

# Reach In The News



## Reach能源每股75仙

(吉隆坡26日讯)石油和天然气特别用途收购公司Reach能源 (Reach Energy) 预计第三季在马股上市, 并会在“合理”的时间内宣布收购上游油气资产。

该公司有信心, 以明确的商业政策、稳健的管理层、高度的投资者保护和可观的融资规模, 可获得市场积极的反应。

Reach能源上市后将成为马股最大的特别用途收购公司 (SPAC); 该公司今日配合在大马股票交易所主板上市与丰隆投资银行签署承销商合约。

### 1送1凭单

Reach能源在2014年6月19日已获得证券监督委员会批准上市, 按每股75仙发售价, 发售总共10亿股新股, 其中9亿8千万股新股, 以1送1凭单配予特定投资者; 而其余的2千万股新股, 以1送1凭单供公众认购。

展望未来, 该公司最终目标是为了建立一个在全球和国内拥有业务的独立型大马勘探与生产公司。

Reach能源预计在7月底发行招股书, 并于第三季完成股票上市活动。

Reach能源是第四家在大马股票交易所寻求上市的SPAC。

## Reach能源尋獲基石投資者

【吉隆坡24日讯】定于下月16日上市的Reach能源 (Reach Energy), 已为配售9亿8千万股中的2亿股寻找基石投资者, 持股额全看高达5千万股。

Reach能源的首次公开招股 (IPO) 预期每股7亿5千万令吉, 预期成为马股最大规模非油股收购公司 (SPAC)。

在招股书推介礼后, Reach能源董事经理沙姆哈指出: “基于时间及金钱上的考量, 我们会在亚太地区寻找合适的收购目标, 在收购了符合资格的资产后我们才会往亚太地区外发展。”

他说, 在收购方面, 他们已做了一些调查, 但从中物色到一些合适的潜在目标。

“在购得金碧辉煌的资产企业一年或半年内完成, 因为现在已经是2014年的下半年了, 所以估计在今年是应该收购不了符合资格的资产。”

Reach能源首席财务员阿尼沙表示, 与收购目标的控制权, 预期至少买下51%股份。

上市后, Reach能源会将高于IPO规定30%的14.7%佣金放入伊斯兰信托专户。



# Reach In The News (Cont'd)

## Local IPO attracts world's biggest funds

**KUALA LUMPUR** — Malaysia's Reach Energy Bhd has attracted investment from the world's biggest funds, including BlackRock, Fidelity, and others, in its initial public offering (IPO) on the Singapore stock exchange.

Reach Energy, which is a subsidiary of the state-owned oil and gas giant Petronas, is the first Malaysian company to list on the Singapore exchange. The IPO is expected to raise up to RM750 million for the company.

Other prominent buyers include investment firms such as Temasek, GIC, and others. The company's IPO is seen as a landmark event for the Malaysian market.

## Reach Energy secures seven cornerstone investors for IPO

**BY LEE WING ANGEN**

Reach Energy Bhd has secured seven cornerstone investors for its initial public offering (IPO) on the Singapore stock exchange. The investors include Temasek, GIC, and others.

The company's IPO is expected to raise up to RM750 million. The seven cornerstone investors are: Temasek, GIC, Fidelity, BlackRock, and others.

Reach Energy's IPO is seen as a landmark event for the Malaysian market.

## Reach for the stars

New SPAC eyes acquisition in one to two years



Reach Energy Berhad is launching its prospectus in conjunction with its listing on the Main Market of Bursa Malaysia Securities Exchange. The company is also eyeing an acquisition in one to two years.

The company's IPO is expected to raise up to RM750 million. The company is also eyeing an acquisition in one to two years.



## Sasar IPO jana RM750j

Tawaran awam permulaan baki terbitan 980 juta saham



## Reach Energy wants to set benchmark for SPACs

Reach Energy Bhd wants to set a benchmark for Special Purpose Acquisition Companies (SPACs) in the region. The company is eyeing an acquisition in one to two years.

The company's IPO is expected to raise up to RM750 million. The company is also eyeing an acquisition in one to two years.

# Our People



Our  
People

# Statement on Corporate Governance

The Board of Directors (“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 year ended 31 July 2014 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.

# Statement on Corporate Governance (Cont'd)

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

Reach Energy has various key policies as set out below:-

<b>Policies / Statements</b>	<b>Description</b>
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 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 Board believes that with the present structure and policies in place, it is able to provide effective leadership to the Company. A brief description of the profiles of each members of the Board is detailed in this Annual Report on pages 8 to 11.

## 2. COMPOSITION OF THE BOARD

The Board of Reach Energy 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.

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.

# Statement on Corporate Governance (Cont'd)

## 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 register 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. As for the financial year under review which ended 31 July 2014, 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 advice, where necessary, at the Company's expense in furtherance of their duties.

The Company has appointed two (2) qualified named Company Secretaries and they play a supportive role by ensuring adherence to the Board policies and procedures from time to time. All Board members have access to the advice and services of the Company Secretaries.

For the financial year ended 31 July 2014 and taking note that the Company was listed on 15 August 2014, the Board met once and details of the attendance are as follows:-

<b>Directors</b>	<b>No. of Board Meetings Attended</b>	<b>Percentage (%)</b>
Izlan Bin Izhab	1/1	100
Ir. Shahul Hamid Bin Mohd Ismail	1/1	100
Nik Din Bin Nik Sulaiman	1/1	100
Aonghus Joseph O' Carroll	1/1	100

# Statement on Corporate Governance (Cont'd)

## 4. DIRECTORS' TRAINING AND DEVELOPMENT

All the Directors have attended and successfully completed the Mandatory Accreditation Programme 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.

During the financial year under review, the Directors of the Company had attended and participated in various seminars and forums in areas of finance, regulatory and industry updates. Some of the seminars or courses attended by the Directors during the financial year ended 31 July 2014 include the following:-

- 6<sup>th</sup> Annual Corporate Governance Summit
- UOB Kay Hian Oil & Gas Conference Asia
- Offshore Technology Conference Asia
- Managing Uncertainty: Surviving the Turbulence

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.

## 5. 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.

### 6. 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 over seventy (70) years of age are required to submit themselves for re-appointment annually.

### 7. DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration framework of the Executive Director(s). This includes making recommendations to the Board for all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Director(s) 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 Director(s) was recommended to the Board by the Remuneration Committee.

The remuneration package of the Non-Executive Director(s) 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 Directors are paid fixed annual fees as members of the Board. In addition to fixed annual fees, all Directors are paid a meeting allowance of RM1,500.00 and RM750.00 for every Board and Committee meeting attended respectively.

# Statement on Corporate Governance (Cont'd)

## 7. DIRECTORS' REMUNERATION (cont'd)

Details of the aggregate remuneration of Directors, including Non-Executive Directors during the financial year ended 31 July 2014, with categorisation into appropriate components are as follows:-

<b>EXECUTIVE DIRECTOR</b>	<b>RM</b>
Salary and Other Emoluments	835,223
Fees	30,000
<b>Total</b>	<b>865,223</b>

<b>NON-EXECUTIVE DIRECTORS</b>	<b>RM</b>
Fees	105,650
Other Emoluments	4,500
<b>Total</b>	<b>110,150</b>

The number of Directors whose remuneration falls into each successive bands of RM50,000.00 are as follows:-

<b>RANGE OF REMUNERATION</b>	<b>Executive Director</b>	<b>Non-Executive Directors</b>	<b>Total</b>
RM50,000 and below	–	4	4
RM850,000 - RM900,000	1	–	1

*(the above disclosures include all Directors who held office during the financial year)*

# Statement on Corporate Governance (Cont'd)

## 8. 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. All 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. The final decisions on all matters lies with the Board.

### 8.1 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. The members of the audit committee are :-

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

A report detailing the membership, terms of reference of the Audit Committee and its activities carried out during the financial year ended 31 July 2014 are set out on pages 40 to 45 of the Annual Report.

### 8.2 Remuneration Committee

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

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

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

The Remuneration Committee is required to:-

- i) formulate and recommend 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) recommend the engagement of external professional advisors to assist and/or advise the Remuneration Committee, on remuneration matters, where necessary.

# Statement on Corporate Governance (Cont'd)

## 8. COMMITTEES OF THE BOARD (cont'd)

### 8.2 Remuneration Committee (cont'd)

Determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, is determined by the Board as a whole and the Directors concerned shall abstain from discussion on their own remuneration package.

There was no meeting held during the financial year ended 31 July 2014. Meetings were held after the Company was listed on 15 August 2014.

### 8.3 Nomination Committee

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

<b>Directors</b>	<b>Description</b>
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 required to:-

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

There was no meeting held during the financial year ended 31 July 2014.

# Statement on Corporate Governance (Cont'd)

## 8. COMMITTEES OF THE BOARD (cont'd)

### 8.4 Risk Management Committee

The Risk Management Committee is comprised of the following members:-

<b>Directors</b>	<b>Description</b>
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
Azmi Bin Tan Sri Arshad	Member

The Risk Management Committee is required to:-

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

The Risk Management Committee shall provide to the Board a summary of its review on the principal risk 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.

There was no meeting held during the financial year ended 31 July 2014.

# Statement on Corporate Governance (Cont'd)

## 9. SUCCESSION PLANNING

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

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

Our initiatives on succession planning include:

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

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

## 10. SHAREHOLDERS AND INVESTORS

### 10.1 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. 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](http://www.reachenergy.com.my) that allows all shareholders and investors to gain access to the information of the Company.

### 10.2 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 general status of the Company.

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.

## 11. ACCOUNTABILITY AND AUDIT

### 11.1 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.

### 11.2 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 year ended 31 July 2014. The Board is of the opinion that the financial statements have been prepared in accordance with all relevant approved accounting standards.

### 11.3 External Auditors

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

### 11.4 Internal Control

The Board is committed to establish and maintain 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.

# Statement on Corporate Governance (Cont'd)

## 11. ACCOUNTABILITY AND AUDIT

### 11.5 Sustainability Approach

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

- (a) At Qualifying Acquisition (“QA”) 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.

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

### 11.6 Compliance Statement

The Board considers that the Company has in all aspects, complied with the Code for the financial year ended 31 July 2014.

This statement is made in accordance with a resolution of the Board of Directors at its meeting held on 19 December 2014

# Audit Committee Report

The Board of Directors (“Board”) is pleased to present the Audit Committee Report and its activities held throughout the financial year ended 31 July 2014 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.

<b>Directors</b>	<b>Position</b>	<b>Directorship</b>
Nik Din Bin Nik Sulaiman	Chairman	Independent Non-Executive Director
Izlan Bin Izhab	Member	Chairman/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.

There was no meeting held during the financial year ended 31 July 2014. Meetings were held after the Company was listed on 15 August 2014.

## 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.

# Audit Committee Report (Cont'd)

## 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.

### 2.5 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;

## 2. TERMS OF REFERENCE (cont'd)

### 2.5 Meeting (cont'd)

- (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 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 decided 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.
- (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.

# Audit Committee Report (Cont'd)

## 2. TERMS OF REFERENCE (cont'd)

### 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;
- (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;

## 2. TERMS OF REFERENCE (cont'd)

### 2.9 Functions and Responsibilities (cont'd)

- (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

The main activities carried out by the Audit Committee are as follows:

### Financial and Operations Review

- (a) Review the semi-annual and year-to-date financial results and the annual audited financial statements; and
- (b) Review 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.

# Audit Committee Report (Cont'd)

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

### External Audit

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

### Internal Audit

- (a) Review and approve the internal audit team's scope of work, fees and audit plan;
- (b) Review the Audit Committee Report for inclusion in the Annual Report 2014;
- (c) Review the Statement of Risk Management and Internal Control for inclusion in the Annual Report 2014;
- (d) Review the internal audit reports and communicate to the Board on relevant issues; and

### Related Party Transactions

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

## 4. INTERNAL AUDIT FUNCTION

The Company will outsource its Internal Audit function to an independent professional firm, 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.

As the internal audit function was only outsourced after the close of the Company's financial year end, there was no internal audit fee incurred for financial year ended 31 July 2014.

# Statement on 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 on 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.

## RISK MANAGEMENT

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 an important 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 review 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.

# Statement on Risk Management and Internal Control (Cont'd)

## INTERNAL CONTROL

The Company will outsource its Internal Audit Function to an independent professional firm, which will report 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.

## 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

The Company has created a framework on the Qualifying Acquisition process, which details the fundamental selection 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 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.

### 2. Limits of Authority

The Company has a clearly 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. AmanahRaya 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.

# Statement on Risk Management and Internal Control (Cont'd)

## KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

### 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:

<b>Policies / Statements</b>	<b>Description</b>
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	Sets out health, safety, security and environment standards in all Environment Policy 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

#### Limited Assurance Procedures Performed On The Statement By External Auditors

The external auditors have reviewed this Statement of Risk Management and Internal Control in accordance with the Recommended Practice Guide 5 (Revised) issued by Malaysian Institute of Accountants for inclusion in the annual report of Reach Energy Berhad for the financial year under review and reported to the Board that nothing has come to their attention that cause them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of risk management and internal control within the Company.

Recommended Practice Guide 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

# Statement on Risk Management and Internal Control (Cont'd)

## CONCLUSION

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. For the financial year under review, the Board received assurance from the Company's Managing Director and the Chief Financial Officer overseeing the finance function of the Company that, to the best of their knowledge and belief, the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system 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 October 2014.

# 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 companies Act, 1965 ("the Act") by Act and the Main Market Listing Requirements of Bursa Securities, the financial statements for the financial year ended 31 July 2014 ("FY2014") have been prepared in accordance with the applicable approved Financial Reporting Standards in Malaysia and provisions of the Act.

In preparing the financial statements for the FY2014 set out on pages 54 to 88 of 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 which enable them 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 irregularities.

# Additional Compliance Information

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

## Utilisation of Proceeds

The Company did not carry out any corporate exercise to raise funds during the financial year ended 31 July 2014.

## Share Buy-Back

The Company did not enter into any share buy-back transaction during the financial year ended 31 July 2014.

## Options, Warrants or Convertible Securities

### (a) Options

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

### (b) Warrants

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

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

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

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

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

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

## Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year ended 31 July 2014.

## Sanctions or/and Penalties

There were no sanctions and/or penalties imposed on the Company, Directors or management by the relevant regulatory bodies during the financial year ended 31 July 2014.

## Additional Compliance Information (Cont'd)

### Non-Audit Fee

The amount of non-audit fees incurred by the Company for services rendered by the external auditors for the financial year ended 31 July 2014 amounted to RM25,524.

### Variation of Result

There were no material variance between the audited results for the financial year and the unaudited results previously announced.

The Company did not make any announcement on profit estimate, forecast or projections during the financial year ended 31 July 2014.

### Profit Guarantee

There were no profit guarantees given or received by the Company during the financial year ended 31 July 2014.

### 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 year ended 31 July 2014.



# Financial Statements

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# Directors' Report

for the year ended 31 July 2014

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 July 2014.

## Principal activities

The Company has not commenced operations since the date of its incorporation. Its intended principal activities are the exploration and production of oil and gas and activities related to development and production of the petroleum industry. Subsequent to the financial year end, 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.

## Results

	RM
Loss for the year attributable to owner of the Company	<b>28,377,411</b>

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 7 and Note 9 to the financial statements.

## Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year 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 (appointed on 21 August 2014)

## Directors' interests in shares

None of the Directors holding office at 31 July 2014 had any interest in the ordinary shares of the Company and of its related company during the financial year.

# Directors' Report (Cont'd)

## 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 year 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.

## Issue of shares

On 24 January 2014, the Company increased its authorised share capital of RM25,000,000 to RM50,000,000 through the creation of 2,500,000,000 ordinary shares of RM0.01 each and 10,000,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each.

The principal terms of the RCPS are disclosed in Note 9 to the financial statements.

On 20 June 2014, pursuant to the subscription agreement dated 5 February 2014 between the Company and Reach Energy Holdings Sdn. Bhd., the Company further increased its issued and paid-up ordinary share capital from RM1,136,002 to RM15,194,002 by the issuance of 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 for a cash consideration of RM14,058,000 for working capital purposes.

On 4 July 2014, pursuant to the separate subscription agreements dated 2 July 2014 between the Company and its initial investor, the Company increased its issued and paid-up capital from RM1,142,669 to RM1,298,224 by the issuance of 15,555,555 new shares of RM0.01 each at an issue price of RM0.45 per RCPS, for a cash consideration of RM6,999,999 for working capital purposes.

On 8 July 2014, the initial investor converted a total of 666,667 RCPS held into 6,666,670 new shares together with 6,666,670 Warrants. This together with the subscription of 15,555,555 new Shares together with 15,555,555 Warrants at a subscription price of RM0.45 per Share pursuant to the Subscription by the initial investor resulted in the initial investor holding a total of 22,222,225 Shares together with 22,222,225 Warrants.

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

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart other than issuance of warrants as disclosed in Note 7 to the financial statements.

## 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 year 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 year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the financial year 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.

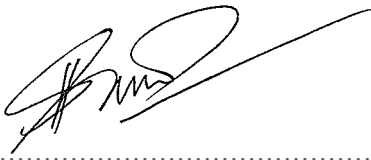
In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 July 2014 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

# Directors' Report (Cont'd)

## 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:



.....  
Shahul Hamid Bin Mohd Ismail



.....  
Izlan Bin Izhah

Kuala Lumpur,

Date: 23 October 2014

# Statement of Financial Position

as at 31 July 2014

	Note	2014 RM	2013 RM
<b>Assets</b>			
Plant and equipment	3	132,066	205,930
<b>Total non-current asset</b>		132,066	205,930
Receivables, deposits and prepayments	4	119,759	45,009
Cash and cash equivalents	5	23,177,525	6,749,593
<b>Total current assets</b>		23,297,284	6,794,602
<b>Total assets</b>		23,429,350	7,000,532
<b>Equity</b>			
Share capital	6	2,778,224	1,136,002
Reserves	7	(4,003,436)	1,819,192
<b>Equity attributable to owner of the Company</b>		(1,225,212)	2,955,194
<b>Current liabilities</b>			
Other payables and accruals	8	24,573,745	1,045,337
Current tax liability		80,817	–
Redeemable convertible preference shares (“RCPS”)	9	–	3,000,001
<b>Total current liabilities</b>		24,654,562	4,045,338
<b>Total equity and liabilities</b>		23,429,350	7,000,532

The notes on pages 62 to 87 are an integral part of these financial statements.

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 July 2014

	Note	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
Operating expenses		(28,627,822)	(2,173,245)
Finance income		331,228	4,284
<b>Loss before tax</b>	10	(28,296,594)	(2,168,961)
Tax expense	11	(80,817)	–
<b>Loss/Total comprehensive expense for the year/ period</b>		(28,377,411)	(2,168,961)
<b>Loss attributable to:</b>			
Owner of the Company		(28,377,411)	(2,168,961)
<b>Basic loss per ordinary share (sen):</b>	12	(0.435)	(0.152)
<b>Diluted loss per ordinary share (sen):</b>	12	–	–

Statement of  
Profit or Loss  
and Other  
Comprehensive  
Income

The notes on pages 62 to 87 are an integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 July 2014

	←——— Attributable to owner of the Company ———→					←——— Distributable ———→	Total RM
	←——— Non-distributable ———→			Share- based payment reserve RM	Accumulated losses RM		
	Share capital RM	Share premium RM	Warrants reserve RM	Share- based payment reserve RM	Accumulated losses RM		Total RM
<b>At 7 February 2013</b>	2	—	—	—	—		2
Loss/Total comprehensive expense for the period	—	—	—	—	(2,168,961)		(2,168,961)
Contributions by owner of the Company							
Issuance of ordinary shares	1,136,000	1,908,480	2,067,520	—	—		5,112,000
Share-based payment transactions	—	—	—	12,153	—		12,153
<b>At 31 July 2013/ 1 August 2013</b>	1,136,002	1,908,480	2,067,520	12,153	(2,168,961)		2,955,194
Loss/Total comprehensive expense for the year	—	—	—	—	(28,377,411)		(28,377,411)
Contributions by owner of the Company							
Issuance of ordinary shares	1,420,000	8,633,600	4,004,400	—	—		14,058,000
Conversion of RCPS	222,222	6,928,890	2,848,888	—	—		10,000,000
Share-based payment transactions	—	—	—	139,005	—		139,005
<b>At 31 July 2014</b>	2,778,224	17,470,970	8,920,808	151,158	(30,546,372)		(1,225,212)
	Note 6	Note 7	Note 7	Note 7			

The notes on pages 62 to 87 are an integral part of these financial statements.

# Statement of Cash Flows

for the year ended 31 July 2014

	Note	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
<b>Cash flows from operating activities</b>			
Loss before tax		(28,296,594)	(2,168,961)
Adjustments for:			
Depreciation of plant and equipment	3	102,460	30,947
Finance income		(331,228)	(4,284)
Share-based payment transaction	7.3	139,005	12,153
Operating loss before changes in working capital		(28,386,357)	(2,130,145)
Changes in working capital:			
Receivables, deposits and prepayments		(74,750)	(45,009)
Other payables and accruals		23,528,408	1,045,337
<b>Cash used in operations</b>		(4,932,699)	(1,129,817)
Finance income received		331,228	4,284
<b>Net cash used in operating activities</b>		(4,601,471)	(1,125,533)
<b>Cash flows from investing activity</b>			
Acquisition of plant and equipment		(28,596)	(236,877)
Net cash used in investing activity		(28,596)	(236,877)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		14,058,000	5,112,000
Proceeds from issuance of redeemable convertible preference shares		6,999,999	3,000,001
<b>Net cash generated from financing activities</b>		21,057,999	8,112,001
<b>Net cash in cash and cash equivalents</b>		16,427,932	6,749,591
<b>Cash and cash equivalents at beginning of year/period</b>		6,749,593	2
<b>Cash and cash equivalents at end of year/period</b>		23,177,525	6,749,593

## Cash and cash equivalents

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

	Note	2014 RM	2013 RM
Short-term deposits with licensed banks		21,433,208	3,000,000
Cash and bank balances		1,744,317	3,749,593
		23,177,525	6,749,593

The notes on pages 62 to 87 are an integral part of these financial statements.

# Notes to the Financial Statements

Reach Energy Berhad was incorporated on 7 February 2013 as a private limited liability company. On 2 August 2013, the Company was converted into a public limited liability company under the name of Reach Energy Berhad. 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 has not commenced operations since the date of its incorporation. Its intended principal activities are the exploration and production of oil and gas, and activities related to development and production of the petroleum industry. Subsequent to the financial year end, the Company listed its shares and warrants as a Special Purpose Acquisition Company (“SPAC”) on the Main Market of Bursa Malaysia Securities Berhad.

Prior to the share 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 October 2014.

## **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 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

# Notes to the Financial Statements (Cont'd)

## 1. Basis of preparation (cont'd)

### (a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014 (cont'd)

- Amendments to MFRS 136, Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 2, Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8, Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13, Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124, Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138, Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140, Investment Property (Annual Improvements 2011-2013 Cycle)

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

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture - Agriculture: Bearer Plants

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, Revenue from Contracts with Customers

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

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- MFRS 9, Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

# Notes to the Financial Statements (Cont'd)

## 1. Basis of preparation (cont'd)

### (a) Statement of compliance (cont'd)

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

- from the annual period beginning on 1 August 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014.
- from the annual period beginning on 1 August 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.
- from the annual period beginning on 1 August 2016 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.
- from the annual period beginning on 1 August 2017 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current period financial statements of the Company upon their first adoption.

### (b) Basis of measurement

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

At the end of the reporting period, the Company has prepared its financial statements by applying the going concern assumption notwithstanding that the Company incurred a loss of RM28,377,411 during the year ended 31 July 2014 and as of that date, the Company had net current liabilities and deficit shareholders' fund of RM1,357,278 and RM1,255,212 respectively, thereby indicating the existence of a material uncertainty, which may cast doubt about the Company's ability to continue as a going concern.

The financial statements are prepared on a going concern basis in view of the ability of the Company to obtain additional capital as further explained in Note 17.

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 obtain additional capital as further explained in Note 17. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, and relating to amount and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

### (c) Functional and presentation currency

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

# Notes to the Financial Statements (Cont'd)

## 1. Basis of preparation (cont'd)

### (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 year in which the estimate is revised and in any future years affected.

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 those disclosed in Note 7 – valuation of warrants.

## 2. Significant accounting policies

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

### (a) 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(e)).

## 2. Significant accounting policies

### (a) Financial instruments (cont'd)

#### (ii) Financial instrument categories and subsequent measurement (cont'd)

##### *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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

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.

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.

### (b) 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.

# Notes to the Financial Statements (Cont'd)

## 2. Significant accounting policies (cont'd)

### (b) Plant and equipment (cont'd)

#### (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.

#### (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 year 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 year and adjusted as appropriate.

### (c) 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.

### (d) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and short term deposits with banks which have an insignificant risk of changes in fair value.

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

## 2. Significant accounting policies (cont'd)

### (e) 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 year, 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 year 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.

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.

# Notes to the Financial Statements (Cont'd)

## 2. Significant accounting policies (cont'd)

### (e) Impairment (cont'd)

#### (ii) Other assets (cont'd)

In respect of other assets, impairment losses recognised in prior years are assessed at the end of each reporting year 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 year in which the reversals are recognised.

### (f) 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 are classified as equity.

#### (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.

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 and is non-distributable by way of dividends. 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 year will be transferred to retained earnings.

## 2. Significant accounting policies (cont'd)

### (f) Equity instruments (cont'd)

#### (v) 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 year.

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

### (g) Other income

#### Finance income

Finance income is recognised as it accrues using the effective finance income method in profit or loss.

### (h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to 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 year, using tax rates enacted or substantively enacted by the end of the reporting year.

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 year.

Deferred tax liability is recognised for all the taxable temporary differences.

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 year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the Financial Statements (Cont'd)

## 2. Significant accounting policies (cont'd)

### (i) Fair value measurement

From 1 August 2013, the Company adopted MFRS 13, Fair Value Measurement which prescribed that 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 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 participants' 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.

In accordance with the transitional provision of MFRS 13, the Company applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurement of the Company's assets and liabilities other than the additional disclosures.

### (j) 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 year, 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.

## Notes to the Financial Statements (Cont'd)

### 3. Plant and equipment

	Leasehold improvement RM	IT network equipment RM	Office furniture and equipment RM	Total RM
<b>Costs</b>				
At 7.2.2013 (date of incorporation)	–	–	–	–
Additions	104,100	26,000	106,777	236,877
At 31 July 2013/ 1 August 2013	104,100	26,000	106,777	236,877
Additions	–	–	28,596	28,596
At 31 July 2014	104,100	26,000	135,373	265,473
<b>Accumulated depreciation</b>				
At 7.2.2013 (date of incorporation)	–	–	–	–
Charge for the period	17,285	4,333	9,329	30,947
At 31 July 2013/ 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	69,377	17,336	46,694	133,407
<b>Carrying amounts</b>				
At 31 July 2013	86,815	21,667	97,448	205,930
At 31 July 2014	34,723	8,664	88,679	132,066

## Notes to the Financial Statements (Cont'd)

### 4. Receivables, deposits and prepayments

	Note	2014 RM	2013 RM
<b>Non-trade</b>			
Deposits		119,654	39,026
Prepayments		–	5,983
Amount due from holding company	4.1	105	–
		119,759	45,009

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

### 5. Cash and cash equivalents

	2014 RM	2013 RM
Short-term deposits with licensed banks	21,433,208	3,000,000
Cash and bank balances	1,744,317	3,749,593
	23,177,525	6,749,593

### 6. Share capital

The movements in the authorised share capital of the Company are as follows:-

	Note	Par Value # RM	Number of shares	Amount RM
<b>Ordinary Shares:</b>				
At 7.2.2013 (date of incorporation)		1.00	100,000	100,000
Sub-division of the par value of ordinary shares RM1.00 each into RM0.01 each	6.1	0.01	9,900,000	–
Increase during the financial period	6.2	0.01	2,480,000,000	24,800,000
At 1.8.2013/31.7.2013		0.01	2,490,000,000	24,900,000
Increase during the financial year	6.4	0.01	2,500,000,000	25,000,000
Redeemable Convertible Preference Shares (“RCPS”)		0.01	10,000,000	100,000
At 31.7.2014		0.01	5,000,000,000	50,000,000

Notes to  
the Financial  
Statements

## Notes to the Financial Statements (Cont'd)

The movements in the issued and paid-up capital of the Company are as follows:-

### 6. Share capital (cont'd)

	Note	Par Value # RM	Number of shares	Amount RM
<b>Ordinary Shares:</b>				
At 7.2.2013 (date of incorporation)		1.00	2	2
Sub-division of the par value of ordinary shares RM1.00 each into RM0.01 each	6.1	0.01	198	–
Issued during the financial period	6.3	0.01	113,600,000	1,136,000
At 1.8.2013/31.7.2013		0.01	113,600,200	1,136,002
Issued during the financial year	6.5	0.01	142,000,000	1,420,000
Conversion of RCPS	6.6	0.01	22,222,225	222,222
At 31.7.2014		0.01	277,822,425	2,778,224

# Prior to the share subdivision as described in Note 6.1, the ordinary shares have a par value of RM1 each. Pursuant to the share subdivision, the par value of the ordinary shares became RM0.01 each.

6.1 On 22 May 2013, the Company subdivided its authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1 each to RM100,000 comprising 10,000,000 ordinary shares of RM0.01 each.

6.2 On 23 May 2013, the Company increased its authorised share capital of RM100,000 to RM25,000,000 through the creation of 2,490,000,000 ordinary shares of RM0.01 each and 10,000,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each.

6.3 On 10 July 2013, pursuant to the subscription agreement dated 26 June 2013 between the Company and its holding company, Reach Energy Holdings Sdn. Bhd., the Company increased its issued and paid-up ordinary share capital from RM2 to RM1,136,002 by the issuance of 113,600,000 ordinary share of RM0.01 each at an issue price of RM0.045 per ordinary shares together with 113,600,000 free detachable warrants for a cash consideration of RM5,112,000 for working capital purposes.

6.4 On 24 January 2014, the Company increased its authorised share capital of RM25,000,000 to RM50,000,000 through the creation of 2,490,000,000 ordinary shares of RM0.01 each and 10,000,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each.

6.5 On 20 June 2014, pursuant to the subscription agreement dated 5 February 2014 between the Company and its holding company, Reach Energy Holdings Sdn. Bhd., the Company further increased its issued and paid-up ordinary share capital from RM1,136,002 to RM15,194,002 by the issuance of 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 for a cash consideration of RM14,058,000 for working capital purposes.

# Notes to the Financial Statements (Cont'd)

## 6. Share capital (cont'd)

- 6.6 On 4 July 2014, pursuant to the separate subscription agreements dated 2 July 2014 between the Company and its initial investor, the Company increased its issued and paid-up capital from RM1,142,669 to RM1,298,224 by the issuance of 15,555,555 new shares of RM0.01 each at an issue price of RM0.45 per RCPS, for a cash consideration of RM6,999,999 for working capital purposes.
- 6.7 On 8 July 2014, the initial investor converted a total of 666,667 RCPS held into 6,666,670 new Shares together with 6,666,670 Warrants. This together with subscription of 15,555,555 new Shares together with 15,555,555 Warrants at subscription price RM0.45 per Shares pursuant to Subscription by the initial investor resulted in the initial investor holding a total of 22,222,225 Shares together with 22,222,225 Warrants.

## 7. Reserves

	Note	2014 RM	2013 RM
Reserves consist of:-			
Warrants reserve	7.1	8,920,808	2,067,520
Share premium	7.2	17,470,970	1,908,480
Share-based payment reserve	7.3	151,158	12,153
Accumulated losses		(30,546,372)	(2,168,961)
At 31 July		(4,003,436)	1,819,192

### 7.1 Warrants reserve

The movements in the warrants reserve of the Company are as follow:-

	2014 RM	2013 RM
At 7.2.2013 (date of incorporation)/ 1 August 2013	2,067,520	—
Created during the year/period	4,004,400	2,067,520
Conversion of RCPS	2,848,888	—
At 31 July	8,920,808	2,067,520

# Notes to the Financial Statements (Cont'd)

## 7. Reserves (cont'd)

### 7.1 Warrants reserve (cont'd)

#### Fair value of 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 for a cash consideration of RM5,112,000 for working capital purposes ("Tranche 1").

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 for a cash consideration of RM14,058,000 for working capital purposes ("Tranche 2").

The fair value of the warrants for both tranches were estimated using the Bloomberg Trinomial Lattice Model based on the following key assumptions:

i) Initial Public Offering ("IPO") share price	RM0.75 per share
ii) Exercise price	RM0.75 per warrant
iii) Tenure of the Warrant	8 years
iv) Risk free interest rate	4.031%
v) Expected dividend yield	0%
vi) Expected share price volatility	34.114%

The fair value of the Warrant was estimated to be RM0.2137 each.

The amount allocated to each component instruments are as follow:

	Note	2014 RM Tranche 1	2014 RM Tranche 2	2013 RM
Share capital	(a)	0.0100	0.0100	0.0100
Share premium	(b)	0.0168	0.0608	0.0168
Warrant reserve	(c)	0.0182	0.0282	0.0182
		0.0450	0.0990	0.0450

(a) The amount allocated to share capital was derived based on the par value of ordinary share.

(b) The amount allocated to share premium was derived based on the share capital component less amount allocated to the Warrant component.

(c) The amount allocated to Warrant reserve was derived based on the relative fair value of the Warrant of RM0.3026 and RM0.2137 each over the IPO share price of RM0.75 per share multiplied by the subscription price of RM0.045 and RM0.099 per share for Tranche 1 and Tranche 2 respectively.

# Notes to the Financial Statements (Cont'd)

## 7. Reserves (cont'd)

### 7.2 Share premium

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

	Note	2014 RM	2013 RM
At 7.2.2013 (date of incorporation)/ 1 August 2013		1,908,480	–
Issuance of ordinary shares during the year/period		8,633,600	1,908,480
Conversion of RCPS		6,928,890	–
At 31 July		17,470,970	1,908,480

### 7.3 Share-based payment reserve

The movements in the share-based payment reserve of the Company are as follow:-

	Note	RM
At 7.2.2013 (date of incorporation)		
Charge during the period for:		
Tranche 1		12,153
At 31 July 2013/1 August 2013		12,153
Charge during the year for:		
Tranche 1	6.3	123,713
Tranche 2	6.5	15,292
At 31 July		151,158

As mentioned in Note 6.3 and Note 6.5, the subscription of ordinary shares by the holding company, Reach Energy Holdings Sdn. Bhd. was with free detachable warrants with the following features:

- i) 1 free Warrant for 1 ordinary share
- ii) Exercise price for the warrants is RM0.75
- iii) Upon IPO, there is moratorium in place whereby the Shares and Warrants are not transferable during the moratorium period

As the Warrants are issued for free, concurrent with the issuance of ordinary shares, it is deemed that the free Warrants are issued for payment of service. Accordingly, the Company made an assessment under MFRS 2, Share-based Payment.

# Notes to the Financial Statements (Cont'd)

## 7. Reserves (cont'd)

### 7.3 Share-based payment reserve (cont'd)

Grant date for the share-based payment is the date of issuance of Warrants when all conditions have been fulfilled.

The fair value of Warrants at grant date for Tranche 1 and Tranche 2 was estimated using the Bloomberg Trinomial Lattice Model based on the following key assumptions:

	Tranche 1	Tranche 2
i) Subscription price	RM0.045 per share	RM0.099 per share
ii) Exercise price	RM0.75 per warrant	RM0.75 per warrant
iii) Tenure of the Warrant	8 years	8 years
iv) Risk free interest rate	3.222%	3.222%
v) Expected dividend yield	0%	0%
vi) Expected share price volatility	56.65%	34.11%

The fair value of Warrants at grant date is estimated to be RM0.0046 and RM0.0021. Accordingly, the total share-based payment of RM522,560 and RM298,200 are computed based on the fair value of Warrants at grant date of RM0.0046 and RM0.0021 multiplied by 113,600,000 and 142,000,000 Warrants issued and amortised respectively over the vesting year.

Accordingly, share-based payment charge of RM123,713 and RM15,292 for Tranche 1 and Tranche 2 was recognised in the profit or loss during the year respectively.

## 8. Other payables and accruals

	2014 RM	2013 RM
Other payables	636,452	14,758
Accruals	23,937,293	1,030,579
	24,573,745	1,045,337

# Notes to the Financial Statements (Cont'd)

## 9. Redeemable convertible preference shares ("RCPS")

	Note	Number of RCPS of RM0.01 each	Amount RM
<b>Authorised:</b>			
At 7.2.2013 (date of incorporation)		–	–
Created during the period	6.2	10,000,000	100,000
At 31 July 2013		10,000,000	100,000
Conversion during the year	6.2	(10,000,000)	(100,000)
At 31 July 2014		–	–
<b>Nominal value - Issued and fully paid:</b>			
At 7.2.2013 (date of incorporation)		–	–
Issued during the period	9.1	666,667	6,667
At 31 July 2013/1 August 2013		666,667	6,667
Conversion of RCPS during the year	9.3	(666,667)	(6,667)
At 31 July 2014		–	–
<b>Share premium of RCPS</b>			
At 7.2.2013 (date of incorporation)			–
Increased during the period			2,993,334
At 31 July 2013/1 August 2013			2,993,334
Conversion of RCPS during the year	9.3		(2,993,334)
At 31 July 2014			–
<b>Carrying values of RCPS</b>			
At 31 July 2014			–
At 31 July 2013			3,000,000

Notes to  
the Financial  
Statements

# Notes to the Financial Statements (Cont'd)

## 9. Redeemable convertible preference shares ("RCPS") (cont'd)

9.1 On 26 July 2013 and 2 July 2014, an investor ("the Investor") entered into subscription agreements and a supplemental subscription agreement, respectively, with the Company. Further on 2 July 2014, the Investor, other investors and the Company entered into a novation agreement ("Novation agreement"), with a supplemental to the Novation Agreement entered on 2 July 2014 between the Investor and the Company. The above agreements were entered into for the following:

- (i) Subscription of 666,667 Redeemable Convertible Preference Shares ("RCPS") at a subscription price of RM4.50 per RCPS. The RCPS were issued on 29 July 2013 and raised proceeds of RM3,000,001 for working capital purposes; and
- (ii) Subscription of a total of 15,555,555 new Shares together with 15,555,555 Warrants at the subscription price of RM0.45 per Share after the receipt of approval from Securities Commission Malaysia ("SC") to list as a Special Purpose Acquisition Company ("SPAC") on the Main Market of Bursa Malaysia Securities Berhad. The total of 15,555,555 Shares were issued on 4 July 2014 and raised proceeds of RM6,999,999.

### 9.2 Principal terms

The principal terms of the RCPS are as follows:

- |                    |   |   |
|--------------------|---|---|
| Par value          | : | Each RCPS shall have a par value of RM0.01.   |
| Subscription price | : | The subscription price for each RCPS shall be RM4.50.   |
| Premium            | : | Each RCPS shall be issued at a premium of RM4.49.   |
| Dividends          | : | The RCPS shall not be entitled to any dividend.   |
| Transferability    | : | The RCPS shall not be transferable.   |
| Conversion         | : | Each RCPS is convertible into 10 shares together with 10 warrants.  |
| Redemption         | : | Subject only to compliance with the requirements of Section 61 of the Act, all RCPS (unless earlier converted into Shares) shall be fully redeemable at the option of the holder, at the redemption price of RM4.50 per RCPS ("RCPS Redemption price"): <ol style="list-style-type: none"><li>(i) on the date falling 12 months after the date of issue of the RCPS if the approval from the SC is not received by the Company by then;<br/>or</li><li>(ii) on the date falling 14 Business Days after the Company's receipt of any letter from the SC rejecting or stating its non-approval of the Company's application for the IPO whichever occurs first.</li></ol> |

The Company shall use its reasonable endeavours to ensure that it has sufficient funds (whether through profits or a new issue of shares or otherwise), which can be lawfully applied towards redemption of the RCPS at the relevant time.

# Notes to the Financial Statements (Cont'd)

## 9. Redeemable convertible preference shares ("RCPS") (cont'd)

### 9.2 Principal terms (cont'd)

Redemption Price	:	RM4.50 per RCPS.
Voting Rights	:	The RCPS shall entitle the holder to the voting rights as referred to in Section 148(2) of the Act and, to the fullest extent permitted by the Act in relation to preference shares, all other statutory voting rights.
Protective Provision	:	The prior consent of the holders of the RCPS shall also be required for any proposal by the Company which relates to or involves, any of the following: <ul style="list-style-type: none"><li>(i) the issue by the Company of any other preference shares or any type of convertible debt/equity instruments ranking pari passu or in priority to the RCPS; or</li><li>(ii) Any alteration or change to the rights, preference and privileges of the RCPS; or</li><li>(iii) Any increase in the number of RCPS to be issued by the Company; or</li><li>(iv) Anything which results or give rise to a capital reduction by the Company.</li></ul>
Status	:	The RCPS shall not be listed or quoted on any stock exchange.
Non-Entitlement Obligations	:	The shares held by the initial investors after conversion of RCPS are not entitled to participate in the Liquidation Distribution or the Qualifying Acquisition Share Repurchase.

### 9.3 Financial liabilities

In the prior year, the RCPS is classified as a financial liability as the Company did not have the unconditional right to avoid delivering cash upon redemption by the RCPS holder. On 15 August 2014, the Company received approval from SC to list as a SPAC on the main market of Bursa Malaysia Securities Berhad. Accordingly, the 666,667 RCPS was converted into 6,666,670 new shares together with 6,666,670 warrants as disclosed in Notes 6 and 7.

# Notes to the Financial Statements (Cont'd)

## 10. Loss before tax

	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
<b>Loss before tax is arrived at after charging:</b>		
Auditors' remuneration		
- Statutory audit	50,000	7,000
Depreciation of plant and equipment	102,460	30,947
Key management personnel expenses:		
- Salaries and other emoluments	2,328,916	181,200
- Defined contribution plan	278,640	20,280
Rental of office premise	94,965	17,949
Share-based payment transaction	139,005	12,153
<b>and after crediting:</b>		
Finance income	331,228	4,284

## 11. Tax expense

### *Recognised in profit or loss*

	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
Current tax expense	80,817	-

### *Reconciliation of tax expense*

Loss before tax	(28,296,594)	(2,168,961)
Taxation at Malaysian statutory tax rate of 25%*	(7,074,149)	(433,792)
Non-deductible expenses	1,034,131	432,935
Current year loss for which no deferred tax asset was recognised	6,120,835	-
Other items	-	857
Income tax expense	80,817	-

# Notes to the Financial Statements (Cont'd)

## 11. Tax expense (cont'd)

### Reconciliation of tax expense (cont'd)

- \* In the current year, the income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the year as the Company no longer qualifies for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act 1967 as the Company has increased paid-up capital to more than RM2.5 million.

The Company has unrecognised deferred tax assets attributable to the following:

	2014 RM	2013 RM
Unutilised tax losses	24,050,000	–
Potential deferred tax asset @ 25%	6,013,000	–

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

## 12. Loss per ordinary share

### Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 July 2014 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
Loss attributable to ordinary shareholders	(28,377,411)	(2,168,961)
Weighted average number of ordinary shares	65,185,600	14,281,300
Basic loss per ordinary share	(0.435)	(0.152)

# Notes to the Financial Statements (Cont'd)

## 12. Loss per ordinary share (cont'd)

### Diluted loss per ordinary share

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

### 13.1 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 2014 RM	L&R/ (OL) 2014 RM	Carrying amount 2013 RM	L&R/ (OL) 2013 RM
<b>Financial assets</b>				
Receivables and deposits	119,759	119,759	39,056	39,056
Cash and bank balances	23,177,525	23,177,525	6,749,593	6,749,593
	23,297,284	23,297,284	6,778,649	6,778,649
<b>Financial liabilities</b>				
<b>Financial assets</b>				
Other payables and accruals	(24,573,745)	(24,573,745)	(1,045,337)	(1,045,337)
Redeemable convertible preference shares ("RCPS")	-	-	(3,000,001)	(3,000,001)
	(24,573,745)	(24,573,745)	(4,045,338)	(4,045,338)

# Notes to the Financial Statements (Cont'd)

## 13. Financial instruments (cont'd)

### 13.2 Net gains arising from financial instruments

	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
Net gains on:		
Loans and receivables	331,228	4,284

### 13.3 Financial risks management objectives and policies

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

- Credit risk
- Liquidity risk

### 13.4 Credit risk

#### Loans and receivables

#### *Risk management objectives, policies and processes for managing the risk*

The Company's primary exposure to credit risk arises through its loans and receivables. The management has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

#### *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 year, there was no indication that the loans and receivables are not recoverable.

### 13.5 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. The Company's financial liabilities as at the end of the reporting year are expected to be settled in less than one year.

# Notes to the Financial Statements (Cont'd)

## 13. Financial instruments (cont'd)

### 13.6 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.

## 14. Capital management

The Company's objectives when managing capital is to maintain a strong capital base and 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.

## 15. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014 RM	2013 RM
Less than one year	382,861	71,795
Between one and five years	303,527	53,846
	686,388	125,641

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

## 16. 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.

# Notes to the Financial Statements (Cont'd)

## 16. Related parties (cont'd)

The significant related party transactions of the Company are shown below:

	Year ended 31.7.2014 RM	Period from 7.2.2013 to 31.7.2013 RM
<b>Key management personnel:</b>		
<b>Directors</b>		
- Fees	135,650	6,200
- Remunerations and other emoluments	750,443	68,000
- Defined contribution plan	89,280	7,440
	975,373	81,640
<b>Other key management personnel</b>		
- Remunerations and other emoluments	1,578,473	107,000
- Defined contribution plan	189,360	12,840
	1,767,833	119,840
	2,743,206	201,480

## 17. Subsequent events

The Company has 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.

Upon listing, the Company received RM750,000,000 of subscription proceeds from the IPO of which, 94.75% of the proceeds was placed in a Cash Trust Account for the purpose of acquiring Qualifying Assets ("QA") that has an aggregate fair market value equal to at least 80% of the aggregate amount in the Cash Trust Account and the remaining 5.25% is to be utilised for working capital purposes.

## 18. Accumulated losses

The breakdown of the accumulated losses of the Company as at 31 July 2014 into realised losses and unrealised profits, pursuant to the directive by Bursa Malaysia Securities Berhad is as follows:

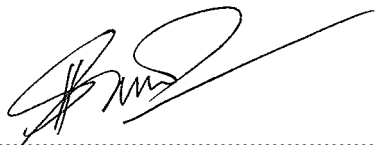
	2014 RM	2013 RM
Realised losses	(28,377,411)	(2,168,961)
Unrealised losses	-	-
Total accumulated losses	(28,301,161)	(2,168,961)

# Statement by Directors

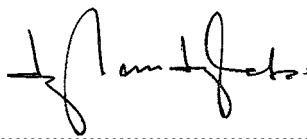
Pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 54 to 89 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 July 2014 and of its financial performance and cash flows for the financial year ended 31 July 2014.

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



Shahul Hamid Bin Mohd Ismail



Izlan Bin Izhah

Kuala Lumpur

Date: 23 October 2014

## Statutory Declaration

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

I, **Shahul Hamid Bin Mohd Ismail**, 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 54 to 89 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 October 2014.



Shahul Hamid Bin Mohd Ismail

Before me:



28A Jalan Tun Muhammad Fuad 1  
Taman Tun Dr. Ismail 60000 Kuala Lumpur  
Tel No : 03-77338715 / 03-77258715  
H/P: 016-6993625

# Independent Auditors' Report

## to the Member of Reach Energy Berhad

### Report on the Financial Statements

We have audited the financial statements of Reach Energy Berhad, which comprise the statement of financial position as at 31 July 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 52 to 81.

#### *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 of 31 July 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

# Independent Auditors' Report (Cont'd)

## Report on Other Legal and Regulatory Requirements

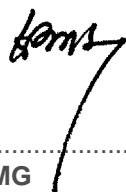
In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

## 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 18 on page 75 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



.....  
**Ahmad Nasri Abdul Wahab**  
Approval Number: 2919/03/16(J)  
Chartered Accountant

Petaling Jaya,

Date: 23 October 2014

# Analysis of Shareholdings

as at 30 November 2014

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	0.12	133	0.00
100 - 1,000	146	4.37	116,600	0.01
1,001 - 10,000	1,890	56.64	12,326,400	0.97
10,001 - 100,000	876	26.25	32,106,900	2.51
100,001 to less than 5% of issued shares	420	12.59	977,672,192	76.51
5% and above of issued shares	1	0.03	255,600,200	20.00
<b>Total</b>	<b>3,337</b>	<b>100.00</b>	<b>1,277,822,425</b>	<b>100.00</b>

Analysis of Shareholdings

## 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	20.00	—	—
2	Shahul Hamid Bin Mohd Ismail	—	—	255,600,200#	20.00

### Notes:

# Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 6A(4)(c) of the Companies Act, 1965

## Analysis of Shareholdings (Cont'd)

### DIRECTOR'S SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Director	No. of Shares Held (Direct Interest)	%	No. of Shares Held (Indirect Interest)	%
1	Izlan Bin Izhab	—	—	—	—
2	Nik Din Bin Nik Sulaiman	—	—	—	—
3	Shahul Hamid Bin Mohd Ismail	—	—	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(4) (c) 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	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Wye Keong</i>	47,859,500	3.75
3	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB Prin)</i>	46,500,300	3.64
4	MKW Jaya Sdn Bhd	45,290,000	3.54
5	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Abdul Aziz Bin Abdul Kadir</i>	45,000,000	3.52
6	Nik Fuziah Binti Nik Hussein	40,000,000	3.13
7	HSBC Nominees (Asing) Sdn Bhd <i>Exempt an for Credit Suisse Securities (Europe) Limited</i>	38,779,100	3.03
8	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for MTD Capital Bhd</i>	30,000,000	2.35
9	Lembaga Tabung Haji	30,000,000	2.35
10	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Poh Yang Hong</i>	30,000,000	2.35
11	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kim Heung</i>	25,000,000	1.96
12	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Vertical Source Sdn Bhd</i>	25,000,000	1.96
13	Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)</i>	24,763,100	1.94

## Analysis of Shareholdings (Cont'd)

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

No.	Name of Shareholders	No. of Shares	% of Shareholdings
14	Daya Materials Berhad	22,222,225	1.74
15	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 1)</i>	20,000,000	1.57
16	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for AAB Holdings Sdn Bhd</i>	19,000,000	1.49
17	HLIB Nomiees (Tempatan) Sdn Bhd <i>Pledged Securities Account for SMB Resources Sdn Bhd</i>	19,000,000	1.49
18	HLG Futures Sdn Bhd	15,402,800	1.21
19	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund</i>	11,000,000	0.86
20	Citigroup Nominees (Tempatan) Sdn Bhd <i>Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund</i>	10,599,600	0.83
21	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund</i>	10,270,700	0.80
22	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chin San</i>	10,104,000	0.79
23	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Azmil Khalili Bin Khalid</i>	10,000,000	0.78
24	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Azmil Khalili Bin Khalid</i>	10,000,000	0.78
25	HLIB Nomines (Tempatan) Sdn Bhd <i>Pledged Securities Account for Syed Mohd Nizam Bin Syed Majid</i>	10,000,000	0.78
26	HLIB Nominees (Asing) Sdn Bhd <i>Pledged Securities Account for Sun Rui Zhe</i>	9,860,000	0.77
27	Yayasan Pok dan Kassim	9,500,000	0.74
28	Alliance Group Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chin San</i>	8,340,000	0.65
29	Tee Tiam Lee	8,000,000	0.63
30	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Daniel Lim Hwa Yew</i>	7,666,667	0.60
		<b>894,758,192</b>	<b>70.03</b>

Analysis of  
Shareholdings

# Analysis of Warrant Holdings

as at 30 November 2014

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	71	1.64	54,400	0.01
1,001 - 10,000	1,333	30.84	9,332,500	0.73
10,001 - 100,000	2,001	46.30	96,532,200	7.55
100,001 to less than 5% of issued warrant	916	21.20	916,303,125	71.71
5% and above of issued warrant	1	0.02	255,600,000	20.00
<b>Total</b>	<b>4,322</b>	<b>100.00</b>	<b>1,277,822,225</b>	<b>100.00</b>

## SUBSTANTIAL WARRANT HOLDERS AS PER THE REGISTER OF SUBSTANTIAL WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants Held (Direct Interest)	%	No. of Warrants Held (Indirect Interest)	%
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00	–	–
2	Shahul Hamid bin Mohd Ismail	–	–	255,600,000#	20.00

### Notes:

# Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 6A(4)(c) of the Companies Act, 1965

# Analysis of Warrant Holdings (Cont'd)

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

No.	Name of Director	No. of Warrants Held (Direct Interest)	%	No. of Warrants Held (Indirect Interest)	%
1	Izlan Bin Izhab	—	—	—	—
2	Nik Din Bin Nik Sulaiman	—	—	—	—
3	Shahul Hamid Bin Mohd Ismail	—	—	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(4) (c) of the Companies Act, 1965

## LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00
2	Maybank Nominees (Tempatan) Sdn Bhd <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	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Leong Wye Kong</i>	35,000,000	2.74
5	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for MTD Capital Bhd</i>	30,000,000	2.35
6	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Vertical Soure Sdn Bhd</i>	23,000,000	1.80
7	Lembaga Tabung Haji	22,828,100	1.79
8	Daya Materials Berhad	22,222,225	1.74
9	Citigroup Nominees (Asing) Sdn Bhd <i>Exempt an for Citibank New York (Norges Bank 1)</i>	20,000,000	1.57
10	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Kim Heung</i>	20,000,000	1.57
11	Koay Siew Choon	19,000,000	1.49
12	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for AAB Holdings Sdn Bhd</i>	14,000,000	1.10
13	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Azmil Khalili Bin Khalid</i>	10,000,000	0.78

Analysis of  
Warrant  
Holdings

## Analysis of Warrant Holdings (Cont'd)

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

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
14	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Azmil Khalili Bin Khalid</i>	10,000,000	0.78
15	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chin San</i>	9,604,000	0.75
16	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for SMB Resources Sdn Bhd</i>	9,000,000	0.70
17	Yap Kim Long	9,000,000	0.70
18	HSBC Nominees (Asing) Sdn Bhd <i>Exempt an for Credit Suisse</i>	8,200,000	0.64
19	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ng Chin San</i>	7,840,000	0.61
20	Teo Ah Seng	7,350,000	0.58
21	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Helen Poon</i>	7,000,000	0.55
22	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Teik Hoe</i>	6,500,000	0.51
23	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ahmad Zaini Bin A. Jamil</i>	6,000,000	0.47
24	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Siew Booy</i>	5,600,000	0.44
25	MKW Jaya Sdn Bhd	5,500,000	0.43
26	Yayasan Pok dan Kassim	5,500,000	0.43
27	Leong Wai Mun	5,200,000	0.41
28	RHB Capital Nominees Tempatan Sdn Bhd <i>Pledged Securities Account for Jaganath Derek Steven Sabapathy</i>	5,200,000	0.41
29	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tengku Adnan Bin Tengku Mansor</i>	5,000,000	0.39
30	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Oon Poh Choo</i>	4,702,200	0.37
		<b>673,846,525</b>	<b>52.75</b>



**REACH ENERGY BERHAD**  
(1034400-D)

**PROXY FORM**

<b>CDS Account No.</b>	
<b>No. of shares held</b>	

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 Second Annual General Meeting of Reach Energy Berhad to be held at Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah, 40100 Shah Alam, Selangor Darul Ehsan on Thursday, 29 January 2015 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

Resolution No.	Resolution	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees for the financial year ended 31 July 2014		
Ordinary Resolution 2	To approve the payment of Directors' Fee for the financial year ending 31 July 2015, payable quarterly		
Ordinary Resolution 3	To re-elect Encik Nik Din Bin Nik Sulaiman		
Ordinary Resolution 4	To re-appoint Auditors		

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 \_\_\_\_\_, 2015

.....  
Signature of Shareholder/ Common Seal

**Notes:**

- Only a member whose name appears in the Record of Depositors as at 23 January 2015 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 may appoint a proxy or proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two 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 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 its officer or its duly authorised attorney. 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, he/she may appoint at least one proxy in respect of each securities account he/she holds with ordinary shares of the Company standing to the credit of the said securities account.
- 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"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- 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.



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*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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**REACH ENERGY BERHAD**

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**WEBSITE** : [www.reachenergy.com.my](http://www.reachenergy.com.my)