REACH ENERGY

ENERGY WITHIN REACH

Annual Report 2022

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.

CORPORATE STRATEGIES

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

VISION

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

MISSION

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

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheung Hung
(Independent Non-Executive Chairman)

Tan Sri Dr. Azmil Khalili bin Dato' Khalid
(Non-Independent Non-Executive Director)

Yusoff bin Hassan
(Independent Non-Executive Director)

Chow Hiu Tung
(Independent Non-Executive Director)

Tse Man Yin
(Executive Director)

AUDIT COMMITTEE

Chow Hiu Tung *(Chairman)*
Tan Sri Dr. Azmil Khalili bin Dato' Khalid
Cheung Hung

NOMINATION AND REMUNERATION COMMITTEE

Chow Hiu Tung *(Chairman)*
Tan Sri Dr. Azmil Khalili bin Dato' Khalid
Cheung Hung

RISK MANAGEMENT COMMITTEE

Cheung Hung *(Chairman)*
Tan Sri Dr. Azmil Khalili bin Dato' Khalid
Chow Hiu Tung
Tse Man Yin
Yusoff bin Hassan

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad

STOCK EXCHANGE LISTING

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

STOCK SHORT NAME AND CODE

REACH 5256

PROFILE OF BOARD OF DIRECTORS

CHEUNG HUNG

Independent Non-Executive Chairman

Nationality
Hong Kong

Age
54

Date of Appointment
29 March 2023

Tenure of Directorship
One (1) month

MEMBERSHIP OF BOARD COMMITTEE:

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

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Master of Business Administration, the Chinese University of Hong Kong

WORK EXPERIENCE:

Mr. Cheung Hung ("Mr. Cheung") has experience in areas of corporate finance, business and administrative management and has held various management and senior management positions in a number of listed and private corporations. Mr. Cheung has over 20 years of experience in serving as a consultant or general manager in several investment and financing companies in Hong Kong. He has been an Executive Director of Great Wall Terroir Holdings Limited, a listed company in the Stock Exchange of Hong Kong Limited ("the Stock Exchange") since January 2023. He had also served as Chairman of the board of China Biotech Services Holdings Limited from 2010 to 2016, the shares of which are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. From 2003 to 2004, he was a Non-Executive Director of Capital VC Limited which is listed on the Main Board of the Stock Exchange.

OTHER INFORMATION:

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

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

NIL

PROFILE OF BOARD OF DIRECTORS
(cont'd)

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID

Non-Independent Non-Executive Director

Nationality
Malaysian

Age
63

Date of Appointment
23 January 2017

Tenure of Directorship
Six (6) years and three (3) months

MEMBERSHIP OF BOARD COMMITTEE:

- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Doctorate of Science (Honorary), University of Hertfordshire, Hatfield, England
- Masters 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 Company and does not have any family relationships with any Director of the Company. Tan Sri Dr. Azmil is deemed a major shareholder of the Company and his interest is disclosed in the securities of the Company 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 eight (8) Board meetings held during the financial year ended 31 December 2022.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- UEM Edgenta Berhad
- Sapura Industrial Berhad

PROFILE OF BOARD OF DIRECTORS

(cont'd)

YUSOFF BIN HASSAN

Independent Non-Executive Director

Nationality
Malaysian

Age
63

Date of Appointment
23 September 2021

Tenure of Directorship
One (1) year and seven (7) months

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Bachelor of Science in Petroleum and Natural Gas Engineering, University of Technology Malaysia

WORK EXPERIENCE:

Encik Yusoff bin Hassan ("Encik Yusoff") has over 36 years of practical experience in the oil and gas industry as a Specialist Petroleum Engineer and Resource Manager. He has hands-on experience in the full spectrum of the upstream oil and gas field activities such as exploration, appraisal, development and production operations. He specialises in production sharing contract, joint venture projects, field reviews, hydrocarbon resource assessment, field development planning, field rejuvenation, production operations, drilling, workover, reservoir management and enhanced oil recovery. He has an excellent track record in managing full-fledge field development project execution and delivery in Malaysia and overseas both in onshore and offshore environments.

He started his career with PETRONAS in 1983 as a Reservoir Engineer in the Exploration & Development Division and Petroleum Management Unit responsible for managing the operations of the PSC Operators in Malaysia. He moved to PETRONAS Carigali Sdn. Bhd. (PCSB) in 1996 as a Project Leader and later on transferred to PETRONAS International Business Unit as a Business Development Manager for PETRONAS Middle East/North Africa/Central Asia region based in Dubai.

He joined the Chad-Cameroon Project as a Subsurface JV Manager in 2000 and then moved to Sarawak as a Subsurface Manager for PCSB Baram Delta Operations. In 2005, he was appointed as a PETRONAS Principal Reservoir Engineer providing technical support to domestic and international projects amongst others the Shale Gas Project in Canada and the Malaysian Enhanced Oil Recovery (EOR) Projects.

In 2011, he moved to PCSB's Turkmenistan Operations (PCTSB) in Ashgabat, Turkmenistan as a Petroleum Engineering Resource Manager. He was then promoted to the General Manager of Petroleum Engineering position in PCTSB until his retirement from PETRONAS in October 2015. In 2018, he joined CaspiOilGas LLP, a Malaysian-owned exploration & production company with a concession in Kazakhstan as a petroleum engineering consultant.

OTHER INFORMATION:

Encik Yusoff has no conflict of interest with the Company and does not have any family relationships with any Director of the Company. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended eight (8) Board meetings held during the financial year ended 31 December 2022.

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

NIL

PROFILE OF BOARD OF DIRECTORS
(cont'd)

CHOW HIU TUNG

Independent Non-Executive Director

Nationality
Hong Kong

Age
51

Date of Appointment
29 March 2023

Tenure of Directorship
One (1) month

MEMBERSHIP OF BOARD COMMITTEE:

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

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Bachelor of Business Administration in Finance, Hong Kong University of Science and Technology
- Master of International Business, University of Sydney, Australia
- Member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
- Fellow member of the Association of Chartered Certified Accountants

WORK EXPERIENCE:

Mr. Chow Hiu Tung ("Mr. Chow") has over 25 years of experience in accounting and internal control. He has been an Independent Non-Executive Director of Great Wall Terroir Holdings Limited, a listed company on the Hong Kong Stock Exchange since March 2021. He was also an Independent Non-Executive Director of public listed companies such as State Energy Group International Assets Holdings Limited from October 2018 to December 2021, Future Bright Mining Holdings Limited from December 2014 to September 2018, as well as an Independent Non-Executive Director of National United Resources Holdings Limited (formerly known as China Outdoor Media Group Limited) from October 2013 to March 2015.

OTHER INFORMATION:

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

DIRECTORSHIPS IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

NIL

PROFILE OF BOARD OF DIRECTORS
(cont'd)

TSE MAN YIN ("FRED")

Executive Director

Nationality
Hong Kong

Age
30

Date of Appointment
29 March 2023

Tenure of Directorship
One (1) month

WORK EXPERIENCE:

Mr. Tse Man Yin ("Fred") has extensive experience and expertise in accounting, auditing, and investment management. He is currently an analyst at the Hammer Capital China Limited primarily involved in due diligence and portfolio audit for investments since 2021. Prior to that, he had also served as Assistant Financial Controller of Main Board-listed MIE Holdings Corporation from November 2021 to March 2022. He has worked in international accounting firms for over five (5) years, with his last position as an Assistant Manager.

OTHER INFORMATION:

Fred has no conflict of interest with the Company and does not have any family relationships with any Director of the Company. 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

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee

ACADEMIC/PROFESSIONAL QUALIFICATIONS:

- Bachelor of Business Administration in Accounting, Edinburgh Napier University
- Certified Practising Accountant of the CPA Australia

PROFILE OF KEY SENIOR MANAGEMENT PERSONNEL

TAN SIEW CHAING ("MS. TAN")
Chief Executive Officer , Reach Energy Berhad
55, Female, Malaysian

Academic/Professional Qualification(s):

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

Working Experiences:

- Ms. Tan has more than 30 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 year 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.

TSE MAN YIN ("FRED")
Executive Director, Reach Energy Berhad
30, Male, Hong Kong

Academic/Professional Qualification(s):

- Bachelor of Business Administration in Accounting, Edinburgh Napier University
- Certified Practicing Accountant of the CPA Australia

Working Experience:

- Fred has an extensive experience in accounting, auditing, and investment management.

- Fred served as an Assistant Financial Controller at Main Board-listed MIE Holdings Corporation from November 2021 to March 2022.

- He had also worked in international accounting firms for over five (5) years with his last position as an Assistant Manager.

- He's currently an analyst at the Hammer Capital China Limited and has been primarily involved in due diligence and portfolio audit for investments since 2021.

PROFILE OF KEY SENIOR MANAGEMENT PERSONNEL
(cont'd)

LING SHIAU RUENN ("SHARON")
Finance Manager, Reach Energy Berhad
47, Female, Malaysian

Academic/Professional Qualification(s):

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

Working Experience:

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

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

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

CHAIRMAN'S STATEMENT

"Dear Valued Shareholders,

On behalf of the Board of Directors of Reach Energy Berhad ("Reach Energy" or the "Company"), I am pleased to present the Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2022 ("FYE 2022")."

2022 AT A GLANCE

It was a year fraught with challenges thanks to the broad-based and sharper-than-expected slowdown of the global economic activity as well as the lingering effects of the COVID-19 pandemic and the military conflict in Ukraine. These uncertainties surrounding the global economic outlook increased amid record-high commodity prices, sanctions on Russia, global supply chain disruptions, and concerns over weaker growth in China and will inevitably continue to do so in the forthcoming year.

The volatile economic conditions also affected the global oil prices which swung wildly in 2022, climbing on tight supplies amidst the war in Ukraine with international benchmark Brent reaching USD139.13 a barrel in March. Brent crude prices slid in the second half of the year due to weaker demand from top importer China, hiked interest rates and worries of an economic contraction but closed the year settling at USD85.91 a barrel.

As a pureplay exploration and production company, Reach Energy was highly impacted by amongst others, the global oil price, production volume and operating expenses. Despite the recovery in prices, we continued to be adversely implicated by the military conflict in Ukraine which had led to price differential issues, and increased concession tax imposed by the Government of Kazakhstan on exported oil which is based on the global benchmark Brent oil price.

Despite this, we persevered through the mounting challenges to continue creating a sustainable operation. In 2022, we completed the drilling of three new wells in our best producing fields the North Kariman and Kariman fields which have borne positive results, contributing more than 700 barrels of oil per day ("bopd") in the first quarter of 2023. This augurs well with our intention of increasing our production volume in the forthcoming financial year.

Currently, there are six producing fields in the Emir-Oil Concession Block with production contracts with remaining tenures ranging from nine to 24 years. This provides us with sustainability to oil and gas extractions for the near to medium term.

CHAIRMAN'S STATEMENT
(cont'd)

OUR FINANCIAL PERFORMANCE

For the Financial Year Ended 31 December 2022, we recorded a revenue of RM169.46 million (FYE 2021: RM150.69 million) which was an increase of approximately RM18.77 million or 12% from the previous year. The increase in revenue was due to the higher production volume as well as the higher average selling price arising from the improvement in the price differential for export sales which by extension had allowed for a bigger allocation of export sales.

Unfortunately, we recorded a negative Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") of RM62.62 million as compared to a positive EBITDA of RM35.72 million in the preceding year. This was mainly caused by the increase in the impairment of non-financial assets.

We recorded a Net Asset Per Share of RM0.21 (FYE 2021: RM0.37).

COMPANY OUTLOOK

Reach Energy is at a crossroads at the moment. For the past several years, our Company has been navigating treacherous waters due to a combination of the volatile industry and economic conditions that unfortunately impacted our operations adversely. And now, we were unfortunately classified as a Practice Note 17 ("PN17") company.

Turning around the company is by no means a simple task. Following this, we have been given approximately 12 months to regularise our financial standing. Within this given time, the Board and the management team will be working hard on a restructuring plan to turn around the PN17 reclassification. We are confident that we will see better times ahead. The Company shall make the necessary announcements in regard to the development of the matter.

On the opposite spectrum, we recorded another milestone after we completed our corporate exercise towards the end of March 2023. The completion of the corporate exercise particularly the partial settlement of the outstanding debt which entails the offset of RM206.51 million or 76% from the debt is a proverbial weight off our shoulder as it allows Reach Energy to conserve its funds for our immediate operational needs.

As a result, we will be able to fulfill our operational obligations in line with our goal to sustain and further enhance our production level. This will involve the drilling of more development wells and infill wells. In 2023, we intend to drill 1 more new development well which is an additional well targeting pockets of oil left behind from the original well. Complementing this is our initiative to install and replace electrical submersible pumps ("ESPs") which will allow for a more efficient extraction of oil while maintenance works are conducted.

We are hopeful that these initiatives will improve our productivity and efficiency in the long run.

APPRECIATION

Allow me to put on record my gratitude to the retired members of the Board namely En. Izlan bin Izhab, En. Nik Din bin Nik Sulaiman, Dato' Jasmy bin Ismail, Datin Noor Lily Zuriati binti Abdullah, Y.M. Tunku Datuk Nooruddin bin Tunku Dato' Seri Shahabuddin, Dato' Berikkazy Seksenbayev and Mr. Yerlan Issekeshev. Thank you for your faithful service all these years as Reach Energy's Board members.

I would also like to welcome my new fellow Board members, namely Mr. Chow Hiu Tung and Mr. Tse Man Yin to the Group, who, like myself, were appointed recently. We are privileged and honoured to take the reins and we look forward to working successfully together with the whole Reach Energy team in the months ahead.

Finally, I also extend my most sincere appreciation to all Government ministries, agencies, customers, vendors, advisors, and of course our shareholders for the renewed trust. We are confident that with the combination of the key management team who is vastly experienced in the oil and gas industry and the plans we have in the pipeline, we will be in good stead to steer Reach Energy forward.

Cheung Hung
Chairman

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS

Dear Shareholders,

We have had a fair share of challenges over the past several years. FYE2022 was especially a turbulent one for us which saw our financial performance heavily affected by the volatile global economic conditions that also resulted in persistent operational challenges.

To address these challenges, we initiated a corporate restructuring exercise to undertake an offset of USD49.5 million (RM206.5 million) of deferred consideration liability via the issuance of 1.03 billion new ordinary shares in Reach Energy to Hong Kong-based Super Racer Limited ("SRL") at an issue price of RM0.20 per share. Following the successful completion of the corporate exercise in March 2023, we welcomed SRL as our new major shareholder in March 2023. SRL's entry marks a new beginning for our Group and with their support, we will not only be ensured of sustainable operations but we will also be able to pursue opportunities and plans that will accelerate our growth.

In order to provide our shareholders with an overview and updates of the business operations of the Group, the financial review of 2022 and the Group's expectations of the business going into 2023, we have prepared the CEO's Report and Management's Discussion & Analysis ("MD&A") statement for your perusal.

OVERVIEW OF OUR BUSINESS AND OPERATIONS

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

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

Figure 1: Emir-Oil Concession Block Location and Area

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

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

Fiscal System		Concession					
Type of Field		Commencement Date	Production Commencement Year	Type of Contract	Remaining Contract Period (years)	Expiry Date	Area (km^2)
Producing Fields							
Kariman	Oil	9 Sep 2011	2011	Production Contract	15	31 Dec 2036	12.24
Dolinnoe	Oil	9 Sep 2011	2011	Production Contract	15	31 Dec 2036	18.24
Aksaz	Light Oil	9 Sep 2011	2011	Production Contract	15	31 Dec 2036	11.48
Emir	Oil	1 Mar 2013	2013	Production Contract	8	1 Dec 2029	3.53
North Kariman	Oil	5 Jan 2020	2020	Production Contract	15	31 Dec 2036	4.55
Yessen	Oil	5 Jan 2020	2020	Production Contract	23	31 Dec 2044	6.69
Total Acreage							**56.73**

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 meanwhile are Emir, Kariman, North Kariman, Dolinnoe, Aksaz, Borly and Yessen.

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

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

Currently, there are six producing fields namely Aksaz, Dolinnoe, Emir, Kariman, North Kariman and Yessen. In the year under review, we had successfully drilled one well at the North Kariman oilfield and we intend to drill one more well in the middle of 2023. As of December 2022, we have maintained 30 producing wells with an average of 2,115 bopd.

The Aksaz gas-condensate field was discovered in 1995 and began production in 2005. A total of seven wells have been drilled in the field, of which six are producing. Current production is approximately 59 bopd of condensate, and the cumulative condensate production as of 31 December 2022 is 1.1 million barrels ("MMBbl").

The Dolinnoe oil field was discovered in 1994 and began production in 2004. A total of 11 wells have been drilled in the field, with five wells producing and six suspended. Current production is approximately 221 bopd, and the cumulative oil production as of 31 December 2022 is 2.9 MMBbl.

The Emir oil field was discovered in 1996 and put into production in 2004. Four wells have been drilled, with none producing in 2022. The cumulative oil production as of 31 December 2022 is 0.03 MMBbl.

The Kariman oil field was discovered in 2006 and began production in March 2007. The Kariman field, the largest in size, is the main contributor towards our production output. A total of 29 wells have been drilled in the field, of which 18 are currently in production and 11 are shut-in. Current production is approximately 2,562 bopd, and the cumulative oil production as of 31 December 2022 is 12.9 MMBbl.

The Yessen oil field has a total of four wells drilled, of which only one currently in production at 43 bopd and the cumulative oil production as of 31 December 2022 is 0.13 MMBbl, and the Borly oil field is undeveloped.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS

(cont'd)

The cumulative oil production from the Emir-Oil Concession Block in the field was 17.09 MMBbl by 31 December 2022, with the Kariman and Dolinnoe fields being the biggest contributors to the overall recovery.

In an effort to improve oil recovery, we are also taking measures through an active workover and gas injection programme, which is also an alternative to maintain reservoir pressure. In 2022, we completed workover works on 39 wells by performing downhole maintenance and remedial treatments on our wells to significantly enhance the production level.

As part of our plans to steer the Group back to profitability, we implemented the EOTP starting with the first and second phases, the Rebuilding Phase and the Transformation Phase in early 2021. The Rebuilding Phase comprised an organisational restructuring to streamline our key functions and embolden our operational performance in the long run. For this purpose, we had also implemented process improvements, specifically the installation of new compressor units to upgrade the separation of gas in each gathering unit to improve operational efficiency.

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

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

OUR PLANS AND PROSPECTS

Our first course of action will be to increase our productivity and efficiency, especially our production volume. To achieve this, the drilling of more development wells is high on the agenda in the near term. We also intend to install and replace electrical submersible pumps while simultaneously commencing our gas injection measures which are crucial to improve reservoir pressure and ultimately increase our production volume.

On top of that, another near-term initiative we intend to pursue is debottlenecking efforts of the surface facilities to increase production efficiency and ultimately our production output. Meanwhile, over the longer term, we intend to install a new 25 km pipeline which is expected to be ready for commissioning upon the completion of the Central Processing Facility.

Aside from implementing initiatives to improve our production output and increase production efficiency, we also intend to address and resolve the price differential issue that has been plaguing Emir-Oil recently and had adversely affected our export sales margins. To mitigate this issue, we intend to explore new export routes that will enable Emir-Oil to export its oil at a price close to the international oil price.

Moving into the new financial year, another key focus of our Group is to ensure the continuation and sustainability of our business operations as well as to safeguard and preserve its financial condition. The Group unfortunately saw itself in an unfavourable light after we were classified a Practice Note 17 ("PN17") company. Following this, we have been given approximately 12 months to regularise our financial standing. Within this given time, the Board and the management team will be working hard on a restructuring plan to turn around the PN17 reclassification. The Company shall make the necessary announcements in regard to the development of the matter in due course.

RESERVES, CONTINGENT AND PROSPECTIVE RESOURCES

As part of our responsibilities as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, GCA, had completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date of 31 December 2022.

In general, the oil reserves for the year under review has stayed consistent within last year's range. In 2021, we also had successfully completed a water injection study to evaluate the compatibility of injecting water in the Kariman oilfield, by Oil Plus Ltd, a leading independent consultancy in oil and gas field water management. Following this, we intend to commence the gas injection programme for secondary recovery in January 2023.

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

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

As at 31 December 2022, 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	13.12	40.39	63.47
Dolinnoe	2.82	5.18	7.89
Aksaz	0.52	0.91	1.53
Yessen	0.50	0.75	1.05
Emir	0.03	0.07	0.14
Total	**16.99**	**47.30**	**74.08**

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.64	50.36	75.03
Dolinnoe	12.87	23.52	34.95
Aksaz	2.92	5.45	9.22
Yessen	0.02	0.03	0.04
Emir	0.00	0.01	0.01
Total	**29.45**	**79.37**	**119.25**

(III) OIL, LPG AND GAS

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	15.39	48.78	75.98
Dolinnoe	4.97	9.10	13.72
Aksaz	1.01	1.82	3.07
Yessen	0.50	0.76	1.06
Emir	0.03	0.07	0.14
Total	**21.90**	**60.53**	**93.97**

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

In the previous year, GCA reported 2P Reserves of 59.03 MMboe as opposed to the current year's estimate of 60.53 MMboe. This variation accounts for the volume produced during the year as well as taking into consideration well production performance, recovery factors, drilling schedule, and geological studies carried out during the year.

As at 31 December 2022, 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)	1.20	6.30	21.20
Gas (Bscf)	2.20	9.80	30.60

PRODUCTION

The cumulative oil and gas production from the Emir-Oil Concession Block as at 31 December 2022 is shown in the table below. The total production in 2022 was 0.77 MMBbl of oil and 1.60 billion standard cubic feet ("Bscf") of gas.

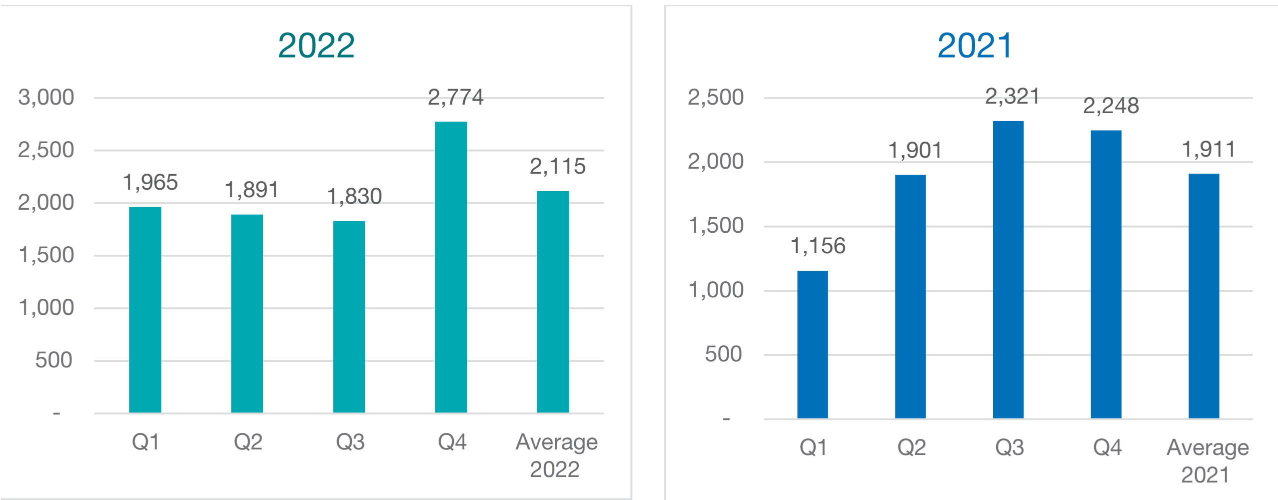
Emir-Oil Concession Block - Cumulative Production as at 31 December 2022

Field	Cumulative Oil Production (MMBbl)	Cumulative Gas Production (Bscf)
Kariman	12.86	6.62
Dolinnoe	2.92	8.56
Emir	0.03	0.00
Yessen	0.13	0.03
Aksaz	1.15	9.49
TOTAL	**17.09**	**24.70**

Production Summary of Emir-Oil Concession Block

Average daily oil production in 2022 vs 2021 is shown in Figure 2 below.

Figure 2: Average Daily Oil Production



CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS

(cont'd)

We reported a better average production volume for 2022 as compared to 2021, recording an average of 2,115 bopd in the year under review. The increase in production volume was mainly contributed by the Kariman field due the implementation of remediation work in Kariman wells during the workover process. This includes adding perforation length, cleaning bottomhole zones from sediments, using degassed water instead of water during cleaning, as well as moderation of the KUDU ESP downhole equipment using efficient gas separators. In order to maintain this level of production and to subsequently gradually enhance our production in the future, it is imperative for us to maintain our reservoir maintenance practices through the drilling of infill wells and the implementation of the gas injection initiative. In addition, we also intend to develop the newly explored areas of Kariman and North Kariman through drilling work scheduled from 2021 until 2027 along with the timely construction of our central processing facility.

GROUP FINANCIAL PERFORMANCE REVIEW

- **Summary Statement of Comprehensive Income**

	2022	2021	Variance		
	RM'000	RM'000	RM'000		%
Revenue	169,460	150,691	18,769	▲	12%
Operating expenses	(310,971)	(191,543)	(119,428)	▲	62%
Loss from operations	**(141,511)**	**(40,852)**	**(100,659)**	▲	**246%**
Finance income	28,866	17,622	11,244	▲	64%
Finance cost	(111,468)	(51,670)	(59,798)	▲	116%
Finance cost - net	(82,602)	(34,048)	(48,554)	▲	143%
Loss before income tax	**(224,113)**	**(74,900)**	**(149,213)**	▲	**199%**
Income tax expenses	(10,816)	(7,359)	(3,457)	▲	47%
Loss for the financial year	**(234,929)**	**(82,259)**	**(152,670)**	▲	**186%**
Loss attributable to:					
Owners of the Company	(157,194)	(53,410)	(103,784)	▲	194%
Non-controlling interest	(77,735)	(28,849)	(48,886)	▲	169%
Loss for the financial year	**(234,929)**	**(82,259)**	**(152,670)**	▲	**186%**

For FYE 2022, the Group recorded revenue of RM169.5 million as compared to preceding financial year's revenue of RM150.7 million marking an increase of 12%. The higher revenue for FYE 2022 was contributed by the higher Brent oil price and higher production volume. The average production for year 2022 is 2,115 bopd as compared to 1,911 bopd in year 2021.

Operating expenses increased by 62% from RM191.5 million to RM311.0 million. The higher operating expenses was mainly due to the increase in the impairment of non-financial assets in FYE 2022.

Loss before Tax was recorded at RM224.1 million as compared to RM74.9 million in prior year. Loss after Tax was recorded at RM234.9 million as compared to RM82.3 million in prior year. The higher loss was primarily due to the increase in the impairment of non-financial assets in FYE 2022.

No dividends were declared, paid or proposed in FYE 2022 given that the Group is still aggressively pursuing growth opportunities.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS
(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 valuation metric 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 2022 and for FYE 31 December 2021:

	REB Group 1.1.2022-31.12.2022 RM'000	REB Group 1.1.2021-31.12.2021 RM'000
Loss before income tax	(224,113)	(74,900)
Finance income	(28,866)	(17,622)
Finance cost	111,468	51,670
Depreciation and amortisation	78,893	76,574
EBITDA from continuing operations	(62,618)	35,722

As a result of the increase in the impairment of non-financial assets , the Group recorded a negative EBITDA of RM62.6 million for FYE 2022 as compared to the positive EBITDA of RM35.7 million for FYE 2021.

ii) REVENUE ANALYSIS

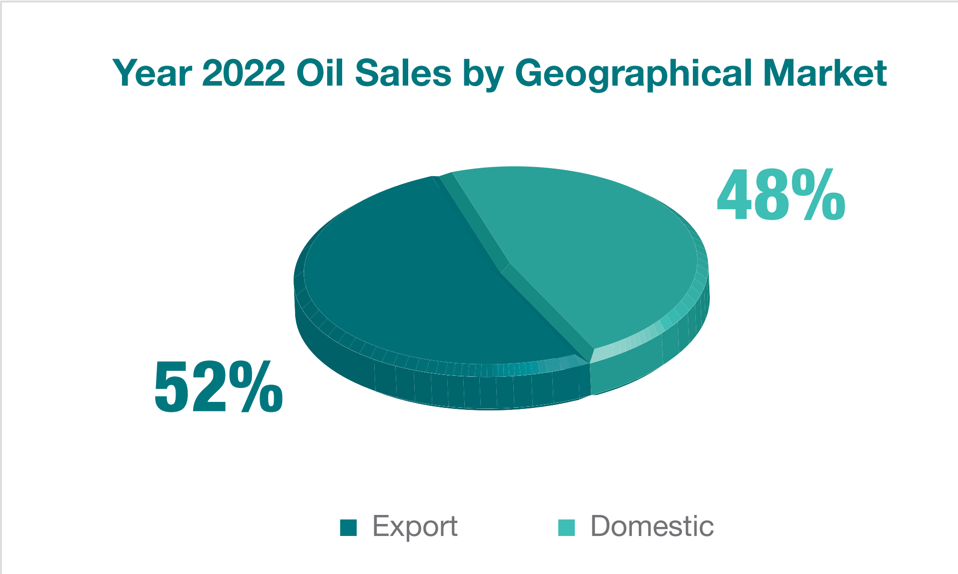
The revenue of the Group is derived 100% from the sale of crude oil and gas produced by Emir-Oil under the Production Contracts and Exploration Contract. Revenue is recognised on the transfer of risk and rewards of ownership or in the case of gas, it is recognised when the gas arrives at the gas pipeline.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

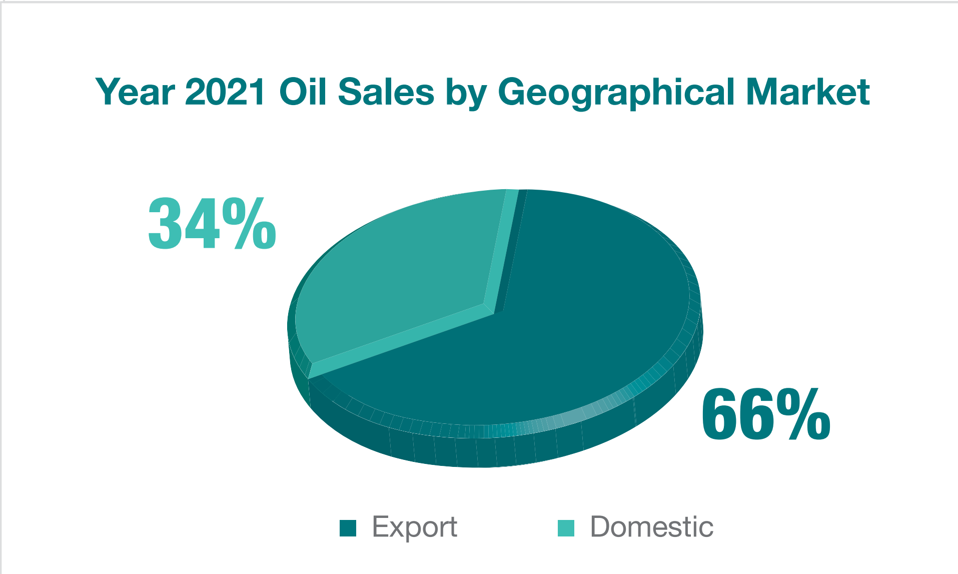
No revenue is recorded for Reach Energy, Reach Energy Ventures Sdn. Bhd. ("REV") and PBV.

For the FYE 31 December 2022, the Group recorded a revenue of RM169.5 million (USD38.4 million) as compared to RM150.7 million (USD36.3 million) in FYE 31 December 2021. The higher revenue in FYE 2022 was mainly contributed by the higher Brent oil price and higher production volume.

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

The breakdown of the revenue by product and geographical market for FYE 31 December 2022 is set out as below:





Oil Sales

For FYE 2022, the Group recorded RM166.5 million (USD37.8 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 be the largest contributor to the Group's revenue at RM116.9 million (USD26.5 million) or 69% of total oil sales. Revenue from domestic sales contributed RM49.6 million (USD11.2 million) for FYE 2022.

The weighted average realised oil price per barrel for both export and domestic sales is RM240.4 (USD54.5) per barrel for FYE 2022. The average oil price from export sales was RM327.2 (USD74.2) per barrel and RM147.7 (USD33.5) per barrel for domestic sales. As export sales is more profitable than domestic, Emir-Oil remains committed to getting more export quota allocation every month from the MOE.

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

The Group's oil sales volume for FYE 2022 was 692,183 barrels which consisted of the export sales volume of 357,464 barrels and domestic sales volume of 334,720 barrels. The average daily oil production for FYE 2022 was 2,115 bopd.

Gas Sales

The revenue from gas sales for FYE 2022 is RM2.9 million (USD0.7 million). The revenue from gas sales is in line with the average gas price of RM1.96/Mscf (USD0.44/Mscf) for FYE 2022 as well as the gas sales volume which totalled 1,503,268 Mscf for the whole of 2022. The average daily production for FYE 2022 was 4,119 Mscfd.

iii) OPERATING EXPENSES

The Group recorded total operating expenses of RM311.0 million (USD70.5 million) for FYE 2022.

Staff Cost

The Group incurred employee compensation costs amounting to RM14.5 million (USD3.3 million) in which PBV Group recorded a total of RM11.7 million (USD2.6 million) while REV and Reach Energy recorded a total of RM2.8 million (USD0.6 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 RM32.6 million (USD7.4 million) during the year and it is solely from Emir-Oil.

Depreciation and Amortisation

During the year, the Group recorded a total of RM78.9 million (USD17.9 million) for Depreciation 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 is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Distribution expenses

The Group recorded a total of RM14.5 million (USD3.3 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 RM70.4 million (USD16.0 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.

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).

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS

(cont'd)

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 tonne ("MT") 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 on interest income 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 2022 is as follows:

FYE 31 December 2022 **Average exchange rate (RM/USD):** 4.4102

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 rigorous well surveillance and regular production analysis. An intensive well workover program has been implemented to re-open idle wells and improve existing well productivity. Allocating CAPEX for the implementation of reservoir pressure maintenance through gas injection and drilling of new development wells.

CEO'S REPORT AND MANAGEMENT'S DISCUSSION & ANALYSIS

(cont'd)

Risk Factor	Description	Mitigation Measures
Subsoil User Contract ("SUC") Obligations	Failure to meet contractual obligations may lead to licenses terminations (for both production and exploration contracts).	The Group has assigned a team to monitor the yearly work programme ("WP") and to ensure the WP is aligned with our available resources, business needs, and financial planning while also fulfilling commitments to the Government. Revisions and deviation are communicated with the authorities.
Oil Price Fluctuations	Any adverse movement in oil prices will reduce our profitability and any volatility in the outlook in these commodities will also affect our planning decisions for future investments and production budget.	The Group will continue to study and implement cost reduction measures to lower its production cost base, ensuring financial sustainability in the face of oil price fluctuations and to improve netback per barrel.
Foreign Exchange Rates	Most of the revenue of the PBV Group is denominated in USD, while the production, purchases and other expenses are transacted in KZT. The reporting currency of our Company is in Ringgit Malaysia ("RM"). In view of that, the fluctuation in foreign exchange rates could have a significant adverse effect on the financial results of our enlarged Group with the consolidation of the financial results of the PBV Group. However, this is common in the global oil & gas sector as most of the transactions are conducted in USD.	The Group is constantly alerted to its exposure to foreign exchange risks and monitors its exposure by performing sensitivity analysis on the financial position of the Group.
Asset Integrity	Asset Integrity can be defined as the ability for an asset to perform its required function effectively and efficiently whilst protecting health, safety, and the environment.	An enhanced plant-wide preventive and planned maintenance program will be implemented once the Computerised Maintenance Management System ("CMMS") framework has been finalised. This enhanced program aims to improve the technical integrity of our facilities, including processing systems, pipelines and structures.
Health, Safety, Security & Environmental ("HSSE") Performance	We are potentially exposed to a wide range of HSSE risks including the recent COVID-19 pandemic, operating environment, the geographical range and the technical complexity of our operations. Any major HSSE incidents may result in injury or loss of life, asset or environmental damage, financial or reputational impact.	Enhance HSSE visibility and awareness and provide appropriate training to staff to ensure HSSE competence is maintained and, where appropriate, further developed. Our capability to manage our assets safely, securely and with consideration towards the health of our employees, stakeholders and care for the environment is a primary consideration of a host government when allowing us to operate in a jurisdiction. The COVID-19 SOPs have been put in place.

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

Risk Factor	Description	Mitigation Measures
Strategic Investment	Every business investment carries a risk. We need to do proper due diligence before we venture into a new business segment or acquire a new asset.	Assess growth opportunities through market-back approach. Ensure sufficient pool of projects (as back-up options) in the event the identified projects pursued become unfavourable.
Regulation and Policy	Regulators for listed companies and the energy industries may impose heavier governance and compliance burdens. As we expand our footprint globally, compliance is increasingly a challenge, especially in an environment where laws and regulations are getting more stringent. Any change in laws or regulations may have an impact on our operations or future investment opportunities.	Continue tracking changes in regulatory requirements. Liaise proactively with relevant local authorities (i.e., Republic of Kazakhstan's Ministry of Energy), agencies and service providers to get timely updates on any new regulatory changes.

In Appreciation

On behalf of the Company, I extend my heartfelt gratitude to the retired members of the Board of Directors namely En. Izlan bin Izhab, En. Nik Din bin Nik Sulaiman, Dato' Jasmy bin Ismail, Datin Noor Lily Zuriati binti Abdullah, Y.M. Tunku Datuk Nooruddin bin Tunku Dato' Seri Shahabuddin, Dato' Berikkazy Seksenbayev and Mr. Yerlan Issekeshev. Thank you for your wisdom and counsel throughout all these years.

On that same note, I would also like to welcome the new members of the Board led by our Chairman, Mr. Cheung Hung who will be supported by not only our existing members of the Board but also new members namely Mr. Chow Hiu Tung and Mr. Fred Tse Man Yin. We look forward to your passion and dedication in our journey to fulfil our mission and vision.

Not forgetting, my sincere thanks and gratitude to our shareholders for their trust and confidence in Reach Energy now and in the years gone by. I would also like to convey my deep appreciation to all our employees both in Malaysia and Kazakhstan for your dedication and commitment as we continue to grow this company together.

Last but certainly, not least, we would also like to extend our heartfelt appreciation to government regulators, our partner, bankers, suppliers and customers for your resolute support.

Thank you.

SUSTAINABILITY STATEMENT

The Board of Directors ("Board") of Reach Energy Berhad ("Reach Energy" or "the Group") presents this Sustainability Statement ("this Statement") which discusses the strategies, priorities, targets, and performance of the management of sustainability matters, including the economic, environmental, social, and governance aspects, of Reach Energy and its subsidiaries ("Reach Energy Group" or "the Group") for the financial year ended 31 December 2022 ("FY2022").

Operations covered in this Statement include Reach Energy's corporate office operations and its operations by indirect subsidiary Emir-Oil LLP ("Emir-Oil"), in the Republic of Kazakhstan ("Kazakhstan"), which, together represent the active operations of Reach Energy during FY2022. Emir-Oil's active operations in Kazakhstan are represented by five main operating sites.

This Statement is prepared in accordance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and has also included considerations of relevant practices discussed in the Sustainability Reporting Guide – 3rd Edition and the accompanying Toolkits as published by Bursa Malaysia.

GOVERNANCE STRUCTURE

The Board of Reach Energy acknowledges its duties and responsibilities in ensuring the Company's strategy includes sustainability considerations, including in the areas of economic, environmental, social, and governance, in support of the achievement of long-term value creation. At Reach Energy, the Board, on an ongoing basis, assesses and reviews the sustainability of the Group's business and the sustainability alignment of the Company's Vision and Mission.

The Board is responsible for ensuring there is an effective governance structure in place to facilitate the integration and management of sustainability matters in the Group's operations. Through the Group's risk management processes, sustainability-related risks and opportunities are identified and integrated into the Group's risk management and internal control systems.

As a result, sustainability-related risks, especially environmental and social risks, are captured in the ongoing risk identification, assessment, management, and reporting of the Group. These sustainability-related risks are addressed through strategies and targets formulated guided by the Group's risk tolerance levels. The Risk Management Committee (RMC) reviews the Group's key risks facing the Group's business and reports to the Board at least twice a year. The reviews of the RMC and the Board take into account if there are any changes to the risk levels, whether further action plans are required, the process of action plans, the Key Risk Indicators ("KRIs"), and if there are any emerging risks which require the attention of the Business.

At the Management level, the Key Management Team and the respective Heads of Department are responsible for driving and realising the strategies and action plans to address the Group's key risks, including sustainability-related risks. They oversee the day-to-day business management and are responsible to ensure internal controls are put in place to mitigate the risks identified. Emir-Oil, which represents Reach Energy's key business in Kazakhstan, has a management-level risk management committee which meets quarterly and makes relevant reports to Reach Energy.

The Group's performance on sustainability-related matters is assessed alongside its business performance review, for example, in the aspects of environmental compliance and social compliance which are heavily regulated in the oil and gas sector where Reach Energy operates.

The Board also strives to communicate openly and transparently with the Group's stakeholders. Various engagement channels are established and maintained to facilitate the engagement with stakeholders, each with specific focus areas to address the needs and concerns of the respective stakeholder groups, including communication of relevant sustainability strategies, priorities, targets, and performance.

SUSTAINABILITY STATEMENT
(cont'd)

STAKEHOLDER ENGAGEMENT

Reach Energy recognises that its corporate value lies in the ability to create sustainable, long-term stakeholder value creation. In the pursuit of this objective, the Company acknowledge that there would be various stakeholders who may have different, sometimes conflicting positions with regard to their perception of value. In this regard, Reach Energy endeavours to strike a balance in its value creation strategies, between the Company's obligations to deliver value to stakeholders and corporate responsibilities, also considering stakeholder value in the short, medium, and long term.

The Group's stakeholders include, but are not limited to, the shareholders and investors, customers, suppliers and service providers in the supply chain, regulators and authorities, financiers and banks, local community, and the media. All stakeholders may have varying influences on the business or interest or dependence on the business, and this is also taken into account in the Group's engagement strategies.

We have various established engagement channels to communicate and interact with the various types of stakeholder groups we have across the Group. These engagement channels are customised to suit to the different engagement needs of our stakeholders, considering communication effectiveness, cost-efficiency, as well as other management factors.

Generally, the Group's stakeholder engagement strategies are developed to ensure stakeholders obtain sufficient information to facilitate informed decision-making, especially pertaining to matters involving their interests where the Company has responsibility or obligation towards. In addition, we also leverage the engagement channels to understand their concerns and interest, including in the areas of sustainability. These engagements allow us to hear from stakeholders where we have done well or may need improvement, and this supports the Group's ongoing business enhancement.

Since the COVID-19 pandemic in 2020, the way we engage with stakeholders has also evolved to incorporate technology and internet-based communications, enabling us to have a wider variety of tools to engage with stakeholders.

The following table summarises Reach Energy Group's key stakeholder groups, the key engagement methods, and key priority issues which are commonly discussed or addressed in our engagement with them.

STAKEHOLDER	ENGAGEMENT METHODS	PRIORITY ISSUES
Employees	• On-going education and training programmes • Employee events • Internal e-announcements	• Employee satisfaction and well being • Trainings and development • Performance management • Occupational safety and health • Employee engagement • Employee welfare
Shareholders and investors	• Annual report • AGM/EGM • Analyst meetings/briefings • Announcements on Bursa Malaysia Securities Berhad • Corporate website	• Company development • Business strategy • Regulatory compliance • Financial performance
Customers	• Meetings and discussions	• Operational performance • Compliance with environmental and social laws
Financiers/banks	• Meetings and discussions • Announcements on Bursa Malaysia Securities Berhad	• Funding methods
Local authorities/ municipalities/ regulators/ government ministries	• Meetings and discussions	• Strategic partnerships and agreements • Regulatory compliance • Briefings and trainings
Service providers and suppliers in the supply chain (including sub-contractors)	• Meetings and discussions	• Tenders
Media	• Press release	• Business development and performance

SUSTAINABILITY STATEMENT
(cont'd)

MATERIAL SUSTAINABILITY MATTERS

During FY2022, Reach Energy initiated an exercise to carry out a structured materiality assessment to facilitate the identification of material sustainability matters, i.e., sustainability matters which:

- reflect the Group's significant sustainability impacts; or
- substantively influence stakeholders' assessment or decisions.

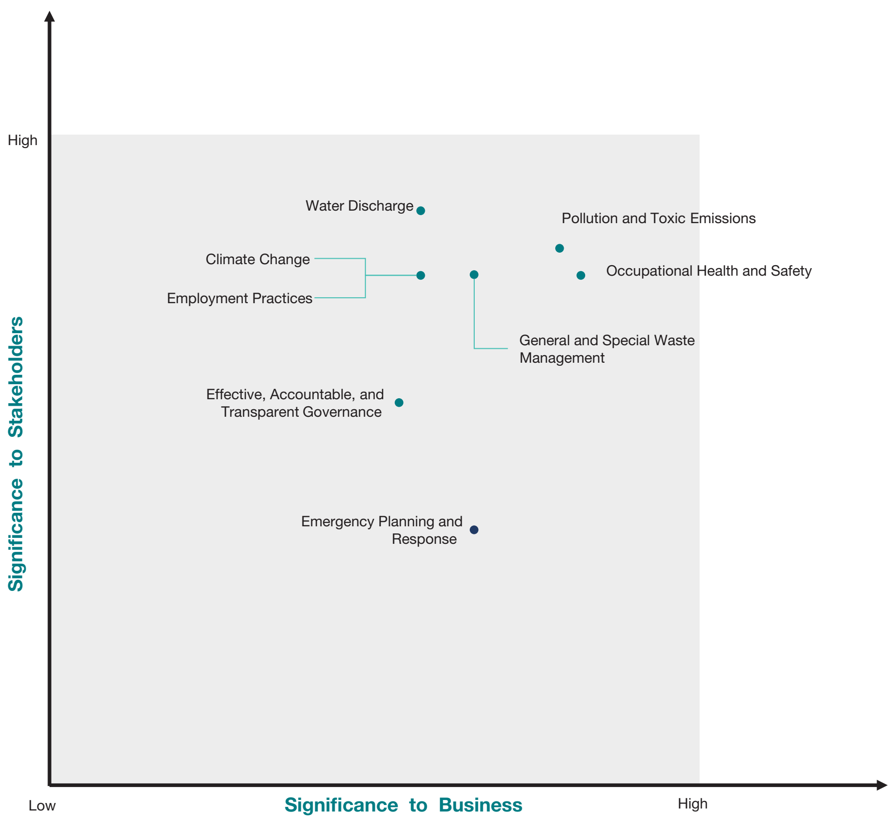
The process was facilitated via a workshop participated by the Group's key Management personnel where sustainability matters relevant to the Company and the Group's businesses are identified and categorised. The sustainability matters were subsequently assessed by Management via a survey approach, where the key Management personnel were required to assess the materiality of these sustainability matters by rating each matter, considering how they reflect the Group's significant sustainability impacts or if they substantively influence stakeholders' assessment or decisions.

In carrying out the materiality assessment, we have also considered the latest amendments to the Listing Requirements which have not come into effect, yet, as of the date of this Statement.

Upon the conclusion of the materiality assessment process, we identified the following material sustainability matters for the Reach Energy Group (in no specific order):

- Pollution and Toxic Emissions;
- Climate Change;
- General and Special Waste Management;
- Water Discharge;
- Occupational Health and Safety;
- Emergency and Incident Planning and Response;
- Employment Practices; and
- Effective, Accountable and Transparent Governance.

The Group's material sustainability matters are illustrated in the following materiality matrix.



SUSTAINABILITY STATEMENT
(cont'd)

MATERIAL SUSTAINABILITY MATTERS *cont'd*

Materiality Matrix

In this Statement, Reach Energy Group will discuss its sustainability matters, focusing on material sustainability matters, in the context of the five pillars, i.e.:

Ethical Business Practices	Promoting Health and Safety	Empowering Our People	Protecting the Environment	Supporting Local Communities

OUR FIVE PILLARS OF SUSTAINABILITY

I. ETHICAL BUSINESS PRACTICES

Code of Conduct

At Reach Energy, we are committed to upholding high standards of business ethics in our businesses and operations. The Board of Reach Energy has established a Code of Conduct that sets out the principles, practices, and standards of personal and corporate behaviour that apply to the Directors, officers, and employees of Reach Energy Group. The Code of Conduct stipulates the Company's expectations with regard to, amongst others:

- compliance with laws, rules, and regulations;
- conflict of interest – including examples of various types of conflict-of-interest situations and procedures to notify the Company's Management on conflict of interest matters;
- insider trading and protection of information confidentiality;
- competition and fair dealing;
- anti-corruption – including the prohibition of the use of bribes, payments to government officials, and guidance of the gift and entertainment practices;
- anti-discrimination and anti-harassment;
- health, security, safety, and environment;
- information confidentiality and protection of assets; and
- fair, accurate, and timely corporate disclosures.

Reach Energy is committed to enforcing the Code of Conduct, which specifies channels through which a person can report violations of the code. Serious violations can also be reported to Reach Energy via the whistleblowing channel established via its Whistleblowing Policy.

Reach Energy's Code of Conduct and Whistleblowing Policy are publicly available on the Company's website.

SUSTAINABILITY STATEMENT
(cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY *cont'd*

I. ETHICAL BUSINESS PRACTICES *cont'd*

Code of Conduct *cont'd*

Instilling ethical culture in Reach Energy

The Code of Conduct is communicated to all Directors and employees of Reach Energy. Employees and operations of the Group's subsidiary, Emir-Oil, are also governed by the Code of Corporative Ethics which is developed in alignment with the spirit of Reach Energy's Code of Conduct.

No-Gift Policy and Anti-Corruption

Anti-bribery and anti-corruption

Reach Energy has an Anti-Bribery Policy that is established in accordance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and guided by the guidelines on adequate procedures.

Reach Energy adopts a risk-based approach towards managing anti-corruption across its business and operations. A comprehensive corruption risk assessment was carried out on the Group's operations in 2020 and annual risk updates are performed annually.

The Group's main operations, Emir-Oil, also maintains its own risk-based corruption management. Emir-Oil operations have been assessed for corruption-related risks which are reviewed periodically as part of its risk management. Relevant controls have been incorporated into operations, including standard operating procedures, procurement policy, and tendering processes.

	As of 31 December 2022
Percentage of operating sites assessed for corruption-related risks	4 out of 4 operations (100 %)

One of the key controls to mitigate corruption risk is to ensure Reach Energy's Directors and employees are aware of and trained on its anti-corruption stance, policies and procedures. During the roll-out of the Group's anti-bribery and anti-corruption policy and procedures in 2020, group-wide communication and awareness initiatives were undertaken to ensure all Directors and employees are adequately communicated on the Group's expectations and anti-corruption controls. Our orientation programme for newly appointed Directors and new hires also includes topics on anti-corruption to instil the correct ethical mindset for all Reach Energy personnel. When there are any updates to the Code of Conduct or the Anti-Corruption Policy, all employees will be informed and briefing or training will be provided, as necessary.

At Emir-Oil, similar approach is also adopted where all new employees will be provided briefing on the Code of Corporative Ethics, which includes anti-bribery and anti-corruption policies, during induction. When the Code of Corporative Ethics was introduced in 2017, a formal townhall meeting was conducted to introduce the code to all employees. Comprehensive training has also been provided to the employees.

Percentage of employees who have received training on anti-corruption by employee category	As of 31 December 2022
Top Management	100%
Management	100%
Specialists/ Engineering Technicians/ Executives	100%
Workers	100%

OUR FIVE PILLARS OF SUSTAINABILITY *cont'd*

I. ETHICAL BUSINESS PRACTICES *cont'd*

No-Gift Policy and Anti-Corruption *cont'd*

Reach Energy believes in doing business on the basis of merit and performance, and it is committed to not seeking competitive advantages through unethical or illegal business practices. In addition to the Code of Conduct, we have also established a No-Gift Policy to support the governance of business ethics at Reach Energy.

The No-Gift Policy stipulates that Reach Energy employees shall not solicit or receive any gifts from current or potential vendors, consultants, suppliers, or business partners/ associates, directly or indirectly, which may influence the employee's judgment in a decision-making process or put the employee in a position of conflict. It further provides guidance to employees on what to do when they are offered a gift.

Reach Energy's Anti-Corruption Policy and No-Gift Policy is publicly available on the Company's website.

Ethical business practices along the supply chain

As a responsible business, our commitment to ethical business practice, including pertaining to governance, social, and environmental matters, is not limited to our own employees and operations. We also require those who carry out works and services on behalf of Reach Energy, such as representatives and subcontractors, to apply similar standards.

In addition, subcontractors, who are considered significant associates of Reach Energy's operations are required to comply with certain business ethics standards and laws, including in the areas of anti-corruption, environmental protection, safeguarding of work safety and health, as well as labour practices, through our service contracts.

We also conduct audits on subcontractors and key service providers, considering their performance with regard to safety and health, environmental and social compliance, as well as service performance. Audit findings are shared with them for process improvement, while Reach Energy reserves the right to review the service contracts if they failed to perform.

Reporting concerns and whistleblowing channels

To complement Reach Energy's enforcement and monitoring efforts to promote ethical and responsible business practices, it has established the necessary grievance or internal reporting channels through which stakeholders, such as employees or subcontractors, can report concerns regarding how business is conducted at Reach Energy, including but not limited to compliance, workplace safety and health, environmental protection, or anti-corruption.

In addition, we have also established a whistleblowing channel, formalised via the Whistleblowing Policy, to enable concerns with regard to incorrect financial reporting, unlawful activity, serious improper conduct, or activities that are not in line with our policy, including the Code of Conduct, to be raised. The whistleblowing policy safeguards the reporter against harassment or victimisation and protects their confidentiality. It also does not prohibit anonymous reporting.

Reach Energy's Whistleblowing Policy is publicly available on the Company's website.

During the financial year under review, there were 0 whistleblowing reports received. Similarly, there were no corruption cases reported .

	FY2020	FY2021	FY2022
Whistleblowing cases reported	0	0	0
Confirmed incidents of corruption and action taken	0	0	0

SUSTAINABILITY STATEMENT
(cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY *cont'd*

I. ETHICAL BUSINESS PRACTICES *cont'd*

Reporting concerns and whistleblowing channels *cont'd*

We ensure our information systems are robust enough to safeguard the data that we keep, including data pertaining to customers, operations, employees, and contractors, as well as confidential business information. During the financial year under review, there were no significant breaches of customer privacy or losses of customer data.

	FY2020	FY2021	FY2022
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	0	0	0

II. PROMOTING HEALTH & SAFETY

Occupational Safety and Health

Reach Energy has established a Health, Safety, Security and Environment ("HSSE") Policy which is applicable to all activities of the Group. Through the HSSE Policy, we aim to cause no harm to people and to protect the environment.

HSSE at Reach Energy's operations is managed via an established management system that facilitates a risk-based management approach, where safety and health risk is identified, assessed, prioritised, managed, and monitored. The safety and health risk management system, supported by a set of HSSE framework, policies, processes, and procedures, is overseen by the HSSE Department.

The HSSE Department is headed by the Corporate HSSE Manager whose work is supported by the Health and Safety Engineer, Ecology Engineers, Field Security Coordinator, and Field HSSE Coordinators. With the participation of representatives of working-level employees, it ensures the management process and relevant solutions are practical and that working-level issues are raised for appropriate attention through the safety and health management system.

HSSE risk assessment is conducted for each of the operating sites managed by Reach Energy. Safeguards and controls are put in place to mitigate significant HSSE risks identified, and the HSSE Department is responsible for ensuring they are consistently applied. The relevant coordinators and engineers perform regular site visits to ensure the HSSE policies and procedures are carried out properly. Monthly HSSE reports are submitted to the HSSE Department for each site, including progress reports of HSSE action plans and details of any incidents that occurred during the reporting period. HSSE audits are also conducted monthly by the HSSE Coordinator. Key HSSE performance and KRIs are reported to the RMC.

In addition to ongoing HSSE management and monitoring, the working conditions of our Emir-Oil sites are subjected to independent audits at least once in 5 years. The independent audits provide additional assurance to the regulators, our customers, and stakeholders, pertaining to the safety and health of our sites.

All employees and site personnel are required to attend safety and health training or briefing before they are allowed to enter the field area and work. In addition, annual refresher training on safety and health is also provided to ensure all employees are aware of and kept updated with the safety and health risks at operating sites, as well as understanding the controls established to mitigate them.

During the financial year under review, all employees underwent HSSE training which was conducted both online for office staff and offline for field staff. We also provide additional HSSE training to employees considering their nature of work and exposure. The training courses were provided by both in-house personnel and external licenced contractors.

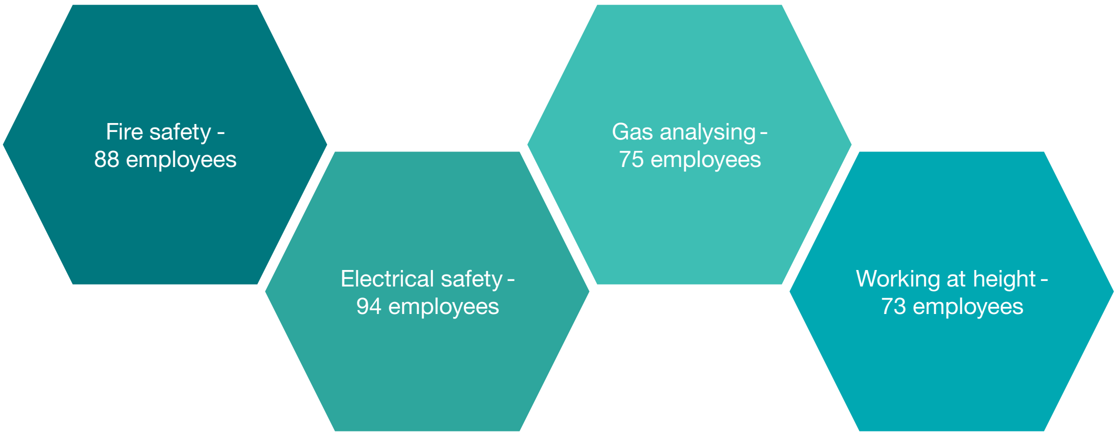
SUSTAINABILITY STATEMENT
(cont'd)

II. PROMOTING HEALTH & SAFETY *cont'd*

Occupational Safety and Health *cont'd*

	FY2022
Number of employees trained on health and safety standards	144 out of 151
Percentage of employees trained on health and safety standards	95.4%

The safety and health training provided during the year includes the following topics, amongst others:



We are pleased to report that there were no recordable injuries or fatalities reported during the financial year under review. Reach Energy Group's safety performance for FY2022 is as follows:

	FY2020	FY2021	FY2022
Reach Energy Group (employees only)			
Number of work-related fatalities	0	0	0
Lost time incident rate	0	0	0

In December 2022, we have also celebrated our achievement of having 0 lost-time incidents for the last 9 years and 3 months. The Group is committed to carrying out the relevant measures to safeguard the safety and health of its employees.

Dealing with incidents and emergencies

We have a policy to require employees or workers at our sites to remove themselves from danger or potentially dangerous situations. Employees are empowered to exercise judgement to "stop work" in such situations without worrying about reprisals. We also provide regular training for employees to guide employees on how to recognise and respond to hazards and risks with the appropriate methods and controls.

Emergency preparedness is one of the most crucial components of the HSSE framework for oil and gas operations. Reach Energy has a robust emergency preparedness and response system that is supported by a comprehensive emergency response plan which prioritises the safety and health of people before a resumption of operations. We also proactively engage with the local emergency rescue service responsible for reviewing our emergency response plan to ensure that it complies with the requirements of Kazakhstan. During FY2022, we conducted five emergency drills with the emergency rescue service and the fire service throughout the year.

SUSTAINABILITY STATEMENT
(cont'd)

II. PROMOTING HEALTH & SAFETY *cont'd*

Occupational Safety and Health *cont'd*

Health monitoring

In addition to various internal controls to safeguard the health and safety of our employees, Reach Energy also provides annual health checks for employees to monitor their health conditions, focusing on health-related areas where exposure to work hazards may have an impact. During the financial year under review, health checks are provided to all employees and there were no significant findings arising from systemic occupational health hazards noted.

At Emir-Oil, health checks for employees were also conducted in compliance with applicable regulations.

	FY2022
Number of employees provided with health checks	144 out of 144
Percentage of employees provided with health checks	100%

III. EMPOWERING OUR PEOPLE

We value our people as important capitals for the society and economy, as well as for Reach Energy.

As of 31 December 2022, Reach Energy Group has 151 employees, of which 113 are permanent full-time employees and 38 are contract-based full-time employees , mainly comprising Top Management or experienced employees beyond retirement age who are hired for their expertise. We do not employ any part-time employees.

At the operating sites in Kazakhstan which are deemed as sites managed by Emir-Oil, we have an estimated 16 workers who are not employees of Reach Energy Group; they are mainly employees of our subcontractors or service providers.

Number of employees (Reach Energy Group)	As at 31 December 2022
Top Management	14
Management	11
Specialists/ Engineering Technicians/ Executives	68
Workers	58
Total employees	**151**
Number of workers who are not employees but perform work at sites managed by Reach Energy Group	
Number of workers	**16**

Human Rights and Labour Practices

In addition to ensuring they work in a safe and healthy environment. The Group also strives to safeguard the fundamental human rights and dignity of our people.

Amongst others, this means prohibiting all forms of child labour and forced labour. We comply with all applicable laws and regulations pertaining to labour practices and we also ensure our subcontractors and key service providers commit to the same, through our service contracts.

We do not prohibit the exercise of employees' rights to freedom of association or collective bargaining. Emir-Oil has a labour union whose responsibilities include protecting the rights and legitimate interests of employees including, but not limited to, fair wages and safe working conditions. At Emir-Oil, employees' benefits are governed by a collective agreement and both the employer and employees have the right to initiate negotiations to review the collective agreement.

SUSTAINABILITY STATEMENT
(cont'd)

III. EMPOWERING OUR PEOPLE *cont'd*

Human Rights and Labour Practices *cont'd*

At Emir-Oil's operating sites where we also provide accommodation for workers, we provide a clean and safe accommodation environment to workers in accordance with local regulations. Workers' living conditions are also subjected to annual checks by local authorities. Our wages for employees are in compliance with the local minimum wage and benchmarked against the market and industry.

Any violation or suspected violation of human rights in relation to the Group's operations can be reported via the Group's whistleblowing channels. We are pleased to report that there were no substantiated complaints concerning human rights violations during the financial year under review.

	FY2021	FY2022
Number of substantiated complaints concerning human rights violations	0	0

Furthermore, Emir-Oil has also passed the independent labour inspection conducted by authorities during the financial year under review. The inspection includes an assessment on human rights and we are pleased to report there were no non-compliance cases identified.

Equality and Diversity

We respect diversity within the society and amongst the people that we work with. Embracing diversity allows us to appreciate diverse perspectives and enrich our workforce with unique skills and cultural experiences, in addition to fostering an inclusive working environment where everyone is treated fairly.

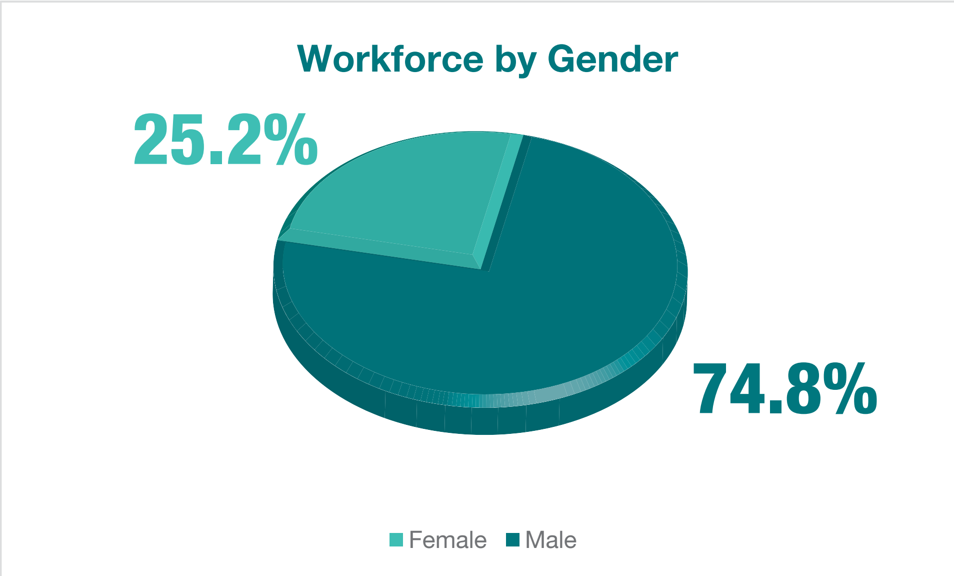
We adopt an equal employment opportunity approach in all our employment practices, including recruitment, performance appraisal, training and development, promotion, as well as disciplinary actions, where we base our decisions on merit and performance and do not discriminate against anyone on the bases of race, religion, gender, age, sexual orientation, disabilities, and nationality.

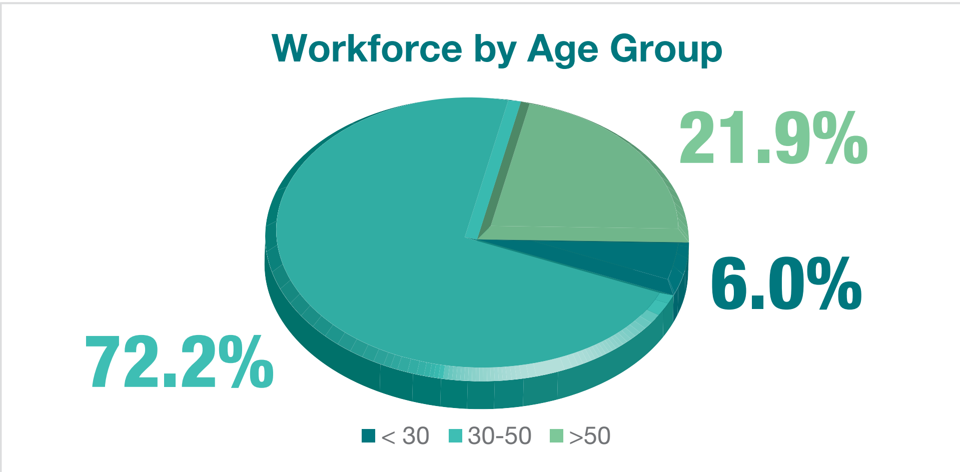
	Female	Male	< 30	30-50	>50	Chinese	Kazakh	Malaysian	Russian	Lezghins
Top Management	5	9	0	10	4	2	8	2	2	0
Management	4	7	0	9	2	0	8	1	2	0
Specialists / Engineering Technicians/ Executives	25	43	5	48	15	0	60	4	3	1
Workers	4	54	4	42	12	0	58	0	0	0
Subtotal	**38**	**113**	**9**	**109**	**33**	**2**	**134**	**7**	**7**	**1**
Total	**151**		**151**			**151**				

SUSTAINABILITY STATEMENT
(cont'd)

III. EMPOWERING OUR PEOPLE *cont'd*

Equality and Diversity *cont'd*

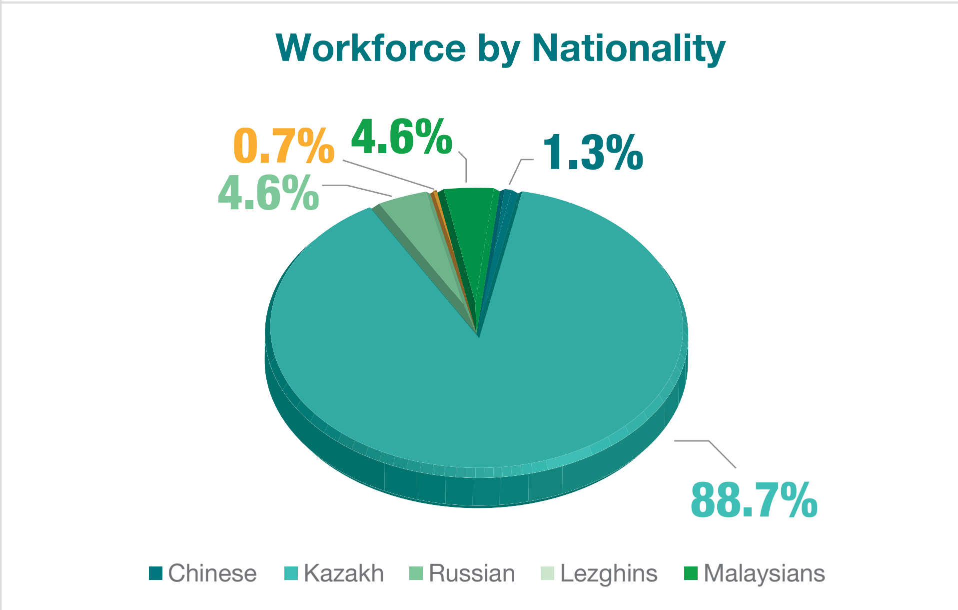




SUSTAINABILITY STATEMENT
(cont'd)

III. EMPOWERING OUR PEOPLE *cont'd*

Equality and Diversity *cont'd*



Talent Development

For Reach Energy, talent management and development is one of the key areas for effective human capital management to support the achievement of long-term business objectives. We undertake ongoing training and development among our employees to develop talents and skills to suit the current and future market needs, as well as keep up with technological advancement relevant to our industry.

The training needs for each function or individual employees are identified as part of the Group's ongoing business and people improvement.

Each year, we conduct performance appraisals for all our employees. The performance appraisal sessions serve as a key engagement platform for the Group and employees to have bi-directional communications to review the potential improvement areas for both parties, including the employees' training needs.

Our talent and development programme is also crucial to the Group's succession planning where potential talents are identified and put through a more intensive development programme to groom them into future leaders for the Group.

SUSTAINABILITY STATEMENT
(cont'd)

III. EMPOWERING OUR PEOPLE *cont'd*

Talent Development *cont'd*

For the financial year under review, we generally placed more emphasis on the development of technical skills and the enhancement of employees' competence and capabilities. The Group's employees attended 10,104 hours of training in total, broken down into the following:

	FY2022	
Employee category	**Training hours**	**Average training hours per employee**
Top Management	376	63
Management	1,280	91
Specialists / Engineering Technicians/ Executives	4,684	82
Workers	3,764	61
Total	**10,104**	**73**

Employee Welfare

The industry has seen volatile economic and market conditions in the past few years. The Group continued to undertake prudent and balanced measures to keep the Group's business sustainable in the short and long term, including taking care of our employees.

SUSTAINABILITY STATEMENT
(cont'd)

III. EMPOWERING OUR PEOPLE *cont'd*

Employee Welfare *cont'd*

In addition to fair and equal employment practices, we provide competitive employee packages and benefits to support our employees, summarised as follows:

Leaves	Insurance Coverage	Claims	Others
- Annual - Study - Emergency - Medical - Compassionate - Maternity - Marriage	- Health - Occupational injury	- Mileage - Toll and parking - Accommodation - Food - Medical	- Season parking - Financial aid (i.e., death of a close relative, parents of first-grade students) - Performance-based bonus - Holiday bonus

The number of employee turnovers during the financial year under review is as follows:

Employee Category	FY2022 Number of employee turnover
Top Management	4
Management	5
Specialists/ Engineering Technicians/ Executives	22
Workers	9
Total	**40**

IV. PROTECTING THE ENVIRONMENT

Environmental Compliance and Assessment

Environmental management at the Group's operations is also governed by our HSSE Policy. We are committed to complying with the environmental laws and regulations applicable to our operations. To this end, all operations are covered by our Compliance Programme which looks closely into compliance matters, including environmental compliance. A compliance mindset is also ingrained into our employees through regular compliance training and communications.

The Group's operations may involve complex work arrangements with subcontractors and service providers, where environmental compliance is the joint responsibility of all parties involved. In this regard, we work closely with our stakeholders to achieve this objective, while having in place adequate monitoring and reviews to ensure subcontractors or service providers carry out their work in accordance with these laws and regulations.

All our active operating sites are also subject to periodic environmental impact assessments in accordance with the local regulations of Kazakhstan. In addition to ensuring we continue to maintain local permits and licences to operate, these assessments also serve as a basis for us to conduct continuous process improvements. The environmental impact assessments are subjected to annual review by external parties, and Emir-Oil also performs quarterly monitoring to ensure its ongoing environmental management processes are working effectively to protect the environment.

	FY2022
Total number of operating sites requiring environmental impact assessment	4
Amongst operating sites requiring environmental impact assessment, number of operations which have been assessed	4

SUSTAINABILITY STATEMENT
(cont'd)

IV. PROTECTING THE ENVIRONMENT *cont'd*

Biodiversity Management

Recognising the importance of ensuring biodiversity is protected, we regularly assess the impact of our operations on the surrounding environment, including in relation to biodiversity. All 4 operating sites in Kazakhstan are assessed for biodiversity risks on an annual basis.

To date, based on our assessments, the Group's operations do not have any significant impact on the biodiversity of the surroundings of our operating sites. Our operations are run in accordance with local requirements and we continued to maintain the necessary ecology permits. Policies and procedures are established to incorporate controls to minimise environmental impact from our operations, as well as minimising the occurrence of environmental accidents and impacts on surrounding biodiversity, amongst others.

	FY2022
Number of significant operating sites in which biodiversity risk has been assessed and monitored	4 out of 4
Percentage of significant operating sites in which biodiversity risk has been assessed and monitored	100%

Energy and Emissions Management

In our efforts to analyse and manage operational cost and resource efficiency, the project management team collects records pertaining to energy use. This information supports us in enhancing operational efficiency through better cost management, and it also helps us to understand the Group's carbon footprint.

The Group's energy use is mainly derived from the combustion of fuel at our operating sites, followed by electricity used in offices.

The Group's electricity consumption during FY2022 is summarised as follows:

Energy used	FY2022 (GJ)
Stationary Combustion	
Diesel #	456
Purchased electricity	
Purchased electricity (Kazakhstan) ##	55,911
Purchased electricity (Malaysia) ###	37
Total energy consumed	56,404

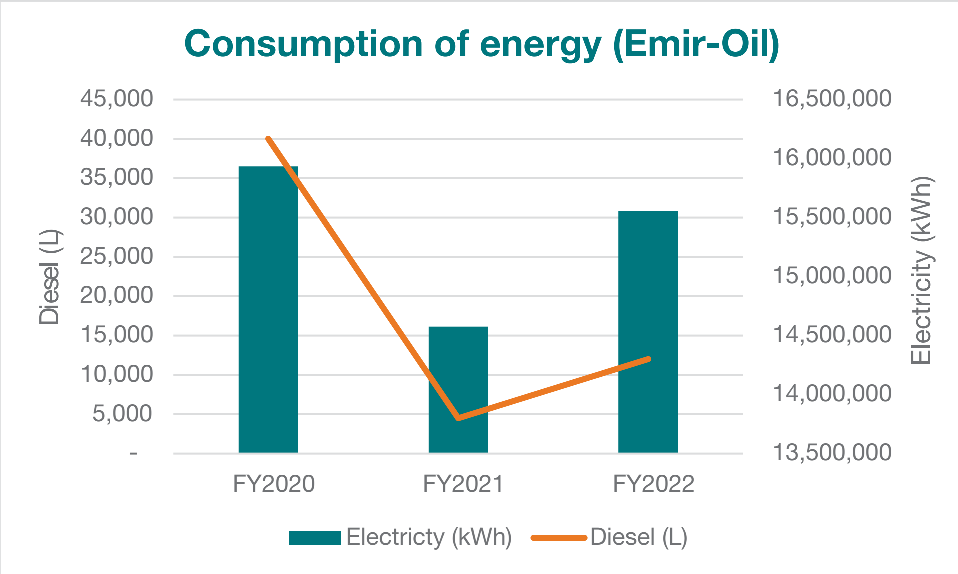
Note:
\# *12,000L of diesel consumed. Converted on the basis of 1L=38MJ*
\## *converted from 15,553,171 kWh*
\### *converted from 10,311 kWh*

During the financial year under review, our fuel and electricity consumption at Emir-Oil has increased to 12,000 litres and 15,553,171 kWh, respectively, due to increased activities at our sites.

SUSTAINABILITY STATEMENT
(cont'd)

IV. PROTECTING THE ENVIRONMENT *cont'd*

Energy and Emissions Management *cont'd*



Acknowledging the need for a more robust process to understand our energy use, which will also help us calculate emissions, the Group will continue to develop internal processes to collect accurate energy and fuel data moving forward. In addition, we have also undertaken an initiative to engage our contractors to collect fuel and energy consumption data, in order to understand the overall energy consumption at our project sites. Currently, for Scope 3 (Other indirect) emissions, we have identified Category 6 – Business Travel and Category 7 – Employee Commuting as areas to focus on, in alignment with the Listing Requirements.

In compliance with local laws and regulations, Emir-Oil does not conduct any flaring activities in its normal operations. in rare circumstances where flaring is required, such as during special maintenance, the necessary permits will be obtained from the local authority.

Based on the available electricity data, we estimate our Scope 1 and Scope 2 emissions as follows:

GHG Emissions	FY2022 (tCO2e)
Scope 1 (Direct) emissions	
From diesel fuel – 456 GJ	32.0
Scope 2 (Indirect) emissions	
From purchased electricity (Kazakhstan) – 15,553,171 kWh	8,088.0
From purchased electricity (Malaysia) – 10,311 kWh	6.8
Total Scope 1 and Scope 2 emissions	**8,126.8**

Water Management

Water is mainly used for operational purposes and domestic purposes. Our operations are generally not located in water-stressed areas. Nevertheless, we are aware of our responsibility to use water responsibly, and we strive to use water efficiently on an ongoing basis and not waste water in our operations.

SUSTAINABILITY STATEMENT
(cont'd)

IV. PROTECTING THE ENVIRONMENT *cont'd*

Water Management *cont'd*

The water consumption of Reach Energy Group during FY2022 is summarised as follows:

Water consumption (m^3)	FY2022
Domestic purpose	3,213
Operational purpose	12,000
Total	**15,213**

Pollution and Waste Management

Reach Energy takes pollution and waste management seriously to ensure our operations have minimal impact on the environment.

All significant particulate emissions are captured and not released to the environment. We conduct regular maintenance and service for all our equipment to ensure our pollution management facilities remain operating effectively.

The particulate emissions generated from our Emir-Oil fields are summarised as follows:

Particulate emissions (t)	**FY2022**
Iron oxide	0.18
Nitrogen oxide	34.92
Sulphur dioxide	12.78
Carbon black (soot)	1.73
Carbon monoxide	40.16
Hydrocarbons	190.07
Methane	1.29
Formaldehyde	0.25
Inorganic dust	1.47
Manganese and its compounds	0.02
Sodium hydroxide	0.01
Hydrochloride	0.00
Total	**282.88**

<u>Hazardous and non-hazardous waste</u>

The waste generated from our operations can be categorised into hazardous and non-hazardous waste. The most significant hazardous waste is oily mud which is disposed to a dedicated landfill in compliance with local laws and regulations. Oily mud comprises more than 99% of our hazardous waste, by waste.

All hazardous waste is handled in accordance with established standard operating procedures and managed and disposed of by licenced contractors. All hazardous waste contractors are stringently assessed and reviewed from time to time.

On the other hand, non-hazardous waste commonly includes domestic waste. All non-hazardous waste generated is sent to landfill for disposal.

SUSTAINABILITY STATEMENT
(cont'd)

IV. PROTECTING THE ENVIRONMENT *cont'd*

Pollution and Waste Management *cont'd*

Hazardous and non-hazardous waste *cont'd*

Reach Energy Group's hazardous and non-hazardous waste generated, including how they are managed, is summarised as follows:

	FY2022		
	Waste Generated (t*)	Waste Diverted from Disposal (t*)	Waste Directed to Disposal (t*)
Hazardous waste			
Oily mud	130.79	0	130.79
Fluorescent lamps	0.05	0	0.05
Contaminated rags	0.03	0	0.03
Chemical containers	0.015	0	0.015
Total hazardous waste	130.89	0	130.89
Non-hazardous waste			
Domestic waste	94.00	0	94.00
Total non-hazardous waste	0	0	225.59

V. SUPPORTING LOCAL COMMUNITIES

Community Investments

The Group believes that a responsible corporation includes playing its part in enriching the economy and community surrounding where it has operations. this may be through the creation of employment opportunities, business transactions, community contributions, and others.

Our operations in Kazakhstan create employment opportunities for local people through direct employment by the Group, through jobs created by our subcontractors and service providers, and indirectly through other businesses. For FY2022, we created direct employment for 134 Kazakhs via our operations.

In addition, we also contribute to the local economy and businesses via our procurement activities. The Group's percentage of local procurement, measured against the total spending for the procurement of products and services (including subcontractors), for Kazakhstan where our operations are based, is presented as follows:

	FY2022
Proportion of spending on local suppliers (Kazakhstan)	100%

MOVING FORWARD

Cognisant of the global efforts towards mitigating climate change and the worldwide target to keeping the increase in the global average temperature to below 2 degrees Celsius above pre-industrial levels, the Board of Reach Energy acknowledges its responsibility as a corporation, especially one that is involved in the oil and gas sector.

In addition, Reach Energy, as a public company listed on the Main Market of Bursa, will be required to align its sustainability disclosure with the Recommendations of the Task Force on Climate-related Financial Disclosures beginning from its FY2025 Annual Report onwards.

Acknowledging these expectations from the global community, regulators, and other stakeholders, as well as an acknowledgment of Reach Energy's corporate responsibilities, the Board of Reach Energy will conduct an assessment on the extent of impact climate change will have on the business, and vice versa. As appropriate, the Board will incorporate climate change strategies into the Group's business strategies and set relevant targets toward reducing our carbon footprint to align our business value creation with the low carbon economy.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2022

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year attributable to:		
- Owners of the Company	(157,194)	(6,470)
- Non-controlling interest	(77,735)	-
Loss for the financial year	(234,929)	(6,470)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are as 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 this report are:

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	
Yusoff Bin Hassan	
Cheung Hung	(Appointed on 29 March 2023)
Chow Hiu Tung	(Appointed on 29 March 2023)
Tse Man Yin	(Appointed on 29 March 2023)
Izlan Bin Izhab	(Resigned on 29 March 2023)
Nik Din Bin Nik Sulaiman	(Resigned on 29 March 2023)
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	(Resigned on 29 March 2023)
Dato' Jasmy Bin Ismail	(Resigned on 29 March 2023)
Datin Noor Lily Zuriaty Binti Abdullah	(Resigned on 29 March 2023)
Dato' Berikkazy Seksenbayev	(Resigned on 29 March 2023)
Yerlan Issekeshev	(Resigned on 29 March 2023)

In accordance with Clause 94 of the Constitution of the Company, Cheung Hung, Chow Hiu Tung and Tse Man Yin retire at the forthcoming Tenth Annual General Meeting and, being eligible, offer themselves election.

In accordance with Clause 89 of the Constitution of the Company, Yusoff Bin Hassan retires at the forthcoming Tenth Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' REPORT
For the Financial Year Ended 31 December 2022
(cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except that certain Directors received remuneration from 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 1.1.2022	**Bought**	**Lapsed**	**At 31.12.2022**
<u>Interest in the Company</u>				
Nik Din Bin Nik Sulaiman	400,000	-	-	400,000
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,642,910	-	-	56,642,910
Yusoff Bin Hassan	-	100,000	-	100,000
<u>Deemed interest/Indirect interest in the Company</u>				
Nik Din Bin Nik Sulaiman				
- ordinary shares	350,000*	-	-	350,000*
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid				
- ordinary shares	40,650,000**	-	-	40,650,000**
- warrants	40,000,000**	-	40,000,000	-

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

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

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

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2022.

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2022
(cont'd)

DIRECTORS' REMUNERATION

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

	Group RM'000	Company RM'000
Executive Director:		
- Salaries and bonuses	600	600
- Defined contribution plans	73	73
Non-executive Directors:		
- Fees	425	425
- Allowance	216	216
	1,314	1,314

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Group and the Company have their own Directors and Officers Liability Insurance at a premium of RM3,031,000 to cover the liability of Directors and Officers in discharging their duties for the period of 19 May 2022 until 18 May 2023.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

(c) At the date of this report:

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

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

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2022
(cont'd)

OTHER STATUTORY INFORMATION *cont'd*

(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 35 for 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.

SUBSIDIARIES

Details of subsidiaries are as follows:

Name of subsidiary	Group's effective equity interest 2022 %	2021 %	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	60	60	Republic of Kazakhstan	Exploration, development, production and sale of crude oil and other petroleum products

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2022
(cont'd)

AUDITORS' REMUNERATION

Auditors' remuneration for the financial year ended 31 December 2022 for the Group and the Company is as follows:

	Group RM'000	Company RM'000
Fees for statutory audit		
- PricewaterhouseCoopers PLT, Malaysia ("PwC Malaysia")	323	247
- Member firms of PricewaterhouseCoopers International Limited	515	-
Fees for other services		
- PricewaterhouseCoopers PLT, Malaysia	180	180
	1,018	427

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 28 April 2023.

Signed on behalf of the Board of Directors:

CHEUNG HUNG
DIRECTOR

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID
DIRECTOR

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	6	169,460	150,691	-	-
Operating expenses					
Taxes other than income taxes	7	(70,390)	(49,421)	-	-
Purchases, services and other costs of operation		(32,604)	(24,569)	-	-
Depreciation and amortisation		(78,893)	(76,574)	(156)	(144)
Impairment of non-financial assets	16	(44,540)	-	-	-
Write off exploration and evaluation assets	16	(21,636)	-	-	-
Distribution expense		(14,537)	(13,583)	-	-
Employee compensation costs	8	(14,452)	(10,635)	(2,813)	(2,528)
General and administrative expenses		(30,279)	(14,921)	(3,319)	(1,175)
Net reversal/(loss) on impairment of financial assets		675	(661)	-	-
Other operating (expense)/income – net	9	(4,315)	(1,179)	(10)	15
Total operating expenses		(310,971)	(191,543)	(6,298)	(3,832)
Loss from operations		(141,511)	(40,852)	(6,298)	(3,832)
Finance income	10	28,866	17,622	1	18
Finance cost	10	(111,468)	(51,670)	(173)	(9)
Loss before income tax	11	(224,113)	(74,900)	(6,470)	(3,823)
Income tax expense	13	(10,816)	(7,359)	-	-
Loss for the financial year		(234,929)	(82,259)	(6,470)	(3,823)
Loss attributable to:					
Owners of the Company		(157,194)	(53,410)	(6,470)	(3,823)
Non-controlling interest		(77,735)	(28,849)	-	-
Loss for the financial year		(234,929)	(82,259)	(6,470)	(3,823)
Basic loss per ordinary share (RM)	14	(0.14)	(0.05)		
Diluted loss per ordinary share (RM)	14	(0.14)	(0.05)		

The notes set out on pages 58 to 116 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2022
(cont'd)

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss for the financial year	(234,929)	(82,259)	(6,470)	(3,823)
Other comprehensive income, net of tax				
Items that will be reclassified subsequently to profit or loss:				
Foreign currency translation differences	59,670	(2,352)	-	-
Total comprehensive expense for the financial year	(175,259)	(84,611)	(6,470)	(3,823)
Total comprehensive expense attributable to:				
Owners of the Company	(121,392)	(54,821)	(6,470)	(3,823)
Non-controlling interest	(53,867)	(29,790)	-	-
Total comprehensive expense for the financial year	(175,259)	(84,611)	(6,470)	(3,823)

The notes set out on pages 58 to 116 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	15	-	-	253,237	253,237
Property, plant and equipment	16	1,257,518	1,284,517	1	7
Right of use of assets	17	3,997	2,339	117	91
Intangible assets	18	1,671	1,299	-	-
Deposits and other receivables	19	3,752	3,469	-	-
Deposits, cash and bank balances	21	9,045	8,480	-	-
		1,275,983	1,300,104	253,355	253,335
CURRENT ASSETS					
Inventories		5,470	1,677	-	-
Trade receivables	20	321	849	-	-
Deposits and other receivables	19	22,847	18,427	149	150
Amount due from subsidiary	22	-	-	383	1,192
Amount due from corporate shareholder in a subsidiary	22	4,064	4,064	4,064	4,064
Deposits, cash and bank balances	21	10,649	44,452	98	223
		43,351	69,469	4,694	5,629
CURRENT LIABILITIES					
Trade payables	27	82,410	69,536	-	-
Accruals and other payables	28	34,772	29,191	2,746	1,410
Lease liabilities	18	755	538	189	171
Amounts due to related parties	22	391,852	361,695	-	-
Borrowings	29	29,289	15,097	4,201	-
Tax payable		3,243	2,877	-	-
Provisions	30	37,458	17,730	-	-
		579,779	496,664	7,136	1,581
NET CURRENT (LIABILITIES)/ASSETS		(536,428)	(427,195)	(2,442)	4,048
TOTAL ASSETS LESS CURRENT LIABILITIES		739,555	872,909	250,913	257,383

The notes set out on pages 58 to 116 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022
(cont'd)

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	26	82,067	69,170	-	-
Amounts due to related parties	22	123,240	362,465	-	-
Borrowings	29	-	23,740	-	-
Trade payables	27	5,293	9,048	-	-
Accruals and other payables	28	291,616	-	-	-
Lease liabilities	17	2,807	1,654	-	-
Provisions	30	6,889	3,930	-	-
		511,912	470,007	-	-
NET ASSETS		227,643	402,902	250,913	257,383
EQUITY					
Share capital	24	488,975	488,975	488,975	488,975
Other reserves	25	16,498	180,431	-	199,735
Accumulated losses		(323,665)	(366,206)	(238,062)	(431,327)
Equity attributable to owners of the company		181,808	303,200	250,913	257,383
Non-controlling interests		45,835	99,702	-	-
TOTAL EQUITY		227,643	402,902	250,913	257,383

The notes set out on pages 58 to 116 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

		Attributable to owners of the Company							
	Note	Share capital RM'000	Warrant reserve RM'000	Share based options reserve RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group									
As at 1 January 2022		488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902
Transfer of reserve upon expiry of warrants and share based options	25	-	(198,914)	(821)	-	199,735	-	-	-
Loss for the financial year		-	-	-	-	(157,194)	(157,194)	(77,735)	(234,929)
Other comprehensive income-net of tax									
- Foreign currency translation		-	-	-	35,802	-	35,802	23,868	59,670
Total comprehensive income/ (expense) for the financial year		-	-	-	35,802	(157,194)	(121,392)	(53,867)	(175,259)
As at 31 December 2022		488,975	-	-	16,498	(323,665)	181,808	45,835	227,643

The notes set out on pages 58 to 116 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022
(cont'd)

	Note	Attributable to owners of the Company							
		Share Capital	Warrant reserve	Share based options reserve	Foreign exchange reserve	Accumulated losses	Total	Non-controlling interest	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
As at 1 January 2021		488,975	198,914	821	(17,893)	(312,796)	358,021	129,492	487,513
Loss for the financial year		-	-	-	-	(53,410)	(53,410)	(28,849)	(82,259)
Other comprehensive income-net of tax									
- Foreign currency translation		-	-	-	(1,411)	-	(1,411)	(941)	(2,352)
Total comprehensive expense for the financial year		-	-	-	(1,411)	(53,410)	(54,821)	(29,790)	(84,611)
As at 31 December 2021		488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902

The notes set out on pages 58 to 116 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2022

	Note	Non-distributable				
		Share Capital	**Warrant reserve**	**Share based options reserve**	**Accumulated losses**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Company						
As at 1 January 2022		488,975	198,914	821	(431,327)	257,383
Transfer of reserve upon expiry of warrants and share options		-	(198,914)	(821)	199,735	-
Total comprehensive expense for the financial year		-	-	-	(6,470)	(6,470)
As at 31 December 2022		488,975	-	-	(238,062)	250,913
As at 1 January 2021		488,975	198,914	821	(427,504)	261,206
Total comprehensive expense for the financial year		-	-	-	(3,823)	(3,823)
As at 31 December 2021		488,975	198,914	821	(431,327)	257,383

The notes set out on pages 58 to 116 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Loss before income tax		(224,113)	(74,900)	(6,470)	(3,823)
Adjustments for:					
Depreciation and amortisation		78,893	76,574	156	144
Impairment of non-financial assets		44,540	-	-	-
Write off exploration and evaluation assets		21,636	-	-	-
Unrealised foreign exchange (gain)/loss		(924)	1,174	10	(2)
Finance cost		111,468	50,496	173	9
Finance income		(28,866)	(17,622)	(1)	(16)
Provisions for claims		21,954	10,426	-	-
Change in estimate of asset retirement obligations		2,329	1,344	-	-
Loss on disposal of assets		-	744	-	-
Write off of inventory		345	221	-	-
Write off of property, plant and equipment		-	2	-	-
Impairment charge/(reversal) of:					
- trade receivable		227	-	-	-
- cash and bank balances		(418)	591	-	-
- other receivables		(484)	70	-	-
Net reversal for inventory obsolescence		-	(15)	-	-
		26,587	49,105	(6,132)	(3,688)
Changes in working capital:					
Inventories		(3,855)	343	-	-
Trade receivables		349	5,044	-	-
Deposits and other receivables		(2,896)	(7,397)	-	6
Trade payables		4,738	9,058	-	-
Other payables and accruals		5,627	6,154	1,336	391
Amount due from corporate shareholder in a subsidiary		-	(57)	-	(57)
Cash generated from/(used in) operating activities		30,550	62,250	(4,796)	(3,348)
Settlement of claims		(1,782)	(4,764)	-	
Net cash generated from/(used in) operating activities		28,768	57,486	(4,796)	(3,348)

The notes set out on pages 58 to 116 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022
(cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(52,138)	(59,411)	-	(8)
Purchase of intangible assets		(584)	-	-	-
Gain on lease modification		-	(4)	-	(4)
Finance income received		649	693	1	16
Movement in restricted cash		(545)	(1,237)	-	-
Repayment of advance from subsidiary		-	-	809	1,879
Net cash (used in)/generated from investing activities		(52,618)	(59,959)	810	1,883
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		4,032	38,593	4,032	-
Payment of borrowings		(15,943)	(1,026)	-	-
Payment of amount due to related parties		-	(600)	-	-
Payment of lease interest		(56)	(41)	(5)	(123)
Payment of lease principal		(463)	(491)	(156)	(9)
Net cash (used in)/generated from financing activities		(12,430)	36,435	3,871	(132)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(36,280)	33,962	(115)	(1,597)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		44,452	10,163	223	1,818
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		2,477	327	(10)	2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	21	10,649	44,452	98	223

The notes set out on pages 58 to 116 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2022

(cont'd)

Reconciliation of liabilities arising from financing activities:

	At 1 January	Cash flows	Non-cash changes: Interest expense	Non-cash changes: Others		At 31 Dec
	RM'000	RM'000	RM'000	RM'000		RM'000
2022						
Group						
Amount due to related parties	724,160	-	56,045	(265,113)	*	515,092
Accrual and other payable	-	-	12,388	279,228	*	291,616
Borrowings	38,837	(11,911)	2,007	356	**	29,289
Lease liabilities	2,192	(519)	56	1,833	***	3,562
Total liability arising from financing activities	765,189	(12,430)	70,496	16,304		839,559
Company						
Lease liabilities	171	(161)	5	174		189
2021						
Group						
Amount due to related parties	648,618	(600)	48,430	27,712	**	724,160
Borrowings	-	37,567	1,026	244	**	38,837
Lease liabilities	2,431	(532)	41	252	**	2,192
Total liability arising from financing activities	651,049	36,435	49,497	28,208		765,189
Company						
Lease liabilities	182	(132)	9	112		171

* *Mainly comprises of a reclassification of an amount due to a corporate shareholder in a subsidiary from amount due to related party to other payables as disclosed in the Note 22(c) and Note 28 to the financial statements*

** *Mainly comprises the effect of foreign currency translation*

*** *Comprises of new lease entered during the year*

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022

1 GENERAL INFORMATION

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

Principal place of business

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

Registered office

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

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

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

2 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2023.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of preparation *cont'd*

The Group and the Company incurred losses after tax of RM234.9 million and RM6.5 million respectively for the financial year ended 31 December 2022. At that date, the Group's and the Company's current liabilities exceeded its current assets by RM536.4 million (2021: RM427.2 million) and RM2.4 million respectively. On 3 April 2023, as disclosed in the Note 35(c) to the financial statements, the Board of Directors of the Company announced that the Company was an affected listed issuer under Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group and the Company continue to face challenges in generating positive cash flows. The Group's ability to generate positive cash flows have been affected by crude oil price volatility as a result of uncertainties emanating from, among others, the Russian-Ukraine conflict that started in February 2022.

The Group and the Company have taken the following measures to mitigate liquidity pressures and to improve cash flows:

a) implemented a number of significant positive actions during the financial year to mitigate the impact of the Russian-Ukraine conflict as disclosed in Note 4.1(c) to the financial statements;
b) obtained an extension of repayment terms of loans due to related parties totalling RM378.6 million, as disclosed in Note 22 of the financial statements;
c) negotiated the deferment of an amount due to a related party of RM13.2 million for at least 12 months from the approved date of the financial statements for the year ended 31 December 2022; and
d) obtained confirmation from a major shareholder, Super Racer Limited and its sole shareholder, of their intention to provide continued financial support as and when necessary to enable the Group and the Company to meet the liabilities and obligations as they fall due.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period to 30 April 2024, taking into account reasonably possible changes in crude oil prices based on forecasted market data. The Directors are of the opinion that, taking into account the above mentioned measures, the Group and the Company will have sufficient working capital to finance its operations, and meet its obligations as and when they fall due and to continue its business without significant curtailment of operations in the next twelve months from the approval date of the financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

The continued volatility in crude oil prices, future ability of Super Racer Limited and its sole shareholder to provide timely and sufficient financial support in the form of liquid funds as required, together with the liquidity position of the Group and the Company which is sensitive to changes, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, and therefore the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business and at amounts which could differ significantly from 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 the financial statements.

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

The Group and the Company have applied the following amendments to published standards for the financial year beginning on 1 January 2022:

- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of preparation *cont'd*

3.1.2 Amendments to published standards that are applicable to the Group and the Company but not yet effective

The amendments below to published standards are effective for the financial year beginning on or after 1 January 2023. None of these are expected to have a significant effect on the consolidated and separate financial statements of the Group and the Company respectively:

- Amendments to MFRS 112 - Income Taxes ("MFRS 112") - Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

  The amendments to MFRS 112 are not expected to have material impact to the Group and the Company.

- Amendments on disclosure of accounting policies - Amendments to MFRS 101 and MFRS Practice Statement 2

  The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

  The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

  Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

  MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The amendments to MFRS 101 and MFRS Practice Statement 2 are not expected to have material impact to the Group and the Company.

- Amendments on definition of accounting estimates - Amendments to MFRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors ("MFRS 108")

  The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

  Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

  The amendments to MFRS 108 are not expected to have material impact to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.1 Basis of preparation *cont'd*

3.1.2 Amendments to published standards that are applicable to the Group and the Company but not yet effective *cont'd*

The amendments below to published standards are effective for the financial year beginning on or after 1 January 2023. None of these are expected to have a significant effect on the consolidated and separate financial statements of the Group and the Company respectively: *cont'd*

- Amendments to MFRS 101

  There are two amendments to MFRS 101. The first amendments, "Classification of liabilities as current or non-current" clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 – Financial Instruments: Presentation ("MFRS 132") does not impact the current or non-current classification of the convertible instrument.

  The second amendments, "Non-current Liabilities with Covenants" specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

  Both amendments are effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively.

  The amendments to MFRS 101 are not expected to have material impact to the Group and the Company.

3.2 Consolidation and subsidiaries

(a) Consolidation

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

(b) Business combination

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.2 Consolidation and subsidiaries *cont'd*

(b) Business combination *cont'd*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.2 Consolidation and subsidiaries *cont'd*

(e) Investment in subsidiaries in separate financial statements

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

3.3 Segment reporting

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

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

3.4 Foreign exchange currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.4 Foreign exchange currency *cont'd*

(c) Group companies *cont'd*

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 year in which they are incurred.

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

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

Office furniture and equipment	3 to 15 years
Leasehold improvement	2 years
Information Technology 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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.

3.7 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Financial assets

(a) Classification

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

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit 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 have 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.

(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;
- 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Financial assets *cont'd*

(d) Impairment *cont'd*

Impairment of debt instruments *cont'd*

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 (Stage 1) 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 (Stage 2) on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.9 Financial assets *cont'd*

(d) Impairment *cont'd*

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 (Stage 3), when it meets one or more of the following criteria:

- Quantitative criteria;

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

- Qualitative criteria;

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

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

Write-off

Trade receivables

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

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

Non-trade receivables

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

3.10 Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.10 Financial liabilities *cont'd*

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

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

3.11 Offsetting financial instruments

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

3.12 Inventories

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

3.13 Cash and cash equivalents

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

3.14 Share capital

(i) Classification

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

(ii) Share issue costs

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

(iii) Dividend distribution

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.14 Share capital *cont'd*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.15 Current and deferred income tax *cont'd*

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

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

3.16 Provisions

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022

(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.17 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

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

(iii) Termination benefits

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

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).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.20 Borrowing costs

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

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

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

3.21 Leases

(i) The Group and the Company as a lessee

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

<u>Lease term</u>

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.

<u>ROU assets</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

3.21 Leases *cont'd*

(i) The Group and the Company as a lessee *cont'd*

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.

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

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

3.22 Contract liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 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 receivables, deposits and other receivables, amount due from a corporate shareholder in a subsidiary, deposits, cash and bank balances, trade payables, accruals and other payables, lease liabilities, amounts due to related parties, and borrowings that are denominated in a currency that is different from the functional currency. The currency giving rise to this risk is primarily the United States Dollar ("USD") and the Kazakhstani Tenge ("KZT").

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.1 Financial risk factors *cont'd*

(a) Market risk *cont'd*

(i) Foreign exchange risk *cont'd*

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

	Denominated in KZT		Denominated in USD	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets				
Deposits, cash and bank balances	8,609	7,216	11,263	45,450
Trade receivables	321	849	-	-
Deposits and other receivables	11,010	8,820	-	-
Amount due from a corporate shareholder in a subsidiary	-	-	4,064	4,064
	19,940	16,885	15,327	49,514
Financial liabilities				
Trade payables	79,069	66,582	8,634	12,002
Accruals and other payables	18,485	19,919	291,616	-
Lease liabilities	3,373	2,022	-	-
Amounts due to related parties	-	-	515,092	724,160
Borrowings	-	-	29,289	15,097
	100,927	88,523	844,631	751,259
Company				
Financial asset				
Amount due from corporate shareholder of a subsidiary	-	-	4,064	4,064
Financial liabilities				
Borrowings	-	-	4,201	-

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.1 Financial risk factors *cont'd*

(a) Market risk *cont'd*

(i) Foreign exchange risk *cont'd*

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

Group	Effect on profit/ (loss) after taxation and equity	
	2022	2021
	RM'000	RM'000
Increase/Decrease in foreign exchange rate		
KZT strengthened/weakened by:		
+ 10%	(9,024)	(7,294)
- 10%	9,024	7,294
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	(82,930)	(70,175)
- 10%	82,930	70,175

Company	Effect on profit/ (loss) after taxation and equity	
	2022	2021
	RM'000	RM'000
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	(14)	406
- 10%	14	(406)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.1 Financial risk factors *cont'd*

(a) Market risk *cont'd*

(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. A detailed analysis of the Group's amount due to related parties, borrowings, together with their respective effective interest rates and maturity dates, are included in Note 22 and Note 29. 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 is significantly expose to crude oil commodity price risk. Commodity price risk related to crude oil is the Group's market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC+ actions, political events and supply and demand fundamentals. The Group is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Group's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation.

(b) Credit risk

Financial assets that are primarily exposed to credit risks are trade receivables, deposits and other receivables, amount due from a subsidiary, amount due from a corporate shareholder in a subsidiary and deposit, 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 payment profiles of sales over a certain period before 31 December 2022 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 customers to settle 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 69% (2021: 85%) of the Group's revenue and as such, the Group has concentration of credit risk for its trade receivables. The Group has assessed the probability of default to be low due to the good payment history of the customer with consideration of current market conditions. Therefore, the impact of ECL is immaterial.

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from other receivables are represented by its 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 loss allowances are determined for each of those stages. The Group determines the probability of default for other receivables considering historical data and macroeconomic information.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.1 Financial risk factors *cont'd*

(b) Credit risk *cont'd*

Other receivables *cont'd*

The analysis of the credit exposure of other receivables for which an ECL allowance is recognised is disclosed in Note 19.

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

The Company enters into trade and non-trade transactions with its subsidiary. The Group and the Company also enter into trade and non-trade transactions with its corporate shareholder in a subsidiary. As at 31 December 2022, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

The Group and the Company use the three stage approach for amount due from a subsidiary and amount due from a corporate shareholder in a subsidiary 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 available information.

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

Deposits, cash and bank balances

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

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

The analysis of the credit exposure of deposits and bank balances for which an ECL allowance is recognised is disclosed in Note 21.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's exposure to liquidity risk arises primarily from mismatches of financial asset and liability maturities. The Group manages its liquidity risk by maintaining sufficient levels of cash and available credit facilities to meet its working capital requirements. The Group also has various options of financing, including but not limited to bank borrowings and shareholders' loan facilities.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.1 Financial risk factors *cont'd*

(c) Liquidity risk *cont'd*

As at 31 December 2022, the Group's and the Company's current liabilities exceeded its current assets by RM536,428,000 and RM2,442,000 (2021: RM427,195,000 for Group and net current asset for the company) respectively. Notwithstanding this, the Group and the Company have met its financial obligations as and when they fell due during the financial year.

The Group's liquidity was significantly affected by the Russian-Ukraine conflict started in February 2022.

The Group has continued to implement a number of significant positive actions during the financial year to mitigate the impact of the Russian-Ukraine conflict as follows:

- Continue with existing cost savings and cash conservation initiatives;
- Stringent cash conservation efforts undertaken to control net cash outflow including negotiating the deferral of minimum working program commitments.

In addition, the Group and the Company have taken the following measures to mitigate liquidity pressures and to improve cash flows:

a) obtained an extension of repayment terms of loans due to related parties totalling RM378.6 million, as disclosed in Note 22 of the financial statements;
b) negotiated the deferment of an amount due to a related party of RM13.2 million for at least 12 months from the approved date of the financial statements for the year ended 31 December 2022; and
c) obtained confirmation from a major shareholder, Super Racer Limited and its sole shareholder, of their intention to provide continued financial support as and when necessary to enable the Group and the Company to meet the liabilities and obligations as they fall due.

The Group will continue to implement the above initiatives to ensure that they continue to have sufficient funds to meet all its operational and financial obligations as and when they fall due.

If required, the Group will request financial support in the form of liquid funds from the Group's major shareholder, Super Racer Limited and its sole shareholder.

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

	Contractual undiscounted cash flows					
	Carrying amount	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group						
2022						
Trade payables	87,703	82,410	5,711	-	-	88,121
Accruals and other payables (excluding statutory liabilities and contract liabilities)	297,842	6,226	314,648	-	-	320,874
Amounts due to related parties	515,092	391,852	-	-	215,894	607,746
Lease liabilities	3,562	755	566	1,698	4,951	7,970
Borrowings	29,289	29,289	-	-	-	29,289

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.1 Financial risk factors *cont'd*

(c) Liquidity risk *cont'd*

		Contractual undiscounted cash flows				
	Carrying amount	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group *cont'd*						
2021						
Trade payables	78,584	69,536	9,375	-	-	78,911
Accruals and other payables (excluding statutory liabilities) and contract liabilities	3,824	3,824	-	-	-	3,824
Amounts due to related parties	724,160	361,693	3,114	321,261	414,475	1,100,543
Lease liabilities	2,192	538	367	1,101	3,577	5,583
Borrowings	38,837	17,426	6,178	16,586	5,266	45,456
Company						
2022						
Accruals and other payables (excluding statutory liabilities)	2,105	2,105	-	-	-	2,105
Lease liabilities	189	189	-	-	-	189
Borrowings	4,201	4,201	-	-	-	4,201
2021						
Accruals and other payables (excluding statutory liabilities)	1,344	1,344	-	-	-	1,344
Lease liabilities	171	171	-	-	-	171

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.2 Fair value estimation

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

	Group		Company	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	RM'000	**RM'000**	**RM'000**	**RM'000**
<u>At 31 December 2022</u>				
Trade payables	5,293	4,906	-	-
Accruals and other payables	291,616	331,217	-	-
Amount due to related parties	123,240	141,276	-	-
<u>At 31 December 2021</u>				
Trade payables	9,048	9,125	-	-
Amount due to related parties	724,160	838,696	-	-
Borrowings	38,837	38,851	-	-

<u>Valuation principles</u>

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).

<u>Valuation technique</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

4 FINANCIAL RISK MANAGEMENT *cont'd*

4.3 Capital risk management

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

The Group and the Company monitor capital on the basis of Debt over Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA"). Debt is calculated as total amounts due to related parties and external borrowings. EBITDA is determined as profit before finance income, finance cost, income tax and depreciation and amortisation.

The Debt over EBITDA ratio of the Group is as follows:

	2022	**2021**
	RM'000	**RM'000**
Total borrowings	835,997	762,997
Loss before income tax	(224,113)	(74,900)
Finance income	(28,866)	(17,622)
Finance cost	111,468	51,670
Depreciation and amortisation	78,893	76,574
EBITDA	(62,618)	35,722
Debt over EBITDA ratio	(13.35)	21.36

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimation of proved and probable oil reserves

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

(a) Estimation of proved and probable oil reserves *cont'd*

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

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

Changes to the Group's estimates of proved-plus-probable developed reserves affect the amount of depreciation 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 and amortisation charges (assuming constant production) and reduce income. If the proved-plus-probable developed reserves estimates increase by 10%, the depreciation and amortisation charges will decrease by RM6,257,890. Decreasing the proved-plus-probable developed reserves estimates by 10% will increase the depreciation and amortisation charges by RM6,257,890.

Changes to the Group's estimates of proved and probable developed reserves affect prospectively the amounts of depreciation 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 and amortisation is presented in Note 11 and Note 16.

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

(b) 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 estimated useful lives where actual 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 impairment 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 market conditions and data. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. Details of the estimates and judgements are set out in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *cont'd*

(d) Exploration and evaluation expenditure

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

(e) Current and deferred income tax

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

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

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

(f) Impairment of investment in subsidiaries

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

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

6 REVENUE

	Group	
	2022	**2021**
	RM'000	**RM'000**
Sale of crude oil	166,514	148,160
Sale of gas	2,946	2,531
	169,460	150,691

The above revenue is recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

7 TAXES OTHER THAN INCOME TAXES

	Group	
	2022	2021
	RM'000	RM'000
Rent export tax	34,232	20,710
Rent export duty expenditure	20,192	16,223
Mineral extraction tax	10,549	7,647
Property tax	5,417	4,841
	70,390	49,421

8 EMPLOYEE COMPENSATION COSTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and allowances	13,679	9,948	2,536	2,230
Welfare and other expenses	773	687	277	298
	14,452	10,635	2,813	2,528

Employee compensation cost includes the Directors' remuneration (whether executive or otherwise) as disclosed in Note 12 to the financial statements.

9 OTHER OPERATING (EXPENSES)/INCOME – NET

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Write off of inventory	(345)	(221)	-	-
Foreign exchange gain/(loss) on operations - net	924	820	(10)	(12)
Change in estimate of asset retirement obligations	(2,329)	1,344	-	-
Others	(2,565)	(3,122)	-	27
	(4,315)	(1,179)	(10)	15

Foreign exchange rates gain/(loss) arising from purchases and services procured are classified as part of operating expenditure.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022

(cont'd)

10 FINANCE INCOME/(COST)

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
<u>Finance income</u>				
Profit income from deposits with licensed islamic banks	1	18	1	18
Interest income from deposits with other licensed banks	648	675	-	-
Foreign exchange rates gain on related company's loan:				
- Realised	3,068	112	-	-
- Unrealised	25,149	16,817	-	-
Finance income	28,866	17,622	1	18
<u>Finance costs</u>				
Interest expenses on amount due to related parties - MIE Maple Investment Limited	(44,552)	(25,950)	-	-
Interest expense on amount due to related parties - MIE Holdings Corporation	(11,493)	(22,480)	-	-
Interest expense on non-current other payable	(12,388)	-	-	-
Accretion of asset retirement obligations (Note 29)	(428)	(461)	-	-
Foreign exchange rates loss on borrowings:				
- Realised	(1,501)	(1,173)	-	-
- Unrealised	(71)	-	(71)	-
Interest on borrowings	(2,007)	(1,026)	(102)	-
Loss on modification of amount due to related parties	(38,996)	-	-	-
Others	(32)	(580)	-	(9)
Finance costs	(111,468)	(51,670)	(173)	(9)

Foreign exchange rates difference arising from amounts due from/to related parties' loan and borrowings are classified as part of finance (cost)/income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

11 LOSS BEFORE INCOME TAX

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):				
Auditor remuneration:				
- Statutory audit fees				
- PricewaterhouseCoopers PLT, Malaysia	323	275	247	202
- Member firm of PricewaterhouseCoopers International Limited*	515	552	-	-
- Non audit fees:				
- PricewaterhouseCoopers PLT, Malaysia	180	-	180	-
- Member firm of PricewaterhouseCoopers International Limited*	-	105	-	-
Depreciation:				
- Property, plant and equipment (Note 16)	78,091	75,987	6	7
- Right of use of assets (Note 17)	516	373	149	139
Amortisation of intangible assets	286	214	-	-
Professional fees	3,606	1,601	2,719	622
Realised foreign exchange loss	62	199	10	28
Unrealised foreign exchange (gain)/loss	(25,078)	(16,790)	72	(2)
Expenses arising from leases:				
- short-term leases				
- Premises	160	97	-	-
- low-value assets leases				
- Office equipment	5	5	5	5

* 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Executive Director:				
- Salaries and bonuses	600	1,002	600	758
- Defined contribution plans	73	86	73	86
Non-executive Directors:				
- Fees	425	144	425	144
- Allowances	216	90	216	90
	1,314	1,322	1,314	1,322

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

13 INCOME TAX EXPENSE

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Foreign income tax:				
- Current financial year	996	589	-	-
Deferred tax expense (Note 26)				
- Origination and reversal of temporary difference	9,820	6,521	-	-
- Under-accrual from prior financial years	-	249	-	-
	9,820	6,770	-	-
	10,816	7,359	-	-

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss before income tax	(224,113)	(74,900)	(6,470)	(3,823)
Tax calculated at the statutory tax rates of 24% (2021: 24%)	(53,787)	(17,976)	(1,553)	(918)
Tax effects of:				
- Income not subject to tax	(5,874)	(3,920)	-	(9)
- Expenses not deductible for tax purposes	10,340	18,527	1,553	927
- Difference in overseas tax rates and tax base	19,623	4,605	-	-
- Re-measurement of deferred tax due to change in the excess profit tax rate	40,514	5,296	-	-
- Temporary differences in respect of prior financial year	-	827	-	-
Income tax expense	10,816	7,359	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

14 LOSS PER ORDINARY SHARE

The calculation of basic earnings/loss per ordinary share at 31 December 2022 was based on the profit or loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2022	**2021**
Loss attributable to owners of the Company (RM'000)	(157,194)	(53,410)
Weighted average number of ordinary shares ('000)	1,096,412	1,096,412
Basic loss per ordinary share (RM)	(0.14)	(0.05)
Diluted loss per ordinary share (RM)	(0.14)	(0.05)

Diluted earnings/loss per ordinary share 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. As at 31 December 2022, there is no dilutive potential ordinary shares.

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2022	**2021**
	RM'000	**RM'000**
Cost of investment	25,646	25,646
Capital contributions to a subsidiary	584,391	584,391
Less: Accumulated impairment losses	(356,800)	(356,800)
	253,237	253,237

Impairment assessment of investment in Reach Energy Ventures Sdn. Bhd. (REVSB)

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

The recoverable amount of the Company's investment in subsidiary was determined using the FVLCD model which involves significant judgement and estimates in respect of Reach Energy Ventures Sdn Bhd's ability to distribute dividends to the Company. The fair value measurement is calculated using the discounted cash flow method categorised under Level 3 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

15 INVESTMENT IN SUBSIDIARIES *cont'd*

Impairment assessment of investment in REVSB *cont'd*

Key assumptions used in determining the recoverable amount are as follows:

	2022	2021
Period of projection	2023 – 2036	2022 – 2036
Selling price	USD61 – USD81	USD70 – USD88
Reserve volume	43.5 MMBbl	41.8 MMBbl
Inflation rate (USD)	2.1% - 4.3%	2.0% - 3.7%
Cost of equity (USD)	17.86%	17.5%
Capital expenditure	USD156.8 million	USD166.0 million
Repayment of borrowings	In accordance with terms of borrowings	In accordance with terms of borrowings

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

No additional or reversal of impairment was made as the carrying value approximates its recoverable amount.

If the average oil price had been USD0.035/bbl lower than management's estimates, it would result in the recoverable amount to be equal to the carrying amount of the investment in subsidiaries.

If the reserves volume had been 0.04% lower than management's estimates, it would result in the recoverable amount to be equal to the carrying amount of the investment in subsidiaries.

If the estimated WACC used in determining the after-tax discount rate applied to the discounted cash flows been 0.01% higher than management's estimates, it would result in the recoverable amount to be equal to the carrying amount of the investment in subsidiaries.

The details of the subsidiaries are as follows:

Name of subsidiary	Group's effective equity interest 2022 %	2021 %	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***	60	60	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.

* *Audited by PricewaterhouseCoopers PLT, Malaysia*

** *No audit is required as allowed by the laws of the respective country of incorporation*

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

15 INVESTMENT IN SUBSIDIARIES *cont'd*

Summarised financial information for subsidiary

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

Summarised statement of financial position

	2022 RM'000	2021 RM'000
Non-current assets	1,275,866	1,300,006
Current assets	38,987	64,995
Current liabilities	(572,629)	(495,065)
Non-current liabilities	(627,636)	(620,681)
Net assets	114,588	249,255
Accumulated non-controlling interests	45,835	99,702

Summarised statement of comprehensive income

Revenue	169,460	150,691
Loss for the financial year	(194,337)	(71,816)
Loss allocated to non-controlling interests	(77,735)	(28,849)

Other than restricted cash set aside for environmental remediation relation to its operations as disclosed in Note 21, 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

	2022 RM'000	2021 RM'000
Net cash generated from operating activities	27,822	93,585
Net cash used in investing activities	(46,537)	(59,750)
Net cash used in financing activities	(18,814)	(2,158)
Exchange differences	4,291	12,520
Net (decrease)/increase in cash and cash equivalents	(33,238)	44,197

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Buildings and leasehold improvements RM'000	Motor vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
Group							
2022							
Cost							
At 1 January	168,514	1,393,659	7,188	7,925	63	253,279	1,830,628
Additions	9,158	952	-	128	-	41,900	52,138
Transfer (out)/in	(35,149)	81,362	9	1,084	-	(47,306)	-
Write-off	(21,636)	-	-	-	-	-	(21,636)
Foreign exchange translation	9,547	79,158	407	435	-	14,376	103,923
At 31 December	130,434	1,555,131	7,604	9,572	63	262,249	1,965,053
Accumulated depreciation							
At 1 January	-	349,259	3,741	1,117	63	-	354,180
Charge for the financial year	-	76,767	776	548	-	-	78,091
Foreign exchange translation	-	28,233	300	48	-	-	28,581
At 31 December	-	454,259	4,817	1,713	63	-	460,852
Accumulated impairment							
At 1 January	84,151	85,749	-	-	-	22,031	191,931
Charge for the financial year	-	44,540	-	-	-	-	44,540
Foreign exchange translation	4,477	4,568	-	-	-	1,167	10,212
At 31 December	88,628	134,857	-	-	-	23,198	246,683
Net book value							
At 31 December	41,806	966,015	2,787	7,859	-	239,051	1,257,518

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Buildings and leasehold improvements RM'000	Motor vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
Group							
2021							
Cost							
At 1 January	153,640	1,283,766	6,900	6,527	63	251,554	1,702,450
Additions	8,580	27,887	8	3,596	-	19,340	59,411
Transfer in/(out)	-	29,632	-	(2,403)	-	(27,229)	-
Disposal	-	(137)	-	-	-	(554)	(691)
Write-off	-	-	-	(55)	-	-	(55)
Foreign exchange translation	6,294	52,511	280	260	-	10,168	69,513
At 31 December	168,514	1,393,659	7,188	7,925	63	253,279	1,830,628
Accumulated depreciation							
At 1 January	-	257,342	2,800	656	63	-	260,861
Charge for the financial year	-	74,858	685	444	-	-	75,987
Foreign exchange translation	-	17,059	256	17	-	-	17,332
At 31 December	-	349,259	3,741	1,117	63	-	354,180
Accumulated impairment							
At 1 January	80,866	82,402	-	-	-	21,172	184,440
Foreign exchange translation	3,285	3,347	-	-	-	859	7,491
At 31 December	84,151	85,749	-	-	-	22,031	191,931
Net book value							
At 31 December	84,363	958,651	3,447	6,808	-	231,248	1,284,517

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Buildings and leasehold improvements	Motor vehicles, office and other production equipment	Information technology network equipment	Total
	RM'000	RM'000	RM'000	RM'000
Company				
Cost				
At 1 January/31 December 2022	411	271	63	745
Accumulated depreciation				
At 1 January 2022	406	269	63	738
Charge for the financial year	4	2	-	6
At 31 December 2022	410	271	63	744
Net book value				
At 31 December 2022	1	-	-	1
Cost				
At 1 January 2021	403	310	63	776
Additions	8	-	-	8
Disposal	-	(39)	-	(39)
At 31 December 2021	411	271	63	745
Accumulated depreciation				
At 1 January 2021	403	304	63	770
Charge for the financial year	3	4	-	7
Disposal	-	(39)	-	(39)
At 31 December 2021	406	269	63	738
Net book value				
At 31 December 2021	5	2	-	7

The Group's property, plant and equipment have been pledged as security for borrowings as disclosed in Note 28 to the financial statements.

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 2022, due to continued losses and revision of reserves volume reported from an independent reserves engineer, the Group performed an assessment of the recoverability of its exploration and evaluation assets; its oil and gas properties; and its construction in progress. The recoverable amount was determined based on fair value less cost of disposal ("FVLCD"). The fair value measurement was calculated using the discounted cash flow method categorised under the Level 3 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

16 PROPERTY, PLANT AND EQUIPMENT *cont'd*

Key assumptions used in determining the recoverable amount are as follows:

	2022	2021
Period of projection	2023 – 2036	2022 – 2036
Selling price	USD78 – USD102	USD70 – USD88
Reserves volume	47.3 MMBbl	41.8 MMBbl
Inflation rate (USD)	3.1% - 14.8%	2.0% - 3.7%
Weighted average cost of capital	14.05%	11.60%
Capital expenditure	USD156.8 million over the projection period	USD166.0 million over the projection period

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

The Group recorded an impairment for of RM44.5 million due to a shortfall between the carrying values of the assets and their FVLCD. There was no impairment made in the previous financial year.

If the average oil price had been USD5/bbl lower than management's estimates, it would result in an additional impairment of RM165.6 million to the property, plant and equipment.

If the reserves volume had been 5% lower than management's estimates, it would result in an additional impairment of RM43.1 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 been 5% higher than management's estimates, it would result in an additional impairment of RM44.8 million to the property, plant and equipment.

17 RIGHT OF USE OF ASSETS/LEASE LIABILITIES

(a) Right of use of assets

	Group RM'000	Company RM'000
Buildings		
Cost		
At 1 January 2022	3,609	713
Additions	1,959	175
Foreign translation effects	233	-
At 31 December 2022	5,801	888

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

17 RIGHT OF USE OF ASSETS/LEASE LIABILITIES *cont'd*

(a) Right of use of assets *cont'd*

	Group RM'000	Company RM'000
Buildings *cont'd*		
Accumulated depreciation		
At 1 January 2022	1,270	622
Charge for the financial year	516	149
Foreign translation effects	18	-
At 31 December 2022	1,804	771
Net book value		
At 1 January 2022	2,339	91
At 31 December 2022	3,997	117
Cost		
At 1 January 2021	3,316	585
Additions	697	128
Termination	(401)	-
Foreign translation effects	(3)	-
At 31 December 2021	3,609	713
Accumulated depreciation		
At 1 January 2021	896	483
Charge for the financial year	373	139
Foreign translation effects	1	-
At 31 December 2021	1,270	622
Net book value		
At 1 January 2021	2,420	102
At 31 December 2021	2,339	91

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

17 RIGHT OF USE OF ASSETS/LEASE LIABILITIES *cont'd*

(b) Lease liabilities

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current	(755)	(538)	(189)	(171)
Non-current	(2,807)	(1,654)	-	-
	(3,562)	(2,192)	(189)	(171)

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 INTANGIBLE ASSET

	Group	
	2022	2021
	RM'000	RM'000
Software		
Cost		
At 1 January	2,702	2,587
Additions	584	9
Foreign translation effects	154	106
At 31 December	3,440	2,702
Accumulated depreciation		
At 1 January	1,403	1,095
Charge for the financial year	286	260
Foreign translation effects	80	48
At 31 December	1,769	1,403
Net book value		
At 1 January	1,299	1,492
At 31 December	1,671	1,299

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

19 DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits	8,618	7,581	149	150
Advances to employees	6	1	-	-
Other receivables	2,386	1,238	-	-
	11,010	8,820	149	150
Less: Loss allowance	(2,225)	(2,709)	-	-
	8,785	6,111	149	150
Value-added tax and other statutory receivables	17,814	15,785	-	-
Total deposits and other receivables – net	26,599	21,896	149	150
Represent:				
Non-current	3,752	3,469	-	-
Current	22,847	18,427	149	150
	26,599	21,896	149	150

As at 31 December 2022, substantially all deposits and other receivables are denominated in KZT. The fair values of other receivables (excluding VAT receivables) approximate their carrying amounts.

Movement in the Group's loss allowance for deposit and other receivables is as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	2,709	2,639
(Decrease)/ increase in loss allowance	(484)	70
As at the end of the financial year	2,225	2,709

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

19 DEPOSITS AND OTHER RECEIVABLES *cont'd*

The following table contains an analysis of the credit risk exposure of deposit 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	Loss allowance	Carrying amount (net of ECL provision)
			RM'000	RM'000	RM'000
2022					
Stage 2	20%	Lifetime ECL	11,010	(2,225)	8,785
2021					
Stage 2	30%	Lifetime ECL	8,820	(2,709)	6,111

20 TRADE RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Trade receivables	571	872	-	-
Less: Loss allowance	(250)	(23)	-	-
Trade receivables – net	321	849	-	-

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

Aging analysis of trade receivables is as follows:

Group

	Gross	Average Expected loss rate	Collective impairment	Net
	RM'000	%	RM'000	RM'000
2022				
Not past due	303	0	0	303
Past due 60 to 180 days	18	0	0	18
Past due more than 180 days	250	100	(250)	-
	571		(250)	321
2021				
Not past due	605	0	-	605
Past due 60 to 180 days	26	0	-	26
Past due more than 180 days	241	9.5	(23)	218
	872		(23)	849

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

20 TRADE RECEIVABLES *cont'd*

Group *cont'd*

Trade receivables are denominated in KZT.

Movement in the Group's provision for impairment of trade receivables is as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	23	23
Increase in loss allowance	227	-
At 31 December	250	23

21 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Deposits, cash and bank balances	10,839	45,040	98	56
Less: Loss allowance	(190)	(588)	-	167
Total cash and cash equivalents at the end of financial year	10,649	44,452	98	223
Non-current				
Deposits, cash and bank balances	9,192	8,647	-	-
Less: Loss allowance	(147)	(167)	-	-
Restricted deposits, cash and bank balances*	9,045	8,480	-	-

* *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.*

Maturity and effective interest rate for fixed deposits with licensed banks ranges from 7 to 30 days (2021: from 7 to 30 days).

Movement in the Group's loss allowance for deposits, cash and bank balances is as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	755	164
(Decrease)/Increase in loss allowance	(418)	591
As at the end of the financial year	337	755

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

21 DEPOSITS, CASH AND BANK BALANCES *cont'd*

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

Group internal credit rating	ECL rate	Basis for recognition of ECL provision	Estimated gross carrying amount at default	Loss allowance	Carrying amount (net of ECL provision)
			RM'000	RM'000	RM'000
2022					
Stage 1	2%	12-month ECL	20,031	(337)	19,694
2021					
Stage 1	1%	12-month ECL	53,687	(755)	52,932

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
United States Dollar ("USD")	11,263	45,450	-	-
Kazakhstani Tenge ("KZT")	8,609	7,216	-	-
Euro ("EUR")	9	8	-	-
Malaysian Ringgit ("MYR")	150	258	98	223
	20,031	52,932	98	223

22 AMOUNT DUE FROM A SUBSIDIARY, AMOUNTS DUE FROM A CORPORATE SHAREHOLDER IN A SUBSIDIARY AND AMOUNTS DUE TO RELATED PARTIES

(a) Amount due from a subsidiary

The Company's amount due from a subsidiary is denominated in Ringgit Malaysia. The amount is non-interest bearing, unsecured and is repayable on demand.

(b) Amount due from a corporate shareholder in a subsidiary

The Group's and the Company's amount due from a corporate shareholder is denominated in Ringgit Malaysia. The amount is non-interest bearing, unsecured and is repayable on demand.

(c) Amounts due to related parties

The Group's amounts due to related parties consists of an amount due to MIE Holdings Corporation and amounts due to MIE Maple Investments Limited. The relationship of these related parties are explained in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

22 AMOUNT DUE FROM A SUBSIDIARY, AMOUNTS DUE FROM A CORPORATE SHAREHOLDER IN A SUBSIDIARY AND AMOUNTS DUE TO RELATED PARTIES *cont'd*

(c) Amounts due to related parties *cont'd*

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

	2022		2021	
	Non-current RM'000	**Current RM'000**	**Non-current RM'000**	**Current RM'000**
Amount due to a corporate shareholder				
- with 14% interest	-	-	161,810	-
- interest free	-	-	91,493	-
	-	-	253,303	-

On 8 July 2022, MIE Holdings Corporation as beneficial owner of the amount due to a corporate shareholder, assigned absolutely all its rights, interests, benefits, title, claims and demands arising from or in connection with the amount payable to Super Racer Limited via a deed of amendments. As a result from the change in beneficial ownership, the amount due to a corporate shareholder in a subsidiary was reclassified to other payables in Note 28 to the financial statements.

Amounts due to MIE Maple Investments Limited are denominated in United States Dollar are unsecured, with repayment terms and interests as follows:

Group

2022		2021			
Non-current RM'000	**Current RM'000**	**Non-current RM'000**	**Current RM'000**	**Interest**	**Repayment terms**
-	223,031 *	-	239,675	5% per annum	Due in 2023
-	155,607 *	-	112,796	Interest free	Due in 2023
64,576	-	61,392	-	4.86% per annum	Due in 2036
58,664	-	45,184	-	Interest free	Due in 2036
-	10,206 **	-	9,224	Interest free	Repayable on demand
-	1,715 **	1,623	-	5% per annum	Due in 2023
-	1,293 **	963	-	Interest free	Due in 2023
123,240	391,852	109,162	361,695		

* *On 18 April 2023, the Group entered into deeds of amendment to existing loan agreements with MIE Maple Investments Limited to extend repayment terms of past due balances of RM223.0 million and RM155.6 million to 30 April 2025.*

** *On 18 April 2023, MIE Maple Investments Limited confirmed that it will not request for repayment of these amounts before 30 April 2024.*

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

23 SIGNIFICANT RELATED PARTY DISCLOSURES

Related party transactions of the Group and of 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 of a subsidiary
MIE Maple Investments Limited ("MIEM")	Subsidiary of MIEH
Reach Energy Holdings Sdn Bhd ("REHSB")	Corporate shareholder

All related party transactions were carried out on agreed terms. 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	
	2022	**2021**
	RM'000	**RM'000**
(i) Transactions with related parties		
Repayments of amount due to related parties	-	600
Interest expenses on amount due to MIEM	44,552	25,950
Interest expenses on amount due to MIEH	11,493	22,480

	Company	
	2022	**2021**
	RM'000	**RM'000**
(ii) Transactions with subsidiaries		
Repayment of advance from subsidiary	(809)	(1,879)

(b) Key management personnel

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors:				
- Salaries and bonuses	600	1,002	600	1,002
- Defined contribution plans	73	86	73	86
Non-executive Directors:				
- Fees	425	144	425	144
- Allowances	216	90	216	90
	1,314	1,322	1,314	1,322

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

23 SIGNIFICANT RELATED PARTY DISCLOSURES *cont'd*

(b) Key management personnel *cont'd*

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other key management personnel:				
- Remuneration and other emoluments	720	648	720	648
- Defined contribution plans	94	72	94	72
	814	720	814	720
	2,128	2,042	2,128	2,042

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

24 SHARE CAPITAL

	2022		2021	
	Number of shares	**Amount**	**Number of shares**	**Amount**
Group and the Company	**'000**	**RM'000**	**'000**	**RM'000**
Issued and fully paid:				
At 1 January/31 December	1,096,412	488,975	1,096,412	488,975

25 OTHER RESERVES

		Group		Company	
	Note	**2022**	**2021**	**2022**	**2021**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Warrants reserve	(a)	-	198,914	-	198,914
Share-based payment reserve	(b)	-	821	-	821
Foreign exchange reserve	(c)	16,498	(19,304)	-	-
		16,498	180,431	-	199,735

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

25 OTHER RESERVES *cont'd*

(a) Warrants reserve

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

	2022		2021	
	Number of warrants	Amount RM'000	Number of warrants	Amount RM'000
At 1 January	1,277,822	198,914	1,277,822	198,914
Lapsed	(1,277,822)	(198,914)	-	-
At 31 December	-	-	1,277,822	198,914

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

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

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

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 Warrants expired on 15 August 2022 and have since been de-listed from the Official List of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

25 OTHER RESERVES *cont'd*

(b) Share-based options reserve

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	821	821	821	821
Lapsed during the year	(821)	-	(821)	-
At 31 December	-	821	-	821

Share based options lapsed during the year.

(c) Forex exchange reserve

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

26 DEFERRED TAX LIABILITIES

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

	Group	
	2022	**2021**
	RM'000	**RM'000**
Deferred tax liabilities to be settled after more than 12 months	(82,067)	(69,170)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022

(cont'd)

26 DEFERRED TAX LIABILITIES *cont'd*

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

	Group	
	2022	2021
	RM'000	RM'000
At 1 January	(69,170)	(60,758)
Forex exchange translation	(3,077)	(1,642)
Credited/(charged) to profit or loss (Note 13)		
- tax losses	9,305	(4,963)
- provisions	1,733	1,212
- lease liabilities	247	(79)
- property, plant and equipment	(20,374)	(2,652)
- intangible assets	(430)	(321)
- right of use of assets	(301)	33
	(9,820)	(6,770)
At 31 December	(82,067)	(69,170)
Subject to income tax		
Deferred tax assets (before offsetting):		
- tax losses	165,812	148,096
- provisions	5,535	3,597
- lease liabilities	675	405
	172,022	152,098
Offsetting	(172,022)	(152,098)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	(251,496)	(220,138)
- intangible assets	(1,817)	(680)
- right of use of assets	(776)	(450)
	(254,089)	(221,268)
Offsetting	172,022	152,098
Deferred tax liabilities (after offsetting)	(82,067)	(69,170)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

27 TRADE PAYABLES

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

	Group	
	2022	2021
	RM'000	RM'000
Kazakhstani Tenge ("KZT")	79,069	66,582
United States Dollar ("USD")	8,634	12,002
	87,703	78,584
Represent:		
Non-current	5,293	9,048
Current	82,410	69,536
	87,703	78,584

Non-current trade payable balances relate to purchases of fixed assets which have repayment terms of between 1 to 3 years (2021: 1 to 3 years).

28 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current				
Contract liabilities (Note a)	10,189	15,266	-	-
Withholding and other tax payable	16,287	9,272	-	-
Salary and welfare payable	2,070	829	641	254
Accruals and other payables	6,226	3,824	2,105	1,156
	34,772	29,191	2,746	1,410
Non-current				
Other payables (Note b)	291,616	-	-	-
Total accruals and other payables	326,388	29,191	2,746	1,410

The Group's unsatisfied performance obligations as at 31 December 2022 are represented by the contract liabilities balance.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

28 ACCRUALS AND OTHER PAYABLES *cont'd*

a) Movement of contract liabilities during the financial year are as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January	15,266	12,907
Contract liabilities netted with revenue recognised during the financial year	10,189	15,266
Revenue recognised that was included in the contract liabilities balance at the beginning of the financial year	(15,266)	(12,907)
At 31 December	10,189	15,266

(b) Non-current other payable

	2022		2021	
	Non-current	**Current**	**Non-current**	**Current**
	RM'000	**RM'000**	**RM'000**	**RM'000**
- with 14% interest	170,992	-	-	-
- interest free	120,624	-	-	-
	291,616	-	-	-

On 8 July 2022, MIE Holdings Corporation as beneficial owner of the amount due to a corporate shareholder, assigned absolutely all its rights, interests, benefits, title, claims and demands, arising from or in connection with the amount payable to Super Racer Limited via a deed of amendments. As a result from the change in beneficial ownership, the amount due to a corporate shareholder in a subsidiary in Note 22 to the financial statements was reclassified to other payables.

Subsequent to year end, the Group completed a proposal to offset partial amount due to Super Racer Limited via issuance of new ordinary shares as disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

29 BORROWINGS

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured				
Current:				
Term loan from a bank (a)	25,088	2,569	-	-
Term loan from Ruima Group Limited (b)	4,201	-	4,201	-
Revolving credit (c)	-	12,528	-	-
	29,289	15,097	4,201	-
Non-current:				
Term loan	-	23,740	-	-

a) The term loan principal of USD5.6 million carries an interest rate of 7% per annum for a period of 72 months (2021: 84 months).

On 17 February 2023, the Group received notification of non-compliance with non-financial covenants. The non-compliance was because of the Group's involvement in several litigation cases and non-compliance of minimum work programs which in the opinion of the lender, posed a risk as to the timeliness in fulfilling its Group's obligations under the term loan. As a result of the breach of covenants, the Group was required to settle the term loan immediately. The Group fully settled the term loan on 21 February 2023.

As the non-compliance related to a condition that existed as at 31 December 2022, the term loan was reclassified as current liabilities.

b) The term loan principal of USD1.2 million carries an interest rate of 5% per annum for a period of 9 months has been entered with Ruima Group Limited during the year.

c) The revolving credit facility amounted to USD3.0 million carries an interest rate of 7% per annum for a period of 12 months. The revolving credit facility was fully settled on 10 January 2022.

Both facilities are secured by the Group's property, plant and equipment.

30 PROVISIONS

Group

	Provision for ARO*		Provision for claims	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current	751	757	36,707	16,973
Non-current	6,889	3,930	-	-
	7,640	4,687	36,707	16,973

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
(cont'd)

30 PROVISIONS *cont'd*

Group *cont'd*

	Provision for ARO*		Provision for claims	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Movements of provisions are as follows:				
At 1 January	4,687	5,506	16,973	11,205**
Additional provision during the financial year	268	-	21,954	16,867
Foreign exchange translation	(72)	64	(438)	106
Changes in estimates	2,329	(1,344)	-	(6,441)**
Payment	-	-	(1,782)	(4,764)**
Accretion of asset retirement obligations	428	461	-	-
At 31 December	7,640	4,687	36,707***	16,973***

* *Asset Retirement Obligation (ARO)*

** *Provision relates to damages claim by the Ministry of Energy of Kazakhstan in connection with violations of gas dispersion limits during operations identified from inspections performed in previous years. These claims were settled in the previous financial year.*

*** *Provision during the year relates to penalty for non-compliance of minimum work programs that the Group committed to during the life of production contracts.*

31 COMMITMENTS

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

	Group	
	2022	2021
	RM'000	RM'000
Authorised but not contracted for	27,519	20,040
Contracted but not provided for	5,113	406
	32,632	20,446

NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 December 2022
(cont'd)

31 COMMITMENTS *cont'd*

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

	Group	
	2022	**2021**
	RM'000	**RM'000**
<1 year	241,030	282,350
1-2 years	418,962	488,248
2-5 years	476,827	534,553
>5 years	1,016,875	1,205,761
	2,153,694	2,510,912

The minimum work program includes capital expenditure of RM690 million (2021: RM693 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.

32 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at amortised costs				
Trade receivables	321	849	-	-
Deposits and other receivables	8,785	6,111	149	150
Deposits, cash and bank balances	19,694	52,932	98	223
Amount due from subsidiary	-	-	383	1,192
Amount due from corporate shareholder in a subsidiary	4,064	4,064	4,064	4,064
	32,864	63,956	4,694	5,629
Financial liabilities at amortised costs				
Trade payables	87,703	78,584	-	-
Accruals and other payables (excluding statutory liabilities and contract liabilities)	297,842	3,824	2,105	1,344
Amount due to related parties	515,092	724,160	-	-
Borrowings	29,289	38,837	-	-
	929,926	845,405	2,105	1,344

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2022
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33 SEGMENTAL INFORMATION

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

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

The reportable operating segment derive all revenue from the sale of crude oil in the Republic of Kazakhstan (the "Kazakhstan"). All revenue of the operating segment is contributed by external customers. The major customer, Euro Asian Oil SA ("Euro Asian") is one of the largest trading companies in the Mangistau region of Western Kazakhstan. Euro Asian contributes 69% (2021: 85%) to the Group's revenue.

	Malaysia	**Kazakhstan**	**Total**
	RM'000	**RM'000**	**RM'000**
Statement of financial position			
2022			
Non-current assets			
Right of use assets	117	3,880	3,997
Property, plant and equipment	1	1,257,517	1,257,518
Intangible assets	-	1,671	1,671
Total	118	1,263,068	1,263,186
2021			
Non-current assets			
Right of use assets	91	2,248	2,339
Property, plant and equipment	7	1,284,510	1,284,517
Intangible assets	-	1,299	1,299
Total	98	1,288,057	1,288,155

34 LITIGATION

a) Litigation involving Emir-Oil LLP and Ministry of Energy of Kazakhstan ("MOE") in connection with the application on the deferral of Contractual Obligations of Dolinnoe's Oil Field

Emir-Oil LLP ("Emir-Oil") had filed a claim to Ministry of Energy of Kazakhstan ("MOE") at Economic Court of Nur-Sultan on 15 July 2022 relating to the approval of the Amendment No. 4 on the deferral of the contractual obligations of Dolinnoe's oil field in 2020 and 2021 to a later period.

During the period from 2020-2022, Emir-Oil had submitted several applications to the MOE for the postponement of obligations for 2020 and 2021 to a later period. MOE, however, had rejected Emir-Oil's application on the transfer of obligations to a later period.

On 15 July 2022, Emir-Oil had decided to submit the claim to the Economic Court of Nur-Sultan to establish the rejection of the MOE as unjustifiable and oblige the MOE to postpone the obligations to a later period.

NOTES TO THE FINANCIAL STATEMENTS

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34 LITIGATION *cont'd*

a) Litigation involving Emir-Oil LLP and Ministry of Energy of Kazakhstan ("MOE") in connection with the application on the deferral of Contractual Obligations of Dolinnoe's Oil Field *cont'd*

The preliminary hearing had been held on 8 August 2022 and the second hearing had been held on 22 August 2022. Economic Court of Nur-Sultan on 22 August 2022 had rejected the claim of Emir-Oil.

Emir-Oil had filed its appeal with the Court of the City of Astana on 23 September 2022. The Court of the City of Astana on 28 October 2022 had supported the position of the MOE and rejected the claim of Emir-Oil.

Emir-Oil had filed a cassation complaint ("the Complaint") to the Supreme Court of the Republic of Kazakhstan on 25 April 2023 and the Complaint will be considered within 30 days from the completion of the preliminary examination of the Complaint.

In the event that the suit is not in favour of Emir-Oil, the financial and operation impact to the Emir-Oil shall be limited to fulfil the contractual obligations and pay a fine of KZT2,632,000,000 (RM24,761,000). As at 31 December 2022, the Group has recognised a provision for this fine amount.

b) Litigation involving Emir-Oil LLP and Standard Petroleum LLP in connection with the refusal of supply contract by EO

On 15 November 2022, Standard Petroleum LLP filed a claim against Emir-Oil LLP in Court of Kazakhstan ("the Court") for a recovery of lost of profits of KZT 206,401,515, a fine KZT 19,720,000, a penalty fee of KZT 2,406,386, lawyer's expenses of KZT 6,300,000, state duty of KZT 6,855,838, and recognition of refusal of supply contract with Standard Petroleum LLP by Emir-Oil LLP as illegal.

Based on the decision of the Court dated 13 February 2023, the Court ordered to recover from Emir-Oil LLP in favor of Standard Petroleum LLP on lost of profits KZT 206,401,515, a penalty of KZT 1,122,980, state duty of KZT 6,227,267 and lawyer's expenses of KZT 6,300,000. Emir-Oil has filed an appeal in March 2023. The court of second instance rejected the appeal on 26 April 2023, the decision of the court of first instance was left unchanged.

As at 31 December 2022, the Group recognised a provision of KZT 220,051,762 (equivalent to RM2,095,000) based on the Court's decision. Emir-Oil LLP intends to appeal the Court's decision.

35 SUBSEQUENT EVENT

a) The Group had on 25 November 2022 announced a proposal to offset USD49,562,125 or RM206,508,856 (RM1.00:USD0.24) amount owing to Super Racer Limited ('SRL') via the issuance of 1,032,544,282 new ordinary shares of shares in the Company to SRL at an issue price of RM0.20 per share ("Proposed Debt Settlement"). On 29 March 2023, the Group completed the Proposed Debt Settlement. Following its completion, SRL holds a direct interest of 48.5% in the Company. The remaining debt owing to SRL of USD15,924,549 or RM72,847,891 is now subjected to an interest rate of 5% per annum reduced from the current interest rate of 14% per annum.

b) On 29 March 2023, SRL had also entered into a shareholder loan agreement with the Company to provide a loan facility of USD5 million (equivalent to RM22.87 million) to the Company at an interest rate equivalent to the Bank Negara Malaysia overnight policy rate as at the date of each period in which interest is payable.

c) On 3 April 2023, the Board of Directors of the Company announced that the Company was an affected listed issuer under Practice Note 17 ("PN17") of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company triggered Paragraph 2.1(e) of PN17 of the Listing Requirements, where the Company had:

- an unqualified audit opinion which highlighted a paragraph on material uncertainty related to going concern on the Group in respect of the Group's Audited Financial Statements for the financial year ended 31 December 2021; and

- in respect of the Company's unaudited financial statements for the financial year ended 31 December 2022 whereby the Company's shareholders' equity on a consolidated basis is 50% or less of its share capital as announced on 28 February 2023.

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

35 SUBSEQUENT EVENT *cont'd*

Pursuant to the PN17 of the Listing Requirements, the Company is required to regularise its condition in the following manner:

(i) within 12 months from the date of this announcement:

1. submit a regularisation plan to the Securities Commission Malaysia ("SC") if the plan will result in a significant change in the business direction or policy of the Company; or
2. submit a regularisation plan to Bursa Securities if the plan will not result in a significant change in the business direction or policy of the Company, and obtain Bursa Securities' approval to implement the plan; and

(ii) implement the plan within the timeframe stipulated by the SC or Bursa Securities as the case may be.

The Company is taking the necessary steps to address its PN17 status and is in the midst of formulating a plan to regularise its financial condition.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Cheung Hung and Tan Sri Dr. Azmil Khalili Bin Dato' Khalid, 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 48 to 116 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 2022 and financial performance of the Group and of the Company for the financial year ended 31 December 2022 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 28 April 2023.

CHEUNG HUNG
DIRECTOR

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Tan Siew Chaing, the Officer responsible for the financial management of Reach Energy Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 116 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SIEW CHAING
(12439, MIA)

Subscribed and solemnly declared by the abovenamed Tan Siew Chaing, at Kuala Lumpur in Malaysia on 28 April 2023, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

To the Members of REACH ENERGY BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Reach Energy Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, 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 2022 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 48 to 116.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Material uncertainty related to going concern

We draw attention to Note 3.1 to the financial statements, which indicates that the Group and the Company incurred losses of RM234.9 million and RM6.5 million respectively during the financial year ended 31 December 2022 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by RM536.4 million and RM2.4 million respectively. As stated in Note 3.1 to the financial statements, these events or conditions, along with other matters as set forth in that note, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

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 matter described below to be the key audit matter to be communicated in our report.

Group

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Impairment assessment of property, plant and equipment, and right-of-use assets

Refer to Note 5(c) - Critical Accounting Estimates and Judgements - Impairment of property, plant and equipment, Note 16 - Property, plant and equipment and Note 17 - Right-of-use assets

As at 31 December 2022, the Group's property, plant and equipment, and right-of-use assets were RM1,257.5 million and RM4.0 million respectively.

The Group determined individual oil fields to be the cash-generating units ("CGU") in assessing for impairment of property, plant and equipment, and right-of-use assets.

The recoverable amount assessments of CGUs were determined using Fair Value Less Cost of Disposal ("FVLCD") model. The FVLCD model is mainly derived from estimated future cash flows of each CGU. The FVLCD model involves significant judgement and estimates in respect of key assumptions such as future oil and gas selling prices, reserve volumes, operating costs, capital expenditure, discount rates and inflation rates. These forward-looking estimates are inherently uncertain.

Based on the impairment assessments performed, the carrying amounts of the CGUs as at 31 December 2022 exceeded its recoverable amount by RM44.5 million, hence an impairment loss was recognised during the financial year.

We focused on this area due to the significance of property, plant and equipment, and right-of -use assets and the significant judgement involved in determining the recoverable amount of the property, plant and equipment.</td><td>We performed the following procedures to evaluate the reasonableness of key assumptions used in the determination of the recoverable amounts of property, plant and equipment, and right-of-use assets:

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

● Compared forecast oil prices against available independent market data and estimates;
● Compared revenue discount amounts against historical trends;
● Compared inflation and discount rates against industry data;
● Compared level of reserves and expected capital expenditure against management's external expert reserves report;
● Evaluated the competency and objectivity of expert used by the Group who produced the reserves estimates used in the valuations by reference to their professional qualifications and experience;
● Engaged our valuation expert in assessing the appropriateness of the methodology and discount rates adopted in the assessment of the recoverable amounts of CGUs; and
● Assessed reliability of management's forecast through the review of past trends of actual sales volume of crude oil against forecast production profile and forecast capital expenditure against capital expenditure incurred.

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

Based on procedures performed above, we did not find any material exceptions.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

To the Members of REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key audit matters *cont'd*

Company

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>
Impairment assessment of the costs of investment in subsidiary

Refer to Note 5(f) - Critical Accounting Estimates and Judgements - Impairment of investment in subsidiary and Note 15 - Investment in subsidiaries

As at 31 December 2022, the Company recorded investment in subsidiary of RM253.2 million.

The recoverable amount of the Company's investment in subsidiary was determined using the FVLCD model which involves significant judgement and estimates in respect of Reach Energy Ventures Sdn Bhd's ability to distribute dividends to the Company. This relates to the use of assumptions such as future oil and gas selling prices, reserve volumes, operating costs, capital expenditure, discount rates and inflation rates. These forward-looking estimates are inherently uncertain.

Based on the impairment assessment performed, the recoverable amount of the investment in subsidiary exceeded its carrying value and therefore no impairment was required.

We focused on this area due to the significance of the investment in subsidiary balance and the significant judgment in determining the recoverable amount of investment.
</td><td>
We performed the following procedures to evaluate the reasonableness of key assumptions used in the determination of the recoverable amount of investment in subsidiaries:

(a) Assessed the key assumptions used in determining the recoverable amount by performing the following:

• Compared forecast oil prices against available independent market data and estimates;
• Compared revenue discount amounts against historical trends;
• Compared inflation and discount rates against industry data;
• Compared level of reserves and expected capital expenditure against management's external expert reserves report;
• Evaluated the competency and objectivity of expert used by the Group who produced the reserves estimates used in the valuations by reference to their professional qualifications and experience;
• Engaged our valuation expert in assessing the appropriateness of the methodology and discount rates adopted in the assessment of the recoverable amounts;
• Assessed reliability of management's forecast through the review of past trends of actual sales volume of crude oil against forecast production profile and forecast capital expenditure against capital expenditure incurred; and
• Assessed reasonableness of management's financing assumptions.

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

Based on procedures performed above, we did not find any material exceptions.
</td></tr>
</table>

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, CEO's Report and Management's Discussion and Analysis, Statement on Risk Management and Internal Control, Group Financial Review, Sustainability Statement, Corporate Governance Overview Statement, Audit Committee Report, Director's Report, and other sections of the 2022 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

INDEPENDENT AUDITORS' REPORT

To the Members of REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Information other than the financial statements and auditors' report thereon *cont'd*

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of REACH ENERGY BERHAD
(cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' responsibilities for the audit of the financial statements *cont'd*

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the 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
LLP0014401-LCA & AF 1146
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
02932/06/2024 J
Chartered Accountant

Kuala Lumpur
28 April 2023

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 2022 ("FY2022") 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 FY2022 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 judgements 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 "the Company") is entrusted with the responsibility of safeguarding the Company's resources in the interest of its shareholders by exercising due and reasonable care. The Board recognises that its primary role is to protect and promote the interests of its shareholders, with the overriding objective of enhancing the long-term value of Reach Energy. The Board remains focused and committed to maintaining high standards of corporate governance and management of risks.

The 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 2021 ("MCCG").

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

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

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

A1. Board Responsibilities

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

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

1.1 Board Independence and effectiveness

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

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

1.2 Company Secretary

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A1. Board Responsibilities *cont'd*

1.2 Company Secretary *cont'd*

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

1.3 Board Meetings

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

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

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

Eight (8) Board of Directors' meetings were held for FY2022. The record of attendance of the Directors who held office during FY2022 is as follows:

Directors	Number of meetings attended/held
Tan Sri Dr. Azmil Khalili bin Dato' Khalid *(Non-Independent Non-Executive Director)* *(Redesignated w.e.f 29 March 2023)*	8/8
Izlan bin Izhab *(Senior Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	8/8
Nik Din bin Nik Sulaiman *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	8/8
Dato' Jasmy bin Ismail *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	7/8
Datin Noor Lily Zuriati binti Abdullah *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	8/8

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A1. Board Responsibilities *cont'd*

1.3 Board Meetings *cont'd*

Directors	Number of meetings attended/held
Y.M. Tunku Datuk Nooruddin bin Tunku Dato' Seri Shahabuddin *(Executive Director)* *(Resigned w.e.f 29 March 2023)*	8/8
Dato' Berikkazy Seksenbayev *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	3/8
Yerlan Issekeshev *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	1/8
Yusoff bin Hassan *(Independent Non-Executive Director)*	8/8

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings save for the attendance of Dato' Berikkazy Seksenbayev and Yerlan Issekeshev. Subsequently, both of them had resigned on 29 March 2023.

1.4 Directors' Training

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

Details of trainings attended by the Directors during the FY2022 are as follows:

Directors	Training Programmes Attended
Tan Sri Dr. Azmil Khalili bin Dato' Khalid *(Non-Independent Non-Executive Director)* *(Redesignated w.e.f 29 March 2023)*	1. Thought Hub: A Contractor's Brief on Merdeka 118 2. Thought Hub: Readiness of the Building Sector on Carbon Neutrality within Asia Pacific and the Experience of Hong Kong on Advancing Net Zero 3. Sustainability and its Impact on Organizations: What Directors Need to Know 4. Thought Hub: How to Achieve Customer Centricity in an ever-changing Digital Landscape 5. Thought Hub: Introduction to Metaverse – The Future is Now 6. Thought Hub: Transforming Construction Industry towards Design for Manufacturing and Assembly (DfMA) 7. Board Sustainability Awareness Session 8. Pre-Board Convergence 2022: Commitment with Purpose: Strengthening Resilience with Technology and Sustainability 9. Thought Hub: Rewilding the Mind

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A1. Board Responsibilities *cont'd*

1.4 Directors' Training *cont'd*

Directors	Training Programmes Attended
Izlan bin Izhab *(Senior Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	1. Transfer Pricing Workshop Webinar
Nik Din bin Nik Sulaiman *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	N/A
Dato' Jasmy bin Ismail *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	1. Malaysian Institute of Corporate Governance (MICG): COMPANIES ACT 2016 2. ESG awareness and sustainability Megatrends Conducted by: AGV Sustainability & ESG Services Sdn. Bhd. 3. KPMG Board Leadership Center Exclusive Human Rights Risk Management for Malaysian Companies 4. Khazanah Megatrends Forum 2022
Datin Noor Lily Zuriati binti Abdullah *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	1. How To Be an Effective NED in an Disruptive World 2. Corporate Governance & Renumeration for The ESG Practices 3. ESG Oversight - Role of the Board
Y.M. Tunku Datuk Nooruddin bin Tunku Dato' Seri Shahabuddin *(Executive Director)* *(Resigned w.e.f 29 March 2023)*	N/A
Dato' Berikkazy Seksenbayev *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	N/A
Yerlan Issekeshev *(Independent Non-Executive Director)* *(Resigned w.e.f 29 March 2023)*	N/A
Yusoff bin Hassan *(Independent Non-Executive Director)*	N/A
Cheung Hung *(Independent Non-Executive Chairman)* *(Appointed w.e.f 29 March 2023)*	N/A
Chow Hiu Tung *(Independent Non-Executive Director)* *(Appointed w.e.f 29 March 2023)*	N/A
Tse Man Yin *(Executive Director)* *(Appointed w.e.f 29 March 2023)*	N/A

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A1. Board Responsibilities *cont'd*

1.4 Directors' Training *cont'd*

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

1.5 Access to Information and Advise

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

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

1.6 Board Committees

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

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

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

All Board Committees have written terms of reference which is approved by the Board. The Chairman of the respective Board Committees reports to the Board on key matters deliberated at the Board Committees' meetings and makes necessary recommendations to the Board. The ultimate responsibility for decision making lies with the Board.

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

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

1.7 Board Charter & Code of Conduct and Ethics

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

The Board Charter, which was formalised in 2013 and revised in November 2022 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 Company 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 Company's website at www.reachenergy.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A1. Board Responsibilities *cont'd*

1.8 Whistle Blowing Policy and Procedures

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

The Senior Independent Director will receive 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.

1.9 Anti-Bribery Policy & No Gift Policy

The Company had in place Anti-Bribery Policy & No Gift Policy in compliance with the recent amendment of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and guided by the principles of the Ministerial Guidelines and Paragraph 15.29 of the MMLR of Bursa Securities in relation to anti-bribery.

The Anti-Bribery Policy & No Gift Policy seeks to establish and adopt the highest standards of personal and professional integrity in executing its business activities within the organisation and external to the organisation. Reach Energy is committed to ethical business practices and good corporate governance. Thus, this Anti-Bribery Policy & No Gift Policy sets out the Group's expectations for internal and external parties working with, for, and on behalf of the Group in upholding the Group's commitment and stance against bribery.

1.10 Environmental, Social and Governance ("ESG")

Reach Energy acknowledges the importance of sustainability relating to environmental, social and governance ("ESG") including their risks and opportunities to/for our Group. The Company continuously and constantly communicates the targets and performances of the ESG to all the stakeholders of the Group regardless internally or externally. Detailed information pertaining to the sustainability of the Group can be found in the standalone Sustainability Statement in the Annual Report 2022.

A2. Board Composition

The Board is currently made up of five (5) members comprising three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. This is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) directors or one-third of the Board, whichever is higher, to be independent and recommended Practice 4.1 of MCCG of having at least half of the Board comprising independent directors. The Chairman of the Board is a Non-Independent Non-Executive Director who carries out a leadership role in the conduct of the Board and its relations with shareholders and stakeholders.

The presence of the Independent Directors safeguards the interest of stakeholders in ensuring the highest standard of conduct and integrity are maintained. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regards to the long-term interest of all stakeholders. A brief profile of each director can be found in this Annual Report.

The Board is satisfied that the present size and composition of the Board is appropriate for the complexity and scale of operations of Reach Energy. As presently constituted, the Board is well balanced and has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

The Independent Directors play a strong and vital role in entrenching good governance practices in the affairs of the Group through their participations in the respective Board Committees. The Independent Non-Executive Directors of the Company had devoted sufficient time and attention to the Group's affairs. None of the Directors on the Board hold more than five (5) directorships in other listed issuers on Bursa Securities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A2. Board Composition *cont'd*

The practices applied by the Board with regard to its composition are set out below.

2.1 Tenure of Independent Directors

The MCCG provides that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the re-designation of the independent director as a non-independent director. The Board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine (9) years.

The Board has developed a policy which limits the tenure of its Independent Directors to nine (9) years and embraces the practice for retaining an independent director beyond nine (9) years and shall provide justification for doing so and seek shareholders' approval annually in that respect. If the Board continues to retain the Independent Directors after the twelfth (12th) year, in addition to providing justification as explained above, the Board will seek shareholders' approval through a two-tier voting process, unless the said Independent Director wishes to be re-designated as non-independent non-executive Director which shall be decided by the Board.

During the FY2022, the Board via the NRC assessed the independence of its Independent Directors and based on the assessment, the Independent Directors were found to have independence of mindset of which they will continue to be independent and be able to provide objective judgement during the Board's deliberations and decision-making. None of the Independent Directors has served more than a cumulative term of nine (9) years.

2.2 Appointment of Directors

The Board does not set specific criteria for the assessment and selection of director candidate. However, the consideration would be taken on the need to meet the regulatory requirement such as the Act and MMLR, the achievement in the candidate's personal career, integrity, wisdom, independence of the candidate, ability to make independent and analytical inquiries, ability to work as team to support the Board, possession of the required skill, qualification and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board to select the suitable candidate.

The NRC is responsible to recommend an identified candidate to the Board if there is any vacancy arising from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession based on the recommendation from the Board in order to close the competency gap in the Board identified by the NRC. The potential candidate may be proposed by an existing director, senior management staff, shareholders or third-party referrals and/or independent sources.

Upon receipt of the proposal, the NRC is responsible to conduct an assessment and an evaluation on the proposed candidates based on fit and proper assessment, skills, knowledge, character, integrity, expertise and experience, competency, commitment (including time commitment) and where appropriate, the independence of proposed candidates for the appointment of independent directors. The NRC may, at its discretion, conduct legal and other background searches on the proposed candidates as well as a formal or informal interview.

Upon completion of the assessment and evaluation of the proposed candidates, the NRC would make its recommendation to the Board. Based on the recommendation of the NRC, the Board would evaluate and decide on the appointment of the proposed candidates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A2. Board Composition *cont'd*

2.3 Gender Diversity

The Board acknowledges the recommendation of the Code on gender diversity and has established a gender diversity policy whereby the Company would endeavour to have women participation in the Board.

The NRC is responsible in ensuring that gender diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

The Group also ensure diversity in its management level by having strong female representation at the management level which could potentially be a pipeline for future candidates to be appointed as Directors or Senior Management. To nurture diversity within the Group, the Company would endeavour to provide a suitable working environment that is free from harassment and discrimination, and to provide fair and equal opportunities to all employees within the Group.

The Board recognises and embraces the benefits of having gender diversity in the boardroom as a mix-gendered board would offer different viewpoints, ideas and market insights which enables better problem solving to gain a competitive advantage in serving an increasingly diverse customer base compared to a boardroom that is dominated by one gender.

The Board will focus its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender.

2.4 Board Annual Evaluation and Effectiveness

During the FY2022, the Board, through the NRC, had carried out the annual assessment conducted internally and facilitated by the Company Secretaries to review the effectiveness of the Board as a whole, Board Committees as well as the contribution of each individual director and assessment on the independence of the independent directors.

Based on the results of annual assessment, the Board was satisfied with the current composition of the Board and its committees in respect of their balanced mix of skills, experience and expertise, as well as individual director's personal attributes and contribution to the Board. The results of annual assessment have been documented.

The directors who are subject to re-election and/or re-appointment at the next Annual General Meeting ("AGM") shall be assessed by the NRC before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the NRC would be based on the annual assessment conducted.

A3. Remuneration

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

The Board through the NRC has established a Directors' Remuneration Policy and Procedure to assist the Group in attracting, retaining and motivating its Directors and Senior Management in order to run the Group successfully.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A3. Remuneration *cont'd*

The NRC consists of the following members:

Name	Designation
Chow Hiu Tung *(Appointed as Chairman of NRC w.e.f 29 March 2023)*	Chairman
Cheung Hung *(Appointed as member w.e.f 29 March 2023)*	Member
Tan Sri Dr. Azmil Khalili bin Dato' Khalid	Member
Izlan bin Izhab *(Resigned as Chairman of the NRC w.e.f 29 March 2023)*	Chairman
Nik Din bin Nik Sulaiman *(Resigned as member w.e.f 29 March 2023)*	Member

The remuneration of Directors is determined at levels which enable the Company 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 remuneration of the Directors on a named basis are set out below:-

Name	Salary/ Fees (RM)	Bonus (RM)	Defined contribution plan – EPF (RM)	Other emoluments/ allowances (RM)	Benefits-in-kind (RM)	Total (RM)
Executive Directors						
Y.M. Tunku Datuk Nooruddin bin Tunku Dato' Sri Shahabuddin *(Resigned w.e.f 29 March 2023)*	600,000	-	73,000	-	-	673,000
Mr Tse Man Yin *(Appointed w.e.f 29 March 2023)*	-	-	-	-	-	-
Non-Executive Directors						
Tan Sri Dr. Azmil Khalili bin Dato' Khalid	75,000	-	-	33,000	-	108,000
Encik Izlan bin Izhab *(Resigned w.e.f 29 March 2023)*	50,000	-	-	33,000	-	83,000
Encik Nik Din bin Nik Sulaiman *(Resigned w.e.f 29 March 2023)*	50,000	-	-	40,500	-	90,500
Dato' Jasmy bin Ismail *(Resigned w.e.f 29 March 2023)*	50,000	-	-	37,500	-	87,500
Datin Noor Lily Zuriati binti Abdullah *(Resigned w.e.f 29 March 2023)*	50,000	-	-	33,000	-	83,000
Dato' Berikkazy Seksenbayev *(Resigned w.e.f 29 March 2023)*	50,000	-	-	9,000	-	59,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A3. Remuneration *cont'd*

Name	Salary/ Fees (RM)	Bonus (RM)	Defined contribution plan – EPF (RM)	Other emoluments/ allowances (RM)	Benefits-in-kind (RM)	Total (RM)
Non-Executive Directors *cont'd*						
Yerlan Issekeshev *(Resigned w.e.f 29 March 2023)*	50,000	-	-	-	-	50,000
Yusoff bin Hassan	50,000	-	-	30,000	-	80,000
Mr Chow Hiu Tung *(Appointed w.e.f 29 March 2023)*	-	-	-	-	-	-
Mr Cheung Hung *(Appointed w.e.f 29 March 2023)*	-	-	-	-	-	-
TOTAL	**1,025,000**	**-**	**73,000**	**216,000**	**-**	**1,314,000**

Notes: @ Other emoluments / allowances comprising meeting allowances which vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended in the year 2022.

Although MCCG had stipulated that the Company should disclose on a named basis the top five (5) Senior Management's detailed remuneration, the Board believes that disclosure in such detail may be prejudicial to the business interest of the Group given the highly competitive environment it is operating in as well as competitive pressure in the talent market.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

B1. Audit Committee

The Audit Committee ("AC") comprises three (3) members, two (2) of whom are Independent Non-Executive Directors and one (1) of whom is Non- Independent Non-Executive Director and is chaired by an Independent Non-Executive Director. They are:-

Name	Designation
Chow Hiu Tung *(Appointed as Chairman of AC w.e.f 29 March 2023)*	Chairman
Tan Sri Dr. Azmil Khalili bin Dato' Khalid *(Appointed as member w.e.f 29 March 2023)*	Member
Cheung Hung *(Appointed as member w.e.f 29 March 2023)*	Member
Nik Din bin Nik Sulaiman *(Resigned as Chairman of the AC w.e.f 29 March 2023)*	Chairman
Dato' Jasmy bin Ismail *(Resigned as member w.e.f 29 March 2023)*	Member
Dato' Berikkazy Seksenbayev *(Resigned as member w.e.f 29 March 2023)*	Member

The role of the AC is to support the Board in overseeing the processes for production of the financial data, review the financial reports and the internal control of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

B1. Audit Committee *cont'd*

The Chairman of the AC is not the Chairman of the Board ensuring that the impairment of objectivity of the Board's review of the AC findings and recommendations remain intact. The AC assesses the performance (including independence) and recommends to the Board annually the appointment or re-appointment of the External Auditors guided by the factors as prescribed under Paragraph 15.21 of the MMLR. The External Auditors confirmed that they are and have been independent throughout the conduct of the audit engagement in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"). The Audit partner in-charge of a public listed company would be rotated (within the audit firm) every seven years to ensure independence of audit.

The composition of the AC is reviewed by the NRC annually and recommended to the Board for approval. In safeguarding an independent and effective AC whilst taking guidance from the MCCG, the membership for AC consists 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 AC had met with the external auditors once during the FY2022 without the presence of the Management to discuss any key areas or issues which require the attention of the AC and Board. All members of the AC undertake continuous professional development to keep themselves abreast with the relevant developments in accounting and auditing standards, practices and rules.

The Terms of Reference of AC sets out its rights, duties, responsibilities and criteria on the composition of AC, which includes former key audit partner of the Group to observe cooling-off period of at least two (2) years before being able to be appointed as member of AC.

The Board, with the recommendations of the AC, will ensure that all quarterly announcements and annual reports present a balanced and understandable assessment of the Group's financial position and prospect.

The detailed roles, functions, responsibilities and summary of work done by the AC during the FY2022 are as set out in the AC Report of this Annual Report.

B2. Risk Management and Internal Control Framework

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

B3. Internal Audit

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

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

The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are presented and discussed during the AC meetings. Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. The action plans are reviewed and followed up by the internal audit function on a periodical basis to ensure the recommendations are effectively implemented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

B3. Internal Audit *cont'd*

The Board acknowledges that risk management is an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritise and mitigate the risks involved in all the Group's activities and to balance between the cost and benefits of managing and treating risks, and the anticipated returns that will be derived therefrom.

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

C1. Communication with Stakeholders

Reach Energy recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the 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 Company. Any enquiries may be directed to this email address, info@reachenergy.com.my

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

C2. Conduct of General Meetings

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

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

In year 2022, the Company had on 28 June 2022 successfully conducted its Annual General Meeting entirely via remote participation and electronic voting. This is in accordance to Section 327 of the Companies Act 2016 and Clause 56 of the Company's Constitution which allows for General Meetings to be held using any technology or electronic means.

During the 2022 AGM, in line with Listing Requirements, all resolutions were voted via electronic poll voting. Leveraging on information technology or effective meeting procedures, an electronic poll voting system was put in place whereby all shareholders of the Company participated in the polling procedure. An independent scrutineer was appointed to validate the poll results. Voting results of the general meetings are also announced instantaneously by being displayed on the screen to shareholders/ proxies after each resolution is put to vote. The decision of each resolution put to poll as well as the name of the independent scrutineer were announced to Bursa Securities on the same day as the AGM. The 2022 AGM's minutes and responses to questions raised by shareholders were published on the Company's website at www.reachenergy.com.my.

This Corporate Governance Overview Statement was approved by the Board of Reach Energy on 19 April 2023.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Audit Committee ("AC") Report and its activities held throughout the financial year ended 31 December 2022 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

1. COMPOSITION, MEETINGS AND ATTENDANCE

The AC comprises of three (3) members all of whom are Independent Non-Executive Directors. Whereas the Chairman of the AC is a Chartered Accountant. These criteria are in compliance with Paragraphs 15.09 and 15.10 of the MMLR as well as Practice 8.4 of the Malaysian Code on Corporate Governance.

Directors	Position	Directorship
Chow Hiu Tung *(Appointed w.e.f 29 March 2023)*	Chairman	Independent Non-Executive Director
Tan Sri Dr. Azmil Khalili bin Dato' Khalid *(Appointed w.e.f 29 March 2023)*	Member	Non-Independent Non-Executive Director
Cheung Hung *(Appointed w.e.f 29 March 2023)*	Member	Independent Non-Executive Chairman
Nik Din bin Nik Sulaiman *(Resigned w.e.f 29 March 2023)*	Chairman	Independent Non-Executive Director
Dato' Jasmy bin Ismail *(Resigned w.e.f 29 March 2023)*	Member	Independent Non-Executive Director
Dato' Berikkazy Seksenbayev *(Resigned w.e.f 29 March 2023)*	Member	Independent Non-Executive Director

During the financial year ended 31 December 2022, the AC had met five (5) times, four (4) of which were meeting with the External Auditors and two (2) of which were meeting with the Internal Auditors, however both in a separate session. The AC were facilitated by the Executive Directors/ Chief Executive Officer to provide clarification on the quarterly report, audits and operations issues. The attendance record of the AC members is shown as follows: -

Name of Member	Number of Meetings Attended
Nik Din bin Nik Sulaiman	5/5
Dato' Berikkazy Seksenbayev	1/5
Dato' Jasmy bin Ismail	5/5

2. ROLES AND RESPONSIBILITIES OF THE AC

The primary objective of the AC is to assist the Board in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Group and to ensure the adequacy and effectiveness of the Group's internal control measures.

Pursuant to Paragraph 15.11 of the MMLR, the Terms of Reference ("TOR") of the AC has been drawn up and approved by the Board and this is available for reference on the Group's website at www.reachenergy.com.my. The terms of reference of the AC is reviewed regularly. Any revision or amendment shall form part of terms of reference and shall be considered reviewed or amended. The terms of reference of AC was last reviewed on 29 November 2022.

AUDIT COMMITTEE REPORT
(cont'd)

3. REVIEW OF PERFORMANCE OF THE AC

The performance and effectiveness of the AC is reviewed and assessed annually by the Board through its Nomination and Remuneration Committee. For FY2022, the Board is satisfied that the AC has effectively discharged its duties, functions and responsibilities in accordance with the TOR of the AC.

4. SUMMARY OF WORK DONE BY THE AC DURING THE FINANCIAL YEAR

During the financial year, the AC carried out its duties in accordance with its terms of reference. The main activities carried out by the AC were as follows:-

Financial and Operations Review

(a) Reviewed the quarterly financial results through discussions with Management before recommending to the Board for consideration and approval, focusing particularly on financial reporting issues, significant judgement made by the Management and unusual events as well as compliance with accounting standards and other requirements.

(b) Reviewed the annual audited financial statements prior to submission to the Board for consideration and approval. The review focused particularly on changes of accounting policy, significant matters highlighted including key audit matters, financial reporting issues, significant and unusual events/transactions and how these matters are addressed and compliance with applicable approved accounting standards in Malaysia.

(c) Reviewed and recommended to the Board for approval, the Statement of Risk Management and Internal Control for inclusion in the Annual Report 2022;

(d) Reviewed and approved the Audit Committee Report for inclusion in the Annual Report 2022;

(e) Reported to the Board on significant issues and concerns discussed during the Audit Committee Meetings together with applicable recommendations. Minutes of the Audit Committee Meetings were tabled and noted by the Board; and

(f) Reviewed the application of corporate governance principles and the extent of the Group's compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2021 in conjunction with the preparation of the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control.

(g) Reviewed the provision of non-audit services by the External Auditor, the performance of the External Auditors and evaluated their suitability and independence before making recommendations to the Board on their reappointment.

(h) Recommended to the Board the need 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.

(i) Reported to the Board on matter discussed and addressed at the AC meetings.

AUDIT COMMITTEE REPORT
(cont'd)

4. SUMMARY OF WORK DONE BY THE AC DURING THE FINANCIAL YEAR *cont'd*

External Audit

(a) Reviewed with the External Auditors:-

- the audit planning memorandum, audit strategy and scope of work for the FY2022 audit;
- the results of the annual audit and accounting issues arising from the audit, their audit report and Management Letter together with the management's responses to the findings of the External Auditors; and
- the impact of any changes to the accounting standards, the impact and adoption of new accounting standards.

(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.

(g) Conducted a private session with the External Auditors in the absence of the Executive Directors and Management in conjunction with the AC meeting.

Internal Audit

(a) Reviewed with the Internal Auditor the annual internal audit plan for adequacy of scope and coverage on the activities. Audit areas were discussed and annual internal audit plan was approved for adoption; and

(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 AC ensures that the changes in or implementation of major accounting policy changes and all significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed and adhered to.

The AC also ensures that the financial reporting of the Group and Company are in compliance with the MMLR, applicable approved accounting standards and other statutory and regulatory requirements.

AUDIT COMMITTEE REPORT
(cont'd)

5. INTERNAL AUDIT FUNCTION AND SUMMARY OF WORK DONE FOR THE FINANCIAL YEAR

The internal audit function, which is outsourced to a an independent professional firm, Tricor Axcelasia Sdn. Bhd. (F.K.A. Axcelasia Columbus Sdn. Bhd.) is an integral part of the assurance mechanism in ensuring the Group's system of internal control are adequate and effective. The Internal Auditors report directly to the AC and assists the AC to discharge its duties and responsibilities.

The Internal Auditor prepares and tables the Internal Audit Plan for the consideration and approval of the AC. It conducts independent reviews of the key activities with the Group's operation based on the Internal Audit Plan approved by the AC. The Internal Auditor reports to the AC twice yearly and provides the AC with independent views on the adequacy, integrity, and effectiveness of the system of internal control upon completion of the review.

Prior to the presentation of report to the AC, comments from the Management are obtained and incorporated into the internal audit findings and reports. The review conducted by the Internal Auditor during FY2022 are as follows: -

- Production and Operations Management
- HSSE Management
- Facilities Management
- Sales and Marketing Management
- Procurement Management
- Financial Management
- Environmental, Social and Governance ("ESG") Compliance Management and Monitoring

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 2022 amounted to RM80,000.00.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2021 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 2022. 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 in the Group's strategic planning and day-to-day operations.

In the event that breaches of controls are noted, the relevant parties would be informed accordingly and steps would be taken to rectify such breaches.

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS *cont'd*

A. Management

Management acknowledges their responsibility in risk management specifically for implementing the processes for identifying, evaluating, monitoring and reporting risks and for taking appropriate and timely corrective or mitigating actions as needed, in particular the following areas:

- **Operational level**

Detailed risk assessments and mitigation plans of each project are led by the relevant manager involving health, safety, security and environment (HSSE) specialists, geologists, petroleum engineers, primary contractors and joint venture representatives. These also include sub surface, wells, facilities, operations, business processes, commercial and regulatory matters.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's exposure to liquidity risk arises primarily from mismatches of financial asset and liability maturities. The Group manages its liquidity risk by maintaining sufficient levels of cash and available credit facilities to meet its working capital requirements. The Group also has various options of financing, including but not limited to bank borrowings and shareholders' loan facilities.

The Group's liquidity was significantly affected by the Russian-Ukraine conflict started in February 2022.

The Group has continued to implement a number of significant positive actions during the financial year to mitigate the impact of the Russian-Ukraine conflict as follows:

- Continue with existing cost savings and cash conservation initiatives;
- Stringent cash conservation efforts undertaken to control net cash outflow including negotiating the deferral of minimum work program commitments.

In addition, the Group and the Company have taken the following measures to mitigate liquidity pressures and to improve cash flows:

a) obtained an extension of repayment terms of loans due to related parties;
b) negotiated the deferment of an amount due to a related party; and
c) obtained confirmation from a major shareholder, Super Racer Limited and its sole shareholder, of their intention to provide continued financial support as and when necessary to enable the Group and the Company to meet the liabilities and obligations as they fall due.

The Group will continue to implement the above initiatives to ensure that they continue to have sufficient funds to meet all its operational and financial obligations as and when they fall due.

If required, the Group will request financial support in the form of liquid funds from the Group's major shareholder, Super Racer Limited and its' sole shareholder.

On 3 April 2023, the Board of Directors of the Company announced that the Company was an affected listed issuer under Practice Note 17 ("PN17") of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company is taking the necessary steps to address its PN17 status and is in the midst of formulating a plan to regularise its financial condition

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS *cont'd*

A. Management *cont'd*

- **Group level** *cont'd*

  The key risks are reported to the Risk Management Committee on a regular basis for monitoring and review. The Risk Management Committee comprises Independent Directors, Executive Director and Senior Management 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

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

To achieve the above, the Group's outsourced internal audit functions to Tricor Axcelasia Sdn Bhd. Their primary role is to provide an independent assessment of the adequacy and effectiveness of the Group's internal control system and report to the Audit Committee on the status of specific areas identified for improvement based on annual audit plan approved by the Audit Committee. The annual audit plan for the year ending 31 December 2022 was executed according to the scope and timing in the plan, i.e., internal audit review on Production Operations, Procurement Management, Facilities Management, HSSE Management, Financial Management, Environmental, Social, and Governance Compliance Management and Monitoring, Sales and Marketing Management were performed in October and November 2022 and the results were presented to the Audit Committee on 29th November 2022.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS *cont'd*

c. Board of Directors *cont'd*

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: *cont'd*

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. the management's tolerance for financial risks;
    ii. the management's assessment of significant financial risks facing the Group;
    iii. the Group's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and
    iv. legal matters which could have a material impact on the Group's public disclosure, including financial statements.

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

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

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

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

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

A. Control Environment

Control environment is the organisational structure and culture created by the management and employees to sustain organisational support for effective internal control, whereby it is the foundation for all the other components of internal control, providing discipline and structure. The management's commitment to establishing and maintaining effective internal control is flowed downwards and spread throughout the Group's control environment, in supporting the implementation of internal control.

The key elements of control environment are as follows:

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.

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 and 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 and Ethics policy. The policy encompasses sections such as Conflict of Interest, Insider Trading, Discrimination and harassment, health & safety and other relevant sections.

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

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT *cont'd*

A. Control Environment *cont'd*

Health, Safety and Environment Policy

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

To achieve the above, management is committed to:

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

Other Policies

Key policies and procedures such as Procurement, Finance Management, Information & Technology, Quality Management, Whistleblowing, Personal Data Protection, Anti Bribery, Corporate Communications, No Smoking, Drugs and Alcohol are available via the Group's shared drive. These are revised periodically to meet changing business, operational and statutory reporting needs.

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. The management, together with the Board, regularly reviews issues covering, but not limited to, business strategy, risks, performance, resources and future business appraisals.

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

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

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT *cont'd*

B. Monitoring *cont'd*

Management and Board Meetings *cont'd*

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

Internal Audit

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

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

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

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

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

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

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 2022. 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 28 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the following additional information is provided:-

Utilisation of Proceeds

There were no proceeds raised by the Company from corporate exercise during the financial year ended 31 December 2022.

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 2022 are as follows:-

	RM '000
AUDIT FEES	
- PricewaterhouseCoopers Malaysia	323
- Member firm of PricewaterhouseCoopers International Limited	515
NON-AUDIT FEES	
- PricewaterhouseCoopers Malaysia	180
- Member firm of PricewaterhouseCoopers International Limited	-
	1,018

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 2022.

ANALYSIS OF SHAREHOLDINGS
As at 3 April 2023

Issued and fully paid-up share capital	:	RM217,472,984.15 comprising 2,128,957,057 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	17	0.25	421	0.00
100 - 1,000	436	6.31	230,335	0.01
1,001 - 10,000	2,235	32.35	14,952,100	0.70
10,001 - 100,000	3,136	45.40	134,389,719	6.31
100,001 to less than 5% of issued shares	1,082	15.66	819,040,100	38.47
5% and above of issued shares	2	0.03	1,160,344,382	54.50
Total	**6,908**	**100.00**	**2,128,957,057**	**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	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian (Hong Kong) Limited (A/C Clients)*	1,032,544,282	48.50%	-	-
2	Reach Energy Holdings Sdn Bhd	127,800,100	6.00%	-	-
3	Ir. Shahul Hamid bin Mohd Ismail	981,000	0.05%	127,800,100[a]	6.00%

DIRECTOR'S SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

NO.	NAME OF DIRECTOR	NO. OF SHARES HELD (Direct Interest)	%	NO. OF SHARES HELD (Deemed/ Indirect Interest)	%
1	Cheung Hung	-	-	-	-
2	Tan Sri Dr. Azmil Khalili bin Dato' Khalid	56,642,910	2.66%	40,650,000[b]	1.91%
3	Yusoff bin Hassan	50,000	0.002%	-	-
4	Chow Hiu Tung	-	-	-	-
5	Tse Man Yin	-	-	-	-

Notes:

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

b *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*

ANALYSIS OF SHAREHOLDINGS

As at 3 April 2023
(cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Shareholdings
1	UOB KAY HIAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED (A/C CLIENTS)*	1,032,544,282	48.50
2	REACH ENERGY HOLDINGS SDN BHD	127,800,100	6.00
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR AZMIL KHALILI BIN KHALID*	53,892,910	2.53
4	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ABDUL AZIZ BIN ABDUL KADIR*	45,000,000	2.11
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TNTT REALTY SDN BHD*	40,587,000	1.91
6	NIK FUZIAH BINTI NIK HUSSEIN	40,000,000	1.88
7	LEE KENG FAH	17,750,000	0.83
8	LIM GHIM CHAI	13,301,000	0.62
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LAI MING CHUN @ LAI POH LIN (PB)*	11,000,000	0.52
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITES ACCOUNT FOR CHONG JEE SIANG*	10,169,600	0.48
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RICKOH CORPORATION SDN. BHD.*	10,000,000	0.47
12	YAYASAN POK DAN KASSIM	9,500,000	0.45
13	TEO CHIN SIONG	9,199,300	0.43
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITES ACCOUNT FOR CHONG JEE SIANG*	8,036,200	0.38
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT (7000875)*	8,000,000	0.38
16	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG KWEE LIAN*	7,000,000	0.33
17	HAN SI KWONG	6,000,000	0.28
18	CHOO AH NGO	5,500,000	0.26
19	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITES ACCOUNT FOR YONG LOY HUAT*	5,500,000	0.26
20	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIVA KUMAR A/L M JEYAPALAN*	5,000,000	0.23
21	LEE CHEE MING	5,000,000	0.23
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP*	5,000,000	0.23
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ONG YOONG NYOCK*	5,000,000	0.23
24	TENGKU ADNAN BIN TENGKU MANSOR	5,000,000	0.23
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHENG LIN CHIN*	4,864,000	0.23
26	NG KIM KEONG	4,398,900	0.21
27	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ABD RAHMAN BIN SOLTAN*	4,000,000	0.19
28	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAU KAH CHIONG*	3,838,400	0.18
29	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KIAN AIK*	3,755,000	0.18
30	APEX SECURITIES BERHAD *IVT PDR 201*	3,675,000	0.17
	TOTAL	**1,510,311,692**	**70.94**

NOTICE OF TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting ("10th AGM") of the Company will be conducted on a virtual basis for the purpose of considering and if thought fit, passing with or without modifications the resolutions setting out in this notice.

Meeting Platform	:	https://meeting.boardroomlimited.my
Day and Date	:	Tuesday, 13 June 2023
Time	:	10.00 a.m.
Broadcast Venue	:	Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.
Mode of Communication	:	1) Typed text in the Online Meeting Platform. The messaging window facility will be opened concurrently with the Virtual Meeting Portal, one (1) hour before the 10th AGM, that is from 9.00 a.m. on Tuesday, 13 June 2023. 2) Alternatively, you may also submit your questions in advance to info@reachenergy.com.my by 10.00 a.m. on 11 June 2023 (48 hours before the commencement of the 10th AGM).

AGENDA

AS ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Directors' and Auditors' Reports thereon.	**Please refer to Explanatory Note to the Agenda**
2.	To re-elect Encik Yusoff Bin Hassan, who retires by rotation pursuant to Clause 89 of the Constitution of the Company.	**Ordinary Resolution 1**
3.	To re-elect Mr. Cheung Hung, who retires pursuant to Clause 94 of the Constitution of the Company.	**Ordinary Resolution 2**
4.	To re-elect Mr. Chow Hiu Tung, who retires pursuant to Clause 94 of the Constitution of the Company.	**Ordinary Resolution 3**
5.	To re-elect Mr. Tse Man Yin, who retires pursuant to Clause 94 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 2023, 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 RM300,000 for the period from 1 January 2023 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 TENTH 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 10% of the total issued share capital of the Company for the time being.

THAT pursuant to Section 85 of the Act, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Act.

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."

ANY OTHER BUSINESS

10. 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: 28 April 2023

Notes:

1. The 10th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities provided by Boardroom Share Registrars Sdn Bhd at https://meeting.boardroomlimited.my. Please follow the procedures as set in the Administrative guide in order to register, participate and vote remotely via RPEV facilities.

NOTICE OF TENTH ANNUAL GENERAL MEETING
(cont'd)

2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chair of the 10th AGM of the Company to be present at the main venue in Malaysia. Shareholders/Proxies/Corporate Representatives **WILL NOT BE ALLOWED** to attend the 10th AGM in person at the Broadcast Venue on the day of the meeting. Any Shareholders or Proxies or Corporate Representatives who turn up at the Broadcast Venue would be requested to leave the venue politely.

3. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 6 June 2023 shall be eligible to attend the Meeting and to speak and vote thereat.

4. A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

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

6. In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.

7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the Meeting.

8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.

9. The instrument appointing a proxy or proxies may be deposited at the office of the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or at Boardroom Smart Investor Portal ("BSIP")at https://investor.boardroomlimited.com ("eProxy Lodgement") not less than 48 hours before the Meeting. Please refer to the "Administrative Details" for the 10th AGM for the steps of the eProxy Lodgement.

10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the 10th AGM will be put to vote on a poll.

Explanatory Notes to the Agenda:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Items 2 of the Agenda

Clause 89 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 five (5) directors, one (1) Director to retire in accordance with Clause 89 of the Constitution. The computation excludes Mr. Cheung Hung, Mr. Chow Hiu Tung and Mr. Tse Man Yin who will be retiring pursuant to Clause 94 of the Constitution.

NOTICE OF TENTH ANNUAL GENERAL MEETING
(cont'd)

Items 3, 4 and 5 of the Agenda

Clause 94 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. Any Director so appointed shall hold office until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at that meeting.

Mr. Cheung Hung, Mr. Chow Hiu Tung and Mr. Tse Man Yin who were appointed during the year under review are to retire in accordance to Clause 94 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 2023.

Besides, the Company is also seeking shareholders' approval for the payment of Directors' benefits up to an amount of RM300,000 for the period from 1 January 2023 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

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 28 June 2022 ("the previous mandate"). The previous mandate was not utilised and accordingly, no proceeds were raised.

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 10% of the total issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

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 10th 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 10th AGM and their profile are set out in the Directors' Profile in the 2022 Annual Report.

NOTICE OF TENTH ANNUAL GENERAL MEETING
(cont'd)

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 28 June 2022 and if passed, will empower the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

The renewal of this mandate would provide flexibility to the Company for any possible fund-raising exercise, including but not limited for further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares.

As at the date of the Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 9th AGM held on 28 June 2022 and which will lapse at the conclusion of the 10th AGM to be held on 13 June 2023.

ADMINISTRATIVE GUIDE

For the Annual General Meeting Of Reach Energy Berhad

Mode of Meeting

1. The Annual General Meeting ("**AGM**") of Reach Energy Berhad ("**REB**") will be conducted on a fully virtual basis with proceedings of the AGM being streamed live from the broadcast venue on the date and time as set out below:

Meeting Platform	:	https://meeting.boardroomlimited.my
Day and Date	:	Tuesday, 13 June 2023
Time	:	10.00 a.m.
Broadcast Venue	:	Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.
Mode of Communication	:	1) Typed text in the Online Meeting Platform. The messaging window facility will be opened concurrently with the Virtual Meeting Portal, one (1) hour before the 10th AGM, that is from 9.00 a.m. on Tuesday, 13 June 2023. 2) Alternatively, you may also submit your questions in advance to info@reachenergy.com.my by 10.00 a.m. on 11 June 2023 (48 hours before the commencement of the 10th AGM).

2. Shareholders will be able to access and participate in the proceedings through Remote Participation and Electronic Voting ("**RPEV**") facilities, which will be made available on the online portal of Boardroom Share Registrars Sdn Bhd at https://meeting.boardroomlimited.my.

3. The broadcast venue is only meant to facilitate the conduct of the virtual AGM. **No shareholder or proxy shall be physically admitted to the broadcast venue on the day of the AGM**.

Entitlement to Participate and Vote Remotely

1. A shareholder whose name appears on the Record of Depositors as at 6 June 2023 shall be eligible to participate the meeting or appoint proxy(ies) to participate on his/her behalf.

2. If a shareholder is unable to participate at the AGM, he/she may also appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

Voting Procedure

1. Voting will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom Share Registrars Sdn Bhd ("**Boardroom**") as the Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Boardroom Corporate Services Sdn Bhd as Independent Scrutineer to verify the poll results.

2. e-Voting for the resolution set out in the Notice of AGM will take place immediately after questions on all resolutions have been addressed.

3. Members and proxies are required to use one of the following methods to vote remotely:

    a. Launch Lumi AGM by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
    b. Access to Lumi AGM via website URL. https://meeting.boardroomlimited.my.

    For the purpose of this AGM, e-Voting can be carried out by using either personal smart mobile phones, tablets, personal computers or laptops.

4. During the AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of poll.

5. The Scrutineer will verify the poll result reports upon closing of the poll session by the Chairman. Thereafter, the Chairman will announce and declare whether the resolutions put to vote were successfully carried or otherwise.

ADMINISTRATIVE GUIDE

For the Annual General Meeting Of Reach Energy Berhad
(cont'd)

Lodgement of Proxy Form

1. If you are unable to attend the AGM via RPEV facilities and wish to appoint the Chairman of the AGM as your proxy to vote on your behalf, please deposit your Proxy Form at the office of the Poll Administrator, Boardroom at **11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest by 11 June 2023 at 10.00 a.m . Any alteration to the Form of Proxy must be initialled.

2. Alternatively, the proxy appointment may also be lodged electronically at https://investor.boardroomlimited.com, which is free and available to all individual shareholders, not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest by 11 June 2023 at 10.00 a.m For further information, kindly refer to the "Electronic Lodgement of Form of Proxy" below:

   Step 1 Register Online with Boardroom Smart Investor Portal (for first time registration only)

   (Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 on eProxy Lodgement.)

   a. Access website https://investor.boardroomlimited.com,
   b. Click **<<Register>>** to sign up as a user and select the correct account type i.e. sign up as "Shareholders" or "Corporate Holder".
   c. Complete the registration and upload a softcopy of your MyKAD/Identification Card (front and back) or Passport in JPEG or PNG format. For corporate holder, please also attach the authorization letter.
   d. Please enter a valid email address and wait for Boardroom's email verification.
   e. Your registration will be verified and approved within one (1) business day and an email notification will be provided.

   Step 2 eProxy Lodgement

   For Individual/Corporate Shareholders

   a. Access website https://investor.boardroomlimited.com
   b. Login with your User ID and Password given above.
   c. Browse the Meeting Event for "**REACH ENERGY BERHAD ANNUAL GENERAL MEETING**" and click "**Enter**".
   d. Click on "**Submit eProxy Form**"
   e. Select the company you would like to be represented (if you represent more than one (1) company, for Corporate Shareholder).
   f. Enter your CDS Account Number and Number of Securities held.
   g. Select your proxy – either the Chairman of the meeting or individual names proxy(ies).
   h. Read and accept the General Terms & Conditions by clicking "**Next**".
   i. Enter the required particulars of your proxy(ies)
   j. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your votes.
   k. Review and confirm your proxy(ies) appointment and click "**Apply**"
   l. Download or print the eProxy Form as acknowledgement.

   For Authorised Nominee and Exempt Authorised Nominee

   a. Access website https://investor.boardroomlimited.com
   b. Login with your User ID and Password given above.
   c. Browse the Meeting Event for "**REACH ENERGY BERHAD ANNUAL GENERAL MEETING**" and click "**Enter**".
   d. Click on "**Submit eProxy Form**"
   e. Select the company you would like to be represented (if you represent more than one (1) company).
   f. Proceed to download the file format for "**Submission of Proxy Form**".
   g. Prepare the file for the appointment of proxy(ies) by inserting the required data.
   h. Proceed to upload the duly completed Proxy Appointment file.
   i. Review and confirm your proxy(ies) appointment and click "**Submit**".
   j. Download or print the eProxy form as acknowledgement.

   Note: If you are the authorised representatives for more than one (1) authorised nominee/exempt authorised nominee/corporate shareholder, kindly click the home button and select "**Edit Profile**" in order to add Company name.

ADMINISTRATIVE GUIDE

For the Annual General Meeting Of Reach Energy Berhad
(cont'd)

3. **If you wish to participate in the AGM yourself, please do not submit any proxy form for the AGM. You will not be allowed to participate in the AGM together with a proxy appointed by you.**

Revocation of Proxy

If you have submitted your Proxy Form prior to the AGM and subsequently decide to appoint another person or wish to participate in the AGM yourself, please write in to **BSR.Helpdesk@boardroomlimited.com** to revoke the earlier appointed proxy(ies) at least forty-eight (48) hours before the AGM. On revocation, your proxy(ies) will not be allowed to participate in the AGM. In such event, you should advise your proxy(ies) accordingly.

Remote Participation and Electronic Voting ("RPEV")

1. All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorized nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the AGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.

2. Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants. Therefore, kindly ensure that connectivity for the duration of the meeting is maintained.

3. Kindly follow the steps below to request for your login ID and password and usage of the RPEV facilities:

Procedure		Action
Before the day of the AGM		
1.	Register online with Boardroom Smart Investor Portal **(for first time registration only)**	*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.]* a. Access website https://investor.boardroomlimited.com b. Click <<**Register**>> to sign up as a user and select the correct account type i.e. sign up as "**Shareholders**" or "**Corporate Holder**". c. Complete registration and upload softcopy of MyKAD/Identification Card (front and back) or Passport in JPEG or PNG format. For corporate holder, please also attach the authorization letter. d. Please enter a valid email address and wait for Boardroom's email verification. e. Your registration will be verified and approved within one business day and an email notification will be provided.
2.	Submit request for remote participation **(user ID and password)**	*(Note: Registration for remote access will be opened on Friday, 28 April 2023 Please note that the closing time to submit your request is not less than forty-eight (48) hours before the time of holding the AGM, i.e. latest by Sunday, 11 June 2023 at 10.00 a.m)* **Individual Members** a. Log in to https://investor.boardroomlimited.com, using your user ID and password created with BSIP from Step 1 above. b. Select "**MEETING EVENT**" from main menu and select the correct Corporate Event "**REACH ENERGY BERHAD ANNUAL GENERAL MEETING**". c. Click on "**Register for RPEV**". d. Enter your CDS Account Number e. Read and agree to the Terms & Condition. f. Click "**Register**" to submit your request.

ADMINISTRATIVE GUIDE

For the Annual General Meeting Of Reach Energy Berhad
(cont'd)

Procedure		Action
Before the day of the AGM *cont'd*		
2.	Submit request for remote participation **(user ID and password)** *cont'd*	**Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee** a. Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request. b. Please provide a copy of Corporate Representative's MyKAD/Identification Card (front and back) or Passport in JPEG or PNG format as well as his/her email address.
3	Email notification	a. You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified. b. Upon system verification against the AGM Record of Depositories as at 6 June 2023, you will receive an email from Boardroom either approving or rejecting your registration for remote participation. c. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date. d. Please note that the closing date and time to submit your request is by Sunday, 11 June 2023 at 10.00 a.m.
On the day of the AGM		
4.	Login to meeting platform	a. The AGM virtual meeting portal will be opened for login one(1) hour before commencement of the AGM at 9.00 a.m. on Tuesday, 13 June 2023. which can be accessed via one of the following methods:- ➢ Launch Lumi AGM by scanning the QR Code provided in the email notification; or ➢ Access to Lumi AGM webportal via website at https://meeting.boardroomlimited.my b. Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3 above.
5.	Participate	*[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition.]* a. If you would like to view the live webcast, select the broadcast icon. b. If you would like to ask a question during the AGM, select the messaging icon. c. Type your message within the chat box, once completed click the send button.
6.	Voting	a. Once voting has been opened, the polling icon will appear with the resolutions and your voting choices. b. To vote simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received. c. To change your vote, simply select another voting direction. d. If you wish to cancel your vote, please press "Cancel".
7.	End of participation	a. Upon the announcement by the Chairman on the closure of the AGM, the live webcast will end and the Messaging window will be disabled. b. You can now logout from the virtual meeting platform.

ADMINISTRATIVE GUIDE

For the Annual General Meeting Of Reach Energy Berhad
(cont'd)

Submission of Questions

1. Shareholders may submit questions in advance on the AGM resolution commencing from Friday, 28 April 2023 and in any event no later than 10.00 a.m., Sunday, 11 June 2023 via Boardroom's website at https://investor.boardroomlimited.com using the same user ID and password provided in Step (3) above, and select "SUBMIT QUESTION" to pose questions ("**Pre-AGM Meeting Questions**").

2. During the meeting, you will have the opportunity to ask questions by submitting your questions via the messaging box in the meeting platform at https://meeting.boardroomlimited.my starting at 9.00 a.m. This meeting platform will remain open throughout the virtual AGM session.

3. The Board will endeavour to respond to Pre-AGM Meeting Questions and questions submitted from 9.00 a.m. on the day of the AGM and throughout the meeting. However, not all questions will be answered during the meeting. In such event, the responses will be posted on the Company's website as soon as practicable.

Gift policy

No gift voucher will be given to shareholders/proxy holders who participate in the AGM.

No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

Digital Copies of AGM Documents

1. As part of our commitment to protect the environment from paper waste, the following documents can be accessed from our website at www.reachenergy.com.my:

   a. Annual Report 2022
   b. Corporate Governance Report 2022
   c. Notice of the 10th AGM, Proxy Form and Administrative Guide

2. If you wish to receive a copy of the Annual Report 2022, you may submit your online request via the Share Registrar's website at bsr.helpdesk@boardroomlimited.com and submit the Request Form in the Annual Report 2020 (abridged version). The printed Annual Report 2022 will be sent to you by ordinary post as soon as reasonably practicable after the date of the receipt of your request.

Enquiry

If you have any enquiries prior to the AGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30 p.m.):-

Boardroom Share Registrars Sdn. Bhd.

Address	:	11th Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
General Line	:	603-7890 4700
Fax Number	:	603-7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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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			
Contact No.:	Email Address:		

and/or (delete as appropriate)

Full Name (in block letters)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Contact No.:	Email 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 Tenth Annual General Meeting ("10th AGM') of **REACH ENERGY BERHAD** to be conducted on a virtual basis for the purpose of considering and if thought fit, passing with or without modifications the resolutions setting out in this notice.

Meeting Platform : https://meeting.boardroomlimited.my
Day and Date : Tuesday, 13 June 2023
Time : 10.00 a.m.
Broadcast Venue : Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia
Mode of Communication :
1) Typed text in the Online Meeting Platform. The messaging window facility will be opened concurrently with the Virtual Meeting Portal, one (1) hour before the 10th AGM, that is from 9.00 a.m. on Tuesday, 13 June 2023.
2) Alternatively, you may also submit your questions in advance to info@reachenergy.com.my by 10.00 a.m. on 11 June 2023 (48 hours before the commencement of the 10th AGM).

RESOLUTION NO.	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	To re-elect Encik Yusoff Bin Hassan, who retires by rotation pursuant to Clause 89 of the Constitution of the Company.		
Ordinary Resolution 2	To re-elect Mr. Cheung Hung, who retires pursuant to Clause 94 of the Constitution of the Company.		
Ordinary Resolution 3	To re-elect Mr. Chow Hiu Tung, who retires pursuant to Clause 94 of the Constitution of the Company.		
Ordinary Resolution 4	To re-elect Mr. Tse Man Yin, who retires pursuant to Clause 94 of the Constitution of the Company.		
Ordinary Resolution 5	To approve the proposed payment of Directors' fees in respect of the financial year ending 31 December 2022, 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 2023 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.		

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 ______________, 2023

____
Signature of Shareholder/Attorney
(if shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

Fold This Flap For Sealing

Notes:

1. *The 10th AGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("**RPEV**") facilities provided by Boardroom Share Registrars Sdn Bhd at https://meeting.boardroomlimited.my. Please follow the procedures as set in the Administrative guide in order to register, participate and vote remotely via RPEV facilities.*
2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chair of the 10th AGM of the Company to be present at the main venue in Malaysia. Shareholders/Proxies/Corporate Representatives **WILL NOT BE ALLOWED** to attend the 10th AGM in person at the Broadcast Venue on the day of the meeting. Any Shareholders or Proxies or Corporate Representatives who turn up at the Broadcast Venue would be requested to leave the venue politely.*
3. *In regard of deposited securities, only members whose names appears in the Record of Depositors as at 6 June 2023 shall be eligible to attend the Meeting and to speak and vote thereat.*
4. *A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
5. *A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, the member shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
6. *In the case of a corporation, the form of proxy must be executed under seal or under the hand of its attorney duly authorised.*
7. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to attend and vote at the Meeting.*

Then Fold Here

AFFIX
STAMP
HERE

COMPANY SECRETARY
REACH ENERGY BERHAD
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

1st Fold Here

8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*
9. *The instrument appointing a proxy or proxies may be deposited at the office of the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or at Boardroom Smart Investor Portal ("BSIP") at https://investor.boardroomlimited.com ("eProxy Lodgement") not less than 48 hours before the Meeting. Please refer to the "Administrative Details" for the 10th AGM for the steps of the eProxy Lodgement.*
10. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the 10th AGM will be put to vote on a poll.*

WWW.REACHENERGY.COM.MY

REACH ENERGY BERHAD
Registration No. 201301004557 (1034400-D)

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

Tel: +603 6412 3000
Fax: +603 6412 8005
Email: info@reachenergy.com.my