



REACH ENERGY BERHAD

(Company No: 1034400-D)



2015
ANNUAL REPORT

Energy within Reach



A large offshore oil rig is shown at dusk or dawn. The rig's complex structure, including yellow support beams and various platforms, is silhouetted against a deep blue sky. Several workers in orange safety suits and white hard hats are visible on a walkway in the foreground. A large yellow crane is positioned on one of the upper levels of the rig. In the background, a flare stack emits a bright orange flame. The ocean is visible below the rig's structure.

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.



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VISION, MISSION AND CORPORATE STRATEGIES

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
- Increase oil and gas production
- Develop strong technical base
- Deliver robust shareholder value

CORPORATE STRATEGIES

- Build a strong base in the upstream oil & gas value chain globally
- Establish an organisation of multidisciplinary teams with the right talent and capabilities to realise the Vision and Mission
- Access world class expertise and resources
- Establish strategic alliances
- Develop productive relationship with stakeholders
- Create a balanced E&P portfolio
- Manage risk effectively

CORPORATE INFORMATION

BOARD OF DIRECTORS

Izlan Bin Izhab

Chairman /
Senior Independent
Non-Executive Director

Nik Din Bin Nik Sulaiman

Independent
Non-Executive Director

Aonghus Joseph O' Carroll

Independent
Non-Executive Director

Ir. Shahul Hamid Bin Mohd Ismail

Managing Director

Registered Office

Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel: +603-7841 8000
Fax: +603-7841 8199

Company Secretaries

Chen Bee Ling
(MAICSA 7046517)
Tan Lai Hong
(MAICSA 7057707)

Principal Bankers

Hong Leong Islamic Bank Berhad
HSBC Islamic Bank
BNP Paribas Capital (Malaysia) Sdn Bhd

Share Registrar

Symphony Share Registrars
Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7841 8000
Fax: +603-7841 8151

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Stock Short Name and Code

REACH 5256 & 5256 WA

Head Office

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
Website: www.reachenergy.com.my

Auditors

KPMG (Firm No. AF0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7721 3388
Fax: +603-7721 3399

NOTICE OF THIRD AGM

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Tournament Room, Ground Floor, West Lobby, Kuala Lumpur Golf and Country Club, 10, Jalan 1/70D, Bukit Kiara, 60000 Kuala Lumpur, Malaysia, on Tuesday, 26 April 2016 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial period ended 31 December 2015 together with the Directors' and Auditors' Reports thereon.
2. To approve the proposed payment of Directors' fees totaling RM 83,340 in respect of the financial period from 1 August 2015 to 31 December 2015.
3. To approve the proposed payment of Directors' fees totaling RM 200,000 in respect of the financial year ending 31 December 2016, to be made payable quarterly.
4. To re-elect Mr Aonghus Joseph O'Carroll, who retires by rotation pursuant to Article 70 of the Company's Articles of Association.
5. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:-

"**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Encik Izlan bin Izhab, who is seventy years of age, be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company."

6. To appoint Auditors and to authorise the Directors to fix their remuneration.

Notice of Nomination of Messrs PricewaterhouseCoopers (AF: 1146) as the new Auditors of the Company, and of the intention to propose the following ordinary resolution, a copy of which is annexed hereto, has been received by the Company:-

"**THAT** Messrs PricewaterhouseCoopers (AF: 1146) be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

AS SPECIAL BUSINESS

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

Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965

"**THAT** subject always to the Companies Act, 1965, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Articles of Association and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 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 to be issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being."

"**AND THAT** the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Please refer to
**Explanatory
Note to the Agenda**

**Ordinary
Resolution 1**

**Ordinary
Resolution 2**

**Ordinary
Resolution 3**

**Ordinary
Resolution 4**

**Ordinary
Resolution 5**

**Ordinary
Resolution 6**

ANY OTHER BUSINESS

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

BY ORDER OF THE BOARD

CHEN BEE LING (MAICSA 7046517)

TAN LAI HONG (MAICSA 7057707)

Company Secretaries

Selangor Darul Ehsan

Date : 4 April 2016

Notes:

1. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 20 April 2016 shall be eligible to attend the Meeting and to speak and vote thereat.
2. A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his/her proxy to attend and vote in his/her stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 need not be complied with. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing in the common or usual form under the hands of the member or of his/her attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the Annual General Meeting for verification by the Company Secretary.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at the Meeting.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.
7. To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting.

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 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Item 7 of the Agenda**Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution 6 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, such as investment(s), acquisition of asset(s) or working capital. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**Authority for Directors to issue and allot shares in the Company pursuant to Section 132D of the Companies Act, 1965**

This is a new mandate to be obtained from the shareholders of the Company 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.

This mandate would provide flexibility to the Company for any possible fund raising exercise, including but not limited for further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares.

Reach Energy Holdings Sdn Bhd (1034624-D)

D3-5-8, Block D3, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia
T: +6 03 6412 3000 • F: +6 03 6412 8005 •

Date: 26 February 2016

The Board of Directors
REACH ENERGY BERHAD
Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS

Pursuant to section 172(11) of the Companies Act, 1965, we, as a registered shareholder of Reach Energy Berhad ("the Company"), hereby give notice of our nomination of Messrs PricewaterhouseCoopers as the new Auditors of the Company in place of the retiring Auditors, Messrs KPMG and of our intention to propose the following ordinary resolution to be passed at the Third Annual General Meeting of the Company:-

"**THAT** Messrs PricewaterhouseCoopers (AF: 1146) be and are hereby appointed as the new Auditors of the Company in place of the retiring Auditors, Messrs KPMG, and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Thank you.

Yours faithfully

REACH ENERGY HOLDINGS SDN BHD



Director

Name: *Ir. SHAHUL HAMID BIN MOHD ISMAIL*

BOARD OF DIRECTORS



IZLAN BIN IZHAB

Chairman /
Senior Independent
Non-Executive Director

**AONGHUS
JOSEPH
O' CARROLL**

Independent
Non-Executive
Director

**Ir. SHAHUL HAMID
BIN MOHD ISMAIL**

Managing Director

**NIK DIN BIN
NIK SULAIMAN**

Independent
Non-Executive Director

PROFILES OF DIRECTORS



IZLAN BIN IZHAB

Chairman /
Senior Independent Non-
Executive Director

Izlan Bin Izhah, a Malaysian aged 70, is our Chairman. He was appointed to the Board as an Independent Non-Executive Director on 1 July 2013. He serves as the Chairman of the Remuneration Committee and Nomination Committee. He is also a member of the Audit Committee. He graduated with a Bachelor of Laws degree from the University of London, UK in 1973, and attended the Advance Management Program at the University of Hawaii, US in 1984.

He started his career as an Assistant Legal Officer with Majlis Amanah Rakyat (MARA). From 1975 to 1978, he was a Company Secretary with Komplek Kewangan Malaysia Berhad. From 1978 to 1984, he was the Company Secretary of Permodalan Nasional Berhad. He spent the next 15 years from 1985 to 2000 with the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Berhad) as the Executive Vice President, Corporate and Legal Affairs until his retirement. He was responsible for company secretarial functions, legal advisory on capital market laws and regulations and conducted lectures on capital market laws and regulations.

From 2004 until May 2013, he was a member of Bursa Malaysia Berhad Appeals Committee. He was an independent director of Ramunia Holdings Berhad (now known as TH Heavy Engineering Berhad) from 2004 to 2008. During that period, he was the Chairman of the Remuneration Committee and Nomination Committee of the said company. He is currently an Independent Non-Executive Director of K&N Kenanga Holdings Berhad and Box-Pak (Malaysia) Berhad, which are listed on Bursa Malaysia Securities Berhad. He is also a Non-Executive Director on Non-Listed Public Companies, Sun Life Malaysia Takaful Berhad and UOB Asset Management (Malaysia) Berhad.

Izlan Bin Izhah has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has not been convicted for any offence within the past 10 years, other than traffic offences, if any.



**Ir. SHAHUL HAMID
BIN MOHD ISMAIL**

Managing Director

Ir. Shahul Hamid Bin Mohd Ismail, a Malaysian aged 66, is our Managing Director and Chief Executive Officer. He was the first director since the inception of the Company on 7 February 2013. He serves as a member of the Remuneration Committee and Risk Management Committee. He has been in the Petroleum Industry for the past 36 years, mainly with Exxon and Shell, and has held a rotation of assignments in Malaysia and overseas covering a wide variety of technical and commercial aspects of the business.

Prior to Reach Energy, Ir. Shahul led the Daya Materials group of companies to develop a portfolio of core oilfield technical services.

During 2007-2009, in a Group CEO role, Ir. Shahul set up the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion. He dealt with top level governmental and oil industry personnel in these countries in leading these efforts. Ir. Shahul worked closely with various international consultants on Feasibility Studies, Conceptual Design, Risk Management, FEED/BED and Detail Design.

During 2005-2006, Ir. Shahul was Board Member/Technical Advisor to Ramunia Holdings Berhad. From Aug 2001 to Oct 2004, Ir. Shahul was the Managing Director of Shell Refining Company (FOM) Berhad which is a public-listed company in the Main Market of the Bursa Malaysia Securities Berhad. He was the first Malaysian to be appointed to this position. Prior to that he worked in General Manager, Technical Manager, Engineering Manager, Operations Manager and Project Manager roles in Shell and Exxon with core activities cutting across the entire hydrocarbon life cycle covering exploration, appraisal, development, production and decommissioning in very challenging business environments.

Ir. Shahul was a Colombo Plan scholar and holds Bachelor (Honours) and Masters degrees in Mechanical Engineering from the University of Adelaide in Australia. He has produced many technical reports, papers and reviews. These have been presented in various conferences, workshops, journals and meetings.

Ir. Shahul is member of the Engineering Board of Studies and Industry Advisory Panel at the International Islamic University, Kuala Lumpur. He is a Registered Professional Engineer in Malaysia and Australia. He is also a Member of the Institution of Engineers, Malaysia and the Institution of Engineers, Australia.

Ir. Shahul Hamid Bin Mohd Ismail has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has not been convicted for any offence within the past 10 years other than traffic offences, if any.



**NIK DIN BIN
NIK SULAIMAN**
Independent Non-Executive Director

Nik Din Bin Nik Sulaiman, a Malaysian aged 67, is our Independent Non-Executive Director. He was appointed to the Board on 1 July 2013 and he is the Chairman of the Audit Committee and a member of the Remuneration Committee, Nomination Committee and Risk Management. He obtained the Chartered Institute of Management Accountants (CIMA) Professional Qualification in 1974. He is a Fellow member of the Association of Chartered Certified Accountants, UK (FCCA) and a member of the Malaysian Institute of Accountants.

He has more than 36 years of experience in the fields of accounting, auditing and finance. He started his career as an Accountant with Beecham Products (F.E.) Sdn Bhd in 1974 before leaving to join Pfizer Pte Ltd as Finance Manager. He was subsequently appointed as Group Financial Controller in Kumpulan Perangsang Selangor Berhad, an investment arm of Selangor State Government from 1978 to 1981. He also worked for Promet Berhad from 1982 to 1992 initially as its Financial Controller and later as Finance Director.

He served in Sime Darby Group from 1992 to 2004 initially as Finance Director in the Malaysia Region, followed by Finance Director of Tractors Malaysia Holdings Berhad, a subsidiary of Sime Darby Berhad. He was also a director of Sime Bank Berhad. Subsequently, he was the Group Chief Internal Audit Manager and his last position was as Finance Director in Sime Engineering Berhad. He currently holds directorships in MTD ACPI Engineering Berhad and APFT Berhad, which are listed on Bursa Securities.

Nik Din Bin Nik Sulaiman has attended eight out of nine Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has not been convicted for any offence within the past 10 years other than traffic offences, if any.



**AONGHUS JOSEPH
O' CARROLL**

Independent Non-Executive Director

Aonghus Joseph O'Carroll, Irish aged 54, is our Independent Non-Executive Director. He was appointed to the Board on 1 July 2013 and he serves as the Chairman of the Risk Management Committee and a member of the Nomination Committee and Audit Committee. He won a scholarship from the National Science Foundation to attend and obtain a Master of Science degree and Diploma in Petroleum Geology from Imperial College of Science and Technology, London, UK in 1984. He also graduated with a B.A (Mod) Hons, Natural Science, Geology from Trinity College Dublin in 1983.

He has 30 years of international geoscience experience with oil companies and major service companies in Europe, Middle East and Asia Pacific. He has extensive experience in integrated service delivery across the exploration and production spectrum. He was the Global Account Manager with Roxar Ltd for BP, Shell and Total S.A. accounts focusing on cycle time reduction and technology delivery in modern software infrastructures.

He was the Managing Director of Knowledge Reservoir (UK) Ltd. ("Knowledge Reservoir"), from June 2006 to July 2013, an upstream exploration and production consulting firm which provides support in reservoir management and surface systems for oil and gas industry globally. He was responsible for Knowledge Reservoir group's activities in Europe, Africa, Middle East and Asia Pacific. He has been involved in evaluating E&P assets, Reserves assessment/ auditing, flow assurance reviews, and reservoir management studies for E&P clients.

Currently, he holds the post of Project Director with a major international consultancy in London. Responsible for a diverse range of projects including reserve and resource verification, integrated asset modelling, fractured carbonate FDP reviews and training of national staff.

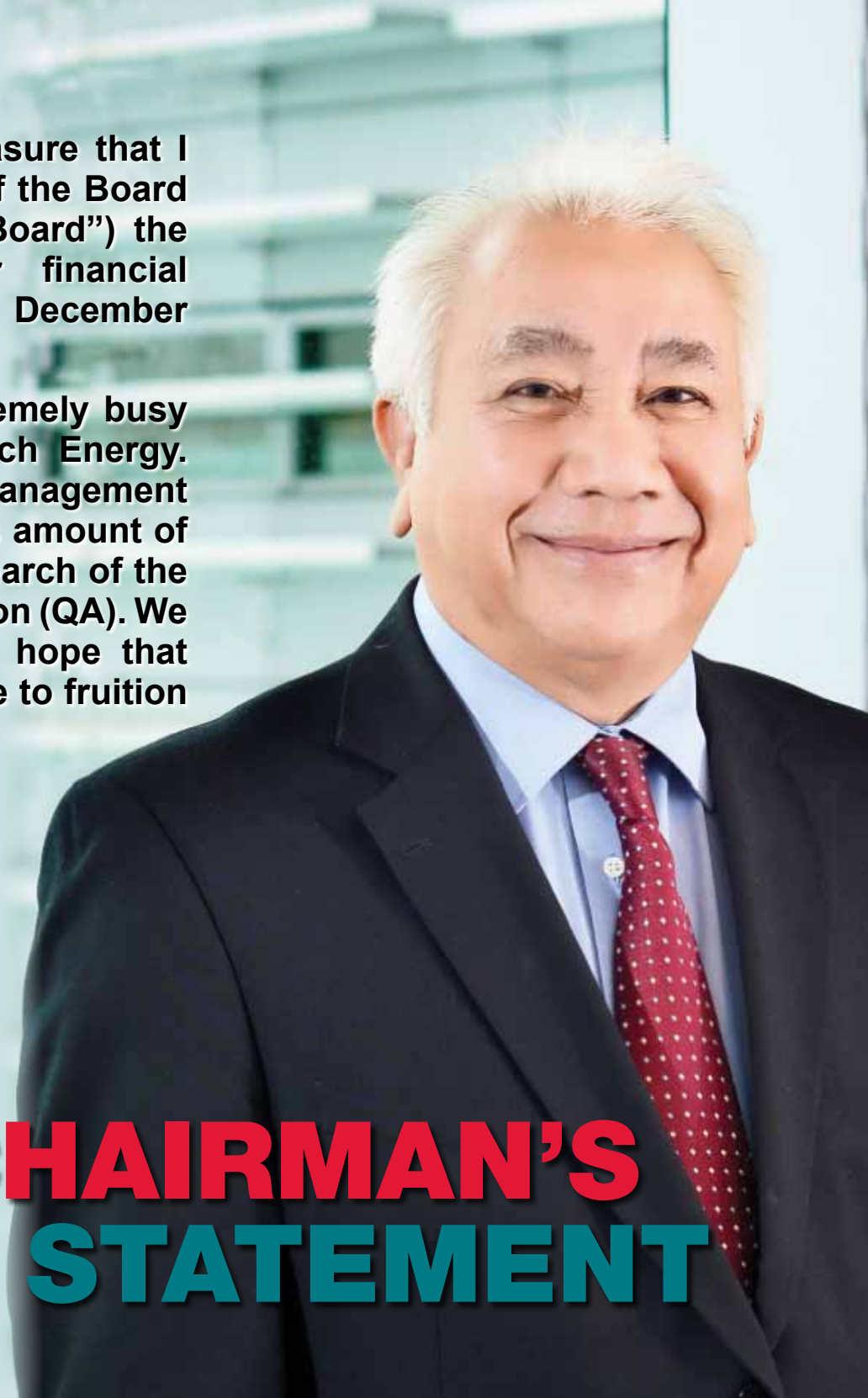
Aonghus Joseph O'Carroll has attended eight out of nine Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has not been convicted for any offence within the past 10 years other than traffic offences, if any.



Dear Shareholders,

It is with great pleasure that I present on behalf of the Board of Directors (“the Board”) the annual report for financial period ended 31 December 2015.

It has been an extremely busy year for us at Reach Energy. The Board and Management dedicated relentless amount of time and effort in search of the Qualifying Acquisition (QA). We truly and earnestly hope that the search will come to fruition in the near term.

A portrait of the Chairman, an older man with white hair, wearing a dark suit, light blue shirt, and a red tie with white polka dots. He is smiling and looking towards the camera. The background is a blurred office setting with glass partitions.

CHAIRMAN'S STATEMENT

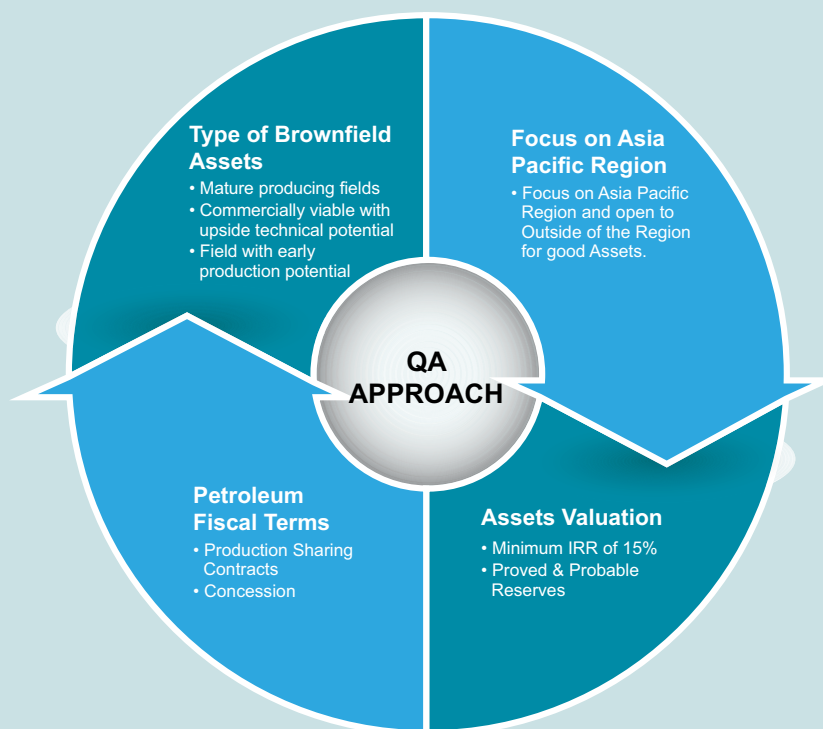
OUR STRATEGY

Our focus has always been clear and consistent, which is to secure a relatively low risk development or production asset with a primary objective to produce oil and gas and generate early revenue. Producing oil & gas fields or fields near development have a higher certainty to the amount of oil & gas reserves and upside potential as opposed to exploration assets.

Following our IPO in 2014, the year 2015 has indeed been a hive of activities for us at Reach Energy. Both the Board of Directors and Management Team were kept extremely busy evaluating our pipeline of potential acquisition targets and assessing the various technical, financial, legal, and operational aspects of each target candidate.

At the moment, we have shortlisted a few potential candidates based on our evaluation and moving forward, the Board believes that the Management Team has the caliber and capability to identify, evaluate and recommend a potential QA within the stipulated timeframe.

In the longer term, after the QA we will implement further strategies to ensure business growth and profitability including building a balanced portfolio of E&P assets.



OUR PEOPLE

Human resource capability continues to be the driving force behind Reach Energy's business activities and the Company is building its human capital around the required skills and expertise for the Qualifying Acquisition and beyond. To-date we have filled key positions with experienced and high-performing talents. This human capital platform will be the nucleus that will drive Reach Energy towards its aspiration of becoming a leading Malaysian independent E&P company.

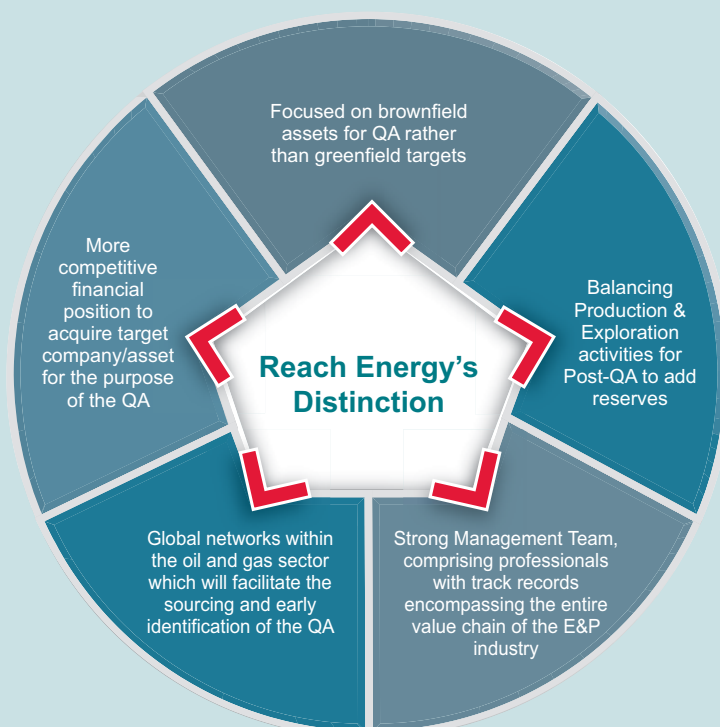
Our human capital development strategy revolves around recruiting the best, supporting them and investing in their training, coaching, mentoring and laying out a robust succession plan for the eventual realization of each potential.

For 2015, we implemented various initiatives to strengthen individual and team contributions to the success of the Company. These include On-the-job training (OJT), targeted skills development programmes, staff empowerment and self-development programmes. We also put in place clear and measurable Key Performance Indicators (KPIs) and Annual Staff Performance Appraisals to ensure set tasks and targets are achieved.



FINANCIAL PERFORMANCE

For the Financial Year ended 31 December 2015, Reach Energy recorded a net loss of RM32,152,587.00, as the Company has yet to generate any revenue other than finance income from placement of funds in Syariah – compliant money market instruments. The operating and finance cost incurred during the financial year amount to RM13,347,694.00 and RM49,659,568.00 respectively. The Board continues to be vigilant in ensuring prudent spending and putting priority on securing the QA.



INDUSTRY OUTLOOK

The oil and gas industry experienced significant the volatility during the year 2015 where the price of Brent fell from USD\$70 per barrel to USD\$32 per barrel. The rising concern of oversupply from US oil production and lifting of sanctions on Iran, coupled with weaker demand from the world's second largest oil consumer, China, seem to point to the industry facing a tough year ahead. According to the World Bank, the slowing economy of emerging markets could hamper oil demand recovery.

Nonetheless, it is not all doom and gloom for the industry. Reach Energy is confident that we will weather through this storm and prevail over the challenges. We also see the current state of the industry as presenting a great opportunity for us as we seek our QA. With many existing O&G companies looking to reshape their portfolio, we expect more quality assets being made available for potential acquisition.

ACKNOWLEDGEMENTS

On behalf of the Board and Management Team, I would like to express my deepest gratitude to all our investors who placed and retained their trust and confidence in our vision and mission. Your continuous support is crucial to our Company in these challenging times.

I would also like to thank our advisers, BNP Paribas, Hong Leong Investment Bank Berhad, Maybank Investment Bank Berhad, KPMG and Skrine who have been with us from the beginning and provided invaluable support throughout our journey.

Last but not least, I would like to thank my fellow Board members, the Management Team and the employees of Reach Energy for their wise counsel, endless dedication and passion towards the Company.

In the near future, we are confident that Reach Energy would be able to "graduate" from being a Special Purpose Acquisition Company (SPAC) to an Independent Malaysia-based E&P company with global and domestic operations. There is a saying that goes, "To get through the hardest journey we need take only one step at a time, but we must keep on stepping".

Thank you.

Izlan Bin Izhab
Chairman

23 March 2016

MANAGING DIRECTOR'S STATEMENT ON BUSINESS ACTIVITIES



OUR VISION AND STRATEGY

We are guided by our vision of establishing a leading Malaysia-based independent Oil and Gas (O&G) company that creates value for shareholders and contributes to the wellbeing of the people in the countries we operate in. The pursuit of this vision is underpinned by our core values of:

- Promoting Passion for Success
- Acting with Honesty and Integrity
- Fostering Care and Share

Living up to these values means the team embraces a culture of performance excellence and continuous improvement, works to the highest standards of ethics and governance and always places a premium on making a positive impact on the community in which we operate.

The foundation on which we are building to realize our company's vision is our people working in-sync determinedly and premised on our Four-Pronged Business Strategy, namely:

1. Human Capital Development
2. Robust Management Systems
3. Operational Excellence
4. Sustained Business Growth

Our immediate business goal is to expeditiously complete the Qualifying Acquisition (QA) and thereon move quickly towards enhancing shareholder value by leveraging the technical expertise, commercial knowhow, network and experience of our staff and the Board of Directors.



OUR BUSINESS APPROACH

For the QA, we are targeting oil and/or gas brownfields in the production phase, and fields in the proximity of existing producing areas that are either in development phase or in advanced stages of planning (Field Development Plan in progress or approved but where production has not commenced). Such assets would hold proved and probable (2P) reserves for commercial production with relatively lower risk. The asset would also have upside (production and reserves) potential which would allow us to enhance production and add reserves to the fields through further appraisal and re-development activities.

While at the QA stage we focus on pursuing lower risk assets and achieving early revenue, in the longer term we are committed to building a strong base in the upstream O&G value chain globally by:

- continuing to generate revenue streams organically by adding value to our assets,
- increasing our reserves replacement ratio,
- achieving a balanced portfolio of Exploration and Production (E&P) assets

In order to ensure our business model is sustainable, we must embrace a culture of Operational Excellence, not only must we 'do the right things' we must also 'do things right'. Our Board and staff are committed to:

- Building a world-class team to support growth
- Sweating the Asset while ensuring Safe Operations
- Adoption of Industry Best Practices
- Prudent Cost and Procurement Management
- Transparency, Integrity and Accountability

OUR BUSINESS ACTIVITIES

The last eighteen months have been a period of fast paced activities for the Reach Energy team. While we have dedicated much of the time to the One Team, One Goal pursuit of our QA, we have also spent much efforts in laying the business and operations foundation for our future.

Search for our Qualifying Acquisition

The search for our QA has been at the center of our activities this past year, and will continue to be until completion and our graduation into a full-fledged junior independent E&P company. In 2015 we evaluated over 40 potential QA targets spanning over 5 countries within our region of interest. The targets were prudently screened down to a shortlist of 4 potential candidates that went through further evaluation and detailed technical, financial and legal assessments. We utilized a cost-effective combination of our in-house and outsourced expertise for this purpose.



Capacity Building

Our people are the foundation of our success and in 2015 we continued to fortify our team with professionals from needed disciplines, including engineering, geosciences, project management, finance, legal and corporate affairs. Upon completion of our QA, we foresee being able to rapidly grow from this solid foundation we have established. Consistent with our vision, we are developing a talent pool of skilled professionals highly motivated and imbued with ethical values.

Robust Management Systems

We have acquired and put in place business infrastructure which we believe is the best fit for our needs in the near term while keeping in mind future scalability. We have also adopted industry best practices to ensure our methodology, systems and procedures are practical and keeping in line with our philosophy of excellence in execution, transparency and accountability.

Good Governance

We are committed to building an organization guided by ethical values and adopting best practices in good governance. Working with our auditors, we embarked on several reviews of our systems and practices and completed the recommended improvement programs.



Operational Excellence

Our sustainable future will depend on our being a world-class asset operator. With this in mind, the team we are building and the systems we are putting in place have at their core the objective of achieving operational excellence in managing O&G activities.

OIL MARKET OUTLOOK

The past twelve months have been a period of significant challenges for the O&G industry primarily as a result of falling oil prices. The O&G industry is confronted with considerable headwinds which has resulted in significant shifts in industry dynamics as players adjust to the new operating environment. Such volatility is not uncommon for O&G industry which behaves in a cyclical nature with booms and bursts, and time and again, due to periodical over or under investment in the industry.

The demand for O&G is expected to remain steady on the back of lower oil prices and global economic growth. The US Energy Information Administration (EIA) forecasts that global consumption of petroleum and other liquid fuels is expected to grow by 1.24 million bbl/d in 2016 and 1.46 bbl/d in 2017 to reach 95.02 million bbl/d and 96.48 million bbl/d respectively.

We believe that this daunting period actually augurs well for Reach Energy and we are in an enviable position to benefit from this period of upheaval. The streamlining of portfolios by both larger O&G companies and smaller independent players makes this an opportune time as we continue in the quest for our QA. Leveraging the expertise and network of our Board and Management Team, we are seeking out and carefully considering the most attractive assets as our QA, while remaining disciplined in applying a robust evaluation process. We are optimistic of securing soon a suitable asset which will provide us the right balance of early steady income and growth potential.

The past eighteen months have been both challenging and exciting; the next twelve months will prove to be even more of the same. I am confident that we have assembled the choice team, put in place the right business infrastructure and adopted practical systems and practices; and that we are well on our way to realizing our vision.

Sincerely,

Ir. Shahul Hamid Bin Mohd Ismail
Managing Director



REACH IN THE NEWS

30 JULY 2015 ▼

Reach Energy bakal ambil alih aset syarikat berpotensi menjelang akhir tahun ini

Senarai pendek 10 syarikat

Oleh NOR SYARIZA MUHD. TAHIR

KUALA LUMPUR - Syarikat tujuan khas pengambilalihan (SPAC) minyak dan gas (O&G), Reach Energy Bhd. (Reach Energy) telah menyenarai pendek 10 syarikat luar berpotensi untuk tujuan pengambilalihan aset menjelang hujung tahun ini.

SPAC merupakan syarikat tanpa operasi atau perniagaan yang mana pendapatan mereka dijana daripada tawaran permodalan awam (IPO) yang akan digunakannya sepenuhnya untuk membeli operasi, perniagaan atau aset pihak ketiga.

Pengarah Urusan Reach Energy, Shahul Hamid Mohd. Ismail berkata, buat masa ini syari-

katurnas mengadakan perbincangan dengan pihak-pihak berkaitan bagi meninjau potensi yang ada untuk tujuan tersebut selain kriteria-kriteria yang dikehendaki.

"Dengan calon-calon senarai pendek yang ada kini, kami menyasarkan untuk mendapatkan pengesahan (bagi mengambil alih aset) sekurang-kurangnya menjelang ulang tahun syarikat pada Ogos ini selain turut mengadakan rundingan dengan Suruhanjaya Syarikat.

"Bagi memastikan Reach Energy benar-benar bersedia

untuk menjadi pengendali aset-aset syarikat yang akan diambil alih nanti, kami kini giat meningkatkan pengetahuan serta kebolehan pasukan untuk menuju ke arah menjadi syarikat carigali dan pengeluaran global yang berpangkalan di Malaysia," katanya.

Ibnu berkata demikian kepada *Kosmo!* dalam satu temubual di sini baru-baru ini.

Sementara itu, menurut Shahul Hamid, sebagai permulaan pihaknya akan memberi fokus untuk mengambil alih aset-aset *brownfields* atau projek sudah dibangunkan kerana

risikonya lebih rendah.

"Dengan mengambil alih syarikat yang sedia memiliki pengeluaran, Reach Energy akan mendapat manfaat dengan cara menjaga perolehan daripada pengeluaran tersebut.

"Seterusnya, bagi menjaga pertumbuhan aset yang berterusan, kami akan meningkatkan pengeluaran selain aset berasaskan rizab dan meningkatkan keberkesanan kos bagi mendapatkan hasil yang lebih baik pada tahun-tahun akan datang," ujarnya.

Tambahnya, untuk tempoh jangka panjang, Reach Energy tidak menolak kemungkinan untuk mempertimbangkan potensi dalam sektor carigali yang

lebih berisiko.

"Disebabkan sektor tersebut mempunyai risiko yang tinggi, kami memerlukan strategi lebih kukuh dan untuk itu syarikat perlu benar-benar bersedia untuk melaksanakannya," ujarnya.

Buat masa ini, Reach Energy menyasarkan untuk menjaga portfolio sebanyak 70 peratus bagi aset pengeluaran serta 80 peratus aset carigali dengan memberi tumpuan kepada sektor petrisir dalam O&G.

Reach Energy merupakan SPAC minyak dan gas keempat yang disenarai dalam Bursa Malaysia selepas penyenarai Hibiscus Petroleum Bhd., Clio Energy Bhd. dan Sona Petroleum Bhd.



SHAHUL HAMID

30 JANUARY 2015 ▼

REACH : 8月至今虧損2840萬 上市開銷佔大部分

(吉隆坡29日訊) REACH能源 (REACH, 5256, 主板特別併購) 解釋說, 8月上市以來蒙受高達2千840萬令吉虧損, 主要是因为單單上市開銷就占去超過2千600萬令吉。

REACH能源董事經理兼首席执行官沙胡哈密在股東大會後表示, 該公司自8月上市以來, 在還沒有擁有任何的資產下就已虧損2千840萬令吉, 這筆虧損完全是上市的開銷。

問及為什麼在上市花費比其他3家特別併購公司 (SPAC) 高, 沙胡哈密表示: "我們是全馬最大的特別併購公司, 相對而言, 我們的費用也會比較高。"

他補充, 在2千840萬令吉當中, 其中的2千600萬令吉是上市費用。

對於併購進展, 沙胡哈密指出, 油价走低有利於併購, 有信心在兩年內成功收購到適合的資產。

沙胡哈密表示, 油价下跌導致很多的小型油氣公司面臨財務問題, 這些小型公司目前或許會賣出資產, 而這對他們而言是買人的好機會。

沙胡哈密透露, 目前該公司看中的收購對象中, 有部分的負債率已經達到非常高的水平, 他們目前已把收購對象縮至10個以內, 都是亞太區的油氣公司。

沙胡哈密認為, 目前油价跌勢是短期的, 他估計2至3年內就會回到每桶70至90美元的水平, 至于100美元, 則可能需要更長時間。

26 OCTOBER 2015 ▼

Tapping the potential of SPACs

Little special purpose acquisition companies are able to raise money for their business for about half the cost of a public offering. However, most also have a long history of being involved in the search for the right and quality of the underlying business.



30 JANUARY 2015 ▼

固定 10 目标 Reach 能源冀年内购油田

(吉隆坡29日訊) 特別併購公司 (SPAC) Reach 能源 (REACH, 5256, 主板特別併購) 披露, 該公司董事經理兼首席执行官沙胡哈密在股東大會後表示, 該公司自8月上市以來, 在還沒有擁有任何的資產下就已虧損2千840萬令吉, 這筆虧損完全是上市的開銷。

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油价不会永远低迷

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6 JULY 2015 ▼

Oil & gas industry still vibrant: Reach Energy

> Future is bright as innovative technologies become available in the market, says managing director/CEO

BY EVA YONG
evayong@nanyang.com

KUALA LUMPUR: The oil and gas (O&G) industry is still vibrant and its future remains bright despite current subdued market sentiment caused by the low oil price, said Reach Energy Bhd managing director and CEO Shahul Hamid Mohd Jmail (pic).

"It is a fascinating industry, very lively. You are aware that the oil price is low. There is an oil conference that happens every year in Houston, Texas. It's called the Offshore Technology Conference, which normally happens in early May."

"That is a good indicator of how the oil industry vibrates. Year on year, it is getting bigger and bigger with a lot of exhibitors, a lot of technology papers being presented," he said humbly in an interview.

Shahul believes that the future is very good for the O&G industry, as more new and innovative technologies become available in the market.

"The future is very good for the industry. In fact, more exciting is the sense that the industry is getting into a lot of frontier areas, areas we would never have ventured into. They are now drilling in the Arctic, in the jungles of Africa, in the deserts and deeper

waters," he said.

In the meantime, O&G companies, especially service firms, will have to be lean and cost effective in order to survive in the current low oil price scenario.

Shahul said service companies are suffering as exploration and production companies cut back on expenditures and delay or cancel jobs.

"Having worked for two of the largest oil companies in the world, Exxon and Shell, I always think that the industry will make some things better if they are more prudent, whether the oil price is high or low."

"That's why I've been smaller companies like ourselves. We have to be cost effective all the time, whether the oil price is high or low. Then you can do your business. You don't have to scale down anything. It should be the same in the cost of the oil."

As a small company, Shahul said, Reach Energy is trying smaller reserves around the world which the high-cost operators are leaving behind due to economic viability. With smaller technology and methodology, it is possible to be a low-cost operator.

"You don't have to spend a huge amount of money

building a big offshore rig. Nowadays people are even using old platforms, bringing them back and working them, making smaller structures, floatable structures and relocatable structures. All these new technologies are abundant now in the market. I think even the big operators are looking at these options now," he added.

Shahul said the oil price should improve and stabilize but it is unlikely to go above US\$60 (RM227) per barrel, at least for another few years.

"It will take time. It may take longer but it's getting around the US\$60 per barrel kind of mark which is alright, which will be okay for many operators because the cost of operation in many areas will be less than US\$60 per barrel. So they can justify economically their projects and activities ... in time, the US\$60 per barrel world is an unrealistic world."

"I think US\$60 per barrel and above is a good range to stay at. That's what I think it will stay at for the next few years," he said.

With that price trend, Reach Energy has been evaluating its potential qualifying assets using the US\$60-US\$65 a barrel range.

"The cycle will come back but service companies will be looking to be more cost effective at least in the next one or two years."



23 DECEMBER 2015 ▼

Reach 能源设目标 冀明年购得合格资产

(吉隆坡 22 日讯) 特殊收购公司 (SPAC) Reach 能源 (REACH, 5256, 主板特殊收购股) 评估了全球 50 个以上的油气资产后, 设下目标在明年初完成收购合格资产 (QA)。

董事经理兼总执行长沙胡哈密指出, 在 Reach 能源潜在收购的目标中, 其中一个位于亚太区域, 其余则处在亚太区域之外。

“油价走低促使油

气业者整合资产组合, 从而让公司有更多收购目标可供选择。”

早前, Reach 能源已从 30 个油气资产的候选名单中, 初步筛选出 4 个潜在的合格资产 (QA) 收购目标, 并与卖方展开了有关洽谈。

公司冀望能在今年与卖方达成协议, 再呈交予监管单位审核, 放眼在年底完成收购。

'Make use of the opportunities'

Reach Energy Bhd managing director and CEO Shahul Hamid Mohd Jmail has been in the oil and gas industry for over 20 years, with previous tenure at Exxon and Shell. Shahul Hamid started Reach Energy, which became the fourth special purpose acquisition company to be listed on Bursa Malaysia.

SUCCESS THE INSIGHT STORY

How has your previous employment experience aided your current position?

I've been in the oil industry for a long time. I worked for two of the biggest oil companies, Exxon and Shell.

I think both of them, the years, spent with them, to prepare me to do this. They had a lot of opportunities for me. My career in those two companies gave me a very broad and deep understanding of the industry.

I can recall those initial assignments and positions as it's the things that have shaped me.

For a long time you are doing this and then you move to another area, active in company, for that matter. So you're not just doing this kind of thing, you're not in the same kind of thing.

As an example of that, I worked with Exxon for a long time. They had a lot of opportunities for me. My career in those two companies gave me a very broad and deep understanding of the industry.

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REACH ENERGY



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30 JANUARY 2015 ▼

Reach Energy optimistic completing QA this year

BY CHARLOTTE CHONG

KUALA LUMPUR: Special purpose acquisition company (Spac) Reach Energy Bhd is optimistic it will complete its qualifying acquisition (QA) this year and has shortlisted 10 potential assets to pave its way into the oil and gas (O&G) exploration and production (E&P) sector.

Its chief executive officer and managing director Shahul Hamid Mohd Jmail (pic) said Reach Energy is concentrating its QA search within the Asia-Pacific region.

"We are looking at mature oilfields in known regions or basins," he told reporters after the company's annual general meeting yesterday.

However, Shahul Hamid said Reach Energy is still open to other opportunities outside the region if the offer was attractive.

He agreed with the consensus that lower crude oil prices would present more opportunities for Spacs to acquire assets.

"Asset owners with smaller assets may find it difficult to finance their activities or service their loans (at this point of time)," he said, adding that these owners are looking to divest their assets partially, if not completely.

Reach Energy's target QA will be among such smaller assets, he said, adding that oil prices should gradually stabilise at US\$70 (RM254.10) to US\$80 per barrel, which is the benchmark against which Reach Energy's acquisitions will be assessed.

"That is the kind of price scenario we intend to use in our evaluation of the potential acquisitions. It will take a bit of time to go back to US\$100 per barrel, but it won't plummet to US\$30 a barrel," he said.

Brent was trading at below US\$49 a barrel while US crude was trading below US\$43 a barrel yesterday.

Shahul Hamid said low oil prices have put pressure on E&P outfits and caused them to lower their operating costs, adding that "it's not unusual for some to shut production because the cost is too high."

But he assured that maintenance activities in the O&G sector will continue, although O&G companies will have to negotiate with service companies for better pricing.

Reach Energy is the fourth and largest Spac listed on the local exchange, with RM750 million raised through the issuance of one billion new ordinary shares at 75 sen apiece.

A Spac is a vehicle that has no operations or income-generating business at the point of its initial public offering (IPO). Following that, the Spac has a three-year period to use its IPO proceeds to secure a QA.

Clio Energy Bhd (fundamental 0.6x valuation; 0) and Sona Petroleum Bhd (fundamental 0.6x valuation; 0) are two other Spacs listed on Bursa Malaysia that are looking for QA. Reach Energy, listed last August, has 31 months left to fish for a QA, while Clio Energy has 14 months and Sona 18 months.



Shahul Hamid Mohd Jmail

20 OCTOBER 2015 ▼

Cash value gives life to SPACs -

By P. ABURA
arura@thestar.com.my

KUALA LUMPUR: The cash value of oil and gas special purpose acquisition companies (SPACs) have given life to the stock.

Share prices of SPACs CLIQ Energy Bhd and Sona Petroleum Bhd have surged by 9.7% and 12.4% each, outperforming the KLSE index and were above fixed deposit rates since December last year, said Hong Leong Investment Bank (HLIB) Research.

The research firm said this was because the share price and intrinsic cash value per share were encouraging and the maturity date approaching.

A SPAC is a shell company that goes public with the aim of merging with or acquiring operating assets with its IPO proceeds.

The research house said it had not rated oil and gas SPACs.

It stated that CLIQ had proposed a remunerable right issue together with free warrant on the basis of one right share for every existing share to address the potential cash shortfall for qualifying acquisition (QA) due to the strengthening US dollar against the ringgit, and potential dissenting shareholders voting against the QA.

"The proposed QA and right issue exercise are inter-conditional.

"Existing shareholders are eligible to get back RM6.75 per share.

"This reiterates our view that the gross trust value for SPACs should serve as the basis value as investors can choose to vote against QA as and get back the cash value from the trust account plus net interest earned," it said in a note yesterday.

HLIB Research CLIQ and Sona will mature on April 9 and July 29 next year, respectively.

After taking into account interest earnings of 3.7% per annum and 25% tax on interest and other expenses, CLIQ and Sona will provide 4.6% and 0.3% upside to their cash value, it said.

固定 10 目标 Reach 能源冀年内购油田

(星洲电 20 日讯) 特

殊收购公司 (SPAC)

Reach 能源 (REACH)

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STATEMENT ON CORPORATE GOVERNANCE

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

The following paragraphs set out the manner the Company has applied and complied with the recommendations of the Malaysian Code of Corporate Governance 2012 (“the Code”) throughout the financial period ended 31 December 2015 pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

1. PRINCIPAL RESPONSIBILITIES OF THE BOARD

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

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

The Board will act in the best interests of Reach Energy, honestly, fairly and diligently and in accordance with the duties and obligations imposed upon it by Reach Energy’s Memorandum and Articles of Associations and the law.

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

1. PRINCIPAL RESPONSIBILITIES OF THE BOARD (cont'd)

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

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

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

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

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

2. COMPOSITION OF THE BOARD

The Board of Reach Energy Berhad determines the strategic directions of the Company activities and monitors their implementation. The Board is made up of four (4) members comprising three (3) Independent Non-Executive Directors including the Chairman and one (1) Executive Director. This is in compliance with the Listing Requirement of at least one-third (1/3) of the Board to be independent.

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

2. COMPOSITION OF THE BOARD (cont'd)

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

A brief description of the profiles of each members of the Board is detailed in this Annual Report.

3. BOARD MEETINGS AND SUPPLY OF INFORMATION

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

The Board is fully apprised of the need to determine and disclose potential or actual conflicts of interest which may arise in relation to transactions or matters which may be laid before the Board. For the financial period under ended 31 December 2015, no situations of conflict of interest involving any of the present Directors arose.

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

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

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

3. BOARD MEETINGS AND SUPPLY OF INFORMATION (cont'd)

For the financial period ended 31 December 2015, the Board met nine (9) times and details of the attendance are as follows:-

Directors	No. of Board Meetings Attended	Percentage (%)
Izlan Bin Izhab	9/9	100
Ir. Shahul Hamid Bin Mohd Ismail	9/9	100
Nik Din Bin Nik Sulaiman	8/9	89
Aonghus Joseph O' Carroll	8/9	89

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

4. DIRECTORS' TRAINING AND DEVELOPMENT

All the Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd within the stipulated timeframe as required by the Listing Requirements of Bursa Securities.

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

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

4. DIRECTORS' TRAINING AND DEVELOPMENT (cont'd)

During the financial period under review, the Directors of the Company attended and participated in various seminars and forums in areas of finance, tax, accounting, regulatory and industry updates. Some of the seminars or courses attended by the Directors during the financial period ended 31 December 2015 include the following:-

Name	Date	Organiser	Topic Attended
Izlan Bin Izhab	5 October 2015	Bursatra Sdn Bhd	Corporate Directors Advanced Programme (CDAP) 'Mergers & Acquisitions'
	2 October 2015	Bursatra Sdn Bhd	Optimizing the Board's Perspective on Organizational Strategy for Effective Mergers & Acquisitions Activities
	14 January 2015	Bursatra Sdn Bhd	Maximizing Board Effectiveness Through a Strong Board Risk Oversight Role Beyond Financial Performance
	14 January 2015	Internal Training by the Company	Introduction to the Malaysian Oil and Gas Industry
Ir. Shahul Hamid Bin Mohd Ismail	4 November 2015	Ministry of Investment and Development, Republic of Kazakhstan	Kazakhstan Malaysia Business Forum in the frame of World Islamic Economic Forum (WIEF)
	20 and 21 October 2015	Malaysian Directors Academy	Corporate Directors Advanced Programme (CDAP) 'Mergers & Acquisitions'
	7 October 2015	Oil and Gas Council	The Outlook for the Oil & Gas Industry - Reflections since the oil price collapse
Nik Din bin Nik Sulaiman	31 March 2015	Boardroom Corporate Services Sdn Bhd	Financial Statements Reporting Requirements and Best Practices in Boardroom Effectiveness
	14 January 2015	Internal Training by the Company	Introduction to the Malaysian Oil and Gas Industry

4. DIRECTORS' TRAINING AND DEVELOPMENT (cont'd)

Name	Date	Organiser	Topic Attended
Aonghus Joseph O'Carroll	December 2015	PESGB Prospex	Exploration Conference
	December 2015	Adam Smith International	Mineral Resources Afghanistan Briefing
	September 2015	PESGB Prospex	Advances in Seismic Interpretation Seminar
	July 2015	PESGB Prospex	Catalyst for Ultradeep Water Exploration Seminar
	June 2015	Finding Petroleum (London)	Uncertainty and Cognitive Biases Seminar

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

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

5. NUMBER OF DIRECTORSHIPS

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

6. DIRECTORS' PERFORMANCE EVALUATION

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

7. ANNUAL ASSESSMENT OF INDEPENDENCE

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

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

8. APPOINTMENTS TO THE BOARD

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

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

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

9. RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office once at least in each three (3) years. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting ("AGM") and shall then be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are of or over seventy (70) years of age are required to submit themselves for re-appointment annually.

In accordance with the Article 70 of the Articles of Association of the Company, Mr Aonghus Joseph O'Carroll retires by rotation at the forthcoming AGM and being eligible, offers himself for re-election.

9. RE-ELECTION OF DIRECTORS (cont'd)

In accordance with Section 129(2) of the Companies Act, 1965, Encik Izlan bin Izhab who is seventy (70) years of age and retires at the forthcoming AGM and being eligible, offers himself for re-appointment.

10. DIRECTORS' REMUNERATION

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

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

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

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

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

The aggregate remuneration of Directors of the Company for the financial period ended 31 December 2015 is as follows:-

Executive Directors	RM
Salary and Other Emoluments	1,545,297
Fees	70,086
Total	1,615,383

Non-Executive Directors	RM
Fees	221,962
Other Emoluments	268,219
Total	490,181

10. DIRECTORS' REMUNERATION (cont'd)

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

Executive Directors	Executive Directors	Non-Executive Directors	Total
RM100,000 and Below	—	1	1
RM100,000 - RM200,000	—	2	2
RM200,000 - RM300,000	—	1	1
RM1,600,000 - 1,700,000	1	—	1

11. COMMITTEES OF THE BOARD

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

11.1 Audit Committee

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

Members of the Audit Committee are as follows :

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

A report detailing the membership, terms of reference of the Audit Committee and its activities carried out during the financial period ended 31 December 2015 are set out in this Annual Report.

11. COMMITTEES OF THE BOARD (cont'd)**11.2 Remuneration Committee**

The Remuneration Committee comprises of three (3) members with a majority of independent non-executive directors as follows:-

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

The Remuneration Committee ensures that remuneration packages are sufficient and appropriate to attract and retain Directors to run the Company successfully. In addition, the Remuneration Committee also recommends the framework on terms of employment and all aspects in relation to the remuneration framework of Executive Directors and senior management of the Company.

The Remuneration Committee is responsible for:-

- i) formulating and recommending to the Board the remuneration policies and remuneration for the members of the Board and senior management which align with the business strategy and long-term objectives of the Company and are reflective of their responsibilities and expertise; and
- ii) recommending the engagement of external professional advisors to assist and/or advise the Remuneration Committee, on remuneration matters, where necessary.

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

The number of meetings and attendance of the Remuneration Committee during the financial period ended 31 December 2015 were as follows:-

Directors	Position	No. of meetings attended	Percentage (%)
Izlan Bin Izhab (Chairman)	Senior Independent Non-Executive Director	5/5	100
Nik Din Bin Nik Sulaiman	Independent Non-Executive Directors	5/5	100
Ir. Shahul Hamid Bin Mohd Ismail	Managing Director	5/5	100

11. COMMITTEES OF THE BOARD (cont'd)

11.3 Nomination Committee

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

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

The Nomination Committee is responsible for:-

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

The number of meetings and attendance of the Nomination Committee members during the financial period ended 31 December 2015 were as follows:-

Directors	Position	No. of meetings attended	Percentage (%)
Izlan Bin Izhab (Chairman)	Senior Independent Non-Executive Director	3/3	100
Aonghus Joseph O'Carroll	Independent Non-Executive Director	3/3	100
Nik Din Bin Nik Sulaiman	Independent Non-Executive Director	3/3	100

11. COMMITTEES OF THE BOARD (cont'd)**11.3 Nomination Committee (cont'd)**

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

- i) Determination of post listing human resource requirements of the Company;
- ii) Recommendation of Director retiring by rotation and re-election to the Board for the financial period ended 31 December 2015;
- iii) Assessment of Independent Directors as recommended by Malaysian Code of Corporate Governance 2012;
- iv) Evaluation on the effectiveness of the Board as a whole, including the required mix of skills and experience and contributions of individual Director; and
- v) Review of the Terms of Reference of the Nomination Committee.

11.4 Risk Management Committee

The Risk Management Committee comprises of the following members:-

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

The Risk Management Committee is responsible for:-

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

11. COMMITTEES OF THE BOARD (cont'd)

11.4 Risk Management Committee

The Risk Management Committee shall provide to the Board a summary of its review on the principal risks at least once a year and shall make whatever recommendations to the Board, it deems appropriate where action or improvement is needed. The Risk Management Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively.

The number of meetings and attendance of the Risk Management Committee members during the financial period ended 31 December 2015 were as follows:-

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

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

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

12. SUCCESSION PLANNING

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

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



12. SUCCESSION PLANNING (cont'd)

Our initiatives on succession planning include:

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

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

13. SHAREHOLDERS AND INVESTORS

13.1 Shareholders

Reach Energy recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the Company complies strictly with the disclosure requirements of Bursa Securities for the Main Market and the Malaysian Accounting Standards Board. Various channels of communication are employed to promote effective dissemination of information. Information is disseminated via annual reports, circulars to shareholders, press releases, half yearly financial results and various announcements made from time to time to Bursa Securities. Reach Energy also maintains a website at www.reachenergy.com.my that allows all shareholders and investors to gain access to the information of the Company.

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

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

13.2 Annual General Meeting ("AGM")

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

13. SHAREHOLDERS AND INVESTORS (cont'd)

13.2 Annual General Meeting ("AGM") (cont'd)

Recommendation 8.2 of the Code states that the Board should encourage poll voting for substantive resolutions. The Board is of the view that within the current level of shareholders at AGMs, voting by way of a show of hands continues to be efficient.

The Board will evaluate the feasibility of carrying out electronic polling at its general meetings in future.

14. ACCOUNTABILITY AND AUDIT

14.1 Financial Reporting

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

14.2 Directors' Responsibilities in Financial Reporting

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

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

The Board is satisfied that the appropriate accounting policies are being applied accordingly during the preparation of the financial statements for the financial period ended 31 December 2015. The Board is of the opinion that the financial statements have been prepared in accordance with all relevant approved accounting standards.

14.3 External Auditors

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

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

14. ACCOUNTABILITY AND AUDIT (cont'd)

14.3 External Auditors (cont'd)

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

The external auditors have confirmed that they are and have been independent throughout the conduct of the audit engagement for the financial period under review in accordance with the provisions of the Bye-laws on Professional Independence of the Malaysian Institute of Accountants and other regulatory requirements.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, has been received by the Company, nominating Messrs. PricewaterhouseCoopers for appointment as the new auditors, in place of the retiring Auditors, Messrs. KPMG at the forthcoming AGM of the Company.

14.4 Internal Control

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

14.5 Sustainability Approach

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

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

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

14.6 Compliance Statement

The Board considers that the Company has complied with the Code for the financial period ended 31 December 2015.

This Statement was approved by the Board of Directors at a meeting held on 23 March 2016.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") is pleased to present the Audit Committee Report and its activities held throughout the financial period ended 31 December 2015 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. MEMBERS OF THE AUDIT COMMITTEE

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

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

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

The Audit Committee held a total of seven meetings during financial period ended 31 December 2015. Details of attendance of the Audit Committee members are as follows:

Name of Member	Number of Meetings Attended
Nik Din Bin Nik Sulaiman	7/7
Izlan Bin Izhab	7/7
Aonghus Joseph O'Carroll	7/7

2. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee, as approved by the Board, are as follows:-

2.1 Composition

The Audit Committee shall be appointed by the Board from amongst its directors and shall consist of not less than three (3) members. All members of the Audit Committee must be non-executive directors, a majority of whom shall be independent directors.

No alternate director is appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the number of members reduced to below three (3), the Board shall within three (3) months appoint a new member to fill the vacancy.

2. TERMS OF REFERENCE (cont'd)

2.2 Membership

At least one (1) member of the Audit Committee:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and :-
 - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (ii) he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- (c) must have a degree/ masters/ doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
- (d) must have at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- (e) possess such other requirements relating to financial-related qualifications or experience as prescribed or approved by Bursa Malaysia Securities Berhad.

2.3 Chairman

The members of the Audit Committee shall elect a Chairman from among their members who shall be an independent non-executive director.

2.4 Quorum

The quorum of the Audit Committee meeting shall not be less than two (2), the majority of whom shall be independent non-executive directors.

2. TERMS OF REFERENCE (cont'd)

2.5 Meeting

- (a) the Audit Committee shall have at least four (4) meetings in a financial year and such additional meetings as the Chairman shall decide in order to fulfil its duties;
- (b) the Audit Committee meeting shall be chaired by the Chairman; or in his absence, another member who is an independent non-executive director nominated by the Audit Committee;
- (c) the Company Secretary shall act as Secretary of the Audit Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting;
- (d) the Secretary of the Audit Committee shall be entrusted to record all proceedings of meetings;
- (e) the Audit Committee may invite any Board member or any member of the senior management or any employees within the Company or the Group to attend any particular Audit Committee meeting; and
- (f) the Audit Committee shall report to the full Board from time to time, its recommendation for consideration and implementation and the final decision shall be the responsibility of the Board.

2.6 Voting and Proceeding of Meeting

The decision of the Audit Committee shall be by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote. Provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

Circular resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

2.7 Minutes

- (a) The Audit Committee shall cause minutes to be duly recorded and entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (b) Minutes of the Audit Committee meetings will be made available to all Board members. A summary of significant matters of each meeting of the Audit Committee and resolutions (if any) will be reported to the Board by the Chairman of the Audit Committee.

2. TERMS OF REFERENCE (cont'd)

2.7 Minutes (cont'd)

- (c) The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept by the Company at the registered office of the Company, and shall be opened for the inspection of any member of the Audit Committee and the Board.

2.8 Authority

The Audit Committee shall have, in accordance with a procedure to be determined by the Board and at the cost of the Company:

- (a) the authority to investigate any matter within its terms of reference;
- (b) the resources which are required to perform its duties;
- (c) full and unrestricted access to any information, records, properties and personnel of the Company and of the Group;
- (d) direct communication channels with the external auditors and internal auditors;
- (e) the right to obtain independent professional or other advice and to invite any person with relevant experience and expertise to attend the Audit Committee meeting whenever deemed necessary; and
- (f) the right to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

2.9 Functions and Responsibilities

The functions and responsibilities of the Audit Committee shall include the following:-

- (a) review of the Company's quarterly results and year-end financial statements before submission to the Board, focusing particularly on:-
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events;
 - compliance with accounting standards and other legal requirements;
- (b) review with the external auditors the following and report the same to the Board:-
 - the audit plan;
 - audit report;
 - evaluation of internal controls system;

2. TERMS OF REFERENCE (cont'd)

2.9 Functions and Responsibilities (cont'd)

- (c) review the following and report the same to the Board
 - the assistance given by the employees to the external auditor;
 - the adequacy of the scope, functions, competency and resources of the internal audit functions and/ that it has the necessary authority to carry out its work;
 - the internal audit programme, processes, the result of the internal audit programme, processes of investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (d) review and report to the Board any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity;
- (e) review and report to the Board any letter of resignation from external auditors;
- (f) recommend to the Board on the appointment and re-appointment of the external auditors and their audit fee, after taking into consideration the suitability, independence and objectivity of the external auditors and the cost effectiveness of the audit;
- (g) exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy; and
- (h) carry out any other function that may be mutually agreed upon by the Audit Committee and the Board.

2.10 Review of the Audit Committee

The Board of the Company shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

3. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial period, the Audit Committee carried out its duties in accordance with its terms of reference. The main activities carried out by the Audit Committee were as follows:

Financial and Operations Review

- (a) Reviewed the semi-annual and year-to-date financial results and the annual audited financial statements;
- (b) Reviewed the Audit Committee Report for inclusion in the Annual Report 2015; and
- (c) Reviewed the application of corporate governance principles and the extent of the Company's compliance with the recommendations set out in the Malaysian Code of Corporate Governance 2012 in conjunction with the preparation of the Corporate Governance and Risk Management and Internal Control Statements.

External Audit

- (a) Reviewed and approved the external auditors' scope of work and audit plan;
- (b) Reviewed with the external auditors the approved accounting standards applicable to the financial statements of the Company;
- (c) Reviewed with the external auditors the results of the audit and the audit report, including management's responses on matters highlighted in the report;
- (d) Reviewed the conduct, suitability, independence the remuneration and re-appointment of the external auditors; and
- (e) Conducted independent meetings (without the presence of Management) with the external auditors on significant findings in the course of their audit on the Company on 23 October 2014 and 15 December 2015.

Internal Audit

- (a) Reviewed and approved the internal audit team's scope of work and audit plan as well as the adequacy of the resource requirements, competency and the budget of the internal audit function;
- (b) Reviewed the Statement of Risk Management and Internal Control for inclusion in the Annual Report 2015;
- (c) Reviewed the internal audit reports and the status of action plans committed by management and communicated to the Board on relevant issues; and

3. ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

Related Party Transactions

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

4. INTERNAL AUDIT FUNCTION

The Company has outsourced its Internal Audit function to an independent professional firm, Messrs. PricewaterhouseCoopers which reports directly to the Audit Committee. The Audit Committee is to review and monitor on behalf of the Board, the adequacy and integrity of the Company's internal control.

During the financial period ended 31 December 2015, the outsourced internal auditor carried out the Internal Audit Plan comprising of reviews on Corporate Governance, the status of internal control for the procurement and tendering process and on the process and controls in place for identifying and evaluating target assets for Qualifying Acquisition (QA).

On a quarterly basis, the outsourced internal auditor submitted audit reports on the Internal Audit Plan carried out to the Audit Committee for their review and presented the audit findings at the Audit Committee meetings. Included in the reports are risk assessment and recommendations on any weaknesses of internal control identified. The outsourced internal auditor also carried out follow up checks on action taken by Management subsequent to the recommendations agreed during the meetings.

During the financial year ended 31 December 2015, the Internal Auditors carried out audits and follow-up review on the following areas:-

- Corporate Governance
- Procurement and Qualifying Acquisition Process

The outsourced internal auditor used International practices framework or a risk-based approach in preparing their internal audit reports. 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 period ended 31 December 2015 amounted to RM 0.11 million.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires the Board of Directors to establish a sound risk management framework and internal controls system to safeguard shareholders investments and the Company assets. In accordance with paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of a listed issuer is required to include in its annual report, a statement of internal control of the listed issuer as a company. The Board of Directors ("Board") recognises its responsibilities and the importance of a sound system of risk management and internal controls. Set out below is the Board's Statement of Risk Management and Internal Control, prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers", which provides an overview of the Company's state of risk management and internal control system.

BOARD RESPONSIBILITIES

The Board is responsible and accountable for the Company's system of risk management and internal controls, which includes the establishment of risk management processes and control environment, as well as reviewing the effectiveness, adequacy and integrity as an integral part of good corporate governance. The system of risk management and internal controls covers, inter alia, financial, organisational, governance, environmental, operational and compliance controls. Such system is designed to manage and minimise impact rather than completely eliminate the risk of failure that may impede the achievement of the Company's business objectives. Accordingly, it can only provide reasonable, but not absolute, assurance against any material misstatement or losses.

The Board confirms that there is continuous process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the financial period under review.

AUDIT COMMITTEE

The Audit Committee, which is chaired by an Independent Non-Executive Director, is tasked by the Board with the duty of reviewing and monitoring the effectiveness of the Company's system of internal control with the assistance of the Outsourced Internal Audit Team ("OIA").

The Audit Committee meets quarterly to deliberate on the internal audit reports prepared by OIA on the adequacy, efficiency and effectiveness of the Company's system of internal control.

INTERNAL AUDIT FUNCTION

The Company outsources its Internal Audit Function to an independent professional firm, which reports directly to the Audit Committee. The OIA conducts assessment of the level of preparation and adequacy of the policies and procedures in place, identifies potential value added enhancements and reviews the responsibility framework; including the delegation of Limits of Authority from senior management and how deviations from policies are managed. The OIA carries out a systematic review of the Company's system on internal control based on the annual audit plan approved by the Audit Committee at the Audit Meeting.

A review on Corporate Governance (CG) and Procurement & Tendering Policies and Procedures ("PTP&P") had been conducted and improvement had been carried out and reviewed by the outsourced internal auditor to the Audit Committee during the Audit Committee Meetings.

RISK MANAGEMENT STRUCTURE

The Company has put in place a Risk Management Structure that ensures responsibilities and escalation levels for dealing with risks are clearly defined throughout the company



RISK MANAGEMENT FRAMEWORK

The Company has established a Risk Management Framework to promote effective risk management and enhance the corporate governance assurance process. The framework provides an integrated risk management structure to ensure major areas of risks are controlled and coordinated. This involves the process for identifying, evaluating, monitoring and managing risks that may affect the achievement of the company's business objectives. This process is embedded into the Company's culture and staff, and will be reviewed by the Board via the Risk Management Committee to ensure its adequacy and integrity.

In addition, the Risk Management Committee plays a significant role in contributing to the establishment of a more conducive risk management environment. The Risk Management Committee is set to meet every four months to oversee the development of general risk policies and procedures to monitor and evaluate the various risks that may arise from the business activities in the Company. The Risk Management Committee is assisted by the Management. The role of the Management is to monitor and evaluate the effectiveness of the risk management process within the Company on an on-going basis. The Risk Management Committee supports the Board to fulfil its corporate governance, risk management and statutory responsibilities in order to manage any risk exposure to the Company.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Company's risk management and internal control system is driven by the following key policies and processes:

1. Qualifying Acquisition Methodology (9-Step Approach)

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

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

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

2. Limits of Authority

The Company has defined lines of authority within the organisation to facilitate the supervision and monitoring of individual business units and support services departments. The Board has approved a defined and documented Limits of Authority (“LOA”) Manual, which specifies delegation of authorities from the Board to the Board Committees and to the Management and the authorisation levels of various aspects of operations. The LOA will be regularly reviewed and updated to enhance operational effectiveness and to accommodate business dynamics.

3. Cash Investment and Monitoring

The cash raised through initial public offering can only be invested in securities issued by Malaysian Government, money market instruments and AAA-rated papers (collectively known as “Permitted Investments”) which are Syariah compliant, prior to the Qualifying Acquisition. Amanah Raya Trustees Berhad has been appointed as the custodian who serves to manage cash trust funds and investment as depicted in the trust deed outlined in the Equity Guidelines issued by Securities Commission.

4. Corporate Integrity Plan

The company is committed to ensure that business is conducted with high integrity, good corporate governance and acceptable practices. In this respect the following have been adopted:

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

CONCLUSION

The Board had received assurance from the Managing Director and the Chairman/Senior Independent Non-Executive Director that the Company's risk management and internal control system is operating adequately and effectively.

Based on reviews of the effectiveness of the internal control and risk management frameworks, information and assurance provided to the Board, the Board is satisfied that the systems of internal control and risk management in place are adequate in safeguarding the shareholders' interest and assets of the Company. The Board also confirms that there is an effective ongoing process for identification, evaluation and management of significant risks in the Company and is committed to ongoing review of the internal control and risk management frameworks to meet the changing operating environment.

This statement is made in accordance with the resolution of the Board of Directors dated 23 March 2016.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Companies Act, 1965, ("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 period ended 31 December 2015 ("FY2015") have been prepared in accordance with the applicable approved Malaysian Financial Reporting Standards and provisions of the Act.

In preparing the financial statements for the FY2015 set out in this Annual Report, the Directors consider that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

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

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following additional information is provided:-

Utilisation of Proceeds

The Company did not carry out any corporate exercise to raise funds during the financial period ended 31 December 2015.

Share Buy-Back

The Company did not enter into any share buy-back transaction during the financial period ended 31 December 2015.

Options, Warrants or Convertible Securities

(a) Options

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

(b) Warrants

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

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

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

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

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

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

Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial period ended 31 December 2015.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, Directors or management by the relevant regulatory bodies during the financial period ended 31 December 2015.

Non-Audit Fees

The amount of non-audit fees incurred by the Company for services rendered by the external auditors for the financial period ended 31 December 2015 amounted to RM15,000.00.

Variation of Results

There were no material variances between the audited results for the financial period and the unaudited results previously announced.

The Company did not make any announcement on profit estimate, forecast or projections during the financial period ended 31 December 2015.

Profit Guarantee

There were no profit guarantee given or received by the Company during the financial period ended 31 December 2015.

Material Contracts Involving Directors and Major Shareholders

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

- (i) Warrants Deed Poll dated 26 June 2013 and supplemental Warrants deed poll dated 20 June 2014 constituting the Warrants; and
- (ii) Custodian Agreement dated 26 June 2014 between the Company and the Custodian for custodian services provided by the Custodian to the Company in respect of the funds to be held in the Islamic Trust Account for an annual administration fee of RM30,000.

Recurrent Related Party Transactions of Revenue Nature

There were no recurrent related party transactions of a revenue nature which require shareholders' mandate during the financial period ended 31 December 2015.



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DIRECTORS' REPORT

for the period ended 31 December 2015

The Directors hereby submit their report and the audited financial statements of the Company for the financial period ended 31 December 2015.

Principal activities

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

Change in financial year end

During the current financial period, the Company changed its financial year end from 31 July to 31 December. As a result, these financial statements are for the period from 1 August 2014 to 31 December 2015.

Results

	RM
Loss for the period attributable to owners of the Company	32,152,587

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial period under review except as disclosed in Note 7 to the financial statements.

Dividend

No dividend was paid during the period and the Directors do not recommend any dividend to be paid for the period under review.

Directors of the Company

Directors who served since the date of the last report are:

Izlan Bin Izhab
 Shahul Hamid Bin Mohd Ismail
 Nik Din Bin Nik Sulaiman
 Aonghus Joseph O'Carroll
 Dato' Mazlin Bin Md Junid (resigned on 13 November 2014)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares/warrants of RM1 each			
	At 1.8.2014	Bought	Sold	At 31.12.2015
Interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	—	741,000	—	741,000
- warrants	—	1,000,000	—	1,000,000
Deemed interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	255,600,200*	—	—	255,600,200*
- warrants	255,600,000*	—	—	255,600,000*

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

None of the other Directors holding office at 31 December 2015 had any interest in the shares of the Company and of its related corporations during the financial period.

Directors' benefits

Since the end of previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related company 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.

There were no arrangements during and at the end of the financial period which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the Director's interest in warrants as described above.

Issue of shares

On 15 August 2014, pursuant to the listing of the Company as a SPAC, the Company issued 1,000,000,000 ordinary shares of RM0.01 each together with 1,000,000,000 warrants at an issue price of RM 0.75 per ordinary share for cash for the purpose of qualifying asset acquisition and working capital.

The ordinary shares and warrants were issued to raise fund for business expansion and working capital. Warrant holders could exchange their warrants into ordinary shares at the exercise price of RM0.75 per warrant. The exercise period of the warrants is 8 years if the completion of Qualifying Acquisition takes place. Otherwise, it will be expired on the 3rd anniversary of the listing date if completion of Qualifying Acquisition does not take place within this Permitted Timeframe. Any warrants not exercised during the period will lapse and cease to be valid. In the case of a resolution passed to wind up the Company after or prior to the completion of Qualifying Acquisition, every warrant will cease thereafter to be valid for any purpose pursuant to the Securities Commission Guidelines.

The resolution on the Qualifying Acquisition must be approved by a majority in number of shareholders representing at least 75% of the total value of shares held by all shareholders present and voting either in person or by proxy at an Extraordinary General Meeting ("EGM"). Where the Qualifying Acquisition comprises more than one acquisition, each acquisition must be approved by the shareholders of the Company in the same manner. The management team and persons connected to the management team must abstain from voting.

Shareholders other than the management team and persons connected to them who vote against a Qualifying Acquisition at the EGM will be entitled to receive, in exchange for their shares, a sum equivalent to a pro rata portion of the amount then held in the Trust Account net of any taxes payable and expenses related to the facilitation of the exchange, provided that such Qualifying Acquisition is completed within the Permitted Timeframe. The shares tendered in exchange for cash must be cancelled.

Each warrant shall entitle the holder to subscribe for one new ordinary share 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 warrants are converted 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 Securities Industry (Central Depositories) Act ("SICDA") and the rules of Bursa depository and any appendices.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial period.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial period apart from the issuance of warrants as disclosed above.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there are no bad debts to be written off and no provision needs to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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

- i) any charge on the assets of the Company that has arisen since the end of the financial period and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial period.

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

In the opinion of the Directors, the financial performance of the Company for the financial period ended 31 December 2015 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

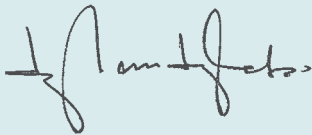
Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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



.....
Ir. Shahul Hamid Bin Mohd Ismail



.....
Izlan Bin Izhab

Kuala Lumpur,

Date: 23 March 2016

STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

	Note	31.12.2015 RM	31.7.2014 RM Restated	1.8.2013 RM
Assets				
Plant and equipment	3	304,653	132,066	205,930
Total non-current asset		304,653	132,066	205,930
Receivables, deposits and prepayments	4	189,523	23,584,904	45,009
Cash and cash equivalents	5	778,358,252	23,177,525	6,749,593
Total current assets		778,547,775	46,762,429	6,794,602
Total assets		778,852,428	46,894,495	7,000,532
Equity				
Capital	6	22,035,158	20,249,194	3,044,482
Reserves	7	6,502,920	1,990,739	(89,288)
Equity attributable to owners of the Company		28,538,078	22,239,933	2,955,194
Liabilities				
Financial liability component of the Public Issue Shares	8	738,051,343	—	—
Total non-current liabilities		738,051,343	—	—
Other payables and accruals	9	1,996,259	24,573,745	1,045,337
Current tax liability		10,266,748	80,817	—
Redeemable convertible preference shares ("RCPS")		—	—	3,000,001
Total current liabilities		12,263,007	24,654,562	4,045,338
Total liabilities		750,314,350	24,654,562	4,045,338
Total equity and liabilities		778,852,428	46,894,495	7,000,532

The notes on pages 67 to 95 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ended 31 December 2015

	Note	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM Restated
Operating expenses		(13,347,694)	(5,162,677)
Finance costs	10	(49,659,568)	—
Other income		41,106,116	331,228
Loss before tax	11	(21,901,146)	(4,831,449)
Tax expense	12	(10,251,441)	(80,817)
Loss/Total comprehensive expense for the period/year		(32,152,587)	(4,912,266)
Basic loss per ordinary share (sen)	13	(0.12)	(0.04)
Diluted loss per ordinary share (sen)	13	—	—

The notes on pages 67 to 95 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2015

	<----- Attributable to owners of the Company ----->				
	<----- Non-distributable ----->		Share-based payment reserve	Accumulated losses	Total
	Capital RM	Warrants reserve RM	reserve RM	RM	RM
At 1 August 2013	3,044,482	2,067,520	12,153	(2,168,961)	2,955,194
Loss/Total comprehensive expense for the year	—	—	—	(4,912,266)	(4,912,266)
<i>Contributions by owners of the Company</i>					
Issuance of ordinary shares	10,053,600	4,004,400	—	—	14,058,000
Conversion of RCPS	7,151,112	2,848,888	—	—	10,000,000
Share-based payment transactions	—	—	139,005	—	139,005
	17,204,712	6,853,288	139,005	—	24,197,005
At 31 July 2014, restated	20,249,194	8,920,808	151,158	(7,081,227)	22,239,933
As previously stated	20,249,194	8,920,808	151,158	(30,546,372)	(1,225,212)
Prior year adjustment (Note 18)	—	—	—	23,465,145	23,465,145
At 1 August 2014, restated	20,249,194	8,920,808	151,158	(7,081,227)	22,239,933
Loss/Total comprehensive expense for the period	—	—	—	(32,152,587)	(32,152,587)
<i>Contributions by owners of the Company</i>					
Issuance of ordinary shares and warrants	1,785,964	36,357,116	—	—	38,143,080
Share-based payment transactions	—	—	307,652	—	307,652
	1,785,964	36,357,116	307,652	—	38,450,732
At 31 December 2015	22,035,158	45,277,924	458,810	(39,233,814)	28,538,078
	Note 6	Note 7	Note 7		

The notes on pages 67 to 95 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the period ended 31 December 2015

	Note	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM Restated
Cash flows from operating activities			
Loss before tax		(21,901,146)	(4,831,449)
<i>Adjustments for:</i>			
Gain on disposal of plant and equipment		(6,047)	—
Depreciation of plant and equipment	3	451,798	102,460
Finance income		(41,070,419)	(331,228)
Share-based payment transaction	7.2	307,652	139,005
Finance cost		49,659,568	—
Operating loss before changes in working capital		(12,558,594)	(4,921,212)
Changes in working capital:			
Receivables, deposits and prepayments		(69,764)	(23,539,895)
Other payables and accruals		887,659	23,528,408
Cash used in operations		(11,740,699)	(4,932,699)
Tax paid		(65,510)	—
Net cash used in operating activities		(11,806,209)	(4,932,699)
Cash flows from investing activities			
Acquisition of plant and equipment		(668,338)	(28,596)
Proceeds from sale of plant and equipment		50,000	—
Finance income received		26,448,411	331,228
Placement of deposits with licensed bank restricted for use		(749,785,545)	—
Net cash (used in)/generated from investing activities		(723,955,472)	302,632
Cash flows from financing activities			
Proceeds from issuance of ordinary shares and warrants		750,000,000	14,058,000
Proceeds from issuance of redeemable convertible preference shares		—	6,999,999
Payment for share listing expenses		(23,465,145)	—
Net cash generated from financing activities		726,534,855	21,057,999
Net (decrease)/increase in cash and cash equivalents		(9,226,826)	16,427,932
Cash and cash equivalents at beginning of period/year		23,177,525	6,749,593
Cash and cash equivalents at end of period/year		13,950,699	23,177,525

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	31.12.2015 RM	31.7.2014 RM
Short-term deposits with licensed banks	5	778,336,230	21,433,208
Cash and bank balances	5	22,022	1,744,317
		778,358,252	23,177,525
Less:			
Accrual of profits on deposits		(14,622,008)	—
Deposit with licensed banks which are restricted in use		(749,785,545)	—
		13,950,699	23,177,525

The notes on pages 67 to 95 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

Principal Place of Business

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

Registered Office

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

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

The Qualifying Acquisition will have an aggregate fair market value of at least 80% of the aggregate amount in the Islamic Trust Account net of any taxes payable.

Within three years from the date of listing of the Company on 15 August 2014, in the event the Company fails to complete the Qualifying Acquisition, the Company will be delisted from the Main Market of Bursa Securities.

The resolution on the Qualifying Acquisition must be approved by a majority in number of shareholders representing at least 75% of the total value of shares held by all shareholders present and voting either in person or by proxy at an Extraordinary General Meeting ("EGM"). Where the Qualifying Acquisition comprises more than one acquisition, the Company will subject each acquisition to the approval of shareholders in the same manner.

The significant shareholder, Reach Energy Holdings Sdn. Bhd. (the management team) and persons connected to them will abstain from voting at the EGM.

Shareholders other than the management team and persons connected to them who vote against a Qualifying Acquisition at the EGM will be entitled to receive, in exchange for their shares, a sum equivalent to a pro rata portion of the amount then held in the Trust Account net of any taxes payable and expenses related to the facilitation of the exchange, provided that such Qualifying Acquisition is completed within the Permitted Timeframe. The shares tendered in exchange for cash must be cancelled.

Prior to the shares and warrants of the Company being listed on the Main Market of Bursa Malaysia Securities Berhad on 15 August 2014, the Company was a subsidiary of Reach Energy Holdings Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 23 March 2016.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016; and
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impact to the financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards (“MFRSs”) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed below:

Going concern assumption

The Directors assessed and concluded that it is appropriate to prepare this set of financial statements on a going concern basis. While the Company needs to identify and obtain approval of the shareholders to acquire an appropriate qualifying asset within 3 years from 15 August 2014, failing which the Company will need to be liquidated, at the date of this report, there is no reason for the Directors to believe that there is any significant uncertainty on the ability of the Company to complete an acquisition of a qualifying asset. As stated in Note 19, an asset has been identified for acquisition.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2. Significant accounting policies (continued)

(b) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(f)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

The estimated useful lives for the current period are as follows:

- | | |
|----------------------------------|-------------|
| • Leasehold improvement | 2 years |
| • IT network equipment | 2 years |
| • Office furniture and equipment | 3 - 5 years |

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(d) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2(b)(ii).

2. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

(g) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares, other than those issued to the public which carry special rights as disclosed in Note 8, are classified as equity. The public shares held by the public are accounted for as compound instruments.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

2. Significant accounting policies (continued)

(g) Equity instruments (continued)

(iii) Preference share capital (continued)

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as finance expense in profit or loss as accrued.

(iv) Warrants reserve

The warrants reserve arose from the proceeds from issuance of warrants. Warrants reserve is transferred to share premium upon the 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.

(h) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Company comprise shares that are issued to the public which carry special rights as disclosed in Note 8.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

2. Significant accounting policies (continued)

(i) Employee benefits (continued)

(i) Short-term employee benefits (continued)

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment

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

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

(j) Other income

Finance income

Finance income is recognised as it accrues using the effective interest rate in profit or loss.

(k) Borrowing costs

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

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

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

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

2. Significant accounting policies (continued)

(l) Income tax (continued)

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Significant accounting policies (continued)

(m) Fair value measurement (continued)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(n) Loss per ordinary share

The Company presents basic and diluted loss per share data for its ordinary shares.

Basic loss per ordinary share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted loss per ordinary share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise free convertible warrants granted to the shareholders.

3. Plant and equipment

	Leasehold improvement RM	Information technology network equipment RM	Office furniture and equipment RM	Total RM
Costs				
At 1 August 2013	104,100	26,000	106,777	236,877
Additions	—	—	28,596	28,596
At 31 July 2014/1 August 2014	104,100	26,000	135,373	265,473
Additions	403,457	36,810	228,071	668,338
Disposals	—	—	(107,519)	(107,519)
Write-off	(104,100)	—	—	(104,100)
At 31 December 2015	403,457	62,810	255,925	722,192
Accumulated depreciation				
At 1 August 2013	17,285	4,333	9,329	30,947
Charge for the year	52,092	13,003	37,365	102,460
At 31 July 2014/1 August 2014	69,377	17,336	46,694	133,407
Charge for the period	301,312	33,206	117,280	451,798
Disposals	—	—	(63,566)	(63,566)
Write-off	(104,100)	—	—	(104,100)
At 31 December 2015	266,589	50,542	100,408	417,539
Carrying amounts				
At 31 July 2014	34,723	8,664	88,679	132,066
At 31 December 2015	136,868	12,268	155,517	304,653

4. Receivables, deposits and prepayments

	Note	31.12.2015 RM	31.7.2014 RM Restated
Non-trade			
Deposits		147,617	119,654
Prepayments	4.1	41,801	23,465,145
Other receivables		105	—
Amount due from holding company	4.2	—	105
		189,523	23,584,904

4.1 Included in prepayments as at 31 July 2014 were expenses incurred for the purpose of issuance of shares and warrants pursuant to the listing of the Company that were capitalised as cost of issuance of equity or liabilities instruments as appropriate during the current period ended 31 December 2015.

4.2 Amount due from holding company is unsecured, interest free, and repayable on demand.

5. Cash and cash equivalents

	Note	31.12.2015 RM	31.7.2014 RM
Short-term deposits with licensed banks	5.1	28,550,685	21,433,208
Cash and bank balances		22,022	1,744,317
Deposit with licensed banks which are restricted in use	5.2	749,785,545	—
		778,358,252	23,177,525

5.1 The remaining days to maturity and effective interest rate for the fixed deposits with licensed banks as at 31 December 2015 ranges for 13 to 90 days.

5. Cash and cash equivalents (continued)

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

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

6. Capital**Share capital**

	Number of shares 2015	Amount 2015 RM	Number of shares 2014	Amount 2014 RM
Authorised ordinary shares:				
At 1 August 2014/2013	5,000,000,000	50,000,000	2,490,000,000	24,900,000
Creation of ordinary shares	—	—	2,500,000,000	25,000,000
Conversion of Redeemable Convertible Preference Shares ("RCPS") to ordinary shares	—	—	10,000,000	100,000
At 31 December 2015/ July 2014	5,000,000,000	50,000,000	5,000,000,000	50,000,000
	Number of shares 2015	Amount 2015 RM	Number of shares 2014	Amount 2014 RM
Ordinary shares:				
At 1 August 2014/2013	277,822,425	2,778,224	113,600,200	1,136,002
Issued during the financial period/year	1,000,000,000	10,000,000	142,000,000	1,420,000
Conversion of RCPS	—	—	22,222,225	222,222
At 31 December 2015/July 2014	1,277,822,425	12,778,224	277,822,425	2,778,224

6. Capital (continued)**Share premium**

	31.12.2015 RM	31.7.2014 RM
At 1 August 2014/2013	17,470,970	1,908,480
Issuance of ordinary shares during the period/year	740,000,000	8,633,600
Conversion of RCPS	—	6,928,890
Share issuance expenses	(23,465,145)	—
At 31 December 2015/July 2014	734,005,825	17,470,970

Total Capital

	31.12.2015 RM	31.7.2014 RM
Total share capital and premium	746,784,049	20,249,194
Proceeds of shares allocated to warrant reserves (Note 7)	(36,357,116)	—
Proceeds of shares allocated to financial liability (Note 8)	(688,391,775)	—
	22,035,158	20,249,194

7. Reserves

	Note	31.12.2015 RM	31.7.2014 RM Restated
Warrants reserve	7.1	45,277,924	8,920,808
Share-based payment reserve	7.2	458,810	151,158
Accumulated losses		(39,233,814)	(7,081,227)
		6,502,920	1,990,739

7. Reserves (continued)

7.1 Warrants reserve

	Number of warrants 2015	Amount 2015 RM	Number of warrants 2014	Amount 2014 RM
At 1 August 2014/2013	277,822,225	8,920,808	113,600,000	2,067,520
Created during the period/year	1,000,000,000	36,357,116	164,222,225	6,853,288
At 31 December 2015/July 2014	1,277,822,225	45,277,924	277,822,225	8,920,808

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 Securities Industry (Central Depositories) Act ("SICDA") and the rules of Bursa depository and any appendices.

7.2 Share-based payment reserve

	2015 RM	2014 RM
At 1 August 2014/2013	151,158	12,153
Charge during the period/year	307,652	139,005
At 31 December 2015/July 2014	458,810	151,158

7. Reserves (continued)

7.2 Share-based payment reserve (continued)

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

As the warrants were issued for free, concurrent with the issuance of ordinary shares, it is deemed that the free warrants were issued for payment of service.

The fair values of warrants at grant dates were estimated using the Trinomial Lattice Model based on the following key assumptions:

- | | |
|------------------------------------|--|
| i) Exercise price | RM0.75 per warrant |
| ii) Tenure of the Warrant | 8 years |
| iii) Risk free interest rate | 3.222% |
| iv) Expected dividend yield | 0% |
| v) Expected share price volatility | 56.65% (Tranche 1), 34.11% (Tranche 2) |

8. Financial liability component of the Public Issue Shares (“FLC”)

- (i) The Company placed 94.75% of the gross proceeds from its public issuance of shares in a custodian trust account immediately upon receipt of all proceeds (“IPO Custodian Trust Proceeds”). The amount in the custodian account may only be released by the custodian upon termination of the custodian trust account (Note 5.2);
- (ii) In the event the Company fails to complete a Qualifying Acquisition within the Permitted Timeframe (i.e. 36 months from the date of listing of the Company), the Company must be liquidated. The amount then held in the custodian trust account (net of any taxes payable and direct expenses related to the liquidation), must be distributed to the respective shareholders, except for Reach Energy Holdings Sdn. Bhd. and the Initial Investors, on a pro rata basis as soon as practicable, as permissible by the relevant laws and regulations (“Liquidation Distribution”). Reach Energy Holdings Sdn. Bhd. and Initial Investors may not participate in the Liquidation Distribution, except for securities purchased by them after the date of listing of the Company on the Bursa Securities;

8. Financial liability component of the Public Issue Shares (“FLC”) (continued)

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

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

9. Other payables and accruals

	31.12.2015 RM	31.7.2014 RM
Other payables	202,908	636,452
Accruals	1,793,351	23,937,293
	1,996,259	24,573,745

10. Finance costs

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Interest expense on financial liability component of the Public Issue Shares	49,659,568	—

11. Loss before tax

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Loss before tax is arrived at after charging:		
Auditors' remuneration		
- Statutory audit	80,000	50,000
Depreciation of plant and equipment	451,798	102,460
Key management personnel expenses:		
- Salaries and other emoluments	3,625,000	2,328,916
- Employee Provident Fund	408,000	278,640
Rental of office premise	435,996	94,965
Share-based payment transaction	307,652	139,005
and after crediting:		
Profits on fixed deposits placements	41,070,419	331,228
Gain on disposal of plant and equipment	6,047	—
Gain on realised foreign exchange	29,625	—

12. Tax expense***Recognised in profit or loss***

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Current tax expense		
Current	10,267,605	80,817
Prior year	(16,164)	—
	10,251,441	80,817

12. Tax expense (continued)***Reconciliation of tax expense***

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Loss before tax	(21,901,146)	(28,296,594)
Taxation at Malaysian statutory tax rate of 25%	(5,475,287)	(7,074,149)
Non-deductible expenses	15,742,892	7,154,966
Over provision in prior year	(16,164)	—
Income tax expense	10,251,441	80,817

13. Loss per ordinary share***Basic loss per ordinary share***

The calculation of basic loss per ordinary share at 31 December 2015 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM Restated
Loss attributable to ordinary shareholders	(32,152,587)	(4,912,246)
Weighted average number of ordinary shares	277,822,425	131,121,661
Basic loss per ordinary share	(0.12)	(0.04)

The weighted average number of ordinary shares does not include the ordinary shares held by the public which has been classified as financial liability (Note 8).

Diluted loss per ordinary share

The fully diluted loss per share for the Company in the current financial period was not presented as the assumed conversion from the exercise of warrants and financial liability would be anti-dilutive.

14. Financial instruments

14.1 Categories of financial instruments

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

- (a) Loans and receivables ("L&R");
- (b) Other liabilities ("OL").

	Carrying amount 2015 RM	L&R/ (OL) 2015 RM	Carrying amount 2014 RM	L&R/ (OL) 2014 RM
Financial assets				
Receivables and deposits	147,722	147,722	119,759	119,759
Cash and bank balances	778,358,252	778,358,252	23,177,525	23,177,525
	778,505,974	778,505,974	23,297,284	23,297,284
Financial liabilities				
Financial liability component of the Public Issue Shares	(738,051,343)	(738,051,343)	—	—
Other payables and accruals	(1,996,259)	(1,996,259)	(24,573,745)	(24,573,745)
	(740,047,602)	(740,047,602)	(24,573,745)	(24,573,745)

14.2 Net (loss)/gains arising from financial instruments

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Net (loss)/gains on:		
Loans and receivables	41,100,069	331,228
Other liabilities	(49,659,568)	—
	(8,559,499)	331,228

14. Financial instruments (continued)

14.3 Financial risks management objectives and policies

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk

14.4 Credit risk

Credit risk is the risk of a financial loss to the Company arises principally from the investment in bank balances and fixed deposit.

Exposure to credit risk

The maximum exposure to credit risk for the Company is represented by the carrying amount of the loans and receivables presented in the statement of financial position. As at the end of the reporting period, there was no indication that the loans and receivables are not recoverable.

14.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its payables.

The Company maintains a level of cash and bank balances deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

14.6 Fair value of financial instruments

The carrying amount of cash and bank balances, receivables, deposits and other payables and accruals approximate their fair values due to the relatively short-term nature of these financial instruments.

The carrying amount of the financial liabilities of the Public Issued Shares approximate their fair values.

15. Capital management

The Company's objectives when managing capital is to maintain a strong capital base and to safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

16. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Less than one year	127,435	382,861
Between one and five years	—	303,527
	127,435	686,388

The Company leases office premise under operating lease. The lease runs for a period of two years. None of the lease includes contingent rentals.

17. Related parties

For the purposes of these financial statements, parties are considered to be related to the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in notes 4.

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM
Key management personnel:		
Directors		
- Fees	292,048	135,650
- Remunerations and other emoluments	1,341,000	750,443
- Defined contribution plan	160,920	89,280
	1,793,968	975,373
Other key management personnel		
- Remunerations and other emoluments	2,284,000	1,578,473
- Defined contribution plan	247,080	189,360
	2,531,080	1,767,833
	4,325,048	2,743,206

18. Prior year adjustments and comparative figures

In the previous financial year, the expenses amounting to RM23,465,145 in relation to the issuance of ordinary shares and warrants pursuant to the listing of the Company were expensed to the profit or loss. Upon reassessment by the Directors, these expenses were prepaid incremental costs that should have been recorded as prepayments and consequently, adjustments were made to the comparatives as follows:

	31.7.2014	
	As restated RM	As previously stated RM
Statement of financial position		
Current assets		
Receivables, deposits and prepayments	23,584,904	119,759
Reserves	1,990,739	(21,474,406)
Statement of profit and loss		
Operating expenses	(5,162,677)	(28,627,822)
Loss before tax	(4,831,449)	(28,296,594)
Loss/Total comprehensive expense for the year	(4,912,266)	(28,377,411)
Statement of changes in equity		
Accumulated losses	(7,081,227)	(30,546,372)
Statement of cash flows		
Cash flows from operating activities		
Loss before tax	(4,831,449)	(28,296,594)
Operating loss before changes in working capital	(4,921,212)	(28,386,357)
Changes in working capital:		
Receivables, deposits and prepayments	(23,539,895)	(74,750)
Net cash used in operating activities	(4,932,699)	(4,601,471)

19. Subsequent events

The Company has entered into a tri-partite conditional Sale and Purchase Agreement ("SPA") on 5 March 2016 with Palaeontol Cooperatief U.A. ("Palaeontol COOP") and MIE Holdings Corporation ("MIEH"), a corporation listed on the Main Board of the Stock Exchange of Hong Kong Limited for the proposed acquisition of 60% equity interest in Palaeontol B.V. (a wholly-owned subsidiary of Palaeontol COOP which in turn is an indirect wholly-owned subsidiary of MIEH) for a total purchase consideration of USD154.889 million, subject to adjustments.

At the completion of the SPA ("Completion"), the Purchase Consideration shall be adjusted as follows:

- (i) either (a) increase by an amount equal to the net contribution amounts made by MIEH or its affiliates (excluding Palaeontol B.V. and Emir-Oil (collectively referred to as "Palaeontol B.V. Group")) to the Palaeontol B.V. Group or received by MIEH or its affiliates (excluding the Palaeontol B.V. Group) from the Palaeontol B.V. Group respectively from the Effective Date to the Completion Date ("Net Contribution Amount") which shall not exceed an aggregate amount of USD21 million, if such amount is positive; or (b) decrease by an amount equal to the Net Contribution Amount if such amount is negative; and
- (ii) increase by the Relevant Percentage of any amount recovered from a loan to Aral Petroleum Capital LLP prior to the Completion Date

(collectively referred to as the "Adjusted Purchase Consideration"), provided always that the Adjusted Purchase Consideration shall not be greater than USD175.889 million (unless otherwise agreed by MIEH and Reach Energy in the case of exceptional or extra items of expenditure for the Palaeontol B.V. Group).

20. Accumulated losses

The breakdown of the accumulated loss of the Company at reporting date, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	1.8.2014 to 31.12.2015 RM	Year ended 31.7.2014 RM Restated
Realised losses	(39,233,814)	(7,081,227)
Unrealised losses	—	—
Total accumulated losses	(39,233,814)	(7,081,227)

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

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

STATEMENT BY DIRECTORS

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

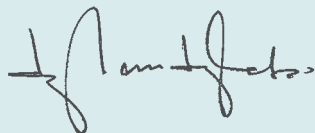
In the opinion of the Directors, the financial statements set out on pages 62 to 94 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the financial period ended 31 December 2015.

In the opinion of the Directors, the information set out in Note 20 on page 95 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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



.....
Ir. Shahul Hamid Bin Mohd Ismail



.....
Izlan Bin Izhab

Kuala Lumpur,

Date: 23 March 2016

STATUTORY DECLARATION

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

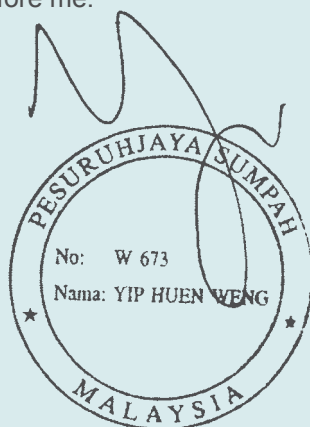
I, **Lim May Yen**, the Officer primarily responsible for the financial management of Reach Energy Berhad, do solemnly and sincerely declare that the financial statements set out on pages 62 to 95 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 23 March 2016.



.....
Lim May Yen

Before me:



NO. 21, JALAN AMINUDDIN BAKI
TAMAN TUN DR ISMAIL
60080 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

to the members of Reach Energy Berhad

Report on the Financial Statements

We have audited the financial statements of Reach Energy Berhad, which comprise the statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 62 to 94.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

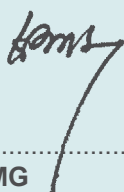
In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 20 on page 95 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

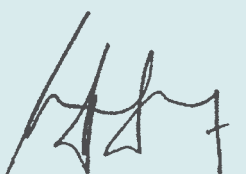
This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



.....
KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 23 March 2016



.....
Thong Foo Vung
Approval Number: 2867/08/16(J)
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

as at 29 February 2016

Authorised share capital	:	50,000,000 divided into 4,990,000,000 Ordinary Shares of RM0.01 each and 10,000,000 Redeemable Convertible Preference Shares of RM0.01 each
Issued and fully paid-up share capital	:	RM12,778,224.25 comprising 1,277,822,425 ordinary shares of RM0.01 each
Class of shares	:	Ordinary Shares of RM0.01 each
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	4	0.16	200	0.00
100 - 1,000	134	5.29	99,100	0.01
1,001 - 10,000	1,357	53.57	8,746,200	0.68
10,001 - 100,000	642	25.35	23,397,300	1.83
100,001 to less than 5% of issued shares	395	15.59	989,979,425	77.48
5% and above of issued shares	1	0.04	255,600,200	20.00
Total	2,533	100.00	1,277,822,425	100.00

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held (Direct Interest)	%	No. of Shares Held (Indirect Interest)	%
1	Reach Energy Holdings Sdn Bhd	255,600,200 ²	0.00	—	—
2	Ir. Shahul Hamid Bin Mohd Ismail	741,000	0.06	255,600,200 ^a	20.00
3	Datin Nik Fuziah binti Tan Sri Dr. Nik Hussein	40,000,000	3.13	35,030,400 ^b	2.74
4	Dato' Dr. Azmil Khalili bin Dato' Khalid	35,030,400	2.74	40,000,000 ^c	3.13

Notes:

- a Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965*
- b Indirect interest via the shareholdings of her spouse, Dato' Dr. Azmil Khalili bin Dato' Khalid pursuant to Section 6A of the Companies Act, 1965*
- c Indirect interest via the shareholdings of his spouse, Datin Nik Fuziah binti Tan Sri Dr. Nik Hussein pursuant to Section 6A of the Companies Act, 1965*

DIRECTOR'S SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Shareholders	No. of Shares Held (Direct Interest)	%	No. of Shares Held (Indirect Interest)	%
1	Izlan Bin Izhab	—	—	—	—
2	Nik Din Bin Nik Sulaiman	—	—	—	—
3	Ir. Shahul Hamid Bin Mohd Ismail	741,000	0.06	255,600,200 [#]	20.00
4	Aonghus Joseph O'Carroll	—	—	—	—

Notes:

[#] Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Shareholdings
1	Reach Energy Holdings Sdn Bhd	255,600,200	20.00
2	Lembaga Tabung Haji	62,965,300	4.93
3	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for JV Swasta Sdn Bhd</i>	47,859,500	3.75
4	HSBC Nominees (Asing) Sdn Bhd <i>Exempt an for Credit Suisse Securities (Europe) Limited</i>	47,345,100	3.71
5	MKW Jaya Sdn Bhd	45,290,000	3.54
6	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Abdul Aziz bin Abdul Kadir</i>	45,000,000	3.52
7	Nik Fuziah binti Nik Hussein	40,000,000	3.13
8	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Siva Kumar a/l M Jeyapalan</i>	27,804,400	2.18
9	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund</i>	24,000,000	1.88
10	Daya Materials Berhad	22,222,225	1.74
11	Cimsec Nominess (Tempatan) Sdn Bhd <i>CIMB Bank for MTD Capital Bhd</i>	22,000,000	1.72
12	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 1)</i>	20,980,400	1.64
13	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Azmil Khalili bin Khalid</i>	20,000,000	1.57

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

No.	Name of Shareholders	No. of Shares	% of Shareholdings
14	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for AAB Holdings Sdn Bhd</i>	19,000,000	1.49
15	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for SMB Resources Sdn Bhd</i>	19,000,000	1.49
16	HLG Futures Sdn Bhd	16,402,800	1.28
17	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Azmil Khalili bin Khalid</i>	15,030,400	1.18
18	Ng Long Tiang	12,000,000	0.94
19	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan)</i>	11,780,400	0.92
20	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund</i>	11,636,700	0.91
21	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Ng Paik Pheng</i>	10,731,300	0.84
22	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Islamic Trustee Berhad for Pacific Dana Aman</i>	10,478,400	0.82
23	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kian Aik</i>	10,372,900	0.81
24	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt an for Deutsche Bank AG London</i>	10,196,900	0.80
25	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chin San</i>	10,104,000	0.79
26	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kim Heung</i>	10,000,000	0.78
27	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Syed Mohd Nizam bin Syed Majid</i>	10,000,000	0.78
28	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Rickoh Corporation Sdn Bhd</i>	10,000,000	0.78
29	HLIB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Sun Rui Zhe</i>	9,860,000	0.77
30	Yayasan Pok Dan Kassim	9,500,000	0.74
		887,160,925	69.43

ANALYSIS OF WARRANT HOLDINGS

as at 29 February 2016

No. of Warrants Issued	:	1,277,822,225
No. of Warrants Unexercised	:	1,277,822,225
Exercise Price	:	RM0.75
Expiry Date	:	The expiry dates of the warrants is as follows:-
	(a)	15 August 2022 if the completion of Qualifying Acquisitions takes place within 36 months from the date of listing of the Company (i.e 15 August 2014); or
	(b)	15 August 2017 if the completion of Qualifying Acquisition does not take place within 36 months from the date of listing of the Company (i.e 15 August 2014).
Rights of Warrant Holder	:	The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants into new ordinary shares of the Company.

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrant Holdings
1 - 99	0	0	0	0
100 - 1,000	62	1.64	49,000	0.00
1,001 - 10,000	1,071	28.39	7,394,600	0.58
10,001 - 100,000	1,652	43.80	83,309,600	6.52
100,001 to less than 5% of issued warrant	986	26.14	931,469,025	72.90
5% and above of issued warrant	1	0.03	255,600,000	20.00
Total	3,772	100.00	1,277,822,225	100.00

SUBSTANTIAL WARRANT HOLDERS AS PER THE REGISTER OF SUBSTANTIAL WARRANT HOLDERS

No.	Name of Shareholders	No. of Warrants Held (Direct Interest)	%	No. of Warrants Held (Indirect Interest)	%
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00	—	—
2	Ir. Shahul Hamid bin Mohd Ismail	1,000,000	0.08	255,600,000 ^a	20.00

Notes:

- ^a Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

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

No.	Name of Shareholders	No. of Warrants Held (Direct Interest)	%	No. of Warrants Held (Indirect Interest)	%
1	Izlan Bin Izhab	—	—	—	—
2	Nik Din Bin Nik Sulaiman	—	—	—	—
3	Ir. Shahul Hamid Bin Mohd Ismail	1,000,000	0.08	255,600,000#	20.00
4	Aonghus Joseph O'Carroll	—	—	—	—

Notes:

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

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Shareholders	No. of Warrants	% of Warrant Holdings
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00
2	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Abdul Aziz Bin Abdul Kadir</i>	45,000,000	3.52
3	Nik Fuziah Binti Nik Hussein	40,000,000	3.13
4	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Vertical Source Sdn Bhd</i>	23,000,000	1.80
5	Lembaga Tabung Haji	22,828,100	1.79
6	Daya Materials Berhad	22,222,225	1.74
7	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank MTD Capital Bhd</i>	22,000,000	1.72
8	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Azmil Khalili bin Khalid</i>	20,000,000	1.57
9	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 1)</i>	20,000,000	1.57
10	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Ravendran a/l S Sockanathan</i>	10,000,000	0.78
11	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Koh Kin Lip</i>	10,000,000	0.78
12	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chin San</i>	9,604,000	0.75

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS (cont'd)

No.	Name of Shareholders	No. of Warrants	% of Warrant Holdings
13	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for AAB Holdings Sdn Bhd</i>	9,500,000	0.74
14	Teo Ah Seng	9,350,000	0.73
15	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for SMB Resources Sdn Bhd</i>	9,000,000	0.70
16	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB for MTD Capital Bhd</i>	8,000,000	0.63
17	Lai Ming Chun @ Lai Poh Lin	8,000,000	0.63
18	HSBC Nominees (Asing) Sdn Bhd <i>Exempt an for Credit Suisse</i>	7,200,000	0.56
19	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt an for Bank of Singapore Limited</i>	7,000,000	0.55
20	Mohamad Zaini bin Mokhtar	6,788,000	0.53
21	Ung Yoke Hong	6,267,000	0.49
22	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ahmad Zaini bin A. Jamil</i>	6,000,000	0.47
23	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Siew Booy</i>	5,619,800	0.44
24	Er Zhi Lee	5,500,000	0.43
25	Esplanade Land Sdn Bhd	5,500,000	0.43
26	MKW Jaya Sdn Bhd	5,500,000	0.43
27	Yayasan Pok Dan Kassim	5,500,000	0.43
28	Leow Wai Mun	5,200,000	0.41
29	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Julian Suresh Candiah</i>	5,100,000	0.40
30	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Vertical Source Sdn Bhd</i>	5,000,000	0.39
		620,279,125	48.54

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REACH ENERGY

REACH ENERGY BERHAD
(1034400-D)

PROXY FORM

CDS Account No.	
No. of shares held	

I/We
(Full name in block letters, NRIC No. / Company No.)

of

being a member/members of **REACH ENERGY BERHAD**, hereby appoint:

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the **Chairman of the Meeting** as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of Reach Energy Berhad to be held at Tournament Room, Ground Floor, West Lobby, Kuala Lumpur Golf and Country Club, 10, Jalan 1/70D, Bukit Kiara, 60000 Kuala Lumpur, Malaysia, on Tuesday, 26 April 2016 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

Resolution No.	Resolution	For	Against
Ordinary Resolution 1	To approve the proposed payment of Directors' fees in respect of the financial period from 1 August 2015 to 31 December 2015		
Ordinary Resolution 2	To approve the proposed payment of Directors' fees in respect of the financial year ending 31 December 2016, to be made payable quarterly		
Ordinary Resolution 3	To re-elect Mr Aonghus Joseph O'Carroll		
Ordinary Resolution 4	To re-appoint Encik Izlan Bin Izhah		
Ordinary Resolution 5	Appointment of Messrs PricewaterhouseCoopers as the Company's Auditors		
Ordinary Resolution 6	Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965		

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 _____, 2016

.....
Signature of Shareholder/Attorney
(if shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

Notes:

- In regard of deposited securities, only members whose names appears in the Record of Depositors as at 20 April 2016 shall be eligible to attend the Meeting and to speak and vote thereat.
- 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 and the provision of Section 149(1) (b) of the Companies Act, 1965 need not be complied with. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his/her attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the Annual General Meeting for verification by the Company Secretary.
- 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.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.
- To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

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www.reachenergy.com.my