



SUMATEC RESOURCES BERHAD
(428355-D)



**ANNUAL
REPORT
2018**

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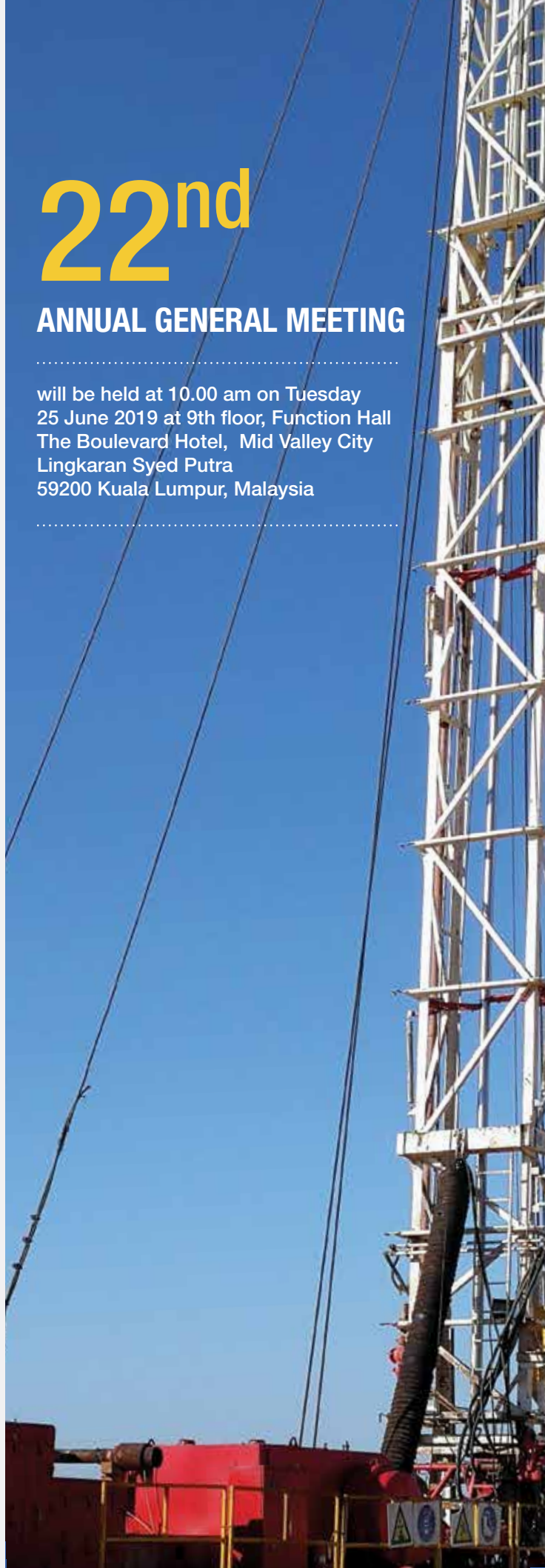
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22nd

ANNUAL GENERAL MEETING

will be held at 10.00 am on Tuesday
25 June 2019 at 9th floor, Function Hall
The Boulevard Hotel, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia



The leading Malaysian Independent Oil & Gas Operator focused on developing proven oil & gas assets.

VISION

MISSION

Through innovation, efficiency and safety we will improve the performance of the Company's oil and gas assets.



CODE OF BUSINESS CONDUCT

Business

SUMATEC will achieve high standards of efficiency by committing to:

- ▶ Always seek growth opportunities
- ▶ Promote innovation throughout our operations
- ▶ Be flexible and take measured business risks without compromising safety
- ▶ Free and fair competition for all suppliers
- ▶ Maintain transparency in the way we conduct operations
- ▶ Protect our staff and operations through appropriate policies and regulations
- ▶ Refrain from accepting/offering improper payments, gifts or engaging in bribery or any form of corrupt business practices
- ▶ Expect similar standards from our partners and contractors

Employees

SUMATEC understands that the performance of employees as a collective and/or individual is key to the success of the company.

We therefore aim to achieve maximum work satisfaction and performance by committing to:

- ▶ Respect and promote employees' rights
- ▶ Offer rewarding working conditions
- ▶ Provide a safe and healthy working environment
- ▶ Realise each employee's individual potential through training and job promotion
- ▶ Respect the cultural diversity of our employees
- ▶ Ensure equal opportunity without discrimination

Host Countries

We will respect and earn the respect of the countries in which we operate. This is integral to our successful performance.

Wherever we operate, we are committed to:

- ▶ Observe local laws and rules
- ▶ Respect the sovereignty of the state

Local Communities

To ensure that communities benefit from our presence, we are committed to:

- ▶ Engage in local employment and national succession planning
- ▶ Practice transfer of skills and knowledge from foreign staff to local
- ▶ Conduct local community projects to improve their health, education and / or welfare through corporate social responsibility programs
- ▶ Respect local society and their traditions
- ▶ Minimise impact on local community that may be caused by our operations



ABOUT

US

The Group, which completed its financial and business restructuring plan in November 2013, saw itself entering the upstream sector via a joint investment agreement with Markmore Energy (Labuan) Limited and CaspiOilGas LLP to develop the Rakushechnoye Oil and Gas Field in West Kazakhstan ("Rakushechnoye Field").

In realising its vision to be a leading Malaysian Independent Oil and Gas operator, Sumatec will continue to look for opportunities to acquire and develop new and under-performing oil and gas fields. Our target assets will be mainly onshore and with certified proven reserves, as this reduces the capital cost of infrastructure required and also eliminates the risk of no show of hydrocarbon. We will only select the assets that provide maximum return for shareholder investment through short term production enhancement and long term sustainable production growth.

Sumatec Resources Berhad (SUMATEC-1201) is listed on the Main Market of Bursa Securities.



CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI HALIM BIN SAAD

Executive Vice Chairman

ABU TALIB BIN ABDUL RAHMAN

Managing Director

MOHAMAD BIN ISMAIL

Independent Non-Executive Director

MICHEAL LIM HEE KIANG

*Independent Non-Executive Director (Chairman)
(Deceased on 17 May 2018)*

DATO' KHALID BIN HJ. AHMAD

Independent Non-Executive Director

WAN KAMARUDDIN BIN WAN MOHAMED ALI

Independent Non-Executive Director

PRINCIPAL OFFICER

Present

ABU TALIB BIN ABDUL RAHMAN

Managing Director

ZAINAL ISKANDAR BIN ISMAIL

CHIEF OPERATING OFFICER

(Appointed on 23 April 2018)

VIJAYAN NADARAJAH

GENERAL MANAGER OF LEGAL

(Resigned on 31 August 2018)

AUDIT COMMITTEE

Present

DATO' KHALID BIN HJ. AHMAD

Chairman

MOHAMAD BIN ISMAIL

Member

WAN KAMARUDDIN BIN WAN MOHAMED ALI

Member

(Appointed on 31 May 2018)

Former

MICHEAL LIM HEE KIANG

Member

(Deceased on 17 May 2018)

REMUNERATION COMMITTEE

Present

DATO' KHALID BIN HJ. AHMAD

Chairman

MOHAMAD BIN ISMAIL

Member

MICHEAL LIM HEE KIANG

Member

(Deceased on 17 May 2018)

NOMINATION COMMITTEE

Present

MOHAMAD BIN ISMAIL

Chairman

DATO' KHALID BIN HJ. AHMAD

Member

MICHEAL LIM HEE KIANG

Member

(Deceased on 17 May 2018)

INVESTMENT COMMITTEE

Present

MOHAMAD BIN ISMAIL

Chairman

ABU TALIB BIN ABDUL RAHMAN

Member

QHSE COMMITTEE

Present

MOHAMAD BIN ISMAIL

Chairman

ABU TALIB BIN ABDUL RAHMAN

Member

COMPANY SECRETARIES

LIM SECK WAH

(MAICSA 0799845)

M. CHANDRASEGARAN A/L S. MURUGASU

(MAICSA 0781031)

REGISTERED OFFICE

Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail, 50250 Kuala Lumpur.
Tel: 603-2692 4271
Fax: 603-2732 5388
E-mail: info@megacorp.com.my

PRINCIPAL PLACE OF BUSINESS

43-3, The Boulevard,
Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur.

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2, Bangunan Faber Imperial Court,
Jalan Sultan Ismail, 50250 Kuala Lumpur.
Tel: 603-2692 4271
Fax: 603-2732 5388
E-mail: info@megacorp.com.my

AUDITORS

Messrs AljeffriDean
Chartered Accountants
2-1-1, 1st Floor, Menara KLH,
No. 2 Jalan Kasipillay (Off Jalan Sultan Azian Shah)
51200 Kuala Lumpur

SOLICITORS

Shearn Delamore & Co
Bahari & Bahari
Abu Talib Shahrom
Arief & Iskandar
Morgan Lewis Stamford LLC
Nathan Advocates & Solicitors

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Alliance Islamic Bank Berhad
Al-Rajhi Banking & Investment Corporation
(Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name: SUMATEC
Stock Code: 1201

CORPORATE STRUCTURE



SUMATEC RESOURCES BERHAD
(428355-D)

100%

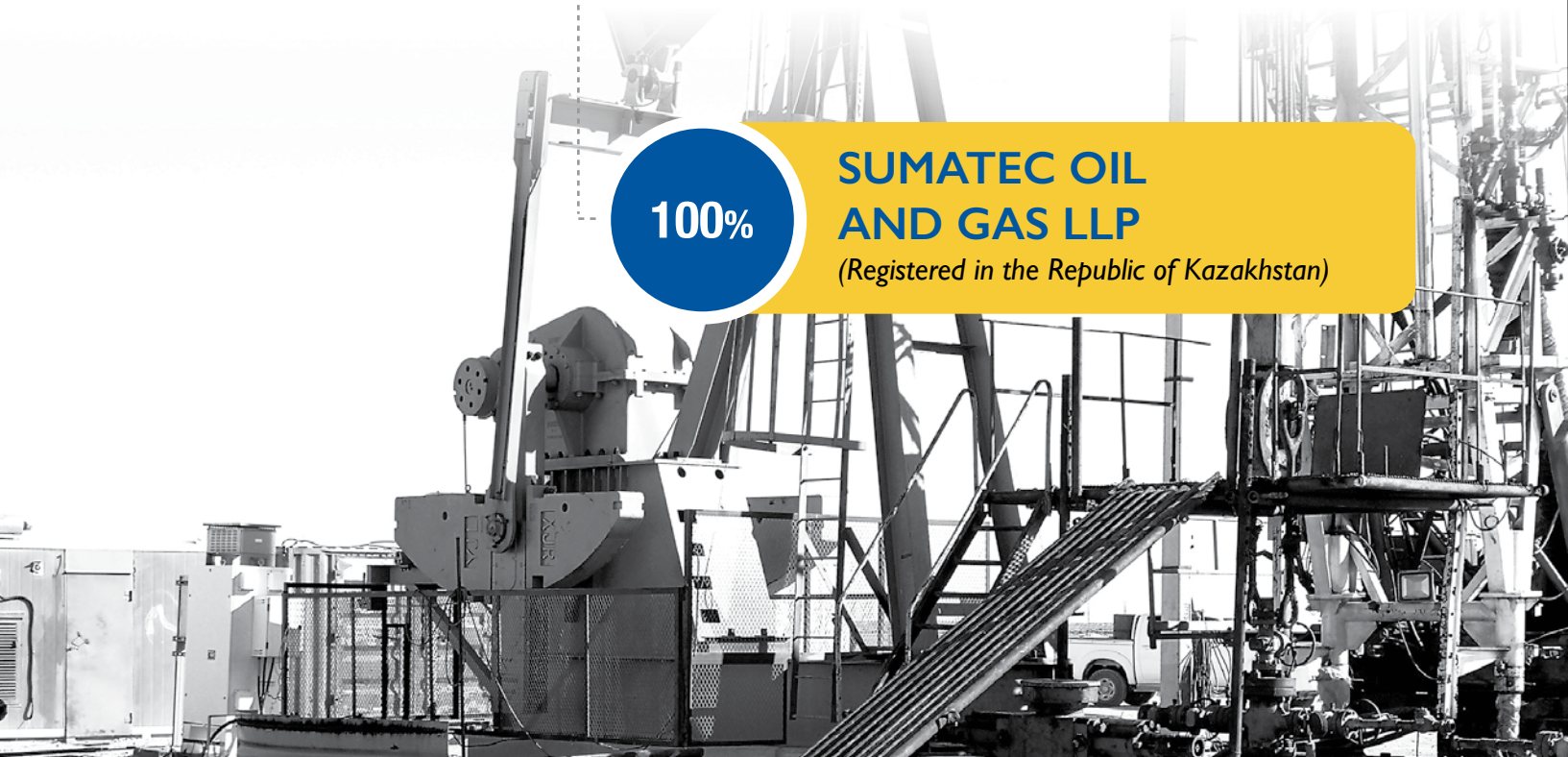
**SUMATEC
CORPORATION
SDN. BHD.**

100%
Sumatec Development Sdn. Bhd.

100%
Sumatec Petroleum Development
Sdn. Bhd.

100%

**SUMATEC OIL
AND GAS LLP**
(Registered in the Republic of Kazakhstan)



BOARD OF DIRECTORS' PROFILE

TAN SRI HALIM BIN SAAD

EXECUTIVE VICE CHAIRMAN
AGE 66, MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Executive Vice Chairman: 30 March 2018

Qualification

- ▶ Victoria University of Wellington (Bachelor of Commerce and Administration)
- ▶ Colombo Plan Scholarship
- ▶ Bilateral Aid Award by New Zealand Ministry of Foreign Affairs
- ▶ Darjah Panglima Setia Mahkota National Award -Tan Sri
- ▶ Honorary Fellowship by Institute of Landscape Architect Malaysia
- ▶ Honorary Doctorate in Science by University Putra Malaysia
- ▶ Honorary Doctorate in Management by University of Technology, Malaysia
- ▶ Honorary Award for Distinguished Service from Victoria University of Wellington, New Zealand
- ▶ Pingat Jasa Cemerlang (Glorious Service Medal) by the Malaysia Association of Youth Clubs (MAYC)
- ▶ Honorary Business Doctorate from Victoria University of Wellington

Working Experiences

- ▶ 1978 - 1979 - Financial Analyst - Ford Motor Co. (Singapore)
- ▶ 1979 - 1980 - Financial Controller - Ford Motor Co (Singapore)
- ▶ 1980 - 1985 - Corporate Service Manager - Peremba Berhad
- ▶ 1986 - 2001 - Executive Vice-Chairman - United Engineers (M) Berhad
- ▶ 1990 - 1993 - Executive Vice-Chairman - Projek Lebuhraya Utara-Selatan Bhd (PLUS)
- ▶ 1990 - 1993 - Executive Vice-Chairman - The New Straits Times Press (M) Berhad
- ▶ 1990 - 1993 - Executive Vice-Chairman - Sistem Televisyen (M) Berhad
- ▶ 1990 - 2001 - Executive Vice-Chairman - Kinta Kellas Public Listed Company
- ▶ 1990 - 2001 - Executive Vice-Chairman - Faber Group Berhad
- ▶ 1990 - 2001 - Executive Chairman - Renong Berhad

Directorship in Public Companies

- ▶ He does not hold any directorships in any other public companies

Other Information

- ▶ He is major shareholder of the Company
- ▶ He has not been convicted of any offences within the past five (5) years other than traffic offences, if any

ABU TALIB BIN ABDUL RAHMAN

MANAGING DIRECTOR
AGE 66, MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Non-Independent Non-Executive Director: 1 July 2016
- ▶ Re-designated as Managing Director: 1 January 2017
- ▶ Member of Investment, ESOS and Quality Health Safety & Environment Risk Committees

Qualification

- ▶ Bachelor of Laws, University of London
- ▶ Certificate of Legal Practice from Lembaga Kelayakan Malaysia

Working Experiences

- ▶ 1979 – 1980: Served as Legal Officer of Bank Pertanian Malaysia
- ▶ 1980 – 1981: Manager of Asiavest Merchant Bankers Berhad
- ▶ 1981 – 1986: Accountant in Bank Bumiputera Malaysia Berhad
- ▶ 1986 – 1991: Served as partner of two legal firms
- ▶ 1991 – Present: Managing and founding partners of Abu Talib Shahrom (Legal Firm)
- ▶ Former Director of United Engineers (Malaysia) Berhad
- ▶ Served as Company Secretary to several Public Listed Companies
- ▶ Now, he is serving as director to several private companies namely South Klang Valley Expressway, and Markmore Sdn Bhd and its group of subsidiaries.

Directorship in Public Companies

- ▶ Ranhill Holdings Berhad
- ▶ Senai Desaru Expressway Berhad

Other Information

- ▶ He does not have any conflict of interest with the Company
- ▶ He has not been convicted of any offences within the past five (5) years other than traffic offences, if any

BOARD OF DIRECTORS' PROFILE

CONT'D

MOHAMAD BIN ISMAIL

INDEPENDENT NON-EXECUTIVE DIRECTOR
AGE 68, MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Independent Non-Executive Director: 15 August 2013
- ▶ Chairman of Investment and Quality Health Safety & Environment Risk Committees
- ▶ Member of Audit Committee

Qualification

- ▶ Bachelor of Science (Chemistry), University of Malaya

Working Experiences

- ▶ 1977 – 2005: Started his career as a Reservoir Engineer (Exploration and Production Department) with PETRONAS and later on assumed various positions in the PETRONAS Group of Companies, both locally and abroad
- ▶ 2006: Appointed as Vice President (Business Development) of Bergesen Worldwide Offshore, a public listed company based in Oslo, Norway
- ▶ 2010: Started own business

Directorship in Public Companies

- ▶ He does not hold any directorships in any other public companies

Other Information

- ▶ He does not have any conflict of interest with the Company
- ▶ He has not been convicted of any offences within the past ten (10) years other than traffic offences, if any

DATO' KHALID BIN HJ. AHMAD

INDEPENDENT NON-EXECUTIVE DIRECTOR
AGE 66, MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Independent Non-Executive Director: 22 December 2017
- ▶ Chairman of Audit Committee

Qualification

- ▶ Fellow Chartered Certified Accountant

Working Experiences

- ▶ 1976-1977: Dato Khalid started in Turquand Young, Azman Wong Salleh & Co.
- ▶ In July 1978 he joined The New Straits Times Press (M) Berhad (NSTP) as an Assistant Accountant then rose to Chief Accountant to Senior Accountant and was promoted to Financial Controller in 1985.
- ▶ 1990-1992: became the Senior Group GM for Production and Circulation for the Group. In 1991, appointed Managing Director.
- ▶ 1993-1995: He was appointed Managing Director of Sistem Television Malaysia (TV3).
- ▶ In 1991 he was tasked to start the first electronic derivative exchange in the country, The KL Options and Financial Futures Exchange or KLOFFE. As director in charge, he launch KLOFFE on 15 December 1995 while still in his fulltime position as TV3 MD. KLOFFE was eventually taken over by BURSA MALAYSIA.
- ▶ In 1996 he was appointed Executive Chairman of Malaysian Resources Corporation Berhad the diversified holding company for NSTP, STMB and Malakoff.
- ▶ His other Chairmanship were companies connected to the Group are KL Sentral, Segari Energy Power, Port Dickson Power, Transmission Technology and Teras Cembra.
- ▶ For government-appointed boards, he was a panel adviser in the National Unity Council, a pioneer board member of the Financial Reporting Boards, a director of the Multimedia Corporation and in the National Sports Council.
- ▶ 2010-2012: he was the commissioner of Suruhanjaya Pengangkutan Awam Darat (SPAD).
- ▶ He served as a Director of Technology Park Malaysia for 17 years until 2012. He was also an adjunct professor and adviser to several universities.
- ▶ He was also the Past President of Malaysia Advisory Committee of the Association of Chartered Certified Accountants (ACCA) in Malaysia (after serving for eight years as President). Dato Khalid volunteered his time to sit in the ACCA World Council in London.

Directorship in Public Companies

- ▶ He does not hold any directorships in any other public companies

Other Information

- ▶ He does not have any conflict of interest with the Company
- ▶ He has not been convicted of any offences within the past five (5) years other than traffic offences, if any

BOARD OF DIRECTORS' PROFILE

CONT'D

WAN KAMARUDDIN BIN WAN MOHAMED ALI

INDEPENDENT NON-EXECUTIVE DIRECTOR
AGE 64 MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Independent Non-Executive Director: 18 January 2018

Qualification

- ▶ Bachelor of Economics (Business Administration), University of Malaya

Working Experiences

- ▶ Wan Kamaruddin has always been in the Finance field since he first graduated from University of Malaya in 1980. He started his career with Bank of America, Amanah Merchant Bank, JP Finance (on loan to Bank Negara & subsequent assignment by them), Amanah Merchant Unit Trust Bhd and Amanah International Finance Bhd as Chief Executive Officer.
- ▶ In 1995, he moved to Fieldstone Capital Services Sdn Bhd, a Boutique Financial Advisory Firm where he was involved mainly in financial advisory work involving highways to power plants.
- ▶ The Asian financial crisis of 1999 saw the entry of Babcock & Brown Asia Pacific (BnB) opening its office in Kuala Lumpur and the whole team at Fieldstone was absorb into BnB. Again, whilst with BnB he led a team advising Penerbangan Malaysia Bhd / Malaysia Airlines in their lease finance of various aircrafts (727s, 747s freighters and ATRs) in 2002, 2004, 2006 and 2009. He was also involved in advising clients in bidding for power plant projects.
- ▶ In 2009, upon leaving BnB, he acted as advisor to Markmore Energy in their acquisition of an oil field in Kazakhstan. The acquisition and arrangement of finance was completed in 2012.
- ▶ Wan is currently involved in advising a Thai company (sell-side) sell its power plant and helping to restructure a Malaysian company after it ran into some financial problems.

Directorship in Public Companies

- ▶ He does not hold any directorships in any other public companies

Other Information

- ▶ He does not have any conflict of interest with the Company
- ▶ He has not been convicted of any offences within the past ten (10) years other than traffic offences, if any

Note:

- ▶ None of the Directors has any family relationship with any other Director and / or major shareholder.
- ▶ Directors' interest in securities of the Company are disclosed on page 45 of the Annual Report.



SENIOR MANAGEMENT'S PROFILE

ABU TALIB BIN ABDUL RAHMAN

MANAGING DIRECTOR
AGE 66, MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Non-Independent Non-Executive Director: 1 July 2016
- ▶ Re-designated as Managing Director: 1 January 2017
- ▶ Member of Investment, ESOS and Quality Health Safety & Environment Risk Committees

Qualification

- ▶ Bachelor of Laws, University of London
- ▶ Certificate of Legal Practice from Lembaga Kelayakan Malaysia

Working Experiences

- ▶ 1979 – 1980: Served as Legal Officer of Bank Pertanian Malaysia
- ▶ 1980 – 1981: Manager of Asiavest Merchant Bankers Berhad
- ▶ 1981 – 1986: Accountant in Bank Bumiputera Malaysia Berhad
- ▶ 1986 – 1991: Served as partner of two legal firms
- ▶ 1991 – Present: Managing and founding partners of Abu Talib Shahrom (Legal Firm)
- ▶ Former Director of United Engineers (Malaysia) Berhad
- ▶ Served as Company Secretary to several Public Listed Companies
- ▶ Now, he is serving as director to several private companies namely South Klang Valley Expressway, and Markmore Sdn Bhd and its group of subsidiaries.

Directorship in Public Companies

- ▶ Ranhill Holdings Berhad
- ▶ Senai Desaru Expressway Berhad

Other Information

- ▶ He has 3,844,000 Ordinary Shares in the Company
- ▶ He does not have any conflict of interest with the Company
- ▶ He has not been convicted of any offences within the past five (5) years other than traffic offences, if any

ZAINAL ISKANDAR BIN ISMAIL

CHIEF OPERATING OFFICER
AGE 45, MALE, MALAYSIAN

Position in the Company

- ▶ Appointed as Chief Operating Officer on 23 April 2018

Qualification

- ▶ Bachelor of Commerce (Accounting), the University of Auckland, New Zealand

Working Experiences

- ▶ Iskandar has over 20 years of corporate development and investment experience across diverse industries in oil and gas, renewable energy, palm oil and biofuels, information technology, telecommunications and property development. He was attached to a Malaysia-based private investment group from 2001 – 2016, where he held various senior management and leadership roles. He has deep expertise in business turnaround and the broader private-equity investing spectrum; having evaluated, structured, raised financing, managed and exited investments, as well as represented the group on various boards. He has executed a number of direct investments and headed several industrial projects in Malaysia and internationally. Prior to that, he worked at several companies within the RENONG-United Engineers (Malaysia) Group.
- ▶ 1997 – 1998: Prolink Development Sdn Bhd – Management Executive, Internal Audit
- ▶ 1998 – 2000: Teras Teknologi Sdn Bhd – Assistant Manager, Corporate Planning & Business Development
- ▶ 2000 – 2001: Renong Berhad – Special Assistant to the Executive Chairman
- ▶ 2001 – 2004: Gagasan Makmur Sdn Bhd – Vice President, Investments
- ▶ 2004 – 2007: Markmore Sdn Bhd – Vice President, Investments Berhad
- ▶ 2003 – 2013: Kemaman Bitumen Company Sdn Bhd – Executive Committee Member
- ▶ 2006 – 2013: Greentech Chemicals Sdn Bhd – Chief Operating Officer
- ▶ 2011 – 2017: Gagasan Makmur Sdn Bhd – Director, Investments
- ▶ 2016 – 2018: IBS Worldwide Sdn Bhd – President, Investments
- ▶ 2018 – Present: Sumatec Resources Bhd – Chief Operating Officer

Directorship in Public Companies

- ▶ He does not have any directorship in Public Companies

Other Information

- ▶ He does not have any interest in securities in the Company
- ▶ He does not have any conflict of interest with the Company
- ▶ He has not been convicted of any offences within the past five (5) years other than traffic offences, if any



MANAGEMENT

DISCUSSION & ANALYSIS

INDUSTRY OUTLOOK

The year under review began with Brent crude oil prices hovering around US\$55 per barrel which saw oil majors and national oil companies continuing to rein in costs and delay capital expenditure. There has been a modest recovery as we enter the next financial year, with oil prices approaching US\$70 per barrel due to an upsurge in demand for energy globally, and a tightening of supply base from natural declines and production cuts.

Based on the improving economic conditions and gradual recovery in the industry, the Group is optimistic about the medium-to-long term prospects.

FINANCIAL PERFORMANCE

2018 was a very challenging year for the Group. After providing for higher losses in 2017, the Group recorded a loss after taxation of RM2.68 million in the financial year ended 31 December 2018. The Group losses in the financial year ended 31 December 2018 was primarily caused by the drastic drop in revenue recorded arising from the low contribution from its oil and gas operation. Given the tight operating conditions, the Group continues to actively manage its costs. No dividends were declared, paid or proposed in FYE 2018.

The Group operates in a single reportable segment. It is essentially engaged in the management and oversight of the oil production operations at the Rakushechnoye Oil and Gas Field in Kazakhstan. The oilfield operation and oil sales remain the only contributor to the Group's revenue. However, the inability to raise new funding to develop the oilfield and various litigation issues arising from the legacy shipping debts continued to impact the Group's financial performance resulting in lower revenue as compared to the previous year.

The Company has been beset by the legacy shipping debts. During the year, the Company made additional provision for litigation cases amounting to RM82.14 million. This provision mainly arises from the various litigation cases involving the shipping debts.

The litigation process is ongoing and at this juncture, the Company has instituted legal actions against its former Director / Managing Director and others for alleged conspiracy against the Company. The Management feels that the Company have a reasonable and good arguable case.

Due to the legacy debts, the Company was unable to raise fresh funding for the oil field operation and has to endure lack of revenue derived from the oil production. The Company was informed by CaspiOilGas LLP ("COG") that production

MANAGEMENT DISCUSSION & ANALYSIS

CONT'D



and extraction of oil has been substantially reduced over the last few months pending the issuance of new permit, which according to COG, the production is expected to restart from mid-July 2019. In this regard, on its own funding initiative, COG has appointed a contractor to undertake the workover program and oil production at the field.

On 30 April 2018, the Company has triggered the Prescribed Criteria pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as the Company's previous auditors have expressed a disclaimer opinion in the Company's last audited financial statements for the financial year ended 31 December 2017.

Following the classification of the Company as PN17 Company it is required to submit a proposed regularization plan within 12 months ("Regularization Plan"). The Board wishes to inform that there are no significant developments to-date until the legal issues are resolved. The Company has on 15 April 2019 submitted an application for an extension of time to Bursa Securities to submit the Company's Regularisation

Plan to comply with Paragraphs 8.04(3) and 5.1 of Practice Note 17 of the MMLR of Bursa Securities ("Application").

Bursa Securities had vide its letter dated 19 April 2019, informed the Company that the suspension on the trading of the Company's securities and the de-listing of the Company in accordance with Paragraph 8.04(5) of the Listing requirements shall be deferred pending the decision on the Application.

CORPORATE SOCIAL RESPONSIBILITY

Whilst the Board recognises that sustainable business practices will lead to robust business growth in the long run, during this challenging operating environment, the Board made a conscious decision to focus only on sustainable practices that are of high priority and have immediate impact on business if they are not complied with. On that score, all matters relating to regulatory compliance and employees' health, safety and welfare at workplace are of utmost importance. Hence, our Company continuously monitors the effectiveness of measures put in place to ensure compliances in the abovementioned areas.

MANAGEMENT DISCUSSION & ANALYSIS

CONT'D

OPERATIONS OUTLOOK

We anticipate that the outlook for the Group for 2019 will remain challenging. Whilst oil and gas industry continue its slow recovery as upstream companies increase production in a volatile oil and gas market, demand for new energy sources, project delays and cash flow constraints are some of the challenges that we have faced during the year under review, and continue to face in the current year of business. Resolving the business issues which include completion of the overall field development projects and restarting oil production from workover program are of an immediate priority to the Group.

The ability of the Group to realise the above programs is subject to the availability of funding for the Rakushechnoye field development. This is dependent on several factors, which may include successful implementation of its corporate proposals such as, inter alia, a possible development or participation in a condensate extraction plant and the availability of financial support from a contractor for the development and financing of the field development. However, there is still the issue of ongoing material litigations which needs to be addressed. At this end, the Group remain dedicated to achieving a favourable outcome.

The Company has been informed that pursuant to the award of new workover contract by COG, they have finalised contract negotiation with contractor. It is envisaged that the workover program will commence by early June 2019, with production expected to restart from mid-July 2019.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and Management Team, we would like to take this opportunity to express our immense appreciation to our shareholders, vendors, suppliers, business associates, regulatory authorities and government agencies in Malaysia and Kazakhstan for their unwavering support and understanding throughout the year. We are also grateful to our senior management team and employees for their commitment, hard work and dedication to the Group.

The Board of Directors and Management Team also expressed their deepest condolences to the family of the late Mr Michael Lim Hee Kiang who passed on during the year. His dedication and stewardship will be missed by the Company.

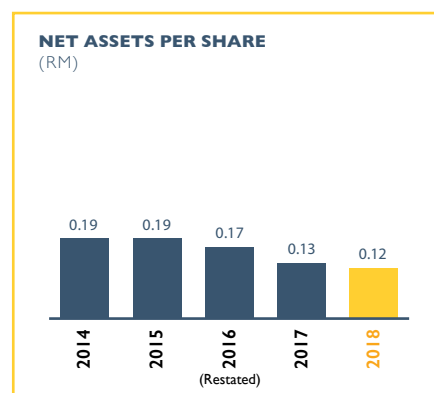
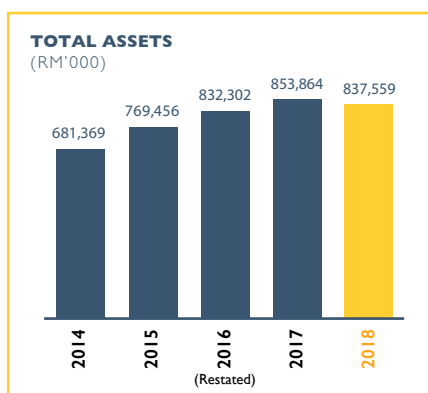
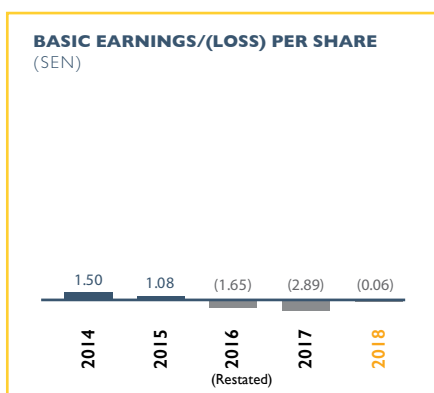
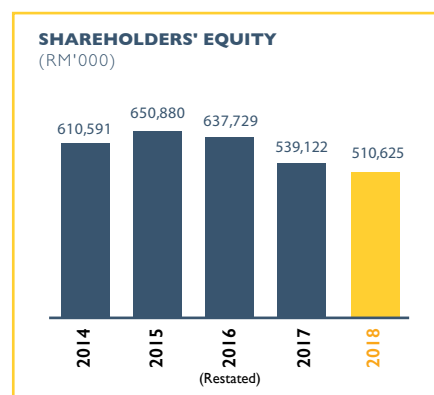
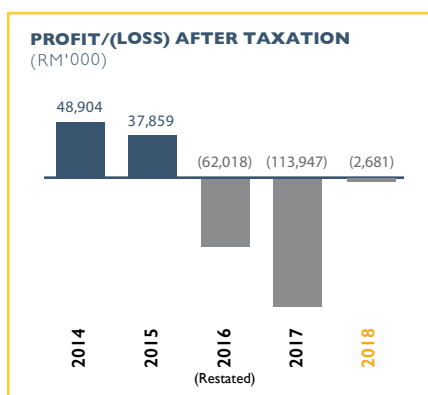
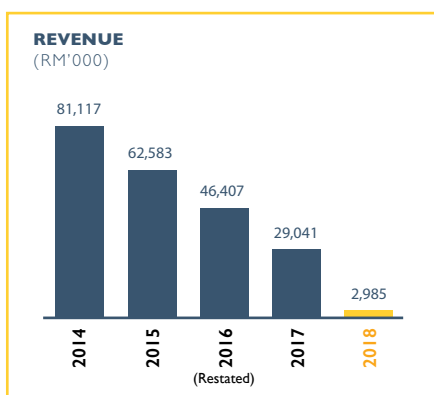


FIVE-YEAR FINANCIAL HIGHLIGHTS

		2014	2015 (Restated)	2016	2017	2018
Key Financial Data						
Statement of Comprehensive Income:						
Revenue	RM'000	81,117	62,583	46,407	29,041	2,985
Earnings/ (Loss) Before Interest, Tax, Depreciation & Amortisation	RM'000	61,729	63,007	(45)	(106)	(2)
Profit/ (Loss) After Taxation	RM'000	48,904	37,859	(62,018)	(113,947)	(2,681)
Profit/ (Loss) Attributable to Equity Holders	RM'000	48,904	37,828	(62,018)	(113,947)	(2,681)
Statement of Financial Position:						
Share Capital	RM'000	487,577	490,146	541,256	739,355	739,355
Shareholders' Equity	RM'000	610,591	650,880	637,729	539,122	510,625
Total Assets	RM'000	681,396	769,456	832,302	853,864	837,559
Net Assets	RM'000	610,591	650,880	637,729	539,122	510,625
Total Borrowings	RM'000	22,635	22,530	22,530	22,530	22,530
Cash And Cash Equivalents	RM'000	1,384	895	141	1,165	136
Ratio Analysis:						
Basic Earnings/ (Loss) Per Share	sen	1.50	1.08	(1.65)	(2.89)	(0.06)
Net Assets Per Share	RM	0.19	0.19	0.17	0.13	0.12
Gearing Ratio	times	0.04	0.03	0.04	0.04	0.04
Return on Shareholders' Equity	%	8.0	5.8	(9.72)	(21.1)	(0.5)
Valuation:						
Market Capitalisation	RM'000	714.0	437.6	290.0	319.0	255.2

Note:

NM: Not Meaningful



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Corporate Governance Overview Statement

The Board of Directors of the Company ("The Board") is committed to ensure high standards of corporate governance with the establishment and implementation of a proper framework and controls that are in line with the principles and best practices pursuant to the Malaysian Code of Corporate Governance 2017 ("MCCG 2017") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").

The Board recognises the importance of good corporate governance as it underpins the Group's objective to achieve sustainable growth in its businesses in the long run. The Board will continuously evaluate the status of the Company and Group's corporate governance practices and procedures with a view to adopt and implement the best practices of The Code wherever applicable.

The Board is pleased to report herein the manner in which the Company has applied the principles of The Code and the extent to which it has complied with the best practices of The Code throughout the financial year ended 31 December 2018 and to the date of this statement.

Board Leadership and Effectiveness

I. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible in promoting and protecting the interests of shareholders and stakeholders of the Company and the Group by overseeing and appraising the Company's strategies, policies and performance. It plays a key role in charting the strategic direction of the Group and in ensuring the effective execution of these strategies by management. Specifically, the Board's key objectives are:

- To oversee the conduct of the Group's businesses, including the formulation of strategy and performance objectives, in conformance with the Company's values and governance framework, including establishing and observing high ethical standards;
- To approve and monitor the progress of material capital expenditure, fund-raising, acquisitions and divestitures;
- To fulfil statutory and fiduciary responsibilities by monitoring the operational, financial and risk management processes of the Group;
- To ensure compliance with environment, safety, health and other relevant legislations governing its oil and gas operations;
- To ensure the adequacy and effectiveness of system of internal controls and risk management framework;
- To review and evaluate the performance of the Managing Director ("MD") periodically, his or her compensation package and ensure succession planning for the MD is in place; and
- To provide sufficient information to shareholders at the general meetings on the Company's performance and major developments affecting its state of affairs.

Matters specifically reserved for the Board including but not limited to:

- Appointment of a Chairman;
- Appointment and removal of Executive VC and MD;
- Appointment and removal of Company Secretary;
- Appointment of Directors to fill a vacancy or as an additional Director;
- Establishment of Board Committees, their membership and delegated authorities;
- Appointment, re-appointment or removal of the Company's external auditors (on the recommendation of the Audit Committee);
- Approval of dividends;
- Approval of quarterly and annual financial statements;
- Approval of strategic plan and budget, at least annually;
- Significant changes to corporate and material capital structure;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

Board Leadership and Effectiveness (cont'd)

I. ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

Matters specifically reserved for the Board including but not limited to: (cont'd)

- Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- Recommendation of recurrent related party transactions and related party transaction;
- Approval for any financing facilities;
- Approval of Limits of Authority ("LOA") of the Company; and
- Any other specific matters nominated by the Board from time to time.

The distinctive roles and responsibility of the Chairman, Executive Vice Chairman and Managing Director

The Board opines that having separate individuals as Chairman, Executive Vice Chairman and MD will contribute towards more effective functioning of the Board and it allows for better dynamics for check and balance between the Board and the management. The Board Charter provides that the Chairman of the Board shall at all times be separate from the MD.

The Chairman of the Board is responsible for:

- Chairing meetings of the Board and of the shareholders;
- Providing leadership to the Board and ensuring that the Board operates effectively as a group and is able to fulfil its fiduciary obligations;
- Ensuring that Board decisions have been implemented by management; and
- Promoting constructive and respectful relationship between the Board and the management.

Whereas, the Executive Vice Chairman is responsible for:

- Carrying the duties of the Chairman in his absence;
- Implementing the organization's vision and mission in overall direction;
- Formulating and implementing strategic and expansion plans; and
- Proposing any strategic alliance, acquisitions and divestitures.

The MD has the overall responsibility of executing the Group's strategies and plans as approved by the Board and driving the Group's performance towards achievement of its vision and mission. In carrying out his duties, the MD is expected to display strong leadership qualities especially in managing cross cultural operations and is able to rally the support of all key stakeholders to ensure smooth running of the day-to-day-operations of the Group.

The authority of the MD includes but not limited to the following: -

- Deciding on the capital and operations expenditure for the Company's core business;
- Evaluating on the success of the organization;
- Overseeing the company's operations in accordance with the strategic plans;
- Implementation of any acquisition of assets;
- Responsible for all financial, operational and administrative function of the Company;
- Maintaining awareness of competitive landscape, development and standards and opportunities for expansion

The Board will remain accountable for the authority delegated to the MD.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

Board Leadership and Effectiveness (cont'd)

I. ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

Code of Ethics and Conduct

The Board has made a commitment to create a corporate culture within the Company and the Group to operate the business in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct in relation to interactions with the Company's stakeholders.

In addition to the Group's code of conduct which is applicable to all employees and directors of the Company and the Group, Board members are also expected to conform to the Director's code of ethics and conduct ("Director's Ethics"). The Director's Ethics provide guidelines on the manner in which Directors should conduct themselves in fulfilling and discharging their fiduciary duties, specifically:

- Directors shall act at all times with honesty and integrity and will observe the highest standards of ethical behaviour;
- Directors shall ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests;
- Directors are expected to declare their respective shareholdings, direct or indirect if any, in the Company and related companies;
- Directors are expected to also declare their interest, direct or indirect, in contracts or proposed contracts with the Company or subsidiary companies. The Directors concerned are to abstain from deliberating and voting in respect of these transactions or in matters affecting their personal, business or professional interests;
- Directors shall be expected to participate in all induction and orientation programs and any continuing education or training arranged for them;
- The Board shall assess the training needs of its members from time to time and shall ensure that they have access to appropriate continuing education programs to update their knowledge and enhance their skills to sustain active participation at Board deliberation;
- The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman, or the Board as a whole;
- The Directors shall devote time and effort to attend meetings and to know what is required of the Board and each of its members, and to discharge those functions effectively; and
- Directors shall limit their directorship of companies to a number which they can sufficiently devote their time and maintain effectiveness. All Directors are to notify the Chairman of the Board prior to their accepting any new directorship. Likewise the Chairman shall also notify the Board if he has new directorship or significant commitments outside of the Company.

Promoting Sustainability

The Board has taken steps to ensure that the Group's strategies will promote sustainability, particularly with respect to environmental, social and governance aspects of the business. The Sustainability Report is disclosed in pages 27 to 28 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

Board Leadership and Effectiveness (cont'd)

I. ROLES AND RESPONSIBILITIES OF THE BOARD (CONT'D)

Access to Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory and business development, by way of Board papers for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

Good practices have been observed for timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Committee meetings, to give effect to Board decisions and to deal with matters arising from such meetings. Any Director may request additional matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under supplemental agenda. The issues are deliberated and discussed thoroughly by the Board prior to decision making. All deliberations, discussions and decisions of the Board are minuted and recorded accordingly.

In addition, the Board members are updated on the Company's activities and its operations on a regular basis. All Directors have access to all information of the Company in a timely and appropriate manner, and quality necessary to enable them to discharge their duties and responsibilities.

Presentations and briefings by the Management of the Group and external advisers, where applicable, are also held at Board Meetings to advise the Board and furnish relevant information and clarification for the Board to arrive at an informed decision. Members of the Board, either collectively or individually, have the right to seek independent professional advice on any matter raised by management for consideration by the Board. The cost of such engagement shall be borne by the Company.

Company Secretaries

The Company Secretaries are responsible for advising the Board on issues relating to compliance with the relevant laws, rules, procedures and regulations, as well as best practices of governance. They are also responsible for advising the Board of their obligations and duties to disclose their interests in securities, ensures compliance with Board policies and procedures. They brief the Board on the proposed contents and timing of material announcements to be made to regulators.

The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company.

The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The appointment and removal of the Company Secretaries, if any, are decided and agreed by the Board as a whole.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

II. BOARD STRENGTH AND EFFECTIVENESS

Composition of the Board

Throughout the financial year under review, the Company has ensured that at least one-third (1/3) of the Board members are independent directors. As at the date of this statement, the Board comprised one (1) Independent Non-Executive Chairman, one (1) Executive Vice Chairman, one (1) Managing Director and three (3) Independent Non-Executive Directors. This exceeds the requirements of Paragraph 15.02 of the MMLR that requires at least 1/3 of the Board members to be independent directors.

The Board is of the opinion that the current size and composition of the Board is well-balanced, with their diverse background and areas of specialisation, collectively bringing with them a wide range of experience and expertise in areas such as legal, finance, oil & gas and business operations to reflect the Board's commitment to ensure the effective stewardship and control of the Company and the Group. A brief description of the background of each director is set out on pages 7 to 9 of this Annual Report.

The Board has set up five (5) board committees to assist the Board in discharging its responsibilities effectively. They are the Audit Committee, Nomination Committee, Remuneration Committee, QHSE Risk Committee and Investment Committee.

Audit Committee

The details on the Audit Committee are included in the Audit Committee Report as disclosed on pages 29 to 31 of this Annual Report.

Nomination Committee - Selection and Assessment of Directors

A Nomination Committee established with specific terms of reference by the Board, comprises exclusively of Non-Executive Directors as follows:

1. En. Mohamad Bin Ismail - Chairman (Independent Non-Executive Director) – appointed effective from 29 March 2018;
2. Mr. Michael Lim Hee Kiang - Member (Independent Non-Executive Director) – deceased on 16 May 2018; and
3. Dato' Khalid Bin Hj. Ahmad - Member (Independent Non-Executive Director) - appointed effective from 29 March 2018.

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which a Director should bring to the Board. It assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director to the Board.

The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the Board. The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the incoming director.

During the financial year, the Nomination Committee met once and was attended by all members, to assess and recommend appointment of new Board members, to assess the balance composition of Board members based on merits, Directors' contribution and Board effectiveness.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

II. BOARD STRENGTH AND EFFECTIVENESS (CONT'D)

Nomination Committee - Selection and Assessment of Directors (cont'd)

The performance and effectiveness of the Board, Board Committees and contribution by individual directors to the Board were assessed annually using evaluation survey questionnaires covering performance criteria that the Board determines as important to its effectiveness. The results of the questionnaires are compiled with a report to the Chairman, which is then presented to the Nomination Committee and then to the Board for evaluation and consideration.

The Board believes that diversity at the Board level is important as it helps to enhance overall Board effectiveness. Board diversity encompasses, among other things, the varied skills, background, knowledge, subject-matter expert, industry experience, age and gender brought in by any member or prospective member to the Board. At this stage of the Company's life, the Board considers skills, industry experience and knowledge to be the main criteria for new director nomination consideration.

The Board believes that the current mix of skills and experience of its respective Board members is sufficient for the discharge of its duties and responsibilities effectively.

Appointment and Re-election of Directors

In accordance with Article 87.1 of the Articles of Association of the Company, at every Annual General Meeting ("AGM"), one-third (or the number nearest to one-third) of the Directors shall retire from office by rotation and may offer themselves for re-election. The Articles of Association also provide that all Directors are subject to retirement by rotation at least once in every three (3) years and shall be eligible for re-election. An election of the retiring Directors shall take place every year.

Any person appointed as a Director, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the conclusion of the next AGM, and shall be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at that meeting.

The names of Directors who are due for re-election and/or re-appointment have been identified and disclosed in the Notice of the AGM and the particulars of these Directors are disclosed on pages 7 to 9 of the Annual Report. The Board is satisfied that the Directors, who are required to stand for re-election and re-appointment at the AGM, will continue to demonstrate the necessary commitment to be fully effective members of the Board and therefore recommend for their re-election and/or re-appointment.

Remuneration Committee - Directors' Remuneration

The Remuneration Committee comprises of Non-Executive Directors. As at the date of this statement, the committee members are as follows:

1. Dato' Khalid Bin Hj. Ahmad – Chairman (Independent Non-Executive Director) – appointed effective from 29 March 2018;
2. En. Mohamad Bin Ismail - Member (Independent Non-Executive Director) – appointed effective from 29 March 2018; and
3. Mr. Michael Lim Hee Kiang – Member (Independent Non-Executive Director) – deceased on 16 May 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

II. BOARD STRENGTH AND EFFECTIVENESS (CONT'D)

Remuneration Committee - Directors' Remuneration (cont'd)

The Remuneration Committee has been entrusted by the Board to determine that the levels of remuneration are sufficient to attract and retain Directors who have the quality required to provide stewardship to the Group. The Remuneration Committee is entrusted under its terms of reference to assist the Board, amongst others, to recommend to the Board the remuneration of the Executive Directors, if any, and that of the MD, Chief Operating Officer and Chief Financial Officer. In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration.

During the financial year under review, the Committee met once and were attended by all members.

For the financial year ended 31 December 2018, details of Directors' remuneration paid or payable to all Directors of the Company, categorized into appropriate components, are as follows:

Company

	Fees RM	Salary RM	Bonus RM	Benefit- in-kind RM	Total RM
Executive Directors					
Tan Sri Halim Bin Saad	-	-	-	-	-
Encik Abu Talib Bin Abdul Rahman	30,800	960,000			990,800
Non-Executive Director					
Mr Michael Lim Hee Kiang	39,297				39,297
Dato' Khalid Bin Ahmad	60,000				60,000
Encik Mohamad Bin Ismail	75,600				75,600
Encik Wan Kamaruddin Bin Wan Mohamed Ali	47,600				47,600
Total	253,297	960,000			1,213,297

Investment Committee

The Investment Committee is responsible for assisting the Board to ensure that all Company's proposals for investments in new businesses are sufficiently and thoroughly evaluated from all aspects including, but not limited to, risks, technical qualifications, pricing and financial returns, and resources.

The Investment Committee Charter will be reviewed on an annual basis to ensure that it remains consistent with the Board's objectives and best practices. The Investment Committee meets as and when required.

As at the date of this statement, the members of the Investment Committee comprise of:

1. Encik Mohamad bin Ismail - Chairman (Independent Non-Executive Director); and
2. Encik Abu Talib bin Abdul Rahman – Member (Managing Director).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

II. BOARD STRENGTH AND EFFECTIVENESS (CONT'D)

QHSE Risk Committee

The QHSE Risk Committee is responsible with a delegated authority to administer and be responsible for assuring continuous compliance by the Company with all applicable quality, safety, health and environmental laws and regulations vested in management of the Company.

As at the date of this statement, the QHSE Risk Committee comprise of:

1. Encik Mohamad bin Ismail - Chairman (Independent Non-Executive Director); and
2. Encik Abu Talib bin Abdul Rahman – Member (Managing Director).

III. INDEPENDENCE OF THE BOARD

The Independent Non-Executive Directors are of high credibility, calibre and have the necessary skill and experiences to carry sufficient weight in Board decisions. The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment which are particularly important in ensuring that the strategies proposed by the Management are fully discussed and examined, and take account of the long term interests, not only of the Group, but also of shareholders, stakeholders and the many communities in which the Company conduct its business.

Under Paragraph 3.2 of The Code, any director should not hold office in the capacity of an independent director for more than 9 years. Currently, none of the five (5) independent directors has served on the Board for more than nine (9) years. The tenure of nine (9) years, however, is not the conclusive criteria in determining Board member's ability to exercise independent judgment. The Board also considers whether the director is independent of management and free of any business or other relationships that could, or reasonably perceived to, materially interfere with the exercise of his unfettered or independent judgment. Family ties and cross directorships may also be relevant in considering interests and relationships which may compromise independence of directors. The Board follows the "independent director" criteria prescribed by the MMLR in assessing the independence of directors.

Upon completion of the nine (9) years as independent director, the independent director may continue to serve the Board after being re-designated as non-independent director. However, should the Board wish to retain the director as an independent director beyond the nine (9) years, the Board shall seek shareholders' approval subject to provision of strong justification for such an extension.

IV. COMMITMENT OF DIRECTORS

Board meetings are scheduled in advance at the beginning of the new financial year to enable directors to plan ahead and fit the year's meeting into their own schedules. The Board meets at least quarterly with additional meetings convened as and when necessary.

Board and Board Committee papers which are prepared by Management provide the relevant facts and analysis to facilitate the Board to make informed decision. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members within reasonable time ahead of the meetings to allow the Directors ample opportunity to peruse the papers for effective discussion and decision making during meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

IV. COMMITMENT OF DIRECTORS

At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The reports of the Audit Committee, Nomination Committee, Remuneration Committee, Investment Committee and QHSE Risk Committee are also presented and discussed at Board meetings. All pertinent issues discussed at Board meetings in arriving at the decisions are properly recorded by the Company Secretary by way of minutes of meetings.

Board Meetings and Attendance

During the financial year ended 31 December 2018, the Board of Directors met four (4) times and where there are instances of insufficient quorum, BOD's decisions are made through Circular Resolutions.

Details of the Board attendance at the meetings for financial year ended 31 December 2018 are set out below:

Director	Title	Attendance
Encik Mohamad Bin Ismail (Chairman)	Independent Non-Executive Director	4/4
Tan Sri Halim Bin Saad (Executive Vice Chairman)	Non-Independent Executive Director	1/2
Encik Abu Talib Bin Abdul Rahman (Managing Director)	Non-Independent Executive Director	3/4
Mr Michael Lim Hee Kiang (Deceased on 16 May 2018)	Independent Non-Executive Director	1/3
Dato' Khalid Bin Hj Ahmad	Independent Non-Executive Director	4/4
Encik Wan Kamaruddin Bin Wan Mohamed Ali (Appointed on 18 January 2018)	Independent Non-Executive Director	3/4

Directors' Training - Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to enhance their skills and knowledge, and to keep abreast with the relevant changes in laws, regulation and industry business environment, and the impact such changes have on the Group to enable them to discharge their duties more effectively.

Except as disclosed below, other directors have not attended any training programme during the year due to their tight schedules and other commitments.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

IV. COMMITMENT OF DIRECTORS (CONT'D)

Directors' Training - Continuing Education Programmes (cont'd)

Details of programmes attended by directors are as follows:

Director	Seminars / Training Attended	Organiser
Encik Mohamad Bin Ismail	<ul style="list-style-type: none"> High Impact Governance Seminar Corporate Compliance 	Bursatra Sdn Bhd
Encik Abu Talib Bin Abdul Rahman	<ul style="list-style-type: none"> High Impact Governance Seminar Corporate Compliance King on Governance, Value Creation in the Era of Seismic Disruption 	Bursatra Sdn Bhd Malaysian Alliance of Corporate Directors
Dato' Khalid Bin Hj Ahmad	<ul style="list-style-type: none"> High Impact Governance Seminar Corporate Compliance 	Bursatra Sdn Bhd
Encik Wan Kamaruddin Bin Wan Mohamed Ali	<ul style="list-style-type: none"> High Impact Governance Seminar Corporate Compliance Mandatory Accreditation Programme 	Bursatra Sdn Bhd The ICLIF Leadership & Governance Centre

Throughout the FY2018, all Directors received updates and briefings, particularly on regulatory requirements and changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements.

V. INTEGRITY IN FINANCIAL REPORTING

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa Securities, as well as the annual financial statements of the Company and the Group. A statement by the Directors of their responsibilities in the preparation of financial statements is set out on page 42 of this Annual Report.

In assisting the Board to discharge its duties in financial reporting, the Board has established an Audit Committee, comprising wholly of Independent Non-Executive Directors. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial results announced to Bursa Securities and the annual statutory financial statements.

In assessing the independence of external auditors, the Audit Committee requests for written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The Audit Committee report is disclosed on pages 29 to 31 of this Annual Report.

VI. RISK MANAGEMENT AND INTERNAL CONTROL

The Board's Statement on Risk Management and Internal Control is set out on pages 32 to 36 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

VII. WHISTLEBLOWING POLICY

In order to strengthen corporate governance practices across the Group, a whistleblowing policy was established to encourage employees to report suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving resources of the Company.

All concerns raised via the whistleblowing channels will be treated fairly and properly. The Group's Whistleblowing Policy also includes provisions to safeguard the confidentiality of the whistleblower, ensure no retaliation against the whistleblower if he or she has acted in good faith and measures to avoid abuse of the policy for purposes of making false or malicious allegations.

VIII. TIMELY AND HIGH QUALITY DISCLOSURE

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. On this basis, the Board authorises the MD to be responsible to ensure compliance with the corporate disclosure requirements as stipulated in the MMLR, and to disclose material information to regulators, shareholders and stakeholders on a timely basis.

As recommended by the Code, the Company will seek to leverage on the latest and most innovative information technology available to promote more efficient and effective ways to communicate with both its shareholders and stakeholders. The Company has made available on its website, the Company's Annual Reports, announcements to Bursa Securities, media releases and news, a Corporate Governance section and presentations made to shareholders and analysts.

Specific contact details are provided on the Company's website to address queries from shareholders and other public at www.sumatec.com.

IX. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

Shareholder participation at general meeting

In addition to the quarterly financial reports and annual report, AGM remains the principal forum for communication and interaction between the Board and Senior Management with the shareholders.

The shareholders are encouraged to participate in the proceedings and raise any questions relating to the proposed resolutions as well as the Company's business operations and affairs. The Chairman, Board of Directors and Senior Management will respond to shareholders' question on matters pertaining to the Group's performance and seek to explain concerns raised by the shareholders. The External Auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders.

The Notice to the AGM together with Form of Proxy are circulated to the shareholders at least twenty one (21) days before the date of the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. Each item of special business included in the Notice to the AGM is accompanied by an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of issues involved. The outcome of the AGM was announced to Bursa Securities on the same day as the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CONT'D

IX. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS (CONT'D)

Communication and engagement with shareholders

The Board recognises the importance of being transparent and accountable to the Company's investors and has maintained various channels of communication with investors and shareholders. These include the quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars when necessary, and the Annual and Extraordinary General Meetings. Investors and shareholders may also access online Investor Relation section, News and Media via the Company's website at www.sumatec.com.

The Group's website is updated from time to time to provide current and comprehensive information about the Group.

Investor and Media Relations

The Company engages with the investment community, whenever appropriate, to share our strategy and vision and to discuss our operations and business whilst ensuring timely and fair dissemination of information. The Board values the relationship the Company has with investors and communication with them is important to the Board and management.

The key spokesperson for the Company's investor relations activities is the MD, who engages with research analysts and fund managers directly. Additionally, the Company calls for media briefings to update members of the press on major announcements made by the Company or on business operation matters.

This Statement on Corporate Governance was approved by the Board of the Company on 26 April 2019.

STATEMENT ON SUSTAINABILITY

The Board of Directors acknowledges the importance of sustainability related issues and strive to fulfil the expectation of its stakeholders by enhancing its governance, social, environmental, and economic performance while ensuring the sustainability and operational success of the Company.

Sustainability at Sumatec Resources Berhad (“SRB”) is about the creation of value over time, for all our stakeholders, through an integrated approach to evolving environmental, social and governance challenges and opportunities.

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

The CSR initiatives in SRB are primarily built on the four pillars of:

- a) Economic: Delivering long-term value and growth;
- b) Environmental: Responsibly managing and reducing our impact on the environment as well as effectively managing environmental risks where we operate;
- c) Social: Ensuring the health and safety of our people and make a positive impact on our people and communities; and
- d) Governance: Maintaining high standards of behaviour and integrity and be the best in class for governance practices;

which aim to deliver sustainable value to society at large. These four CSR pillars summarised below support the overall sustainability direction for SRB.

a) Economic

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

1. Capital and portfolio management

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

2. Operational reliability

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

3. Innovation

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

STATEMENT ON SUSTAINABILITY

CONT'D

a) **Economic (cont'd)**

4. Sustainable growth

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

b) **Environmental**

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

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

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

c) **Social**

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

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

d) **Governance**

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

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

AUDIT COMMITTEE REPORT

The Board of Directors of the Company is pleased to present the report on the Audit Committee of the Board for the financial year ended 31 December 2018. The Audit Committee Report provides insights into the manner in which the Audit Committee discharged its functions for the Group in 2018.

I. COMPOSITION AND MEETING ATTENDANCE

The Audit Committee composition, type of directorship and attendance of meetings held for FY 2018 are as follows:

Name	Designation	Attendance
Dato' Khalid Bin Hj. Ahmad (Chairman)	Independent Non-Executive Director	3/3
Encik Mohamad bin Ismail (Member)	Independent Non-Executive Director	3/3
Mr Michael Lim Hee Kiang (Member) (Deceased on 16 May 2018)	Independent Non-Executive Director	1/2
Encik Wan Kamaruddin Bin Wan Mohamed Ali (Member) (Appointed on 31 May 2018)	Independent Non-Executive Director	1/3

Due to insufficient quorum for a meeting, the unaudited account for the Quarterly Results as at 30 March and 30 September 2018 were approved vide circular resolutions dated 31 May and 30 November 2018 respectively.

In compliance with the Malaysian Code on Corporate Governance 2012 and Paragraph 15.09 (1)(b) of the MMLR, all three (3) members of the Audit Committee are Independent Non-Executive Directors which fulfil the criteria of independence as defined in the MMLR.

Dato' Khalid Bin Haji Ahmad is a Fellow of the Association of Chartered Certified Accountants. In this regard, the Company is in compliance with Paragraph 15.09(c)(ii) under the MMLR.

The Managing Director attended all meetings upon invitation by the Audit Committee. Representatives of the external auditors also attended the relevant Audit Committee meetings on invitation by the Committee.

AUDIT COMMITTEE REPORT

CONT'D

2. SUMMARY OF ACTIVITIES

During the financial year 2018, the Audit Committee carried out the following activities in accordance with its terms of reference:

- (i) Reviewed the quarterly unaudited financial statements of the Group and recommended to the Board for approval;
- (ii) Reviewed the annual audited financial statements of the Group and the Company with the external auditors prior to submission to the Board of Directors for their approval;

The review of the financial statements was, inter-alia, to ensure compliance with:

- Provisions of the Companies Act, 2016;
- MMLR;
- Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements.

In reviewing the annual audited financial statements, the Audit Committee discussed with the management and the external auditors the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit, if any;

- (iii) Reviewed the status and resources of the internal audit function;
- (v) Reviewed the statement on compliance with the Malaysian Code on Corporate Governance, Audit Committee report and Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report;
- (vi) Reviewed all related party transactions entered into by the Company or group companies to ensure the terms of these transactions are reasonable, at arm's length and not to the detriment of the minority shareholders. This included the review of the circular to shareholders for the proposed renewal of shareholders' mandate for recurrent related party transactions, and the procedures for related party transactions; and
- (vii) Reviewed the relevant reports presented by management and the external auditors.

AUDIT COMMITTEE REPORT

CONT'D

3. INTERNAL AUDIT FUNCTION

Currently, the position of the Chief Internal Auditor (“CIA”) is vacant since May 2018. As such, minimal audit activities were conducted during the FY2018. In view of the challenges faced by the Company and Group, SRB has been unable to recruit the desired candidate.

Under the Internal Audit Charter, the CIA reports functionally to the Audit Committee, and administratively to the CEO/MD to allow an appropriate degree of independence from the operations of the Group. The charter also defines the roles, responsibilities, accountability and scope of work of the Internal Audit Department (“IAD”). Generally, the CIA is responsible to:

- a. Develop the annual internal audit plan and budget.
- b. Undertake comprehensive planning and risk assessment relating to each assignment to ensure that the engagement identifies potential unmitigated business risks.
- c. Perform audits and determine that company assets are properly used in the company’s business, consistent with company policy and generally accepted accounting principles.
- d. Review company procedures to ensure maintenance of records in reasonable detail that accurately and fairly reflect the transactions and assets of the company.
- f. Evaluate the system of internal controls to determine proper controls are in place and in working order including suggestions for improvements.
- g. Assist in interface with external auditors to maximize reliance on internal audit reviews.
- h. Perform all aspects of audit work for all audit assignments including report preparation and review, and communication with management regarding audit results.
- i. Ensure that recommendations are clearly presented and agreed to by the management and that a subsequent audit report is issued promptly.
- j. Participate in Enterprise Risk Management (“ERM Committee”) and engage in the reporting on the Statement of Risk Management and Internal Control (SORMIC).

The IAD will also conduct investigation and special reviews at the instruction of the Audit Committee and at the request by Management.

The Audit Committee Report is made in accordance with the resolution of the Board of Directors on 26 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (SORMIC)

ROLE AND RESPONSIBILITIES OF THE BOARD

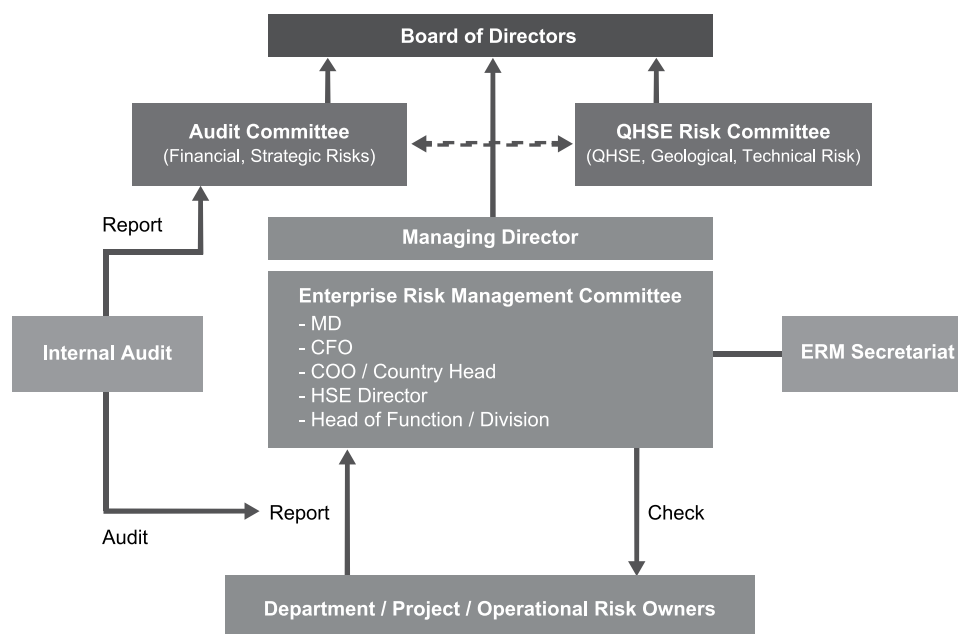
The Board of Directors acknowledges the importance of sound risk management practices and internal control to safeguard and enhance shareholders' value and the Group's assets. The Board therefore affirms its overall responsibility for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy and integrity. In discharging its responsibilities, the Board is assisted by the following Board and management committees:

- **Audit Committee**
Consider the adequacy of the risk management and internal control framework; review report on the risk management issues from the Enterprise Risk Management (ERM) Committee; consider the input of the QHSE Risk Committee; and review audit reports on the adequacy and effectiveness of internal control and risk management system.
- **QHSE Risk Committee**
Review reports on HSE, geological and technical risks and assess the adequacy of risk treatment plans related to those risks.
- **ERM Committee**
Identify and assess risks faced by the Group, and thereafter design and implement appropriate internal controls to mitigate the likelihood and impact of those risks. The ERM Committee is led by the MD.

The Board realizes that since there are inherent limitations in any system of internal controls, the internal control system of the Company and the Group is designed to manage and minimise the impact of key risks that may impede the achievement of the Group's business objectives, rather than completely eliminate them. Accordingly, the internal control system can only provide reasonable but not absolute assurance against material misstatement, fraud or loss.

RISK MANAGEMENT

The Board recognises that risk is an integral and unavoidable component of its business and is characterised by threats and opportunities. The Board has set up a risk management framework that is structured to manage its risks as illustrated below:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

RISK MANAGEMENT (CONT'D)

The governance structure is guided by the respective Terms of Reference of the various committees and the Group policies, procedures and guidelines in risk management.

All risks that may impair the Group's business objectives are identified and analysed in terms of their likelihood of occurrence and financial impact in cognizance of the Board's risk appetite and risk tolerance.

The results of the risk identification, assessment and mitigation plans are documented in the Group risk register. The risk register is communicated and shared across the Company and the Group, allowing the relevant risk owners to track the progress of risk mitigation plans. It also allows the management to flag new risks and to make suggestions on the course of action to be taken to address new risks as they arise.

As part of the review and monitoring process, management will ensure that adequate tools and processes are put in place to capture actual incidents and loss events to further enhance risk profiling and quantification analysis. To enhance the risk management process, management will take steps to identify leading indicators and predictor events for these risks which will allow management to detect and predict changes in the environment that could impact the achievement of business objectives and take prompt action as appropriate.

SYSTEM OF INTERNAL CONTROL

Quality Health Safety and Environment Management System

The nature of the Group's operations in the development and production of hydrocarbons, including handling of fuel and other inflammable materials, exposes our employees to a wide range of health, safety and environmental risks. The causes of these risks could be technical failure, malfunctions, blow-outs and explosions, fire, oil and gas spills, pollutants emissions and toxic emissions.

In addition the Group is also exposed to geological risks including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or other negative events that could potentially cause casualties, environmental damages and consequently could have an adverse material impact on the Group's future growth prospects, results of operations and liquidity as well as reputation.

The environmental laws enforced by the Government of Kazakhstan impose various restrictions and prohibitions, including control and limits to the emission of pollutant substances that can be released into air, water and soil; limiting gas flaring and venting; and prescribing the correct management of waste disposal. Any breach of environmental, health and safety laws by the employees of the Group, exposes the Group to potential criminal and civil liabilities.

Consequent thereto, the Company has implemented the Quality Health Safety and Environment Management System ("QHSEMS") based on the following requirements:

- i) Provide and maintain safe and healthy environment, working condition, equipment and systems of works in the workplace;
- ii) Provide adequate control of the QHSE risks arising from the operations; and
- iii) Continuously improve the Group's business processes such that they fully comply with the regulatory requirements and international standards.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

SYSTEM OF INTERNAL CONTROL (CONT'D)

Quality Health Safety and Environment Management System (cont'd)

The QHSEMS details out, among others, the procedures for site emergency response plan and site medical emergency evacuation plan to be activated during emergency situations. There are also clear procedures set out for reporting of incidents and accidents occurring at workplace. The QHSEMS requirements are communicated not only to all employees of the Group, but also to the employees of its business partner, CaspiOilGas LLP and of the contractors working in the Rakushechnoye Oil and Gas Field.

The Group will continue to enhance its overall risk management system to ensure that all possible risks that impact the Group's achievement of its business objectives are identified, assessed and dealt with in a timely and most appropriate manner.

Financial Reporting and Controls

The Group has in place a series of policies, practices and controls in relation to the financial reporting and consolidation process, which are designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards. The Chief Financial Officer is required to confirm that all information relevant to the Group audit has been provided to the Directors and that reasonable steps have been taken to ensure full disclosure in response to requests for information from the external auditor. The integrity of the Group's financial reporting is further supported by a number of processes and steps to provide assurance over the completeness and accuracy of the content including, review and recommendation by the Audit Committee and review and approval by the Board.

Clear and Structured Reporting Lines

The Group has a well-defined organisation structure that is aligned to its business requirements and ensuring check and balance through segregation of duties. Clear reporting lines and authority limits govern the approval process, guided by Limits of Authority as approved by the Board. All key strategic, business and investment plans are approved and monitored by the Board. Papers to the Board for approval of both financial and non-financial matters including cash flow forecasts, business strategies, corporate exercise, and any other key matters are written in a succinct and clear manner and are submitted to the Board in sufficient time to allow Board of Directors to make informed decisions.

Policies and Procedures

Documented internal policies and procedures on human resource and financial management activities are in place to ensure compliance with internal controls and relevant laws and regulations. Key human resource policies and procedures include performance management, disciplinary matters, recruitment and selection, learning and development, leave and grievance matters. These policies and procedures are reviewed and updated regularly. Briefings or trainings are provided to employees, business associates and contractors, as and when necessary. The Group will continue to develop and document additional policies and procedures whenever necessary in order to enhance the effectiveness of the Group's internal control system.

Business Performance Review and Reporting

The Management provides the Board with regular updates on the corporate activities as well as the progress of work activities within the Group. The Management together with the Board review issues covering, but not restricted to strategy, performance, resources and standards of business conduct at least once every quarter. A reporting system to monitor the Group's performance has been put in place and will continue to be enhanced in the future.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

Information and Communication

The Board of Directors and the Principal Officers of the Company are informed in advance by the company secretary before the commencement of each closed period, in which they are not allowed to deal in the listed securities of the Company as long as they are in possession of material and price-sensitive information, in order to avoid any insider trading activity.

Tender Award System

Purchases of works, goods and services by a sub-soil surface user for sub-soil operations in Kazakhstan are governed by Decrees of the Government of Republic of Kazakhstan No. 134 and 133 which specify the procedures for procurements under tender, request for quotation and single source situation. The Group monitors and ensures that purchases of goods, works and services for the sub-soil operations in the Rakushechnoye Oil and Gas Field comply with the procurement rules at all times. All procurements are carried out through the Government's electronic procurement portal. Sub-soil users and their Contractors must comply with these Government procurement procedures. The technical evaluation, financial evaluation and negotiation of terms with approved suppliers have been carried out by our team. Tender specifications have been reviewed and endorsed by our technical team before uploading into the procurement portal. This would ensure that the award of contracts for sub-soil operations are carried out in a manner that is transparent to all parties and at the best terms to the Group.

Whistleblowing

The whistleblowing policy is described in the Statement on Corporate Governance in page 25 of the Annual Report.

Assurance from Management

Based on the information and assurance provided by the MD, the Board is satisfied that the system of internal control for the financial year under review was generally satisfactory. Measures are in place and continually being taken to ensure the ongoing adequacy and effectiveness of internal controls to safeguard the Group's assets and hence shareholders' investment.

Conclusion

The Statement on Risk Management and Internal Control has been prepared in accordance with the Statement on Risk Management and Internal Controls: Guidelines for Directors of Listed Issuers issued under the MMLR.

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Company's Annual Report.

Going forward, the Board will continue to monitor all risks faced by the Group including taking appropriate mitigating actions in its efforts to enhance the system of internal control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

Review of This Statement

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control system of the Group. In the review exercise, the External Auditors did not consider whether the processes to deal with material internal control aspects could remedy the problems and did not form an opinion on the effectiveness of the Group's risk and control procedures.

This Statement is made in accordance with the resolution of the Board of the Company dated 26 April 2018.

OTHER ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in conformance with the MMLR:

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

I. RECURRENT RELATED PARTY TRANSACTIONS

A. Joint Investment Agreement

Pursuant to the Sumatec Resources Berhad ("the Company") Regularisation Plan which was completed on 21 November 2013, the Company entered into recurrent transactions listed below, which involves the Company's initiative to restore its position to a stronger financial footing via the Joint Investment Agreement ("JIA") dated 8 March 2012 entered into between Sumatec, Markmore Energy (Labuan) Limited ("MELL") and CaspiOilGas LLP ("COG") for the appointment of Sumatec to carry out the operations related to the production of oil and gas from Rakushechnoye Oil and Gas Field, and subsequently the Joint Investment Agency Agreement ("JIAA") dated 2 August 2013, which was entered into between the Company, COG and Sumatec Oil and Gas LLP ("SOG"), for the appointment of SOG as the agent to manage and provide the oversight on the oil production for the Company and COG.

- (i) Operator's service fee from the oil production operation at Rakushechnoye Oil and Gas Field as stipulated under the JIA;
- (ii) Royalty payable by the Company to COG for every barrel of oil sold from the Rakushechnoye Oil and Gas Field as stipulated under the JIA. Up to USD40.0 million worth of royalty payable will be deducted against the cash performance guarantee paid under the JIA; and
- (iii) Agency fee charged by SOG to COG for managing and providing the oversight on the oil production activities and operations at Rakushechnoye Oil and Gas Field under the JIAA.

Due to the prolonged low oil prices in 2015, the Company jointly with COG decided to defer all major capital expenditure for the field, including the planned new well development projects so as to maximise the value of the oil reserves to be exploited in the future when the global oil prices improve. As such, in accordance with the provisions of the JIA and JIAA, the Company did not recognise any operator's service fee and SOG did not charge any agency fee to COG from the second half of 2015. This practice has been continued in 2016 due to the persistent low oil price environment. Although there was slight improvement in the global oil price in 2017 and 2018, the Company decided to defer any operator's service fee and SOG agency's fee due to the progress on the proposed corporate exercises.

B. Gas Development & Production Agreement

On 10 December 2013, the Company entered into a Gas Development & Production Agreement ("GDPA") with MELL for the development of gas resources at the Rakushechnoye Oil and Gas Field to develop and deliver to MELL the gas development, implementation and production plan that will meet the minimum supply requirement of 120 million standard cubic feet of gas per day to a commercial off-taker by 2017. The Company will charge MELL a fee of USD45 million over three years from January 2014 to December 2016 for works to be carried out under the gas development and gas implementation plan stage. Once the supply of gas to the off-taker commences, the Company will charge an operator fee of USD0.75 per thousand cubic feet of gas supplied at well heads. All capital expenditure and operational costs in the field are cost recoverable from MELL under the same terms as per the JIA.

As part of the Group operations streamlining and efficiency enhancement initiative, the Company later in November 2014, novated its rights, responsibilities and undertakings under the GDPA to its wholly-owned subsidiary, Sumatec Corporation Sdn Bhd ("SCSB").

Subsequently, MELL and SCSB entered into the following: -

- (i) Addendum No. 1 to the GDPA on 18 March 2016 in order to revise the work scope under Phase 2 of the GDPA.
- (ii) Addendum No. 2 on 1 September 2016 in order to revise the Phase 2 implementation period pending the completion of the Full Field Study of the Rakushechnoye Oil and Gas Field.

OTHER ADDITIONAL COMPLIANCE INFORMATION CONT'D

The following information is provided in conformance with the MMLR: (cont'd)

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS (CONT'D)

I. RECURRENT RELATED PARTY TRANSACTIONS (CONT'D)

B. Gas Development & Production Agreement (cont'd)

Subsequently, MELL and SCSB entered into the following: - (cont'd)

- (iii) On 29 December 2016, the Company entered into Addendum No. 3 with MELL to extend the Phase 2 Implementation period due to the ongoing review of development for well drilling program and permit renewal. And during the Phase 2 Implementation period progress, the Company and MELL entered into a Variation Order ("VO") to Phase 2 of the GDPA on the 2 October 2017 to carry out gas well work-over program for testing and appraising the gas wells.
- (iv) And on the 15 December 2017, the Company entered into Addendum No. 4 in accordance to the requirement, a Pilot Production program is to be carried out to confirm the gas production data, risk assessment and to validate the benefits and efficiencies of the Pilot Production program. And upon the completion of the Pilot Production program, the Company shall continue with Phase 3 of the GDPA which is the Gas Production and Supply Management stage.

COG is a wholly owned subsidiary of MELL. The existing directors of MELL are Tan Sri Halim Saad ("TSHS") and Abu Talib Bin Abdul Rahman ("ATAR"). MELL is a wholly-owned subsidiary of Markmore Sdn. Bhd. ("Markmore"), a company principally involved in investment holding. The directors for Markmore are TSHS and ATAR, and TSHS owned 99.99% equity stake in Markmore.

ATAR was appointed as the Director of the Company on the 1 July 2016, and became the Managing Director from 1 January 2017 until current. Subsequently, TSHS was appointed as the Executive Vice Chairman to the Company on the 30 March 2018.

2. OTHER RELATED PARTY TRANSACTIONS

A. Proposed acquisition of Borneo Energy Oil & Gas Limited

On 8 September 2014, the Company executed the share purchase agreement ("SPA"), which was subsequently amended via Supplemental SPA, Second Supplemental SPA and Third Supplemental SPA, with ATAR and Dr. Murat Safin ("Vendors") for the proposed acquisition of 100% of the issued and paid up capital in Borneo Energy Oil & Gas Ltd. The purchase consideration of USD290.0 million is to be satisfied by a combination of cash payment and issuance of new ordinary shares of RM0.14 each in the Company.

In exchange for the USD30.0 million Deposit paid by the Company on 8 September 2014, MELL vide its letter dated 8 September 2014 issued a Guarantee to the Company as the principal debtor to guarantee the following:

- (i) To pay and satisfy the full amount of the Deposit to the Company if the SPA is not completed in accordance with the provisions of the SPA as varied by the Supplemental SPA, the Second Supplemental SPA and the Third Supplemental SPA; and
- (ii) To pay and satisfy all costs and expenses incurred by Sumatec in relation to or arising from the payment of the Deposit by the Company to the Vendors if the SPA is not completed in accordance with the provisions of the SPA and as varied by the Supplemental SPA, the Second Supplemental SPA and the Third Supplemental SPA.

OTHER ADDITIONAL COMPLIANCE INFORMATION CONT'D

The following information is provided in conformance with the MMLR: (cont'd)

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS (CONT'D)

2. OTHER RELATED PARTY TRANSACTIONS (CONT'D)

A. Proposed acquisition of Borneo Energy Oil & Gas Limited (cont'd)

Under the Guarantee, the Company shall be entitled to withhold any sum payable by the Company to MELL until the date of completion of the SPA. In the event the Proposed Acquisition is not completed or the SPA is terminated for any reason whatsoever, the Company shall be entitled to set-off the full sum of the Deposit and all other monies which may be owing by MELL to the Company under the Guarantee and any other costs or expenses incurred by the Company in connection with the Guarantee, the SPA and/or arising from the termination thereof against the total amount of the Company's indebtedness, without waiver or limitation of any other rights or remedies the Company may have against the Vendors under the SPA, and/or against the Guarantor under the Guarantee.

Also pursuant to the SPA, one of the Vendors, namely ATAR will undertake an offer for sale of up to 684,782,609 Consideration Shares ("Offer Shares") to be held by him upon the completion of the proposed acquisition to TSHS (or his nominated parties) at an offer price of RM0.23 per Sumatec Share ("Proposed Offer for Sale").

The proposed acquisition is deemed as a related party transaction as TSHS, being a major shareholder of the Company will be acquiring the Offer Shares under the Proposed Offer for Sale. Additionally, ATAR, a director and shareholder of Markmore was appointed as Director to the Company on the 1 July 2016, and Managing Director from 1 January 2017. TSHS is also a director and 99.99% shareholder of Markmore. Separately as mentioned above, MELL has also issued the Guarantee to the Company for the purpose of the proposed acquisition.

The Company is currently reviewing its funding scheme for the proposal in view of the current share price condition where it is looking at reducing the cash composition of the purchase price and negotiating with the Vendors on this matter.

On 22 January 2018, the Company received a confirmation from the Vendors that Borneo Energy Oil & Gas Ltd and its assets is still available and agree to extend the validity of this SPA until the completion of the Company's pending Corporate Exercise but no later than 31 December 2018.

On 4 May 2018, the Company propose to set off the deposit of RM96.510 million given under the sale and purchase agreement between ATAR and Dr. Murat Safin and the Company dated 8 September 2014 against the advances of Markmore Energy (Labuan) Limited and CaspiOilGas LLP. All the parties have agreed and the set off effective on 3 July 2018.

B. Proposed Acquisition of 100% Equity Interest in Markmore Energy (Labuan) Limited ("MELL") from Markmore Sdn Bhd ("Proposed Acquisition")

The Company had on 26 October 2017 entered into a heads of agreement ("Heads of Agreement") with Markmore Sdn Bhd ("Markmore" or the "Vendor") for the purpose of recording their understanding and intention in respect of the proposed acquisition of 100% equity interest in Markmore Energy (Labuan) Limited from Markmore ("Proposed Acquisition") for the indicative purchase consideration of USD370,000,000 (equivalent to RM1,554,000,000) and to take all such steps and do all acts and things so as to effect and implement the said Proposed Acquisition upon the terms and conditions contained in the Heads of Agreement.

The Company will formally terminate the previous announced corporate exercises upon the signing of the Share Sale Agreement ("SSA") for the Proposed Acquisition.

OTHER ADDITIONAL COMPLIANCE INFORMATION CONT'D

The following information is provided in conformance with the MMLR: (cont'd)

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS (CONT'D)

2. OTHER RELATED PARTY TRANSACTIONS (CONT'D)

B. Proposed Acquisition of 100% Equity Interest in Markmore Energy (Labuan) Limited ("MELL") from Markmore Sdn Bhd ("Proposed Acquisition") (cont'd)

In conjunction with the Proposed Acquisition and to comprehensively address all financial issues currently faced, the Board also proposes to undertake the following corporate exercises:-

- (i) A balance sheet reconstruction exercise to eliminate the accumulated losses and to consolidate the number of shares;
- (ii) Equity fund raising exercise to fund the cash portion of the consideration for the Proposed Acquisition and for the development of the Rakushechnoye Oil and Gas Field; and
- (iii) Comprehensive settlement of the Sumatec group's debt and financial obligations.

The indicative purchase consideration is USD370.0 million for the Proposed Acquisition ("Purchase Consideration") and shall be satisfied in the following manner:-

- (i) A payment of USD290.0 million (equivalent to RM1,218,000,000); and
- (ii) Issuance of up to 1,680,000,000 new ordinary shares in Sumatec ("Sumatec Shares" or "Shares") amounting to USD80.0 million (equivalent to RM336,000,000), at an issue price of RM0.20 per Consideration Share or based on the 5-day volume weighted average price of the Sumatec Shares preceding the price fixing date, whichever is higher. For the avoidance of doubt, the issue price shall be adjusted for the effects of the Proposed Share Consolidation.

In the announcement, the Board also proposes to undertake a comprehensive settlement of all major debts/obligations owing to and by the Company's Group by through a Proposed Debt Settlement. It is envisaged that the detailed terms and conditions of the Proposed Debt Settlement shall be contained in settlement agreements to be executed between the relevant parties. The Company will also amend its Memorandum and Articles of Association to facilitate the issuance of the RCPS.

The major shareholder of Sumatec namely, TSHS is deemed interested in the Proposed Acquisition as he is the director and 99.99% shareholder of MELL and ATAR is the Managing Director of the Company and the director and shareholder of Markmore. Hence, ATAR is deemed interested in the Proposed Acquisition and have abstained, and will continue to abstain from deliberation and voting on and from making any opinion on the proposals at the relevant meetings of the Board.

The obligations of the Company, MELL and COG ("parties") to carry out the CEP are conditional upon the Conditions Precedent being fulfilled within four (4) months of the date of Offer Letter, or any extensions mutually agreed between Parties.

As at to-date, the Offer Letter has expired on 30 July 2018. The Company did not request for extension of time because the Company will not be able to undertake its regularisation plan until and unless it reaches satisfactory conclusion of the legal proceedings involving the Company.

OTHER ADDITIONAL COMPLIANCE INFORMATION CONT'D

The following information is provided in conformance with the MMLR: (cont'd)

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS (CONT'D)

2. OTHER RELATED PARTY TRANSACTIONS (CONT'D)

C. Letter of Offer for Proposed Sale of 100% Equity Interest in A Special Purpose Vehicle ("SPV") with a Condensate Extraction Plant ("CEP") business ("LOO")

On 30 March 2018, the Company accepted a Letter of Offer ("LOO") from MELL. In the proposed LOO, MELL has agreed that its subsidiary CaspiOilGas LLP ("COG") in the Republic of Kazakhstan will provide the following to the Company:-

- (i) The Company will not incur further investment fund in the oil exploration and production ("E&P") and COG will provide 1,000 barrels of oil per day for the next 15 years (net of cost);
- (ii) The Company will construct the Condensate Extraction Plant ("CEP" or "the Project") in the Field which shall produce 5,000 barrels of condensates and 332tpd of LPG. And the Company will get 1,000 barrels of condensates for Year 1 & 2, and continue to share in the range of 2,000 barrels of condensates in Year 3 and 4, and 3,000 barrels of condensates from Year 5 and 6, and 5,000 barrels of condensates beyond Year 6.

The indicative Project Consideration is USD275.0 million which consist of:-

- (i) An Entry Cost of USD155.0 million in a combination of payment mode either in shares, cash and RCPS of the Company; and
- (ii) A Plant Cost of USD120.0 million in a combination of shares, cash, RCPS and inter-company offset or any deferred payments.

The final mode of payment is to be decided upon execution of a definitive agreement.

The Company is in the midst of progressing on the due diligence requirement necessary for the implementation as of this reporting date.

Save as disclosed above, there are no other related party transaction entered by the Company during the financial year.

AUDIT FEES

The audit fees payable to the Company's auditors incurred by the Company and the Group are RM265,000 including 6% SST.

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR PREPARATION OF FINANCIAL STATEMENTS

The Companies Act, 2016 ("Act") requires the Directors to prepare financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards issued by the International Financial Reporting Standards, the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended 31 December 2018. The Act also requires the Directors to keep such accounting and other records in a manner that enables them to sufficiently explain the transactions and financial position of the Company and the Group and to prepare true and fair financial statements and any documents required to be attached, as well as to enable such accounting records to be audited conveniently and properly.

In undertaking the responsibility placed upon them by law, the Directors have relied upon the Group's system of internal control to provide them with reasonable grounds to believe that the Group's accounting records, as well as other relevant records, have been maintained by the Group in a manner that enables them to sufficiently explain the transactions and financial position of the Group. This also enables the Directors to ensure that true and fair financial statements and documents required by the Act to be attached, are prepared for the financial year to which these financial statements relate.

The Directors are also satisfied that the financial statements have been prepared on the basis that:

- Appropriate and relevant accounting policies have been consistently applied;
- Judgments and estimates made are prudent and reasonable; and
- The Group and the Company will continue to operate as a going concern.

Incorporated on pages 44 to 139 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2018.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and engaged in the upstream oil and gas operation.

The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these principal activities during the current financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Operating loss before provision	79,463,651	55,740,636
Less: Other cost – provision for liabilities	(82,145,255)	(82,145,255)
Net loss for the financial year	(2,681,604)	(26,404,619)
Attributable to:		
Owners of the Company	(2,681,604)	(26,404,619)

RESERVES OR PROVISIONS

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

DIVIDENDS

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year.

The directors do not recommend the payment of a final dividend for the financial year ended 31 December 2018.

DIRECTORS

The directors who held office during the current financial year and up to the date of this report are as follows:

Tan Sri Dato' Halim Bin Saad
 Dato' Khalid Bin Hj Ahmad
 Abu Talib Bin Abdul Rahman
 Mohamad Bin Ismail
 Wan Kamaruddin Bin Wan Mohamed Ali
 Michael Lim Hee Kiang (Demised)

DIRECTORS' REPORT

CONT'D

DIRECTORS (CONT'D)

The names of the directors of the Company's subsidiary companies in office during the current financial year to the date of this report other than those named above are as follows:-

Baitleuova Anelya	
Jaafar Bin Jonid	(Resigned with effect from 16 October 2018)
Chan Yoke Peng	(Resigned with effect from 10 July 2018)
Wan Kamaruddin Bin Dato' Biji Sura @ Wan Abdullah	(Resigned with effect from 19 April 2018)
Ab Ghani Bin Azahri	(Resigned with effect from 19 April 2018)

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests in the ordinary shares and warrants of the Company of those who were directors as at year end are as follows:

	Number of ordinary shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
<u>Direct interest</u>				
Tan Sri Dato' Halim Bin Saad #	667,178,800	-	(272,390,000)	394,788,800
Abu Talib Bin Abdul Rahman	3,844,000	-	-	3,844,000

	Number of Warrants B				
	At 1.1.2018	Granted	Exercised	Expired	At 31.12.2018
<u>Direct interest</u>					
Tan Sri Dato' Halim Bin Saad	3,033,900	-	(10)	(3,033,890)	-

Tan Sri Dato' Halim Bin Saad has ceased to be a substantial shareholder on 24 January 2019.

Other than those disclosed above, none of the other directors in office at the end of the financial year held any interest in the shares and options over shares of the Company during the current financial year.

DIRECTORS' BENEFITS

During and at the end of the current financial year, no arrangements subsisted to which the Company is a party, with the object or objects 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.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (except as disclosed in Notes 24 and 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company of which the director has a substantial financial interest.

DIRECTORS' REPORT

CONT'D

ISSUE OF SHARES AND DEBENTURES

During the current financial year, the Company issued 10 units of ordinary shares arising from the Warrants B exercise at an issue price of RM0.175 per share for a total consideration of RM1.75.

All the above mentioned ordinary shares rank pari passu with the then existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options pursuant to the Warrants 2011/2021 ("Warrants A") and Warrants 2013/2018 ("Warrants B") were granted to any person to take up unissued share of the Company during the current financial year.

The details and salient terms of Warrants A and Warrants B are disclosed in Note 17 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or insurance effected for the directors and officers of the Group and of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for expected credit losses and satisfied themselves that there were no bad debts to be written off and adequate allowance had been made for expected credit losses; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realised.

At the date of this report, the directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or the amount of the allowance for expected credit losses in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

CONT'D

OTHER STATUTORY INFORMATION (CONT'D)

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than provision of liabilities of RM82,145,255 as detailed in Note 21 to the financial statements; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

Significant events during the current financial year and after the reporting date are disclosed in Note 35 to the financial statements.

SUBSIDIARY COMPANIES

The details of the subsidiary companies are disclosed in Note 5 to the financial statements.

DIRECTORS' REPORT

CONT'D

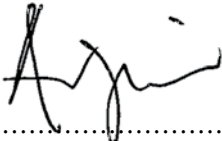
AUDITORS

Details of auditors' remuneration are set out in Note 28 to the financial statements.

There was no indemnity given to or insurance effected for the auditors of the Group and of the Company.

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

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



ABU TALIB BIN ABDUL RAHMAN

Director



MOHAMAD BIN ISMAIL

Director

Kuala Lumpur,

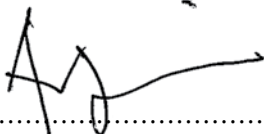
Date: 26 April 2019

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT, 2016

In the opinion of the directors, the financial statements set out on pages 43 to 139 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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



ABU TALIB BIN ABDUL RAHMAN



MOHAMAD BIN ISMAIL

Kuala Lumpur,
Date: 26 April 2019

STATUTORY DECLARATION

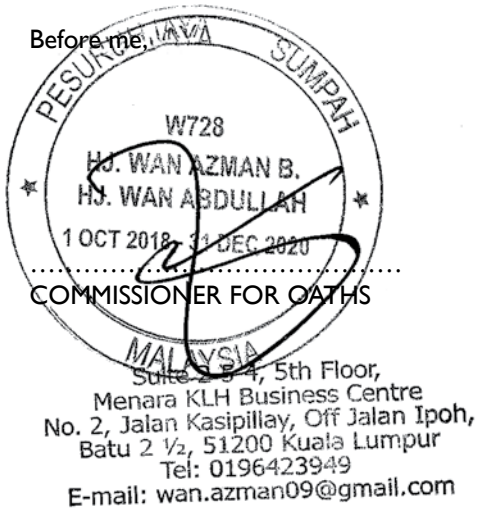
PURSUANT TO SECTION 251 (1) OF THE COMPANIES ACT, 2016

I, **Abu Talib Bin Abdul Rahman**, being the director primarily responsible for the financial management of **Sumatec Resources Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 43 to 139 are correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
26 April 2019)



ABU TALIB BIN ABDUL RAHMAN



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUMATEC RESOURCES BERHAD

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of **Sumatec Resources Berhad**, which comprise the statements of financial position as at 31 December 2018, of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 139.

In our opinion, due to the significant matters described in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Adverse Opinion

I. Material Uncertainty Related to Going Concern

- I.1 During the current financial year, the Group and the Company incurred a net loss of RM2,681,604 and RM26,404,619 respectively for the financial year ended 31 December 2018. As at 31 December 2018, the current liabilities of the Group and of the Company exceeded its current assets by RM86,011,801 and RM283,256,367 respectively. In addition, the Group also recorded a negative cash flow of RM1,109,666 on operating activities.
- I.2 As stated in Note 32 to the financial statements, the Company is facing a number of material litigation cases which includes the corporate guarantees issued to the banks for borrowings by its former subsidiary company. The provision is due to the failure of the former subsidiary company in releasing and discharging the Company from the corporate guarantees under the Settlement Agreement. The Company was also served with a winding up petition by the creditors and the petition has now been subject to a stay of execution on the grounds of an allegation of an ongoing suit alleging fraud in the Settlement Agreement which allows the Company to file a civil action against various defendants to declare inter alia, that the Settlement Agreement is null and void. Should the Company received a judgement in their favour, their duty of debt for this material litigation may be reversed.

As at 31 December 2018, the Group and the Company has reported an additional provision for liabilities of RM82,145,255 in relation to the material litigations.

- I.3 As stated in Note 35 to the financial statements, the Group and the Company are undertaking a series of corporate exercises inter alia, a proposed development of a Condensate Extraction Plant ("CEP") and the availability of financial support from a contractor for the development and financing of the Oil Field. The main objectives of these corporate exercises is to achieve profit and positive cash flows from its operating activities. However, there are no significant developments as at the date of this report.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUMATEC RESOURCES BERHAD

CONT'D

Report on the Audit of the Financial Statements (cont'd)

Basis for Adverse Opinion (cont'd)

I. Material Uncertainty Related to Going Concern (cont'd)

- 1.4 On 30 April 2018, the Company has triggered the Prescribed Criteria pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") as the Company's predecessor auditors have expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 31 December 2017.

Following the classification of the Company as a PN17 Company, it is required to submit a proposed Regularisation Plan within 12 months and the Company is still formulating a Regularisation Plan. However, the Company had on 15 April 2019 submitted an application for an extension of time to Bursa to submit the Company's Regularisation Plan. The application of an extension of time is deferred pending the decision on the application.

The events and conditions as stated above, indicate that a material uncertainty exists which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

2. Non Elimination of Reversal of Allowance for Expected Credit Losses on Amount Due from Sumatec Corporation Sdn Bhd ("SCSB")

As stated in Note 13 to the financial statements, the Company has fully impaired the amount due from its wholly owned subsidiary, Sumatec Corporation Sdn Bhd ("SCSB") amounting to RM79,507,144 in the previous financial year end. The Company has undertaken a rationalisation exercise during the current financial year within the Group and its related companies whereby all the amount due will be set off. Due to the said exercise, the previously impaired amount due from SCSB has been reversed in the Company's book. However, the reversal of the amount due from SCSB was not eliminated at the Group level which require any transaction between the Group to be eliminated in full. The Board is of the opinion that this should not be eliminated at the Group level as the allowance made in the previous financial year should be reflected as an allowance for expected credit losses on amount due from a related company instead of an allowance for expected credit losses on amount due from a subsidiary company. However, we are of the opinion that this non elimination is not in accordance with MFRS 10 *Consolidated Financial Statements*.

Had this reversal of allowance for expected credit losses on amount due from SCSB been eliminated in the Group, the effects would have been an increase in the net loss for the financial year by RM79,507,144. Accordingly, accumulated losses of the Group as at 31 December 2018 would also have been increased by RM79,507,144.

3. Rights and Concessions, Exploration and Evaluation Costs and Performance Deposit

As reflected in Note 9, Note 10 and Note 12 to the financial statements, the wholly owned subsidiary of the Company, Sumatec Oil and Gas LLP ("SOG") is a party to the Novation Agreement. In accordance with the said agreement, all rights, benefits, interests and obligations of the Company within the framework of the Joint Investment Agreement have been transferred to SOG. On 01 January 2018, all the following assets have been transferred to SOG to fulfill the terms and conditions of the agreement:

- a) Working interest, which the Group classifies as rights and concessions associated with the amount paid for the acquisition of the right to receive the future income from the sale of oil, which is non-refundable;
- b) Project expenditure, costs of project financing which the Group recognised and classified as exploration and evaluation costs in accordance with MFRS 6 "Exploration for and Evaluation of Mineral Resource"; and
- c) Performance deposit, which the Group classifies under other receivables

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUMATEC RESOURCES BERHAD

CONT'D

Report on the Audit of the Financial Statements (cont'd)

Basis for Adverse Opinion (cont'd)

3. Rights and Concessions, Exploration and Evaluation Costs and Performance Deposit (cont'd)

As at 31 December 2018, rights and concessions were recorded at RM271,071,608 and exploration and evaluation costs at RM173,077,160 as disclosed in Note 9 and Note 10 to the financial statements. Rights and concessions, and exploration and evaluation costs should be reflected in accordance with the requirements of MFRS 9, as they do not meet the recognition criteria of "Intangible assets" and "Exploration for and Evaluation of Minerals Resources", as required by MFRS 138 and MFRS 6.

These financial instruments should initially be recognised at fair value, with the recognition of the estimated reserve for the expected credit losses on financial assets. As a result, we were unable to determine the effect of non-compliance with the standard requirements on the financial statements.

As at 31 December 2018, the performance deposit were recorded at RM127,758,082 as disclosed in Note 12 to the financial statements. In accordance with the requirements of MFRS 9, the initial recognition of the financial instrument is made at fair value with recognition of the estimated reserve for the expected credit losses on financial assets. SOG did not recognise the expected credit losses on the performance deposit. We could not obtain sufficient appropriate audit evidence regarding the balance sheet value of the performance deposit as at 31 December 2018. As a result, we were unable to determine whether adjustments to the financial statements are necessary.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact. As described in the Basis for Adverse Opinion section above, we have concluded that the other information is materially misstated.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUMATEC RESOURCES BERHAD

CONT'D

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SUMATEC RESOURCES BERHAD

CONT'D

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that:

- a) the subsidiary company of which we have not acted as auditors, are disclosed in Note 5 to the financial statements; and
- b) in our opinion, the accounting and other records for the matter as described in the Basis for Adverse Opinion section have not been properly kept in accordance with the provision of the Act.

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF SUMATEC RESOURCES BERHAD
CONT'D

Report on the Audit of the Financial Statements (cont'd)

Other Matters

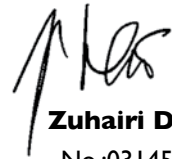
This report is made solely to the members of the Group and of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Aljeffri Dean

AF 1366

Chartered Accountants



Zuhairi Dzaruddin

No.:03145/06/2020 J

Chartered Accountant

Kuala Lumpur

Date: 26 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiary companies	5	-	-	-	-
Investment in associate companies	6	-	-	-	-
Other investment	7	1	1	-	-
Property, plant and equipment	8	1,202,846	1,383,005	375,652	587,452
Rights and concessions	9	271,071,608	298,953,595	-	298,953,595
Exploration and evaluation cost	10	173,077,160	-	-	-
Trade receivables	11	26,484,174	33,044,164	26,484,174	23,499,174
Other receivables	12	127,758,082	226,084,835	-	226,084,835
Amount due from subsidiary companies	13	-	-	588,574,463	-
Total non-current assets		599,593,871	559,465,600	615,434,289	549,125,056
CURRENT ASSETS					
Trade receivables	11	137,620,451	195,788,400	-	-
Other receivables	12	99,978,261	97,214,789	698,999	97,187,941
Amount due from subsidiary companies	13	-	-	16,942,542	-
Amount due from associates companies	14	-	-	-	-
Fixed deposits with a licensed bank	15	230,000	230,000	-	-
Cash and bank balances		136,795	1,165,185	1,038	913,159
Total current assets		237,965,507	294,398,374	17,642,579	98,101,100
Total assets		837,559,378	853,863,974	633,076,868	647,226,156
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company:					
Share capital	16	739,355,262	739,355,262	739,355,262	739,355,262
Other reserves	17	(13,537,548)	139,852,400	15,005,593	142,579,832
Accumulated losses		(215,192,644)	(340,085,279)	(422,287,933)	(523,457,553)
Total equity		510,625,070	539,122,383	332,072,922	358,477,541

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

CONT'D

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
LIABILITIES					
NON-CURRENT LIABILITY					
Deferred tax liabilities	18	2,957,000	2,957,000	105,000	105,000
Total non-current liability		2,957,000	2,957,000	105,000	105,000
CURRENT LIABILITIES					
Trade payables	19	31,980	92,581	-	-
Other payables	20	35,422,066	105,377,507	23,135,546	93,025,470
Provision for liabilities	21	255,233,811	173,088,556	255,233,811	173,088,556
Term loan	22	22,529,589	22,529,589	22,529,589	22,529,589
Tax payable		10,759,862	10,696,358	-	-
Total current liabilities		323,977,308	311,784,591	300,898,946	288,643,615
Total liabilities		326,934,308	314,741,591	301,003,946	288,748,615
Total equity and liabilities		837,559,378	853,863,974	633,076,868	647,226,156

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	23	2,985,000	29,040,549	2,985,000	-
Direct cost		(260,725)	(11,022,149)	(260,725)	(1,239,599)
Other income		83,190,519	11,892,531	82,871,622	12,259,425
Staff costs	24	(2,901,018)	(3,226,272)	(2,086,838)	(1,721,684)
Depreciation		(232,550)	(268,335)	(211,800)	(242,485)
Administrative expenses		(3,061,167)	(9,660,664)	(2,416,957)	(7,222,068)
Other expenses	25	(52,941)	(21,549,493)	(25,115,200)	(67,984,609)
Finance costs	26	(203,467)	(3,488,580)	(24,466)	(3,283,146)
Operating profit/(loss) before provision		79,463,651	(8,282,413)	55,740,636	(69,434,166)
Other cost - provision for liabilities	21	(82,145,255)	(101,673,299)	(82,145,255)	(101,673,299)
Loss before tax		(2,681,604)	(109,955,712)	(26,404,619)	(171,107,465)
Taxation	27	-	(3,991,358)	-	49,000
Net loss for the financial year	28	(2,681,604)	(113,947,070)	(26,404,619)	(171,058,465)
Other comprehensive loss:					
<i>Item that will be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences for foreign operation		(25,815,709)	(761,136)	-	-
Total comprehensive loss for the financial year		(28,497,313)	(114,708,206)	(26,404,619)	(171,058,465)
Net loss for the financial year attributable to:					
Owners of the Company		(2,681,604)	(113,947,070)		
Total comprehensive loss for the financial year attributable to:					
Owners of the Company		(28,497,313)	(114,708,206)		
Loss per share					
Basic loss per share (sen)	29	(0.06)	(2.89)		
Diluted loss per share (sen)		(0.06)	(2.89)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

GROUP	Attributable to owners of the Company							
	Non-distributable					Distributable		
	Share capital RM	Share premium RM	Warrants reserve RM	Employee share options reserve RM	Capital reserve RM	Foreign currency translation reserve RM	Accumulated losses RM	Total equity RM
At 01 January 2017	541,256,016	164,562,303	142,579,832	248,652	17,186,556	(1,966,296)	(226,138,209)	637,728,854
Other comprehensive loss for the financial year	-	-	-	-	-	(761,136)	-	(761,136)
Net loss for the financial year	-	-	-	-	-	-	(113,947,070)	(113,947,070)
Total comprehensive loss for the financial year	-	-	-	-	-	(761,136)	(113,947,070)	(114,708,206)
Adjustment for the effects of Companies Act 2016	181,748,859	(164,562,303)	-	-	(17,186,556)	-	-	-
Transaction with owners:								
Private placement exercise	19,111,597	-	-	-	-	-	-	19,111,597
Share issuance expenses	(2,761,210)	-	-	-	-	-	-	(2,761,210)
Employee share options forfeited	-	-	-	(248,652)	-	-	-	(248,652)
Total transactions with owners	16,350,387	-	-	(248,652)	-	-	-	16,101,735
At 31 December 2017	739,355,262	-	142,579,832	-	-	(2,727,432)	(340,085,279)	539,122,383

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONT'D

	Attributable to owners of the Company				
	Non-distributable			Distributable	
	Share capital	Warrants reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	RM	RM	RM	RM	RM
GROUP...CONT'D					
At 01 January 2018	739,355,262	142,579,832	(2,727,432)	(340,085,279)	539,122,383
Other comprehensive loss for the financial year	-	-	(25,815,709)	-	(25,815,709)
Net loss for the financial year	-	-	-	(2,681,604)	(2,681,604)
Total comprehensive loss for the financial year	-	-	(25,815,709)	(2,681,604)	(28,497,313)
Transactions with owners:					
Warrant expired	-	(127,574,239)	-	127,574,239	-
Total transactions with owners	-	(127,574,239)	-	127,574,239	-
At 31 December 2018	739,355,262	15,005,593	(28,543,141)	(215,192,644)	510,625,070

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

CONT'D

	← Attributable to owners of the Company →						
	← Non-distributable →			→ Distributable			
	Share capital	Share premium	Warrants reserve	Employee share option reserve	Capital reserve	Accumulated losses	Total equity
	RM	RM	RM	RM	RM	RM	RM
COMPANY							
At 01 January 2017	541,256,016	164,562,303	142,579,832	248,652	17,186,556	(352,399,088)	513,434,271
Total comprehensive loss for the financial year	-	-	-	-	-	(171,058,465)	(171,058,465)
Adjustment for the effects of Companies Act 2016	181,748,859	(164,562,303)	-	-	(17,186,556)	-	-
Transaction with owners:							
Private placement exercise	19,111,597	-	-	-	-	-	19,111,597
Share issuance expenses	(2,761,210)	-	-	-	-	-	(2,761,210)
Employee share options forfeited	-	-	-	(248,652)	-	-	(248,652)
Total transactions with owners	16,350,387	-	-	(248,652)	-	-	16,101,735
At 31 December 2017	739,355,262	-	142,579,832	-	-	(523,457,553)	358,477,541
At 01 January 2018	739,355,262	-	142,579,832	-	-	(523,457,553)	358,477,541
Other comprehensive loss for the financial year	-	-	-	-	-	-	-
Net loss for the financial year	-	-	-	-	-	(26,404,619)	(26,404,619)
Total comprehensive loss for the financial year	-	-	-	-	-	(26,404,619)	(26,404,619)
Transaction with owners:							
Warrant expired	-	-	(127,574,239)	-	-	127,574,239	-
Total transactions with owners	-	-	(127,574,239)	-	-	127,574,239	-
At 31 December 2018	739,355,262	-	15,005,593	-	-	(422,287,933)	332,072,922

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
CASH FLOW FROM OPERATING ACTIVITIES				
Loss before taxation	(2,681,604)	(109,955,712)	(26,404,619)	(171,107,465)
Adjustments for:				
(Reversal)/Amortisation of intangible assets	(3,146,405)	474,813	(3,146,405)	474,813
Depreciation	232,550	268,335	211,800	242,485
(Gain)/Loss on disposal of property, plant and equipment	(133,667)	15,137	-	15,137
(Reversal)/Allowance for expected credit losses	(79,507,144)	-	(79,507,144)	62,666,830
Impairment loss on trade receivable	20,030	-	-	-
Interest expense	24,633	2,271,835	24,466	2,271,760
Unwinding discount on financial assets	178,834	1,216,745	-	1,011,386
Interest income	(3,054)	(11,098)	(218,073)	(1,010,995)
Provision for liabilities	82,145,255	101,673,299	82,145,255	101,673,299
Property, plant and equipment written off	-	325,957	-	325,957
Reversal of unwinding discount on financial liabilities	(376,600)	(11,565,179)	-	(10,999,778)
Share options granted under ESOS, net of amount forfeited	-	(248,652)	-	(248,652)
Unrealised loss on foreign exchange	-	21,138,504	25,115,200	4,981,107
Operating (loss)/profit before working capital changes	(3,247,172)	5,603,984	(1,779,520)	(9,704,116)
Receivables	1,762,059	(40,899,767)	(6,367,721)	(8,807,727)
Payables	397,026	20,016,614	8,367,662	8,644,672
Cash (used in)/generated from operations	(1,088,087)	(15,279,169)	220,421	(9,867,171)
Interest paid	(24,633)	(2,279)	(24,466)	(2,279)
Interest received	3,054	11,098	2,568	10,168
Tax paid	-	(61,807)	-	-
Net cash (used in)/generated from operating activities	(1,109,666)	(15,332,157)	198,523	(9,859,282)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
CONT'D

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
CASH FLOW FROM INVESTING ACTIVITIES				
Proceed from disposal of property, plant and equipment	133,667	6,132	-	6,132
Purchase of property, plant and equipment	(52,391)	-	-	-
Advances to subsidiary companies	-	-	(1,110,644)	(5,674,062)
Net cash generated from/(used in) investing activities	81,276	6,132	(1,110,644)	(5,667,930)
CASH FLOW FROM FINANCING ACTIVITY				
Net proceeds from issuance of shares	-	16,350,387	-	16,350,387
Net cash from financing activity	-	16,350,387	-	16,350,387
CASH AND CASH EQUIVALENTS				
Net changes	(1,028,390)	1,024,362	(912,121)	823,175
At beginning of financial year	1,165,185	140,823	913,159	89,984
At end of financial year	136,795	1,165,185	1,038	913,159

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

I. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur. The principal place of business of the Company is located at 43-3, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company are that of investment holding and engaged in the upstream oil and gas operation. The principal activities of its subsidiary companies are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these principal activities during the current financial year.

The financial statements were authorised for issued of the Board of Directors in accordance with a resolution of the directors passed on 26 April 2019.

2. GOING CONCERN

2.1 During the current financial year, the Group and the Company incurred a net loss of RM2,681,604 and RM26,404,619 respectively for the financial year ended 31 December 2018. As at 31 December 2018, the current liabilities of the Group and of the Company exceeded its current assets by RM86,011,801 and RM283,256,367 respectively. In addition, the Group also recorded a negative cash flow of RM1,109,666 on operating activities.

2.2 As stated in Note 32 to the financial statements, the Company is facing a number of material litigation cases which includes the corporate guarantees issued to the banks for borrowings by its former subsidiary company. The provision is due to the failure of the former subsidiary company in releasing and discharging the Company from the corporate guarantees under the Settlement Agreement. The Company was also served with a winding up petition by the creditors and the petition has now been subject to a stay of execution on the grounds of an allegation of an ongoing suit alleging fraud in the Settlement Agreement which allows the Company to file a civil action against various defendants to declare inter alia, that the Settlement Agreement is null and void. Should the Company received a judgement in their favour, their duty of debt for this material litigation may be reversed.

As at 31 December 2018, the Group and the Company has reported a total provision for liabilities of RM82,145,255 in relation to the material litigations.

2.3 As stated in Note 35 to the financial statements, the Group and the Company are undertaking a series of corporate exercises inter alia, a proposed development of a Condensate Extraction Plant ("CEP") and the availability of financial support from a contractor for the development and financing of the Oil Field. The main objectives of these corporate exercises is to achieve profit and positive cash flows from its operating activities. However, there are no significant developments as at the date of this report.

2.4 On 30 April 2018, the Company has triggered the Prescribed Criteria pursuant to Paragraph 8.04 and Paragraph 2.1(d) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") as the Company's predecessor auditors have expressed a disclaimer opinion in the Company's audited financial statements for the financial year ended 31 December 2017.

Following the classification of the Company as a PN17 Company, it is required to submit a proposed Regularisation Plan within 12 months and the Company is still formulating a Regularisation Plan. However, the Company had on 15 April 2019 submitted an application for an extension of time to Bursa to submit the Company's Regularisation Plan. The application of an extension of time is deferred pending the decision on the application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

2. GOING CONCERN (CONT'D)

The events and conditions as stated above, indicate that a material uncertainty exists which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market of the asset or liability. The principle or the most advantageous market must be accessible by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset and liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
CONT'D

3. BASIS OF PREPARATION (CONT'D)

3.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

3.4 Adoption of amendments/improvements to MFRSs and IC Interpretations ("IC Int")

Except for the changes below, the Group and the Company have consistently applied the accounting policies set out in Note 4 to all years presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new/amendments/improvements to MFRSs and Interpretation which are mandatory and relevant for the financial periods beginning on or after 1 January 2018.

Initial application of the new/amendments/improvements to MFRSs and Interpretation did not have material impact to the financial statements, except for:

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

(i) *Classification and measurement of financial assets*

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, these receivables will continue to be measured at amortised cost under MFRS 9. The Group and the Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

The Group and the Company did not have any significant impact on its statements of financial position or equity on applying the classification and measurement requirements of MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

3. BASIS OF PREPARATION (CONT'D)

3.4 Adoption of amendments/improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)

MFRS 9 Financial Instruments (cont'd)

(ii) *Classification of financial liabilities*

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company did not have any significant impact on its statements of financial position or equity on applying the classification and measurement requirements of MFRS 9.

(iii) *Impairment*

MFRS 9 requires the Group and the Company to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Group and the Company has applied the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company have determined that the loss allowance is insignificant to the financial statements.

(iv) *Transition*

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:

- The Group and the Company has take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts (if any) of financial assets and financial liabilities resulting from the adoption of MFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. The Group and the Company did not have any significant impact of MFRS 15 adoption.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

3. BASIS OF PREPARATION (CONT'D)**3.4 Adoption of amendments/improvements to MFRSs and IC Interpretations ("IC Int") (cont'd)****3.5 Standards issued but not yet effective**

The Group and the Company have not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

MFRSs and Amendments to MFRSs effective 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

Annual Improvements to MFRS Standards 2015-2017 Cycle

Amendments to MFRSs - effective date deferred indefinitely:

Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associated and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The initial application of the abovementioned new/amendments and interpretation are not expected to have any financial impacts to the financial statements, except for:

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

3. BASIS OF PREPARATION (CONT'D)

3.5 Standards issued but not yet effective (cont'd)

MFRS 16 Leases (cont'd)

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies MFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in MFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying MFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

IC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
CONT'D

3. BASIS OF PREPARATION (CONT'D)

3.5 Standards issued but not yet effective (cont'd)

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in MFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

3.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual result may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

3.6.1 Estimation uncertainty

Information about the significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 5 to 55 years and reviews the useful lives of depreciable assets at the end of each of the reporting date. As at 31 December 2018, management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and technological development, which may result in adjustment to the Group's and the Company's assets.

The carrying amount of the Group's and of the Company's property, plant and equipment at the end of the reporting period is disclosed in Note 8 to the financial statements.

A 703% (2017: 183%) difference in the expected useful lives of the property, plant and equipment from the management's estimates would result in approximately 2% (2017: 2%) and 2% (2017: 2%) variance in the Group's and the Company's loss for the financial year respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

3. BASIS OF PREPARATION (CONT'D)

3.6 Significant accounting estimates and judgements (cont'd)

3.6.1 Estimation uncertainty (cont'd)

Amortisation of rights and concessions

The rights and concessions will be amortised based on the unit of production method using total proved and probable oil reserves estimated to be recoverable from the existing oil and gas field based on the current subsurface use contract. The amortisation period and the amortisation method for the rights and concessions with a finite useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The carrying amount of the Group's and of the Company's rights and concessions at the end of the reporting period is disclosed in Note 9 to the financial statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and to asset-specific risk factors.

Impairment of receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

3. BASIS OF PREPARATION (CONT'D)**3.6 Significant accounting estimates and judgements (cont'd)****3.6.2 Judgements**

The judgements, apart from those involving estimations described above, the management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Income taxes/Deferred tax

Significant judgement is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Functional currency

The functional currency for the parent entity and each of its subsidiaries and joint ventures, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Exploration and evaluation costs

Exploration and evaluation cost is accounted for in accordance with the full cost method. Under this method, all costs relating to the exploration activities are capitalised when incurred.

Exploration cost is written down to its recoverable amount when:

- it is determined that further exploration activities will not yield commercial quantities of reserves, no further exploration drilling is planned and there is no existing production in the field; or
- the concession has expired or is surrendered.

In making decisions about whether to continue to capitalise exploration and evaluation costs, it is necessary to make judgements about the satisfaction of the above conditions after technical, commercial and management reviews. The Group is committed to continue exploring and developing these interests.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Consolidation

4.1.1 Subsidiary companies

Subsidiary companies are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting right, it has the current ability to direct the activities of the investee that significantly affect the investee's returns.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's financial statements unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary company, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits or losses resulting from intragroup transactions will be treated in accordance with MFRS 112 Income Taxes.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidate from the date that control ceases.

Changes in the equity ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

4.1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value on acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary company acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

4.1.4 Loss of control

Upon the loss of control of a subsidiary company, the Group derecognises the assets and liabilities of the subsidiary company, any non-controlling interest and the other components of equity related to the subsidiary company. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary company, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity accounted investee or as financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

4.1.5 Associate companies

Associate companies are companies in which the Company has significant influence, but no control, over their financial and operating policies.

The Group's investment in its associate companies are accounted for using the equity method. Under the equity method, investment in an associate company is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate company since the acquisition date.

The share of the results of an associate company is reflected in profit or loss. In addition, any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. Where there has been change recognised directly in the equity of an associate company, the Group recognises and discloses its share of this change, when applicable, in the statements of changes in equity. Unrealised gains or losses resulting from transactions between the Group and the associate companies are eliminated to the extent of the interest in the associate company.

When the Group's share of losses exceeds its interest in an associate company, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

The financial statements of the associate company is prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of the associate company in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate companies. The Group determines at the end of the reporting date whether there is any objective evidence that the investment in the associate companies are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associate companies and their carrying amount and recognise the amount in the "share of profit of associate companies" in profit or loss.

Upon loss of significant influence over an associate company, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate company upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investment in associate company is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 Foreign currency translation

The Group's consolidated financial statements are presented in RM, which is also the Company's functional currency.

4.2.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

The assets and liabilities of operations denominated in functional currencies other than Ringgit Malaysia ("RM") are translated to RM at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposed of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount in the foreign currency translation reserve is reattributed to non-controlling interests. When the Group disposed off only part of its investments in an associate company that includes a foreign operation while retaining significant influence, the relevant proportion of such cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life. The property, plant and equipment are depreciated based on the estimated useful lives of the assets at the following annual rates:

Leasehold land	55 years
Building	2%
Computer equipment and software	20%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

4.4 Operating leases

Leases, where the Group and 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 on the statements 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 expenses, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Rights and Concessions

Rights and concessions are purchase consideration that the Group has paid for the acquisition of working interest in contracts for oil and gas exploration, development and production. Following the initial recognition, rights and concessions are carried at cost less accumulated amortisation. The useful life of rights and concessions is assessed to be finite. Rights and concessions with finite life are amortised based on the unit of production method using total proved and probable reserves for capitalised acquisition costs. The amortisation period and the amortisation method for the rights and concessions with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on rights and concessions with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the rights and concessions.

Gains or losses arising from derecognition of a rights and concessions is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

4.6 Financial instruments

4.6.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (cont'd)

4.6.2 Financial assets – categorisation and subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- a) financial assets at amortised cost (debt instruments);
- b) financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- c) financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- d) financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the profit or loss. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (cont'd)

4.6.2 Financial assets – categorisation and subsequent measurement (cont'd)

Financial assets at fair value through profit or loss (cont'd)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As MFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss and other comprehensive income.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (cont'd)

4.6.2 Financial assets – categorisation and subsequent measurement (cont'd)

Financial assets at fair value through OCI (debt instruments) (Cont'd)

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (cont'd)

4.6.3 Financial liabilities – categorisation and subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains or losses are recognised in the profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

4.6.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting date are classified as non-current assets.

4.8 Impairment of assets

4.8.1 Non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the five-year.

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018
CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Impairment of assets (cont'd)

4.8.2 Financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by MFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are exceed its past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Equity, reserves and distributions to owners

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

The warrants reserve is valued based on the closing price of the first trading day of the warrant. The issuance of the ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Foreign currency translation differences arising on the translation of the Group's foreign entity is included in foreign currency translation reserve.

Accumulated losses include all current and prior years' accumulated losses.

All transactions with owners of the Company are recorded separately within equity.

4.10 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group or the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each end of reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.11 Employees benefits

4.11.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

A provision is made for the estimated liability for unutilised leave as a result of services rendered by employees up to the end of the reporting date.

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31 DECEMBER 2018

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Employees benefits (cont'd)

4.11.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies are also making contributions to their country's statutory pension schemes.

4.11.3 Employee Share Options Scheme

The Employee Share Options Scheme ("the Scheme") allows the Group's and the Company's employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

The fair value of the employee services received in exchange for the grant of the share option is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group and the Company revise the estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to accumulated losses.

4.12 Revenue

Revenue is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

4.12.1 Oil and gas services

Revenue is recognised upon the performance or service rendered.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Revenue (cont'd)

4.12.2 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

4.13 Borrowing costs

Borrowing costs are expensed in the year in which they are incurred. Borrowings costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

4.14 Tax expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to business combination or items recognised directly in equity or other comprehensive income.

4.14.1 Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial year and is measured using the tax rates that have enacted or substantively enacted by the reporting year, and any adjustment to tax payable in respect of previous years.

4.14.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of the financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that does not affect the accounting or taxable profit. 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 date.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax assets is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the reporting date 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

31 DECEMBER 2018
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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Goods and service tax

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output GST.

Expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expenses item as applicable; and
- payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The GST has been abolished and being replaced with Sales and Service Tax ("SST") commencing from 01 September 2018.

4.16 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

4.17 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economics benefits is remote.

4.18 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influences over the Group; or
 - (iii) is a member of the key management personnel of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 Related parties (cont'd)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group; or
 - (ii) one entity is an associate or joint venture of the other entity; or
 - (iii) both entities are joint ventures of the same third party; or
 - (iv) the entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group; or
 - (vi) the entity is controlled or jointly-controlled by a person identified in (a) above; or
 - (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity; or
 - (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4.20 Exploration and Evaluation Costs

Oil and gas exploration cost is accounted for in accordance with the full cost method. Under this method, all costs relating to the exploration and evaluation activities are capitalised when incurred. Exploration and evaluation cost is written down to its recoverable amount when:

- it is determined that further exploration and evaluation activities will not yield commercial quantities of reserves, no further exploration drilling is planned and there is no existing production in the field; or
- the contract has expired or is surrendered.

Other exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Exploration and evaluation costs are capitalised in respect of each area of interest for which the legal rights to tenure are current and where:

- (i) The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; and
- (ii) Exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation cost is stated at cost less any accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the exploration cost is assessed and written down immediately to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2018 RM	2017 RM
At cost:		
Balance at 1 January / 31 December	95,000,000	95,000,000
Less: Impairment losses		
Balance at 1 January / 31 December	(95,000,000)	(95,000,000)
	-	-

Details of the subsidiary companies are as follows:

Name of companies	Group effective interest		Country of incorporation	Principal activities
	2018 %	2017 %		
Held by the Company				
Sumatec Corporation Sdn. Bhd. *	100	100	Malaysia	Oil and gas field development services
Sumatec Oil and Gas LLP #*	100	100	Kazakhstan	Oil and gas field development services
Held by Sumatec Corporation Sdn. Bhd.				
Sumatec Petroleum Development Sdn. Bhd. ^	100	100	Malaysia	Dormant
Sumatec Development Sdn. Bhd. ^	100	100	Malaysia	Dormant

The company is not audited by AljeffriDean

* The auditors' report was issued with adverse of opinion

^ The auditors' report was issued with emphasis of matter on going concern

6. INVESTMENT IN ASSOCIATE COMPANIES

	Group and Company	
	2018 RM	2017 RM
Unquoted shares, at cost		
Balance at 1 January / 31 December	17,326,540	17,326,540
Less: Impairment losses		
Balance at 1 January / 31 December	(17,326,540)	(17,326,540)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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6. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Details of the associate companies are as follows:

Name of companies	Effective interest		Principal activities	Country of incorporation
	2018	2017		
	%	%		
Held by the Company				
Adinin Sumatec JV Sdn. Bhd.#	50	50	Dormant	Brunei
ESE (Cambodia) Pte. Ltd.#	50	50	Dormant	Republic of Combodia
Sumatec (Middle East) LLC #	49	49	Dormant	United Arab Emirates
Thai Polymix Co. Ltd. #	49	49	Dormant	Thailand
Semua International Sdn. Bhd. #*@	49	49	Investment holding	Malaysia
Held by Semua International Sdn. Bhd.				
Semua Shipping Sdn. Bhd. #*	49	49	Dormant	Malaysia
Semua Ship Agency and Supplies Pte. Ltd. #*	49	49	Dormant	Singapore
Semado Maritime Sdn. Bhd. #^*	49	49	Dormant	Malaysia
Semua Chemical Shipping Sdn. Bhd. #*	49	49	Dormant	Malaysia
Mini Tanker Chartering Sdn. Bhd. #	49	49	Dormant	Malaysia

The company is not audited by AljeffriDean

* Ceased business operations

@ Under liquidation

^ Ordered by High Court of Malaya at Kuala Lumpur to be wound up

The 49% equity interest in Semua International Sdn. Bhd. is pledged to CLO bondholders as security for loan facility granted to the Company.

7. OTHER INVESTMENT

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Financial assets designated at fair value through OCI				
At cost:				
- Unquoted share	1	1	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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8. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land RM	Buildings RM	Computer equipment and software RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Renovation RM	Total RM
Cost							
At 01 January 2017	735,684	230,000	1,213,738	5,078	205,940	409,028	2,799,468
Disposals	-	-	-	-	(31,810)	-	(31,810)
Written off	-	-	-	-	(63,775)	(388,098)	(451,873)
At 31 December 2017	735,684	230,000	1,213,738	5,078	110,355	20,930	2,315,785
Additions	-	-	-	-	52,391	-	52,391
At 31 December 2018	735,684	230,000	1,213,738	5,078	162,746	20,930	2,368,176
Accumulated depreciation							
At 01 January 2017	85,828	66,985	414,470	5,078	129,997	98,544	800,902
Charge for the financial year	12,261	5,094	211,800	-	16,541	22,639	268,335
Disposals	-	-	-	-	(10,541)	-	(10,541)
Written off	-	-	-	-	(25,657)	(100,259)	(125,916)
At 31 December 2017	98,089	72,079	626,270	5,078	110,340	20,924	932,780
Charge for the financial year	12,261	5,094	211,800	-	3,395	-	232,550
At 31 December 2018	110,350	77,173	838,070	5,078	113,735	20,924	1,165,330
Net carrying amount at 31 December 2018	625,334	152,827	375,668	-	49,011	6	1,202,846
Net carrying amount at 31 December 2017	637,595	157,921	587,468	-	15	6	1,383,005

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY	Computer equipment and software RM	Office equipment, furniture and fittings RM	Renovation RM	Total RM
Cost				
At 01 January 2017	1,059,000	95,585	388,098	1,542,683
Disposal	-	(31,810)	-	(31,810)
Written off	-	(63,775)	(388,098)	(451,873)
At 31 December 2017/31 December 2018	1,059,000	-	-	1,059,000
Accumulated depreciation				
At 01 January 2017	259,748	28,152	77,620	365,520
Charge for the financial year	211,800	8,046	22,639	242,485
Disposal	-	(10,541)	-	(10,541)
Written off	-	(25,657)	(100,259)	(125,916)
At 31 December 2017	471,548	-	-	471,548
Charge for the financial year	211,800	-	-	211,800
At 31 December 2018	683,348	-	-	683,348
Net carrying amount at 31 December 2018	375,652	-	-	375,652
Net carrying amount at 31 December 2017	587,452	-	-	587,452

The leasehold land of the Group with net carrying amount of RM625,334 (2017: RM637,595) is pledged to a bank as securities for bank guarantee facility granted to a subsidiary company.

The subsidiary company has entered into a Sales and Purchase Agreement ("SPA") to dispose the leasehold land which is disclosed in the Notes 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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9. RIGHTS AND CONCESSIONS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At cost:				
At 1 January	302,100,000	302,100,000	302,100,000	302,100,000
Transfer due to Novation Agreement (Note 35.6)	-	-	(302,100,000)	-
Exchange difference	(31,028,392)	-	-	-
At 31 December	271,071,608	302,100,000	-	302,100,000
Less: Accumulated amortisation				
At 1 January	3,146,405	2,671,592	3,146,405	2,671,592
Amortisation for the financial year	-	474,813	-	474,813
Reversal of amortisation	(3,146,405)	-	(3,146,405)	-
At 31 December	-	3,146,405	-	3,146,405
	271,071,608	298,953,595	-	298,953,595

On 8 March 2012, the Company entered into a Joint Investment Agreement ("JIA") with Markmore Energy (Labuan) Limited ("MELL") and CaspiOilGas LLP ("COG"), a wholly-owned subsidiary company of MELL, whereby the Company acquired the rights to develop, extract and produce oil from the Rakushechnoye Oil and Gas Field in Kazakhstan. The rights and concessions will be amortised based on the unit of production method using total proved and probable oil reserves estimated to be recoverable from the existing oil and gas field based on the current subsurface use contract. Changes in expected pattern of consumption of future economic benefit embodied in the asset are considered to modify the amortisation period, and treated as changes in accounting estimates.

MELL and COG are companies in which a controlling shareholder of the Company has control and a director of the Company has interest. The controlling shareholder has ceased to be a substantial shareholder on 24 January 2019.

During the current financial year, the rights and concessions has been transferred to SOG due to Novation Agreement as disclosed in Note 35.6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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10. EXPLORATION AND EVALUATION COST

GROUP	2018 RM	2017 RM
At cost:		
At 1 January	-	-
Transfer due to Novation Agreement (Note 35.6)	173,077,160	-
At 31 December	173,077,160	-

These are advances provided to COG under the Investment Agreement signed on 2 August 2013 pursuant to the JIA, which is non-interest bearing and repayment will commence when COG's production reaches cumulative 2 million barrels of crude oil.

During the current financial year, exploration and evaluation cost has been transferred to SOG due to Novation Agreement as disclosed in Note 35.6 to the financial statements.

11. TRADE RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables	234,615,491	299,323,400	26,484,174	23,499,174
Less: Allowance for expected credit losses				
At 1 January	(70,490,836)	(70,490,836)	-	-
Expected credit losses recognised	(20,030)	-	-	-
At 31 December	(70,510,866)	(70,490,836)	-	-
Net carrying amount	164,104,625	228,832,564	26,484,174	23,499,174
As presented:				
Non-current	26,484,174	33,044,164	26,484,174	23,499,174
Current	137,620,451	195,788,400	-	-
	164,104,625	228,832,564	26,484,174	23,499,174

Included in the abovementioned net carrying amount of the Group and of the Company are the amount owing from 2 companies and 1 company respectively in which a controlling shareholder of the Company has control and a director of the Company has interest. The controlling shareholder has ceased to be a substantial shareholder on 24 January 2019.

The repayment terms is bound by the JIA and the Joint Investment Agency Agreement for which payments are not due within the 12 months after the end of the current financial year.

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12. OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-current				
Performance deposit	127,758,082	123,420,041	-	123,420,041
Other receivables	-	102,664,794	-	102,664,794
	127,758,082	226,084,835	-	226,084,835
Current				
Other receivables	107,949,468	8,712,531	8,093,166	8,093,165
Less: Allowance for expected credit losses	(8,413,595)	(8,413,595)	(7,818,147)	(7,818,147)
	99,535,873	298,936	275,019	275,018
Deposits	4,340	96,514,720	1,790	96,511,790
GST receivable	438,048	401,133	422,190	401,133
	99,978,261	97,214,789	698,999	97,187,941
	227,736,343	323,299,624	698,999	323,272,776

The performance deposit paid under the JIA was to be set-off against oil and gas royalty. The Company is to recover the royalty payment solely from production cost.

Included in the non-current other receivables of the Group and the Company amounting to RM NIL (2017: RM102,664,794) is advances provided to COG under the Investment Agreement signed on 2 August 2013 pursuant to the JIA, which is non-interest bearing and repayment will commence when COG's production reaches cumulative 2 million barrels of crude oil.

Included in deposits of the Group and the Company is an amount of RM NIL (2017: RM96,510,000) being refundable deposit paid for the proposed acquisition of 100% equity interest in Borneo Energy Oil and Gas Ltd ("Borneo Energy") and guaranteed by MELL. The proposed acquisition is detailed in Note 35 to the financial statements. Borneo Energy is a company in which a director has interest.

During the current financial year, the performance deposit and non-current other receivables have been transferred to SOG due to Novation Agreement as disclosed in Note 35.6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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13. AMOUNT DUE FROM SUBSIDIARY COMPANIES

COMPANY	2018 RM	2017 RM
Amount due from subsidiary companies	627,493,390	101,483,529
Less: Allowance for expected credit losses		
At 1 January	(101,483,529)	(38,816,699)
Expected credit loss recognised	-	(62,666,830)
Unused amount reversed	79,507,144	-
At 31 December	(21,976,385)	(101,483,529)
	605,517,005	-
As presented:		
Non-current	588,574,463	-
Current	16,942,542	-
	605,517,005	-

Included in the abovementioned balances is an amount of RM2,156,339 (2017: RM2,156,339) which is trade in nature, unsecured, interest free and carries a credit period of 30 days (2017: 30 days). The amount has been fully impaired in the previous financial year.

Included in the abovementioned balances are advances to a subsidiary company amounting to RM19,791,193 (2017: RM19,791,193) which are unsecured, bear interest at 7% (2017: 7%) per annum and is repayable on demand. The amount has been fully impaired in the previous financial year.

The remaining amount due from subsidiary companies is non-trade in nature, unsecured, interest free and repayable on demand. The amount has been fully impaired in the previous financial year.

During the current financial year, the rights and concessions, exploration and evaluation costs and non-current other receivables have been transferred to SOG due to Novation Agreement as disclosed in Note 35.6 to the financial statements.

14. AMOUNT DUE FROM ASSOCIATE COMPANIES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Amount due from associate companies	7,465,203	7,465,203	5,635,497	5,635,497
Allowance for expected credit losses	(7,465,203)	(7,465,203)	(5,635,497)	(5,635,497)
	-	-	-	-

The amount due from associate companies is non-trade in nature, unsecured, interest free and repayable on demand.

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15. FIXED DEPOSIT WITH A LICENSED BANK**GROUP**

The fixed deposits is pledged to a licensed bank for bank guarantee facility granted to a subsidiary company.

16. SHARE CAPITAL**GROUP AND COMPANY**

	Number of shares Unit	Amount RM
<i>Issued and fully paid-up:</i>		
At 1 January 2017	3,866,114,400	541,256,016
Adjustment for the effects of Companies Act 2016*	-	181,748,859
Private placement	386,611,000	19,111,597
Less: Shares issuance expenses	-	(2,761,210)
At 31 December 2017/31 December 2018	4,252,725,400	739,355,262

* The Companies Act 2016, which came into operation 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the standing to the credit of the Company's share premium account and capital reserve became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account and capital reserve of RM164,562,303 and RM17,186,556 respectively for purposes set out in Section 618(3). There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

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17. OTHER RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable:				
<u>Share premium</u>				
At 1 January	-	164,562,303	-	164,562,303
Adjustment for the effects of Companies Act 2016	-	(164,562,303)	-	(164,562,303)
At 31 December	-	-	-	-
<u>Warrants reserve</u>				
At 1 January	142,579,832	142,579,832	142,579,832	142,579,832
Warrant expired	(127,574,239)	-	(127,574,239)	-
At 31 December	15,005,593	142,579,832	15,005,593	142,579,832
<u>Employee share options reserve</u>				
At 1 January	-	248,652	-	248,652
Employee share option forfeited	-	(248,652)	-	(248,652)
At 31 December	-	-	-	-
<u>Capital reserve</u>				
At 1 January	-	17,186,556	-	17,186,556
Adjustment for the effects of Companies Act 2016	-	(17,186,556)	-	(17,186,556)
At 31 December	-	-	-	-
<u>Foreign currency translation reserve</u>				
At 1 January	(2,727,432)	(1,966,296)	-	-
Foreign currency translation	(25,815,709)	(761,136)	-	-
At 31 December	(28,543,141)	(2,727,432)	-	-
Total other reserves	(13,537,548)	139,852,400	15,005,593	142,579,832

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17. OTHER RESERVES (CONT'D)

Share premium

Share premium represents the excess of the consideration received over the nominal value of shares issued by the Company. Any transaction costs associated with the issuing of shares are deducted from share premium. It is not to be distributed by way of cash dividends and its utilisation shall be in a manner as set out in Section 60(3) of the Companies Act 1965. On 31 January 2017, the concept of par value of share capital was abolished in accordance with Companies Act 2016. Consequently, has been adjusted to share capital as detailed in Note 16 to the financial statements.

Warrants reserve

On 4 March 2011, the Company issued 107,182,110 Warrants A pursuant to the rights issue. Each Warrant A entitles the holder to subscribe for 1 new ordinary share at the exercise price of RM0.35 per share.

Warrants A were constituted under the Deed Poll dated 8 October 2010 and the Supplemental Deed Poll dated 23 February 2011 ("Deed Poll A").

On 14 November 2013, the Company issued new shares and warrants pursuant to its rights issue with warrants exercise. Pursuant thereto, subject to adjustments in accordance with the Deed Poll A, the exercise price of the outstanding Warrants A was revised from RM0.35 to RM0.32 while an additional 11,574,887 Warrants A were listed and quoted on 21 November 2013.

The total of Warrants A that remain unexercised as at 31 December 2018 are 118,753,197 (2017: 118,753,197).

On 14 November 2013, the Company issued 567,653,083 Warrants B pursuant to the rights issue. Each Warrant B entitles the holder to subscribe for 1 new ordinary share at the exercise price of RM0.175 per share.

Warrants B were constituted under the Deed Poll dated 28 August 2013.

The total of Warrants B that remain unexercised as at 31 December 2018 are Nil (2017: 567,521,683).

During the current financial year, the Company issued 10 units of ordinary shares arising from the Warrants B exercise at an issue price of RM0.175 per share for a total consideration of RM1.75.

The warrants reserve arose from the allocation of fair value of Warrants A and Warrants B issued have been charged to accumulated losses.

- i. Each warrant entitles the registered holder at any time during the exercise period to subscribe for one new ordinary share in the Company at an exercise price of RM0.32 for Warrant A and RM0.175 for Warrant B.
- ii. The exercise price and the number of warrants are subject to adjustment in the event of alteration to the share capital of the Company in accordance with the provisions set out in the Deed Poll.
- iii. The warrants shall be exercisable at any time within the period commencing on and including the date of issue of the warrants until the last market day prior to the tenth anniversary for Warrant A and fifth anniversary for Warrant B of the respective dates of issue of the warrants.

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17. OTHER RESERVES (CONT'D)

Warrants reserve (cont'd)

The main features of the warrants are as follows: (cont'd)

- iv. All new ordinary shares to be issued arising from the exercise of the warrants shall rank pari-passu in all respects with the then existing ordinary shares of the Company except that such new ordinary shares shall not be entitled to any dividends, rights, allotments and other distributions on or prior to the date of allotment of the new ordinary shares arising from the exercise of the warrants.

Warrants B has been expired on 13 November 2018.

Employee share options reserve ("ESOS")

Employee share options reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced by the expiry or exercise of the share options. In the previous financial year, the ESOS have been forfeited due to the ESOS has expired.

Capital reserve

The capital reserve arose from the capital reduction in previous financial years. The capital reserve has been adjusted to share capital during the financial year pursuant to the transitional provision set out in Companies Act 2016 as detailed in Note 16 to the financial statements.

Foreign currency translation reserve

The translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

These reserves are not available for distribution as dividends.

18. DEFERRED TAX LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At 1 January	2,957,000	7,394,000	105,000	154,000
Transferred from profit or loss (Note 27)	-	(4,437,000)	-	(49,000)
At 31 December	2,957,000	2,957,000	105,000	105,000

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18. DEFERRED TAX LIABILITIES (CONT'D)

The deferred tax liabilities as at the end of the reporting date are made up of temporary differences arising from:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Property, plant and equipment	163,000	163,000	163,000	163,000
Trade receivable	2,852,000	2,852,000	-	-
Unutilised capital allowance	(58,000)	(58,000)	(58,000)	(58,000)
	2,957,000	2,957,000	105,000	105,000

19. TRADE PAYABLES**GROUP**

The normal trade credit terms granted by the trade payables range from 30 to 90 days (2017: 30 to 90 days)

20. OTHER PAYABLES

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other payables	14,329,190	85,668,954	13,822,008	85,096,255
Accrual for direct cost	13,297,634	9,748,800	3,548,834	3,548,834
Accrual for interest	-	3,548,834	-	-
Other accruals	3,596,994	2,212,671	3,549,611	2,165,288
Provision for tax penalty	1,983,155	1,983,155	-	-
Deposits received	2,215,093	2,215,093	2,215,093	2,215,093
	35,422,066	105,377,507	23,135,546	93,025,470

Included in other payables of the Group and of the Company is advances of RM Nil (2017: RM78,257,586) from MELL which is unsecured, non-interest bearing and repayable on demand.

Included also in other payables of the Group and of the Company is an amount of RM479,554 (2017: RM431,200) due to a director of the Company which is non-interest bearing, unsecured and repayable on demand.

The deposits received of RM2,215,093 (2017: RM2,215,093) in relation to the disposal of Semua Internation Sdn. Bhd. ("SISB") has been terminated in 2016.

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21. PROVISION FOR LIABILITIES

The Company has allocated a provision for liabilities arising from the corporate guarantees issued to Bank Pembangunan Malaysia Berhad ("BPMB") and Malayan Banking Berhad ("Maybank") for banking facilities granted to SISB group. The corporate guarantees should have been discharged under the 2012 SPA entered into between the Company and Ebony Ritz Sdn Bhd ("Ebony") and its associates.

However, the intended purchaser failed to complete the terms of the 2012 SPA and thus, the Company is not released and discharged from its obligation under the guarantee. In year 2016, the non-performance of SISB Group has resulted in the Company becoming involved in settlement arrangement of SISB group's borrowings with BPMB and Maybank, as further disclosed in Note 32 to the financial statements.

On 19 March 2017, the Company has entered into a Settlement Agreement between Hoe Leong Corporation Ltd. ("HL"), Ebony and Chan Yoke Peng ("CYP") to end all litigation cases with the settlement of the judgement sum amounted to RM27.0 million, as further disclosed in Note 32 to the financial statements. The Company has allocated the provision for liabilities arising from this settlement arrangement.

On 16 April 2018, the Court of Appeal allowed summary judgment to be entered against the Company for the sum of RM72.0 million on the Malaysian Trustees Berhad, Capone Berhad and Prima Uni Berhad (collectively referred as CLO) material litigation case as detailed in Note 32 to the financial statements. The Company is in the process of appealing against the decision of the Court of Appeal before the Federal Court. However, the variance of the claim as compared to the outstanding loan amount as disclosed in Note 22 to the financial statements has been provided for prudence reason.

On 28 September 2018, CISS has filed an application to register the Award as a judgment at the Kuala Lumpur High Court by an ex-parte originating summons and the High Court has granted an order for the registration of the Award on 28 September 2018 ("Order"). The Affidavit in Support for the above application to set aside the enforcement of the Arbitration Award has been filed on 2 November 2018 as disclosed in Note 32 to the financial statements.

GROUP AND COMPANY

	2018 RM	2017 RM
At 1 January	173,088,556	71,415,257
Addition	82,145,255	101,673,299
At 31 December	255,233,811	173,088,556

	2018 RM	2017 RM
Claimed by BPMB	73,800,000	73,800,000
Less: Estimated realisable value of vessels		
USD7 million	(28,434,000)	(28,434,000)
	45,366,000	45,366,000

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21. DEFERRED TAX LIABILITIES (CONT'D)

	2018 RM	2017 RM
Claimed by Maybank	131,015,594	129,754,517
Less: Realisable value of vessels	(45,098,266)	(45,098,266)
Less: Estimated realisable value of vessels USD8.31 million	(33,755,220)	(33,755,220)
	52,162,108	50,901,031
Settlement Agreement with Ebony, HL and CYP	48,136,916	27,017,169
Provision related to CLO loan	83,307,133	49,804,356
Provision related to CISS	26,178,661	-
Provision related to LHDN	82,993	-
	255,233,811	173,088,556

22. TERM LOAN

GROUP AND COMPANY	2018 RM	2017 RM
Secured:-		
CLO loan		
- repayable within 12 months	22,529,589	22,529,589

The CLO loan is secured by way of 49% equity interest in SISB. The CLO loan carries interest at the rate of 10% (2017: 10%) per annum.

The Company has defaulted in repayment of CLO loan and the CLO bondholders have instituted legal proceedings against the Company as disclosed in Note 32 to the financial statements. On the 16 April 2018, the Court of Appeal allowed summary judgment to be entered against the Company, which additional provision of liabilities are taken up in the provision.

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23. REVENUE

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Service rendered on gas development	-	29,040,549	-	-
Consultation fee	2,985,000	-	2,985,000	-
	2,985,000	29,040,549	2,985,000	-

24. STAFF COSTS

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Salaries, wages and other emoluments	1,447,502	1,624,193	633,322	658,589
Directors' emoluments	1,026,000	1,133,637	1,026,000	624,300
Directors' fee	299,297	350,480	299,297	350,480
Defined contribution plans and social security contributions	128,219	113,954	128,219	84,533
Other benefits	-	4,008	-	3,782
	2,901,018	3,226,272	2,086,838	1,721,684

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25 OTHER EXPENSES

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Impairment loss on amount due from subsidiary companies	-	-	-	62,666,830
Impairment loss on trade receivable	20,030	-	-	-
Property, plant and equipment written off	-	325,957	-	325,957
Loss on disposal of property, plant and equipment	-	15,137	-	15,137
Unrealised loss on foreign exchange	-	21,138,504	25,115,200	4,981,107
Others	32,911	69,895	-	(4,422)
	52,941	21,549,493	25,115,200	67,984,609

26. FINANCE COSTS

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Unwinding discount on financial assets	178,834	1,216,745	-	1,011,386
Term loan interest	-	2,252,959	-	2,252,959
Other charges	24,633	18,876	24,466	18,801
	203,467	3,488,580	24,466	3,283,146

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27. TAXATION

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Current tax:				
- current year	-	4,197,000	-	-
- underprovision in prior years	-	4,231,358	-	-
Deferred tax liabilities (Note 18):				
- current year	-	(4,437,000)	-	(49,000)
	-	3,991,358	-	(49,000)

Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated assessable profits for the financial year.

A reconciliation of income tax expense/(income) applicable to loss before tax at the statutory tax rate to income tax expense/(income) at the effective tax rate of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Loss before tax	(2,681,604)	(109,955,712)	(26,404,619)	(171,107,465)
Tax at statutory rate of 24%	(643,585)	(26,389,371)	(6,337,109)	(41,065,792)
Expense not deductible for tax purposes	1,398,722	26,149,371	7,092,246	41,016,792
Income not subject to tax	(755,137)	-	(755,137)	-
Under provision in prior years	-	4,231,358	-	-
Tax at effective tax rate	-	3,991,358	-	(49,000)

The unutilised capital allowances of the Group and the Company amounting to RM58,000 (2017: RM58,000) respectively can be carried forward to offset against future taxable profits of the respective company.

NOTES TO THE FINANCIAL STATEMENTS

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28. LOSS FOR THE FINANCIAL YEAR

Loss for the financial year has been determined after charging/(crediting), amongst others, the following items:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Charging/(crediting):				
Auditors' remuneration				
- current year	157,987	160,000	117,507	120,000
- other external auditors	-	48,758	-	-
- other services	-	15,000	-	8,000
Reversal of expected credit losses on amount due from subsidiary company	(79,507,144)	-	(79,507,144)	-
Reversal of amortisation of intangible asset	(3,146,405)	-	(3,146,405)	-
Realised gain on foreign exchange	-	(4,422)	-	(4,422)
Rental of office equipment	7,720	-	7,720	-
Rental of premises	18,732	287,354	-	8,210

29. LOSS PER SHARE**Basic loss per share**

Basic loss per ordinary share is calculated by dividing net loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

GROUP	2018	2017
	RM	RM
Loss attributable to ordinary equity holders of the Company	(2,681,604)	(113,947,070)
Weighted average number of ordinary shares in issue (unit)	4,252,725,400	3,937,873,727
Basic loss per share (sen)	(0.06)	(2.89)

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29. LOSS PER SHARE (CONT'D)

Diluted loss per share

For the purpose of calculating diluted earnings per share, the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e., share options granted to employees and warrants.

GROUP	2018 RM	2017 RM
Weighted average number of ordinary shares in issue (unit)	4,252,725,400	3,937,873,727
Diluted loss per share (sen)	(0.06)	(2.89)

30. RELATED PARTY DISCLOSURES

Related party transactions

	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest charged to a subsidiary company	-	-	215,505	1,000,828
Consultancy services charged to a company in which a controlling shareholder has control and a director of the Company has interest	2,985,000	-	2,985,000	-
Gas development services charged to a company in which a controlling shareholder has control and a director of the Company has interest	-	29,040,549	-	-
Royalty expense charged by a company in which a controlling shareholder has control and a director of the Company has interest	260,725	764,786	260,725	764,785

The controlling shareholder has ceased to be a substantial shareholder on 24 January 2019.

Related party transactions have been entered into in the normal course of business under normal trade terms.

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30. RELATED PARTY DISCLOSURES (CONT'D)***Key management personnel compensation***

The key management personnel compensation is as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
Key management personnel:				
Salaries, wages, and other emoluments	1,026,000	1,075,500	1,026,000	595,500
Defined contribution plans	64,407	58,137	64,407	28,800
	1,090,407	1,133,637	1,090,407	624,300

Key management personnel consists of Director and other key management personnel. Other key management personnel comprise staff of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, either directly or indirectly.

Related party balances

The details of the terms and conditions of amount due from/to related parties are disclosed in Notes 11, 12, 13, 14 and 20 to the financial statements respectively.

31. OPERATING SEGMENT***Business segment***

The Group operates in a single reportable segment. It is essentially engaged in the management and oversight of the oil production operations at the Rakushechnoye Oil and Gas Field in Kazakhstan, and the provision of a study, design and planning of an integrated natural gas monetisation programme in preparation of the exploitation of the gas / condensate in accordance to a detailed full field geological and geophysical study of the entire oil / gas concession area. Due to the interrelated nature of oil and gas production, and similar operational characteristics of managing the same field, management believes that it is overseeing a single reportable segment.

Management monitors the operating results of its business units separately for the purpose of decision making on resource allocation and performance assessment. Segment performance is measured by aggregating the operating results of these business units. Transfer prices between business units are on an arm's length basis in a manner similar to transactions with third parties.

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31. OPERATING SEGMENT (CONT'D)

Geographical information

The Group's revenue and non-current assets information based on geographical location are as follows:

	Revenue		Non-current assets	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	2,985,000	29,040,549	1,202,846	1,383,006
Kazakhstan	-	-	598,391,025	558,082,594
	2,985,000	29,040,549	599,593,871	559,465,600

Information about major customer

The following is the major customer with revenue represented substantially from the Group's revenue:

	2018 RM	2017 RM
MELL	-	29,040,549
COG	2,985,000	-

32. MATERIAL LITIGATIONS

Save as disclosed below, the Group and the Company are not engaged in any litigations, claims or arbitration, either as plaintiff or defendant, which has or will have material effect on the financial position of the Group and the Company, and the directors are not aware of any proceedings, pending or threatened, against the Company and/or any of the Company's subsidiary companies or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Group:

32.1 Ebony vs Sumatec Resources Berhad ("the Company")

The Company vs HL, Ebony, Setinggi, Kuah Geok Lin, Kuah Geok Khim and Teh Teong Lay HL vs CYP and the Company

On 5 May 2010, the Company entered into a Sale and Purchase Agreement with Ebony for Ebony's proposed acquisition of the 49% equity interest in SISB. The Company also entered into an Option and Financial Representation Agreement ("OFRA") with Ebony and Auspicious Journey Sdn. Bhd. to guarantee profits of SISB group and provided a guarantee to Ebony ("Guarantee") on the same day. By its Writ of Summons dated 24 May 2016, Ebony claimed that the Company owes RM27,017,163 being the financial shortfall calculated under the OFRA and RM10,000,000 for the loan provided under the Guarantee.

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32. MATERIAL LITIGATIONS (CONT'D)**32.1 Ebony vs Sumatec Resources Berhad ("the Company")****The Company vs HL, Ebony, Setinggi, Kuah Geok Lin, Kuah Geok Khim and Teh Teong Lay HL vs CYP and the Company (cont'd)**

The Company, through its solicitors Messrs Morgan Lewis Stamford LLC, entered its Defence on 15 June 2016. The Company is disputing Ebony's claims as the relevant parties signed a Sale and Purchase Agreement dated 21 December 2012 and the Settlement Agreement dated 28 May 2013. Subsequently, on 21 July 2016, Ebony filed two applications, to strike out the Company's Defence ("Striking Out Application"), and for a Summary Judgment ("Summary Judgment Application") (collectively "the Applications"). The Company has filed its objections to the Applications and filed its reply affidavit on 5 August 2016.

In a hearing dated 8 February 2017, the Court dismissed the Summary Judgment Application, subject to orders made in the Striking Out Application, where the deadline for the Company to apply for conditional leave to defend against the Striking Out Application was on 8 March 2017. The Company filed Notices of Appeal against some part of the Court's decision. The Company has also filed its amended Defence and Counterclaim. During the hearing on 20 April 2017, the Court decided for a stay in judgement until further notice. The Company had filed for the stay of execution and also filed its appeal to the Court of Appeal on 9 November 2017 and the court has accepted the Appeal on 21 December 2017 under CA/CA 212/2017. The Appeal is now scheduled to be heard between 30 July 2018 to 6 August 2018. The Court of Appeal also recommended parties to have the matter mediated before the Singapore Mediation Centre ("SMC").

On October 2017, the Company had been served with a Writ of Summons under another Suit No. HC/S 808 of 2017 by HL that relates to the Sale and Purchase Agreement dated 5 May 2010 entered by the Company with Ebony for the proposed acquisition of 49% shares in SISB. HL is the 80 % shareholder in the Ebony. HL claimed against the Company for financial losses and cash flow based on claims for damages to be assessed for damages including losses, interest and other relief.

On November 2017, Ebony was granted with an anti-suit injunction from the Singapore High Court under HC/SUM 3187/2017 herein restraining or maintaining and continuing the suit under KLHC suit no. WA-22NCC-142-04/2017. Ebony was also granted summary judgment which was delivered on 9 November 2017 ("Judgment") on the OFRA claim.

The Company had on 19 March 2018 entered into a Settlement Agreement between HL, Ebony and CYP to end all litigations upon the Company's successful completion of its proposed corporate exercise no later than 30 October 2018 ("Corporate Exercise Completion Date"), as disclosed in Note 35 to the financial statements.

The Company has proposed to settle the Judgement sum of RM27,000,000 in the following terms and/or manner:

- That the Company shall pay to Ebony a sum of RM7,000,000 in cash by no later than the Corporate Exercise Completion Date;
- That the Company shall issue to Ebony of its Redeemable Convertible Preference Shares ("RCPS") in the value equivalent to RM20,000,000 by no later than the Corporate Exercise Completion Date.

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32. MATERIAL LITIGATIONS (CONT'D)

32.1 Ebony vs Sumatec Resources Berhad (“the Company”)

The Company vs HL, Ebony, Setinggi, Kuah Geok Lin, Kuah Geok Khim and Teh Teong Lay HL vs CYP and the Company (cont'd)

The Settlement Agreement terms are conditional upon the following approvals:

- a) The Official Receiver of Malaysia (“OR”) on behalf of Ebony is obtained;
- b) The Company’s Board of Directors; and
- c) HL’s Board of Directors.

All such approval(s) to be provided no later than 45 days from the date of the Settlement Agreement (“Approval Date”).

The Company has provided a total provision of liabilities of RM48,136,916 in the financial statements for the abovementioned claims. The Company has also disclosed RM10,000,000 under liquidity risk in the financial statements for the loan which guaranteed by the Company as the Settlement Agreement still conditional as at to-date.

The Company has submitted its term sheet/Explanatory Statement/Performa Accounts on its proposed settlement scheme again to Ebony Ritz on a possible settlement wherein the Company made an Application under Section 366 and 368 of the Companies Act 2016 before the High Court of Malaya on 7 July 2018 under its proposed regularisation plan for a scheme of arrangement with the company creditors.

The Company’s application was dismissed by an Order of the High Court of Malaya at Kuala Lumpur dated 10 August 2018 with cost.

32.2 Kuala Lumpur High Court – suit no. WA-27NCC-61-10/2016 and WA-27NCC-62-10/2016 Bank Pembangunan Malaysia Berhad (“BPMB”) vs. Semado Maritime Sdn Bhd (“Semado”), a subsidiary of associated company

On 11 October and 12 October 2016, Semado was served a Writ of Summons Admiralty Writ In Rem and warrant of arrest on vessels Semua Mutiara and Semua Muhibbah (collectively “the Vessels”) respectively, by Messrs Joseph & Partners, the solicitors acting for BPMB (“Writ of Summons”). The Statement of Claims were submitted on 21 December 2016.

Semado, through its solicitors, Messrs Shearn Delamore & Co has submitted its defences and during a case management in the Kuala Lumpur High Court in February 2017, BPMB submitted its application for Summary Judgment. The amount claimed totalled RM143,267,378 which is inclusive of compensation on late payment and charge as at 4 October 2016.

Pursuant to the corporate guarantee issued by the Company in year 2008 to BPMB for Semado, the Company is liable only if the value realised from the sale of the vessels is less than the total amount outstanding. On 16 March 2017, BPMB’s solicitors informed the court that their client is prepared to consider the Company’s Memorandum of Agreement (“MOA”) for sale and purchase of vessels. In the event BPMB is not agreeable to the MOA, BPMB will proceed to the hearing for appraisalment and judicial sale and application for summary judgment against the Company which is fixed on 27 April 2017. The outstanding sum agreed by BPMB before the disposal of the vessels in RM73.8 million. For the avoidance of doubt, the Company is not a named party in the litigation. BPMB’s suit is against Semado.

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32. MATERIAL LITIGATIONS (CONT'D)

32.2 Kuala Lumpur High Court – suit no. WA-27NCC-61-10/2016 and WA-27NCC-62-10/2016 Bank Pembangunan Malaysia Berhad (“BPMB”) vs. Semado Maritime Sdn Bhd (“Semado”), a subsidiary of associated company (cont'd)

Semado has been ordered to be wound up by an Order of the High Court of Malaya at Kuala Lumpur dated 13 April 2017. There was no notice of demand served on the Company on the Guarantee. Nevertheless, the Company has written a letter on 10 November 2017 to BPMB for a possible discussion on an amicable settlement.

During the meeting on 29 January 2018, BPMB informed the Company that the order for sale under the judicial sale is yet to dispose the vessels as it is awaiting better offer. Nevertheless, the Company has recently met BPMB on its intended corporate exercise to propose its proposal on a without prejudice basis. The Company is still in progress of negotiation with BPMB as at to-date.

The total provision of RM45,336,000 has been provided in the financial statements.

The Company has submitted its term sheet/Explanatory Statement/Performa Accounts on its proposed settlement scheme again to BPMB on a possible settlement wherein the Company made an Application under Section 366 and 368 of the Companies Act 2016 before the High Court of Malaya on 7 July 2018 under its proposed regularisation plan for a scheme of arrangement with the company creditors.

The Company's application was dismissed by an Order of the High Court of Malaya at Kuala Lumpur dated 10 August 2018 with cost.

32.3 Malaysian Trustees Berhad (“MTB”), Kerisma Berhad, Capone Berhad and Prima Uno Berhad (collectively referred as the Plaintiffs) vs Sumatec Resources Berhad (“the Company”)

Between year 2004 and year 2007, the Company obtained three facilities Kerisma Berhad, Capone Berhad and Prima Uno Berhad (“CLO bondholders”). On 5 January 2017, the Company received a Notice of Termination and Demand from Adnan Sundra & Low Advocates & Solicitors (“ASL”), which notified that the Settlement Agreement dated 6 March 2015 between the Company, CLO bondholders and MTB for the Primary Collateralised Loan Obligations (“CLO”) has been terminated. MTB demanded RM72,333,945 being the principal and interest outstanding under the three facilities.

The Company is of the view that when the 2015 Settlement Agreement was terminated, the Plaintiffs should rely on the rights and remedies available in the 2013 Settlement Agreement. The Company's obligation under the 2013 Settlement Agreement has been fulfilled and any recourse or recovery sought by the Plaintiffs should be claimed from HL, Setinggi and/or HL's nominees, for breach of HL's obligations under the 2013 Settlement Agreement.

The Company, through its solicitors, Messrs Shearn Delamore & Co, has replied on 9 January 2017 stating the Company's position on the matter. On 23 February 2017, the Company was served with a Writ and Statement of Claim both dated 21 February 2017 pursuant to the termination by the Plaintiffs of the 2015 Settlement Agreement. The Plaintiffs are claiming for the full sum outstanding (principal plus interest) of RM72,333,945. The Company was served with Summary Judgment Application under Order 14 on 28 April 2017 while the Company filed its Defence and Counterclaim on 27 April 2017.

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32. MATERIAL LITIGATIONS (CONT'D)

32.3 Malaysian Trustees Berhad (“MTB”), Kerisma Berhad, Capone Berhad and Prima Uno Berhad (collectively referred as the Plaintiffs) vs Sumatec Resources Berhad (“the Company”) (cont'd)

The Company thereafter on 2 October 2017 changed its solicitors to Messrs Nathan Advocates and Solicitors and accordingly filed a notice to file amendments to the defence before the hearing of the Summary Judgment Application and Striking Off Application of the Plaintiffs. The Court granted Order in Terms with no Order to Cost for Amendments of the defence. The Hearing of the Plaintiff Application was heard orally on 10 November 2017 and the Court is to deliver its decision on 22 November 2017.

The matter came up for decision before the judge and accordingly the Plaintiffs' application for summary judgment and the striking out application was dismissed. The grounds of dismissal on both the applications with costs in the cause on the brief grounds that the case is not a plain and obvious case, it is contested and the Company's defence merits a trial. The Court has now fixed the case for case management on 22 December 2017 to update the Court on the status of service of the defence and the Company's counterclaim against HL and Setinggi.

The High Court has now fixed the next case management on 30 January 2018. In the meantime, the Plaintiffs had filed two (2) appeals under appeal no. W-02(IM)(NCC)-2469-12/2017 & W- 02(IM)(NCC)-2470-12/2017 on the dismissal of their application for which the Court has fixed the appeals for case management on 5 April 2018 and for hearing on 16 April 2018.

The Plaintiff's appeal against the decision given by the High Court on 22 November 2017 in respect of their application for summary judgment against Sumatec Resources Bhd and also their application to strike out the Defence and Counterclaim were allowed with costs of RM15,000 being the costs for both the appeals. The Court of Appeal has also allowed for the Company's Defence and Counterclaim against the Plaintiff's to be struck out and the order of the High Court was set aside.

The Plaintiffs had applied vide Notice of Application (Enclosure 4) for summary judgment to be entered.

The Company has filed its leave application to Appeal on the decision of the Court of Appeal before the Federal Court on 16 May 2018. In the meantime Malaysian Trustee Berhad has served a Notice under Section 466(1) of the Companies Act 2016 on 7th June 2018. The Company has submitted its term sheet/Explanatory Statement/Performa Accounts on its proposed settlement scheme again to CLO Bondholders on a possible settlement wherein the Company made an Application under Section 366 and 368 of the Companies Act 2016 before the High Court of Malaya on 7 July 2018 under its proposed regularisation plan for a scheme of arrangement with the company creditors.

The Company's Application was dismissed by an Order of the High Court of Malaya at Kuala Lumpur dated 10 August 2018 with cost.

On 28 August 2018, Malaysian Trustees Berhad (“MTB”), Kerisma Berhad, Capone Berhad and Prima Uni Berhad (“Petitioners”) have filed a winding up petition against the Company.

The Company has obtained an adjournment against the winding up petition by the Malaysia Trustees Berhad and others against the Company which came up for decision on 23 November 2018 at the Kuala Lumpur High Court. The High Court decided that the Parties are to submit and file their written submissions to the Court by 11 December 2018. The petition is fixed for a hearing on 14 December 2018.

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32. MATERIAL LITIGATIONS (CONT'D)

32.3 Malaysian Trustees Berhad ("MTB"), Kerisma Berhad, Capone Berhad and Prima Uno Berhad (collectively referred as the Plaintiffs) vs Sumatec Resources Berhad ("the Company") (cont'd)

On the hearing date 14 December 2018, the court has granted and adjournment of the hearing of the petition to 25 January 2019. The Court has also directed the Company to commence a civil action on the Company's allegations of fraud on the Settlement Agreement 2015. The Company required to file an application for a stay of execution of the Court of appeal judgement dated 16 April 2018.

The Company has been served with a Notice of Demand pursuant to Section 466(1)(a) of the Companies Act 2016 by M/s Adnan Sundra & Low on behalf of the Plaintiffs for the amount of RM83,307,133.66 pursuant to a judgement obtained on 16 April 2018 before the two (2) Appeals under Court of Appeal no. W-02(IM) (NCC) -2469-12/2017 and W-02(IM)(NCC) -2470-12/2017.

The company has 21 days from date of service i.e. 8 June 2018 to either come with an arrangement of settlement or payment to the satisfaction of the debt agreeable to the creditors.

In the meantime the Federal Court has reverted that the Company's Hearing of Leave Application to Appeal before the Federal Court is now fixed on 13 August 2018.

On 25 January 2019, the petition against the Company has been adjourned to 26 February 2019. The Company has filed a civil action of the Company's allegation of fraud on the Settlement Agreement 2015 as directed by the Court on 14 December 2018.

The Company had on 8 March 2019 informed the Court that it will apply to discharge the appointment of the Official Receiver as the Interim Liquidator. This application is on the footing, amongst others, that the underlying judgment upon which the appointment was made has been stayed by the Court of Appeal on 21 February 2019.

32.4 Notice of Demands to Sumatec Resources Berhad ("the Company") by Malayan Banking Berhad ("Maybank")

The Company has received Notice of Demands on 2 March 2017 from Messrs Shook Lin & Bok, acting as solicitors for Maybank. The Notice of Demands were issued arising from Maybank's claim that Semua Shipping Sdn Bhd ("SSSB"), the associate company of the Company had defaulted on the term loan granted by Maybank, with the Company having issued a guarantee in favour of Maybank for the amount due and owing by SSSB.

In total, the amount demanded by Maybank is RM131,015,594 (2017: RM129,754,517) arising from six (6) term loans and one (1) overdraft facility with interest and penalty. There are in total six (6) vessels attached as security to the term loans.

Maybank is demanding for the aforesaid sum as at 31 January 2017 with interest thereon at the rate of 2.5% per annum above Maybank's base lending rate (6.65%) per annum, compounded monthly, to date of full settlement. The Company, through its solicitors, Messrs Munhoe & Mar, confirmed that the Company's liability to Maybank can only be deemed conclusive after Maybank obtains a judgement against the Company.

Pursuant to the corporate guarantee issued by the Company to Maybank for SSSB, the Company has been prudent and made a total provision of RM52,162,108 (2017: RM50,901,031) in the financial statements. The Company has not received any further notice of legal proceedings in relation to the corporate guarantee.

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32. MATERIAL LITIGATIONS (CONT'D)

32.4 Notice of Demands to Sumatec Resources Berhad (“the Company”) by Malayan Banking Berhad (“Maybank”) (cont'd)

SSSB has been ordered to be wound up by an Order of the High Court of Malaya at Kuala Lumpur dated 9 March 2017.

The Company has recently open discussion for settlement proposal on 6 February 2018 with Maybank based on proposed corporate exercise undertaken by the Company as announced. The Company is in its midst of submitting its term sheet on its proposed settlement scheme.

The Company has submitted its term sheet/Explanatory Statement/Performa Accounts on its proposed settlement scheme again to Maybank on a possible settlement wherein the Company made an Application under Section 366 and 368 of the Companies Act 2016 before the High Court of Malaya on 7 July 2018 under its proposed regularisation plan for a scheme of arrangement with the company creditors.

The Company's Application was dismissed by an Order of the High Court of Malaya at Kuala Lumpur dated 10 August 2018 with cost.

32.5 Continental Industrial Supplies and Services Ltd LLP vs. Sumatec Resources Berhad (“the Company”) LCIA Arbitration No. UNI63528

In 2013, CISS entered into a contract for the provision of integrated project management of the Rakushechnoye Oil and Gas Field with COG. However, in 2015, with market price for oil plummeting, CISS was advised to slow down on the contracted works. CISS then entered into a Parent Guarantee Agreement (“PGA”) dated 2 May 2016 with the Company of which the Company has agreed to guarantee the payment to CISS of USD6,097,044 or approximately RM24.8 million plus interest. Pursuant to the PGA, the Company has fulfilled partial payment of USD1,175,746 or approximately RM5,274,397.

Both parties have commenced arbitration proceedings at the London Court of International

Arbitration on the claim of the balance in the PGA. At the Arbitration the Respondent then raised preliminary issues to be determined before the arbitrator proceeding with the arbitral proceeding.

The preliminary issues are:

- i. Did Chan Yok Peng (“CYP”) have authority to agree the PGA on behalf of the Company? (Authority Issue); and
- ii. Did the PGA impose primary obligations on the Company to pay money to CISS, or did it merely render the Company as surety for the liabilities of COG/ Sumatec Oil and Gas LLP under the Contract? (Interpretation Issue).

On 3 November 2017, CISS served its submissions on the Authority Issue and Interpretation Issue. On 7 November 2017, the Company's solicitors requested for an extension of time to serve its submission by 24 November 2017 and proposed that CISS shall serve the Company's Submission in Reply by 1 December 2017. CISS has no objection to the said request and proposal by the Respondent's solicitor. Therefore, such request was granted by the arbitrator.

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32. MATERIAL LITIGATIONS (CONT'D)

32.5 Continental Industrial Supplies and Services Ltd LLP vs. Sumatec Resources Berhad (“the Company”) LCIA Arbitration No. UNI63528 (cont'd)

On 9 November 2017, CISS's solicitors request the arbitrator to issue a final award on the whole of CISS's claim in the event the arbitrator decides the Preliminary Issues in the CISS's favour. On the same date, the arbitrator directed both parties to provide comments on the question whether the arbitrator has the jurisdiction to make a final award in a case where the arbitrator has yet to rule on the Preliminary Issues. Such comments must be made by close of business London time on 16 November 2017.

The arbitrator has accordingly delivered its First Partial Award on the Preliminary Issues that (1) CYP had the authority to agree the PGA on behalf of the Company and (2) the PGA imposed a primary obligation on the Company to pay money to CISS. Now, the arbitrator has requested the CISS to provide its proposals as to the future disposal of the reference on 23 February 2018, including its submissions on costs on all issues arising and the Company to provide its reply 14 days thereafter. The Tribunal will then rule on the issues arising as and if required.

The Arbitrators has finally awarded its award for equivalent to amount of RM25,830,686.20 (including principal sum, interest and cost) to CISS against the Company.

CISS has filed an application to register the Award as a judgment at the Kuala Lumpur High Court by an ex-parte originating summons and the High Court has granted an order for the registration of the Award on 28 September 2018 (“Order”). The Order has been served to the Company on 5 October 2018. On 19 October 2018, the Company has filed an application to set aside the Order at the Kuala Lumpur High Court on the ground that the Award issued by the arbitral tribunal had errors of law. The Affidavit in Support for the above application to set aside the enforcement of the Arbitration Award has been filed on 2 November 2018. The above application is fixed for a hearing on 23 January 2019.

The matter was fixed for a hearing on 23 January 2019 before YA Puan Noorin Binti Badaruddin. The application is dismissed with costs of RM5,000.00.

A total provision of RM26,178,661 has been provided in the financial statements.

32.6 Malayan Banking Berhad vs Sumatec Resources Berhad – KLHCWA-22NCC-382-08/2017

The Company was served with a writ of Summons on 5 October 2017 by the Maybank through their solicitors, Messrs Shook Lin & Bok against the Company on a Corporate Guarantee provided for Semado Maritime Sdn. Bhd. (“the Borrower”) on an Overdraft Facility (the Facility) secured and or provided to the Borrower by the Maybank. The said Corporate Guarantee is for the amount of RM1,470,000 which was alleged to be executed by the Company. Accordingly, the Borrower was ordered to be wound up by the court on 13 April 2017 wherein resulted in the recalled and or termination of the said facility.

The Company is now alleged to be indebted to the Maybank as at 31 August 2017 to the sum of RM1,103,768 together with interest in view of having provided the said Corporate Guarantee. The Company is now required to identify its solicitors to file its appearance and defence within 14 days. The Company has identified Messrs Nathan Advocates and Solicitors as its lawyer and will file its defence on 30 October 2017.

NOTES TO THE FINANCIAL STATEMENTS

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32. MATERIAL LITIGATIONS (CONT'D)

32.6 Malayan Banking Berhad vs Sumatec Resources Berhad – KLHCWA-22NCC-382-08/2017 (cont'd)

The matter has come up for case management on 25 October 2017 and has fixed for case management before the judge on 24 November 2017 and the directions given today by the Deputy Registrar are as follows:-

- i. that the Company to file and serve the defence on or before 31 October 2017;
- ii. that the Maybank to file and serve the reply on or before 14 November 2017; and
- iii. that the Parties have seven days from today to file any interlocutory applications.

Maybank has made application for summary judgment for hearing on 29 January 2018 and the Court allowed the application and granted a sum of RM1,103,768 together with interest and cost. The Company was advised by its solicitors to file its appeal should the Company be dissatisfied with the decision within 1 month from the delivery of the decision by the Court.

On 29 January 2018, the Company was served with Section 466 (1) (a) of the Companies Act, 2016 for a sum of RM1,180,087 together with cost and allocation for the Summary Judgment obtained.

On 29 January 2018, the Company had served on the Maybank an application for an injunction to restrain the presentation of any winding-up petition in light of the summary judgment obtained under Suit No. WA-22NCC-382-09/2017 for a Corporate Guarantee provided to the Borrower (under liquidation) for its overdraft facility.

The grounds for the injunction is that the Company is able to satisfy the judgment sum only if Maybank would discharge the charge over the Land for which Maybank had issued a Performance Bank Guarantee ("PBG") in favour of Greentech Chemical Sdn. Bhd. (formerly known as Himpunan Sari Sdn. Bhd.) ("GCSB") (under liquidation) for its fully owned subsidiary company, Sumatec Corporation Sdn. Bhd of which the PBG was called upon and an injunction was obtained in 2011. The said PBG had since long expired and that more than six (6) years has passed since 2011 with no further call on the same being made and no monies has also been released by Maybank since. The application for the said injunction to restrain the presentation of any winding up petition is also made on the grounds that there is a pending action in respect of an application filed for a declaration that the PBG is no longer effective or valid and accordingly for a release of the land charged to Maybank. The court after having had provided the Ad Interim Injunction had on the Inter-Parte hearing dismissed the said Injunction Application i.e. 17 May 2018.

The Company is of the view that upon a declaration being obtained for the reasons that the PBG is no longer valid then the Company would be in the position to pay the judgment sum towards Maybank from the disposal of the subsidiary company's leasehold land in Kerteh, Kemaman, Terengganu as mentioned in Note 35 to the financial statements.

The Company has submitted its term sheet/Explanatory Statement/Performa Accounts on its proposed settlement scheme again to Maybank on a possible settlement wherein the Company made an Application under Section 366 and 368 of the Companies Act 2016 before the High Court of Malaya on 7 July 2018 under its proposed regularisation plan for a scheme of arrangement with the company creditors.

The Company's Application was dismissed by an Order of the High Court of Malaya at Kuala Lumpur dated 10 August 2018 with cost.

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32. MATERIAL LITIGATIONS (CONT'D)

32.7 Kerajaan Malaysia ("Plaintiff") vs. Sumatec Resources Berhad ("Company") – SASC WA-B51NCvC-71-10/2018

Lembaga Hasil Dalam Negeri, through the Plaintiff has filed a summon against the Company for the payment of tax revenue in the sum of RM488,737.99 at the Kuala Lumpur Sessions Court and served the Writ and the Statement of Claim dated 17.10.2018 on the Company. The Company has on 8 November 2018 filed a Memorandum of Appearance and served the same to the Plaintiff. The above matter is fixed for a case management on 19 November 2018 at the Kuala Lumpur Sessions Court. On 18 December 2018, a judgment has been entered against the Company for the amount of RM488,737.99 by the Sessions Court of Kuala Lumpur.

32.8 Sumatec Resources Berhad ("Company") vs. Chan Yok Peng & 6 Ors ("Defendants") – KLHC WA-22NCC-65-02/2019

The Company has filed a civil action of the Company's allegation of fraud on the Settlement Agreement 2015 against the Defendant, to declare, inter alia, that the Settlement Agreement 2015 is null and void and that the Court of Appeal decision on 16 April 2018 is a nullity and to be set aside. The court has fixed a case management for the above matter on 21 February 2019 via e-review system.

33. FINANCIAL INSTRUMENTS

33.1 Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's business whilst managing its financial risks. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows:

Credit risk:

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's and the Company's policy to enter into financial instruments with a diverse number of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses on its financial assets or other financial instruments.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company provide services only to recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's and the Company's exposure to bad debts is not significant.

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33. FINANCIAL INSTRUMENTS(CONT'D)

33.1 Financial risk management (cont'd)

Credit risk: (Cont'd)

i. Receivables

As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statements of financial position.

With a credit policy in place to ensure that credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables that are past due but not impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk and are monitored individually.

	GROUP			
	2018 RM	%	2017 RM	%
Trade receivables by country:				
Malaysia	133,017,167	81	195,788,400	86
Kazakhstan	31,087,458	19	33,044,164	14
	164,104,625	100	228,832,564	100

	COMPANY			
	2018 RM	%	2017 RM	%
Trade receivable by country:				
Kazakhstan	26,484,174	100	23,499,174	100

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33. FINANCIAL INSTRUMENTS(CONT'D)**33.1 Financial risk management (cont'd)**Credit risk: (Cont'd)**i. Receivables (Cont'd)**

Set out below is the information about the credit risk exposure on the Group's and the Company's trade receivables using a provision matrix.

	Estimated total gross carrying amount at default RM	Expected credit loss rate %	Expected credit loss RM
GROUP			
2018			
Not past due	28,102,458	-	-
Past due 121 - 365 days	2,985,000	-	-
Past due more than 1 year	203,528,033	35%	70,510,866
	234,615,491		70,510,866
2017			
Not past due	46,561,862	-	-
Past due 1 - 60 days	3,808,125	-	-
Past due 121 - 365 days	15,232,500	-	-
Past due more than 1 year	233,720,913	30%	70,490,836
	299,323,400		70,490,836
COMPANY			
2018			
Not past due	23,499,174	-	-
Past due 121 - 365 days	2,985,000	-	-
	26,484,174		-
2017			
Not past due	23,499,174	-	-

None of the Group's and the Company's trade and other receivables that are neither past due nor impaired have been renegotiated during the current financial year except for COG, where the outstanding amount will be settled when the oil production at the Rakushechnoye Oil and Gas Field has been increased and sufficient funds are available.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management (cont'd)

Credit risk (cont'd):

i. Receivables (cont'd)

The Group's trade receivables of RM164,106,625 (2017: RM178,981,875) were past due but not impaired. The directors expect they are recoverable, pursuant to the Proposed Corporate Exercises as further disclosed in Note 35 to the financial statements.

The Group's and the Company's trade receivables have significant credit risk exposure to 2 (2017: 2) and 1 (2017: 1) major customers respectively. These 2 customers are within the same group of companies of which a controlling shareholder of the Company has control and a director of the Company has interest. The controlling shareholder has ceased to be a substantial shareholder on 24 January 2019.

ii. Intercompany balances

The maximum exposure to credit risk is presented by their carrying amounts in the statements of financial position. The Company provides unsecured advances to subsidiary companies and associate companies and monitors the results of the associate companies and subsidiary companies regularly.

As at the end of the reporting year, the carrying amounts of the amounts due from subsidiary companies and associate companies have been fully impaired as disclosed in Notes 13 and 14 to the financial statements.

iii. Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

iv. Financial Guarantees

GROUP AND COMPANY	Note	2018 RM	2017 RM
Unsecured:			
<u>Corporate guarantee granted to SISB Group:</u>			
NFC Labuan Shipleasing I Ltd (USD13,064,272)	(a)	53,067,073	53,067,073
Ebony Ritz and its associates	(b)	10,000,000	10,000,000
		63,067,073	63,067,073
<u>Parental guarantee:</u>			
Continental Industrial Supplies and Services Ltd LLP (USD6,097,044)	(c)	24,766,193	24,766,193
		87,833,266	87,833,266

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management (cont'd)

Credit risk (cont'd):

vi. Financial Guarantees (cont'd):

The Company is involved in separate litigations and arbitration with the abovementioned parties, as disclosed in Note 32 to the financial statements.

Note:

- (a) The winding up petition has been struck off on 15 March 2017 and the Company is disputing on the amount claimed.
- (b) The Company has proposed to settle the judgement sum of RM27 million with conditional settlement arrangement. The remaining claim of RM10 million by Ebony is subject to the fulfilment and completion of the proposed settlement arrangement raised by the Company.
- (c) The Board is of the opinion that the enforceability of the parental guarantee is in question and the allegation of a parental obligation cannot be reliably estimated.

As at the date of this financial statements, the Board of Directors are of the opinion that the above obligations may not require any outflow of resources and thus no provision is recognised.

Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that the Group and the Company will not be able to meet its financial obligations as they fall due, due to shortage of funds.

In managing its exposures to liquidity and cash flow risks arising principally from its various payables, loans and borrowings, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management (cont'd)

Liquidity and cash flow risks (cont'd)

The Group's and the Company's non-derivative financial liabilities which have contractual maturities are summarised below:

	Carrying amount RM	Maturity contractual cash flows RM	Less than 1 year RM
GROUP			
2018			
Secured:			
Term loan	22,529,589	22,529,589	22,529,589
Unsecured:			
Trade payables	31,980	31,980	31,980
Other payables	35,422,066	35,422,066	35,422,066
Provision for liabilities	255,233,811	255,233,811	255,233,811
	290,687,857	290,687,857	290,687,857
Total	313,217,446	313,217,446	313,217,446
Financial Guarantee:			
Corporate and parental guarantee	87,833,266	87,833,266	87,833,266

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33. FINANCIAL INSTRUMENTS (CONT'D)**33.1 Financial risk management (cont'd)**Liquidity and cash flow risks (cont'd)

	Carrying amount RM	Maturity contractual cash flows RM	Less than 1 year RM
GROUP			
2017			
Secured:			
Term loan	22,529,589	22,529,589	22,529,589
Unsecured:			
Trade payables	92,581	92,581	92,581
Other payables	105,377,507	105,377,507	105,377,507
Provision for liabilities	173,088,556	173,088,556	173,088,556
	278,558,644	278,558,644	278,558,644
Total	301,088,233	301,088,233	301,088,233
Financial Guarantee:			
Corporate and parental guarantee	87,833,266	87,833,266	87,833,266

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management (cont'd)

Liquidity and cash flow risks (cont'd)

	Carrying amount RM	Maturity contractual cash flows RM	Less than 1 year RM
COMPANY			
2018			
Secured:			
Term loan	22,529,589	22,529,589	22,529,589
Unsecured:			
Other payables	23,135,546	23,135,546	23,135,546
Provision for liabilities	255,233,811	255,233,811	255,233,811
	278,369,357	278,369,357	278,369,357
Total	300,898,946	300,898,946	300,898,946
Financial Guarantee:			
Corporate and parental guarantee	87,833,266	87,833,266	87,833,266
2017			
Secured:			
Term loan	22,529,589	22,529,589	22,529,589
Unsecured:			
Other payables	93,025,470	93,025,470	93,025,470
Provision for liabilities	173,088,556	173,088,556	173,088,556
	266,114,026	266,114,026	266,114,026
Total	288,643,615	288,643,615	288,643,615
Financial Guarantee:			
Corporate and parental guarantee	87,833,266	87,833,266	87,833,266

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33. FINANCIAL INSTRUMENTS (CONT'D)**33.1 Financial risk management (cont'd)**Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on contract revenue and costs that are denominated in a currency other than the functional currency of the Group and of the Company.

The currencies giving rise to this risk are primarily United States Dollar ("USD") and Kazakhstan Tenge ("KZT").

	GROUP		COMPANY	
	2018	2017	2018	2017
	RM	RM	RM	RM
<i>Denominated in USD</i>				
Trade receivables	133,017,169	219,287,574	26,484,174	23,499,174
Other receivables	127,758,082	102,746,034	81,240	102,746,034
Amount due from subsidiary companies	-	-	123,420,041	-
Other payables	(6,924,320)	(80,631,841)	(6,924,320)	(80,631,841)
	253,850,931	241,401,767	143,061,135	45,613,367
<i>Denominated in KZT</i>				
Trade receivables	31,087,458	9,544,990	-	-

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33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 Financial risk management (cont'd)

Foreign currency risk (cont'd)

Foreign currency risk Foreign currency sensitivity analysis:

The following table demonstrates the sensitivity of the Group's and the Company's losses for the financial year to a reasonably possible change in the USD and KZT against the functional currency of the Group, with all other variables held constant:

	(Increase)/Decrease of the loss for the year			
	GROUP		COMPANY	
	2018 RM	2017 RM	2018 RM	2017 RM
USD/RM				
- Strengthened 1% (2017: 3.7%)	2,538,509	8,931,865	1,430,611	1,687,695
- Weakened 1% (2017: 3.7%)	(2,538,509)	(8,931,865)	(1,430,611)	(1,687,695)
KZT/RM				
- Strengthened 1% (2017: 1%)	310,875	95,450	-	-
- Weakened 1% (2017: 1%)	(310,875)	(95,450)	-	-

Exposure to foreign exchange rates varied during the current financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and the Company's exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instrument, based on carrying amount as at the reporting date was as follows:

	GROUP AND COMPANY	
	2018 RM	2017 RM
<u>Fixed rate instrument</u>		
Financial liability		
Term loan	22,529,589	22,529,589

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33. FINANCIAL INSTRUMENTS (CONT'D)**33.1 Financial risk management (cont'd)**Interest rate risk (cont'd)

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting date would not affect profit or loss.

33.2 Fair values of financial instruments

The carrying amounts of financial assets of the Group and the Company at the reporting date approximate their fair values except as set out below:

	GROUP	
	Carrying amount RM	Fair value RM
2018		
Financial asset		
Other investments		
- Unquoted shares		*
2017		
Financial asset		
Other investments		
- Unquoted shares		*

* It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in active market. In addition, it is impracticable to use valuation technique to estimate the fair value reliably due to significant variability in the inputs of the valuation technique. The Group has no plans to dispose of its investment in unquoted shares in the near future.

33.3 Fair value hierarchy

No fair value hierarchy has been disclosed as the Group and the Company do not have financial instruments measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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34.. CAPITAL MANAGEMENT

The Group's and the Company's objective when managing capital is to maintain a strong capital base and safeguard the Group's and the Company's ability to continue as going concerns, so as to maintain investors, creditors and market confidence and to sustain future development of the business.

The Group and the Company set the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group and the Company manage the capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Total capital managed by the Group and the Company is the shareholders' funds shown in the statements of financial position.

There were no changes in the Group's approach to capital management during the current financial year.

35. SIGNIFICANT EVENTS DURING THE CURRENT FINANCIAL YEAR AND AFTER THE REPORTING DATE

35.1 Proposed private placement (Completed)

On 7 June 2017, the Company announced the proposed private placement of up to 386,611,000 new ordinary shares of the Company, representing ten percent (10%) of the total issued and paid-up share capital of the Company, to independent third party investor(s) to be identified ("Proposed Private Placement"). Bursa Malaysia Securities Berhad had on 25 September 2017 approved the Proposed Private Placement and the said proposal was completed on 9 November 2017.

35.2 Proposed Corporate Exercises

a) Proposed acquisition of 100% equity in Borneo Energy Oil & Gas Ltd ("Borneo Energy")

On 11 July 2014, the Company had announced a proposed acquisition of 100% equity interest in Borneo Energy, comprising 100 ordinary shares in Borneo Energy from Dr Murat Safin and Abu Talib Abdul Rahman whom is the director of the Company ("Vendors").

On 8 September 2014, the Company executed the share purchase agreement ("SPA") with the Vendors for a purchase price of USD350 million to be satisfied by a combination of cash and ordinary shares of the Company.

Due to the dropped of the Company's share price and this impacted on the mechanism of the purchase price of the acquisition, thus the Company will review its funding scheme in view of the current market sentiment and its share price and to negotiate with the Vendors on the mechanism of the purchase price.

On 22 January 2018, the Vendors has agreed that the Share Purchase Agreement shall remained available for the completion after the Company complete its Proposed Acquisition of MELL and not later than 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE

35.2 Proposed Corporate Exercises (cont'd)

b) Proposed corporate exercises as first announced on 17 February 2017

On 17 February 2017, the Company announced that it intends to undertake the following proposals:

- i. Proposed private placement of up to 1,000,000,000 new ordinary shares in the Company ("Sumatec Shares" or "Shares") ("Placement Shares") to independent thirdparty investor(s) to be identified ("Proposed Private Placement");
- ii. Proposed issuance of up to 800,000,000 Sumatec Shares ("Issue Shares") as payment to contractors for development and production services to be provided at the Rakushechnoye Oil and Gas Field (as defined herein) ("Proposed Issuance of Shares"); and
- iii. Proposed renounceable rights issue of up to 3,226,194,640 ("Rights Shares") together with up to 3,226,194,640 free detachable warrants ("Warrants") at an indicative issue price of RM0.10 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Sumatec Shares held together with one (1) Warrant for every one (1) Rights Share subscribed ("Proposed Rights Issue with Warrants").

Collectively, the Proposals under Phase I and Proposals under Phase II is to be referred to as the "Proposals".

In consideration for the supply of gas, Sumatec shall:

- i. Issue to Ken Makmur Holdings Sdn Bhd ("Kenmakmur") or its nominees:
 - aa) Sumatec Shares equivalent to USD56 million; and
 - bb) Redeemable convertible preferential shares ("RCPS") for the sum of up to USD84 million;
- ii. Issue Sumatec Shares equivalent to USD45 million to Kenmakmur. Kenmakmur will assign such number of shares to MELL at a total nominal consideration of RM1. MELL will transfer these shares back to Sumatec as repayment for the amount owing by MELL to the Company. It is the intention of the Board of the Company to redistribute these shares back to its shareholders in the form of dividends or capital repayment;
- iii. Issue Sumatec Shares equivalent to USD20 million to Kenmakmur. In return, Kenmakmur shall pay for any potential liability that may be incurred by the Company relating to various litigations involving SISB and its subsidiary companies, as disclosed in Note 32 to the financial statements.
- iv. The Parties agree to fix the issue price at RM0.10 per Sumatec Share and the RCPS conversion price will be RM0.10 per share. The RCPS shall include the following features:
 - aa) Redeemable at the option of the holder; and
 - bb) Convertible into Sumatec Shares if not redeemed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)

35.2 Proposed Corporate Exercises (cont'd)

b) Proposed corporate exercises as first announced on 17 February 2017 (cont'd)

The Company has deliberated to proceed with the completion of the Proposals prior to the completion of the Borneo Energy Corporate Exercises. In prior year, a reputable financial institution has agreed to underwrite a certain amount of the Right Shares subject to the Company obtaining the necessary approvals.

In addition, the Company had on 17 February 2017 entered into a Framework Agreement with Kenmakmur and MELL for the production of liquefied petroleum gas ("LPG") and condensate of 100 million standard cubic feet ("mmscf") per day of natural gas supplied from the Rakushechnoye Oil and Gas Field ("Proposed LPG Production"). The consideration of LPG plant is USD298 million or approximately RM1,210 million. ("Phase II").

The Framework Agreement are conditional upon the Conditions Precedent being fulfilled within six (6) months of the date of the agreement, or any extensions mutually agreed in writing by the Parties.

As at to-date, the Framework Agreement still remain as conditional.

c) Proposed acquisition of MELL

The Company had on 26 October 2017 entered into a head of agreement ("Heads of Agreement") with Markmore Sdn. Bhd. ("Markmore" or the "Vendor") for the purpose of recording their understanding and intention in respect of the proposed acquisition of 100% equity interest in MELL from Markmore ("Proposed Acquisition") for an indicative purchase consideration of USD370,000,000 (equivalent to RM1,554,000,000) and to take all such steps and do all acts and things so as to effect and implement the said Proposed Acquisition upon the terms and conditions contained in the Heads of Agreement.

The Company will formally terminate the exercises as detailed in Note 35.2 (i) and (ii) as mentioned above upon the signing of the Share Sale Agreement for the Proposed Acquisition.

In conjunction with the Proposed Acquisition and to comprehensively address all financial issues currently faced, the Company also proposes to undertake the following corporate exercises:-

- i. A balance sheet reconstruction exercise to eliminate the accumulated losses and to consolidate the number of shares ("Proposed Capital Reduction"). Upon completion of the Proposed Capital Reduction, the Company proposes to consolidate every four (4) existing Shares into one (1) Share ("Proposed Share Consolidation");
- ii. Equity fund raising exercise to fund the cash portion of the consideration for the Proposed Acquisition and for the development of the Rakushechnoye Oil and Gas Field. The Company proposes to undertake an equity fund raising exercise in the form of a rights issue to raise a minimum proceed of RM1,522 million. Entitled shareholders will be indicatively offered to subscribe for fifteen (15) new Shares ("Rights Shares") for every two (2) existing Shares held after the Proposed Share Consolidation. The Company also proposes to offer six (6) free warrants ("Warrants-C") and two (2) free Shares ("Bonus Shares") for every fifteen (15) Rights Shares subscribed.; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)

35.2 Proposed Corporate Exercises (cont'd)

c) Proposed acquisition of MELL (cont'd)

- iii. Comprehensive settlement of the Group's debts and financial obligations. The Board proposes to comprehensively settle the above obligations through the following:-
 - a) issuance of up to 840,000,000 redeemable convertible preference shares ("RCPS") at an indicative issue price of RM0.20 per RCPS (equivalent to USD40 million) to the creditors which provision for material litigation and contingent liabilities as disclosed in Note 32 and 33 to the financial statements, with an estimated exposure of USD40 million;
 - b) issuance of up to 672,000,000 RCPS at an indicative issue price of RM0.20 per RCPS (equivalent to USD32 million) for the settlement of the amount owing to MELL under the JIA estimated at USD22 million, and partial for the wells repairs, maintenance and new wells expenditure which incurred by the Markmore group on behalf of the Company; and
 - c) the USD30 million deposit paid by the Company for the acquisition of Borneo Energy shall be off-set against the remaining balance of the wells repairs, maintenance and new wells expenditure which incurred by the Markmore group on behalf of the Company.

The indicative purchase consideration of USD370,000,000 for the Proposed Acquisition ("Purchase Consideration") shall be satisfied in the following manner:

- i. by way of payment in cash of USD290,000,000 (equivalent to RM1,218,000,000); and
- ii. issuance of up to 1,680,000,000 new ordinary shares in the Company ("Sumatec Shares" or "Shares") amounting to USD80,000,000 (equivalent to RM336,000,000), at an issue price of RM0.20 per Consideration Share or based on the 5-day volume weighted average price of the Company shares preceding the price fixing date, whichever is higher.

Once completed, the Proposed Corporate Exercise shall achieve the following:

- i. Acquire and own tangible oil and gas assets;
- ii. Enhanced credit profile with greater flexibility on raising funding;
- iii. A fully funded field work programme, on track to achieve higher productivity;
- iv. A clean slate where the Company's debts (including those related to associate companies) and receivables are resolved; and
- v. A cohesive and synergistic operating structure.

As to date, there is no further development on this proposal.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)

35.3 Offer letter from MELL for the Proposed Condensate Extraction Plant

On 30 March 2018, the Company has accepted the offer letter from MELL has given its offer letter to the Company for the Proposed Condensate Extraction Plant which comprises 2 schemes as followings:-

a) Scheme 1

MELL agrees that its subsidiary company, COG will give the Company 1,000 barrel per day ("bpd") of oil for next 15 years, net of cost. There will be no more oil exploration and production ("E&P") investment by the Company. This will be handled by MELL and COG. The Company may maintain its role in the E&P section.

The Company's position	Per year	Per 15 years
Oil production share (bpd)	1,000	15,000
Profit after cost (USD/bbl)	25	25
Total profit (USD)	9,125,000 (approximately RM37 million)	136,875,000 (approximately RM556 million)

b) Scheme 2

MELL is offering the Company its Condensate Extraction Plant ("CEP") in the Field. The CEP shall produce 5,000 bpd of condensate oil and 332 ton per day ("tpd") of LPG.

The CEP is different from the LPG plant that was proposed by Kenmakmur dated 17 February 2017 where condensate oil production is 700 bpd. The CEP plant should last at least 20 years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)**35.3 Offer letter from MELL for the Proposed Condensate Extraction Plant (cont'd)**

On 30 March 2018, the Company has accepted the offer letter from MELL has given its offer letter to the Company for the Proposed Condensate Extraction Plant which comprises 2 schemes as followings:- (cont'd)

b) Scheme 2 (cont'd)

The CEP consideration is USD275million or approximately RM1,117 million which consists of the followings:-

	Items	Amount	
(a)	Entry cost	USD155million (approximately RM630 million)	- Cash/shares/RCPS of the Company
(b)	Plant cost	USD120million (approximately RM487 million)	- USD60million (approximately RM244 million) – debt and internal cash flow - USD20million (approximately RM81 million) – offset with amount due to/from - USD40million (approximately RM162 million) – right issues
	Total cost	USD275 million (approximately RM1,117 million)	

The obligations of the Company, MELL and COG ("Parties") to carry out the CEP are conditional upon the Conditions Precedent being fulfilled within four (4) months of the date of Offer letter; or any extensions mutually agreed between Parties.

As at to-date, the Offer Letter still remain as conditional.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)

35.4 Investment proposal for Joint Development of Rakushechnoye oil and gas field

On 24 April 2018, the Company has accepted an offer from Talap Munai Service LLP ("Talap Munai"), a major contractor from China who operates in Kazakhstan and China, to develop and finance up to USD20.0 million or approximately RM81 million (hereinafter referred to as "Contractor Financing") in the development of Rakushechnoye oil and gas field.

The Contractor Financing will cover:

- a) Eight (8) well workovers on Upper Jurassic Reservoir;
- b) Eight (8) well workovers/side-tracks on Triassic Reservoir;
- c) Drilling of two (2) new wells plus an additional four (4) new wells to be funded from oil revenue;
- d) Upgrading of surface, production and storage facilities; and
- e) Installation of gas injection facilities for pressure maintenance and offtake

The Contractor Financing shall be repaid by way of cash or in kind that is oil/condensate barrels or shares of the Company or shares of COG.

As at to-date, there is no definitive investment agreement being entered yet.

35.5 Disposal of leasehold land

The wholly subsidiary of the Company, Sumatec Corporation Sdn. Bhd. has entered into a Sales and Purchase Agreement ("SPA") on 28 August 2016 to disposed its leasehold land with third party for the sale consideration of RM2 million. In year 2016, the subsidiary company has received 10% deposit which amounted to RM260,000. The leasehold land was being pledged for the banking guarantee facility granted by a banker and the charges is yet to release by the banker. The Company is pending the declaration being obtained to release the charges as detailed in Note 32 to the financial statements.

On 23 December 2017, the buyer has agreed to extend the SPA until 31 December 2018.

35.6 Novation Agreement

On 26 September 2017, the Company entered into a Novation Agreement with Sumatec Oil and Gas LLP ("SOG"), Markmore Energy (Labuan) Limited ("MELL"), and CaspiOilGas LLP ("COG") whereby the Company transfers to SOG and SOG accepts and assumes all the rights, title, benefits, interest, obligations and liabilities of the Company under the Joint Investment Agreement ("JIA"). The Company shall cease to be, and shall be substituted by SOG as, a party to the JIA. The transfer related to JIA include right and concessions, exploration and evaluation cost and non-current other receivables. Appropriate adjustment entry has been made to reflect the Novation Agreement

35.7 MOA with China National Petroleum Corporation

The Company wishes to announce that it has on 23 April 2018 entered into a collaboration arrangement via a Memorandum of Agreement ("MOA") with Liaohe Oilfield of CNPC, a subsidiary of China National Petroleum Corporation ("CNPC-Liaohe").

As per the MOA, CNPC-Liaohe's role in the collaboration is to provide full technical service including subsurface, drilling and production engineering works for the exploration and development of the Rakushechnoye oil and gas field (hereinafter referred to as "the Project").

Prior to this, as a show of commitment on the Project, CNPC-Liaohe has completed around 5,000 man-hours of reviewing and studying the data of the Rakushechnoye field and carrying out studies on several wells.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

CONT'D

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND AFTER THE REPORTING DATE (CONT'D)

35.7 MOA with China National Petroleum Corporation (cont'd)

CNPC-Liaohe has a crude oil production of more than 12 MMTons/Year. It currently employs around 7,000 research and design engineers from geology, reservoir engineering, drilling and production engineering and oil and gas processing.

China National Petroleum Corporation ("CNPC"), the holding company of CNPC-Liaohe, is the world's third largest oil company based in China. CNPC has integrated business portfolios of both an oil company and an oilfield service provider, with operations covering the entire oil and gas industry value chain.

35.8 Police report lodged against one of the former director

One of the former director who served the Company from 2003 to 2017 without the permission of the Board, acted alone and without the approval or authorisation of the Board has signed a "Parental Company Guarantee Agreement" dated 2 May 2016 to the Continental Industrial Supply And Services Limited Liability Company Partnership ("CISS") to secure the payment of a CaspiOil Gas LLP ("COG") contract, an oil and gas company established in the Republic of Kazakhstan resulting in the Company being required to pay through Arbitration proceedings of approximately USD6 million.

With respect to the Collateralized Loan Obligation Debt ("CLO Debt"), which is supposed to be in accordance with the Settlement Agreement dated 28 May 2013 ("Settlement Agreement 2013"), through a previous subsidiary of the Company, Semua International Sdn Bhd ("SISB"), all financial liabilities and undertaking under the CLO Debt were fully waived. However, in the Settlement Agreement dated 6 March 2015 ("Settlement Agreement 2015") the former director has witnessed the placement of the Company's Seal on an agreement without the resolution of the Board as required under the Company's Article of Association. This unauthorised act has resulted in the Company acknowledging the undertaking to settle around RM80 million even though the liability has been waived.

The former director, in acting without Board authority, was acting in conflict of interest in relation to the transactions involving the divestment of SISB and CLO Debt settlement (since he was also a director and shareholder of Tekad Mulia Sdn Bhd), a substantial shareholder of the Company during the period in which the alleged act being committed. The former director has made certain undertaking to the purchaser and Trustee, Malaysian Trustee Berhad and Bondholders in the Settlement Agreement 2013.

Other than the above, the former director also has committed offences under the Companies Act 2016 and was negligent in handling his duties in relation to the financing of vessels under the Company's subsidiaries, SISB and Semado Shipping Sdn Bhd, by failing to ensure the takeover of the Company's guarantees to Bank Pembangunan Malaysia Berhad and Malayan Banking Berhad to Hoe Leong Corporation Limited (the "Purchaser"), a company incorporated and listed on the Singapore Stock Exchange. The former director also failed to procure the guarantee and to replace the Company's guarantee from the controlling shareholder of SISB, Hoe Leong Corporation Berhad as stipulated in the Settlement Agreement 2013 and the Company's Circular to Shareholders dated 30 May 2013. The negligence of the former director in dealing with Malaysian Trustee Berhad has caused the Company to be summoned and faced winding-up proceeding for liabilities estimated at about RM350 million.

35.9 Practice Note 17 of the Main Market Listing Requirement

Following the classification of the Company as a PN17 Company, it is required to submit a proposed Regularisation Plan within 12 months and the Company is still formulating a Regularisation Plan. However, the Company had on 15 April 2019 submitted an application for an extension of time to Bursa to submit the Company's Regularisation Plan. The application of an extension of time is deferred pending the decision on the application.

ANALYSIS OF SHAREHOLDINGS

AS AT 26 April 2019

Shareholdings Analysis by Size of Shareholdings as at 26 April 2019

Issued Share Capital : RM560,367,614.75
 Class of shares : Ordinary shares
 Voting Rights : One vote per ordinary share

Size of shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shareholdings
<100	205	0.76	5,821	0.00
100 - 1,000	2,287	8.50	1,181,720	0.03
1,001 - 10,000	6,175	22.95	40,414,612	0.95
10,001 - 100,000	12,360	45.94	572,488,968	13.46
100,001 - < 5% issued shares	5,878	21.85	3,638,634,289	85.56
5% and above of issued shares	0	0.00	0	0
	26,905	100.00	4,252,725,410	100.00

Substantial Shareholders

Name	No. of shares held			
	Direct Interest	%	Deemed Interest	%
-	-	-	-	-

Directors' Shareholdings

Name	No. of shares held			
	Direct Interest	%	Deemed Interest	%
Tan Sri Halim Bin Saad	133,742,000	3.15	-	-
Abu Talib Bin Abdul Rahman	3,844,000	0.09	-	-
Michael Lim Hee Kiang (Deceased on 17.05.2018)	-	-	-	-
Mohamad Bin Ismail	-	-	-	-
Dato' Khalid bin hj. Ahmad	-	-	-	-
Wan Kamaruddin bin Wan Mohamed Ali	-	-	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 26 April 2019
CONT'D

Directors' Options Under Employee Share Option Scheme

Name	Number of options offered	Number of options exercised	Option price
Tan Sri Halim Bin Saad	-	-	-
Abu Talib Bin Abdul Rahman	-	-	-
Michael Lim Hee Kiang (Deceased on 17.05.2018)	-	-	-
Mohamad Bin Ismail	-	-	-
Dato' Khalid bin Hj. Ahmad	-	-	-
Wan Kamaruddin bin Wan Mohamed Ali	-	-	-

30 Largest Shareholders as at 26 April 2019

No.	Shareholders	Shareholdings	%
1.	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD - AMANAH INTERNATIONAL FINANCE SDN BHD FOR HALIM BIN SAAD	121,117,000	2.85
2.	SITI HANIFAH BINTI S.ABDULLAH	36,943,215	0.87
3.	BAKRY BIN HAMZAH	32,000,000	0.75
4.	ABD RAHMAN BIN SOLTAN	26,449,900	0.62
5.	TAN SOH GEK	24,565,000	0.58
6.	ABDUL RASHID BIN ABDUL MANAF	20,000,000	0.47
7.	S.A. SHIPPING SDN. BHD.	20,000,000	0.47
8.	CHONG CHUANG HUI	18,667,000	0.44
9.	TEO CHIN LENG	17,000,000	0.40
10.	ANG YEW WAH	16,220,000	0.38
11.	BLUE OCEAN INTERGRATED SDN BHD	16,056,000	0.38
12.	SHAHIDOL KOFLI BIN SALIM	15,000,000	0.35
13.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB BANK FOR AHMAD JOHARI BIN TUN ABDUL RAZAK (MY1678)	14,407,800	0.34
14.	LEE KIM SOON	13,500,000	0.32

ANALYSIS OF SHAREHOLDINGS

AS AT 26 April 2019

CONT'D

30 Largest Shareholders as at 26 April 2019 (cont'd)

No.	Shareholders	Shareholdings	%
15.	CHAI SAI KEAT	13,500,000	0.32
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - SHAN KAMAHL BIN MOHAMMAD	13,450,000	0.32
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB FOR VERTICAL SOURCE SDN BHD (PB)	13,000,000	0.31
18.	CHONG KONG NAM	12,850,000	0.30
19.	CITIGROUP NOMINEES (ASING) SDN BHD - CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	12,844,200	0.30
20.	HALIM BIN SAAD	12,625,000	0.30
21.	ONG YEW BENG	11,860,000	0.28
22.	GAN KIM KEE @ GAN LEONG LIAN	11,000,000	0.26
23.	KENANGA NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHAN SENG FATT	11,000,000	0.26
24.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - TAN HANG HAK @ CHEN FANG SENG (8109502)	11,000,000	0.26
25.	PANG POHYORK	11,000,000	0.26
26.	MOHD JAMEL BIN ABDUL MUNIN	10,700,000	0.25
27.	MEOR OTHMAN BIN MEOR LOPE	10,600,000	0.25
28.	KO PEI YONG	10,450,000	0.25
29.	IBRAHIM BIN MAT	10,000,000	0.24
30.	LIM HOCK GUAN	10,000,000	0.24
TOTAL		577,805,115	13.62

ANALYSIS OF WARRANT HOLDINGS

AS AT 26 April 2019

Shareholdings Analysis by Size of Warrant 2011/2021 (“Warrants A”) Holdings as at 26 April 2019

No. Warrants in Issue	: 118,753,197
Exercise Price of Warrants	: RM0.32
Expiry Date of Warrants	: 03/03/2021
No. of Warrant Holders	: 2,518

Size of Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrant Holding	% of Warrant Holding
<100 Warrant	500	19.86	24,229	0.02
100 - 1,000 Warrant	261	10.37	129,350	0.11
1,001 – 10,000 Warrant	718	28.52	3,362,046	2.83
10,001 – 100,000 Warrant	822	32.65	34,790,965	29.30
100,001 - < 5% issued Warrant	217	8.62	80,446,607	67.74
	2,518	100.00	118,753,197	100.00

Directors' Warrant 2011/2021 Holdings

Name	No. of shares held			
	Direct Interest	%	Deemed Interest	%
Tan Sri Halim Bin Saad	-	-	-	-
Abu Talib Bin Abdul Rahman	-	-	-	-
Michael Lim Hee Kiang (Deceased on 17.05.2018)	-	-	-	-
Mohamad Bin Ismail	-	-	-	-
Dato' Khalid bin Hj. Ahmad	-	-	-	-
Wan Kamaruddin bin Wan Mohamed Ali	-	-	-	-

ANALYSIS OF WARRANT HOLDINGS

AS AT 26 April 2019

CONT'D

30 Largest Warrant 2011/2021 ("Warrants A") Holders as at 26 April 2019

No.	Warrant Holders	Warrant holdings	%
1.	NG KIM LEE	3,062,264	2.58
2.	CHOO KIAN LOO	2,727,400	2.30
3.	YEO CHIN KIANG	2,151,700	1.81
4.	SHANTILAL TISSA HERAT	2,021,600	1.70
5.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR MOHAMED YAZID MERZOUK	2,011,800	1.69
6.	TAN SOH GEK	1,730,440	1.46
7.	CHOO BEE POH	1,643,400	1.38
8.	MOHAMAD SHARIFUDIN BIN SHAFIEE	1,635,000	1.38
9.	AHMAD SUHAIMEE BIN MOHAMMED YASSIN	1,537,300	1.30
10.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE CHIONG (E-TMM)	1,500,000	1.26
11.	CHAN WENG HONG	1,400,000	1.18
12.	TAN BOON HAR	1,219,131	1.03
13.	RAZAK RATNE A/K K.D.RATNE	1,200,000	1.01
14.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD	1,200,000	1.01
15.	HO LI HUA	1,130,000	0.95
16.	SIEW YAU WAI @ SIEW AH WHY	1,023,857	0.86
17.	TEH KAI SING	1,000,000	0.84
18.	PUBLIC NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR CHANG TIN FU (E-KKU)	985,800	0.83
19.	CH'NG BOON SIN	800,000	0.67
20.	OOI LENG HWA	711,400	0.60
21.	YAP WAI MUN	675,000	0.57
22.	LEE TIANG HENG	650,000	0.55
23.	TAN CHAI HONG	650,000	0.55
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KHOR THING THIAM (472926)	640,000	0.54
25.	WONG FUI GUAN	625,000	0.53
26.	GOH LEE PING	600,000	0.51
27.	YAP MUN HUAT	600,000	0.51
28.	HO YEE THAT	585,500	0.49
29.	TAILAMI A/P PALANIANDY	554,000	0.47
30.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - VENGATESH A/L NAIDU	550,000	0.46
TOTAL		36,820,592	31.02

LIST OF PROPERTIES

AS AT 31 DECEMBER 2018

Registered owner: SUMATEC CORPORATION SDN. BHD.

LOCATION	DESCRIPTION (EXISTING USE)	TENURE	LAND AREA	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE @ 31 DECEMBER 2018	DATE OF LAST VALUATION
1 Lot 10751 Kawasan Perindustrian Bukit Tengah Mukim Kertih Kemaman, Terengganu	Industrial land	Leasehold 60 years expiring on 19.08.2069	10,840 sq meters	N/A	393	3.10.2013
2 Lot 10752 Kawasan Perindustrian Bukit Tengah Mukim Kertih Kemaman, Terengganu	Industrial land	Leasehold 60 years expiring on 19.08.2069	6,810 sq meters	N/A	245	3.10.2013

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting (“22nd AGM”) of the Company will be held at 9th floor, Function Hall, The Boulevard Hotel, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Tuesday, 25 June 2019 at 10.00 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS

- | | |
|--|-------------------------------|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. | Please refer to Note A |
| 2. To re-elect the following Directors retiring in accordance with the Company's Articles of Association, and being eligible, offered themselves for re-election: - | |
| (i) Encik Mohammad Bin Ismail (Article 87.1) | Ordinary Resolution 1 |
| (ii) Encik Abu Talib Bin Abdul Rahman (Article 87.1) | Ordinary Resolution 2 |
| 3. To approve the payment of Directors' Fees of RM253,297 for the year ended 31 December 2018. | Ordinary Resolution 3 |
| 4. To appoint Messrs AljeffriDean as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | Ordinary Resolution 4 |

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, with or without modifications:-

- | | |
|---|------------------------------|
| 5. Authority to Allot Shares pursuant to Section 75(1) of the Companies Act 2016 | Ordinary Resolution 5 |
|---|------------------------------|

“THAT pursuant to Section 75(1) of the Companies Act 2016 and subject to the approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot new shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) per cent of the issued share capital of the Company thereat **AND THAT** the Directors be and are hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so allotted **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

6. Proposed Amendment to the Constitution of the Company

Special Resolution

“THAT the Constitution of the Company be and is hereby amended in the manner as set out in Appendix I of the Company's Annual Report 2018 to be in line with the Companies Act 2016 and Bursa Malaysia Securities Berhad Main Market Listing Requirements. **AND THAT** the Directors be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Amendment to the Constitution of the Company.”

7. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

By Order of the Board

LIM SECK WAH (MAICSA NO. 0799845)

M. CHANDRANSEGARAN A/L S. MURUGASU (MAICSA NO. 0781031)

Company Secretaries

Dated: 30 April 2019

Kuala Lumpur

Notes: -

- A. This Agenda item is meant for discussion only as the provision of Section 251(1)(a) of the Companies Act 2016 do not require a formal approval of the shareholders and hence, is not put forward for voting.
1. For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 19 June 2019. Only a depositor whose name appears on the Record of Depositors as at 19 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
2. A member entitled to attend and vote at the meeting is entitled to appoint up to two proxies. A proxy may but need not be a member of the Company. Where a member appoints two (2) proxies to attend and vote at the meeting, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“SICDA”), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee (“EAN”) as defined under the SICDA 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 EAN may appoint in respect of each omnibus account it holds. EAN is advised to list down the names of proxies and the particulars of their NRIC (both new and old) and attach it to the Form of Proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING

CONT'D

6. The instrument appointing a proxy and the power of attorney or other attorney (if any), under which it is signed or notarially certified copy thereof, shall be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

7. **Explanatory Notes To Special Business**

Ordinary Resolution 5

The proposed Ordinary Resolution 5 is to seek a new mandate from the shareholders. The resolution if duly passed, is primarily to give authority to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/ diversification proposals involves the allotment of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the allotment of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be empowered to allot shares in the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. The new authority for allotment of shares will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/ or acquisitions.

No shares have been issued and allotted by the Company since obtaining the said authority from its shareholders at the last AGM held on 12 June 2018.

APPENDIX I

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY

No.	Existing Provision	No.	Proposed Amendment
2.1 (Definitions)	In <u>these Articles</u> unless the subject matter or context dictates otherwise, the following words and phrases shall have the meaning assigned to them herein:-	2.1 (Definitions)	In this Constitution unless the subject matter or context dictates otherwise, the following words and phrases shall have the meaning assigned to them herein:- That all these words “Articles” be replaced by “Constitution”.
2.1 (Definition)	“Articles” means <u>these Articles of Association</u> as originally framed or as altered from time to time by special resolution.	2.1 (Definition)	“Constitution” <u>this Constitution</u> as originally framed or as altered from time to time by special resolution.
	(New Provision)	2.1 (Interpretation)	“Electronic Form” means any communication or document or information sent, supplied, conveyed or transmitted via electronic communication, whether via a mobile application or internet platform or an electronic application or electronic platform maintained by the Company or by a third party(ies) or affiliate(s) or associate(s) or otherwise, if it is sent, supplied, conveyed or transmitted initially and received at its destination by the intended recipient, members or securities holders by means of electronic equipment in any form or modes for the processing (which expression includes digital compression) or storage of data received, conveyed or transmitted via email, short messaging service (“SMS”), messaging application(s), any form of digital storage, USB flash drive, memory sticks, memory cards, SD cards or any other portable electronic or digital format or storage device(s) whatsoever (whether available now or in the future), wire, radio, optical, cloud, website means or any other electromagnetic means or equivalent and as permitted under the Listing Requirements or any combination of communications thereof.

APPENDIX I

CONT'D

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (CONTINUED)

No.	Existing Provision	No.	Proposed Amendment
43. (Holder of stocks may transfer their interest)	The holders of stock may transfer the same, or any part thereof in the same manner and subject to the same <u>Articles</u> as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; provided however that the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.	43. (Holder of stocks may transfer their interest)	The holders of stock may transfer the same, or any part thereof in the same manner and subject to the same Constitution as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; provided however that the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.
45. (Application of these Articles)	All such provisions of these Articles as are applicable to paid-up shares shall apply to stock and in all such provisions the word "share" shall include "stock" and the word "shareholder" and "member" shall include "stockholder"	45. (Definition)	All such provisions of this Constitution as are applicable to paid-up shares shall apply to stock and in all such provisions the word "share" shall include "stock" and the word "shareholder" and "member" shall include "stockholder"
	(New provision)	166.4	Subject to the Act, Listing Requirements, laws, rules or regulations, notice of a meeting of members shall be in writing or Document which is required or permitted to be given, sent or served under the Act or under this Constitution shall be given to the members either:- (a) in hard copy, (b) in electronic form, or (c) partly in hard copy and partly in electronic form.

APPENDIX I

CONT'D

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (CONTINUED)

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	166.5	<p>A notice or Document:-</p> <p>(a) given in hard copy shall be sent to any member/ securities holder either personally or by post to the address supplied by the member to the Company for such purpose; or</p> <p>(b) given in electronic form shall be transmitted to the electronic address provided by the member/ securities holder to the Company for such purpose or by publishing on a website.</p>
	(New provision)	166.6	<p>A notice of a meeting of members or Document shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with Section 320 of the Act.</p>
	(New provision)	166.7	<p>The Company shall notify a member/ securities holder of the publication of the notice or Document on the website and such notifications shall be in writing and shall be given in hard copy or electronic form stating:-</p> <p>(a) that it concerns a meeting of members;</p> <p>(b) the place, date and time of the meeting;</p> <p>(c) the general nature of the business of the meeting; and</p> <p>(d) whether the meeting is an annual general meeting.</p> <p>If the Company sends the notice or Document or notifications through electronic mail, there must be proof of electronic mail delivery. In the event of delivery failure, the Company shall send for a hard copy of the notice or Document to him.</p> <p>Notice of meeting of members may include text of any proposed resolutions and other information as the Directors deem fit.</p>

APPENDIX I

CONT'D

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (CONTINUED)

No.	Existing Provision	No.	Proposed Amendment
	(New provision)	166.8	The notice or Document shall be made available on the website throughout the period beginning from the date of the notification referred to in Clause 156(5) until the conclusion of the meeting.
	(New provision)	166.9	The contact details of the member/ securities holder as provided to the Depository shall be deemed as the last known address provided by the member to the Company for purposes of communication with the member.
	(New provision)	166.10	Where any member/ securities holder requests for a hard copy of the Document, the Company shall forward a hard copy of these Documents to the member/ securities holder as soon as reasonably practicable after the receipt of the request, free of charge.
	(New provision)	166.11	Where it relates to Documents required to be completed by members/ securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.
169.	On a voluntary winding up of the Company, no commission or fee shall be paid to a liquidator without the prior approval of the Members in general meeting. The amount of such commission or fee shall be notified to all Members not less than seven (7) days before the meeting at which it is to be considered.		Deleted

APPENDIX I

CONT'D

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (CONTINUED)

No.	Existing Provision	No.	Proposed Amendment
173. (Effect of the Listing Requirements)	<p>(1) Notwithstanding anything contained in <u>these Articles</u>, if the Listing Requirements prohibit an act being done, the act shall not be done.</p> <p>(2) Nothing contained in <u>these Articles</u> prevents an act being done that the Listing Requirements require to be done.</p> <p>(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>(4) If the Listing Requirements require <u>these Articles</u> to contain a provision and they do not contain such a provision, <u>these Articles are</u> deemed to contain that provision.</p> <p>(5) If the Listing Requirements require <u>these Articles</u> not to contain a provision and they contain such a provision, <u>these Articles are</u> deemed not to contain that provision.</p> <p>(6) If any provision of <u>these Articles</u> is or becomes inconsistent with the Listing Requirements, <u>these Articles are</u> deemed not to contain that provision to the extent of the inconsistency.</p> <p>(7) (New Provision)</p>	173. (Effect of the Listing Requirement)	<p>(1) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.</p> <p>(2) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.</p> <p>(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>(4) If the Listing Requirements require this Constitution to contain a provision and they do not contain such a provision, this Constitution is deemed to contain that provision.</p> <p>(5) If the Listing Requirements require this Constitution not to contain a provision and they contain such a provision, this Constitution is deemed not to contain that provision.</p> <p>(6) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution is deemed not to contain that provision to the extent of the inconsistency.</p> <p>(7) For the purpose of this Constitution, unless the context otherwise requires, "Listing Requirements" means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments to the Listing Requirements that may be made from time to time.</p>

APPENDIX I

CONT'D

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY (CONTINUED)

No.	Existing Provision	No.	Proposed Amendment
174. (Alteration)	<p><u>These Articles</u> have been drafted in a manner to incorporate the requirements of the relevant governing statutes and guidelines. Without prejudice to any provisions in the Act or under <u>these Articles</u> pertaining to the amendments of the <u>Articles</u>, in the event the applicable provisions of any relevant governing statutes, regulations and guidelines are from time to time amended, modified or varied, such amendments, modifications or variations shall be deemed inserted herein whereupon <u>these Articles</u> shall be read and construed subject to and in accordance with the amended, modified or varied statutes, regulations and guidelines. The Company shall comply with the provisions of the relevant governing statutes, regulations and/or guidelines as may be amended, modified or varied from time to time and any other applicable directives or requirements imposed by the Exchange, the Central Depository and/or any other regulatory authorities, to the extent required by law, notwithstanding any provisions in <u>these Articles</u> to the contrary.</p>	174. (Alteration)	<p>This Constitution have been drafted in a manner to incorporate the requirements of the relevant governing statutes and guidelines. Without prejudice to any provisions in the Act or under this Constitution pertaining to the amendments of the Constitution, in the event the applicable provisions of any relevant governing statutes, regulations and guidelines are from time to time amended, modified or varied, such amendments, modifications or variations shall be deemed inserted herein whereupon this Constitution shall be read and construed subject to and in accordance with the amended, modified or varied statutes, regulations and guidelines. The Company shall comply with the provisions of the relevant governing statutes, regulations and/or guidelines as may be amended, modified or varied from time to time and any other applicable directives or requirements imposed by the Exchange, the Central Depository and/or any other regulatory authorities, to the extent required by law, notwithstanding any provisions in this Constitution to the contrary.</p>



SUMATEC RESOURCES BERHAD

(Company No: 428355 D)

(Incorporated in Malaysia)

PROXY FORM

(Before completing this form please refer to the notes below)

No. of ordinary shares held

I/We _____ I/C No./Co. No./CDS A/C No. _____
(Full name in block letters)

of _____
(Full address)

being a member/members of SUMATEC RESOURCES BERHAD hereby appoint the following person(s) :-

Name of proxy, NRIC No. & Address

No. of shares or % of shares to be represented by proxy

1. _____

2. _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at 9th floor, Function Hall, The Boulevard Hotel, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Tuesday, 25 June 2019 at 10.00 a.m. My/our proxy/proxies is to vote as indicated below: -

		FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
ORDINARY BUSINESS					
ORDINARY RESOLUTION					
1.	To re-elect Encik Mohammad Bin Ismail				
2.	To re-elect Encik Abu Talib Bin Abdul Rahman				
3.	To approve Directors' Fees				
4.	To re-appoint the retiring auditors, Aljeffri Dean				
SPECIAL BUSINESS					
ORDINARY RESOLUTION					
5.	Authority to Allot Shares				
SPECIAL RESOLUTION					
6.	Proposed Amendment to the Constitution of the Company				

(Please indicate with a "✓" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

Dated this _____ day of _____ 2019

Signature/Common Seal

Notes: -

1. For the purpose of determining a member who shall be entitled to attend and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 19 June 2019. Only a depositor whose name appears on the Record of Depositors as at 19 June 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.
2. A member entitled to attend and vote at the meeting is entitled to appoint up to two proxies. A proxy may but need not a member of the Company. Where a member appoints two (2) proxies to attend and vote at the meeting, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
4. Where a member of the Company is an exempt authorised nominee ("EAN") as defined under the SICDA 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 EAN may appoint in respect of each omnibus account it holds. EAN is advised to list down the names of proxies and the particulars of their NRIC (both new and old) and attach it to this Form of Proxy.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an attorney duly authorised.
6. The instrument appointing the proxy and the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof, shall be deposited at the Registered Office of the Company at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

Please Fold Here

AFFIX
STAMP
HERE

The Company Secretary
SUMATEC RESOURCES BERHAD (428355-D)
Level 15-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Kuala Lumpur

Please Fold Here

SUMATEC RESOURCES BERHAD
(428355-D)

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