REACH ENERGY

REACH ENERGY BERHAD

Registration No. 201301004557 (1034400-D)

ANNUAL REPORT 2019

ENERGY WITHIN REACH

ENERGY WITHIN REACH

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

VISION

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

MISSION

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

- **Grow upstream petroleum reserves**
- **Deliver robust shareholder value**
- **Increase oil and gas production**
- **Develop strong technical base**

CORPORATE STRATEGIES

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID
Non-Independent Non-Executive Chairman

Ir. SHAHUL HAMID BIN MOHD ISMAIL
Executive Director / Chief Executive Officer

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

IZLAN BIN IZHAB
Senior Independent Non-Executive Director

NIK DIN BIN NIK SULAIMAN
Independent Non-Executive Director

KU AZHAR BIN KU AKIL
Independent Non-Executive Director

IKRAM ISKANDAR BIN ABD RAHIM
Executive Director

CORPORATE INFORMATION (cont'd)

AUDIT COMMITTEE

Nik Din bin Nik Sulaiman (Chairman)
Izlan bin Izhab
Ku Azhar bin Ku Akil

NOMINATION AND REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Ku Azhar bin Ku Akil (Chairman)
Ir. Shahul Hamid bin Mohd Ismail
Nik Din bin Nik Sulaiman

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKER

Hong Leong Islamic Bank Berhad

STOCK EXCHANGE LISTING

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

STOCK SHORT NAME AND CODE

REACH 5256 & 5256 WA

PROFILE OF BOARD OF DIRECTORS

Tan Sri Dr. Azmil Khalili bin Dato' Khalid

Non-Independent Non-Executive Chairman
60, Male, Malaysian

Date of Appointment
23 January 2017

Tenure of Directorship
Three (3) years and five (5) months

MEMBERSHIP OF BOARD COMMITTEE:

- Nomination & Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

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

WORK EXPERIENCE:

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

OTHER INFORMATION:

Tan Sri Dr. Azmil has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. Tan Sri Dr. Azmil is deemed a major shareholder of the Group and his interest is disclosed in the securities of the Group as set out in the Analysis of Shareholdings of this Annual Report. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended six (6) Board meetings held during the financial year ended 31 December 2019.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- UEM Edgenta Berhad
- UEM Sunrise Berhad

PROFILE OF BOARD OF DIRECTORS (cont'd)

Ir. Shahul Hamid bin Mohd Ismail ("Ir. Shahul")
Executive Director / CEO
70, Male, Malaysian

Date of Appointment
7 February 2013

Tenure of Directorship
Seven (7) years and four (4) months

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Engineering (Honours) in Mechanical Engineering, University of Adelaide, Australia
- Master of Engineering Science in Mechanical Engineering, University of Adelaide, Australia
- Member of the Institution of Engineers Australia, Chartered Professional Engineer, Registered Professional Engineer (Australia)
- Member of the Institution of Engineers Malaysia, Professional Engineer (Malaysia), APEC Engineer
- Advanced Management Program – International Institute for Management Development ("IMD"), Lausanne, Switzerland

WORK EXPERIENCE:

Ir. Shahul Hamid bin Mohd Ismail ("Ir. Shahul") was the first director of the Group since its inception on 7 February 2013. He has been in the Petroleum Industry for the past 40 years, mainly with Exxon and Shell, and has held a rotation of assignments in Malaysia and overseas covering a wide variety of managerial, technical and commercial aspects of the business. Prior to Reach Energy, Ir. Shahul was technical advisor and board member of several oil & gas services companies. During his tenure as the Group CEO from 2007 to 2009, Ir. Shahul established the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion. He dealt with top level governmental and oil industry personnel in these countries in leading these efforts. Ir. Shahul worked closely with various international consultants on Feasibility Studies, Commercial/Economic Evaluations, Funding, Risk Management, FEED/BED and Detail Design.

Ir. Shahul was a Board Member/Technical Advisor to Ramunia Holdings Berhad from 2005 to 2006. From August 2001 to October 2004, Ir. Shahul was the Managing Director of Shell Refining Company (FOM) Berhad (now known as Hengyuan Refining Company Berhad) which is a public-listed company in the Main Market of Bursa Malaysia Securities Berhad. He was the first Malaysian to be appointed to this position. Prior to this appointment, he worked as General Manager, Technical Manager, Engineering Manager, Operations Manager and Project Manager roles in Shell and Exxon with core activities cutting across the entire hydrocarbon life cycle covering exploration, appraisal, development, production and decommissioning in very challenging business environments. He also sat on the Boards of Sarawak Shell Berhad and Sabah Shell Petroleum Co. Ltd.

Ir. Shahul was a Colombo Plan scholar and holds Bachelor (Honours) and Master's degrees in Mechanical Engineering from the University of Adelaide in Australia. He has produced many technical reports, papers and reviews. These have been presented in various conferences, workshops, journals and meetings. Ir. Shahul is a member of the Engineering Board of Studies and Industry Advisory Panel at the International Islamic University, Kuala Lumpur and is a Registered Professional Engineer in Malaysia and Australia. He is also a Member of the Institution of Engineers, Malaysia and the Institution of Engineers, Australia.

OTHER INFORMATION:

Ir. Shahul has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended all seven (7) Board meetings held during the financial year ended 31 December 2019.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

Izlan bin Izhab
Senior Independent Non-Executive Director
75, Male, Malaysian

Date of Appointment
1 July 2013

Tenure of Directorship
Seven (7) years

MEMBERSHIP OF BOARD COMMITTEE:
- Nomination & Remuneration Committee (Chairman)
- Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):
- Bachelor of Laws, University of London, UK
- Advanced Management Program, University of Hawaii, USA

WORK EXPERIENCE:
Encik Izlan bin Izhab ("Encik Izlan") started his career in 1973 as Assistant Legal Officer with Majlis Amanah Rakyat (MARA). From 1975 to 1978, he was the Company Secretary of Komplek Kewangan Malaysia Berhad. From 1978 to 1984, he was the Company Secretary of Permodalan Nasional Berhad. He spent the next 15 years from 1985 to 2000 with the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) as the Executive Vice President, Corporate and Legal Affairs until his retirement. He was responsible for company secretarial functions, legal advisory on capital market laws and regulations and conducted lectures on capital market laws and regulations. From 2004 until May 2013, he was a member of Bursa Malaysia Berhad Appeals Committee. He was an independent director of Ramunia Holdings Berhad (now known as TH Heavy Engineering Berhad) from 2004 to 2008. During that period, he was the Chairman of the Remuneration Committee and Nomination Committee of the said company. On 7 February 2017 he was appointed as the Chairman/ Independent Non-Executive Director of Kenanga Investment Bank Berhad which is listed on Bursa Malaysia Securities Berhad. He is also a Non-Executive Director on Non-Listed Public Companies, Sun Life Malaysia Takaful Berhad and Federation of Public Listed Companies Berhad.

OTHER INFORMATION:
Encik Izlan has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended six (6) Board meetings held during the financial year ended 31 December 2019.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:
- Kenanga Investment Bank Berhad and Group

PROFILE OF BOARD OF DIRECTORS (cont'd)

Nik Din bin Nik Sulaiman
Independent Non-Executive Director
72, Male, Malaysian

Date of Appointment
1 July 2013

Tenure of Directorship
Seven (7) years

MEMBERSHIP OF BOARD COMMITTEE:

- Audit Committee (Chairman)
- Risk Management Committee
- Nomination & Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

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

WORK EXPERIENCE:

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

OTHER INFORMATION:

Encik Nik Din has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended all seven (7) Board meetings held during the financial year ended 31 December 2019.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- MTD ACPI Engineering Berhad

PROFILE OF BOARD OF DIRECTORS
(cont'd)

Y.M. Tunku Datuk Nooruddin bin Tunku Dato' Sri Shahabuddin
Executive Director
56, Male, Malaysian

Date of Appointment
11 August 2017

Tenure of Directorship
Two (2) year and ten (10) months

MEMBERSHIP OF BOARD COMMITTEE:
Nil

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

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

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

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

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

OTHER INFORMATION:
Y.M. Tunku Datuk Nooruddin has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended all seven (7) Board meetings held during the financial year ended 31 December 2019.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:
Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

Ikram Iskandar bin Abd Rahim
Executive Director
38, Male, Malaysian

Date of Appointment
18 September 2019

Tenure of Directorship
Nine (9) months

MEMBERSHIP OF BOARD COMMITTEE:
Nil

ACADEMIC/PROFESSIONAL QUALIFICATION(S):
- Master of Business Administration, University of Strathclyde, Glasgow, Scotland, United Kingdom (2010)
- Bachelor of Science in Mechanical Engineering, Georgia Institute of Technology, Atlanta, Georgia, USA (2003)

WORK EXPERIENCE:
Encik Ikram Iskandar bin Abd Rahim ("Encik Ikram") has more than 15 years' experience in upstream oil and gas, in progressively challenging roles covering large spectrum of the hydrocarbon value chain. He started as a Reservoir Engineer with ExxonMobile Exploration and Production Malaysia Inc. overseeing reservoir development, operations and surveillance of the largest asset in ExxonMobil Malaysia portfolio. He then left to join Newfield Sarawak Malaysia Inc. (later re-designated SapuraKencana Energy Sarawak Malaysia Inc.), as a Senior Reservoir Engineer, leading field development planning activities and reserves assessments for joint venture assets in Peninsular Malaysia. He was subsequently promoted to Asia Business Development Manager within the same unit, with direct focus on strategic regional activities, asset valuation and merger and acquisition.

In 2017, he joined Hess Exploration and Production Malaysia B.V., initially as a Joint Venture Asset Manager, and later Reservoir Engineering Manager, with operational and budget accountability over strategic producing assets within the Malaysia-Thai area. Prior to his employment at Reach Energy Berhad, he independently consulted for various organisations, focusing on oil and gas new venture and commercial activities.

Encik Ikram holds a Bachelor of Science in Mechanical Engineering (High Honor) from Georgia Institute of Technology, Atlanta, USA, and Masters of Business Administration from University of Strathclyde, Glasgow, United Kingdom. He is an active participant in many upstream oil and gas technical conferences, workshops and peer reviews, especially within Malaysia and the Southeast Asian region. He currently holds no directorship in other companies.

OTHER INFORMATION:
Encik Ikram has no conflict of interest with the Group and does not have any family relationships with any Director of the Group. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended three (3) Board meetings held during the financial year ended 31 December 2019.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:
Nil

PROFILE OF BOARD OF DIRECTORS
(cont'd)

Ku Azhar bin Ku Akil
Independent Non-Executive Director
55, Male, Malaysian

Date of Appointment
4 May 2020

Tenure of Directorship
One (1) month

MEMBERSHIP OF BOARD COMMITTEE:
- Audit Committee
- Risk Management Committee (Chairman)

ACADEMIC/PROFESSIONAL QUALIFICATION(S):
- Bachelor of Science in Chemical Engineering, University of Missouri-Rolla, USA, Summa Cum Laude, (1987)

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

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

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

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

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:
Nil

PROFILE OF KEY SENIOR MANAGEMENT

Ir. SHAHUL HAMID BIN MOHD ISMAIL
("Ir. SHAHUL")

Chief Executive Officer, Reach Energy Berhad
70, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Engineering (Honours) in Mechanical Engineering, University of Adelaide, Australia
- Master of Engineering Science in Mechanical Engineering, University of Adelaide, Australia
- Member of the Institution of Engineers Australia, Chartered Professional Engineer, Registered Professional Engineer (Australia)
- Member of the Institution of Engineers Malaysia, Professional Engineer (Malaysia), APEC Engineer
- Advanced Management Program – International Institute for Management Development ("IMD"), Lausanne, Switzerland

WORKING EXPERIENCE:

- Ir. Shahul has close to four decades of experience in the Petroleum Industry, mainly with Exxon and Shell. During this time, he has held a rotation of assignments in Malaysia and overseas covering a wide variety of managerial, technical and commercial aspects of the business.
- He established the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion.
- He was a Board Member/Technical Advisor to Ramunia Holdings Berhad from 2005 to 2006.
- In August 2001, Ir. Shahul made history as the first Malaysian to be appointed as the Managing Director of Shell Refining Company (FOM) Berhad (now known as Hengyuan Refining Company Berhad) which was a public-listed company in the Main Market of Bursa Malaysia Securities Berhad. He stayed on in the position until October 2004.

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

Executive Director, Reach Energy Berhad,
56, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

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

WORKING EXPERIENCE:

- Y.M. Tunku held positions in and represented companies involved in the Oil & Gas industries including Esso Malaysia Berhad - Downstream (Exxon Mobil) where he was responsible for Refinery products distribution and Government National Accounts.
- He was the Executive Director of Baker Hughes INTEQ ("BHI") plus other Baker Hughes Group of Companies in Malaysia involved in Upstream O&G Exploration and Development Activities. His primary responsibilities were to secure supply of goods and services to O&G Operators locally and international participants in Malaysia. As a PSC licensed service provider to Petronas, its international activities would include BHI Malaysia's participation.
- As a director of Alfa Meli Sdn Bhd, which is a supplier of O&G equipment, he was involved in the marketing and promotion of its products and services.
- He has acquired extensive business experience from more than a decade long career plus in advisory capacity in international trade representing companies such as Avaria International FZE (UAE), Jotun Paints (Malaysia), Al Madina LLC (Oman), SCS Computer Systems Sdn Bhd, Electrolux (Malaysia), Tideway-Dredging International (Malaysia), Yoshida BM Japan, Paylink Global Sdn Bhd (e-payment platforms), Japan Halal Promotion Association, Malene Insurance Brokers, ERM Property Management, R Zain Associates (Consultant Civil & Structural Engineers), Singapore Precious Metals Exchange (SGPMX Malaysia), and others in South East Asia, UAE, Oman and Kazakhstan.
- Y.M. Tunku was appointed as Honorary Consul for the Republic of Kazakhstan (East Coast Region of Malaysia) from June 2014.

PROFILE OF KEY SENIOR MANAGEMENT
(cont'd)

IKRAM ISKANDAR BIN ABD RAHIM ("ENCIK IKRAM")

Executive Director, Reach Energy Berhad
38, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):
- Master of Business Administration, University of Strathclyde, Glasgow, Scotland, United Kingdom (2010)
- Bachelor of Science in Mechanical Engineering, Georgia Institute of Technology, Atlanta, Georgia, USA (2003)

WORKING EXPERIENCE:
- Encik Ikram has more than 16 years' experience in upstream oil and gas, in progressively challenging roles covering large spectrum of the hydrocarbon value chain.
- He started as a Reservoir Engineer with ExxonMobile Exploration and Production Malaysia Inc. overseeing reservoir development, operations and surveillance of the largest asset in ExxonMobil Malaysia portfolio.
- He then left to join Newfield Sarawak Malaysia Inc. (later re-designated SapuraKencana Energy Sarawak Malaysia Inc.), as a Senior Reservoir Engineer, leading field development planning activities and reserves assessments for joint venture assets in Peninsular Malaysia. He was subsequently promoted to Asia Business Development Manager within the same unit, with direct focus on strategic regional activities, asset valuation and merger and acquisition.
- In 2017, he joined Hess Exploration and Production Malaysia B.V., initially as a Joint Venture Asset Manager, and later Reservoir Engineering Manager, with operational and budget accountability over strategic producing assets within the Malaysia-Thai area.
- Prior to his employment at Reach Energy Berhad, he independently consulted for various organisations, focusing on oil and gas new venture and commercial activities.

TAN SIEW CHAING ("MS. TAN")

Director of Finance, Investment and Planning, Reach Energy Berhad

52, Female, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):
- Member of the Malaysian Institute of Accountants ("MIA")
- Member of the Chartered Institute of Management Accountants ("CIMA"), United Kingdom

WORKING EXPERIENCE:
- Ms. Tan has more than 27 years of experience in the management of large group of companies with diverse businesses in Malaysia and oversea countries. Her specialty areas include Group reporting, treasury management and budgeting, corporate finance, tax planning and risk management, investment evaluation, business strategies, merger and acquisition, and operation management. Her experience covers various industries such as concession business, real estate, construction, manufacturing and oil and gas services.
- She formerly worked with conglomerate AlloyMtd Group of companies and Syarikat Bekalan Air Selangor Sdn. Bhd.
- She started as a Financial Controller of AlloyMtd in 2007 before moving up the ranks as a Senior Vice President and later was promoted to the position of Executive Vice President, Head of Finance and Treasury of AlloyMtd Group. She was a member of the Management Committee of AlloyMtD Group and holds directorship in local and oversea companies.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

IBNI HAJAR BT OMAR
("PUAN IBNI")

Human Resources & Administration Manager, Reach Energy Berhad
51, Female, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

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

WORKING EXPERIENCE:

- Puan Ibni has 24 years of experience in human resources and administration including five years in the oil and gas industry.
- Her responsibilities include all human resources and administration matters, including recruitment and selection, payroll administration, performance management, compensation and benefits, training and development, employee relations, succession planning and staff induction.
- She also has accumulated experience in supporting Finance and IT Departments on annual budgeting auditing.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Reach Energy Berhad ("Reach Energy"), I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2019.

As we wrap up another year, we have continued to see several positive changes following the implementation of leaner, meaner and more efficient business activities and operations initiatives. We are confident of our hydrocarbon reserves base and our ability to recover these reserves via production that will improve our future earnings and create a sustainable value for our shareholders.

OUR FINANCIAL PERFORMANCE

For the Financial Year Ended 31 December 2019, Reach Energy recorded a revenue of RM170.8 million (FYE 2018: RM220.3 million) from our Oil & Gas activities, a decrease of RM49.5 million or 22.5% from the previous year. The earnings before interest, tax, depreciation and amortisation ("EBITDA") for the Group was recorded at negative RM34.9 million (FYE 2018: positive RM67.8 million) in the reporting year. The negative EBITDA was a result of lower revenue and necessary impairment of assets. As a result, we recorded a Net Asset per Share of RM0.62 (FYE 2018: RM0.78).

OUR PEOPLE

Our people power our operations and so we empower a highly competent workforce to help us achieve our goals. In 2019, we continued to attract talented, dedicated and passionate individuals who strive to build rewarding careers with us. In order to achieve the required talent pool, we have created a conducive work environment which encourages our people to share knowledge and seek mentorship from their seniors as we look to upskill them for the future of the Group with our recruitment being strictly on the basis of our business needs.

CHAIRMAN'S STATEMENT
(cont'd)

INDUSTRY OUTLOOK

Despite early signs of improvement in oil price at the beginning of 2020, the coronavirus ("COVID-19") pandemic outbreak and dampened demand for oil caused by geo-political development have contributed to oil price tumbling down in March 2020. The intense oil price volatility has inevitably affected the operations and profit of oil and gas operators around the world.

The outlook for Year 2020 is expected to be more challenging due to the prevailing volatility of the oil price in the global and domestic markets. The Group will however remain focused in continuously growing its core Oil and Gas Exploration & Production business despite these challenges. With this in mind, we acknowledge that there is plenty of hard work ahead of us and we are not completely out of the woods yet. We will continue to pursue our strategies which are premised on our Group's Mission to focus on delivering optimal operational performance while being as cost efficient as possible.

ACKNOWLEDGEMENT

Considering the tough operating environment that we are in, and the challenges that we have had to navigate through, my Board colleagues, the Management team and I are thankful for the support we have received from our many stakeholders. We would also like to thank all our staff in particular for their continued faith in the Group during these trying and challenging times. We continue to be optimistic and excited by the many prospects of Reach Energy and Emir-Oil that are waiting to be commercialised. To our shareholders, we hope you will continue to retain your ownership of our Group and support us as we strive to maximise value.

Tan Sri Dr. Azmil Khalili bin Dato' Khalid
Chairman

CEO'S REPORT
ON BUSINESS ACTIVITIES

DEAR SHAREHOLDERS,

As we publish this report, the world is working through extraordinarily difficult times. Countries around the globe are battling the coronavirus pandemic (COVID-19). People's lives are undergoing major disruptions, with tragic consequences for many. The state of financial markets reflects this disruption and our sector is particularly hard hit, not only due to virus-related demand destruction but also supply-side shock from ongoing dynamics amongst key market players. At Reach Energy, we are taking calm but rapid and deliberate actions for the well-being of our people and the health of our company. We do so with our existing balance sheet, liquidity and any flexibilities in our portfolio and financial framework that provide us with options for developments as they unfold.

2019 ACHIEVEMENTS AND OPERATIONAL HIGHLIGHTS

In 2019, we outlined our growth strategy with a goal to significantly increase the earnings and cash flow generation capacity of our business. I am pleased to share that we made significant progress in strengthening our business fundamentals in both the Exploration and Production areas.

On the exploration front, in our Emir-Oil Concession Block, we started the year 2019 with the spudding of the Kariman 15 ("K-15") well in early January. Well K-15 followed Well K-16 which was spudded in Oct 2018. Both wells have yielded good positive results and these confirm the larger extent of the hydrocarbon reserves and resources in the Kariman geological structure. There are two intervals that will be perforated once the extended well test of the current perforated interval is finished. If they also prove to flow oil, it would further enhance the value of these wells in terms of commerciality and contribution to overall reserves and production. In December 2019, we spudded Yessen 4 well ("Y-4").

The expected success of this exploration well, which is currently pending perforation in 2020, would increase Emir-Oil's reserves by extending the hydrocarbon bearing structure of Yessen field. As previous exploration wells in the Yessen field namely Yessen 1, Yessen 2 and Yessen 3 have discovered oil, the chance of success ("CoS") of this well is high.

On the production front we continue to vigorously pursue strategies to streamline costs and enhance productivity and production. Commercial development of the Emir Oil Concession Block commenced in 2014 and it presently comprises production of oil and gas from five fields, namely, Kariman, Dolinnoe, Aksaz, Emir and Yessen. Oil production reached a peak of some 5,800 barrels of oil per day ("bopd") in 2013 but has since declined to an average of 2,400 bopd in 2019. The cumulative oil production from Emir-Oil Block in the field was 14.9 million barrels of oil ("MMBbl") with the Kariman and Dolinnoe fields being the biggest contributors to the overall recovery (as at 31 December 2019). These field are in need of reservoir pressure maintenance through gas or water injection and drilling of further development wells to increase production to achieve the forecast potential. We have already commenced the reservoir pressure maintenance projects and have scheduled further development wells in our annual budgeting.

CEO'S REPORT ON BUSINESS ACTIVITIES (cont'd)

I am pleased to note here that Emir-Oil has successfully obtained Production Contracts for the new fields, North Kariman and Yessen. These contracts would allow for commercial production of oil and gas from these fields for a period of 16 years and 25 years respectively starting from 1 January 2020.

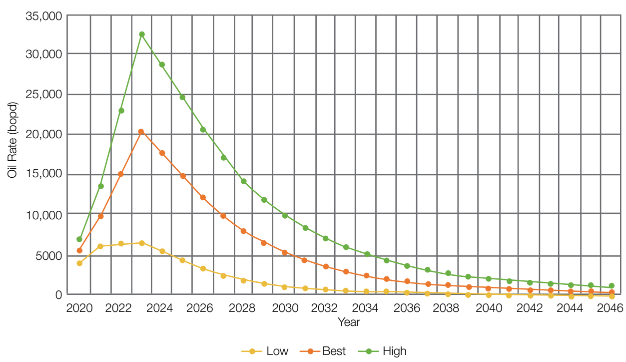
This is a testament to Emir-Oil's good track-record and strong relationship with the Republic of Kazakhstan's Ministry of Energy ("MoE"), coupled with the observed commercial attractiveness of both fields from previous well tests.

This achievement is significant to Emir-Oil's Master Development Plan ("MDP") to integrate the Kariman and North Kariman fields as one large hydrocarbon bearing structure in the near future. The Yessen field has shown good productivity from past well tests, and the Group plans to exploit this new commercial field with best-in-class reservoir management practices.

Last but not least, I am pleased to share that Emir-Oil has successfully obtained an extension of its Exploration Contract-482 for a further three year period to 31 December 2022. This extension consists of Eight Exploration Projects that cover the entire 791 sq. km Exploration acreage, and Emir-Oil has strategically selected three low-risk exploration well targets as part of Emir-Oil's commitment to this extension. In addition, Emir-Oil plans to conduct further seismic reinterpretation that would improve geological understanding of the acreage and unearth additional prospects for discovery. The Group is confident that this extension presents a good opportunity to increase the reserves of the Group within the next three years.

Below is the production forecast of Emir-Oil Block from 2020 until 2046 as reported by Gaffney, Cline and Associates ("GCA") in the Reserves and Resources Report as at 31 December 2019.

Production Forecast of Emir-Oil Block



FUTURE DEVELOPMENT

As we progress into 2020, we continue to pursue innovative solutions in line with our strategy to sweat the asset. We will be commencing the water and gas injection pilot programme as part of our enhanced oil recovery initiative. The programme is intended to increase reservoir pressure and stimulate production.

We are positioning our efforts to seek to enlarge the mining allotments of Kariman and North Kariman fields as one large integrated Kariman Field which would allow us to book more reserves and exploit with better positioning of our future development wells here.

The journey since our acquisition of the Emir-Oil asset has been challenging and arduous. However, I am convinced that we are still on track to fulfill our targets of increasing the production volume as well as our reserves base. Notwithstanding the outlook for the O&G industry which remains daunting, we shall strive to achieve our set goals to unlock the full potential of our asset.

IN APPRECIATION

Considering all that we have accomplished in 2019, it is safe to say that we would not have reached where we are today without the support of various people. First and foremost, I would like to express our heartfelt gratitude to our shareholders, government regulators, partner and customers for the continued support and advice. My gratitude also goes out to our workforce in both Kazakhstan and Malaysia, who have been resilient while operating in tough circumstances.

As we embark on what continues to be a tough operating landscape, we shall stay the course of the Group's strategies while at the same time embracing the changes in the industry to continue delivering value to our shareholders.

Thank you.

Ir. Shahul Hamid bin Mohd Ismail
CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

The aim of the Management's Discussion and Analysis ("MD&A") is to provide shareholders with an overview of the business operations of Reach Energy Berhad ("Reach Energy" or "the Group"), the financial review of 2019 and the Group's expectations of the business going into 2020.

OVERVIEW OF OUR BUSINESS AND OPERATIONS

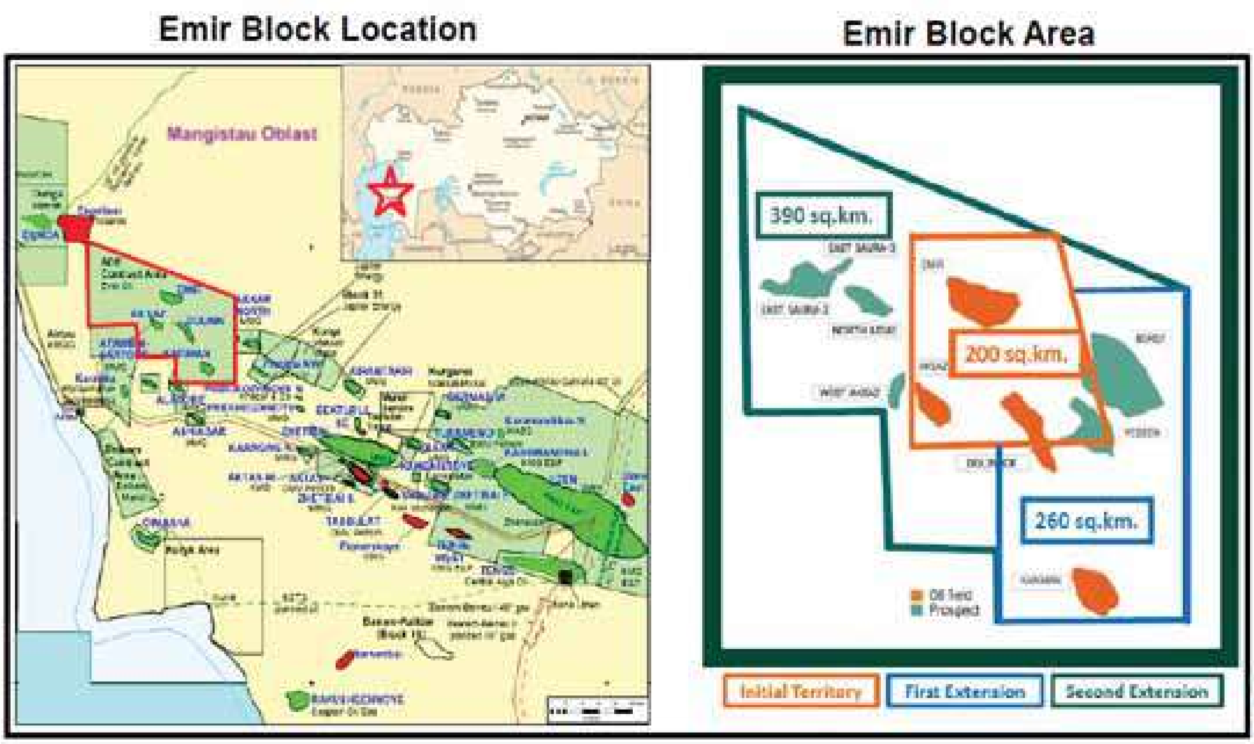
Reach Energy was listed as a Special Purpose Acquisition Company ("SPAC") on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") in August 2014 with the intention of acquiring qualifying oil and gas assets. Reach Energy was the largest SPAC created in Malaysia and raised RM750 million at listing. Reach Energy aspires to be the leading independent Malaysian oil & gas company through increasing reserves and production and developing its strong technical and operating credentials.

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

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

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

Figure 1: Emir-Oil Concession Block Location and Area



MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

OVERVIEW OF OUR BUSINESS AND OPERATIONS (cont'd)

Participating Interest (indirect interest through PBV)		60% Reach Energy (Designated Operator); 40% MIEH					
Jurisdiction		Kazakhstan					
Fiscal System		Concession					
Type of Field		**Commencement Date**	**Production Commencement Year**	**Type of Contract**	**Remaining Contract Period (years)**	**Expiry Date**	**Area (km²)**
Producing Fields							
Kariman	Oil	9 Sep 2011	2007	Production Contract	17	9 Sep 2036	12.24
Dolinnoe	Oil	9 Sep 2011	2004	Production Contract	17	9 Sep 2036	18.24
Aksaz	Light Oil	9 Sep 2011	2005	Production Contract	17	9 Sep 2036	11.48
Emir	Oil	1 Mar 2013	2004	Production Contract	11	1 Mar 2030	3.53
North Kariman	Oil	1 Jan 2020	2012	Production Contract	17	31 Dec 2036	13.8
Yessen	Oil	1 Jan 2020	2013	Production Contract	26	31 Dec 2045	
Exploration Area	-	9 Jan 2020	-	Exploration Contract	3	31 Dec 2022	791.01
Total (approximately)							**850.30**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

OVERVIEW OF OUR BUSINESS AND OPERATIONS (cont'd)

Emir-Oil has successfully obtained Production Contracts for North Kariman and Yessen fields, which would allow for commercial production of oil and gas from these fields for a period of 17 years and 26 years respectively starting from 1 January 2020. This is a testament to our strong relationship with the Republic of Kazakhstan's Ministry of Energy ("MoE"), coupled with the observed commercial attractiveness of both fields from our various studies and well tests. This achievement is significant to Emir-Oil's Master Development Plan to integrate the Kariman and North Kariman fields as one large hydrocarbon bearing structure in the near future. Yessen has also shown good productivity in its wells from past well tests, and the Group plans to exploit these new commercial fields with best-in-class operation and reservoir management practices.

As our Exploration Contract-482 period expired on 9 January 2020, the Group has successfully obtained a three-year extension to the 791.01 km^2 Exploration Contract from MoE until 31 December 2022.

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

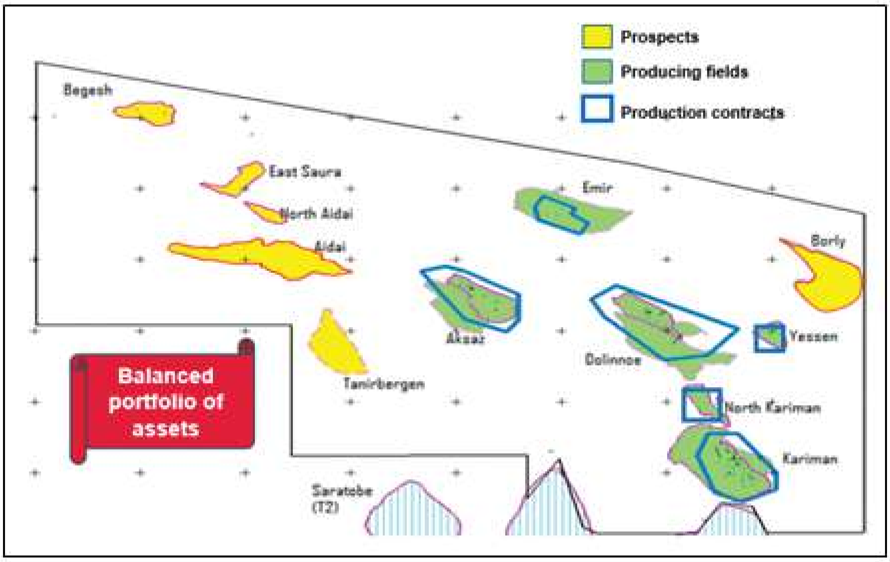
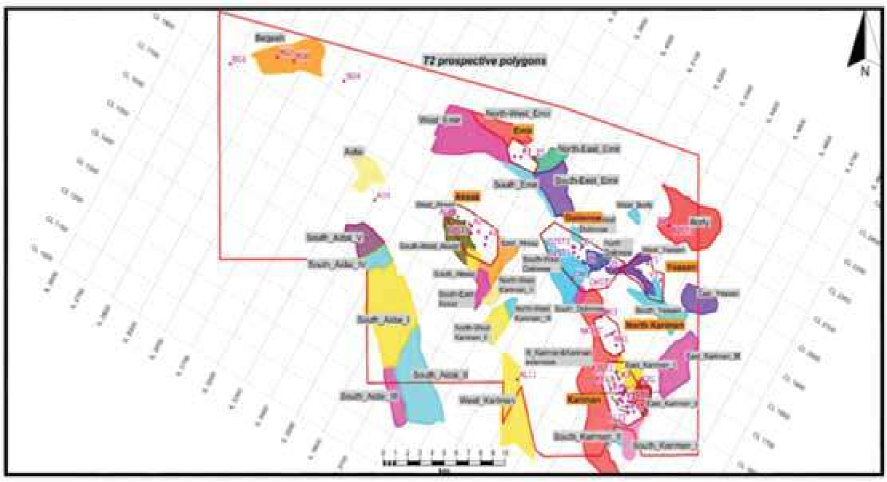


Figure 3: Discoveries and Prospects in Emir-Oil Concession Block



MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

OVERVIEW OF OUR BUSINESS AND OPERATIONS (cont'd)

Approximately 80% of reserves are oil and 20% are gas or LPG. The near-term focus of the Company is exploitation of the 1P and 2P reserves, although there are plans to assess and exploit the potentially material upside in the medium-term through studying seismic interpretations, appraising undrilled structures, developing shallower horizons, exploiting unperforated intervals and side-tracking old wells.

The Aksaz gas-condensate field was discovered in 1995 and began production in 2005. A total of eight wells have been drilled in the field, of which five are producing and three are shut-in. Current production is approximately 67 bopd of condensate, and the cumulative condensate production as of 31 December 2019 is 1.1 million barrels ("MMBbl").

The Dolinnoe field was discovered in 1994 and began production in 2004. A total of eleven wells have been drilled in the field, with seven wells producing and four suspended. Current production is approximately 382 bopd, and the cumulative oil production as of 31 December 2019 is 2.6 MMBbl.

The Emir oil field was discovered in 1996 and put into production in 2004. Four wells have been drilled, with one producing intermittently in 2018. The cumulative oil production as of 31 December 2019 is 0.03 MMBbl.

The Kariman oil field was discovered in 2006 and began production in March 2007. A total of 28 wells have been drilled in the field of which 13 wells are currently in production and 15 are shut-in. Current production is approximately 1,819 bopd, and the cumulative oil production as of 31 December 2019 is 11.17 MMBbl. Kariman is by far the largest field and is the biggest contributor to the production in the Emir-Oil Concession Block. The field is associated with the Kariman anticline and oriented in the north-eastern direction which comprises of two domes, Kariman and North Kariman.

The North Kariman ("NK") oil field is currently producing approximately 420 bopd.

The Yessen oil field is currently producing approximately 56 bopd and has produced about 0.06 MMBbl. The Borly field is currently undeveloped.

The Emir-Oil Concession Block reservoirs contain light crude oil with gravity of 35 to 43º API which is good quality of oil and solution gas ratio varies from 240-1,700 scf/stb. The cumulative oil production from Emir-Oil Concession Block was 14.9 MMBbl by 31 December 2019, with the Kariman and Dolinnoe fields being, in that order, the biggest contributors to the overall recovery.

According to Emir-Oil LLP Master Development Plan ("MDP"), the development strategies are:

- Maximise value of the entire hydrocarbon value chain;
- Become self-sustaining in terms of cash flow;
- Increase production with minimal CAPEX;
- Improve facilities integrity and efficiency; and
- Reduce OPEX per barrel.

The planned well workover and reactivation activities for the year 2020 would be optimised subject to oil price scenario, CAPEX, cash flow and other factors that may impact the operations of the Group. Other plans include pilot gas and water injection in Kariman field for reservoir pressure maintenance and debottlenecking the surface facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

OVERVIEW OF OUR BUSINESS AND OPERATIONS (cont'd)

Various wells in Kariman flow through artificial lift. Electrical Submersible Pumps ("ESPs") have been installed in a number of wells in Kariman. Our plan is to improve the robustness of ESPs and determine the technical feasibility of using gas lift.

Crude oil is processed in Dolinnoe and then trucked to the nearby oil terminal, Ansagan Oil Terminal, before being pumped into a state-owned oil trunk-line, from where up to 75% is exported, with a smaller domestic portion currently routed to the Atyrau Refinery. Reach Energy is required to allocate up to 30% of annual production to the domestic Kazakhstan market, although only around 25% is typically contracted. Gas is sold via an existing gas pipeline to state-owned KazTransGas JSC ("KTG") (maximum process capacity is 5.5 MMscfd).

Emir-Oil holds oil production licences that permit at least 70% (but typically c.75%), of the annual oil production to be exported. Oil has been previously exported via the Russian Black Sea port of Novorossiysk but since 2018 Reach Energy has changed the delivery route to the Russian Ust-Luga port cluster in the Baltic Sea Basin, closer to the border of Estonia.

Reach Energy is also constantly reviewing commercial options to improve netbacks. Oil is evacuated via the Uzen-Atyrau-Samara pipeline and onward via either the CPC pipeline to Novorossiysk or via the Baltic Pipeline System to Ust-Luga. Novorossiysk sales are typically priced by a formula linked to the Urals Mediterranean Benchmark, whilst sales at Ust-Luga are linked to the Urals Rotterdam blend, with superior netbacks. Oil exports from the nearby port of Aktau across the Caspian Sea to Makhachkala or Baku may be future options.

PROSPECTS

In 2019, we pursued key endeavors of obtaining Commercial Production Contracts for the North Kariman and Yessen fields and the Prolongation of the Exploration Contract for the Emir-Oil Concession Block for another three year period. These three critical items were successfully secured and signed effective 1 January 2020. The Field Development Plans for Aksaz, Dolinnoe and Kariman fields were also submitted and approved by the Republic of Kazakhstan's Ministry of Energy during this period.

Reach Energy also announced the positive results from the exploration wells K-16 (spudded 6 October 2018) and K-15 (spudded 30 December 2018) based on well tests conducted in November 2019. These results validate our geological understanding that the Kariman field is a larger geological structure as compared to the current mining allotment area of the Kariman field. This represents a good prospect as Reach Energy plans to apply to enlarge the current Kariman mining allotment towards the west and north of Kariman, including the North Kariman field which creates a much larger and integrated Kariman mining allotment.

Well Yessen-4 ("Y-4") was drilled (spudded 24 December 2019) to confirm the larger extent of hydrocarbon-bearing formation to upgrade the geological analysis and understanding of the area. As previous exploration wells in the Yessen field (Y-1, Y-2, and Y-3) have discovered oil, the chances of success of this well in terms of commerciality and contribution to overall reserves and production is high.

Due to expected reservoir pressure decline, the need for installing ESPs in most of the producing wells has become necessary to artificially lift to maintain the current level of production until reservoir pressure maintenance project is implemented and also targeted new development wells are drilled to increase production from current level.

The outlook for Year 2020 is expected to remain challenging, due to the volatility in the global and domestic markets. This is further compounded by the COVID-19 pandemic which saw crude oil prices fall rapidly on expectations of a demand slump due to the outbreak. This would inevitably impact the Group as well as other industry players.

Within such an environment, cost containment will continue to be paramount, and we will continue to focus intently on maintaining strong cost discipline through proven cost optimisation efforts to underline our competitiveness and resilience. The Group will however remain focused in growing its core business despite these challenges.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

RESERVES AND CONTINGENT RESOURCES

As part of our responsibility as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, Gaffney Cline and Associates ("GCA"), had completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date on 31 December 2019.

A major change for this year's audit is that GCA has added the benefit of the planned water and gas injection in the T2 reservoirs at Kariman field to "Reserves", whereas last year these recoverable volumes were classified as "Contingent Resources".

Reserves are attributed to five producing fields: Kariman (including North Kariman), Dolinnoe, Emir, Yessen and Aksaz.

Contingent resources are attributed to other potential improved oil recovery projects including the gas and water injection in the T2 reservoir in Block 6 at Kariman field and to potential development of some secondary reservoirs in the producing fields.

As at 31 December 2019, the gross reserves (100% basis) of Emir-Oil Concession Block are summarised in the table below.

(I) OIL AND LIQUEFIED PETROLEUM GAS (LPG)

FIELD	OIL RESERVES (MMSTB)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
KARIMAN	13.33	50.87	85.77
NORTH KARIMAN	1.55	3.39	5.98
DOLINNOE	0.91	1.74	3.10
AKSAZ	0.87	2.53	7.11
YESSEN	0.87	2.53	7.11
EMIR	0.02	0.05	0.12
TOTAL	**16.68**	**58.58**	**102.08**

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
KARIMAN	11.28	60.38	94.18
DOLINNOE	6.30	13.52	23.45
AKSAZ	5.90	11.58	20.98
YESSEN	0.20	0.63	1.93
EMIR	0.00	0.01	0.03
TOTAL	**23.68**	**86.12**	**140.57**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

RESERVES AND CONTINGENT RESOURCES (cont'd)

(III) OIL, LPG AND GAS

FIELD	TOTAL RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
KARIMAN	15.21	60.93	101.47
DOLINNOE	2.60	5.64	9.89
AKSAZ	1.89	3.67	6.60
YESSEN	0.90	2.64	7.43
EMIR	0.02	0.05	0.13
TOTAL	**20.62**	**72.93**	**125.52**

In the previous year, GCA reported 2P Reserves of 88.44 million barrels of oil equivalent ("MMBOE") as opposed to the current year estimate of 72.93 MMBOE. This variation accounts for the volume produced during the year as well as taking into consideration several technical data assessed more conservatively during the year based on well production performance, recovery factors and geological studies carried out during the year.

As at 31 December 2019, the gross field Contingent Resources (100% basis) of Emir-Oil Concession Block are summarised in the table below.

FLUID	CONTINGENT RESOURCES		
	1C	2C	3C
Oil (MMBbl)	2.40	10.43	28.15
Gas (Bscf)	4.06	16.44	41.93

PRODUCTION

The cumulative oil and gas production from the Emir-Oil Concession Block as at 31 December 2019 is shown in table below. The total production in 2019 was 0.85 MMBbl of oil and 1.50 billion standard cubic feet ("Bscf") of gas.

Emir-Oil Concession Block - Cumulative Production as at 31 December 2019

Field	Cumulative Oil Production	Cumulative Gas Production
	(MMBbl)	(Bscf)
Kariman	11.2	4.88
Dolinnoe	2.6	6.63
Emir	0.0	0.00
Yessen	0.1	0.02
Aksaz	1.1	9.18
TOTAL	**14.9**	**20.71**

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

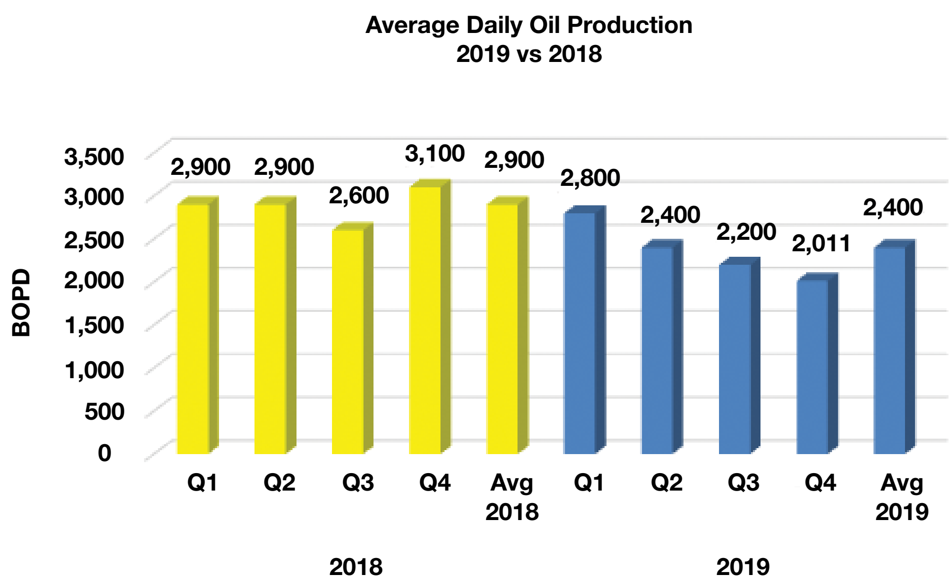
PRODUCTION (cont'd)

Production Summary of Emir-Oil Concession Block

Field	Production Well Count			Cumulative Production by 31 December 2019				Average Rates in 2019		
	Active	Inactive	Total	Oil	Solution Gas	Free Gas	Water	Oil	Gas	Water
	Wells	Wells	Wells	MBbl	MMscf	MMscf	MBbl	bopd	MMscfd	Bwpd
Kariman	13	15	28	11,166	4,876	–	6.1	1,819	1	4
Dolinnoe	7	4	11	2,584	6,627	–	2.8	382	2	3
Emir	0	4	4	29	4	–	0.0	6	0	0
Yessen	0	3	3	58	22	–	0.2	56	0	0
Aksaz	5	3	8	1,091	–	9,176	1.0	67	1	1
Total	**25**	**29**	**54**	**14,928**	**11,529**	**9,176**	**10.2**	**2,330**	**4**	**8**

Average daily oil production in 2019 vs 2018 is shown in Figure 4 below.

Figure 4: Average Daily Oil Production 2019 vs 2018



It is noted that there is a gradual decline in production from 2018 to 2019 as expected due to well productivity decline from reservoir pressure depletion which is normal in this kind of operation. This trend highlights the need for implementing reservoir pressure maintenance through gas or water injection which are normal practices in the industry. We have embarked on gas and water injection studies and target to commence the implementation in 2021.

Meanwhile, increasing number of wells have been put on artificial lift through ESPs. This is one of the methods to manage the reservoir pressure depletion and to optimise our production. ESP is an efficient and reliable artificial-lift method for lifting moderate to high volumes of fluids from wellbores. It can be designed to handle fluids and cover various well conditions and production profiles, and generally a low-cost solution for high volumes of lifting.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

GROUP FINANCIAL PERFORMANCE REVIEW

Summary Statement of Comprehensive Income

	2018	2019	Variance		
	RM'000	RM'000	RM'000		%
Revenue	220,234	170,812	(49,472)	▼	22.5%
Operating Expenses	(212,413)	(296,887)	(84,474)	▲	39.8%
(Loss)/ Profit from operations	7,871	(126,075)	(133,946)	▼	-1701.8%
Finance Income	8,671	2,407	(6,264)	▼	-72.2%
Finance Cost	(52,249)	(69,434)	(14,185)	▲	25.7%
Finance Net	(46,578)	(67,027)	(20,449)	▲	49.3%
Loss before income tax	**(38,707)**	**(193,102)**	**(154,395)**	▲	**398.9%**
Income tax expense	(17,318)	12,988	30,306	▼	175.0%
Loss during the financial year	**56,025**	**(180,114)**	**(124,089)**	▲	**221.5%**
Loss attributable to:					
Owners of the Company	(41,127)	(128,403)	(86,676)	▲	207.7%
Non-Controlling Interest	(14,298)	(51,711)	(37,413)	▲	261.7%

For FYE 2019, the Group recorded revenue of RM170.8 million as compared to preceding financial year's revenue of RM220.3 million marking a decline of 22.5%. The lower revenue in FYE 2019 was due to lower production. The average production for year 2019 is 2,400 bopd as compared to 2,900 bopd in year 2018.

Operating expenses increased by 39.8% from RM212.4 million to RM296.9 million. These costs increased mainly due to impairment loss of asset and increase in Depreciation, Depletion and Amortisation ("DD&A").

Loss before Tax was recorded at RM193.1 million as compared to RM38.7 million in prior year. Loss after Tax was recorded at RM180.1 million as compared to RM56.0 million in prior year. The bigger loss was primarily due to the abovementioned costs incurred, and lower revenue.

No dividends were declared, paid or proposed in FYE 2019 given that the Group is still aggressively pursuing growth opportunities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

GROUP FINANCIAL PERFORMANCE REVIEW (cont'd)

i) EBITDA

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

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

The following table presents a reconciliation of EBITDA from continuing operations for FYE 31 December 2019 and for FYE 31 December 2018:

	REB Group 1.1.2019-31.12.2019 RM'000	REB Group 1.1.2018-31.12.2018 RM'000
(Loss)/Profit before income tax	(193,102)	(38,707)
Finance Income	(2,407)	(8,671)
Finance Cost	69,434	55,249
Depreciation, Depletion, Amortisation	91,135	59,902
EBITDA from continuing operations	**(34,940)**	**67,773**

As a result of lower revenue and impairment of asset, the Group recorded negative EBITDA of RM34.9 million for FYE 2019 as compared to positive EBITDA of RM67.8 million for FYE 2018.

ii) REVENUE ANALYSIS

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

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

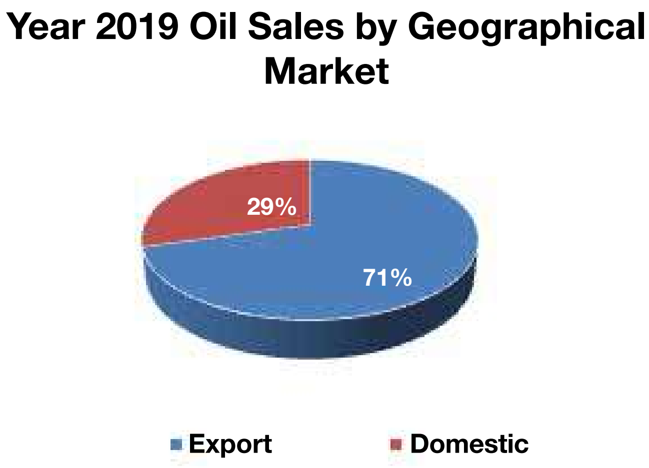
For the FYE 31 December 2019, the Group recorded a revenue of RM170.8 million (USD41.2 million) as compared to RM220.3 million (USD54.6 million) in FYE 31 December 2018. The reduction in revenue is mainly caused by the decrease in production volume.

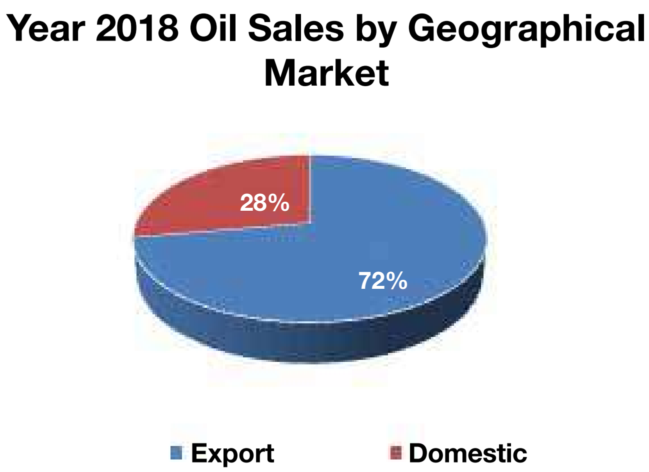
The breakdown of the revenue by product and geographical market for FYE 31 December 2019 is set out as below:

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

GROUP FINANCIAL PERFORMANCE REVIEW (cont'd)

ii) REVENUE ANALYSIS (cont'd)





Oil Sales

For FYE 2019, the Group recorded RM167.9 million (USD40.6 million) of revenue from the sale of crude oil. The revenue from the crude oil depends primarily on the global oil price at the point of sale and the production by Emir-Oil.

Revenue from export sales continued to make the largest contribution to the Group's revenue at RM143.9 million (USD34.7 million) or 86% of total oil sales. Revenue from domestic sales contributed RM24.1 million (USD5.8 million) for FYE 2019.

The weighted average realised oil price per barrel for both export and domestic sales is RM206.6 (USD49.9) per barrel for FYE 2019. The average oil price from export sales was RM253.0 (USD61.1) per barrel and RM100.6 (USD24.3) per barrel for domestic sales. Overall higher average oil price was due to higher world crude oil price and better domestic price. In order to improve the oil price for domestic sales, Emir-Oil has implemented a competitive bidding process for its domestic crude sales whereby the highest bidder is selected taking into account transportation costs, payment terms, etc.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

GROUP FINANCIAL PERFORMANCE REVIEW (cont'd)

ii) REVENUE ANALYSIS (cont'd)

Oil Sales (cont'd)

The Group's oil sales volume for FYE 2019 was 812,756 barrels which consisted of the export sales volume of 573,434 barrels and domestic sales volume of 239,322 barrels. The average daily oil production for FYE 2019 was 2,400 bopd.

Gas Sales

The revenue from gas sales for FYE 2019 is RM2.9 million (USD0.7 million). The revenue from gas sales is in line with the average gas price of RM2.2/Mscf (USD0.52/Mscf) for FYE 2019 as well as the gas sales volume which totalled 1,338,111 Mscf for the whole of 2019. The average daily production for FYE 2019 was 3,666 Mscfd.

iii) OPERATING EXPENSES

The Group recorded total operating expenses of RM296.9 million (USD71.7 million) for FYE 31 December 2019.

Staff Cost

The Group incurred employee compensation costs amounting to RM14.0 million (USD3.4 million) in which PBV Group recorded a total of RM9.0 million (USD2.2 million) while REV and Reach Energy recorded a total of RM5.0 million (USD1.2 million). The employee compensation costs comprise wages, salaries, allowances, welfare and other expenses.

Purchases, services and other direct costs

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

The Group incurred a cost totalling RM34.8 million (USD8.3 million) during the year and it is solely from Emir-Oil.

Depreciation, Depletion and Amortisation

During the year, the Group recorded a total of RM91.1 million (USD22.0 million) for Depreciation, Depletion and Amortisation. 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.

Impairment of Property, Plant and Equipment

During the year, the Group recorded a total of RM79.2 million (USD19.1 million) for Impairment of Property, Plant and Equipment. The impairment loss is the amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Carrying amount is the amount at which an asset is recognised in the Balance Sheet after deducting accumulated depreciation and accumulated impairment losses.

Distribution expense

The Group recorded a total of RM18.2 million (USD4.4 million) for Distribution Expenses. The distribution expenses comprise pipeline, transport and the engagement of a third-party intermediary (i.e., shipping company) to transport the commodity to the purchaser (i.e., customer).

Taxes other than income taxes

The Group also incurred taxes other than income tax expenses totalling RM55.6 million (USD13.4 million) which were solely from Emir-Oil. The taxes consist of Mineral Extraction Tax ("MET"), Export Duty, Export Rent Tax and Property Tax which are directly related to our oil and gas activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(cont'd)

GROUP FINANCIAL PERFORMANCE REVIEW (cont'd)

iii) OPERATING EXPENSES (cont'd)

Export Rent Tax

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

Mineral Extraction Tax ("MET")

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

Rent Export Duty Expenditure

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

Property Tax

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

Withholding Tax

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

Notes:

The average of middle rates for RM/USD on the daily basis of the month of December in Malaysia as published by BNM for the FYE 31 December 2019 is as follows:

FYE 31 December 2019	**Average exchange rate (RM/USD): 4.1411**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

RISK FACTORS

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

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

RISK FACTOR	DESCRIPTION	MITIGATION MEASURES
Production Performance	Production performance may drop due to well behaviour.	Optimising production through maximising uptime is administered through a systematic daily well surveillance and regular production analysis. An intensive workover program has been implemented to re-open idle wells and improve existing well productivity. Allocating CAPEX for the implementation of reservoir pressure maintenance through gas or water injection and drilling of new development wells.
Subsoil User Contract ("SUC") Obligations	Failure to meet contractual obligations may lead to licenses terminations (for both production and exploration contracts).	The Group has assigned a team led by the Emir-Oil CFO to monitor the yearly work programme ("WP") and to ensure the WP is aligned with our available resources, business needs, and financial planning while also fulfilling commitments to the Government.
Oil Price Fluctuations	Any adverse movement in oil prices will reduce our profitability and any volatility in the outlook in these commodities will also affect our planning decisions for future investments and production budget.	The Group will continue to study and implement cost reduction measures to lower its production cost base, ensuring financial sustainability in the face of oil price fluctuations and to improve netback per barrel.
Foreign Exchange Rates	Most of the revenue of the PBV Group is denominated in USD, while the production, purchases and other expenses are transacted in KZT. The reporting currency of our Company is in Ringgit Malaysia ("RM"). In view of that, the fluctuation in foreign exchange rates could have a significant adverse effect on the financial results of our enlarged Group with the consolidation of the financial results of the PBV Group. However, this is common in the global oil & gas sector as most of the transactions are conducted in USD.	The Group is constantly alert to its exposure to foreign exchange risks and will consider appropriate financial instruments to hedge against such risk should they exceed the Group's internal risk tolerance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

RISK FACTORS (cont'd)

RISK FACTOR	DESCRIPTION	MITIGATION MEASURES
Assets Integrity	Asset Integrity can be defined as the ability for an asset to perform its required function effectively and efficiently whilst protecting health, safety, and the environment.	An enhanced plant-wide preventive and planned maintenance program will be implemented once the Computerised Maintenance Management System ("CMMS") framework has been finalised. This enhanced program aims to improve the technical integrity of our facilities, including processing systems, pipelines and structures.
Health, Safety, Security & Environmental ("HSSE") Performance	We are potentially exposed to a wide range of HSSE risks given the operating environment, the geographical range and the technical complexity of our operations. Any major HSSE incidents may result in injury or loss of life, asset or environmental damage, financial or reputational impact.	Enhance HSSE visibility and awareness and provide appropriate training to staff to ensure HSSE competence is maintained and, where appropriate, further developed. Our capability to manage our assets safely, securely and with consideration towards the health of our employees, stakeholders and care for the environment is a primary consideration of a host government when allowing us to operate in a jurisdiction.
Strategic Investment	Every business investment carries a risk. We need to do proper due diligence before we venture into a new business segment or acquire a new asset.	Assess growth opportunities through market-back approach. Ensure sufficient pool of projects (as back-up options) in the event the identified projects pursued become unfavourable.
Regulation and Policy	Regulators for listed companies and the energy industries may impose heavier governance and compliance burdens. As we expand our footprint globally, compliance is increasingly a challenge, especially in an environment where laws and regulations are getting more stringent. Any change in laws or regulations may have an impact on our operations or future investment opportunities.	Continue tracking changes in regulatory requirements. Liaise proactively with relevant local authorities (i.e. Republic of Kazakhstan's Ministry of Energy), agencies and service providers to get timely updates on any new regulatory changes.

SUSTAINABILITY STATEMENT

GOVERNANCE STRUCTURE

At Reach Energy, corporate governance is of paramount importance to achieve our agreed goals, control risks and assuring compliance. This is executed through the implementation of our own customs, policies and laws to our employees from the highest to the lowest levels. The Board of Directors oversees and provides policy guidance on the business and affairs of the Group.

Our Board of Directors monitors overall corporate performance, the integrity of the Group's financial controls and the effectiveness of our legal compliance and enterprise risk management programmes. On top of this, our Board of Directors also oversees the Group's strategic and business planning process which is a year-round process culminating in full Board reviews of the Group's updated Strategic Plan, business plan as well as the following year's budget plus key financial and supplemental objectives.

Our sustainability initiatives are led from the top, by the Senior Management, headed by the CEO. Our roles include identifying and approving sustainability targets, developing and implementing sustainability strategies, and evaluating the strategies as well as including new sustainability opportunities at the end of the year. We also ensure processes and controls are in place within respective departments in the organisation to report on performance and targets achieved.

STAKEHOLDER ENGAGEMENT

Stakeholder relations are fundamental for the sustainable growth of our business and therefore we seek to maintain regular and transparent dialogues with these parties. Particularly important are those groups relating primarily to our shareholders and investors, communities, employees and clients. This is due to both their influence on our business and their impact on our operations.

The Group maintains an open and active engagement with our external stakeholders. For one, the Group has in place an outsourced Investor Relations team to help manage the flow of communication between the Group and our stakeholders. Stakeholders are encouraged to send any queries through the contact details on our website. The Group also engages in regular face-to-face meetings with potential investors, fund managers and analysts. The Group also holds an Annual General Meeting where shareholders convene to listen to the annual report of the Group's activities, performance, and business strategies and seek answers to their queries directly from the Board of Directors. The Group is obligated to maintain a good flow of communications through press releases and company announcements via Bursa Malaysia.

OUR FIVE PILLARS OF SUSTAINABILITY

CODE OF CONDUCT

We continue to strive to improve our performance and to act in accordance with good practices and high standards of corporate citizenship. Our Code of Conduct is, therefore, an integral part of the Group's culture to ensure responsible and ethical business practices. We take an active approach to the application of the Code of Conduct, and promote its implementation through the effective communication of its contents to our employees and other stakeholders.

In order to ensure high standards of integrity and to uphold ethical behaviour in the workplace, we have in place a Whistleblowing Policy where employees and others are encouraged to report on any unethical or illicit activities to the Group. The allegations raised will then be reviewed and submitted to the Audit Committee of the Board for further review and any necessary follow-up action.

PROMOTING HEALTH, SAFETY AND SECURITY

We have implemented a proactive Health, Safety, Security and Environment ("HSSE") Policy that helps to eliminate or minimise the risks of accidents and incidents to ensure a safe, secure and healthy workplace. The safe-work practices laid out in our HSSE Policy help ensure that potentially hazardous work, such as electrical work or entry into a confined space, is properly planned, permitted, executed and closed out to prevent any workplace injuries or incidents.

Fundamental to good HSSE performance is experienced personnel in the organisation. We have a robust HSSE Team made up of the Corporate HSSE Manager, Health and Safety Engineer, Ecology Engineers, HSSE Specialist, Security Manager and Field HSSE Coordinators.

SUSTAINABILITY STATEMENT
(cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (cont'd)

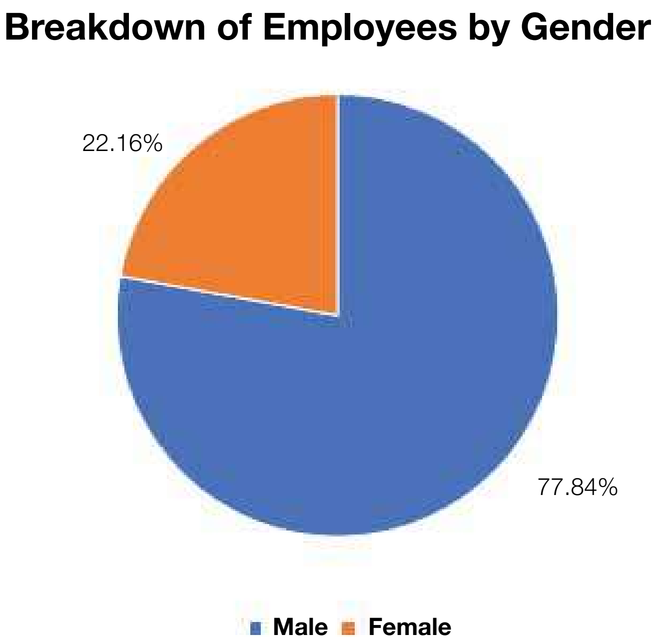
PROMOTING HEALTH, SAFETY AND SECURITY (cont'd)

Our employees and contractors are empowered and expected to discontinue any work that could potentially harm themselves. During the year under review, a series of in-house training programmes on safety and health have been conducted where all our employees were involved. We also provide adequate healthcare such as daily health monitoring in the oilfield and regular medical check-ups involving all our employees.

We have also been increasing awareness on the importance of cybersecurity amongst our employees. We have conducted training in cyber security principles to educate employees on potential threats and ways to avoid putting the Group at risk. We have installed antivirus and antispyware software, which are regularly updated, on every computer used in the Group. As a result of our pre-emptive actions to date, we have had no incidents of any threats in the form of malicious attachments, links to malicious web pages or enticements to perform transactions.

EMPOWERING OUR PEOPLE

We invest in hiring and developing a highly competent workforce that delivers results the right way. As an employer, we constantly nurture the skills and knowledge of our people by providing them with required training and skills development opportunities which include on-the-job training, selected courses, secondment opportunities and mentorship programmes.



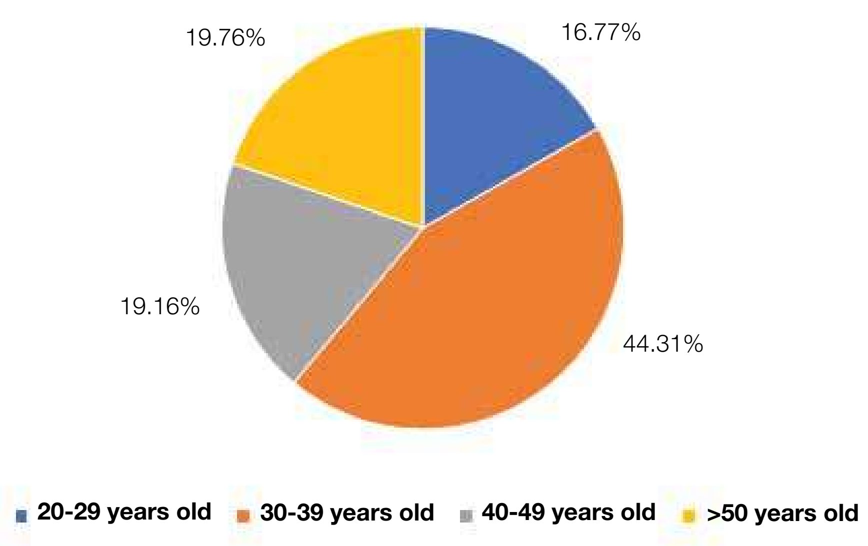
Our strong, multicultural workforce has shaped our company culture and diversity remains at the core of our people policies. An inclusive environment has been created in our workplace in celebration of the different backgrounds, experiences, ideas and perspectives of our people. However, we continue to actively build on diversity with a focus on gender, it is particularly challenging to achieve a satisfactory gender balance in all fields of business activity due to the strong technical focus of the oil and gas industry. This is substantiated by our workforce which in 2019 was made up of 77.84% male and 22.16% female. This represents a decrease in female representation by approximately 1.84% from the previous financial year. However, we continue to support the advancement of women in our industry through initiatives and measures that promote diversity and equal opportunities.

SUSTAINABILITY STATEMENT
(cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (cont'd)

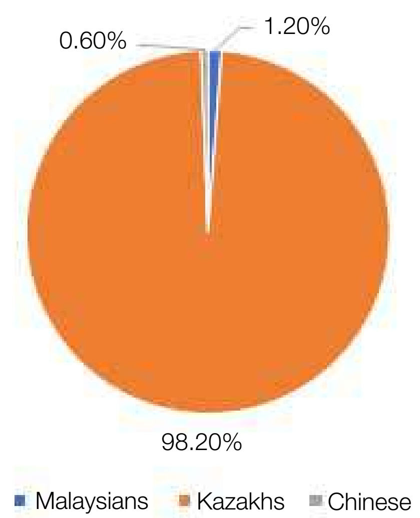
EMPOWERING OUR PEOPLE (cont'd)

Breakdown of Employees by Age Range



In 2019, employees between the ages of 30 to 39 years old made up the majority of our workforce at 44.31%, a decrease of approximately 3.69%, from the previous financial year. Meanwhile, employees aged between 20 to 29 years old made up the smallest segment at 16.77%, remaining fairly unchanged from the previous financial year.

Breakdown of Employees by Nationality



SUSTAINABILITY STATEMENT
(cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (cont'd)

EMPOWERING OUR PEOPLE (cont'd)

As our asset is located in Aktau, Kazakhstan, the majority of our workforce is made up of Kazakhs, which stand at 98.20 %.

For the year under review, the gender representation at the senior management level is represented by 80.00% men and 20.00% women. Out of these numbers, those aged between 40 to 49 years old and those above 50 years old make up the majority at 40.00% each. Meanwhile, those aged between 20 to 29 years old and 30 to 39 years old make up the minority at 10.00% each.

As a business, we have always placed importance on cultivating an ethical and educated workforce with required skills. We continue to provide selected soft-skill and job-related training to all our staff. Of particular mention is the yearly Modular Training we conduct for selected groups of our oilfield staff to enhance their deeper understanding and proper skilling for field operations.

As a multicultural company, embracing and understanding an eclectic mix of cultures is part of our effort to create a cohesive and productive workforce. In order to achieve this, we had throughout the year hosted a variety of employee engagement activities such as festival celebrations and team get-togethers which help to sustain morale and improve interpersonal relationships of our employees across all levels in the organisation. For the year under review, we celebrated, in particular, Nauryz or the Kazakh New Year, Independence Day, International Women's Day, Defender of the Fatherland Day and Oilman's Day. During these celebrations, tokens of appreciation in the form of Kazakhstani Tenge ("KZT") 5,000 (RM55.30) gift certificates totalling to KZT365,000 (RM4,036.68) were presented to approximately 73 employees. We also awarded cash bonus consideration to 22 employees amounting to KZT285,000 (RM3,151.93), together with letters of appreciation, for their good performance.

Reaching out to the families of our employees is one way of nurturing employee productivity and commitment. As such, we organised a summer learning programme for selected 10 children of our selected employees' children and sent them to Kuala Lumpur. The objectives of the programme were to expose them to different cultures and societal norms as well as to learn English. During the trip, the children learnt English from appointed teachers and were also taken around Kuala Lumpur and other areas where they participated in a host of sports and social activities. This gesture was received well by our staff.

PROTECTING THE ENVIRONMENT

We are well aware that our operations pose risks to the environment and can have an adverse impact on it. In light of factors such as climate changes, air quality, any oil spills and the use of natural resources, we had continued to take into account environmental needs through stricter means of self-regulation while simultaneously abiding with Kazakhstan's regulation on environmental protection. We had in 2019 attempted to minimise our use of fresh water and the emission of greenhouse gases, to conserve biodiversity as well as to reduce energy use.

In our business of oil and gas production, emission of greenhouse gases, including carbon dioxide, methane, and nitrous oxide occur naturally. In 2019, the amount of greenhouse gases our operations emitted are shown in the table below:

SUSTAINABILITY STATEMENT (cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (cont'd)

PROTECTING THE ENVIRONMENT (cont'd)

Gas

	2019
Methane (C1)	23 ,974 tonnes of CO2e
Nitrogen Oxide	5.7 tonnes of CO2e
Carbon Dioxide	93.1 tonnes of CO2e
Perfluorocarbons	8,418.6 tonnes of CO2e

Many of our core activities at the Emir-Oil fields also generate emissions such as inorganic dust among other things. For the year under review, our operations emitted a total of 0.027018 mg of inorganic dust comprising 20% to 70% silica and 0.7166129 mg of inorganic dust comprising below 20% silica. As we move on to another year of sustainable operations, we will remain vigilant of our environmental responsibility through unceasing learning and adaptation of our operations in order to offset or mitigate any environmental impact in the future.

In 2019, we disposed of 3,466 cubic metre ("m^3") domestic sewage, with an increase of 141.5% as compared to last year's generation of domestic sewage which stood at 1,435 m^3. Meanwhile, we had also discharged approximately 4,220 tonnes of associated oil water, 35.6% lower than the previous year's 6,553 tonnes. We had also returned 53 tonnes 750 grams of waste materials to the landfill for disposal. This is a reduction of 96.37% from the preceding year. We consumed a total of 17,015 m^3 of water, of which 9,452 m^3 was used in our operations and the balance was used for drinking.

Conservation of the ecosystem and promotion of biodiversity remain important to the Group. In this respect, conservation shall remain a priority in spite of our intensive development efforts. In line with this, we had identified six significant operating sites, namely, Aksaz, North Kariman, Dolinnoe, Yessen, Emir and Kariman, where biodiversity risks have been assessed and monitored. We have also identified the Kariman water accumulations as an area of high biodiversity conservation significance due to our main oil producing activities in that field. To-date, our operations do not have any significant impact on the biodiversity surrounding the area. All our operations are run in accordance with the ecology permits and requirements.

In spite of embedding and monitoring closely a comprehensive Legal & Regulatory Compliance Programme, the Group recorded a total fine of KZT568,125.00 (RM6,226.69) for non-compliance with environmental laws and regulations during the year 2019.

SUPPORTING LOCAL COMMUNITIES

We recognise that as part of a global community, we have an obligation to bring about positive changes to the lives of the local communities where we operate. In 2019, Goods, Works & Services ("GWS") purchased through our tender process amounted to 86.00% in value from local contractors and suppliers.

In terms of workforce, 100% of our Field staff, who make up 65% of our total staffing number, are from the surrounding communities where we operate.

MOVING FORWARD

The 2019 Sustainability Statement, our third such report, shows notable improvement in the five pillars of our sustainability initiatives. It also includes details of our social, safety, and environmental performance in 2019. Moving forward, we aim to gradually and consistently improve our sustainability approach by defining clearer and more specific goals, developing and implementing a proper sustainability action plan as well as engaging our employees to help further our sustainability agenda.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

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 15. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year attributable to:		
- Owners of the Company	128,403	6,974
- Non-controlling interest	51,711	–
Loss for the financial year	180,114	6,974

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid
Shahul Hamid Bin Mohd Ismail
Izlan Bin Izhab
Nik Din Bin Nik Sulaiman
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin
Ikram Iskandar Bin Abd Rahim (Appointed on 18 September 2019)
Ku Azhar Bin Ku Akil (Appointed on 4 May 2020)

In accordance with Clause 86 of the Constitution of the Company, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid and Nik Din Bin Nik Sulaiman retire at the forthcoming Seventh Annual General Meeting and, being eligible, offers themselves for re-election.

In accordance with Clause 91 of the Constitution of the Company, Ikram Iskandar Bin Abd Rahim and Ku Azhar Bin Ku Akil retire at the forthcoming Seventh Annual General Meeting and, being eligible, offers themselves for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except that certain Directors received remuneration from its related corporations.

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares/warrants			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	806,000	175,000	–	981,000
- warrants	1,000,000	–	–	1,000,000
Nik Din Bin Nik Sulaiman	400,000	–	–	400,000
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	43,631,400	–	–	43,631,400
Deemed interest/Indirect interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	255,600,200*	–	(127,800,100)	127,800,100
- warrants	255,600,000**	–	(125,000,000)	130,600,000
Nik Din Bin Nik Sulaiman				
- ordinary shares	350,000***	–	–	350,000
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin				
- ordinary shares	2,000,000****	–	(2,000,000)	–
- warrants	2,000,000****	–	(2,000,000)	–
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid				
- ordinary shares	40,000,000*****	–	–	40,000,000
- warrants	40,000,000*****	–	–	40,000,000

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

* Includes deemed interest by virtue of the interest in Reach Energy Holdings Sdn. Bhd., via nominee shareholders pursuant to Section 8(4)(a) of the Companies Act 2016.

** Deemed interest by virtue of his interests in Reach Energy Holdings Sdn. Bhd. pursuant to Section 8(4)(a) of the Companies Act 2016.

*** Indirect interest by virtue of the interest of his spouse, Nik Aminah Binti Nik Abdullah pursuant to Section 59(11)(c) of the Companies Act 2016.

**** Deemed interest by virtue or his directorship in Malene Insurance Brokers Sdn. Bhd. pursuant to Section 8(4)(a) of the Companies Act 2016.

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

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

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial period. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2019.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 12 to the financial statements. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company was RM5,020,000.

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (CONTINUED)

(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) except as disclosed in Note 33 of the financial statements, 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 2019
(cont'd)

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

AUDITORS

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

This report was approved by the Board of Directors on 12 June 2020.

Signed on behalf of the Board of Directors:

SHAHUL HAMID BIN MOHD ISMAIL
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

Kuala Lumpur

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	6	170,812	220,284	–	–
Operating expenses					
Taxes other than income taxes	7	(55,635)	(74,578)	–	–
Purchases, services and other direct costs		(34,790)	(30,231)	–	–
Geological and geophysical expense		–	284	–	–
Depreciation, depletion and amortisation	16	(91,135)	(59,902)	(255)	(22)
Impairment of non-financial assets		(79,223)	–	–	–
Distribution expense		(18,153)	(25,673)	–	–
Employee compensation costs	8	(14,012)	(14,300)	(5,050)	(4,613)
General and administrative expenses		(7,880)	(8,781)	(2,122)	(2,729)
Net reversal/(loss) on impairment of financial instruments		217	(455)	–	–
Other operating (expenses)/income – net	9	3,724	1,223	14	(8)
Total operating expenses		(296,887)	(212,413)	(7,413)	(7,372)
(Loss)/profit from operations		(126,075)	7,871	(7,413)	(7,372)
Finance income	10	2,407	8,671	495	791
Finance cost	10	(69,434)	(55,249)	(56)	–
Finance (cost)/income – net	10	(67,027)	(46,578)	439	791
Loss before income tax	11	(193,102)	(38,707)	(6,974)	(6,581)
Income tax benefit/(expense)	13	12,988	(17,318)	–	–
Loss for the financial year		(180,114)	(56,025)	(6,974)	(6,581)
Loss attributable to:					
Owners of the Company		(128,403)	(41,727)	(6,974)	(6,581)
Non-controlling interests		(51,711)	(14,298)	–	–
Loss for the financial year		(180,114)	(56,025)	(6,974)	(6,581)
Basic loss per ordinary share (RM)	14	(0.12)	(0.04)		
Diluted loss per ordinary share (RM)	14	(0.12)	(0.04)		

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss for the financial year		(180,114)	(56,025)	(6,974)	(6,581)
Other comprehensive income, net of tax					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(997)	4,999	–	–
Total comprehensive expense for the financial year		(181,111)	(51,026)	(6,974)	(6,581)
Total comprehensive expense attributable to:					
Owners of the Company		(129,001)	(38,360)	(6,974)	(6,581)
Non-controlling interests		(52,110)	(12,666)	–	–
Total comprehensive expense for the financial year		(181,111)	(51,026)	(6,974)	(6,581)

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	15	–	–	610,037	610,037
Property, plant and equipment	16	1,425,941	1,577,947	14	18
Right use of asset	17	5,856	–	343	–
Intangible assets		1,705	2,067	–	–
Prepayments and other receivables	18	7,402	2,357	–	–
Restricted cash	20	6,860	6,936	–	–
		1,447,764	1,589,307	610,394	610,055
CURRENT ASSETS					
Inventories		3,553	3,073	–	–
Prepayments and other receivables	18	16,743	13,233	178	206
Trade receivables	19	296	14,241	–	–
Amount due from subsidiary	21	–	–	3,003	1,715
Amount due from corporate shareholder in a subsidiary	21	3,237	2,080	3,237	2,080
Amount due from corporate shareholder	21	–	209	–	209
Deposits, cash and bank balances	20	35,958	49,007	9,590	18,340
Tax recoverable		–	164	–	164
		59,787	82,007	16,008	22,714
CURRENT LIABILITIES					
Trade payables	26	42,399	33,026	–	–
Accruals and other payables	27	18,025	17,822	1,146	901
Lease liabilities	17	912	–	249	–
Amounts due to corporate shareholder in a subsidiary	21	8,149	306,686	–	–
Tax payable		3,513	4,439	–	–
		72,998	361,973	1,395	901
NET CURRENT (LIABILITIES)/ ASSETS		(13,211)	(279,966)	14,613	21,813
TOTAL ASSETS LESS CURRENT LIABILITIES		1,434,553	1,309,341	625,007	631,868

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
NON CURRENT LIABILITIES					
Deferred tax liabilities	25	108,756	123,672	–	–
Amounts due to corporate shareholder in a subsidiary	21	617,131	293,534	–	–
Trade payables	26	22,356	22,350	–	–
Accruals and other payables	27	864	2,112	–	–
Lease liabilities	17	4,859	–	113	–
Provisions	28	5,738	13,533	–	–
		759,704	455,201	113	–
NET ASSETS		674,849	854,140	624,894	631,868
EQUITY					
Capital	23	488,975	488,975	488,975	488,975
Other reserves	24	176,108	258,388	199,735	199,735
(Accumulated losses)/ Retained earnings		(184,106)	(55,703)	(63,816)	(56,842)
Equity attributable to owners of the company		480,977	691,660	624,894	631,868
Non-controlling interests		193,872	162,480	–	–
TOTAL EQUITY		674,849	854,140	624,894	631,868

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

		Attributable to owners of the Company								
	Note	Capital RM'000	Warrant reserve RM'000	Share based payment reserve RM'000	Foreign exchange reserve RM'000	Capital contribution RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
As at 1 January 2018		488,975	198,914	821	(26,396)	14,403	(13,976)	662,741	175,146	837,887
Loss for the financial year		–	–	–	–	–	(41,727)	(41,727)	(14,298)	(56,025)
Other comprehensive income-net of tax										
- Foreign currency translation		–	–	–	3,367	–	–	3,367	1,632	4,999
- Gain from extinguishment of debt		–	–	–	–	67,279	–	67,279	–	67,279
Total comprehensive income/ (expense) for the financial year		–	–	–	3,367	67,279	(41,727)	28,919	(12,666)	16,253
As at 31 December 2018	23, 24	488,975	198,914	821	(23,029)	81,682	(55,703)	691,660	162,480	854,140

The notes set out on pages 54 to 109 form an integral part of these financial statements.

REACH ENERGY

COMPANY STATEMENT
OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		←		Non-distributable		→	
	Note	Capital RM'000	Capital redemption reserve RM'000	Warrant reserve RM'000	Share based payment reserve RM'000	Accumulated losses RM'000	Total RM'000
Company							
As at 1 January 2019		488,975	–	198,914	821	(56,842)	631,868
Total comprehensive expense/ loss for the financial year		–	–	–	–	(6,974)	(6,974)
As at 31 December 2019	23, 24	488,975	–	198,914	821	(63,816)	624,894
As at 1 January 2018		488,975	–	198,914	821	(50,261)	638,449
Total comprehensive expense/ loss for the financial year		–	–	–	–	(6,581)	(6,581)
As at 31 December 2018	23, 24	488,975	–	198,914	821	(56,842)	631,868

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loss before income tax		(193,102)	(38,707)	(6,974)	(6,581)
Adjustments for:					
Depreciation, depletion and Amortisation		91,135	59,902	255	22
Impairment of non-financial assets		79,223	–	–	–
Unrealised foreign exchange loss/(gain)		5,463	(12,273)	(10)	(5)
Finance cost		63,971	55,249	56	–
Finance income		(2,407)	(1,645)	(485)	(785)
Change in estimate of asset retirement obligations		(4,608)			
Loss in disposal of assets		472	668	–	–
Write off of inventory		357	1,454	–	–
Write off of property, plant and equipment		429	155	–	–
Impairment charge/(reversal) of:					
- trade receivable		15	–	–	–
- cash and bank balances		(232)	455	–	–
Net provision for inventory obsolescence		832	1,497	–	–
		41,548	66,755	(7,158)	(7,349)
Changes in working capital:					
Inventories		(1,730)	2,822	–	–
Trade receivables		13,726	400	–	–
Prepayment and other receivables		(8,847)	4,445	29	(5)
Trade payables		9,098	(3,727)	–	–
Other payables and accruals		(858)	(12,864)	245	(65)
Amount due from corporate shareholder in a subsidiary		(1,158)	417	(1,158)	(1,409)
Cash flows generated/(used in) from operating activities		51,779	58,248	(8,042)	(8,828)
Income tax refund/(paid)		164	(11)	164	(11)
Net cash generated/(used in) from operating activities		51,943	58,237	(7,878)	(8,839)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(36,814)	(35,014)	(9)	(5)
Finance income received		1,634	2,837	485	785
Advances to a subsidiary		–	–	(1,288)	443
Advances to corporate shareholder		–	(36)	209	(36)
Movement in restricted cash		–	546	–	–
Net cash (used in)/generated from investing activities		(35,180)	(31,667)	(603)	1,187

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(2,914)	(2,596)	–	–
Payment of amount due to corporate shareholder in a subsidiary		(25,866)	(1,738)	–	–
Payment of lease interest		(62)	–	(56)	–
Payment of lease principal		(451)	–	(223)	–
Net cash used in financing activities		(29,293)	(4,334)	(279)	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(12,530)	22,236	(8,760)	(7,652)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		49,007	27,519	18,340	25,987
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(519)	(748)	10	5
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	20	35,958	49,007	9,590	18,340

The notes set out on pages 54 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

(cont'd)

Reconciliation of liabilities arising from financing activities:

2019

	At 1.1.2019 RM'000	Cash flows RM'000	Non-cash changes: Interest expense RM'000	Non-cash changes: Capital contribution RM'000	Non-cash changes: Others RM'000	At 31.12.2019 RM'000
Group						
Amount due to corporate shareholder in a subsidiary	600,220	(28,780)	60,695	–	(6,855)*	625,280
Lease liabilities	585	(513)	62	–	5,637**	5,771
Total liability arising from financing activities	600,805	(29,293)	60,757	–	(1,218)	631,051

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

	At 1.1.2019 RM'000	Cash flows RM'000	Non-cash changes: Interest expense RM'000	Non-cash changes: Capital contribution RM'000	Non-cash changes: Others RM'000	At 31.12.2019 RM'000
Company						
Lease liabilities	585	(279)	56	–	–	362

2018

	At 1.1.2018 RM'000	Cash flows RM'000	Non-cash changes: Interest expense RM'000	Non-cash changes: Capital contribution RM'000	Non-cash changes: Others RM'000	At 31.12.2018 RM'000
Group						
Amount due to corporate shareholder in a subsidiary	604,815	(4,334)	53,342	(67,279)	13,676	600,220
Total liability arising from financing activities	604,815	(4,334)	53,342	(67,279)	13,676	600,220

The notes set out on pages 54 to 109 form an integral part of these financial statements.

1 GENERAL INFORMATION

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

Principal place of business

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

Registered office

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

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.

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 15. There has 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 12 June 2020.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

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 judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding that the Group and the Company incurred losses after tax of RM180.1 million and RM7.0 million respectively for the financial year ended 31 December 2019. At that date, the Group's current liabilities exceeded its current assets by RM13.2 million.

As disclosed in Note 33, the wide spread of the coronavirus pandemic, also known as Covid-19, coupled with the decline in crude oil price have resulted in lower sales volume and revenue which ultimately led to challenges for the Group and the Company to generate positive internal cash flows. In order to strengthen the Group and the Company's cash positions for the next 12 months from the reporting date, the Directors have undertaken initiatives to secure external financing. At present, the Group has received an offer from a financial institution and is in negotiations with other external parties, including the financial institution, on the financing arrangements.

The Directors believe that the Group will be able to conclude on these financing arrangements by securing its assets against such financing, if needed. In view of this, they are confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above, the Directors acknowledge that there remain uncertainties over the ability of the Group and the Company to generate the necessary cash flows to discharge their liabilities in the normal course of business. These uncertainties revolve mainly around the impact of Covid-19 to the industry and the volatility of oil prices.

The above-mentioned conditions are material uncertainties that may cast significant doubt on the Group and the Company's ability to continue as a going concern. However, with the ongoing negotiations of the financing arrangements as described above which are expected to be in place for the Group in the next financial year, the Directors have a reasonable expectation that the Group and the Company will be able to generate sufficient cash flows to discharge their liabilities in the normal course of business.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

3.1.1 New standard, interpretation, improvements and amendments to published standards that are effective and applicable to the Group and the Company

The Group and the Company have applied the following new standard, interpretation, improvements and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group and the Company have applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company are lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IFRIC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

The Group and the Company have elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IFRIC Interpretation 4.

The practical expedient and detailed impact of change in accounting policies are set out in Note 32. Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

A number of amendments to standards are effective for financial year beginning after 1 January 2020. None of these are expected to have a significant effect on the Group and the Company

- Amendments to Reference to the Conceptual Framework in MFRS Standards are to update the references and quotations in these Standards so as to clarify the version of the Conceptual Framework these Standards refer to.

  The Revised Conceptual Framework for Financial Reporting comprises of a comprehensive set of concepts for financial reporting. It is built on the previous version issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful information are limited, but with improved wording to give more prominence to the importance of providing information needed to assess management's stewardship of the entity's economic resources.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (continued)

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

- The amendments to the following Standards are as follows:
  - Amendment to MFRS 3 'Business Combinations'
  - Amendments to MFRS 101 'Presentation of Financial Statements' ('MFRS 101')
  - Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' ('MFRS 108')
  - Amendments to MFRS 134 'Interim Financial Reporting' ('MFRS 134')
  - Amendment to MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' ('MFRS 137')
  - Amendment to MFRS 138 'Intangible Assets' ('MFRS 138') Amendment to IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' ('IC 19')
  - Amendment to IC 22 'Foreign Currency Transactions and Advance Considerations'
  - Amendments to IC Interpretation 132 'Intangible Assets - Web Site Costs' ('IC 132')

  The amendments are effective for annual periods beginning or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by Amendments to References to the Conceptual Framework in MFRS Standards.

  These amendments shall be applied prospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2022) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

These amendments are not expected to have a material impact on the Group and the Company in the current reporting period.

3.2 Consolidation and subsidiaries

(a) Consolidation

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation and subsidiaries (continued)

(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.

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Consolidation and subsidiaries (continued)

(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.

3.3 Segment reporting

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

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

3.4 Foreign exchange currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Foreign exchange currency (continued)

(c) Group companies

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

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

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

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

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

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

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

3.5 Property, plant and equipment

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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 reserve estimates represent crude oil and gas which management believes can be reasonably produced within the current terms of their production agreements.

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

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

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

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

3.6 Exploration and evaluation expenditure

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets

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

3.8 Impairment of non-financial assets

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

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

3.9 Financial assets

(a) Classification

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

(b) Recognition and de-recognition

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

(c) Measurement

(i) Initial recognition

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

(ii) Subsequent measurement

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

(d) Impairment

Impairment of debt instruments

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

The following financial instruments are subject to the ECL model:

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

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

The measurement of ECL reflects:

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

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

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

Significant increase in credit risk

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (continued)

(d) Impairment (continued)

The following indicators are incorporated:

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

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

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

Definition of default and credit-impaired financial assets

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

- Quantitative criteria: The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment when they fall due.

Write-off

Trade receivables

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

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

Non-trade receivables

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities

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

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

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

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

3.11 Offsetting financial instruments

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

3.12 Inventories

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

3.13 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.

3.14 Share capital

(i) Classification

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Share capital (continued)

(ii) Share issue costs

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

(iii) Dividend distribution

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

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

(iv) Warrants reserve

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

(v) Share-based payment reserve

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

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

3.15 Current and deferred income tax

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

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current and deferred income tax (continued)

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

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

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

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

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

3.16 Provisions

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Provisions (continued)

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 recognised as accretion expense in the profit or loss under finance cost. This accretion expense is recognised based on the effective interest method during the useful life of the related oil and gas properties.

The effects of foreign exchange differences resulted from the re-measurement of ARO in foreign currencies is 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.

3.17 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Employee benefits (continued)

(iii) Termination benefits

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

3.18 Revenue recognition

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

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

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

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

3.19 Interest income

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

3.20 Borrowing costs

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leases

The Group and the Company's leasing activities mainly comprise of rental of office spaces and operating equipment. MFRS 16 replaces the guidance in MFRS 117 "Leases" ("MFRS 117") and resulted in changes in accounting policies and valuation of rental and lease contracts which were previously classified as operating leases, to the recognition of right-of-use ("ROU") assets and corresponding lease liabilities

Accounting policies applied from 1 January 2019

(i) The Group and the Company as a lessee

On 1 January 2019, ROU asset and a corresponding liability are recognised for leased assets that are available for use by the Group and the Company.

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leases (continued)

Accounting policies applied from 1 January 2019 (Continued)

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

Lease liabilities

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

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

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

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

Some leases contain variable payment terms that are linked to revenue share generated from sales of advertisement. Variable lease payments that depend on revenue share are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Contract liabilities

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

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

3.23 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

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(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

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

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

(a) Market risk

(i) Foreign exchange risk

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

	Denominated in KZT		Denominated in USD	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Financial assets				
Restricted cash	6,860	6,936	–	–
Other receivables	3,051	1,276	–	–
Trade receivables	321	827	–	–
Cash and cash equivalents	795	957	18	18
Amount due from corporate shareholder in a subsidiary	–	–	3,237	2,080
	11,027	9,996	3,255	2,098
Financial liabilities				
Trade payables	52,981	45,045	–	–
Lease liabilities	5,409	–	–	–
Accruals and other payables	2,236	3,687	–	–
Amount due to corporate shareholder in a subsidiary	–	–	216,100	205,604
	60,626	48,732	216,100	205,604
Company				
Financial asset				
Cash and cash equivalents	–	–	18	18
Amount due from corporate shareholder in a subsidiary	–	–	3,237	2,080
	–	–	3,255	2,098

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 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 after taxation. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Effect on profit/(loss) after taxation and equity Company	
	2019 RM'000	**2018 RM'000**
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	325	210
- 10%	(325)	(210)

	Effect on profit/(loss) after taxation and equity Group	
	2019 RM'000	**2018 RM'000**
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	(21,285)	(20,351)
- 10%	21,285	20,351
Increase/Decrease in foreign exchange rate		
KZT strengthened/weakened by:		
+ 10%	(4,960)	(3,873)
- 10%	4,960	3,873

(ii) Interest rate risk

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

(iii) Price risk

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a certain period before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

The Group has one customer which in aggregate accounts for more than 85% (2018: 87%) of the Group's revenue and as such, has concentration of credit risk for its trade 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 Mangistau region of Western Kazakhstan.

Other receivables

Credit risk of other receivables are mainly arising from interest receivables from financial institutions which are low risk.

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

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

Other receivables are assessed using the 12-month ECL methodology under Stage 1 as they are low risk and performing. On that basis, there is no impairment recognised during the year.

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

The Group and the Company enter into trade and non-trade transactions with its subsidiary, corporate shareholder and corporate shareholder in a subsidiary. As at 31 December 2019, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk

Amount due from subsidiary, corporate shareholder and corporate shareholder in a subsidiary (continued)

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

These intercompany balances are assessed using the 12 months ECL methodology under Stage 1 as they are low risk and performing. On that basis, there is no impairment recognised during the year.

Deposits, cash and bank balances

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

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

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

(c) Liquidity risk

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

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

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

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(cont'd)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Carrying amount RM'000	Contractual undiscounted cash flows: 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						
2019						
Trade payables	64,755	42,399	23,506	–	–	65,905
Accruals and other payables (excluding statutory liabilities)	4,613	3,581	796	361	–	4,738
Amount due to corporate shareholder in a subsidiary	625,280	8,149	344,410	290,909	406,188	1,049,656
Lease liabilities	5,771	1,021	951	2,505	9,810	14,287
2018						
Trade payables	55,376	33,026	22,350	–	–	55,376
Accruals and other payables (excluding statutory liabilities)	6,148	4,076	1,200	2,328	–	7,604
Amount due to corporate shareholder in a subsidiary	600,220	331,187	–	285,247	440,714	1,057,148
Company						
2019						
Accruals and other payables (excluding statutory liabilities)	899	899	–	–	–	899
Lease liabilities	362	278	116	–	–	394
2018						
Accruals and other payables (excluding statutory liabilities)	703	703	–	–	–	703

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation

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

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
At 31 December 2019				
Trade payables	22,356	22,580	–	–
Amount due to corporate shareholder in a subsidiary	625,280	701,369	–	–
Lease liabilities	5,771	5,072	362	377
At 31 December 2018				
Trade payables	22,350	20,081	–	–
Amount due to corporate shareholder in a subsidiary	600,220	652,188	–	–

Valuation principles

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

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

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

Valuation technique

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Capital risk management

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

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

The Debt over EBITDA ratios of the Group as follows:

	2019 RM'000	2018 RM'000
Total borrowings	625,280	600,220
Loss before income tax	(193,102)	(38,707)
Finance income	(2,407)	(8,671)
Finance cost	69,434	55,249
Depreciation, depletion and amortisation	91,135	59,902
EBITDA	(34,940)	67,773
Debt over EBITDA ratio	(17.90)	8.86

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimation of proved and probable oil reserves

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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 estimates. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

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

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

Changes to the Group's estimates of proved-plus-probable developed reserves also affect the amount of depreciation, depletion and amortisation recorded in the financial statements for property, plant and equipment. These changes can, for example, be the result of production and revisions. A reduction in proved-plus-probable reserves will increase the rate of depreciation, depletion and amortisation charges (assuming constant production) and reduce income. If the proved-plus-probable developed reserve estimates increase by 10% the depreciation, depletion and amortisation charges will decrease by RM7,368,714. Decreasing the proved-plus-probable developed reserve estimates by 10% will increase the depreciation, depletion and amortisation charges by RM7,334,823.

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

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

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

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

(c) Impairment of property, plant and equipment

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Exploration and evaluation expenditure

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

(e) 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 judgement 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 judgement. 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 the Company are of the opinion that there are no probable liabilities 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.

The Group used the most recent Government bonds (2018: Government bonds) interest rate as the basis to calculate the discount rate to determine the present value of the cash flows. The discount rate of 2019 ranges from 5.3% to 8.6% (2018: 5.5% to 8.8%). A 2% increase in discount rate will reduce the provision by RM1.2 million. A 2% decrease in discount rate will increase the provision by RM1.5 million.

(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 recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Impairment of investment in subsidiaries

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

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

6 REVENUE

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Sales of crude oil	167,927	216,876	–	–
Sales of gas	2,885	3,408	–	–
	170,812	220,284	–	–

7 TAXES OTHER THAN INCOME TAXES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Rent export tax	22,534	30,954	–	–
Rent export duty expenditure	19,775	25,560	–	–
Mineral extraction tax	9,026	12,624	–	–
Property tax	4,300	5,440	–	–
	55,635	74,578	–	–

8 EMPLOYEE COMPENSATION COSTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages, salaries and allowances	12,422	11,050	3,949	3,753
Welfare and other expenses*	1,590	3,250	1,101	860
	14,012	14,300	5,050	4,613

*Includes share based payment disclosed in Note 24 (b).

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9 OTHER OPERATING INCOME/(EXPENSES) – NET

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Write off of inventory	(357)	(1,454)	–	–
Write off of property, plant and equipment	(429)	(155)		–
Foreign exchange (expense)/gain on operation - net	(749)	5,182	14	(8)
Net provision for inventory obsolescence	(832)	(1,497)	–	–
Others	1,483	(853)	–	–
Change in estimate of asset retirement obligations	4,608	–	–	–
	3,724	1,223	14	(8)

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

10 FINANCE (COSTS)/ INCOME – NET

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income				
Profit income from deposits with licensed islamic banks	485	824	485	785
Interest income from deposits with other licensed banks	1,140	784	–	–
Foreign exchange gain	772	7,026	10	6
Other finance income	10	37	–	–
Finance income	2,407	8,671	495	791
Finance costs				
Interest expenses on loan from corporate shareholder (Note 21)	(35,328)	(33,381)	–	–
Interest expense on deferred consideration (Note 21)	(25,367)	(19,961)	–	–
Accretion of asset retirement obligations (Note 28)	(1,026)	(808)	–	–
Other finance cost	(454)	(1,046)	(56)	–
Foreign exchange loss	(5,463)	(53)	–	–
Net loss on modification of loan	(1,796)	–	–	–
Finance costs	(69,434)	(55,249)	(56)	–
	(67,027)	(46,578)	439	791

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

11 LOSS BEFORE INCOME TAX

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loss before taxation is arrived at after charging/(crediting):				
Auditor remuneration:				
- Statutory audit fees				
- PricewaterhouseCoopers, Malaysia	348	321	286	289
- Member firm of PricewaterhouseCoopers International Limited*	600	561	–	–
- Non audit fees:				
- Member firm of PricewaterhouseCoopers International Limited*	35	46	–	–
Employee compensation cost (Note 8)	14,012	14,300	5,050	4,613
Depreciation:				
-Property, plant and equipment (Note 16)	90,705	59,843	13	22
-Right of use (Note 17)	366	–	242	–
Amortisation of intangible assets	64	59	–	–
Professional fees	2,320	2,728	1,328	1,597
Realised foreign exchange loss/(gain)	1,521	(23)	14	(8)
Unrealised foreign exchange loss/(gain)	3,071	(12,280)	10	(5)
Office rental	–	373	–	285
Expenses arising from leases:				
- short term leases				
• Premises	604	596	–	–
- low-value assets leases				
• Office equipment	18	–	18	–

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

12 DIRECTORS' REMUNERATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' fee	290	285	290	285
Salaries, wages and bonus	1,912	1,589	1,912	1,589
Defined contribution plans	205	170	205	170
	2,407	2,044	2,407	2,044

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13 INCOME TAX EXPENSE/(BENEFIT)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current income tax				
Malaysian income tax:				
- Current year	–	–	–	–
- Over accrual in prior year	–	–	–	–
Foreign income tax:				
- Current year	954	1,729	–	–
- Under provision prior year	–	624	–	–
	954	2,353	–	–
Deferred tax (benefit)/expense				
Origination and reversal of temporary difference	(21,521)	14,965	–	–
Under-accrual from prior financial years	7,579	–	–	–
	(12,988)	17,318	–	–

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss before income tax	(193,102)	(38,707)	(6,974)	(6,581)
Tax calculated at the statutory tax rates of 24% (2018: 24%)	(46,345)	(9,290)	(1,674)	(1,579)
Tax effects of:				
- Income not subject to tax	(1,013)	(13,764)	(9)	(8)
- Expenses not deductible for tax purposes	18,133	30,331	1,683	1,587
- Difference in overseas tax rates and tax base	7,236	80	–	–
- Re-measurement of deferred tax due to change in the excess profit tax rate	(1,103)	13,332	–	–
- Effect of foreign exchange movement	2,525	(3,371)	–	–
- Temporary differences in respect of prior year	7,579	–	–	–
Income tax (benefit)/expense	(12,988)	17,318	–	–

14 LOSS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit or loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019	**2018**
Loss attributable to ordinary shareholders (RM'000)	(128,403)	(41,727)
Weighted average number of ordinary shares ('000)	1,096,412	1,096,412
Basic loss per ordinary share (RM)	(0.12)	(0.04)
Diluted loss per ordinary share (RM)	(0.12)	(0.04)

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

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

Diluted earnings per ordinary share

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

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

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Unquoted shares - at cost*	–	–
Cost of investment	25,646	25,646
Capital contributions to a subsidiary	584,391	584,391
	610,037	610,037

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest 2019 %	Group's interest 2018 %	Country of incorporation	Principal activities
Reach Energy Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding company
Subsidiary held through Reach Energy Ventures Sdn. Bhd.				
Palaeontol B.V.	60	60	Netherlands	Investment holding company
Subsidiary held through Palaeontol B.V.				
Emir Oil LLP**	100	100	Republic of Kazakhstan	Exploration, development, production and sale of crude oil and other petroleum products

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

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

<u>Summarised financial information for subsidiary</u>

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

<u>Summarised statement of financial position</u>

	2019 RM'000	2018 RM'000
Non-current assets	1,447,407	1,589,288
Current assets	34,163	60,960
Current liabilities	(65,696)	(359,792)
Non-current liabilities	(931,195)	(249,596)
Net assets	484,679	1,040,860
Accumulated non-controlling interests	193,872	416,344

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised statement of comprehensive income

	2019 RM'000	2018 RM'000
Revenue	170,812	220,284
Loss for the financial year	(129,279)	(35,746)
Loss allocated to non-controlling interests	(51,711)	(14,298)

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

Summarised statement of cash flows

	2019 RM'000	2018 RM'000
Net cash generated from operating activities	34,100	63,844
Net cash used in investing activities	(36,778)	(32,269)
Net cash used in financing activities	(13,148)	(1,738)
Exchange differences	(1,046)	(747)
Net (decrease)/increase in cash and cash equivalents	(16,872)	29,090

Impairment assessment of investment in REVSB

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

The recoverable amount of investment in REVSB is determined based on the FVLCD method. The key assumptions used in determining the recoverable amount is as follows:

	2019	2018
Period of projection	2020 – 2036	2019 - 2036
Selling price	USD63 – USD91	USD63 – USD94
Reserves volume	57.5 MMBbl	75.3 MMBbl
Inflation rate (USD)	1.8% - 2.5%	2.1% - 2.4%
Inflation rate (KZT)	2.2% - 5.8%	2.2% - 7.2%
Cost of equity (USD)	15.30%	13.11%
Cost of equity (KZT)	19.10%	14.11%
Capital expenditure	USD227.6 million	USD200.4 million
Repayment of debt	Over the projection period	Over the projection period

The Company did not record an impairment as the carrying value of the investment exceeds its recoverable amount.

The Company's review includes an impact assessment of changes in key assumptions. If the average oil price had been USD7/bbl lower than management's estimates, it would result in an impairment of RM40.6 million to the investment.

Other than the above, the Directors concluded that no reasonable change in the base case assumptions would cause the carrying amount of the investment to exceed its recoverable amount.

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16 PROPERTY, PLANT AND EQUIPMENT

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

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Buildings and leasehold improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
Group							
2018							
Cost							
At 1 January	65,809	1,240,595	7,497	7,836	63	315,685	1,637,485
Additions	23,208	3,960	9	726	–	13,443	41,346
Disposal	(652)	–	–	–	–	(1,166)	(1,818)
Transfer in/(out)	(8,856)	44,506	657	–	–	(36,307)	–
Write-off	–	–	(1,025)	(1,818)	–	–	(2,843)
Foreign exchange translation	1,922	24,750	107	115	–	4,925	31,819
At 31 December	81,431	1,313,811	7,245	6,859	63	296,580	1,705,989
Accumulated depreciation							
At 1 January	–	64,184	1,742	1,705	63	–	67,694
Charge for the financial year	–	57,638	791	1,410	–	–	59,839
Disposal	–	–	(1,045)	(1,675)	–	–	(2,720)
Foreign exchange translation	–	2,777	248	204	–	–	3,229
At 31 December	–	124,599	1,736	1,644	63	–	128,042
Net book value							
At 31 December	81,431	1,189,212	5,509	5,215	–	296,580	1,577,947

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and leasehold improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Total RM'000
Company				
Cost				
At 1 January 2019	403	301	63	767
Additions	–	9	–	9
At 31 December 2019	403	310	63	776
Accumulated depreciation				
At 1 January 2019	403	283	63	749
Charge for the financial year	–	13	–	13
At 31 December 2019	403	296	63	762
Net book value				
At 31 December 2019	–	14	–	14
Cost				
At 1 January 2018	403	296	63	762
Additions	–	5	–	5
At 31 December 2018	403	301	63	767
Accumulated depreciation				
At 1 January 2018	403	261	63	727
Charge for the financial year	–	22	–	22
At 31 December 2018	403	283	63	749
Net book value				
At 31 December 2018	–	18	–	18

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In accordance with MFRS 136 'Impairment of assets', the recoverable amount of assets is the greater of its value in use and its fair value less costs to sell. During the financial year ended 31 December 2019, due to the continued losses and the revision of reserves volume reported from an independent reserves engineer, the Group performed an assessment of the recoverability of the Group's oil and gas properties. The recoverable amount is determined based on fair value less cost of disposal ("FVLCD"). The fair value measurement is performed based on Level 3 hierarchy.

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

2019

Period of projection	2020 - 2036
Selling price	USD63 – USD91
Reserves volume	57.5 MMBbl
Inflation rate (USD)	1.8% - 2.5%
Inflation rate (KZT)	2.2% - 5.8%
Weighted average cost of capital (USD)	12.09%
Weighted average cost of capital (KZT)	15.37%
Capital expenditure	USD 227.6 million over the projection period

2018

Period of projection	2019 - 2036
Selling price	USD63 – USD94
Reserves volume	75.3 MMBbl
Inflation rate (USD)	2.1% - 2.4%
Inflation rate (KZT)	2.2% - 7.2%
Weighted average cost of capital (USD)	11.6%
Weighted average cost of capital (KZT)	13.7%
Capital expenditure	USD 200.4 million over the projection period

The Group recorded an impairment for oil and gas properties and construction in progress of RM79.2 million due to a shortfall between the carrying value of the oil and gas properties and its FVLCD.

If the average oil price had been USD7/bbl lower than management's estimates it would result in an additional impairment of RM14.1 million to the property, plant and equipment.

If the inflation rate had been 1% lower than management's estimates it would result in an additional impairment of RM0.2 million to the property, plant and equipment.

If the estimated WACC used in determining the after-tax discount rate applied to the discounted cash flows had been 1% higher than management's estimates, it would result in an additional impairment of RM6.2 million to the property, plant and equipment.

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17 LEASES

	Buildings RM'000	Total RM'000
Group		
Cost		
Initial application at 1 January 2019	585	585
Additions	5,703	5,703
Foreign translation effects	(67)	(67)
At 31 December 2019	6,221	6,221
Accumulated depreciation		
Initial application at 1 January 2019	–	–
Charge for the financial year	366	366
Foreign translation effects	(1)	(1)
At 31 December 2019	365	365
Net book value		
At 1 January 2019	585	585
At 31 December 2019	5,856	5,856
Company		
Cost		
Initial application at 1 January 2019/At 31 December 2019	585	585
Accumulated depreciation		
Initial application as at 1 January 2019	–	–
Charge for the financial year	242	242
As at 31 December 2019	242	242
Net book value		
At 1 January 2019	585	585
At 31 December 2019	343	343

17 LEASES (CONTINUED)

Lease liabilities

	Group		Company	
	31.12.2019 RM'000	**1.1.2019 RM'000**	**31.12.2019 RM'000**	**1.1.2019 RM'000**
Current	(912)	(223)	(249)	(223)
Non-current	(4,859)	(362)	(113)	(362)
	(5,771)	(585)	(362)	(585)

The detailed impact on adoption of MFRS 16 on 1 January 2019 is disclosed in Note 32.

Extension options and termination options

Extension and termination options are included in various leases across the Group. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide the Group with greater flexibility to align its business strategy.

In cases in which the Group is reasonably certain to exercise an optional extended lease term, payments associated with the optional period are included within lease liabilities.

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

18 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Advances to external parties	6,371	4,611	18	22
Value-added tax recoverable	14,562	9,515	–	–
Total prepayments	20,933	14,126	18	22
Other receivables	3,076	1,327	24	48
Deposits	136	137	136	136
Total deposits, prepayments and other receivables	24,145	15,590	178	206
Represent:				
Non-current	7,402	2,357	–	–
Current	16,743	13,233	178	206
	24,145	15,590	178	206

As at 31 December 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

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19 TRADE RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables	321	14,251	–	–
Less: loss allowance	(25)	(10)	–	–
Trade receivables – net	296	14,241	–	–

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

There is no contract asset recognised during the year.

The aging analysis of trade receivables were as follows:

Group

	Gross RM'000	Individual impairment RM'000	Average Expected loss rate %	Collective impairment RM'000	Net RM'000
2019					
Not past due	236	–	0%	–	236
Past due 60 to 180 days	51	–	0%	–	51
Past due more than 180 days	34	(25)	73.5%	–	9
	321	(25)		–	296
2018					
Not past due	14,150	–	0%	–	14,150
Past due 60 to 180 days	–	–	0%	–	–
Past due more than 180 days	101	(10)	10%	–	91
	14,251	(10)		–	14,241

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
United States Dollar ("USD")	–	13,414	–	–
Kazakhstani Tenge ("KZT")	296	827	–	–
At 31 December	296	14,241	–	–

19 TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2019 RM'000	2018 RM'000
At 1 January	10	10
Impairment during the financial year	15	–
At 31 December	25	10

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	26,686	31,172	95	50
Deposits with licensed financial institution	16,355	25,226	9,495	18,290
	43,041	56,398	9,590	18,340
Less: Loss allowance	(223)	(455)	–	–
	42,818	55,943	9,590	18,340
Less: Deposits with licensed financial institution/banks which are restricted in use*	(6,860)	(6,936)	–	–
Total cash and cash equivalents at the end of financial year	35,958	49,007	9,590	18,340

* 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 1 to 31 days (2018: ranges from 3 to 58 days).

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

	Group	
	2019 RM'000	2018 RM'000
Opening loss allowance as at 1 January	455	–
Increase/(decrease) in loss allowance	(232)	455
As at the end of the financial year	223	455

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20 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

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

Group internal credit rating	ECL rate	Basis for recognition of ECL provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of ECL provision RM'000
2019					
Stage 1	1%	12 month ECL	43,041	(223)	42,818
2018					
Stage 1	1%	12 month ECL	56,398	(455)	55,943

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
United States Dollar ("USD")	13,166	29,684	18	18
Kazakhstani Tenge ("KZT")	7,431	7,893	–	–
Euro ("EUR")	32	1	1	1
Malaysian Ringgit ("MYR")	22,189	18,365	9,571	18,321
	42,818	55,943	9,590	18,340

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

(a) Amount due from subsidiary

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

(b) Amount due from corporate shareholder in a subsidiary

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

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

(c) Amounts due to corporate shareholder in a subsidiary

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

Non-current RM'000	Current RM'000	Interest	Repayment terms
170,851	–	Ranging from 0% to 14%	No fixed repayment period
234,886	–	5%	Due in 2021
77,236	–	Interest free	Due in 2021
60,165	–	4.86%	Due in 2036
26,652	–	Interest free	Due in 2036
–	8,149	Interest free	Repayable on demand
1,590	–	5%	Due in 2023
502	–	Interest free	Due in 2023
45,249	–	Interest free	No fixed repayment period
617,131	8,149		

During the year, the amounts due to corporate shareholder in a subsidiary which had expired in the current year have been extended to 2021. Additionally, there was an early repayment of amounts during the year which resulted in a modification of loan. These transactions gave rise to a net loss on modification of loan of RM1.8 million and an RM1.8 million impact to non-controlling interests.

22 SIGNIFICANT RELATED PARTY DISCLOSURES

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

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

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

22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) Transactions with subsidiaries				
Payments on behalf	–	–	1,288	67
(ii) Transactions with corporate shareholder				
Payments on behalf	–	36	–	36

(b) Key management personnel

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:				
-Fees	290	285	290	285
-Remuneration and other emoluments	1,912	1,589	1,912	1,589
Defined contribution plans	205	170	205	170
	2,407	2,044	2,407	2,044
Other key management personnel:				
-Remuneration and other emoluments	1,006	1,520	1,006	1,520
-Defined contribution plans	66	55	66	55
	1,072	1,575	1,072	1,575
	3,479	3,619	3,479	3,619

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.

23 CAPITAL

	Group and the Company 2019 RM'000	2018 RM'000
Total share capital	678,968	678,968
Proceeds of shares allocated to warrant reserve	(189,993)	(189,993)
	488,975	488,975

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

Share capital

	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Group and the Company				
Issued and fully paid:				
At 1 January/31 December	1,096,412	678,968	1,096,412	678,968

24 OTHER RESERVES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Warrants reserve	(a)	198,914	198,914	198,914	198,914
Share-based payment reserve	(b)	821	821	821	821
Foreign exchange reserve	(c)	(23,627)	(23,029)	–	–
Capital contribution reserve	(d)	–	81,682	–	–
		176,108	258,388	199,735	199,735

(a) Warrants reserve

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

	2019		2018	
	Number of warrants	Amount RM'000	Number of warrants	Amount RM'000
At 1 January/ 31 December	1,277,822	198,914	1,277,822	198,914

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24 OTHER RESERVES (CONTINUED)

(a) Warrants reserve (continued)

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

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

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

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

(b) Share-based payment reserve

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January/31 December	821	821	821	821

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.

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

On 19 November 2018, REB had obtained its approval from Securities Commission of uplifting of moratorium for 50% of security.

24 OTHER RESERVES (CONTINUED)

(b) Share-based payment reserve (continued)

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
(x)	Expiry date	30 July 2021	29 June 2022

(c) Forex exchange reserve

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

(d) Capital contribution reserve

During the financial year, capital contribution from the corporate shareholder of a subsidiary had been transferred to non-controlling interest reserve following a renegotiation of loans with the corporate shareholder.

25 DEFERRED TAX LIABILITIES

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

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deferred tax liabilities to be settled after more than 12 months	(108,756)	(123,672)	–	–

25 DEFERRED TAX LIABILITIES (CONTINUED)

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	(123,672)	(106,349)	–	–
Forex exchange translation	1,928	(2,357)	–	–
Credited/ (Charged) to profit or loss (Note 13)				
- tax losses	(12,672)	6,354	–	–
- provisions	(2,644)	992	–	–
- lease liabilities	1,095	–	–	–
- property, plant and equipment	21,395	(22,024)	–	–
- intangible assets	6,930	(288)	–	–
- right of use asset	(1,116)	–	–	–
At 31 December	(108,756)	(123,672)	–	–
Subject to income tax				
Deferred tax assets (before offsetting):				
- tax losses	126,757	138,189	–	–
- provisions	2,969	5,568	–	–
- lease liabilities	1,082	–	–	–
	130,808	143,757	–	–
Offsetting	(130,808)	(143,757)	–	–
Deferred tax assets (after offsetting)	–	–	–	–
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(238,120)	(260,269)	–	–
- intangible assets	(341)	(7,160)	–	–
- right of use asset	(1,103)	–	–	–
	(239,564)	(267,429)	–	–
Offsetting	130,808	143,757	–	–
Deferred tax liabilities (after offsetting)	(108,756)	(123,672)	–	–

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

26 TRADE PAYABLES

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Kazakhstani Tenge ("KZT")	52,981	45,044	–	–
United States Dollars ("USD")	11,774	10,332	–	–
	64,755	55,376	–	–
Represent:				
Non-current	22,356	22,350	–	–
Current	42,399	33,026	–	–
	64,755	55,376	–	–

27 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contract liabilities	5,240	426	–	–
Withholding and other tax payable	7,795	12,142	–	–
Salary and welfare payable	1,241	1,218	247	198
Accruals and other payables	4,613	6,148	899	703
Total accruals and other payables	18,889	19,934	1,146	901
Represent:				
Non-current	864	2,112	–	–
Current	18,025	17,822	1,146	901
	18,889	19,934	1,146	901

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019
(cont'd)

28 PROVISIONS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Asset retirement obligations	5,738	13,533	–	–

Movements of asset retirement obligations are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 January	13,533	9,348	–	–
Foreign exchange translation	65	(1,042)	–	–
Additional provision during the year	770	–	–	–
Changes in estimates	(9,656)	4,419	–	–
Accretion expenses of asset retirement obligations	1,026	808	–	–
At 31 December	5,738	13,533	–	–

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

At the end of the year, the Group had revised its ARO estimates resulting in a reduction in obligations amounted to RM9.6 million and ARO assets amounted to RM5.0 million (Note 16). As the decrease in obligation exceeds the carrying amount of ARO assets, the excess of RM4.6 million had been recognised as other operating income (Note 9).

29 COMMITMENTS

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Authorised but not contracted for	35,526	32,934	–	–
Contracted but not provided for	107,170	48,977	–	–
	142,696	81,911	–	–

(ii) Operating lease commitments

	Group 2018 RM'000	Company 2018 RM'000
<1 year	1,929	278
1-2 years	152	116
	2,081	394

The Group leases office space and operating equipment under non-cancellable operating lease agreements.

From 1 January 2019, the Group and the Company have recognised ROU for these leases except for short term and low-value leases, see Note 11 and Note 17.

29 COMMITMENTS (CONTINUED)

(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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<1 year	201,733	134,989	–	–
1-2 years	326,752	591,461	–	–
2-5 years	299,768	814,124	–	–
>5 years	763,252	2,218,666	–	–
	1,591,505	3,759,240	–	–

The minimum work program includes capital expenditure of RM931 million (2018: RM829 million) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly other direct operation and maintenance costs of wells and related facilities.

30 FINANCIAL INSTRUMENTS BY CATEGORY

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

- Financial assets at amortised costs;

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at amortised costs				
Trade receivables	296	14,241	–	–
Other receivables (excluding prepayments)	3,212	1,461	159	184
Deposits, cash and bank balances	42,818	55,943	9,590	18,340
Amount due from corporate shareholder	–	209	–	209
Amount due from subsidiary	–		3,003	1,715
Amount due from corporate shareholder in a subsidiary	3,237	2,080	3,237	2,080
	49,563	73,934	15,989	22,528
Financial liabilities at amortised costs				
Trade payables	64,755	55,376	–	–
Accruals and other payables (excluding statutory and contract liabilities)	4,613	2,843	899	703
Amount due to corporate shareholder in a subsidiary	625,280	600,220	–	–
	694,648	658,439	899	703

31 SEGMENTAL INFORMATION

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

During the financial year 2019, 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 Mangistau region of Western Kazakhstan. Euro Asian contributes revenue of RM145.0 million (2018: RM192.1 million)

	Malaysia RM'000	Kazakhstan RM'000	Total RM'000
Statement of financial position			
2019			
Non-current assets			
Property, plant and equipment	14	1,425,927	1,425,941
Intangible assets	–	1,705	1,705
Total	14	1,427,632	1,427,646
2018			
Non-current assets			
Property, plant and equipment	18	1,577,929	1,577,947
Intangible assets	–	2,067	2,067
Total	18	1,579,996	1,580,014

32 CHANGES IN ACCOUNTING POLICIES

MFRS 16 Leases

The Group and the Company have adopted MFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 financial year, as permitted under the transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 3.21.

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The associated right-of-use ("ROU") as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

In applying MFRS 16 for the first time, other than those mentioned in other notes in the financial statements, the Group and the Company have applied the following practical expedients permitted by the Standard to leases previously classified as operating leases under MFRS 117:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Adjustment as at 1 January 2019

As at 1 January 2019, the change in accounting policies has affected the following items:

	Group RM'000	**Company RM'000**
Reconciliation of consolidated statement of financial position:		
Right-of-use-assets	585	585
Lease liabilities	(585)	(585)

32 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

MFRS 16 Leases (continued)

Measurement of lease liabilities on 1 January 2019

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75% per annum.

Reconciliation from operating lease commitments:

	Group RM'000	Company RM'000
Operating lease commitments as at 31 December 2018, as previously reported	2,081	394
Effects of adoption of MFRS 16:		
(Less): Discounting impact at initial application	(32)	(32)
(Less): short term leases not recognised as a liability	(1,687)	–
Add/(Less): adjustments as a result of a different treatment of extension or termination	223	223
Lease liabilities recognised as at 1 January 2019	585	585
Of which are:		
Current lease liabilities	223	223
Non-current lease liabilities	362	362
	585	585

33 SUBSEQUENT EVENT

Due to a significant worsening of the macro-economic outlook as a result of Covid-19 and decline in oil price, both domestically and globally, the Group and the Company's business have been substantially affected.

Depending on the duration of the Covid-19 crisis, oil prices decline and continued negative impact on economic activities, the Group and the Company may experience further negative results, liquidity restraints and incur additional impairments on the assets in 2020. The exact impact on our activities for the remainder of 2020 and thereafter cannot be predicted with certainty.

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 44 to 109 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and financial performance of the Group and of the Company for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 12 June 2020.

SHAHUL HAMID BIN MOHD ISMAIL
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Shahul Hamid Bin Mohd Ismail, the Officer responsible for the financial management of Reach Energy Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 109 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 12 June 2020, before me.

PESURUHJAYA SUMPAH
W738
SITI NURBAYA BINTI MOHD BISHARUDDIN
BC/S/1410
1/11/2018-31/12/2020
MALAYSIA

COMMISSIONER FOR OATHS

Suite 8-9-6, Menara Mutiara Bangsar,
Jalan Liku, Off Jalan Riong,
Bangsar, 59100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD Registration No. 201301004557 (1034400-D)

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 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 109.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.1 of the financial statements which indicates that the Group and the Company incurred net losses of RM180.1 million and RM7.0 million respectively during the financial year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by RM13.2 million. As disclosed in that Note, the impact of Covid-19 to the industry and the decline in oil prices have affected the ability of the Group and the Company to generate positive internal cash flows. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of property, plant and equipment As at 31 December 2019, the Group recorded property, plant and equipment of RM1,425.9 million. The recoverable amount of the Group's property, plant and equipment is determined using the FVLCD which is based on the discounted cash flow model. The assessment of the recoverable amount of the relevant cash-generating units ("CGU"), incorporates significant judgement and estimates in respect of factors such as future oil prices, future production levels, revenue discount amounts, operating costs/capital expenditure and economic assumptions such as discount rates and inflation rates. These forward-looking estimates are inherently difficult to determine with precision. We focused on this area due to the significance of the oil and gas assets balance and the significant estimates in determining the inputs used by management in determining the recoverable amount of the oil and gas assets. As a result of the assessment, an impairment charge of RM79.2 million had been recognised. Refer to Note 5 in the critical accounting estimates and judgements and Note 16 of the consolidated financial statements.	Our audit procedures to evaluate the reasonableness of key assumptions used in the determination of the recoverable amount of oil and gas assets comprised the following: - Tested the key assumptions used in determining the recoverable amount of the CGUs by: - Comparing the forecast oil prices against available independent market data and estimates; - Comparing the revenue discount amounts against historical trend; - Comparing the inflation and discount rates against industry data; - Comparing the level of reserves and expected capital expenditures against the management's external expert reserves report; - Evaluated the competency and objectivity of the experts used by the Group who produced the reserve estimates used in the valuations by reference to their professional qualifications and experience. Engaged our valuation expert in testing the appropriateness of methodology and the discount rates adopted in the assessment of the recoverable amounts of the CGUs. - Assessed reliability of management's forecast through the review of past trends of actual sales volume of crude oil against the forecast production profile and forecast capital expenditure against actual capital expenditure incurred. - Assessed adequacy and reasonableness of the disclosures in the financial statements. We did not identify any material exceptions from the procedures performed.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REACH ENERGY BERHAD Registration No. 201301004557 (1034400-D)
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

There are no key audit matters in relation to the financial statements of the Company.

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 Chairman's Statement, Group Managing Director's Statement, Statement of Risk Management and Internal Control, Group Financial Review, Sustainability Report, Corporate Governance Overview Statement, Audit Committee Report, Director's Report, and other sections of the 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

(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 Registration No. 201301004557 (1034400-D)
(cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2021 J
Chartered Accountant

Kuala Lumpur
12 June 2020

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Companies Act, 2016, ("the Act") requires the Board to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Company. As required by the Act and the Main Market Listing Requirements of Bursa Securities, the financial statements for the financial year ended 31 December 2019 ("FY2019") have been prepared in accordance with the applicable approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

In preparing the financial statements for the FY2019 set out in this Annual Report, the Directors consider that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board continues to review its existing corporate governance practices and policies throughout the Group in ensuring full application of key corporate governance principles as set out in the Malaysian Code of Corporate Governance 2017 ("MCCG").

This statement which is made pursuant to paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), sets out the manner in which the Group has applied the principles and recommendations of MCCG. It must be read together with the Corporate Governance Report published in Reach Energy's website at www.reachenergy.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is cognisant of its responsibilities by ensuring proper control of the economics and financial management of the Group and validates the strategic directions proposed by the Management for implementation.

The Board will act in 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 Group's internal control system in safeguarding shareholder interests and the Group's assets.

The Board's role and responsibilities include but are not limited to the following:-

- Setting and reviewing the objectives, goals and strategic plans for the Group with a view to maximising shareholders' value.
- Adopting and monitoring progress of the Group's strategies, budgets, plans and policies.
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed.
- Identifying principal risks of the Group and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
- Implementing succession planning for senior management.
- Reviewing the adequacy and integrity of the Group's internal control systems and management information systems.

To ensure the effective discharge of its functions and responsibilities, the Board has in place, business authority limits which sets out relevant matters which the Board has delegated to the Management Team led by the Group Chief Executive Officer. These authority limits are reviewed and revised as and when required, to ensure an optimum structure for efficient and effective decision-making in the Group.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. Board Responsibilities (continued)

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 Group and issues in respect of key policies, procedures and authority limits. The Executive Directors and the Management are tasked to ensure compliance with this.

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

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference.

The roles of the Chairman and Group Chief Executive Officer remain separate and distinct. The Chairman plays an important leadership role and is responsible for:

- Setting the agenda for meetings of the Board that focus on strategic direction and performance.
- Maintaining on-going dialogue and relationship of trust with and between the Directors and Management.
- Ensuring clear and relevant information is provided to Directors on timely manner.
- Ensuring sufficient time is allowed for the discussion of complex or critical issues.
- Cultivating good governance and compliance practices throughout the Group.

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

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

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

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

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

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. Board Responsibilities (continued)

Additionally, the following key policies are also available for reference at the Group's website at www.reachenergy.com.my:-

- 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.
- Anti-Bribery Policy
- No Gift Policy

The Board members have full access to the two (2) Companies Secretaries, both of whom are professionally qualified and play an advisory role to the Board in relation to the Group's constitution, Board's policies and procedures as well as compliance with the relevant guidelines, regulatory and statutory requirements, corporate governance and best practices.

The Company Secretaries are also responsible in organising and attending all Board and Committee Meetings, ensuring adherence to board policies and procedures and that all statutory records are well maintained at the registered office of the Group. The Company Secretaries also ensure that the deliberations and decisions made at the Board and Committee Meetings are well captured and minuted.

In view of the introduction of corporate liability provision for bribery and corruption under Section 17A of the Malaysian Anti-Corruption Commission Act 2019 (amended 2018) ("MACC Act"), the Board has appointed an external professional firm, Tricor Axcelasia Sdn Bhd to enhance the Group's anti-bribery and anti-corruption framework guided by Guidelines on Adequate Procedures pursuant to subsection (5) of Section 17A under the MACC Act and to ensure that the Group complies with paragraph 15.29 of the Listing Requirements on anti-corruption.

II. Board Composition

The Board of Reach Energy Berhad determines the strategic directions of the Group activities and monitors their implementation. The Board is currently made up of seven (7) members comprising three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman and three (3) Executive Directors. 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 Chairman is responsible for ensuring Board effectiveness and conduct while the Group Chief Executive Officer is responsible for the organisational and operational effectiveness and implementation of Board policies and decisions.

The Board takes cognisant of the recommendation to have gender diversity on the Board and will through its Nomination Committee (Now known as Nomination and Remuneration Committee ("NRC")) take steps to ensure that women candidates are sought as part of its recruitment exercise. NRC will endeavour to consider women candidates in the recruitment exercise, when the need arises.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. Board Composition (continued)

The Board also recognises the requirement for Independent Directors with good experience in the Exploration & Production Sector of the Oil & Gas Industry. The NRC will endeavour to consider same in the recruitment exercise when the need arises.

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 Group to ensure that the Director is able to exercise independent judgment, impartiality and objectivity in the best interest of the Group.

The details on the activities of the NRC are described in the Corporate Governance Report 2019. The disclosures in relation to Practice 4.2 of the MCCG are disclosed in the Corporate Governance Report 2019.

III. Remuneration

The Board believes in a competitive and transparent remuneration framework that supports the Directors' and Senior Management's responsibilities and fiduciary duties in managing the Group to achieve its long-term objective and enhance stakeholders' value.

The remuneration of Directors is determined at levels which enable the Group to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of Executive Directors, the remuneration is structured to link rewards to corporate and individual performance based on key performance indicators. For Non-Executive Directors, the level of remuneration reflects their experience and level of responsibilities.

The disclosures on Practise 6.2 and 7.1 to 7.3 of the MCCG are disclosed in the Corporate Governance Report 2019.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The composition of the AC is reviewed by the NRC annually and recommended to the Board for approval. In safeguarding an independent and effective AC whilst taking guidance from the MCCG, the membership for AC consists at least one (1) member who is financially literate and possesses appropriate level of expertise, experience and strong understanding of the Company's business.

The Audit Committee Report set out in this Annual Report 2019, provides the details of the AC's activities which among others, include the annual assessment on the suitability, objectivity and independence of the internal auditors.

The disclosures on Practise 8.1 to 8.5 of the MCCG are disclosed in the Corporate Governance Report 2019.

II. Risk Management and Internal Control Framework

The Board understands that the ultimate responsibility for ensuring a sound internal control system which provides reasonable assurance on the effectiveness and efficiency of the system lies with the Board. The Group's internal control system is crafted to manage the risks to achieve Group's objectives aside from safeguarding the stakeholders' interests and the Group's asset.

The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management of the Annual Report.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

III. Internal Audit

The Internal Audit function is out-sourced to Axcelasia Columbus Sdn Bhd ("Axcelasia") an independent professional services firm which is a corporate member of the Institute of Internal Auditors ("IIA") Malaysia.

On annual basis, Axcelasia provides the Board with a signed declaration of competency and list of trainings attended by the audit engagement team.

The disclosure or Practice 10.1 and 10.2 of the Malaysian Code on Corporate Governance are disclosed in the Corporate Governance Report 2019 as well as Audit Committee Report of the Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

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, quarterly financial results and various announcements made from time to time to Bursa Securities. Reach Energy also maintains a website at www.reachenergy.com.my that allows all shareholders and investors to gain access to the information of the Group. Any enquiries may be directed to this email address, info@reachenergy.com.my

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

In addition to the above, the Board identified Encik Izlan bin Izhab as the Senior Independent Non-Executive Director to whom all concerns from the shareholders or investors may be conveyed.

II. Conduct of General Meetings

All shareholders are encouraged to attend the Group's AGM, where shareholders can participate and be given the opportunity to ask questions regarding the business operations and financial performance and position of the Group. The Group allows a member to appoint two (2) proxies, who may, but need not, be members of the Group. A member may appoint any person to be his/her proxy without limitation and the proxy shall have the same rights as the member to speak at the general meetings.

Resolutions will be voted by way of poll, as required under the Listing Requirements of Bursa Securities. An Independent Scrutineer will be appointed to validate the poll results and the Group will make an announcement on the detailed results to Bursa Securities.

In facilitating greater participation by shareholders at AGMs of the Group, Reach Energy will continue to explore possible means of leveraging modern technology such as conducting general meetings via telephone conference, video conference or other similar equipment and appointment of proxy via electronic communication as stated in the Group's Constitution.

This Corporate Governance Overview Statement was approved by the Board of Reach Energy on 12 June 2020.

AUDIT
COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Audit Committee Report and its activities held throughout the financial year ended 31 December 2019 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. COMPOSITION, MEETINGS AND ATTENDANCE

The Audit Committee currently comprises 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
Tunku Datuk Nooruddin bin Tunku Dato' Sri Shahabuddin (Resigned on 26 November 2019)	Member	Executive Director
Ku Azhar bin Ku Akil (Appointed on 4 May 2020)	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 five (5) meetings during financial year ended 31 December 2019. Details of attendance of the Audit Committee members are as follows:

Name of Member	Number of Meetings Attended
Nik Din Bin Nik Sulaiman	5/5
Izlan Bin Izhab	5/5
Tunku Datuk Nooruddin bin Tunku Dato' Sri Shahabuddin	5/5

The Finance Director and the representatives of the internal auditors were invited to attend the meetings. The Executive Director/Chief Executive Officer 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 at all the meetings by invitation. During the financial year, the Audit Committee met with the external auditors at least once 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 28 May 2020 and is made available on the Group's corporate website at www.reachenergy.com.my.

AUDIT COMMITTEE REPORT
(cont'd)

3. SUMMARY OF WORK

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:

Financial and Operations Review

(a) Reviewed the quarterly 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 of Risk Management and Internal Control for inclusion in the Annual Report 2019;

(c) Reviewed and approved the Audit Committee Report for inclusion in the Annual Report 2019;

(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; and

(e) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2017 in conjunction with the preparation of the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control.

(f) Recommended to the Board the need of the appointment of external auditor to assist the Group to establish an anti-bribery and anti-corruption policy to comply with Section 17A of the Malaysian Anti-Corruption Commission Act 2019 and the new paragraph 15.29 of the Main Market Listing Requirement.

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 Group;

(d) Reviewed with the external auditors the results of the audit, the audit report, issues, reservations and management's responses arising from the audit, as well as the audit and non-audit fees;

(e) Reviewed the conduct, suitability, independence and the remuneration and re-appointment of the external auditors; 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 Malaysian Institute of Accountants.

AUDIT COMMITTEE REPORT
(cont'd)

3. SUMMARY OF WORK (CONTINUED)

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.

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 Group 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 WORK

The Group has outsourced its Internal Audit Function to an independent professional firm, Axcelasia Columbus Sdn. Bhd. which reports directly to the Audit Committee. The Audit Committee is to review and monitor on behalf of the Board, the adequacy and integrity of the Group'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 Group'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.

AUDIT COMMITTEE REPORT (cont'd)

4. INTERNAL AUDIT FUNCTION AND SUMMARY OF WORK (CONTINUED)

During the financial year ended 31 December 2019, the outsourced internal auditors carried out audits and follow-up review on the following areas:-

- Maintenance Management
- Procurement Management
- Production Operation
- Strategic Management
- Management of Resource and Assets

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 2019 amounted to RM165,000.00

5. PERFORMANCE OF AUDIT COMMITTEE

The performance of Audit Committee was assessed through self-evaluation and the Nomination Committee (now known as Nomination & Remuneration committee) reviewed the results of such assessments prior to recommending to the Board. During the financial year ended 31 December 2019, 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

The Malaysia Code Corporate Governance 2017 requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investments and the Group's assets.

The Board of Directors ("the Board") of Reach Energy Berhad is pleased to provide the following Statement on Risk Management and Internal Control of the Group for the financial year ended 31 December 2019. This Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group including reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets.

BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES

In accordance with the Malaysian Code on Corporate Governance, the Board is responsible and accountable for the Group's system of risk management framework and internal control, which includes the establishment of an appropriate risk management framework and control environment, as well as reviewing its effectiveness, adequacy and integrity. The system of internal control covers governance, financial, organisational, operational and compliance controls.

However, due to limitations that are inherent in any systems of risk management and internal control, the system adopted by the Group is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Therefore, the system of risk management and internal control can only provide reasonable but not absolute assurance against any material misstatement, fraud or loss.

Management has assessed the risks faced by the Group by identifying the Group's ability to reduce the incidence and impact of risks, and ensuring that the benefits outweigh the costs of operating the controls. Through the Risk Management Committee, the Board observed that measures were taken on areas identified for improvement, as part of 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 structured and systematic process that enable continuous improvement in decision-making, through a robust Risk Management Framework.

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

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONTINUED)

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 sub surface, wells, facilities, operations, business processes, commercial and regulatory matters.

- *Group level*

  The key risks are reported to the Risk Management Committee on a regular basis for monitoring and review. The Risk Management Committee comprises key personnel from different technical, operational and financial disciplines, who are responsible for ensuring effective risk governance and implementation within the Group and meets at least twice a year to review and update the risk events, procedures and mitigating measures that are undertaken and also proposes new mitigation measures to contain risks which all remain prevalent.

  The risk profiles at each entity level are also regularly discussed at management level to ensure risks and controls are designed to meet the agreed business objectives.

B. Internal Audit

Internal audit's role is to assist the Risk Management Committee by independently reviewing the adequacy and effectiveness of the controls implemented based on identified risk and risk management strategies relevant to the audit engagement.

To achieve the above, the Group's outsourced internal audit functions to Axcelasia Columbus Sdn Bhd. Their primary role is to provide an independent assessment of the adequacy and effectiveness of the Group's internal control system and report to the Audit Committee on the status of specific areas identified for improvement based on annual audit plan approved by the Audit Committee.

C. Board of Directors

The Board considers whether business risks have impacted or are likely to impact the Group's achievement of its objectives and strategies in assessing the effectiveness of the risk oversight and internal control activities of the Group.

The Board meets the Risk Management Committee at least twice a year to highlight and discuss the key risks as well as the status of mitigation plans. As such, the Risk Management Committee, on behalf of the Board, is tasked to:

a. provide oversight, direction and counsel to the Company's/Group's risk management framework, policies and process which include the following:

   - Establish the Company's/Group's Risk Management Framework based on an internationally recognised risk management framework.

   - Conduct annual review and periodic testing of the Company's/Group's Risk Management Framework. This should include any insights it has gained from the review and any changes made to its Risk Management Framework arising from the review.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONTINUED)

C. Board of Directors

a. provide oversight, direction and counsel to the Company's/Group's risk management framework, policies and process which include the following: (continued)

- Monitor the Company/Group and Divisional level risk exposures and management of the significant financial and non-financial risks identified.
- Evaluate new risks identified including the likelihood of the emerging risks happening in near future and consider the need to put in place appropriate controls.
- Review Company/Group Risk Profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner.
- Review the status of the implementation of management action plans in mitigating significant risks identified.
- Review and recommend the Company's/Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' interest and the Company's/Group's assets.

b. review the risk identification process to confirm it is consistent with the Group's strategy and business plan;

c. inquire of management / department heads and the external/internal auditors about significant business, political, financial and control risks or exposure to such risk;

d. oversee and monitor the Group's documentation of the material risks that the Group faces and update as events change and risks shift;

e. assess the steps management has implemented to manage and mitigate identifiable risk, including the use of hedging and insurance;

f. oversee and monitor at least annually, and more frequently if necessary, the Group's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks); and

g. review the following, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:

   i. management's tolerance for financial risks;

   ii. management's assessment of significant financial risks facing the Group;

   iii. the Group's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and

   iv. to review legal matters which could have a material impact on the Group's public disclosure, including financial statements.

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONTINUED)

C. Board of Directors (continued)

Throughout the financial year and up to the date of this statement, the Board had considered all key issues that have been highlighted, and how these had been addressed, including all additional information necessary to ensure it had taken into account all significant aspects of risk factors and internal control of the Group. Among the issues considered were:

(a) changes in the nature and the extent of significant risk factors since the previous assessment and how the Group has responded to changes in its business and the external environment;
(b) the effectiveness of the Group's risk management and internal control system;
(c) the work of its internal audit, risk management team and other assurance providers, including the external auditors;
(d) the extent and adequacy of the communication of the results of the monitoring to the Board;
(e) the incidence of any control failure or weaknesses that were identified at any time during the year and their impact on the Group's performance or financial, business or operational conditions;
(f) events that had not been anticipated by management which impacted the achievement of the Group's objectives; and
(g) the adequacy and effectiveness of the risk management and internal control policies as a whole.

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

The Group's internal control framework and assessment are segregated into two inter-related components, as follows:

A. Control Environment

Control environment is the organisational structure and culture created by 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 are as follows:

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. The Board papers, include both financial and non-financial matters such as cash flow forecasts, business strategies, business opportunities, corporate exercises, and any other key matters to be considered for the Group. These are escalated to the Board for deliberation and approval.

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

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONTINUED)

A. Control Environment (continued)

Limits of Authority

The Board, through a clear and formally defined Limits of Authority, delegates authorities to the Board Committees and management which deal with areas of corporate, financial, operational, human resource, and work plans and budgets. The Limits of Authority is the primary instrument that governs and manages the Group's business decision process. The objective of the Limits of Authority is to ensure a system of internal control of checks and balances to empower management in executing business activities. The Limits of Authority will be reviewed and updated periodically to ensure its relevance to the Group's business.

Board and Management Committees

The Board Committees, namely the Audit Committee, Nomination Committee (now known as Nomination & Remuneration Committee), Remuneration Committee (now known as Nomination & Remuneration Committee) and Risk Management Committee are all governed by clearly defined terms of reference.

The Audit Committee encompasses a majority of independent directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. Its members continue to meet regularly and have unimpeded access to both the internal and external auditors during the financial year.

Human Resource policies and procedures

There are guidelines within the Group for the hiring and termination of staff, annual performance appraisals, human capital development and other relevant procedures to ensure that employees are competent and adequately trained to carry out their duties and responsibilities.

Code of Conduct and Ethics (Code)

Employees and directors are required to read, understand and adhere to the Code of Conduct policy. The policy encompasses sections such as Conflict of Interest, Insider Trading, Discrimination and harassment, health & safety and other relevant sections.

Health, Safety and Environment Policy

The Group continues to instill awareness and build commitment on health, safety and environment throughout the whole organisation. Reasonable and practical steps are undertaken to eliminate or prevent the risk of personal injury, occupational illnesses and damage to properties as well as protect and conserve the environment.

To achieve the above, management is committed to:

(a) Comply with health, safety and environment legal requirements wherever the Group operates;
(b) Identify, evaluate and control safety and health risks, and environment impacts relating to the operations and prevent health, safety and environment incidents;
(c) Provide competent workforce, adequate resources and organisation in all activities in ensuring a safe environment at the workplace;
(d) Maintain a healthy and safe working place for the employees and contractors;
(e) Promote productive health, safety and environment engagement with the employees, regulatory authorities, contractors and other relevant key stakeholders;
(f) Implement a fit-for-purpose Health, Safety and Environment Management System ("HSE-MS");
(g) Establish effective crisis management and emergency response capabilities in the operations; and
(h) Continually improve the Health, Safety and Environment performance.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONTINUED)

A. Control Environment (continued)

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.

B. Monitoring

Monitoring the effectiveness of internal control is embedded in the normal course of the business. Periodic assessments are integral to management's continuous monitoring of internal control.

Management and Board Meetings

The Board members meet regularly with a set schedule of matters, which is required to be brought to their attention for discussion to ensure the effectiveness of supervision over appropriate control.

To achieve the above, the Board meetings encompasses the following activities:

(a) The Chief Executive Officer ("CEO") and key management personnel lead the presentation of Board papers and provide explanations of pertinent issues; and
(b) The Board members, through a thorough deliberation and discussion, act on the recommendations by management.

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

The Audit Committee and Risk Management Committee monitor the risks associated with this operation and report their findings to the Board. Significant changes in the business and the external environment, and strategic plans to address these changes are reported by management to the Board on an on-going basis.

In addition, quarterly unaudited financial results and other information are provided to the Audit Committee and the Board to enable the Board to monitor and evaluate the business and financial performance.

Internal Audit

The Internal Audit Function is outsourced to an external service provider. The outsourced internal auditor directly reports to the Audit Committee on the effectiveness of the current system of internal controls from the perspective of governance, risks and controls.

The internal and external audit plans are approved by the Audit Committee on a periodic basis. The Audit Committee also monitors major internal and external audit issues to ensure they are promptly addressed and resolved. Significant findings and recommendations for improvements are highlighted to management and Audit Committee, with follow-up and reviews of action plans.

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

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONTINUED)

B. Monitoring (continued)

Adequacy and effectiveness of the group's risk management and internal control systems

The Group's internal control system does not apply to its corporate shareholder, MIE Holdings Corporation ("MIEH") but to its subsidiaries, PBV and Emir-Oil which fall within the control of its majority shareholders.

The Group's internal control system described in this statement applies for subsidiaries where the Group is the operator and has the ability to participate in the key decision-making process of the subsidiaries.

The Board and Audit Committee review management accounts of subsidiaries. These provide the Board with performance-related information to enable informed and timely decision- making on the Group's investments.

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 2019. Their review was conducted in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement, issued by the Malaysian Institute of Accountants ("MIA"). AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. The Board has received assurance from the CEO that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

This statement on risk management and internal control is made in accordance with the resolution of the Board dated 12 June 2020.

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 2019.

AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for services rendered to the Group and Company for the financial year ended 31 December 2019 are as follows:-

	RM ’000
AUDIT FEES	
- PricewaterhouseCoopers, Malaysia	
- Member firm of PricewaterhouseCoopers International Limited	348
	600
NON-AUDIT FEES	
- PricewaterhouseCoopers, Malaysia	–
- Member firm of PricewaterhouseCoopers International Limited	35
	983

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company involving directors’ and major shareholders’ interests during the financial year ended 31 December 2019.

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 2019.

ANALYSIS
OF SHAREHOLDINGS
AS AT 29 MAY 2020

Issued and fully paid-up share capital	:	RM10,964,127.75 comprising 1,096,412,775 ordinary shares
Class of shares	:	Ordinary Shares
Voting rights by show of hand	:	One (1) vote for each member
Voting rights by poll	:	One (1) vote for each ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 - 99	15	0.19	397	0.00
100 - 1,000	435	5.58	242,159	0.02
1,001 - 10,000	2,696	34.57	18,148,300	1.66
10,001 - 100,000	3,629	46.54	147,374,619	13.44
100,001 to less than 5% of issued shares	1,022	13.11	802,847,200	73.22
5% and above of issued shares	1	0.01	127,800,100	11.66
Total	**7,798**	**100.00**	**1,096,412,775**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD (Direct Interest)	%	NO. OF SHARES HELD (Deemed/ Indirect Interest)	%
1	MTD Capital Bhd	136,234,190	12.43	–	–
2	Reach Energy Holdings Sdn Bhd	127,800,100	11.66	–	–
3	Ir. Shahul Hamid Bin Mohd Ismail	981,000	0.09	127,800,100 [a]	11.66
4	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,642,910	5.17	40,650,000 [b]	3.71
5	Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein	40,650,000	3.71	56,642,910 [c]	5.17

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MAY 2020
(cont'd)

DIRECTOR'S SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD (Direct Interest)	%	NO. OF SHARES HELD (Deemed/ Indirect Interest)	%
1	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,642,910	5.17	40,650,000 [d]	3.71
2	Izlan Bin Izhab	–	–	–	–
3	Nik Din Bin Nik Sulaiman	400,000	0.04	350,000 [e]	0.03
4	Ku Azhar Bin Ku Akil	–	–	–	–
5	Ir. Shahul Hamid Bin Mohd Ismail	981,000	0.09	127,800,100 [f]	11.66
6	Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	–	–	–	–
7	Ikram Iskandar Bin Abd Rahim	–	–	–	–

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

c Indirect interest by virtue of the shareholding of her spouse, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid, pursuant to Section 59(11)(c) of the Companies Act, 2016

e Indirect interest by virtue of the shareholdings of his spouse, Nik Aminah Bte Nik Abdullah pursuant to Section 59(11)(c) of the Companies Act, 2016

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1	Reach Energy Holdings Sdn Bhd	127,800,100	11.66
2	Alliancegroup Nominees (Tempatan) Sdn Bhd *Export-Import Bank of Malaysia Berhad for MTD Capital Bhd*	53,157,692	4.85
3	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abdul Aziz Bin Abdul Kadir*	45,000,000	4.10
4	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for MTD Capital Bhd*	42,480,111	3.87
5	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for MTD Capital Bhd*	40,596,387	3.70
6	Nik Fuziah Binti Nik Hussein	40,000,000	3.65
7	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Azmil Khalili Bin Khalid*	23,631,400	2.16

ANALYSIS
OF SHAREHOLDINGS
AS AT 29 MAY 2020
(cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONTINUED)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
8	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Azmil Khalili Bin Khalid*	20,000,000	1.82
9	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Azmil Khalili Bin Khalid*	13,011,510	1.19
10	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	10,000,000	0.91
11	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Corporation Sdn. Bhd.*	10,000,000	0.91
12	Yayasan Pok Dan Kassim	9,500,000	0.87
13	RHB Nominees (Asing) Sdn Bhd *Pledged Securities Account for Ioannis Koromilas*	7,871,800	0.72
14	Ku Lian Sin	6,107,800	0.56
15	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securites Account for Yong Loy Huat*	5,500,000	0.50
16	Loh Kok Wai	5,330,000	0.49
17	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Khoo Bee Lian*	5,250,900	0.48
18	Chai Ming Yung	5,000,000	0.46
19	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Mohd Dom Bin Ahmad*	5,000,000	0.46
20	Lee Chee Ming	5,000,000	0.46
21	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Koh Kin Lip*	5,000,000	0.46
22	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tam Seng @ Tam Seng Sen*	5,000,000	0.46
23	Tengku Adnan Bin Tengku Mansor	5,000,000	0.46
24	Khoo Chang Chiang	4,784,000	0.44
25	Ng Kim Keong	4,398,900	0.40
26	RHB Capital Nominees (Tempatan) Sdn Bhd *Phua Sin Mo*	4,200,000	0.38
27	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kong Mah Realty (M) Sdn Bhd*	4,138,000	0.38
28	Ng Mooi Lan	4,020,000	0.37
29	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kian Aik*	4,000,000	0.36
30	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yong Loy Huat*	4,000,000	0.36
		524,778,600	47.86

ANALYSIS
OF WARRANT HOLDINGS
AS AT 29 MAY 2020

No. of Warrants Issued	:	1,277,822,225
No. of Warrants Unexercised	:	1,277,822,225
Exercise Price	:	RM0.75
Expiry Date	:	The expiry dates of the warrants is as follows:- 15 August 2022 if the completion of Qualifying Acquisitions takes place within 36 months from the date of listing of the Company (i.e 15 August 2014).
Rights of Warrant Holder	:	The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants into new ordinary shares of the Company.

ANALYSIS BY SIZE OF WARRANT HOLDINGS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	% OF WARRANT HOLDERS	NO. OF WARRANTS	% OF WARRANT HOLDINGS
1 - 99	2	0.05	125	0.00
100 - 1,000	93	2.39	58,900	0.00
1,001 - 10,000	805	20.69	5,621,900	0.44
10,001 - 100,000	1,781	45.78	91,480,700	7.16
100,001 to less than 5% of issued warrant	1,208	31.05	1,065,060,600	83.35
5% and above of issued warrant	1	0.03	115,600,000	9.05
Total	**3,890**	**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	115,600,000	9.05	–	–
2	Ir. Shahul Hamid Bin Mohd Ismail	1,000,000	0.08	115,600,000 [a]	9.05

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 29 MAY 2020

(cont'd)

DIRECTOR'S WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS' WARRANT HOLDINGS

NO.	NAME OF DIRECTOR	NO. OF WARRANTS HELD (Direct Interest)	%	NO. OF WARRANTS HELD (Deemed/ Indirect Interest)	%
1	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	–	–	40,000,000 ^	3.13
2	Izlan Bin Izhab	–	–	–	–
3	Nik Din Bin Nik Sulaiman	–	–	–	–
4	Ku Azhar Bin Ku Akil	–	–	–	–
5	Ir. Shahul Hamid Bin Mohd Ismail	1,000,000	0.08	115,600,000 #	9.05
6	Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	–	–	–	–
7	Ikram Iskandar Bin Abd Rahim	–	–	–	–

Notes:

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

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 WARRANTHOLDINGS
1	Reach Energy Holdings Sdn Bhd	115,600,000	9.05
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	Citigroup Nominees (Asing) Sdn Bhd *CBHK PBGSGP for Sunnyvale Holdings Ltd*	22,710,300	1.78
5	Yin Yit Fun	20,300,000	1.59
6	Ku Lian Sin	19,873,200	1.56
7	Ng Mooi Lan	17,460,000	1.37
8	Maybank Securities Nominees (Asing) Sdn Bhd *Pledged Securities Account for Seyed Abu Tahir Bin Buhary (Margin)*	15,000,000	1.17
9	Chua Chin Chyang	14,500,000	1.13
10	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 1)*	14,126,800	1.11

ANALYSIS
OF WARRANT HOLDINGS
AS AT 29 MAY 2020
(cont'd)

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS (CONTINUED)

NO.	NAME OF WARRANT HOLDERS	NO. OF WARRANTS	% OF WARRANTHOLDINGS
11	Teh Kai Sing	13,000,000	1.02
12	Er Soon Puay	11,056,300	0.87
13	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Soon Lai*	11,000,000	0.86
14	Chua Chin Chyang	11,000,000	0.86
15	Era Bina Sdn Bhd	10,550,000	0.83
16	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lau Sie Kuong*	10,500,000	0.82
17	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Bank of Singapore Limited*	10,500,000	0.82
18	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	10,000,000	0.78
19	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Suh Mun*	9,500,000	0.74
20	Khoo Keat	9,500,000	0.74
21	Mohanadass Kanagasabai	9,215,000	0.72
22	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Kai Swee*	8,000,000	0.63
23	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Lai Ming Chun @ Lai Poh Lin*	8,000,000	0.63
24	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Lee Soi Gek*	7,143,000	0.56
25	Abdull Ghani Bin Abd Jabar	7,050,000	0.55
26	MKW Jaya Sdn Bhd	7,000,000	0.55
27	Teoh Yie Hao	6,900,000	0.54
28	Alliance Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Suh Mun*	6,400,000	0.50
29	Tan Soon Heng	6,052,000	0.47
30	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Han Joeh*	6,000,000	0.47
		497,936,600	38.97

NOTICE OF SEVENTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting ("7th AGM") of the Company will be conducted virtually for the purpose of considering and if thought fit, passing with or without modifications the resolutions set out in this notice.

Meeting Platform	:	https://web.lumiagm.com
Day and Date	:	Wednesday, 5 August 2020
Time	:	10.00 a.m.
Broadcast Venue	:	Banyan Function Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur
Mode of Communication	:	1) Typed text on the Meeting Platform. 2) Alternatively, you may submit your questions in advance to info@reachenergy.com.my by 10.00 a.m. on 3 August 2020 (48 hours before the commencement of the 7th AGM) and the Board will endeavour to respond to the questions submitted during the 7th AGM.

AGENDA

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Directors' and Auditors' Reports thereon.	**Please refer to Explanatory Note to the Agenda**
2.	To re-elect Tan Sri Dr. Azmil Khalili bin Dato' Khalid, who retires by rotation pursuant to Clause 86 of the Constitution of the Company.	**Ordinary Resolution 1**
3.	To re-elect Encik Nik Din bin Nik Sulaiman, who retires by rotation pursuant to Clause 86 of the Constitution of the Company.	**Ordinary Resolution 2**
4.	To re-elect Encik Ikram Iskandar bin Abd Rahim who retires pursuant to Clause 91 of the Constitution of the Company.	**Ordinary Resolution 3**
5.	To re-elect Encik Ku Azhar bin Ku Akil who retires pursuant to Clause 91 of the Constitution of the Company.	**Ordinary Resolution 4**
6.	To approve the proposed payment of Directors' fees amounting to RM400,000 in respect of the financial year ending 31 December 2020, to be made payable quarterly.	**Ordinary Resolution 5**
7.	To approve the payment of Directors' benefits (other than Directors' fees) up to an amount of RM400,000 for the period from 1 January 2020 until the conclusion of the next Annual General Meeting of the Company, to be made payable quarterly.	**Ordinary Resolution 6**
8.	To re-appoint PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146) as the Company's Auditors and to authorise the Board of Directors to determine their remuneration.	**Ordinary Resolution 7**

NOTICE OF SEVENTH
ANNUAL GENERAL MEETING
(cont'd)

AS SPECIAL BUSINESS

9. To consider and if thought fit, to pass the following Resolutions:-

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016 **Ordinary Resolution 8**

"**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 20% 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."

10. Proposed Amendment to the Clause in the Company's Constitution. **Special Resolution 1**

"**THAT** the deletions, alterations, modification and variations to the Clause in the Company's Constitution be and are hereby approved.

AND THAT the Directors and the Secretaries of the Company be and are hereby authorized to carry out all the necessary formalities in affecting the above proposed amendments to the Constitution of the Company."

ANY OTHER BUSINESS

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

BY ORDER OF THE BOARD

TAN LAI HONG
(MAICSA 7057707)
SSM PC NO. 202008002309
CHEN BEE LING
(MAICSA 7046517)
SSM PC NO. 202008001623

Company Secretaries

Selangor Darul Ehsan
Date : 30 June 2020

Notes:

1. The 7th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities provided by Boardroom Share Registrars Sdn Bhd at http://web.lumiagm.com. Please follow the procedures as set in the Administrative guide in order to register, participate and vote remotely via RPV facilities.

2. The venue of the 7th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of Meeting to be present at the main venue. No shareholders/proxy(ies) from the public shall be physically present at nor admitted to the Broadcast Venue.

3. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 27 July 2020 shall be eligible to attend the Meeting and to speak and vote thereat.

4. A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

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

6. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the Meeting.

8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.

9. To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting. Alternatively, the Form of Proxy can be deposited electronically through the website of the Company's Share Registrar, Boardroom Smart Investor Portal at https://www.boardroomlimited.my before the Form of Proxy lodgement cut-off time as mentioned above.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the 7th AGM will be put to vote on a poll.

NOTICE OF SEVENTH 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.

Items 2 and 3 of the Agenda

Clause 86 of the Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting of the Company. With the current Board size of seven (7) directors, two (2) Directors are to retire in accordance with Clause 86 of the Constitution. The computation excludes Ikram Iskandar bin Abd Rahim and Ku Azhar bin Ku Akil who will be retiring pursuant to Clause 91 of the Constitution.

Items 4 and 5 of the Agenda

Clause 91 of the Constitution provides that any director appointed during the year under review shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. This re-election shall not take into consideration the directors who will be retiring pursuant to Clause 91 of the Constitution. Ikram Iskandar bin Abd Rahim and Ku Azhar bin Ku Akil who were appointed during the year under review is to retire in accordance to Clause 91 of the Constitution.

Items 6 and 7 of the Agenda

Payment of Directors' fees and benefits

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Company is seeking shareholders' approval for the payment of Directors' fees totaling RM400,000 for the financial year ending 31 December 2020.

Besides, the Company is also seeking shareholders' approval for the payment of Directors' benefits up to an amount of RM400,000 for the period from 1 January 2020 until the conclusion of the next Annual General Meeting of the Company.

The estimated amount payable (Directors' fees and benefits) is based on the assumption that the Company maintain its existing Board composition. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional benefits to meet the shortfall.

The proposed payment of benefits comprises meeting allowances and training allowances payable to the Chairman and members of the Board and Board Committees.

Item 9 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

Bursa Malaysia Securities Berhad had on 16 April 2020 issued a circular in respect of increased general mandate limit for new issue of securities whereby a listed issuer is allowed to seek a higher general mandate under paragraph 6.03 of the Main Market Listing Requirements of not more 20% of the total number of issued shares (excluding treasury shares) for issue of new securities ("20% General Mandate") provided that the following are being complied with:-

(a) The listed issuer procures its shareholder approval for the 20% General Mandate at a general meeting;

(b) The listed issuer complies with all the relevant applicable legal requirements, including its constitution or relevant constituent document; and

(c) In addition to the existing disclosures required in the statement accompanying the proposed resolution under paragraph 6.03(3) of the Main Market Listing Requirements, the listed issuer must also disclose the views from its board of directors' that the 20% General Mandate is in the best interest of the listed issuer and its shareholders, as well as the basis for such views.

The proposed Ordinary Resolution 8 is to empower the Directors to issue and allot shares in the Company up to an aggregate amount not exceeding 20% of the total issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Item 10 of the Agenda

Proposed Amendment to the Clause in the Company's Constitution.

Please refer to the Circular to the Shareholders dated 30 June 2020.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

No notice in writing has been received by the Company nominating any candidate for election as Directors at the 7th AGM of the Company. The Directors who are due for retirement and seeking for re-election pursuant to the Company's Constitution are as set out in the Notice of 7th AGM and their profile are set out in the Directors' Profile in the 2019 Annual Report.

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

This is a renewal of the mandate obtained from the shareholders of the Company at the Annual General Meeting of 26 June 2019 and if passed, will empower the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 20% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

The renewal of this mandate would provide flexibility to the Company for any possible fund raising exercise, including but not limited for further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 6th AGM held on 26 June 2019 and which will lapse at the conclusion of the 7th AGM to be held on 5 August 2020.

ADMINISTRATIVE GUIDE
FOR THE ANNUAL GENERAL MEETING

Meeting Platform	:	https://web.lumiagm.com
Day and Date	:	Wednesday, 5 August 2020
Time	:	10.00 a.m.
Broadcast Venue	:	Banyan Function Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur
Mode of Communication	:	1) Typed text on the Meeting Platform. 2) Alternatively, you may also submit your questions in advance to info@reachenergy.com.my by 10.00 a.m. on 3 August 2020 (48 hours before the commencement of the 7th AGM) and the board will endeavour to respond to the questions submitted during the 7th AGM

Dear Shareholders,

As a precautionary measure amid COVID-19 outbreak, the Company's forthcoming Seventh Annual General Meeting ("7th AGM") will be conducted virtually on our Meeting Platform, as the safety of our members, Directors, staff and other stakeholders who will attend the AGM is of paramount importance to us.

In line with the Malaysian Code on Corporate Governance Practice 12.3, by conducting a virtual AGM, this would facilitate greater shareholder participation as it facilitates electronic voting and remote shareholders' participation. With the Virtual Meeting Facilities, you may exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

Digital Copies of Annual General Meeting Documents

As part of our commitment to reduce paper usage, the following documents are available on our website at www.reachenergy.com.my

1. Annual Report 2019
2. Corporate Governance Report 2019
3. Notice of the 7th AGM, Proxy Form and Administrative Guide
4. Circular in relation to Amendment to the Clause in the Company's Constitution dated 30 June 2020

Alternatively, you may also make your request through telephone/email to our service provider at the number/email address provided in the enquiry section of this document. Any request for the printed documents would be forwarded to the requestor within four (4) market days from the date of receipt of the verbal or written request, whichever is later.

Broadcast Venue

The main and only venue of the virtual Meeting as indicated above is strictly to serve as the broadcast venue where the chairperson of the Meeting is physically present, and no shareholders/proxies shall be physically present at the broadcast venue. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairperson must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.

Entitlement to Participate the AGM

In respect of deposited securities, only members whose names appear on the Record of Depositors on 27 July 2020 (General Meeting Record of Depositors) shall be eligible to participate the meeting or appoint proxy(ies) to participate on his/her behalf.

You are reminded to kindly check our website at http://www.reachenergy.com.my/investor-relations.html for the latest updates, if any, regarding the administration of the 7th AGM.

Form(s) of Proxy

If you are unable to attend the AGM, you are encouraged to appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

Please ensure that the original form is deposited at our Share Registrar's office not less than forty eight (48) hours before the time appointed for holding the meeting. Details of our Share Registrar's office can be found in the enquiry section of this document.

Alternatively, you may deposit your proxy form(s) by electronic means trough the smart investor portal at https://boardroomlimited.my by logging in and selecting "E-PROXY LODGEMENT".

Revocation of Proxy

If you have submitted your Form(s) of Proxy and subsequently decide to appoint another person or wish to participate in our electronic AGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty eight (48) hours before the meeting.

Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

Virtual Meeting Facilities

Procedure		**Action**
Before the day of the AGM		
1.	Register Online with Boardroom Smart Investor Portal	*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.]* a. Access website https://boardroomlimited.my b. Click **<<Login>>** and click **<<Register>>** to sign up as a user. c. Complete registration and upload softcopy of MyKAD (front and back) or Passport. d. Please enter a valid email address. e. Your registration will be verified and approved within one business day and an email notification will be provided.

ADMINISTRATIVE GUIDE
FOR THE ANNUAL GENERAL MEETING
(cont'd)

Procedure		Action
Before the day of the AGM		
2.	Submit request for remote participation	Registration for remote access will be opened on 30 June 2020. Please note that the closing time to submit your request is at 10.00 a.m. on 3 August 2020 (48 hours before the commencement of the AGM). **Individual Members** a. Log in to https://boardroomlimited.my b. Select "Hybrid/Virtual Meeting" from main menu and select the correct Corporate Event "Virtual AGM". c. Read and agree to the terms & condition and thereafter submit your request. d. Enter your CDS Account. **Corporate Shareholders** a. Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request. b. Please provide a copy of Corporate Representative's MyKad (Front and Back) or Passport as well as his/her email address. **Authorised Nominee and Exempt Authorised Nominee** a. Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Form of Proxy to submit the request. b. Please provide a copy of Corporate Representative's MyKad (Front and Back) or Passport as well as his/her email address.
3	Email notification	a. You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified. b. Upon system verification against the General Meeting Record of Depositories as at 27 July 2020, you will receive an email from Boardroom either approving or rejecting your registration for remote participation together with your remote access user ID and password.
On the day of the AGM		
4.	Login to Meeting Platform	a. The Meeting Platform will be opened for login one (1) hour before the commencement of the AGM. b. The Meeting Platform can be accessed via one of the following:- • Download the free **Lumi AGM** application from Apple App Store or Google Play Store; • Scan the QR Code provided in the email notification; • Navigate to the website at https://web.lumiagm.com/ c. Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3.
5.	Participate	[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition. All question and messages will be presented with the full name and identity of the participant raising the question.] a. If you would like to view the live webcast, select the broadcast icon. b. If you would like to ask a question during the AGM, select the messaging icon. c. Type your message within the chat box, once completed click the send button.

ADMINISTRATIVE GUIDE
FOR THE ANNUAL GENERAL MEETING
(cont'd)

On the day of the AGM		
6.	Voting	a. Once voting has been opened, the polling icon will appear with the resolutions and your voting choices. b. To vote, simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received. c. To change your vote, simply select another voting direction. d. If you wish to cancel your vote, please press "Cancel".
7.	End of Participation	Upon the announcement by the Chairman on the closure of the AGM, the live webcast will end and the Messaging window will be disabled.

No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

Enquiry

If you have any enquiries prior to the AGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30. p.m.):-

Boardroom Share Registrars Sdn. Bhd.

Address	:	11th Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
General Line	:	603-7890 4700
Fax Number	:	603-7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

REACH ENERGY BERHAD

REGISTRATION NO. 201301004557 (1034400-D)

PROXY FORM

CDS Account No.	
No. of shares held	

I/We____

(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No. ____)

of ____

(ADDRESS)

being a member/members of **REACH ENERGY BERHAD**, hereby appoint:

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Seventh Annual General Meeting ("7th AGM") of **REACH ENERGY BERHAD** to be conducted fully virtual at Banyan Function Room, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Wednesday, 5 August 2020 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

RESOLUTION NO.	**RESOLUTION**	**FOR**	**AGAINST**
Ordinary Resolution 1	To re-elect Tan Sri Dr. Azmil Khalili bin Dato' Khalid		
Ordinary Resolution 2	To re-elect Encik Nik Din bin Nik Sulaiman		
Ordinary Resolution 3	To re-elect Encik Ikram Iskandar bin Abd Rahim		
Ordinary Resolution 4	To re-elect Encik Ku Azhar bin Ku Akil		
Ordinary Resolution 5	To approve the proposed payment of Directors' fees in respect of the financial year ending 31 December 2020, to be made payable quarterly		
Ordinary Resolution 6	To approve the proposed payment of Directors' benefits (other than Directors' fees) for the period from 1 January 2020 until the conclusion of the next Annual General Meeting		
Ordinary Resolution 7	Re-appointment of PricewaterhouseCoopers PLT as the Company's Auditors		
Ordinary Resolution 8	Authority to issue and allot shares pursuant to Section 75 and 76 of the Companies Act, 2016		
Special Resolution 1	Proposed Amendment to the Clause in the Company's Constitution		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed this __________ day of ____________________ , 2020

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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. *The 7th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities provided by Boardroom Share Registrars Sdn Bhd at http://web.lumiagm.com. Please follow the procedures as set in Administrative guide in order to register, participate and vote remotely via RPV facilities.*
2. *The venue of 7th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of Meeting to be present at the main venue. No shareholders/proxy(ies) from the public shall be physically present at nor admitted to the Broadcast Venue.*
3. *In regard of deposited securities, only members whose names appears in the Record of Depositors as at 27 July 2020 shall be eligible to attend the Meeting and to speak and vote thereat.*

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4. *A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
5. *A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
6. *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*
7. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the Meeting.*
8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*
9. *To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting. Alternatively, the Form of Proxy can be deposited electronically through the website of the Company's Share Registrar, Boardroom Smart Investor Portal at https://www.boardroomlimited.my before the Form of Proxy lodgment cut-off time as mentioned above.*

   Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the 7th AGM will be put to vote on a poll.

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Affix
Stamp

COMPANY SECRETARY
REACH ENERGY BERHAD
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

Please fold here to seal

REACH ENERGY BERHAD
Registration No. 201301004557 (1034400-D)

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