,398	–	–
Trade receivables	20	9,076	–	–
Prepayments and other receivables	19	30,539	282	14,811
Amount due from subsidiary		–	4	–
Amount due from corporate shareholder		43	43	–
Deposits, cash and bank balances	21	105,725	42,572	763,736
		152,781	42,901	778,547
CURRENT LIABILITIES				
Trade payables	27	46,698	–	–
Accruals and other payables	30	98,143	5,243	1,996
Amounts due to corporate shareholder in a subsidiary	22	273,312	–	–
Current tax liability		4,573	2,508	10,267
		422,726	7,751	12,263
NET CURRENT (LIABILITIES)/ASSETS		(269,945)	35,150	766,284
TOTAL ASSETS LESS CURRENT LIABILITIES		1,549,051	645,251	766,589

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

(cont'd)

	Note	Group 31.12.2016 RM'000	Company 31.12.2016 RM'000	31.12.2015 RM'000
NON CURRENT LIABILITIES				
Deferred tax liabilities	26	96,158	–	–
Amounts due to corporate shareholder in a subsidiary	22	361,856	–	–
Accruals and other payables	30	41,103	–	–
Provisions	28	14,949	–	–
Financial liability component of the Public Issue Shares	29	–	–	738,051
		514,066	–	738,051
NET ASSETS		1,034,985	645,251	28,538
EQUITY				
Capital	24	488,651	488,651	22,035
Other reserves	25	200,187	200,059	45,737
Retained earnings/(Accumulated losses)		86,292	(43,459)	(39,234)
Equity attributable to owners of the Company		775,130	645,251	28,538
Non-controlling interests		259,855	–	–
TOTAL EQUITY		1,034,985	645,251	28,538

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016

	Note	Capital RM'000	Capital redemption reserves RM'000	Warrant reserve RM'000	Share based payment reserves RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to owners of the Company						→		
		← Non-distributable				→				
Group										
As at 1 January 2016		22,035	–	45,278	459	–	(39,234)	28,538	–	28,538
Reclassification of financial liability component of the Public Issue Shares		466,940	–	153,636	–	–	–	620,576	–	620,576
Cancellation of shares on 18.14% dissenting shareholders		(324)	324	–	–	–	–	–	–	–
Share-based payment transactions	25	–	–	–	362	–	–	362	–	362
Non-controlling interests on acquisition of subsidiary		–	–	–	–	–	–	–	265,052	265,052
Profit for the financial year		–	–	–	–	–	125,526	125,526	(5,282)	120,244
Other comprehensive income-net of tax										
-Foreign currency translation		–	–	–	–	128	–	128	85	213
Total comprehensive income for the financial year		–	–	–	–	128	125,526	125,654	(5,197)	120,457
As at 31 December 2016		488,651	324	198,914	821	128	86,292	775,130	259,855	1,034,985

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2016
(cont'd)

		Attributable to owners of the Company								
		Non-distributable								
	Note	Capital RM'000	Capital redemption reserves RM'000	Warrant reserve RM'000	Share based payment reserves RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Company										
As at 1 January 2016		22,035	–	45,278	459	–	(39,234)	28,538	–	28,538
Reclassification of financial liability component of the Public Issue Shares		466,940	–	153,636	–	–	–	620,576	–	620,576
Cancellation of shares on of dissenting shareholders		(324)	324	–	–	–	–	–	–	–
Share-based payment transactions	25	–	–	–	362	–	–	362	–	362
Total comprehensive expense/ loss for the financial year		–	–	–	–	–	(4,225)	(4,225)	–	(4,225)
As at 31 December 2016		488,651	324	198,914	821	–	(43,459)	645,251	–	645,251
As at 1 August 2014		20,249		8,921	151	–	(7,081)	22,240	–	22,240
Issuance of ordinary shares and warrants		1,786	–	36,357	–	–	–	38,143	–	38,143
Share-based payment transactions	25	–	–	–	308	–	–	308	–	308
Total comprehensive expense/ loss for the financial period		–	–	–	–	–	(32,153)	(32,153)	–	(32,153)
As at 31 December 2015		22,035	–	45,278	459	–	(39,234)	28,538	–	28,538

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF CASH FLOWS**
For The Financial Year Ended 31 December 2016

	Note	Group 1.1.2016 to 31.12.2016 RM'000	Company 1.1.2016 to 31.12.2016 RM'000	Company 1.8.2014 to 31.12.2015 RM'000
Profit/(Loss) before income tax		126,269	(1,389)	(21,901)
Adjustments for:				
Gain on disposal of plant and equipment		–	–	(6)
Depreciation, depletion and amortisation		3,361	227	452
Unrealised foreign exchange gain		(4,205)	(119)	–
Finance cost		23,924	21,040	49,659
Finance income		(28,847)	(28,050)	(41,070)
Share based payment transactions	25	362	362	308
Negative goodwill	16	(156,873)	–	–
		(36,009)	(7,929)	(12,558)
Changes in working capital:				
Inventories		1,958	–	–
Prepayment and other receivables		(1,906)	66	(70)
Trade receivables		(2,044)	–	–
Trade payables		4,375	–	–
Other payables and accruals		62,041	3,200	888
Cash flows generated from/(used in) operating activities		28,415	(4,663)	(11,740)
Income tax paid		(10,595)	(10,595)	(66)
Net cash generated from/(used in) operating activities		17,820	(15,258)	(11,806)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(16)	(16)	(668)
Proceeds from sale of plant and equipment		–	–	50
Finance income received		43,469	42,672	26,448
Placement of deposits with licensed bank restricted to use		–	–	(735,309)
Acquisition of a subsidiary	16	(573,351)	–	–
Investment in a subsidiary		–	(25,616)	–
Advances to a subsidiary		–	(584,395)	–
Advances to corporate shareholder		(43)	(43)	–
Movement in restricted cash		728,426	735,309	–
Net cash generated from/(used in) investing activities		198,485	167,911	(709,479)

The notes set out on pages 45 to 97 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2016

(cont'd)

	Note	Group 1.1.2016 to 31.12.2016 RM'000	Company 1.1.2016 to 31.12.2016 RM'000	Company 1.8.2014 to 31.12.2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance cost paid		(2,910)	–	–
Proceeds from issuance of ordinary shares and warrants		–	–	750,000
Payment of share listing expenses		–	–	(23,465)
Advance from corporate shareholder in a subsidiary		262	–	–
Loans received from corporate shareholder in a subsidiary		2,494	–	–
Payment to dissenting shareholders		(138,508)	(138,508)	–
Net cash (used in)/generated from financing activities		(138,662)	(138,508)	726,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		77,643	14,145	5,250
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		28,427	28,427	23,177
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(345)	–	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	21	105,725	42,572	28,427

The notes set out on pages 45 to 97 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016

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
Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
Petaling Jaya
Selangor

The Company listed its shares and warrants as a Special Purpose Acquisition Company ("SPAC") on the Main Market of Bursa Malaysia Securities Berhad on 15 August 2014. It intends to acquire qualifying assets related to the exploration and production of oil and gas and development and production activities in the petroleum industry ("Qualifying Acquisition").

On 16 December 2016, the Company was reclassified from a SPAC to Industrial Products sector.

The principal activity of 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 17. There have been no significant change 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 April 2017.

3 COMPARATIVES

The current reporting year is for 12 months with the comparative period of 17 months. The change in the comparative period year end was to facilitate the annual Work Program & Budget (WP&B) cycle, staffs and business performance assessment, any revision of staffs' remuneration and other expenses to be aligned with the calendar year. As such, the financial results presented in the Company's financial statements for both financial periods are not comparable. The consolidated financial statements are prepared for the first time in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 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 years presented, unless otherwise stated.

4.1 Basis of preparation

The consolidated financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965, 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 Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

4.1.1 Amendments to published standards that are effective and applicable for the Group and Company's financial year beginning on 1 January 2016

No	Malaysian Financial Reporting Standards
1	Amendments to MFRS 5, 7, 119 and 134 'Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle" '
2	Amendments to MFRS 101 'Disclosure Initiative'
3	Amendments to MFRS 116 and 138 'Clarification of Acceptable Methods of Depreciation and Amortisation'
4	Amendments to MFRS 10, MFRS 12 and MFRS 128 'Investment Entities: Applying the Consolidation Exception'
5	Amendments to MFRS 127 'Equity method in Separate Financial Statements'

The adoption of the above applicable amendments to published standards has not given rise to any material impact on the financial statements of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of preparation (continued)

4.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective

The Group and the Company will apply the new standards and amendments in the following financial year:

(i) Financial year beginning on or after 1 January 2017:

- Amendments to MFRS 107 'Statement of Cash Flows' ('MFRS 107') (effective from 1 January 2017) on Disclosure Initiative introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 'Income Taxes' ('MFRS 112') (effective from 1 January 2017) on Recognition of Deferred Tax Assets for Unrealised Losses clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively

(ii) Financial year beginning on or after 1 January 2018:

- Amendment to MFRS 2 'Share-based Payment' ('MFRS 2') (effective from 1 January 2018) on Classification and Measurement of Share-based Payment Transactions clarify the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- MFRS 9 'Financial Instruments' ('MFRS 9') (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139').

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of preparation (continued)

4.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective (continued)

The Group and the Company will apply the new standards and amendments in the following financial year: (continued)

(ii) Financial year beginning on or after 1 January 2018: (continued)

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch. MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15') (effective from 1 January 2018) will replace MFRS 118 'Revenue' ('MFRS 118') and MFRS 111 'Construction Contracts' ('MFRS 111') and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  (a) Identify contracts with customers;
  (b) Identify the separate performance obligations;
  (c) Determine the transaction price of the contract;
  (d) Allocate the transaction price to each of the separate performance obligations; and
  (e) Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  (a) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  (b) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  (c) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  (d) There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  (e) As with any new standard, there are also increased disclosures.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of preparation (continued)

4.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective (continued)

The Group and the Company will apply the new standards and amendments in the following financial year: (continued)

(ii) Financial year beginning on or after 1 January 2018: (continued)

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

(iii) Financial year beginning on or after 1 January 2019:

- MFRS 16 'Leases' ('MFRS 16') (effective from 1 January 2019) supersedes MFRS 117 'Leases' ('MFRS 117') and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 and the lease liability is accreted overtime with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The impact of the new accounting standards, amendments and improvements to published standards on the financial statements of the Group and Company are currently being assessed by management.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of preparation (continued)

4.1.3 New standards and amendments to published standards that are not relevant and not yet effective for the Group's and Company's operations

No	Malaysian Financial Reporting Standards	Effective dates for financial year beginning
1	Amendments to MFRS 12 'Disclosure of Interests in Other Entities'	1 January 2017
2	Amendments to MFRS 128 'Investment in Associates and Joint Ventures'	1 January 2018
3	Amendments to MFRS 140 'Transfers of Investment Property'	1 January 2018
4	Amendments to MFRS 10 and 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be announced by MASB

4.2 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 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 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 139 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. 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 income statement, statement of comprehensive income, statement of changes in equity and 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.

4.3 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 2016

(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Foreign currency translation

(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 related to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'.

(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.

4.5 Property, plant and equipment

Property, plant and equipment, including oil and gas properties, is 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 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 period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, plant and equipment (continued)

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.

4.6 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 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.

4.8 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.

4.9 Financial assets

(a) Classification

The Group and Company classify their financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group and Company's loans and receivables comprise 'trade receivables', 'other receivables', 'restricted cash', 'cash and cash equivalents', 'amount due from subsidiary' and 'amount due from corporate shareholder' in the consolidated statement of financial position.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group and Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial assets (continued)

(c) Subsequent measurement - Impairment of financial assets

Assets carried at amortised cost

The Group and Company assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(d) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership.

4.10 Financial liabilities

The Group and Company classify their financial liabilities as other financial liabilities measured at amortised cost using the effective interest method. Management determines the classification of its financial liabilities at initial recognition.

Other financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Financial liabilities (continued)

The Group and Company's other financial liabilities comprise 'trade payables', 'other payables', and 'amounts due to corporate shareholder in a subsidiary' in the consolidated statements of financial position. Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, has expired or has been restructured with substantially different terms.

4.11 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.

4.12 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.

4.13 Cash and cash equivalents

For the purpose of the consolidated statement 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.

4.14 Share capital

(i) Ordinary shares

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 economic substance of the particular instrument.

(ii) Issue expenses

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) 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Share capital (continued)

(iv) 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.

4.15 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 Group's subsidiaries operate and generate taxable income.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Provisions

Provisions are recognised when the Group and 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 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.

Provision for asset retirement obligations

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.

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 recognized as accretion expense in the profit or loss under finance cost. This accretion expense is recognized 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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 MFRS137 '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.

(iv) Share-based payments

The fair value of the warrants granted to 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 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.

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and retains neither continuing managerial involvement nor effective control over the goods sold, and it is probable that the economic benefits associated with the transaction will flow to the Group and related revenue and cost can be measured reliably.

Revenue is recognised upon delivery of crude oil and gas under the relevant contracts and other conditions discussed above are met.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

4.20 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

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.

4.21 Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.22 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group and 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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and Company's financial performance.

The Group and 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(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 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 Kazakhstan Tenge ("KZT").

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

	Denominated in KZT	Denominated in USD	
	Group		Group
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Financial assets			
Restricted cash	6,915	–	–
Other receivables	2,826	–	–
Trade receivables	1,480	–	–
Cash and cash equivalents	816	–	–
	12,037	–	–
Financial liabilities			
Trade payables	38,735	–	–
Accruals and other payables	1,661	197,588	–
	40,396	197,588	–

	Denominated in KZT	Denominated in USD	
	Company		Company
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Financial asset			
Cash and cash equivalents	–	421	–

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the change in foreign currency rate to the Group and the Company's loss before 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	
	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	42	–
- 10%	(42)	–

	Effect on profit/ (loss) after taxation and equity Group 1.1.2016 to 31.12.2016 RM'000
Increase/Decrease in foreign exchange rate	
USD strengthened/weakened by:	
+ 10%	(19,759)
- 10%	19,759
KZT strengthened/weakened by:	
+ 10%	(2,836)
- 10%	2,836

(ii) Interest rate risk

The Group and Company have no significant interest bearing cash assets. The Group and 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 22. The Group and Company's deposits that are placed in financial institution are not exposed to significant interest rate risk.

(iii) Price risk

The Group and Company is not subject to significant price risk.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(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 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 Company. At the reporting date, the Group and 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.

(i) Trade and other receivables

The Group has one customer which in aggregate accounts for more than 80% of the Group's revenue and as such, has concentration of credit risk for its trade and other receivables. However, the Group regards it as low risk as the customer is Euro-Asian Oil SA ("Euro-Asian Oil"), one of the largest trading companies in Mangystau region of Western Kazakhstan.

The credit quality of trade receivables that are neither past due nor impaired are disclosed in Note 20.

(ii) Amount due from subsidiary

The Company enters into non-trade transactions with its subsidiary. As at 31 December 2016, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Directors believe that there is no credit exposure arising from the intercompany balances.

(iii) Deposits, cash and bank balances

The Group and 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 consolidated statement of financial position. The credit quality of the financial institutions in respect of restricted cash and cash and cash equivalents are disclosed in Note 21. In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations.

(c) Liquidity risk

The Group and Company's liquidity risk management involve maintaining sufficient cash and cash equivalents and availability of funding through an adequate amount of committed credit facilities, and the implementation of the proposed placements as disclosed in Note 34.

The Group has taken a number of positive actions to ensure they will continue to have sufficient funds to meet all its operational and financial obligations as and when they fall due in the coming financial year. This includes the assessment of the timing of the settlement of the purchase consideration deferred as at 31 December 2016.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group and 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 RM'000	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
Group						
2016						
Trade payables	46,698	46,698	–	–	–	46,698
Accruals and other payables (excluding statutory liabilities)	6,495	6,495	–	–	–	6,495
Amount due to corporate shareholder in a subsidiary	635,168	273,312	–	372,722	459,052	1,105,086
Company						
2016						
Accruals and other payables (excluding statutory liabilities)	4,690	4,690	–	–	–	4,690
2015						
Accruals and other payables (excluding statutory liabilities)	1,612	1,612	–	–	–	1,612

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation

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

	Group	
	Carrying amount RM'000	Fair value RM'000
At 31 December 2016		
Amount due to corporate shareholder in a subsidiary	635,168	669,905

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 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 judgment 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 as disclosed is measured based on level 2.

5.3 Capital risk management

The Group and Company's objectives when managing capital are to safeguard the Group and 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 Company monitor capital on the basis of Debt over Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA"). Debt is calculated as total borrowings including 'current and non-current borrowings'. EBITDA is determined as profit before finance income, finance cost, income tax and depreciation, depletion and amortisation.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Capital risk management (continued)

The Debt over EBITDA ratios of the Group as at 31 December 2016 as follows:

	1.1.2016 to 31.12.2016 RM'000
Total intra-group borrowings	437,318
Profit before income tax	126,269
Finance income	(33,384)
Finance cost	23,924
Depreciation, depletion and amortisation	3,361
EBITDA	120,170
Debt over EBITDA ratio	3.64

6 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 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 reserve estimates were prepared for each oil field and include only crude oil that the Group believes can be reasonably produced within current economic and operating conditions.

NOTES TO THE FINANCIAL STATEMENTS
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(cont'd)

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Proved and probable reserves cannot be measured exactly. Reserve 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, reserve 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 reserve estimate. 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 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 18.

(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) Fair value of oil and gas assets

The fair value of oil and gas assets are assessed in connection with the acquisition of Palaeontol B.V. ("PBV").

The determination of fair value of the oil and gas assets involve significant management estimates and judgements such as future prices of crude oil, production profile, capital expenditure required and discount rate. Management's assessment and calculations are based on assumptions that are consistent with the Group's business plans.

(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 judgments 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Provision for remediation and restoration

Provision for remediation and restoration relates to asset retirement obligations in relation to the Group's operations. Provision is made when the related environmental disturbance and present obligations occur, based on the net present value of estimated future costs. The ultimate cost of environmental disturbances, asset retirement and similar obligation are uncertain and management uses its judgment and experience to provide for these costs over the life of operations. Cost estimates can vary in response to many factors including changes to the relevant legal requirements, the Group's related policies, the emergence of new restoration techniques and the effects of inflation. Cost estimates are updated throughout the life of the operation. The expected timing of expenditure included in cost estimates can also change, for example in response to changes in reserves, or production volumes or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgment. As a result of all of the above factors there could be significant adjustments to the provision for close down, restoration and clean-up costs which would affect future financial results.

The Group currently operates mainly in Kazakhstan. Under existing legislation, the Directors of the Group and Company are in their opinion that there are no probable liabilities that are in addition to amounts which have already been reflected in the consolidated financial statements that will have a materially adverse effect on the financial position of the Group.

(f) 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 recognises 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.

7 REVENUE

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Sales of crude oil	14,408	–	–
Sales of gas	586	–	–
	14,994	–	–

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8 TAXES OTHER THAN INCOME TAXES

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Rent export tax	1,275	–	–
Rent export duty expenditure	1,985	–	–
Mineral extraction tax	990	–	–
Property tax	493	–	–
	4,743	–	–

9 EMPLOYEE COMPENSATION COSTS

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Wages, salaries and allowances	5,370	4,892	7,263
Welfare and other expenses*	1,525	981	250
	6,895	5,873	7,513

* Includes share based payment disclosed in Note 25 (b).

10 OTHER OPERATING EXPENSES – NET

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Acquisition related expense	(25,616)	–	(3,453)
Foreign exchange gain/(expense) on operation - net	185	(48)	22
Others	(2,780)	–	(206)
	(28,211)	(48)	(3,637)

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
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11 FINANCE INCOME/(COSTS) – NET

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Finance income			
Interest income from deposits with licensed banks	28,094	28,050	41,070
Other finance income	753	–	–
Foreign exchange gain, net	4,537	166	–
Finance income, net	33,384	28,216	41,070
Finance costs			
Interest expenses of loan from corporate shareholder in a subsidiary (Note 22)	(2,744)	–	–
Accretion expenses of asset retirement obligations (Note 28)	(75)	–	–
Other finance cost	(65)	–	–
Interest expense on financial liability component of the Public Issue Shares	(21,040)	(21,040)	(49,659)
Finance costs, net	(23,924)	(21,040)	(49,659)
Finance income/(costs), net	9,460	7,176	(8,589)

Foreign exchange arising from cash and bank balance is classified as part of finance cost-net.

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For The Financial Year Ended 31 December 2016
(cont'd)

12 PROFIT/ (LOSS) BEFORE INCOME TAX

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Profit/ (Loss) before taxation is arrived at after charging/ (crediting):			
Auditor remuneration:			
- Statutory audit fees			
- PricewaterhouseCoopers, Malaysia	357	345	–
- Member firm of PricewaterhouseCoopers International Limited*	320	–	–
- Other entities	–	–	80
- Non-audit fees:**			
- PricewaterhouseCoopers, Malaysia	1,958	1,958	–
- Member firm of PricewaterhouseCoopers International Limited*	2,530	2,530	–
Employee compensation cost (Note 9)	6,895	5,873	7,513
Depreciation of property, plant and equipment (Note 18)	3,357	227	452
Amortisation of intangible assets	4	–	–
Negative goodwill (Note 16)	(156,873)	–	–
Professional fees	770	397	327
Realised foreign exchange loss/ (gain)	800	48	(22)
Taxes other than income tax (Note 8)	4,743	–	–
Tax penalty fee	311	311	–
Share based payment	362	362	308

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

** Non-audit fees primarily relates to the role as Reporting Accountants in connection with the acquisition of the subsidiary.

13 DIRECTORS' REMUNERATION

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

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Directors' fee	200	200	292
Remuneration and other emoluments	1,450	1,450	1,341
Defined contribution plan	137	137	161
	1,787	1,787	1,794

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14 INCOME TAX EXPENSE

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Current income tax			
Malaysian income tax:			
- Current year	5,150	5,150	10,268
- Over accrual in prior year	(2,314)	(2,314)	(16)
Foreign income tax:			
- Current year	(58)	–	–
	2,778	2,836	10,252
Deferred income tax (Note 26)			
Origination and reversal of temporary difference	3,247	–	–
	6,025	2,836	10,252

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

	Group	Company	
	1.1.2016 to 31.12.2016 RM'000	1.1.2016 to 31.12.2016 RM'000	1.8.2014 to 31.12.2015 RM'000
Profit/(Loss) before income tax	126,269	(1,389)	(21,901)
Tax calculated at the statutory tax rates of 24% (2015: 25%)	30,305	(333)	(5,475)
Tax effects of:			
- Income not subject to tax	(38,036)	(70)	–
- Expenses not deductible for tax purposes	13,450	5,518	15,743
- Difference in overseas tax rates and tax base	1,565	–	–
- Re-measurement of deferred tax due to change in the tax rate	435	–	–
- Tax losses and deductible temporary difference for which no deferred tax asset is recognised	35	35	–
- Adjustments to deferred tax due to currency exchange rate movements	585		–
- Under/(Over) accrual in prior year-net	(2,314)	(2,314)	(16)
Income tax expense	6,025	2,836	10,252

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14 INCOME TAX EXPENSE (CONTINUED)

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 estimations of amounts and periods when deductible/taxable temporary differences existing at the reporting date are reversed/settled.

15 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit or loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 1.1.2016 to 31.12.2016
Profit attributable to ordinary shareholders (RM'000)	125,526
Weighted average number of ordinary shares ('000)	1,269,892
Basic earnings per ordinary share (RM)	0.10
Diluted earnings per ordinary share (RM)	0.10

The Group presents basic and diluted earnings 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, adjusted for own shares held.

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, adjusted for own shares held, 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 financial liability arising from public portion of the ordinary shares would be anti-dilutive.

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16 SIGNIFICANT ACQUISITION DURING THE FINANCIAL YEAR

Summary of acquisition

On 5 March 2016, the Company entered into a tri-partite conditional Sale and Purchase Agreement with Palaeontol Cooperatief U.A. ("Palaeontol COOP") and MIE Holdings Corporation ("MIEH"), a corporation listed on the Main Board of the Stock Exchange of Hong Kong Limited for the proposed acquisition of 60% equity interest in Palaeontol B.V. ("PBV"). PBV was acquired by Reach Energy Ventures Sdn Bhd, a wholly owned subsidiary of REB and the acquisition was completed on 25 November 2016.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	RM'000
Cash paid	580,528
Deferred consideration	196,706
Total purchase consideration	777,234

The following summarises the amount of assets and liabilities recognised at the acquisition date:

	Provisional Fair Value RM'000
Property, plant and equipment	1,799,274
Intangible assets	718
Inventories	9,324
Prepayments and other receivables	32,983
Trade receivables	6,990
Cash and bank balances	7,177
Trade payables	(45,512)
Accruals and other payables	(74,501)
Asset retirement obligations	(14,337)
Deferred tax liabilities	(92,425)
Amount due to related parties	(430,532)
Net identifiable assets acquired	1,199,159
Non-controlling interests	(265,052)
Negative goodwill*	(156,873)
Net assets acquired	777,234

* The negative goodwill is not taxable for tax purposes.

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16 SIGNIFICANT ACQUISITION DURING THE YEAR (CONTINUED)

Acquired trade and other receivables

The carrying amount of trade and other receivables acquired approximate the fair value as well as the gross contractual amount.

Non-controlling interests

The Group recognises the non-controlling interest ("NCI") in PBV at its proportionate share of the acquired net identifiable assets.

Revenue and profit contribution

The acquired business contributed revenue of RM14,994,000 and net loss of RM13,204,000 to the Group for the period from 1 December to 31 December 2016.

If the acquisition had occurred on 1 January 2016, the consolidated pro-forma revenue and net loss for the year ended 31 December 2016 would have been RM178,272,802 and RM69,858,425. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016. As at the reporting date, management has yet to complete the Purchase Price Allocation ("PPA") exercise which is pending the finalization of the valuation of certain assets and liabilities (i.e. property, plant and equipment, and amount due to related party) and the consequential impact to deferred tax, NCI and negative goodwill. In accordance with MFRS 3 "Business Combination", management has 12 months from the date of the completion of the acquisition to complete the PPA.

Purchase consideration - cash outflow

	RM'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash paid	580,528
Less: Balances acquired	
Cash and bank balances	(7,177)
Net outflow of cash - investing activities	573,351

Acquisition related expense

Acquisition costs of RM25,615,510 that were attributable to the acquisition of PBV is included in operating expenses in profit or loss and in operating cash flows in consolidated the statement of cash flows.

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17 INVESTMENTS IN SUBSIDIARY

	Company	
	31.12.2016 RM'000	31.12.2015 RM'000
Unquoted shares - at cost*	–	–
Cost of investment	25,616	–
Advance to subsidiary treated as quasi-investment**	584,391	–
	610,007	–

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest 2016 %	Group's interest 2015 %	Country of incorporation	Principal activities
Reach Energy Ventures Sdn. Bhd.	100	–	Malaysia	Investment holding company
Subsidiary held through Reach Energy Ventures Sdn. Bhd:				
Palaeontol B.V.	60	–	Netherlands	Investment holding company
Subsidiary held through Palaeontol B.V.				
Emir Oil LLP***	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

** Advance to subsidiary treated as quasi-investment is denominated in Ringgit Malaysia, unsecured, interest free, and repayable on demand

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

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17 INVESTMENTS IN SUBSIDIARY (CONTINUED)

Summarised financial information for subsidiary

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

Summarised statement of financial position

	2016 RM'000
Non-current assets	1,818,902
Current assets	109,885
Current liabilities	(220,905)
Non-current liabilities	(1,058,245)
Net assets	649,637
Accumulated non-controlling interests	259,855

Summarised statement of comprehensive income

	2016 RM'000
Revenue	14,994
Depreciation, depletion and amortisation	(1,275)
Other operating expenses	(18,080)
Operating loss	(4,361)
Finance cost- net	(5,277)
Loss before taxation	(9,638)
Taxation	(3,566)
Loss for the financial period	(13,204)
Loss allocated to non-controlling interests	(5,282)

Other than the restricted cash set aside for environmental remediation relation to its operations as disclosed in Note 21, there is no restrictions on the Group's ability to access or use the assets or settle the liabilities of the PBV Group.

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17 INVESTMENTS IN SUBSIDIARY (CONTINUED)

Summarised financial information for subsidiary (continued)

Set out below are the summarised financial information for Palaeontol B.V. Group ("PBV Group") (continued)

Summarised statement of cash flows

	2016 RM'000
Loss before income tax	(9,638)
Adjustments for:	
Depreciation, depletion and amortisation	1,275
Unrealised foreign exchange gain	55
Finance cost	5,451
Finance income	(44)
Share based payment transactions	617
	(2,284)
Changes in working capital:	
Inventories	2,856
Prepayment and other receivables	(1,991)
Trade receivables	(2,055)
Trade payables	982
Other payables and accruals	59,439
Cash flows generated from operating activities	56,947
Income tax paid	–
Net cash generated from operating activities	56,947
CASH FLOWS FROM INVESTING ACTIVITIES	
Finance income received	44
Movement in restricted cash	(639)
Net cash generated used in investing activities	(595)

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17 INVESTMENTS IN SUBSIDIARY (CONTINUED)

Summarised financial information for subsidiary (continued)

Set out below are the summarised financial information for Palaeontol B.V. Group ("PBV Group") (continued)

Summarised statement of cash flows (continued)

	2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES	
Finance cost paid	(22)
Loans received from corporate shareholder	6,236
Net cash generated from financing activities	6,214
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,566
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	933
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	(345)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	63,154

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18 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RM'000	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Leasehold, buildings and improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Total RM'000
Group							
2016							
Cost							
At 1 January	–	–	–	403	256	63	722
Acquisition of a subsidiary	373,110	134,774	1,275,774	7,498	8,118	–	1,799,274
Foreign exchange translation	2,128	767	7,282	43	46	–	10,266
Additions	–	–	–	–	16	–	16
At 31 December	375,238	135,541	1,283,056	7,944	8,436	63	1,810,278
Accumulated depreciation							
At 1 January	–	–	–	266	100	51	417
Charge for the financial year	–	–	2,822	273	250	12	3,357
At 31 December	–	–	2,822	539	350	63	3,774
Net book value							
At 31 December	375,238	135,541	1,280,234	7,405	8,086	–	1,806,504

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For The Financial Year Ended 31 December 2016
(cont'd)

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold, buildings and improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Total RM'000
Cost				
At 1 January 2016	403	256	63	722
Additions	–	16	–	16
At 31 December 2016	403	272	63	738
Accumulated depreciation				
At 1 January 2016	266	100	51	417
Charge for the financial year	135	80	12	227
At 31 December 2016	401	180	63	644
Net book value				
At 31 December 2016	2	92	–	94
Cost				
At 1 August 2014	104	135	26	265
Additions	403	228	37	668
Disposal	–	(107)	–	(107)
Write-off	(104)	–	–	(104)
At 31 December 2015	403	256	63	722
Accumulated depreciation				
At 1 August 2014	69	47	17	133
Charge for the financial year	301	117	34	452
Disposal	–	(64)	–	(64)
Write-off	(104)	–	–	(104)
At 31 December 2015	266	100	51	417
Net book value				
At 31 December 2015	137	156	12	305

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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19 PREPAYMENTS AND OTHER RECEIVABLES

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015 Restated
	RM'000	RM'000	RM'000
Advances to external parties	6,024	32	42
Value-added tax recoverable	26,304	–	–
Total prepayments	32,328	32	42
Other receivables	2,940	115	14,622
Deposits	135	135	147
Total deposits, prepayments and other receivables	35,403	282	14,811
Represent:			
Non-current	4,864	–	–
Current	30,539	282	14,811
	35,403	282	14,811

As at 31 December 2016, substantially all other receivables are denominated in KZT. All other receivables are unsecured, interest-free and have no fixed term of repayment. The fair values of other receivables approximate their carrying amounts.

20 TRADE RECEIVABLES

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Trade receivables	9,245	–	–
Less: allowance for impairment of trade receivables	(169)	–	–
Trade receivables – net	9,076	–	–

The Group's trade receivables have credit terms of between 30 days to 180 days.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
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20 TRADE RECEIVABLES (CONTINUED)

The aging analysis of trade receivables were as follows:

	Group 31.12.2016 RM'000	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000
Neither past due nor impaired	9,043	–	–
Past due:			
- 60 - 180 days	12	–	–
- more than 180 days	190	–	–
	9,245	–	–
Less: provision for impairment of trade receivables	(169)	–	–
	9,076	–	–

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

	Group 31.12.2016 RM'000	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000
United States Dollar ("USD")	7,596	–	–
Kazakhstani Tenge ("KZT")	1,480	–	–
At 31 December	9,076	–	–

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

	Group 31.12.2016 RM'000	Company 31.12.2016 RM'000	Company 31.12.2015 RM'000
At 1 January	–	–	–
Provision arising from acquisition of subsidiary	169	–	–
At 31 December	169	–	–

All trade receivables above are individually impaired at the reporting dates as they relate to balances that are unlikely to be collected.

As at 31 December 2016, trade receivables of RM33,000 (2015: nil) were past due but not impaired. These relate to customers with no recent history of default

NOTES TO THE FINANCIAL STATEMENTS
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20 TRADE RECEIVABLES (CONTINUED)

The credit quality of trade receivables that are neither past due nor impaired can be assessed by historical information about counterparty defaults:

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Counterparties without external ratings:			
- new customers during the year	9,043	–	–

21 DEPOSITS, CASH AND BANK BALANCES

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015 Restated
	RM'000	RM'000	RM'000
Cash and bank balances	63,671	518	22
Deposits with licensed financial institution	48,969	42,054	763,714
	112,640	42,572	763,736
Less: Deposits with licensed financial institution/ banks which are restricted in use	(6,915)*	–	(735,309)
Total cash and cash equivalents at the end of finance year/ period	105,725	42,572	28,427

* 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 remaining days to maturity and effective interest rate for the fixed deposits with licensed banks as at the period end ranges from 2 to 30 days (2015: ranges from 13 to 90 days).

In the prior financial period, the Company placed 94.75% of the gross proceeds raised from its initial public offering in an Islamic Trust Account. The monies in the Islamic Trust Account may only be released by the Custodian upon acquisition of a Qualifying Asset or termination of the Islamic Trust Account.

The proceeds in the Islamic Trust Account have been invested in permitted investments which is Shariah compliant and any profits generated from the permitted investments will accrue to the Islamic Trust Account. In the event the Company fails to complete a Qualifying Acquisition within the Permitted Timeframe, the amount then held in the Islamic Trust Account (net of any taxes payable and direct expenses related to the Liquidation Distribution) shall be distributed to the shareholders on a pro rata basis as soon as practicable in accordance with the provisions of the Companies Act, 1965 and other applicable laws and regulation.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

21 DEPOSITS, CASH AND BANK BALANCES(CONTINUED)

Cash and bank balances are denominated in the following currencies:

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
United States Dollar ("USD")	62,759	421	–
Kazakhstan Tenge ("KZT")	7,731	–	–
Euro ("EUR")	3	3	–
Malaysian Ringgit ("MYR")	42,147	42,148	763,736
	112,640	42,572	763,736

The credit qualities of all banks balances are assessed by reference to RAM Rating Services Berhad and Fitch Rating as follows:

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
- AAA	10,000	10,000	101,054
- AA1	4,867	4,867	2,725
- AA2	431	431	–
- AA3	1,121	1,121	–
- A2	26,152	26,152	659,957
- BBB-	59,466	–	–
- B	10,600	–	–
- Unrated	3	1	–
	112,640	42,572	763,736

22 AMOUNTS DUE TO CORPORATE SHAREHOLDER IN A SUBSIDIARY

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

Amount RM'000	Interest	Repayment terms
197,850	ranging from 10% to 14%	no fixed repayment period
287,507	7.855%	due in 2019
74,349	4.855%	due in 2036
75,462	interest free	repayable on demand

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2016

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23 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. The significant related party transactions of the Group and the Company are shown below:

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

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
(i) Transactions with subsidiaries			
Payments on behalf	–	25,616	–
Advance to subsidiary treated as quasi- investment	–	584,391	–
(ii) Transactions with corporate shareholders			
Loan advanced during the year	2,494	–	–
Interest charged	2,744	–	–
Deferred payment	196,706	–	–
Advances given	262	–	–
Payments on behalf	90	43	–

(b) Significant net period end balances owing from/(to) related parties are as follows:

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Amounts due from corporate shareholder	43	43	–
Amounts due to corporate shareholder in a subsidiary	(635,168)	–	–
Amount due from subsidiaries	–	4	–
Investment in subsidiary	–	610,007	–

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23 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key Management Personnel

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Directors:			
- Fees	200	200	292
- Remuneration and other emoluments	1,450	1,450	1,341
- Defined contribution plans	137	137	161
	1,787	1,787	1,794
Other Key Management personnel:			
- Remuneration and other emoluments	1,644	1,644	2,284
- Defined contribution plans	176	176	247
	1,820	1,820	2,531
	3,607	3,607	4,325

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 senior management of the Group.

24 CAPITAL

Share capital

	31.12.2016		31.12.2015	
Group and Company	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Authorised:				
Ordinary shares of RM0.01 each				
At the beginning/end of financial year/period	5,000,000	50,000	5,000,000	50,000
Issued and fully paid:				
Ordinary shares of RM0.01 each				
At January 2016/ 1 August 2014	1,277,822	12,778	277,822	2,778
Issuance of shares during the financial period	–	–	1,000,000	10,000
Cancellation during the financial year/period	(181,410)	(1,814)	–	–
At 31 December	1,096,412	10,964	1,277,822	12,778

24 CAPITAL (CONTINUED)

Share premium

Share premium comprises the premium paid on subscription of shares in the Group and in the Company over and above the par value of the shares. The movements in the share premium of the Company are as follows:

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
At 1 January 2016/1 August 2014	734,006	734,006	17,471
Issuance of ordinary shares during the financial period	–	–	740,000
Cancellation of shares during the financial year	(724,721)	(724,721)	–
Reclassification from finance liabilities	662,763	662,763	–
Share issuance expenses	(4,044)	(4,044)	(23,465)
At 31 December 2016/ 31 December 2015	668,004	668,004	734,006

Total capital

Total share capital and premium	678,968	678,968	746,784
Proceeds of shares allocated to warrant reserves	(189,993)	(189,993)	(36,357)
Proceeds of shares allocated to financial liability	–	–	(688,392)
Reclassification to capital redemption reserve	(324)	(324)	–
	488,651	488,651	22,035

25 OTHER RESERVES

		Group	Company	
	Note	31.12.2016	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000
Warrants reserve	(a)	198,914	198,914	45,278
Share-based payment reserve	(b)	821	821	459
Capital redemption reserves	(c)	324	324	–
Foreign exchange reserve	(d)	128	–	–
		200,187	200,059	45,737

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25 OTHER RESERVES (CONTINUED)

(a) Warrants reserve

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

	31.12.2016		31.12.2015	
	Number of warrants	Amount RM'000	Number of warrants	Amount RM'000
At 1 January 2016/1 August 2014	1,277,822	45,278	277,822	8,921
Created during the financial period	–	–	1,000,000	36,357
Proceeds from finance liabilities	–	153,636	–	–
At 31 December 2016/ 31 December 2015	1,277,822	198,914	1,277,822	45,278

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.

(b) Share-based payment reserve

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

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January 2016/1 August 2014	459	459	151
Charge during the financial year/period	362	362	308
At 31 December 2016/ 31 December 2015	821	821	459

25 OTHER RESERVES (CONTINUED)

(b) Share-based payment reserve (continued)

The subscription of ordinary shares by the previous holding company, Reach Energy Holdings Sdn. Bhd. in the previous 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.

It is deemed that the free warrants were issued for payment of service.

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

(c) Capital redemption reserves

In respect of the 18.14% Dissenting Shareholders, the financial liability component of the Public Issue Shares including the interest accrued, will be refunded back to the Dissenting Shareholders from the IPO Trust Proceeds held in the Islamic Trust Account. The Shares will be cancelled.

Upon the cancellation of the shares, in accordance with the Companies Act, 1965, the issued share capital is transferred to the capital redemption reserves.

(d) 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 Group's presentation currency.

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26 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	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Deferred tax liabilities to be settled after more than 12 months	(96,158)	–	–

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

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January 2016/1 August 2014	–	–	–
Acquisition of a subsidiary	(92,425)	–	–
Forex exchange translation	(68)	–	–
Credited/(Charged)to profit or loss: (Note 14)			
- tax losses	(3,585)	–	–
- provisions	409	–	–
- property, plant and equipment	(573)	–	–
- intangible assets	84	–	–
At 31 December	(96,158)	–	–
Subject to income tax			
Deferred tax assets (before offsetting):			
- tax losses	143,506	–	–
- provisions	5,712	–	–
	149,218	–	–
Offsetting	(149,218)	–	–
Deferred tax assets (after offsetting)	–	–	–
Deferred tax liabilities (before offsetting):			
- property, plant and equipment	(245,161)	–	–
- intangible assets	(215)	–	–
	(245,376)	–	–
Offsetting	149,218	–	–
Deferred tax liabilities (after offsetting)	(96,158)	–	–

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27 TRADE PAYABLES

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

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
KZT (Kazakhstan Tenge)	38,735	–	–
USD (United States Dollars)	7,963	–	–
	46,698	–	–

28 PROVISIONS

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Asset retirement obligations	14,949	–	–

Movements of asset retirement obligations are as follows:

At 1 January 2016/ 1 August 2014	–	–	–
Arising from acquisition of subsidiary	14,337	–	–
Foreign exchange translation	537	–	–
Accretion expenses of asset retirement obligations	75	–	–
At 31 December	14,949	–	–

29 FINANCE LIABILITY COMPONENT OF THE PUBLIC ISSUE SHARES ("FLC")

In the prior financial period, the Company placed 94.75% of the gross proceeds from its public issuance of shares in a custodian trust account immediately upon receipt of all proceeds ("IPO Custodian Trust Proceeds"). The amount in the custodian account may only be released by the custodian upon termination of the custodian trust account;

In the event the Company fails to complete a Qualifying Acquisition within the Permitted Timeframe (i.e. 36 months from the date of listing of the Company), the Company must be liquidated. The amount then held in the custodian trust account (net of any taxes payable and direct expenses related to the liquidation), must be distributed to the respective shareholders, except for Reach Energy Holdings Sdn. Bhd. and the Initial Investors, on a pro-rata basis as soon as practicable, as permissible by the relevant laws and regulations ("Liquidation Distribution"). Reach Energy Holdings Sdn. Bhd. and Initial Investors may not participate in the Liquidation Distribution, except for securities purchased by them after the date of listing of the Company on the Bursa Securities;

In the event that the shareholders do not agree with the Qualifying Acquisition, the dissenting shareholders will be entitled to receive, in exchange for their shares, a sum equivalent to a pro rata portion of the amount then held in the Trust Account (net of any taxes payables and expenses related to the facilitation of the exchange), provided that such Qualifying Acquisition is completed within the Permitted Timeframe.

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29 FINANCE LIABILITY COMPONENT OF THE PUBLIC ISSUE SHARES ("FLC") (CONTINUED)

The public issue share is a compound financial instrument with financial liability and equity components. The financial liability component, being the gross proceeds placed in the custodian trust account, represents the Company's financial liability of the public shareholders.

During the year, the Company fulfilled the Security Commission ("SC") Guidelines outlining the required treatment and mechanism of proceeds from its Initial Public Offering ("IPO").

In respect of the 81.86% non-Dissenting Shareholders, the financial liability component of the Public Issue Share is reclassified as equity and recognised through the share capital and warrant reserve account as the Company has no further obligation to refund the IPO Trust Proceeds held in the Islamic Trust Account to the shareholders.

In respect of the 18.14% Dissenting Shareholders, the financial liability component of the Public Issue Shares including interests accrued, is refunded to the Dissenting Shareholders from the IPO Trust Proceeds held in the Islamic Trust Account. These dissenting shares are then cancelled.

30 ACCRUALS AND OTHER PAYABLES

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Advance payments	124,572		
Withholding and other tax payable	6,242	–	–
Salary and welfare payable	1,583	214	294
Accruals and other payables	6,849	5,029	1,702
Total accruals and other payables	139,246	5,243	1,996
Represent:			
Non-current	41,103	–	–
Current	98,143	5,243	1,996
	139,246	5,243	1,996

31 COMMITMENTS

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

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Authorised by the director but not contracted for	199,091	–	–
Contracted but not provided for	65,904	–	–
	264,995	–	–

(ii) Operating lease commitments

The Group has operating lease commitments related to its non-cancellable operating leases for offices and none of the lease includes contingent rentals. The future aggregate minimum lease payments under these operating leases are as follows:

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
<1 year	2,186	123	127
1-2 years	2,063	–	–
2-5 years	46	–	–
	4,295	123	127

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

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
<1 year	198,815	–	–
1-2 years	283,641	–	–
2-5 years	1,067,136	–	–
>5 years	2,995,098	–	–
	4,544,690	–	–

The minimum work program includes capital expenditure of RM1,434,000 (2015: RM nil) 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.

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32 FINANCIAL INSTRUMENTS BY CATEGORY

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

(a) Loans and receivables;

(b) Financial liabilities measured at amortised costs

	Group	Company	
	31.12.2016	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000
Loans and receivables			
Trade receivables	9,076	–	–
Other receivables (exclude prepayments)	3,075	250	14,769
Deposits, cash and bank balances	112,640	42,572	763,736
Amount due from related parties	43	43	–
Amount due from subsidiary	–	4	–
	124,834	42,869	778,505
Other financial liabilities			
Trade payables	46,698	–	–
Accruals and other payables (excluding statutory liabilities)	6,495	4,690	1,612
Amounts due to corporate shareholder in a subsidiary	635,168	–	–
	688,361	4,690	1,612

33 COMPARATIVE

During the financial year, the Company made certain reclassification to the comparatives to conform to the current year presentation, resulting in the financial statements providing more relevant information about the effects of the transaction on the Company's financial positions.

Interest earned on the custodian trust account as disclosed in Note 29 was previously presented as deposits, cash and bank balances in the statement of financial position. However, management considers it to be more relevant if it is presented as prepayments and other receivables. Prior year comparatives as at 31 December 2015 have been restated by reclassifying RM14,622,000 from deposits, cash and bank balances to prepayment and other receivables.

In the prior financial year, the Company's amount of deposits with licensed financial institution which were restricted in use was previously stated as RM749,785,545. This has been restated to RM735,509,000 in the current financial year due to an overstatement of the amount of deposits with licensed financial institution which were restricted in use. The cash and cash equivalents disclosed in the statement of cash flows for FY 2015 is hence restated to RM28,427,000 in the current financial year.

The reclassification has no impact to the statement of comprehensive income for the financial year.

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33 COMPARATIVE (CONTINUED)

The impact of the reclassification is as set out below:

(a) Impact on the Statement of Financial Position

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
At 31 December 2015			
Prepayment and other receivables	189	14,622	14,811
Deposits, cash and bank balances	778,358	(14,622)	763,736

(b) Impact on the Statement of Cash Flows

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
At 31 December 2015			
Cash and cash equivalents at the end of the year/period	13,951	14,476	28,427

34 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The Company has proposed placement of new ordinary shares of RM0.01 each ("Placement shares") to raise gross proceeds of up to RM180 million ("Proposed placement") during the Extraordinary General Meeting ("EGM") held on 16 November 2016. This was passed during the EGM via an ordinary resolution. On 23 March 2017, the Security Commission ("SC") has approved the Company's application for an extension of six months, which is up to 22 August 2017 for the Company to implement the Proposed Placement and the application had been approved.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2016
(cont'd)

35 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 2016, 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 customer. The major customer, Euro Asian Oil SA ("Euro Asian") is one of the largest trading companies in Mangystau region of Western Kazakhstan. Euro Asian contributes revenue of RM13,780,556.

	Malaysia RM'000	Kazakhstan RM'000	Total RM'000
Statement of financial position			
2016			
Non-current assets			
Property, plant and equipment	94	1,806,410	1,806,504
Intangible assets	–	713	713
Total	94	1,807,123	1,807,217

SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company at 31 December 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group	Company	
	31.12.2016 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Total retained earnings of the Company and its subsidiaries			
- Realised	(50,681)	(43,578)	(39,234)
- Unrealised	4,456	119	–
	(46,225)	(43,459)	(39,234)
Less: Consolidated adjustments	132,517	–	
Total retained earnings/ (accumulated losses)	86,292	(43,459)	(39,234)

The determination of realised and unrealised profit or losses is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

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

STATEMENT BY **DIRECTORS**
Pursuant To Section 251(2) Of The Companies Act, 2016

We, **Shahul Hamid Bin Mohd Ismail** 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 37 to 97 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2016 and financial performance of the Group and of the Company for the financial year ended 31 December 2016 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out on page 98 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 April 2017.

SHAHUL HAMID BIN MOHD ISMAIL
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

STATUTORY **DECLARATION**
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, **Shahul Hamid Bin Mohd Ismail**, being the Officer responsible for the financial management of Reach Energy Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 97 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.

SHAHUL HAMID BIN MOHD ISMAIL

Subscribed and solemnly declared by the abovenamed Shahul Hamid Bin Mohd Ismail, at Kuala Lumpur in Malaysia on 17 April 2017, before me

PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
MALAYSIA

COMMISSIONER FOR OATHS

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

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 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 97.

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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 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 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
Acquisition of Palaeontol B.V. Group ("PBV") The Group completed the acquisition of PBV on 30 November 2016. Based on the provisional purchase price allocation review performed, negative goodwill of RM156.9 million was recognised during the financial year, as set out in Note 16 of the consolidated financial statements. We focused on this area as the quantum of negative goodwill recognised is material and the determination of fair value of the oil and gas assets involves significant management's judgement and assumptions. Refer to Note 4.2(b) on the Group's accounting policy and Note 16 of the consolidated financial statements.	Our audit procedures to address the reasonableness of key assumptions used in the determination of the provisional fair value of oil and gas assets comprised the following: • Tested the key assumptions used in determining the fair value of the oil and gas assets by: - Comparing the forecasted oil prices against independent market data and estimates; - Comparing the revenue discount rates against historical trend; - Comparing the inflation and discount rates against industry practise; - Comparing the level of oil and gas reserves and expected capital expenditures against the management's external expert reserves report; • Evaluated the competence and objectivity of the expert used by the Group to value oil and gas assets by reference to their qualifications and experience. • Engaged our valuation expert in testing the appropriateness of methodology adopted in the assessment of the fair value of oil and gas assets. We did not identify any material exceptions from the procedures performed.
Liquidity risk of the Group As at 31 December 2016, the Group's current liabilities exceeded their current assets by RM270 million. Management identified that the key assumptions in assessing the Group's liquidity risk were the expected cash inflows from the operations of Emir Oil. The cash flow projections required management to make critical judgements on the net cash inflows generated from the oil and gas assets.	In assessing the liquidity risk of the Group, we assessed the cash flow requirements of the Group over the next 12 months from the end of the reporting date based on the Group's forecasts. We obtained an understanding of the forecast expenditure which were committed as well as those based on the contracted payment terms. We assessed the reasonableness of key assumptions used by management in the cash flow projections which are the forecasted oil prices and quantum of expected oil production.

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)

Key audit matters	How our audit addressed the key audit matters
Liquidity risk of the Group (Continued) We focused on this area due to the significant management's judgement involved in preparing the cash flow projections and the subjectivity of the liquidity risk of the Group. Refer to Note 5.1(c) of the consolidated financial statements.	We held discussions with management to understand the timing of the cash flows from the existing operations of Emir Oil based on their scheduled or planned progress and the availability of funds. We also discussed with management and checked whether the settlement of the amount due to a corporate shareholder in a subsidiary is consistent with the contractual term. Where there were significant variances as a result of changes in assumptions used in the cash flow projections, we have discussed with management to incorporate these changes to the cash flow projections. Based on the procedures performed, we noted no significant exceptions.

There were no key audit matters identified at Company level.

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 Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and the complete 2016 Annual Report, which is expected to be made available to us after that date. Other information 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 on the other information that we obtained prior to the date of this auditors' report, 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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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.

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

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 the Company's internal control.

(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 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, related safeguards.

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 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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Reach Energy Berhad (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in pages 98 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2019 J
Chartered Accountant

Kuala Lumpur
17 April 2017

CORPORATE SOCIAL **RESPONSIBILITY STATEMENT**

The Board of Directors acknowledges the importance of corporate social responsibility ("CSR") and strive to fulfil the expectation of its stakeholders by enhancing its governance, social, environmental, and economic performance while ensuring the sustainability and operational success of the Company.

Sustainability at Reach Energy Berhad ("Reach Energy") is about the creation of value over time, for all our stakeholders, through an integrated approach to evolving environmental, social and governance challenges and opportunities.

As we are operating internationally, we align our operations with global best practices and internationally recognised standards. Our sustainability agenda is focused on issues that are most material to our businesses and our stakeholders. In addressing our sustainability impacts and by better meeting society's needs and expectations, we believe that we will also improve the long-term competitiveness and relevance of our businesses. Ultimately, it means that we are committed to being a responsible company that builds sustainable businesses. We make it a point to be well prepared for the challenges we face now, as well as those we may face in the future.

The CSR initiatives in Reach Energy are primarily built on the four pillars of: a) economic; b) environmental; c) social; and d) governance aspects, which aim to deliver sustainable value to society at large. These four CSR pillars summarised in the figure below, support the overall sustainability direction for Reach Energy.

Economic

• To deliver long-term value and growth.

Environmental

• To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks where we operate.

Social

• To ensure the health and safety of our people and make a positive impact on our people and communities.

Governance

• To maintain high standards of behaviour and integrity and be best in class for governance practices.

a) Economic

Reach Energy is committed to the economic viability of its businesses and to delivering sustainable long-term value and growth to its shareholders. We believe that we can fulfil this commitment and be a leader in our industry by responsibly operating and excelling in sustainable businesses. Reach Energy drives its economic sustainability by monitoring and managing four key facets of the business:

1. *Capital and portfolio management*

   To apply a holistic, proactive and disciplined approach to the management of our portfolio and capital. Reach Energy has put in place robust frameworks and processes to ensure that long-term considerations are built into our investment and business decisions.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (cont'd)

2. *Operational reliability*

   To ensure asset and service reliability by adopting best practices for the management and maintenance of assets, creating an efficient and cost effective supply chain.

3. *Innovation*

   To apply new and proven technologies and methodologies which increase efficiency, reduce costs and drive revenue growth.

4. *Sustainable growth*

   To deliver long-term growth, the company continuously explores new business opportunities and maintains a pipeline of upcoming projects, including both greenfield and brownfield investments.

b) Environmental

Reach Energy recognises the impact of its day to day business on the environment. As such, Reach Energy is committed by implementing environmentally friendly work processes while raising the environmental awareness among its employees.

We regard the health and safety of our people as top priority, and exercise our duty of care by providing a working environment that exceeds regulatory obligations for our employees and others who work or visit our premises. We are also committed to enforcing safe working practices within our sphere of influence.

With operations outside of Malaysia, we recognise the value of doing business responsibly, while contributing positively. We believe that managing the impact of our operations and supporting the local communities are important for long-term success.

c) Social

Reach Energy is actively involved in developing and training of its employees, and providing internship training for undergraduates from colleges and universities. Human capital development is important to groom the employees to be effective leaders to meet the challenges ahead, while at the same time, aligning the learning objectives to meet Reach Energy overall growth ambitions. Necessary management and skill trainings were conducted in 2016.

Reach Energy recognises the co-relationship between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, Reach Energy is obligated to nourish and improve the quality of the society at large.

Reach Energy shall continue to focus its corporate responsibility on enhancing community sustainability.

d) Governance

Well-defined corporate governance policies, processes and systems are essential for the long-term sustainability of our business. Reach Energy aspires to be a best-in-class organisation in governance, risk management and compliance practices. We commit to high standards of behaviour and integrity in everything we do and comply with all laws and regulations wherever we operate. We expect the same of those with whom we do business.

Reach Energy is committed to ensure that the interests of all its stakeholders are taken care of. We emphasise on good corporate governance practices, transparency and accountability to meet shareholders' expectations.

STATEMENT ON
CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Reach Energy Berhad ("Reach Energy" or "the Company") is entrusted with the responsibility of safeguarding the Company'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 following paragraphs set out the manner the Company has applied and complied with the recommendations of the Malaysian Code of Corporate Governance 2012 ("the Code") throughout the financial year ended 31 December 2016 pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

1. PRINCIPAL RESPONSIBILITIES OF THE BOARD

Reach Energy is led and managed by a competent Board comprising members with vast experience in the fields relevant to the Company. The breadth and depth of the Board skills are vital for the successful stewardship of Reach Energy's strategic direction and operations to maximise shareholder value. Besides having an extensive knowledge and expertise in the oil and gas industry, the Board possesses a good mix of skills in business strategies, management, finance, economics and human resources.

The Board ensures proper control of the economics and financial management of the Company and validates the strategic directions proposed by the Management for implementation.

The Board will actin the best interests of Reach Energy, honestly, fairly and diligently and in accordance with the duties and obligations imposed upon it by the Constitution of Reach Energy and the prevailing regulatory requirements.

The Board also serves as a panel to provide effective guidance on the assessment of principal risks and the appropriate systems to manage these risks, as well as to review the adequacy and integrity of the Company's internal control system in safeguarding shareholder interests and the Company assets.

Reach Energy has various key policies as set out below which are available for reference on the Company's website:-

Policies / Statements	Description
Board Charter	Sets out the roles, responsibilities, composition and conduct of the Board, Chairman, Managing Director & other Board related matters.
Code of Conduct	Sets out the standard business and ethical conduct of the Board, Management and Employees of the Company in the performance and execution of respective responsibilities.
Health, Safety, Security and Environment Policy	Sets out health, safety, security and environment standards in all business activities conducted.
Quality Policy	Sets out quality standards in all business activities conducted.
Whistleblowing Policy	Intended to cover protection for staff who raise concerns in relation to irregular and unlawful practices.

The above policies will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

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

The Board believes that with the present structure and policies in place, it is able to provide effective leadership to the Company.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

2. COMPOSITION OF THE BOARD

The Board of Reach Energy Berhad determines the strategic directions of the Company activities and monitors their implementation. The Board is currently made up of six (6) members comprising three (3) Independent Non-Executive Directors and three (3) Executive Directors including Chairman. This is in compliance with the Listing Requirements of at least two (2) Directors of the Board to be independent.

The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate accountability. The roles of these Independent Non-Executive Directors are particularly important to provide unbiased and independent views, advice and judgment. This is to protect the interests of shareholders, employees, various other stakeholders and the communities where the Company operates.

The roles and responsibility of the Chairman and the Chief Executive Officer are clearly distinct to ensure there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct while the Chief Executive Officer is responsible for the organisational and operational effectiveness and implementation of Board policies and decisions.

A brief description of the profiles of each members of the Board is detailed in this Annual Report on pages 6 to 11.

3. BOARD MEETINGS AND SUPPLY OF INFORMATION

According to the Board Charter, the Board is to meet at least four (4) times in a year. Additional meetings may also be convened on an ad-hoc basis when significant issues arise. The agenda as well as comprehensive set of Board papers encompassing qualitative and quantitative information relevant to the business are to be circulated prior to the Board meetings in order to give the Directors sufficient time to review any such materials in order to facilitate meaningful deliberation during each meeting. All proceedings of the Board meetings are minuted to ensure that accurate and proper records of the proceedings of Board meetings and resolutions passed are made and kept in the statutory books at the registered office of Reach Energy. The Board is kept updated on the Company's activities and its operations on a regular basis. The Directors also have access to all reports on the Company's activities, both financial and operational.

The Board is fully apprised of the need to determine and disclose potential or actual conflicts of interest which may arise in relation to transactions or matters which may be laid before the Board. For the financial year ended 31 December 2016, no situations of conflict of interest involving any of the present Directors arose.

There is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisition and disposal of major investments, changes to the management and control structure of the Company and issues in respect of key policies, procedures and authority limits.

The Directors may seek independent external professional advice, where necessary, at the Company's expense in furtherance of their duties.

The Company has appointed two (2) qualified Company Secretaries, who are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries play a supportive role by ensuring adherence to the Board policies and procedures from time to time. The Company Secretaries ensure that deliberations at Board and Board Committee Meetings are well captured and minuted. All Board members have independent access to the advice and services of the Company Secretaries to ensure effective functioning of the Board. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in their discharge of their functions.

During the financial year ended 31 December 2016, Ms Chin Ngeok Mui resigned as Joint Company Secretaries of the Company and she was replaced by Ms Tan Lai Hong on the same day.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

3. BOARD MEETINGS AND SUPPLY OF INFORMATION (CONT'D)

For the financial year ended 31 December 2016, the Board met seven (7) times and details of the attendance are as follows:-

Directors	No. of Board Meetings Attended	Percentage (%)
Izlan Bin Izhab	6/7	86
Ir. Shahul Hamid Bin Mohd Ismail	7/7	100
Nik Din Bin Nik Sulaiman	6/7	86
Aonghus Joseph O' Carroll	7/7	100

Directors' commitment, resources and time allotted to the Company are evident from the attendance record, where none of the Directors were absent for more than 50% of the total board meetings held during the financial period under review, hence complying with Paragraph 15.05 of the Listing Requirements of Bursa Securities.

4. DIRECTORS' TRAINING AND DEVELOPMENT

All the Directors have attended and successfully completed the Mandatory Accreditation Programme as required by Bursa Securities as well as training programmes and seminars organised by the relevant regulatory authorities or professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment.

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education programme for new Board members.

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board on these updates regularly. Directors would also receive continuing education sessions from time to time, particularly on relevant new laws and regulations and changing commercial risks.

During the financial year under review, the Directors of the Company had attended and participated in various seminars and forums in areas of finance, tax, accounting, regulatory and industry updates. Some of the seminars or courses attended by the Directors during the financial year ended 31 December 2016 include the following:-

Name	Date	Organiser	Topic Attended
Izlan Bin Izhab	29 September 2016	Bursatra Sdn Bhd	Independent Directors Programme: "The Essence of Independence"
Ir. Shahul Hamid Bin Mohd Ismail	18 October 2016	Bursa Malaysia	Enhanced understanding of Risk Management and Internal Control for CFO, IA & RO "The Way Forward"
Nik Din Bin Nik Sulaiman	23 February 2016	Bursatra Sdn Bhd	Understanding the Principles of Integrated Reporting and its Disclosure Framework
	29 March 2016	Malaysia Institute of Accountant & The Institute of Internal Auditors Malaysia	Audit Committee Conference 2016
	25 November 2016	Lee Hishammuddin Allen & Gledhill	Overview of Companies Act 2016
Aonghus Joseph O'Carroll	18 April 2016	Finding Petroleum	Transforming Subsurface Science
	15- 17 November 2016	PESGB	PETEX – Petroleum Conference and Exhibition, London

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

4. DIRECTORS' TRAINING AND DEVELOPMENT (CONT'D)

The Board acknowledges that continuous education programmes are important to enable the Directors to effectively discharge their duties. The Board will, on a continuous basis, evaluate and determine the training needs of its Directors.

The Board members were invited to provide feedback on their training needs for the financial year under review. The Board then carried out an assessment on the training needs for each of the Board members.

5. NUMBER OF DIRECTORSHIPS

Directors of the Company shall not hold more than five (5) directorship in public listed companies, as required by the Listing Requirements of Bursa Securities. As at the date of this statement, all the Board members of the Company have complied with this requirement. The directorship of each Director are set out in the Board of Directors' Profile on pages 6 to 11 of this Annual Report.

6. DIRECTORS' PERFORMANCE EVALUATION

The Board, through its delegation to the Nomination Committee, reviews annually its required mix of skills, expertise, attributes and core competencies of its Directors. The Board has set up and implemented a process to be carried out by the Nomination Committee for the assessment and contribution of the individual members of the Board as well as the assessment and effectiveness of the Board as a whole. This framework and process is designed to maintain cohesiveness of the Board and, at the same time, serves to improve the Board's effectiveness.

7. ANNUAL ASSESSMENT OF INDEPENDENCE

In maintaining the independence of the Independent Directors, annual assessment is performed in order to mitigate risks arising from conflict of interests or undue influence affecting their independence. The assessment is conducted via the Assessment Sheet for each of the Independent Directors of the Company to ensure that the Director is able to exercise independent judgment, impartiality and objectivity in the best interest of the Company.

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 Company 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.

8. APPOINTMENTS TO THE BOARD

The Nomination Committee scrutinises the sourcing and nomination of suitable candidates for appointment as Director of the Company before recommending to the Board for approval. The candidates must also be able to commit a sufficient amount of time to discharge their duties as a Board member.

The Board appoints its members through a formal and transparent process. The selection criteria for the new candidates for directorship encompass the required mix of skills, functional knowledge, experience, integrity and professionalism to ensure that the candidates will contribute significantly to the effectiveness of the Board. New appointees will be considered and evaluated by the Nomination Committee. However, for the financial year under review, there were no new appointments of Directors and key management positions made by the Nomination Committee.

As at the date of this statement, no gender diversity policy, targets and measures have been set by the Company. The Board, through the Nomination Committee will take the necessary steps to ensure that female candidates are sought as part of its recruitment exercises.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

9. RE-ELECTION OF DIRECTORS

At the Third Annual General Meeting ("AGM") held on 26 April 2016, Encik Izlan Bin Izhab was re-appointed as a Director of the Company to hold office until the conclusion of this year AGM pursuant to Section 129 of the Companies Act, 1965. With the enforcement of the Companies Act, 2016, a public company is no longer required to seek shareholders' approval for Directors above 70 years old. Encik Izlan Bin Izhab who will hold office until the conclusion of this AGM, has offered himself for re-appointment as Director at the Fourth AGM.

Pursuant to Article 70 of the Constitution of the Company, one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office once at least in each three (3) years but shall be eligible for re-election.

Additionally, Article 75 of the Constitution of the Company provides that any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next AGM and shall then be eligible for re-election.

In accordance with the Article 70 of the Constitution of the Company, Ir. Shahul Hamid Bin Mohd Ismail retires by rotation at the forthcoming AGM and being eligible, offers himself for re-election.

In accordance with Article 75 of the Constitution of the Company, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid and Ms Tan Siew Chaing retire at the forthcoming AGM and being eligible, offer themselves for re-election.

10. DIRECTORS' REMUNERATION AND BENEFITS

The Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration framework for the Executive Directors. This includes making recommendations to the Board for all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Directors and senior management staff of the Company. Any salary review takes into account market rates and the performance of the individual and the Company.

The remuneration package of the Executive Directors was recommended to the Board by the Remuneration Committee.

The remuneration package of the Non-Executive Directors is also reviewed by the Remuneration Committee and recommended to the Board thereafter. The Non-Executive Directors' remuneration comprises annual fees and other benefits or allowance that reflect their expected roles and responsibilities, including any additional work and contributions required.

The determination of the remuneration of each Director is a matter for the Board as a whole. Directors do not participate in decision regarding their own remuneration package.

All Directors are paid fixed annual director fees as members of the Board. In addition to fixed annual director fees, all Directors are paid a meeting attendance allowance of RM3,000.00 and RM1,500.00 for every Board and Committee meetings attended respectively.

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2016 is as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Salaries and other remuneration	1,080,000.00	–
Fees	50,000.00	150,000.00
Other emoluments	246,805.30	260,094.25
TOTAL	**1,376,805.30**	**410,094.25**

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

10. DIRECTORS' REMUNERATION AND BENEFITS (CONT'D)

The number of Directors whose total remuneration falls within the following band is as follows:-

Executive Director's	Executive Directors	Non-Executive Directors	Total
RM100,000 and below	–	–	–
RM100,000 – RM200,000	–	2	2
RM200,000 – RM300,000	–	1	1
RM1,300,000 – RM1,400,000	1	–	1

11. COMMITTEES OF THE BOARD

In order to ensure the effective discharge of its fiduciary duties and execution of specific responsibilities, the Board has established various Board Committees to assist the Board in the running of Reach Energy. The Committees listed below do not have executive powers but report to the Board on all matters considered and recommend the same to the Board for approval.

11.1 Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal auditor and ensures an objective and professional relationship is maintained with the external auditors. The Audit Committee has direct communication channels with the external and internal auditors, who report directly to the Audit Committee.

Directors	Description
Nik Din Bin Nik Sulaiman (Chairman)	Independent Non-Executive Director
Izlan Bin Izhab	Senior Independent Non-Executive Director
Aonghus Joseph O'Carroll	Independent Non-Executive Director

An Audit Committee Report detailing the membership of the Audit Committee and its activities carried out during the financial year ended 31 December 2016 are set out on pages 119 to 121 of the Annual Report.

11.2 Remuneration Committee

The Remuneration Committee comprised of three (3) members, appointed by the Board from amongst the Directors, consisting a majority of independent non-executive directors. The list of members is as follows:-

Directors	Description
Izlan Bin Izhab(Chairman)	Senior Independent Non-Executive Director
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director
Ir. Shahul Hamid Bin Mohd Ismail	Executive Director/CEO

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

11. COMMITTEES OF THE BOARD (CONT'D)

11.2 Remuneration Committee (cont'd)

In accordance to the Code, the Remuneration Committee is responsible for ensuring that remuneration packages are sufficient and appropriate to attract and retain the Directors to run the Company successfully. In addition, the Remuneration Committee is also responsible for recommending the framework on terms of employment and all aspects in relation to the remuneration framework of Executive Directors and senior management of the Company.

The Terms of Reference of the Remuneration Committee is also made available at the Company's website at www.reachenergy.com.my.

The Remuneration Committee is responsible for:-

i) formulating and recommending to the Board the remuneration policies and remuneration for the members of the Board and senior management which align with the business strategy and long–term objectives of the Company and are reflective of their responsibilities and expertise; and

ii) recommending the engagement of external professional advisors to assist and/or advise the Remuneration Committee, on remuneration matters, where necessary.

Determination of remuneration packages of non-executive directors, including non-executive chairman, should be determined by the Board as a whole and the individuals concerned should abstain from discussion of their own remuneration.

The number of meetings and attendance of the Remuneration Committee members for meetings held during the financial year ended 31 December 2016 were as follows:-

Directors	Position	No. of Meetings Attended	Percentage (%)
Izlan Bin Izhab (Chairman)	Senior Independent Non-Executive Director	3/3	100
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director	3/3	100
Ir. Shahul Hamid Bin Mohd Ismail	Executive Director/CEO	2/3	67

11.3 Nomination Committee

The Nomination Committee comprised of three (3) members, all of whom are Independent Non-Executive Directors. The list of the members is as follows:-

Directors	Description
Izlan Bin Izhab (Chairman)	Senior Independent Non-Executive Director
Aonghus O'Carroll	Independent Non-Executive Director
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director

11. COMMITTEES OF THE BOARD (CONT'D)

11.3 Nomination Committee (cont'd)

The Terms of Reference of the Nomination Committee is made available at the Company's website at www.reachenergy.com.my.

The Nomination Committee is responsible for:-

(i) formulating the nomination, selection and succession policies for the members of the Board, board committees, senior independent non-executive director and key management personnel;
(ii) recommending to the Board on new candidates for appointment and re-election to the Board;
(iii) recommending to the Board for new appointments to fill casual vacancies in the Board;
(iv) conducting a review to determine whether a Director can continue to be independent in character and judgment;
(v) review on an annual basis, the required mix of skills, experience and other qualities of the Board;
(vi) review and recommend to the Board the appointment of members to committees of the Board;
(vii) ensure that orientation and education programmes are provided for new members of the Board;
(viii) review the directors' continuing education programmes;
(ix) recommend the engagement of external professional advisors to assist and/or advise the Nomination Committee, where necessary; and
(x) establish a set of quantitative and qualitative performance criteria to evaluate the performance of each member of the Board.

The number of meetings and attendance of the Nomination Committee members for meetings held during the financial year ended 31 December 2016 were as follows:-

Directors	Position	No. of Meetings Attended	Percentage (%)
Izlan Bin Izhab (Chairman)	Senior Independent Non-Executive Director	2/2	100
Aonghus Joseph O'Carroll	Independent Non-Executive Director	2/2	100
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director	2/2	100

The activities of Nomination Committee in the discharge of its duties for the financial year were as follows:-

i) Determination of post listing human resource requirements of the Company;
ii) Recommendation of Director retiring by rotation and re-election to the Board for the financial year ended 31 December 2016;
iii) Assessment of Independent Directors as recommended by Malaysian Code of Corporate Governance 2012;
iv) Evaluation on the effectiveness of the Board as a whole, including the required mix of skill and experience and contributions of individual Director;
v) Review of the Terms of Reference of the Nomination Committee;
vi) Review of the terms of office and performance of the Audit Committee;
vii) Review and recommendation of the appointment of Non-Independent Non-Executive Directors; and
viii) Recommendation of the re-designation of Non-Executive Directors to Executive Directors/Executive Chairman.

STATEMENT ON **CORPORATE GOVERNANCE**
(cont'd)

11. COMMITTEES OF THE BOARD (CONT'D)

11.4 Risk Management Committee

The Risk Management Committee comprised of the following members:-

Directors	Description
Aonghus Joseph O'Carroll (Chairman)	Independent Non-Executive Director
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director
Ir. Shahul Hamid Bin Mohd Ismail	Executive Director/CEO

The Terms of Reference of the Risk Management Committee is also made available at the Company's website at www.reachenergy.com.my.

The Risk Management Committee is responsible for:-

(i) reviewing the risk identification and process to confirm it is consistent with the Company's strategy and business plan;
(ii) reviewing the Risk Register at least annually and provide an update to the Board in this regard;
(iii) inquiring of management/department heads and the external/internal auditor about significant business, political, financial and control risks or exposure to such risk;
(iv) overseeing and monitor the Company's documentation of the material risks that the Company faces and update as events change and risks shift;
(v) assessing the steps management has implemented to manage and mitigate identifiable risk, including the use of hedging and insurance;
(vi) overseeing and monitor at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks); and
(vii) reviewing the following, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:
  - management's tolerance for financial risks;
  - management's assessment of significant financial risks facing the Company;
  - the Company's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and
  - to review legal matters which could have a material impact on the Company's public disclosure, including financial statements.

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 once every six months 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 number of meetings and attendance of Risk Management Committee members for meetings held during the financial year ended 31 December 2016 were as follows:-

Directors	Position	No. of Meetings Attended	Percentage (%)
Aonghus Joseph O'Carroll (Chairman)	Independent Non-Executive Director	3/3	100
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director	3/3	100
Ir. Shahul Hamid Bin Mohd Ismail	Executive Director/CEO	3/3	100

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

11. COMMITTEES OF THE BOARD (CONT'D)

11.4 Risk Management Committee (cont'd)

The Risk Management Committee has the authority to examine particular issues and report to the Board on their proceedings and deliberations together with their recommendations, if any. However, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The terms of office and performance of the Board Committees and each of the members shall be reviewed by the Board at least once every three (3) years to determine whether the Board Committees and its members have carried out duties and responsibilities in accordance with their Terms of Reference.

12. SUCCESSION PLANNING

We believe that our success and ability to create value for our shareholders would depend on factors which include, amongst others, the dedication and leadership capability of our Management Team and their relevant track record of achievements and technical expertise in the E&P business which will be invaluable in establishing a strong foundation for our Company.

We recognise the importance of ensuring continuity and succession planning in our management in order to maintain our competitiveness and deliver our business objectives and plans. In this respect, we will place priority on talent management by capitalising on the experiences of our Senior Management Team in the oil and gas industry to play a key role in recruiting, exposing and nurturing high potential and adequately experienced younger talent to facilitate our Company's succession planning.

Our initiatives on succession planning include:

(i) identification of critical positions and key competencies; and
(ii) rigorous staff selection process and structured leadership development programmes to enable these potential successors to be readily available to undertake leadership positions in our Company.

In addition, it is our intention to expose our selected potential successors to various aspects of our business, including full understanding of responsibilities and decision making process. When the time is appropriate or if the need arises, the selected potential successors will be ready to take the leadership roles in our Company.

13. SHAREHOLDERS AND INVESTORS

13.1 Shareholders

Reach Energy recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the Company 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, half yearly 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 the information of the Company.

All announcements made by the Company, financial results, annual reports as well as the notice of general meetings are also made available on the Company'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.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

13. SHAREHOLDERS AND INVESTORS (CONT'D)

13.2 Annual General Meeting ("AGM")

All shareholders are encouraged to attend the Company'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 Company. The Company allows a member to appoint two (2) proxies, who may but need not be members of the Company. 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 Company will make an announcement on the detailed results to Bursa Securities.

14. ACCOUNTABILITY AND AUDIT

14.1 Financial Reporting

The Board is committed to present a set of financial statements that provides a balanced view of the financial position and performance of the Company. The Directors have taken the necessary steps to ensure that the financial statements prepared by the Company are in accordance with the applicable accounting policies and supported by reasonable judgment and estimates.

14.2 Directors' Responsibilities in Financial Reporting

The Board is required by the Companies Act, 1965 to prepare the financial statements that reflect a true and fair view of the state of affairs of the Company and of the Group, and the financial results of the Company and of the Group for the financial year. In preparing the financial statements, the Board is responsible to ensure that:

(i) proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company; and
(ii) the financial statements are in accordance with the Companies Act, 1965 and relevant statutory requirements.

The Board is satisfied that the appropriate accounting policies are being applied accordingly during the preparation of the financial statements for the financial year ended 31 December 2016. The Board is of the opinion that the financial statements have been prepared in accordance with all relevant approved accounting standards.

14.3 External Auditors

The Company's independent external auditors, Messrs. PricewaterhouseCoopers play an essential role on behalf of the shareholders by enhancing the reliability of the Company's Financial Statements and by giving assurance of that reliability to users of the Financial Statements.

The external auditors have an obligation to bring any significant weaknesses in the Company's system of controls and compliance to the attention of Management, the Audit Committee and the Board.

The Audit Committee undertakes an annual assessment of the performance, suitability and independence of the external auditors.

The external auditors have confirmed that they are and have been independent throughout the conduct of the audit engagement for the financial period under review in accordance with the provisions of the By-laws on (professional ethics, conducts and practices) of the Malaysian Institute of Accountants and other regulatory requirements.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

14. ACCOUNTABILITY AND AUDIT (CONT'D)

14.4 Internal Control

The Board is committed in establishing and maintaining a sound internal control system to safeguard shareholders' investments and the Company's assets. The Board is responsible for the establishment and continuous development of key policies and procedures in respect to the internal control system. Details of the internal control system are stated in the Statement on Risk Management and Internal Control in the Annual Report.

14.5 Sustainability Approach

Reach Energy has adopted the following business model as its business sustainability approach:

(a) Post-Qualifying Acquisition Stage, focus on the full operations of the selected qualifying asset achieving faster financial results in terms of revenue and cash flow;
(b) Strengthen human capital to support the growth of the Company;
(c) Strive to be efficient and profitable to ensure stakeholders' expectations;
(d) Through efficiency in performance, delivered with integrity and transparency, ensure sustainability; and
(e) Ensure that the operations do not have a negative impact on the environment that may put the Company at risk.

Reach Energy is also committed to the implementation of safe work practices and aims to provide an injury free workplace for all its employees.

14.6 Compliance Statement

The Board considers that the Company has complied with the Code for the financial year ended 31 December 2016.

This statement was made in accordance with the resolution of the Board dated 17 April 2017.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") is pleased to present the Audit Committee Report and its activities held throughout the financial year ended 31 December 2016 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee currently comprises of the following members, all of whom are Independent Non-Executive Directors. In accordance with corporate governance best practice, the Audit Committee Chairman has the necessary accounting and finance qualifications.

Directors	Position	Directorship
Nik Din Bin Nik Sulaiman	Chairman	Independent Non-Executive Director
Izlan Bin Izhab	Member	Senior Independent Non-Executive Director
Aonghus Joseph O'Carroll	Member	Independent Non-Executive Director

The Audit Committee has the authority to examine specific issues and report to the Board with its recommendation. The final decision on all matters, however, lies with the entire Board of the Company.

The Audit Committee held a total of four (4) meetings during financial year ended 31 December 2016. Details of attendance of the Audit Committee members are as follows:

Name of Member	Number of Meetings Attended
Nik Din Bin Nik Sulaiman	4/4
Izlan Bin Izhab	3/4
Aonghus Joseph O'Carroll	4/4

The Finance Manager and the representatives of the internal auditors were invited to attend the meetings. The Executive Director/CEO was invited to attend all meetings to facilitate direct communication as well as to provide clarification on audit issues and the Company's operation. The external auditors were present three (3) out of the total four (4) meetings held. During the financial year, the Audit Committee met with the external auditors twice without the presence of the executive board member and Management. Other relevant responsible senior management personnel were invited to attend the meetings, as and when required.

2. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee was last reviewed and updated on 27 February 2017 and is made available on the Company's corporate website at www.reachenergy.com.my.

3. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee carried out its duties in accordance with its Terms of Reference. The main activities carried out by the Audit Committee were as follows:

AUDIT COMMITTEE REPORT
(cont'd)

3. ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

Financial and Operations Review

(a) Reviewed the half-yearly financial results and the annual audited financial statements for recommendation to the Board for approval and release to Bursa Malaysia Securities Berhad;

(b) Reviewed and recommended to the Board for approval, the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2016;

(c) Reviewed and approved the Audit Committee Report for inclusion in the Annual Report 2016;

(d) 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;

(e) Reviewed the application of corporate governance principles and the extent of the Company's compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 in conjunction with the preparation of the Corporate Governance and Risk Management and Internal Control Statements; and

(f) Reviewed the terms of reference of the Audit Committee.

External Audit

(a) Reviewed with the external auditors, their scope of work and audit plan prior to the commencement of audit;

(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 Company;

(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; and

(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 Malaysia Institute of Accountants.

Internal Audit

(a) Reviewed and approved/adopted the internal auditors' scope of work and audit plan as well as the adequacy of the resources requirements, competency and the budget of the internal audit function;

(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 of 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 Management.

As part of the duties and responsibilities to oversight the financial reporting, the Audit Committee 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 Management, significant and unusual events or transactions, and how these matters are addressed and adhered to.

AUDIT COMMITTEE REPORT (cont'd)

3. ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

The Audit Committee also ensures that the financial reporting of the Company and the Group are in compliance with the Main Market Listing Requirements, applicable approved accounting standards and other statutory and regulatory requirements.

Related Party Transactions

The Audit Committee is to review all related party transactions entered into by the Company to ensure that such transactions are undertaken on normal commercial terms and that internal control procedures employed are both sufficient and effective.

4. INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The Company has outsourced its Internal Audit Function to an independent professional firm, Deloitte Enterprise Risk Services Sdn Bhd ("Deloitte ERS") which reports directly to the Audit Committee. Prior to that, the Internal Audit functions was outsourced to Messrs PricewaterhouseCoopers who resigned on 31 December 2015. The Audit Committee is to review and monitor on behalf of the Board, the adequacy and integrity of the Company's internal control.

The internal auditors are empowered with strict accountability for confidentiality and proper safeguarding of records and information, is authorised full, free and unrestricted access to any and all of the Company's records, physical properties, to carrying out any internal audit activities.

The outsourced internal auditor submitted audit reports on the reviews carried out based on the agreed Internal Audit Plan to the Audit Committee for their review and presented the audit findings at the Audit Committee meetings. The internal audit reports focus on providing a comprehensive view of internal control design and effectiveness for the respective auditable areas as well as recommendations on internal control deficiencies identified. The outsourced internal auditor also carried out follow-up review on remediating activities taken by Management subsequent to the recommendations agreed during the meetings.

During the financial year ended 31 December 2016, the outsourced internal auditors carried out audits and follow-up review on the following areas:-

- Human Resource Management
- Finance Management

The outsourced internal auditor used international practices framework or 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 deliberations. 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 2016 amounted to RM40,000.

5. PERFORMANCE OF AUDIT COMMITTEE

The performance of Audit Committee was assessed through self-evaluation and the Nomination Committee reviewed the results of such assessments prior to recommending to the Board. During the financial year 31 December 2016, the Board is satisfied that the Audit Committee has been able to discharge its function, duties and responsibilities in accordance to the Terms of Reference of the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(B) of the Listing Requirement of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to provide the following Risk Management and Internal Control Statement ("Statement") which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2016.

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

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. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's desired objectives by virtue of the limitations inherent in any system of internal controls. Accordingly, it can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Management has assessed the risks faced by the Group based on their judgement, 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 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 the component of internal control and integral to operations. It is unified into the Group's governance and business operations, which consist of sequential steps and process that enable continuous improvement in decision-making, through a robust Risk Management Framework.

To achieve the above, the Group has established and carry on the processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation are embedded to 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.

A. Management

Management acknowledges their responsibility in risk management 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 subsurface, wells, facilities, operations, business processes, commercial and regulatory matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

A. Management (cont'd)

- *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 once every six months 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 management level to ensure risks and controls are designed to meet the agreed business objectives.

B. Internal Audit

Internal audit complements the role of 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 internal auditor assist to assess the quality of risk management and control and report to the Audit Committee on the status of specific areas identified for improvement based on their audit plan.

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 once every six months 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:

- reviewing and approving the overall strategic plans and direction of the Group;
- overseeing and evaluating the conduct and performance of the Group;
- identifying principal risks and ensuring implementation of a proper risk management system;
- establishing a succession plan;
- overseeing the development and implementation of a shareholder communication policy for the Group; and
- reviewing the adequacy and integrity of management information and internal controls system of the Group.

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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

The Group has a systematic approach on how to identify, evaluate and manage the Group's risk. The internal control framework and assessment are as follows:

A. Selection Process of Qualifying Asset Acquisition

The Group has created a 9-Step Approach framework on the Qualifying Acquisition process, which details the fundamental selection process to the shareholders' approval process. It provides a methodology pinning down each stage objectively with procedures, guidance and evaluation processes. The primary intention of this framework is to ensure that consistent and impartial due diligence exercises are carried out.

The selection process encompasses identification of opportunities and gathering of information on potential candidates. This is then screened through to ensure these candidates meet the stipulated criteria before having discussion with asset owner(s) for alignment and going through the more stringent exercise of due diligence where evaluation is performed. Once the due diligence process is completed, recommendation shall be made to the Risk Management Committee for assessment before escalating to the Board for endorsement.

Once endorsement is obtained, a conditional sale and purchase agreement is crafted with all terms and conditions clearly depicted in the draft agreement. Thereafter the Group will proceed to seal the purchase through further approvals from the regulatory authorities and shareholders. Sampling test on the 9-Step Approach had been carried out by outsourced internal auditor and improvements on the second step "Preliminary Screening Checklist for a prospective Qualifying Acquisition" had been carried out to ensure all assessments are not overlooked.

By end of November 2016, the Group has completed the Qualifying Acquisition of acquiring the 60% equity interest and 60% of the shareholder's loans in Palaeontol B.V. ("PBV"). PBV is an investment holding company and is the sole interest holder of Emir-Oil LLP ("Emir-Oil") which holds the entire working interest in Four (4) Production Contracts and One (1) Exploration Contract in Kazakhstan.

B. Control Environment

Control environment is the organisational structure and culture created by 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. 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 encompasses the following:

Organisation Structure

The Group has a well-defined organisation 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 are approved and monitored by the Board. 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, are escalated to the Board for deliberation and approval.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

Limits of Authority

The Board, through a clear and formally defined Limits of Authority, delegate authorities to the Board Committees and management which deals 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 that a system of internal control of checks and balances by empower management on the key principle adhered to. The Limits of Authority will be reviewed and updated to ensure its relevance to the Group's business.

Board and Management Committees

The Board Committees, namely the Audit Committee, Nomination Committee, 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. The 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 of the environment.

To achieve the above, management is committed to:

(a) Comply with health, safety and environment legal requirements wherever the Group is operate;
(b) Identify, evaluate and control safety and health risk, and environment impacts relating to the operations and prevent health, safety and environment incident;
(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 to the employees, regulatory authorities, contractors and other relevant key stakeholders;
(f) Implement a fit for purpose Health, Safety and Environment Management System;
(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)

C. 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 Executive Director/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, on the recommendation by management.

The Group's overall strategic business plan which maps out its objectives, business direction and highlights project risks with particular focus on the acquisition and operation of Emir-Oil concession block in Kazakhstan is presented by management to the Board for their deliberation and approval. Management, together with the Board, regularly reviews issues covering, but not limited to, strategies, risks, performances, resources and future business appraisals.

The Audit Committee and Risk Management Committee monitor the risks associated with this acquisition 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 management to the Board on an on-going basis.

In addition, half-yearly 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 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 reviews management accounts of its 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 2016. Their review was conducted in accordance with Recommended Practice Guide 5 (Revised) [RPG 5 (Revised)], Guidance for Auditors on Engagements to Report on the Statement, issued by the Malaysian Institute of Accountants ("MIA"). RPG 5 (Revised) 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. RPG 5 (Revised) 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 Executive Director/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 17 April 2017.

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 2016.

Options, Warrants or Convertible Securities

(a) Options

There were no options issued during the financial year under review.

(b) Warrants

On 10 July 2013, the Company issued 113,600,000 ordinary shares of RM0.01 each at an issue price of RM0.045 per ordinary share together with 113,600,000 free detachable warrants.

On 20 June 2014, the Company issued 142,000,000 ordinary shares of RM0.01 each at an issue price of RM0.099 per ordinary share together with 142,000,000 free detachable warrants.

There were no warrants exercised during the financial year under review.

(c) Redeemable Convertible Preference Shares ("RCPS")

On 29 July 2013, the Company issued 666,667 RCPS at par value of RM0.01 each at a subscription price of RM4.50 per RCPS.

On 8 July 2014, the RCPS were converted into 6,666,670 new ordinary shares with 6,666,670 free detachable warrants at a subscription price of RM0.45 per ordinary shares.

Audit and Non-Audit Fees

The fees paid/payable to the external auditors for services rendered to the Company and/or its subsidiary for the financial year ended 31 December 2016 are as follows:-

	RM ’000
AUDIT FEES	677
NON-AUDIT FEES	
- Report on Pro Forma Statement of Financial Position	
- Accountants’ Report on Historical Financial Information	
- Performance of Agreed Upon Procedures	4,488
	5,165

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

Material Contracts Involving Directors and Major Shareholders

Save as disclosed below, there are no other material contracts of the Company involving directors and major shareholders' interest, either still subsisting at the end of the financial year or entered into since the end of the previous financial year end:-

(i) Warrants Deed Poll dated 26 June 2013 and supplemental Warrants deed poll dated 20 June 2014 constituting the Warrants;

(ii) Sale and Purchase Agreement ("SPA") dated 5 March 2016, the Company has entered into a tri-partite conditional Sale and Purchase Agreement with Palaeontol Cooperatief U.A. ("Palaeontol COOP") and MIE Holdings Corporation ("MIEH") for a total purchase consideration of USD154.9 million (equivalent to RM638.2 million), subject to adjustments for the Sale and Purchase of sixty percent (60%) of the issued share capital of Palaeontol B.V.;

(iii) The Shareholder Agreement ("SHA") dated 11 April 2016 between MIEH, Palaeontol COOP, Reach Energy Berhad ("REB"), Reach Energy Ventures ("REVSB") and Palaeontol B.V. ("PBV") and makes provision for the management and administration of Palaeontol B.V.'s affairs and business. The SHA will come into effect upon Completion in which REVSB shall hold 10,800 Shares in the Company and MIE Subsidiary shall hold 7,200 Shares in the Company, respectively representing sixty percent (60%) and forty percent (40%) of the issued share capital of the Company; and

(iv) Deed of Assignment of Debt dated 25 November 2016 between REB, through REVSB, MIEH and PBV whereby MIEH will assign to REVSB all its rights to the total loan amount outstanding owing by PBV to MIEH as at the Completion Date including any accrued and unpaid interest thereon ("Shareholder Loans") in proportion to the acquired 60% equity interest in PBV.

Recurrent Related Party Transactions of Revenue Nature

There were no recurrent related party transactions of a revenue nature which require shareholders' mandate during the financial year ended 31 December 2016.

ANALYSIS OF SHAREHOLDINGS
As At 31 March 2017

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	10	0.37	325	0.00
100 - 1,000	200	7.45	112,850	0.01
1,001 - 10,000	1,359	50.60	8,684,000	0.79
10,001 - 100,000	845	31.46	30,641,300	2.79
100,001 to less than 5% of issued shares	269	10.01	583,149,100	53.19
5% and above of issued shares	3	0.11	473,825,200	43.22
Total	**2,686**	**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	Reach Energy Holdings Sdn Bhd	255,600,200	23.31	–	–
2	Ir. Shahul Hamid Bin Mohd Ismail	766,000	0.07	255,600,200 [a]	23.31
3	MTD Capital Bhd	149,245,700	13.61	–	–
4	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	43,531,400	3.97	189,245,700 [b]	17.26
5	Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein	40,000,000	3.65	192,777,100 [c]	17.58
6	Lembaga Tabung Haji	104,225,000	9.51	–	–

ANALYSIS OF SHAREHOLDINGS
As At 31 March 2017
(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	43,531,400	3.97	189,245,700	d	17.26
2	Tan Siew Chaing	–	–	–		–
3	Izlan Bin Izhab	–	–	–		–
4	Nik Din Bin Nik Sulaiman	400,000	0.04	350,000	e	0.03
5	Ir. Shahul Hamid Bin Mohd Ismail	766,000	0.07	255,600,200	f	23.31
6	Aonghus Joseph O'Carroll	–	–	–		–

Notes:

a, f *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 *Deemed/indirect interest by virtue of his interest in MTD Capital Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016 and by virtue of the interest of his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein*

c *Deemed/indirect interest by virtue of her interest in MTD Capital Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016 and by virtue of the interest of her spouse, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid*

d *Deemed interest by virtue of his shareholdings in MTD Capital Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016*

e *Indirect interest by virtue of the shareholdings of his spouse 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	255,600,200	23.31
2	Cimsec Nominess (Tempatan) Sdn Bhd *CIMB Bank for MTD Capital Bhd*	116,000,000	10.58
3	Lembaga Tabung Haji	102,225,000	9.32
4	Affin Hwang Nominees (Asing) Sdn Bhd *Exempt an for Phillip Securities (Hong Kong) Ltd*	53,900,600	4.92
5	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abdul Aziz bin Abdul Kadir*	45,000,000	4.10
6	Nik Fuziah binti Nik Hussein	40,000,000	3.65
7	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for Citibank New York (Norges Bank 14)*	27,790,000	2.53
8	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Siva Kumar a/l M Jeyapalan*	27,500,000	2.51
9	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Azmil Khalili bin Khalid*	23,531,400	2.15
10	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for MTD Capital Bhd*	22,000,000	2.01
11	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Azmil Khalili bin Khalid*	20,000,000	1.82

ANALYSIS OF SHAREHOLDINGS
As At 31 March 2017
(cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Shareholdings
12	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Aik*	18,904,300	1.72
13	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Siva Kumar a/l M Jeyapalan*	18,500,000	1.69
14	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan)*	14,272,300	1.30
15	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Chin San*	14,244,000	1.30
16	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	10,000,000	0.91
17	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Corporation Sdn Bhd*	10,000,000	0.91
18	HLIB Nominees (Asing) Sdn Bhd *Pledged Securities Account for Sun Rui Zhe*	9,860,000	0.90
19	Yayasan Pok dan Kassim	9,500,000	0.87
20	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for AAB Holdings Sdn Bhd*	9,490,000	0.87
21	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for SMB Resources Sdn Bhd*	9,300,000	0.85
22	Malacca Equity Nominees (Tempatan) Sdn Bhd *Exempt an for Phillip Capital Management Sdn Bhd*	8,896,600	0.81
23	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for MTD Capital Bhd*	8,000,000	0.73
24	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Islamic Trustee Berhad for Pacific Dana Aman*	7,084,500	0.65
25	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad - Kenanga Growth Fund*	6,773,800	0.62
26	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Syed Mohd Nizam bin Syed Majid*	5,000,000	0.46
27	Lee Chee Ming	5,000,000	0.46
28	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Koh Kin Lip*	5,000,000	0.46
29	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tengku Adnan bin Tengku Mansor*	5,000,000	0.46
30	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Nazimah binti Syed Majid*	4,910,000	0.45
		913,282,700	**83.32**

ANALYSIS OF **WARRANT HOLDINGS**
As At 31 March 2017

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:- (a) 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); or (b) 15 August 2017 if the completion of Qualifying Acquisition does not take 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	1	0.03	75	0.00
100 - 1,000	81	2.06	58,300	0.00
1,001 - 10,000	851	21.62	5,938,900	0.46
10,001 - 100,000	1,942	49.34	100,101,700	7.83
100,001 to less than 5% of issued warrant	1,060	26.93	916,123,250	71.69
5% and above of issued warrant	1	0.03	255,600,000	20.00
Total	**3,936**	**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)	%
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00	–	–
2	Shahul Hamid bin Mohd Ismail	1,000,000	0.08	255,600,000 [a]	20.00

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

ANALYSIS OF WARRANT HOLDINGS
As At 31 March 2017
(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	Tan Siew Chaing	–		–	–
3	Izlan Bin Izhab	–	–	–	–
4	Nik Din Bin Nik Sulaiman	–	–	–	–
5	Shahul Hamid Bin Mohd Ismail	1,000,000	0.08	255,600,000 #	20.00
6	Aonghus Joseph O'Carroll	–	–	–	–

Notes:

^ *Indirect interest by virtue of the warrant holdings of his spouse pursuant to Section 59(11)(c) of the Companies Act, 2016*

Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 8(4)(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	Reach Energy Holdings Sdn Bhd	255,600,000	20.00
2	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abdul Aziz Bin Abdul Kadir*	40,000,000	3.13
3	Nik Fuziah Binti Nik Hussein	40,000,000	3.13
4	Lembaga Tabung Haji	22,828,100	1.79
5	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Boon Chai*	20,900,000	1.64
6	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Soon Lai*	20,650,000	1.62
7	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for Citibank New York (Norges Bank 1)*	20,000,000	1.57
8	Ku Lian Sin	12,360,000	0.97
9	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Lim Guat Kee*	12,000,000	0.94
10	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Lee Soi Gek*	11,000,000	0.86
11	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Teo Ah Seng*	10,000,000	0.78

ANALYSIS OF WARRANT HOLDINGS
As At 31 March 2017
(cont'd)

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS (CONT'D)

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
12	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Lim Kai Swee*	10,000,000	0.78
13	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Kim Heung*	10,000,000	0.78
14	Ung Yoke Hong	9,267,000	0.73
15	Lai Ming Chun @ Lai Poh Lin	8,000,000	0.63
16	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Goh Eu Jim*	7,650,000	0.60
17	Wong Chee Keong @ Wong Chee Kong	7,500,000	0.59
18	Mohanadass Kanagasabai	7,215,000	0.56
19	Tiong Huo Chiong	7,174,000	0.56
20	Wee Jui Jong	7,000,000	0.55
21	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ahmad Zaini bin A. Jamil*	6,000,000	0.47
22	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ioannis Koromilas*	6,000,000	0.47
23	Leow Wai Mun	5,950,000	0.47
24	Ng Mung Ling	5,929,500	0.46
25	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lye Ha Noou @ Lai Chow Mooi*	5,821,000	0.46
26	Yayasan Pok Dan Kassim	5,500,000	0.43
27	Teo Ah Seng	5,459,000	0.43
28	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Wong Ai Lang*	5,453,000	0.43
29	Tan Kher Ann	5,400,000	0.42
30	How Lim Sek	5,000,000	0.39
		595,656,600	**46.64**

NOTICE OF
FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of the Company will be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 29 June 2017 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. — ***Please refer to Explanatory Note to the Agenda***

2. To approve the payment of Directors' fees (to be made payable quarterly) and benefits up to an amount of RM 920,000 in respect of the financial year ending 31 December 2017. — ***Ordinary Resolution 1***

3. To re-elect Ir. Shahul Hamid Bin Mohd Ismail, who retires by rotation pursuant to Article 70 of the Constitution of the Company. — ***Ordinary Resolution 2***

4. To re-elect the following Directors who retire pursuant to Article 75 of the Constitution of the Company:-

   (a) Tan Sri Dr. Azmil Khalili Bin Dato' Khalid — ***Ordinary Resolution 3***

   (b) Ms Tan Siew Chaing — ***Ordinary Resolution 4***

5. To re-appoint Encik Izlan Bin Izhab as Director of the Company. — ***Ordinary Resolution 5***

6. To re-appoint Messrs PricewaterhouseCoopers (AF: 1146) as the Company's Auditors and to authorise the Directors to fix their remuneration. — ***Ordinary Resolution 6***

AS SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following Ordinary Resolution:-

   Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016 — ***Ordinary Resolution 7***

   "**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.

   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."

NOTICE OF
FOURTH ANNUAL GENERAL MEETING
(cont'd)

ANY OTHER BUSINESS

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

CHEN BEE LING (MAICSA 7046517)
TAN LAI HONG (MAICSA 7057707)
Company Secretaries

Selangor Darul Ehsan
Date : 28 April 2017

Notes:

1. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 23 June 2017 shall be eligible to attend the Meeting and to speak and vote thereat.

2. 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.

3. A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.

4. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his(her) attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the Annual General Meeting for verification by the Company Secretary.

5. 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.

6. 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.

7. To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting.

8. Registration will commence at 8.30 a.m. and close at 10.30 a.m. on the day of the Meeting. Members and proxies are advised to be punctual. For verification purposes, members and proxies are required to produce their original identification card at the registration counter.

9. Light refreshments and lunch will be provided. No door gifts will be provided by the Company.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, voting at the Fourth AGM of the Company will be conducted by poll rather than by show of hands. Independent Scrutineers will be appointed to observe the polling and verify the poll results.

NOTICE OF
FOURTH ANNUAL GENERAL MEETING
(cont'd)

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.

Item 5 of the Agenda

Encik Izlan Bin Izhab who will hold office until the conclusion of this Annual General Meeting, has offered himself for re-appointment as Director at the Fourth Annual General Meeting.

Item 7 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

The proposed Ordinary Resolution 7 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 Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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 26 April 2016 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.

REACH ENERGY

REACH ENERGY BERHAD
(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 Fourth Annual General Meeting of **REACH ENERGY BERHAD** to be held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 29 June 2017 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 approve the payment of Directors' fees (to be made payable quarterly) and benefits in respect of the financial year ending 31 December 2017		
Ordinary Resolution 2	To re-elect Ir. Shahul Hamid Bin Mohd Ismail		
Ordinary Resolution 3	To re-elect Tan Sri Dr. Azmil Khalili Bin Dato' Khalid		
Ordinary Resolution 4	To re-elect Ms Tan Siew Chaing		
Ordinary Resolution 5	To re-appoint Encik Izlan Bin Izhab as Director of the Company		
Ordinary Resolution 6	Re-appointment of Messrs PricewaterhouseCoopers as the Company's Auditors		
Ordinary Resolution 7	Authority to issue and allot shares pursuant to Section 75 and 76 of the Companies Act, 2016		

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 ______________________, 2017

....
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)

Notes:

1. *In regard of deposited securities, only members whose names appears in the Record of Depositors as at 23 June 2017 shall be eligible to attend the Meeting and to speak and vote thereat.*
2. *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.*
3. *A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his(her) attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the Annual General Meeting for verification by the Company Secretary.*
5. *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.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.*
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9. *Light refreshments and lunch will be provided. No door gifts will be provided by the Company.*
10. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, voting at the Fourth AGM of the Company will be conducted by poll rather than by show of hands. Independent Scrutineers will be appointed to observe the polling and verify the poll results.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

COMPANY SECRETARY
REACH ENERGY BERHAD
c/o Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

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