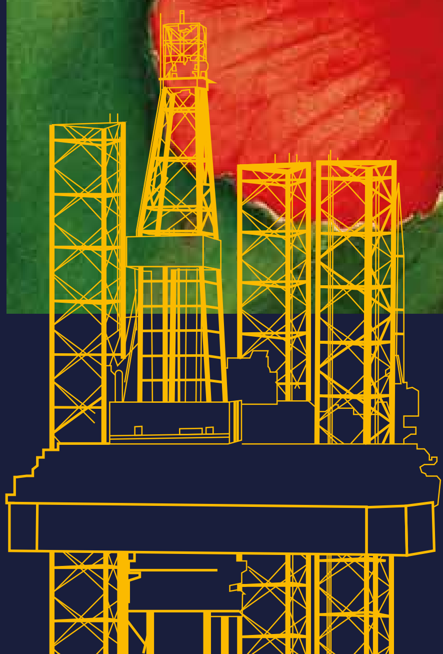
ANNUAL REPORT
2018/2019

HIBISCUS Petroleum



EXECUTION • PRODUCTION • CASHFLOW

Cover picture
Courtesy of the Association of Mouth & Foot Painting Artists Worldwide.

Title of painting: Hibiscus
Year: 2019
Artist: Daniel Tan
Year of Birth: 1962
Disability: Quadriplegia

An unfortunate car accident in 1982 confined Daniel to a wheelchair permanently.

With the help of his friend, Daniel took up painting and pushed himself to learn how to paint with a brush in his mouth. Besides taking art lessons at the Nanyang Academy of Fine Arts (NAFA), he also seeks out many art teachers to learn new techniques with various media such as oil, watercolour and acrylic.

In 2011, Daniel was accepted by the Mouth and Foot Painting Association as a professional mouth painter.

Delivering Value through Production Excellence

The Hibiscus is the national flower of Malaysia, the country in which we were founded and the market of our listing.

The Hibiscus flowers on the cover artwork represent our three areas of business focus; execution, production and cashflow. The three flowers also represent our areas of geographical focus; Malaysia, United Kingdom and Australia.

With limited anatomical functions; a patient but determined and resilient artist has transformed his canvas to create a valuable masterpiece.

These traits resonate with the values we hold as a company as we work towards a vibrant future, executing our initiatives to enhance production and generate positive cashflow.

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Form of Proxy

About Us

HIBISCUS PETROLEUM BERHAD (HIBISCUS PETROLEUM) IS MALAYSIA'S FIRST LISTED INDEPENDENT OIL AND GAS EXPLORATION AND PRODUCTION COMPANY. OUR KEY ACTIVITIES ARE FOCUSED ON DELIVERING VALUE FROM PRODUCING OILFIELDS AND GROWING OUR PORTFOLIO OF DEVELOPMENT AND PRODUCTION ASSETS IN AREAS OF OUR GEOGRAPHICAL FOCUS: MALAYSIA, UNITED KINGDOM AND AUSTRALIA.

As an operator of offshore oil and gas producing fields, our efforts are concentrated on safely enhancing operational efficiencies to deliver high-margin production from our assets.

Our growth strategy in the current oil and gas market is to leverage on opportunities that are present within our existing assets and make quality acquisitions on a selective basis to deliver sustainable returns to our shareholders.

We are committed towards upholding high standards of safety and environmental management. We also prioritise corporate governance, whilst expanding our business on strong technical and commercial foundations.

Hibiscus Petroleum is headquartered in Kuala Lumpur and our shares are listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities). Hibiscus Petroleum shares have been classified as Shariah-compliant securities by the Shariah Advisory Council of the Securities Commission of Malaysia.

FY2019 GROUP HIGHLIGHTS

MARKET CAPITALISATION[1]
RM1.7
BILLION
FY2018: RM1.4 BILLION
▲ 21%

EBITDA
RM549
MILLION
FY2018: RM334 MILLION
▲ 64%

REVENUE
RM988
MILLION
FY2018: RM394 MILLION
▲ 151%

PROFIT AFTER TAXATION
RM230
MILLION
FY2018: RM204 MILLION
▲ 13%

NET ASSETS[2]
RM1,238
MILLION
FY2018: RM996 MILLION
▲ 24%

DEBT[2]
Nil
FY2018: Nil
◀ ▶ NO CHANGE

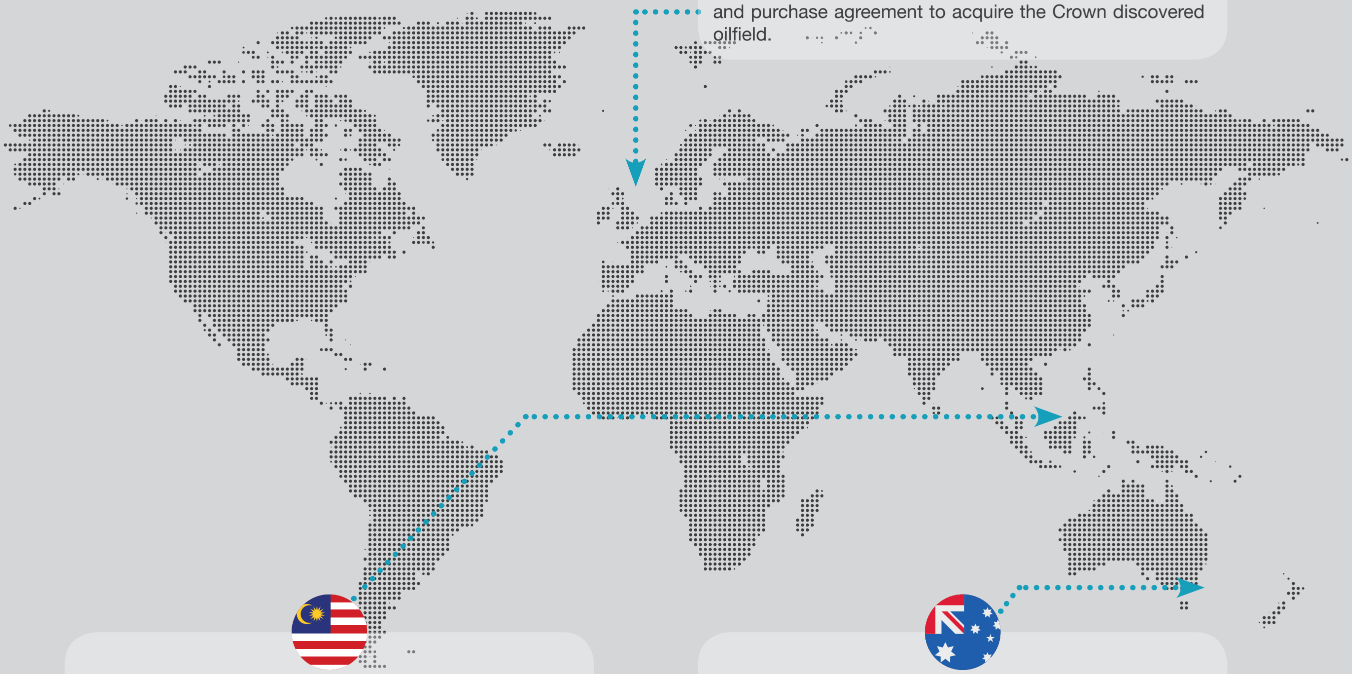
CASH[2]
RM274
MILLION
FY2018: RM136 MILLION
▲ 101%

CAPITAL EXPENDITURE[3]
RM172
MILLION
FY2018: RM57 MILLION
▲ 202%

Hibiscus Petroleum holds interests in several concessions and a production sharing contract. These are in Malaysia, the United Kingdom and Australia. Our diversified portfolio of assets consists of eight producing fields, five discovered fields and two exploration licences.

UNITED KINGDOM

The United Kingdom (UK) Continental Shelf is home to Hibiscus Petroleum's first producing asset - the Anasuria Cluster, a group of producing oil and gas fields and associated infrastructure. We operate this asset via our jointly-controlled entity, Anasuria Operating Company Limited. In FY2019, we expanded our footprint by acquiring a 50% participating interest in the Marigold and Sunflower discovered oilfields and recently, signed a conditional sale and purchase agreement to acquire the Crown discovered oilfield.



MALAYSIA

FY2019 marks the first full financial year of our operatorship of the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC) – our first Malaysian asset. Our wholly-owned subsidiary, SEA Hibiscus Sdn Bhd, has been the operator since 31 March 2018. In FY2019, three production enhancement projects were sanctioned to arrest natural decline and increase oil production.

AUSTRALIA

In the Bass Strait, we operate the VIC/L31 production licence and VIC/P57 exploration licence. We also recently exercised an option to acquire non-operated interests in the VIC/P74 exploration licence in the same area. With the West Seahorse discovered oilfield and exciting exploration opportunities in these licences, Australia holds significant potential for Hibiscus Petroleum's future development plans.

NET 2P RESERVES[4]
50.7
MMbbl
FY2018: 46.0 MMbbl[5]
▲ 10%

NET 2C RESOURCES[4]
71.0
MMbbl
FY2018: 38.5 MMbbl
▲ 84%

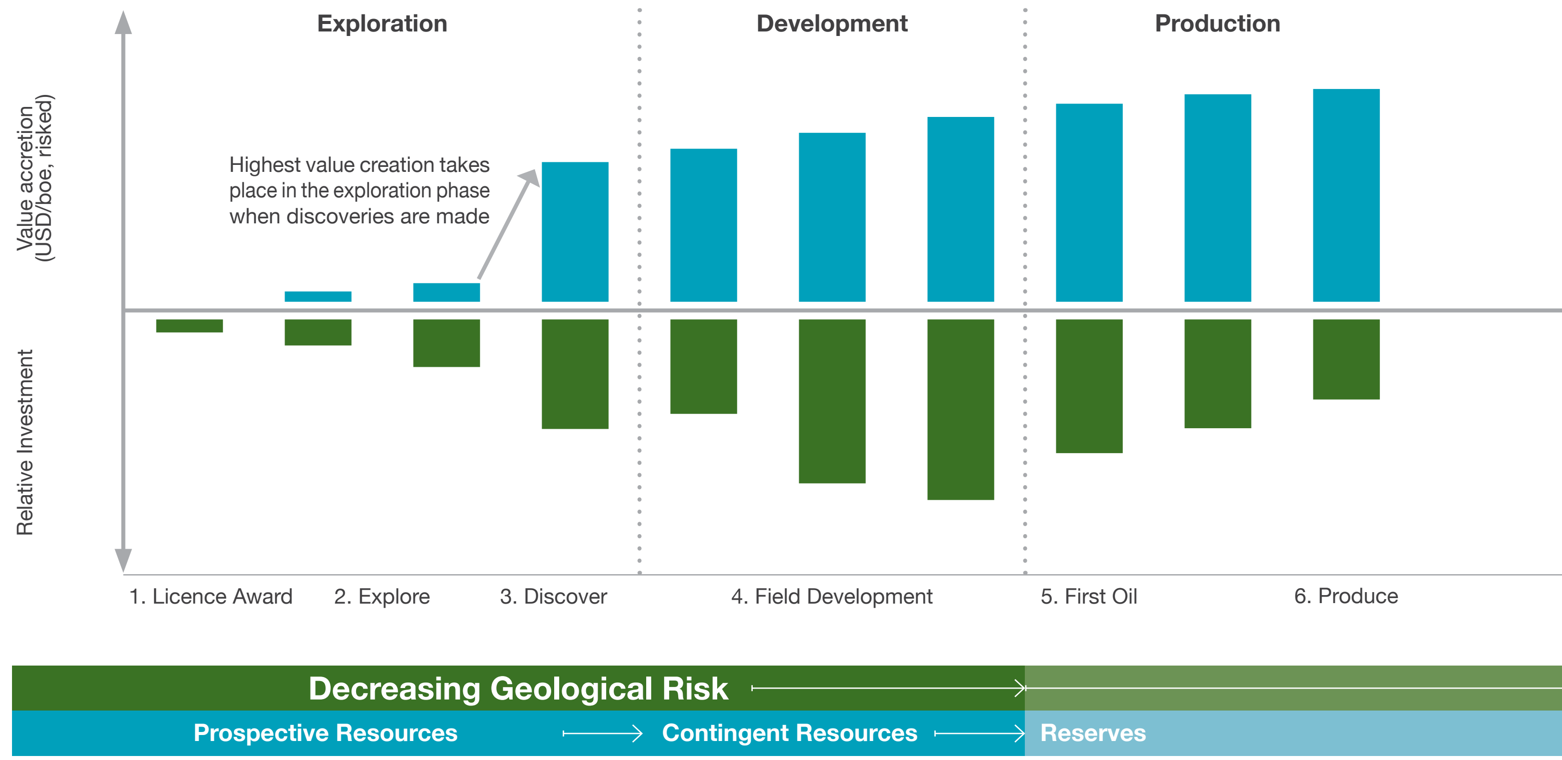
NET PRODUCTION RATE
8,356
BOE/DAY
FY2018: 8,545 BOE/DAY
▼ 2%

NET UNIT PRODUCTION COSTS[6]
USD20
PER BOE
FY2018: USD20/BOE
◀ ▶ NO CHANGE

Notes:
1. As at 30 June 2019 for FY2019, as at 30 June 2018 for FY2018.
2. As at 30 June 2019.
3. For the North Sabah PSC, the Anasuria Cluster and the Marigold Development Project only.
4. As at 1 January 2019.
5. 2P reserves as of 1 July 2018 for the Anasuria Cluster, and as of 1 January 2018 for the North Sabah PSC.
6. Weighted average production volume and operating expenditure based on net entitlement/working interest in the Anasuria Cluster and North Sabah PSC.

Key:
- FY2019: Financial year ended 30 June 2019.
- FY2018: Financial year ended 30 June 2018.
- EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation.
- 2P Reserves: Proven and probable oil reserves.
- 2C Resources: Best estimate contingent oil resources.
- MMbbl: Million barrels.
- boe: Barrels of oil equivalent.

Investment and Value Creation in the Oilfield Life Cycle

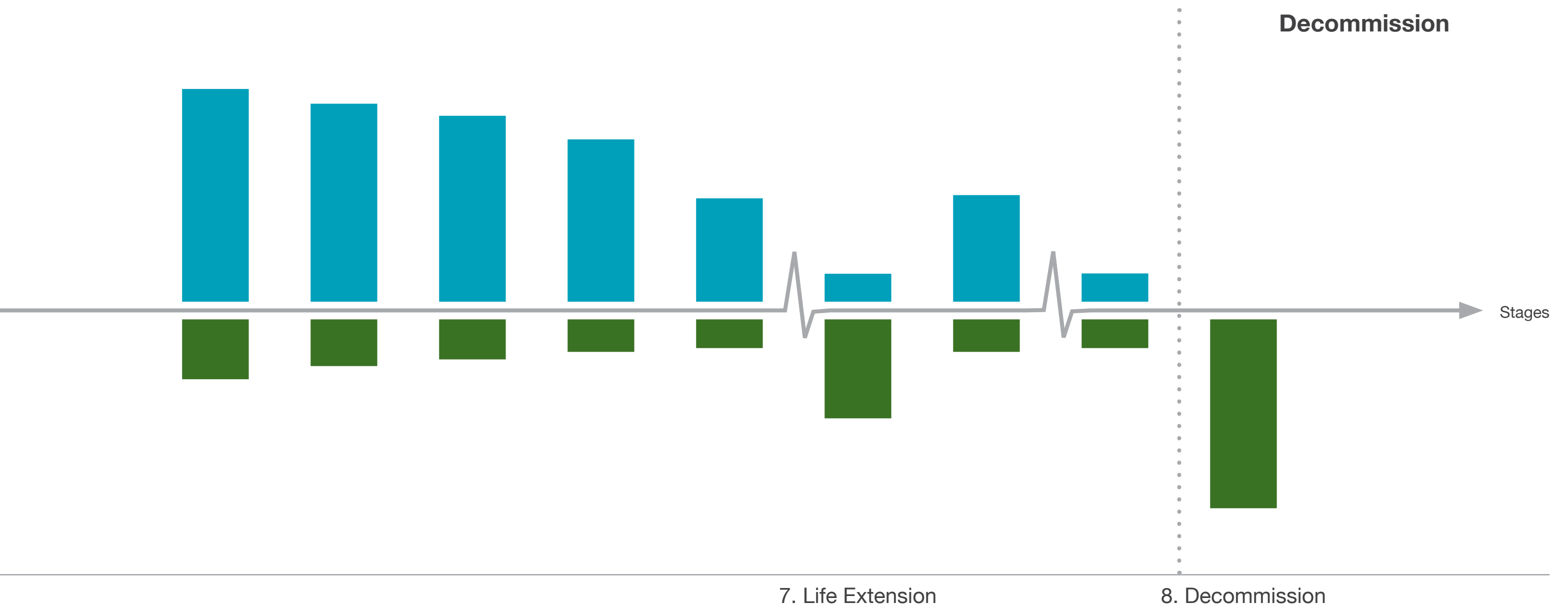


Stage	1. Licence Award	2. Explore	3. Discover	
Reserves/Resources	Prospective Resources			Contingent Resources
Investment/Activity	Bidding or direct negotiation with host countries	Seismic acquisition, processing and interpretation	Drill exploration well	Drill appraisal well/ extended well test
Risks	High geological risks	Geological risks	Geological risks	Decreased geological risks
Typical GCoS range	0 - 25%			25 - 55%
Value Creation	Secure right to explore acreage via the signing of a concession agreement	- Identify drillable prospects - Define GCoS and prospective resources	Discovery of hydrocarbons	Commercial discovery of hydrocarbons

Notes:
- The table above does not account for unconventional concepts in field development.
- Inherent operational risks are not included.
- Information presented is reflective of the Company's portfolio of assets.

Key:

USD/boe	United States Dollar per barrel of oil equivalent.
FID	Final Investment Decision.
GCoS	Geological Chance of Success.



Increasing Sensitivity to Changes in Oil Price

4. Field Development		5. First Oil	6. Produce	7. Life Extension	8. Decommission
	Reserves				-
Pre-FID - Field Development Plan - Plan optimal subsurface development (e.g. number of wells to drill, amount of oil production achievable) - Front-End Engineering and Design (FEED) for the surface facilities	**Post-FID** Detail design, construction and installation	Start of oil production from the field	Maintenance of equipment and wells	Drilling of additional wells or implementing secondary oil recovery (e.g. waterflooding)	Facilities and well abandonment
Low geological risks; Oil price risks	Design risks; Oil price risks		Oil price risk	Oil price risk	-
55 - 85%			85 - 100%	60 - 80%	-
Confirm the economic feasibility of the project	Installation of the surface facilities and drilling of oil wells		Ensure optimal oil production from the field	Increased oil production and reserves from the field	Abandonment of the field in an environmentally safe manner

Malaysia at a Glance

On 31 March 2018, SEA Hibiscus Sdn Bhd (SEA Hibiscus) successfully assumed the role of operator of the North Sabah PSC from Shell. As operator, SEA Hibiscus is responsible for the day-to-day operations, maintenance, and conduct of production enhancement activities carried out on the asset.

The North Sabah PSC constitutes our second producing asset, providing us with another revenue stream after the Anasuria Cluster. It has enabled us to strengthen our technical and operating capabilities, profitability and balance sheet.

The acquisition of this asset is part of our strategy to grow shareholder value by focusing on unlocking potential from mature, late-life oil and gas fields.

We have recently embarked on a series of production enhancement projects that have been identified to realise the considerable potential within the North Sabah PSC fields.

North Sabah PSC

Asset Name:
North Sabah PSC
Licence:
2011 North Sabah Enhanced Oil Recovery Production Sharing Contract
Hibiscus Petroleum's Interest:
50%
Operator:
SEA Hibiscus Sdn Bhd
Asset Location:
33km from Kota Kinabalu, Malaysia
Water Depth:
18 – 60m
Field Life Cycle:
Production
Producing Fields:
St Joseph, South Furious, SF30, Barton
Development Type:
Fixed platforms with pipelines to Labuan Crude Oil Terminal
Acquisition Date:
31 March 2018

Office Locations:
Kuala Lumpur, Kota Kinabalu, Labuan
Awards:
Safety
Awarded the MSOSH[4] OSH Gold Class 1 Award Winner for 2018 and 2017 under the category of Petroleum, Gas, Petrochemical & Allied Sectors for the St Joseph Platform by the Malaysian Society for Occupational Safety and Health.
Production
Received the 2018 Production Delivery Award from PETRONAS at opening of Reservoir Management & Surveillance Summit for *"Outstanding achievements and continuous contribution towards the oil and gas development and production in Malaysia Field"*

Labuan Crude Oil Terminal (LCOT)

Storage and offloading facility for crude oil produced from our North Sabah asset, and from three neighbouring PSCs

North Sabah PSC: Offshore Platforms

St Joseph

South Furious

SF30

Barton

HIGHLIGHTS

AVERAGE UPTIME[1]:
92%

AVERAGE NET DAILY PRODUCTION RATE[1]:
4,894
bbl/day

AVERAGE UNIT PRODUCTION COST[1]:
14.6
USD/bbl

LTIF[1,5]:
0.69

2P OIL RESERVES[2]:
20.5
MMstb

2C OIL RESOURCES[2]:
31.7
MMstb

SEA HIBISCUS PERSONNEL WORKING ON DAY-TO-DAY OPERATIONS[3]:
324

STABLE AND CREDIBLE PARTNERSHIP WITH
PETRONAS Carigali Sdn Bhd

Notes:
1. For the financial year ended 30 June 2019.
2. As of 1 January 2019, based on SEA Hibiscus' net entitlement, derived by independent technical valuer, RISC Operations Pty Ltd's report for the PSC life.
3. As at 30 September 2019.
4. The MSOSH OSH Award is an annual award presented to organisations in Malaysia with proven outstanding Occupational Safety and Health performance. Identified companies are subjected to stringent document and site verification audits by the MSOSH panel of qualified and dedicated auditors which comprise, amongst others, representatives from the Department of Occupational Safety & Health (DOSH) and National Institute of Occupational Safety & Health (NIOSH) prior to being considered by the MSOSH Technical Committee for the respective awards.
5. LTIF represents the number of lost time injuries (LTI) i.e. fatality, permanent disability or time lost from work occurring in a workplace per 1 million hours worked by employees and contractors.

Key:
- 2P Oil Reserves - Proven and probable oil reserves.
- 2C Oil Resources - Best estimate contingent oil resources.
- bbl - Barrel.
- MMstb - Million stock tank barrels.
- LTIF - Lost Time Injury Frequency.
- USD - United States Dollar.

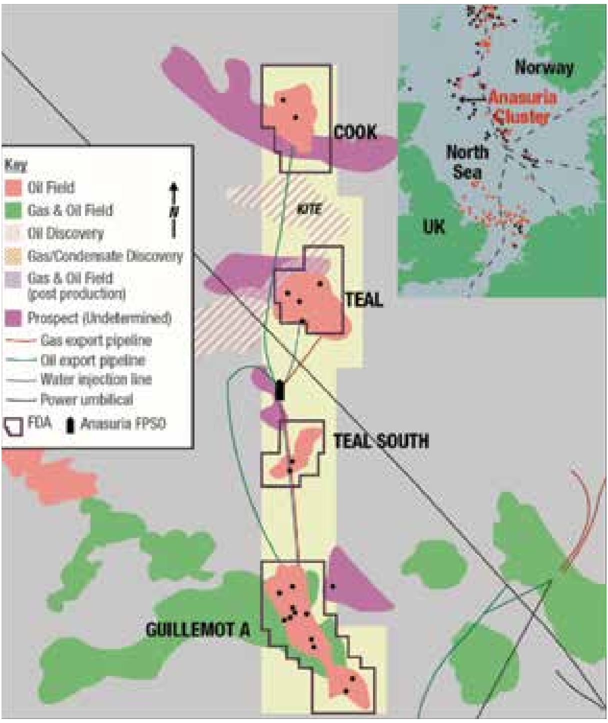
United Kingdom at a Glance

On 10 March 2016, Hibiscus Petroleum acquired its very first producing asset – a portfolio of geographically focused producing fields and associated infrastructure in the North Sea, United Kingdom (UK), collectively known as the Anasuria Cluster. The Anasuria Cluster (Anasuria) delivers production that generates positive cashflow with future infield development opportunities and exploration upside.

Expanding our footprint in the North Sea, Hibiscus Petroleum acquired the discovered oilfields of Marigold and Sunflower on 16 October 2018. This development asset promises a step change to our production volumes and brings us closer towards achieving the Group's 2021 Mission.

Most recently, we signed a conditional sale and purchase agreement to acquire the Crown Discovery, also in the North Sea, in close proximity to the Marigold and Sunflower oilfields. Acquisition of the Crown Discovery will allow us to aggregate 2C resources at a competitive unit cost per barrel as part of an area-wide development.

Anasuria Cluster



Asset Name:
Anasuria Cluster

Licences:
P013, P185

Asset Location:
United Kingdom Central North Sea,
~175km east of Aberdeen

Water Depth:
~94m

Acquisition Date:
10 March 2016

Office Locations:
Kuala Lumpur, Aberdeen

Safety Award:
The Anasuria FPSO received the Order of Distinction from ROSPA, UK for 20 consecutive annual gold awards

1) **P013 & Anasuria FPSO**

Hibiscus Petroleum's Interest:
50%

Joint-Operator:
Anasuria Operating Company Limited

Field Life Cycle:
Production

Producing Fields:
Teal, Teal South, Guillemot A

Discovered Field:
Kite

Development Type:
Subsea tieback to Anasuria FPSO

2) **P185**

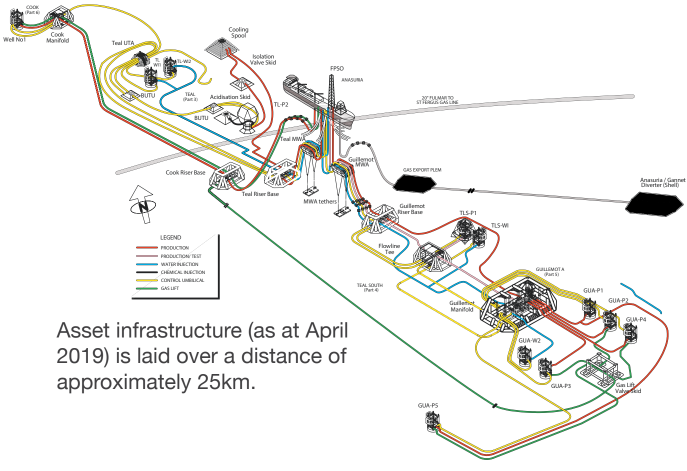
Hibiscus Petroleum's Interest:
19.3%

Operator:
Ithaca Energy (UK) Limited

Field Life Cycle:
Production

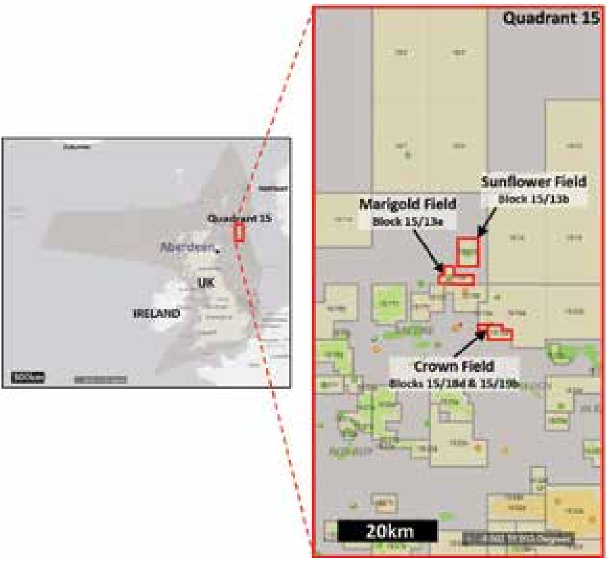
Producing Field:
Cook

Development Type:
Subsea tieback to Anasuria FPSO



Asset infrastructure (as at April 2019) is laid over a distance of approximately 25km.

Marigold & Sunflower



Asset Name:
Marigold & Sunflower
Licences:
P198, Blocks 15/13a & 15/13b
P2366, Blocks 15/18d & 15/19b
Asset Location:
UK Central North Sea, ~250km northeast of Aberdeen

Water Depth:
~140m
Office Locations:
Kuala Lumpur, Aberdeen

1) <u>P198 (Blocks 15/13a, 15/13b)</u>

Hibiscus Petroleum's Interest:
50%
Acquisition Date:
16 October 2018
Operator:
Anasuria Hibiscus UK Limited (Anasuria Hibiscus)
Field Life Cycle:
Development
Discovered Fields:
Marigold and Sunflower

2) <u>P2366 (Blocks 15/18d, 15/19b) (acquisition pending completion)</u>

Hibiscus Petroleum's Interest:
100%
Sale & Purchase Agreement Date:
7 October 2019
Operator:
Anasuria Hibiscus
Field Life Cycle:
Development
Discovered Field:
Crown

Target Development Milestones:

Mid 2019 Complete Concept Select

2021 Farm-out of up to 15% interest

Dec 2020 Approval of FDP; FID in place

Dec 2022 First Oil

HIGHLIGHTS

ANASURIA AVERAGE UPTIME[1]:
85%

AVERAGE NET DAILY PRODUCTION RATE[1]:
3,462
boe/day

AVERAGE UNIT PRODUCTION COST[1]:
18.2
USD/boe

LTIF[1,3]:
0

2P OIL RESERVES[2]:
23.7
MMbbl

2P GAS RESERVES[2]:
14.8
Bscf

2C OIL RESOURCES[2,4]:
37.8
MMbbl

2C GAS RESOURCES[2]:
31.1
Bscf

PERSONNEL WORKING ON ANASURIA OPERATIONS[5]:
118

DEDICATED PROJECT TEAM FOR MARIGOLD:
25

Notes:
1. For the financial year ended 30 June 2019.
2. As at 1 January 2019, based on Anasuria Hibiscus UK Limited's participating interest.
3. LTIF represents the number of lost time injuries (LTI) i.e. fatality, permanent disability or time lost from work occurring in a workplace per 1 million hours worked by employees and contractors.
4. Excludes Crown due to pending completion of acquisition.
5. As at 30 September 2019, consists of personnel in the Anasuria Operating Company Limited and personnel dedicated to Anasuria operations from Petrofac Facilities Management Limited.

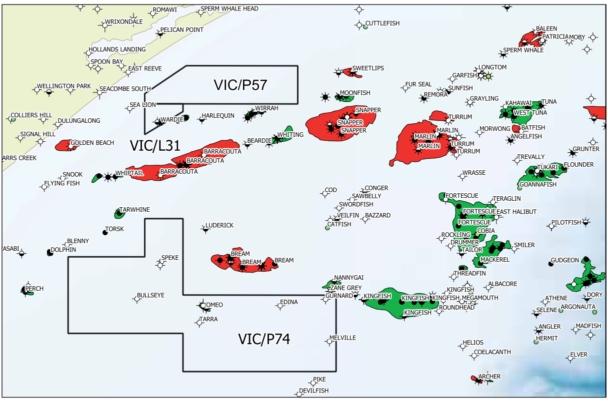
Key:
- 2P Oil/Gas Reserves - Proven and probable oil/gas reserves.
- 2C Oil/Gas Resources - Best estimate contingent oil/gas resources.
- boe - Barrels of oil equivalent.
- MMbbl - Million barrels.
- Bscf - Billions of standard cubic feet of gas.
- LTIF - Lost Time Injury Frequency.
- USD - United States Dollar.
- ROSPA - Royal Society for the Prevention of Accidents.
- FPSO - Floating Production, Storage and Offloading Vessel.
- FDP - Field development plan
- FID - Final investment decision

Australia at a Glance

Hibiscus Petroleum, through our wholly-owned subsidiary Carnarvon Hibiscus Pty Ltd has interests in three licences located in the prolific oil and gas producing province of the Bass Strait of Australia.

We also have a 11.68% interest in 3D Oil Limited (3D Oil), a company listed on the Australian Stock Exchange. Through 3D Oil, we have indirect exposure to two additional exploration licences.

Bass Strait Assets



Licences:
VIC/L31
VIC/P57
VIC/P74 (pending completion)

Location:
Gippsland Basin, Offshore Victoria
Water Depth:
50m

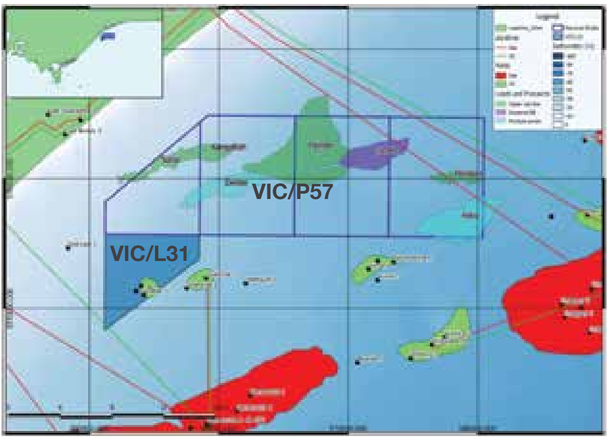
1) **VIC/L31**
Hibiscus Petroleum's Interest:
100%
Operator:
Carnarvon Hibiscus Pty Ltd (Carnarvon Hibiscus)
Field Life Cycle:
Development
Discovered Field:
West Seahorse
Status:
Retention Lease application submitted on 4 December 2018. Concurrently pursuing tieback opportunities with owners of nearby infrastructure.

2) **VIC/P57**
Hibiscus Petroleum's Interest:
75.1%
Operator:
Carnarvon Hibiscus
Field Life Cycle:
Exploration
Exploration Acreage:
246km^2
Prospects:
Felix, Pointer
Minimum Guaranteed Work Programme (compulsory):
Years 1-3 (March 2018 - March 2021)
- Geological and geophysical studies including petroleum systems analysis/modelling
- Reprocessing of 230km^2 of the Northern Fields 3D seismic data
- Seismic interpretation and depth conversion

Secondary Work Programme (optional):
Year 4 (April 2021 - March 2022)
- One exploration well

Year 5 (April 2022 - March 2023)
- Geological and geophysical studies

Status:
Minimum guaranteed work programme completed ahead of time. Currently in the process of farming out the licence.



3) <u>**VIC/P74** (pending completion)</u>
Hibiscus Petroleum's Interest:
50%
Operator:
3D Oil Limited (3D Oil)
Field Life Cycle:
Exploration
Exploration Acreage:
1,006km^2
Work Programme:
Phase 1: Prospect Generation Phase
- Purchase reprocessed 3D seismic data to progress geological and geophysical studies in order to refine resource assessments and enable prospect ranking

Phase 2: Well Drilling Phase (Optional)
- Drill exploration well(s)
- If it is required that a well or wells be drilled after the primary first three years of the prospect generation phase, Carnarvon Hibiscus shall be the operator of the permit, whereas 3D Oil shall continue to be the operator for geological & geophysical operations
- However, if there is a farm-in for a substantial interest in the Permit that will require drilling a well or wells by the farmee, the farmee will become the operator instead for all operations

4) <u>**Investments:**</u>
3D Oil, a company listed on the Australian Stock Exchange is an associate company of Hibiscus Petroleum. As at 1 October 2019, Hibiscus Petroleum holds 11.68% indirect interest in 3D Oil.

3D Oil holds interests in four offshore exploration licences:

A. VIC/P57
24.9%

B. VIC/P74
50% (after completion of Carnarvon Hibiscus' farm-in)

C. T/49P
100%
Location:
Otway Basin adjacent to the Thylacine Gas Field

D. WA-527-P
100%
Location:
Bedout sub-basin, adjacent to the recent significant oil discovery at Dorado

HIGHLIGHTS

2P OIL RESERVES[1]:
6.5
MMbbl

2C OIL RESOURCES[1]:
1.5
MMbbl

POINTER PROSPECT BEST ESTIMATE PROSPECTIVE GAS RESOURCES[1]:
128
Bscf

FELIX PROSPECT BEST ESTIMATE PROSPECTIVE OIL RESOURCES[1]:
23
MMbbl

NUMBER OF LICENCES[2]:
3

WELLS DRILLED:
1
Exploration Well

NUMBER OF PROSPECTS[1]:
2

TOTAL EXPLORATION ACREAGE[3]:
1,252
km^2

Notes:

1. Based on Hibiscus Petroleum's direct interest in VIC/P57 and VIC/L31.
2. Includes VIC/P74 which is pending completion.
3. Acreage in VIC/P57 and VIC/P74.

Key:

- 2P Oil Reserves - Proven and probable oil reserves.
- 2C Oil Resources - Best estimate contingent oil resources.
- MMbbl - Million barrels.
- Bscf - Billions of standard cubic feet of gas.
- km^2 - Square kilometres.

Execution Focus

The exciting work programmes being conducted at our North Sabah and Anasuria assets, involving the drilling of a total of nine wells in 2019, promise a positive outlook for our future. We have also commenced the evaluation of development options for the Marigold and Sunflower oilfields in the United Kingdom North Sea which have the potential to significantly raise our future production.


DO NOT OPEN
WHEN ENERGIZED

Chairman's Statement

DEAR SHAREHOLDERS,

YOU MAY RECALL THAT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (FY2018), OUR ANNUAL REPORT CARRIED THE THEME OF *'SCALING UP, AIMING HIGH'*. THAT THEME SPECIFICALLY DREW REFERENCE TO THE FACT THAT OUR COMPANY FORESAW GROWTH IN SEVERAL AREAS. IN MARCH 2018, WE SUCCESSFULLY COMPLETED THE ACQUISITION OF THE NORTH SABAH ASSETS FROM THE SHELL GROUP. WE ENVISIONED THAT PRODUCTION AND POTENTIAL FROM THE NORTH SABAH FIELDS COMBINED WITH VOLUMES AND OPPORTUNITIES FROM THE ANASURIA CLUSTER AS PROVIDING A PLATFORM FROM WHICH WE, AS A COMPANY, COULD GROW OUR FINANCIAL CAPACITY AND FURTHER DEVELOP OUR COMPETENCE LEVELS.

A year later, I am pleased to report that activities carried out and the results achieved over the financial year ended 30 June 2019 (FY2019), have placed our Company in a much healthier financial position than it has been since its inception. In addition, from a business perspective, we are developing a reputation for being an agile organisation whilst at the same time delivering strong performance as a reliable operator of the assets in which we hold interests.

Enhancing production is a key goal. We are continuously on the look-out for new barrels to replace those being produced. Over the course of 2019, the Company has a programme of drilling a total of nine wells, in which the drilling of eight of these wells is being/will be managed by our Company, as the operator or joint operator of the licences. Seven wells, one in the United Kingdom Continental Shelf (UKCS) and six in North Sabah, target oil columns to enhance production. Two water injection wells, one in the UKCS and the other in North Sabah, seek to re-pressurise producing reservoirs and enhance production over the long term.

For the first time, we have had to manage the drilling of two wells concurrently, in geographically different parts of the world separated by a seven-hour time difference (in UKCS and North Sabah). The concurrent drilling of these two wells stretched our resources and tested our execution capabilities. I am pleased to report that we drilled and completed both wells successfully.

Production drives revenue and enhancing production lowers unit operating costs. Combined, these two factors drive our net operating cashflow. With a relatively heavy work programme being conducted for a Company of our size, cashflow management is critical. Hence the theme selected by the management of our Company for the FY2019 Annual Report; **Execution – Production – Cashflow**.

Each of the three elements that comprise our theme has been evolving independently in importance for Hibiscus Petroleum Berhad over the past few years, but this year all components of our theme bear collective, increasing significance.

ZAINUL RAHIM
BIN MOHD ZAIN
Chair of the Board

Chairman's Statement

"I AM ALSO PLEASED TO REPORT THAT FOR FY2019, OUR PROFIT AFTER TAXATION (PAT) GREW TO RM230.0 MILLION. THIS REPRESENTS A 13% INCREASE WHEN COMPARED TO OUR PAT FOR FY2018...

...OUR TARGET WAS TO DELIVER APPROXIMATELY 2.7 TO 3.0 MILLION BARRELS OF CRUDE OIL FROM OUR TWO PRODUCING ASSETS OVER FY2019. WE ARE PLEASED THAT WE EXCEEDED THIS TARGET, HAVING SOLD APPROXIMATELY 3.3 MILLION BARRELS OF CRUDE OIL ACROSS BOTH ASSETS IN FY2019 WITH SEVEN OFFTAKES FROM NORTH SABAH, WHILST A FURTHER FIVE OFFTAKES ORIGINATED FROM ANASURIA."

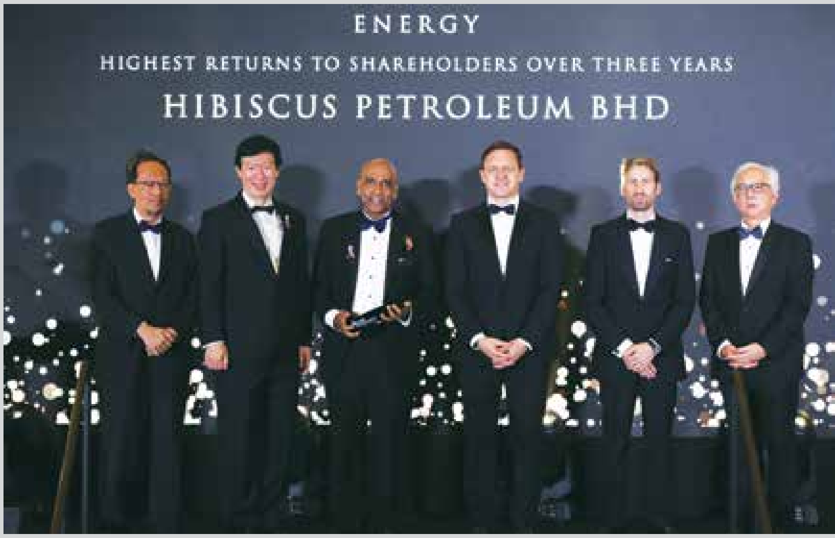
I am also pleased to report that for FY2019, our Profit After Taxation (PAT) grew to RM230.0 million. This represents a 13% increase when compared to our PAT for FY2018. More significantly, despite volatility in crude oil price over the financial year, our Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for FY2019 surged to RM549.4 million, an increase of 64% when compared to that for FY2018.

The EBITDA metric is a function of revenue and costs. We only partially controlled our revenue by delivering on production objectives. Our target was to deliver approximately 2.7 to 3.0 million barrels of crude oil from our two producing assets over FY2019. We are pleased that we exceeded this target, having sold approximately 3.3 million barrels of crude oil across both assets in FY2019 with seven offtakes from North Sabah, whilst a further five offtakes originated from Anasuria.

The other input to our revenue computation is crude oil price. Over the course of FY2019, we continued to observe a high degree of volatility in the Brent crude oil price benchmark which fluctuated between a high of USD86.29 per barrel to a low of USD50.47 per barrel. Even though the Organization of Petroleum Exporting Countries and allies (OPEC+) continued their supply-side intervention and management activities and, there were further supply disruptions primarily caused by political situations in Venezuela, Libya and Iran, factors such as the aggressive growth in production from mainland United States (US) and demand related concerns as a result of uncertainties in the outcome to Sino-US trade negotiations, contributed to the lack of stability in oil prices. In such an environment, it is important that we remain financially agile and focus on positive cashflow generation through prudent cost management and efficient execution of projects.

We believe that the results of our efforts in this area are reflected in the strong EBITDA and EBITDA margins during FY2019. Our consistency in delivering these metrics over the past few years has encouraged us to develop a Dividend Policy which we have recently disclosed. We hope that in the not too distant future, we will be in a position to distribute dividends.

Before concluding this section of my statement to our shareholders, I wish to highlight that the Hibiscus team overseeing Malaysian operations was recognised by the local regulator, Petroliam Nasional Berhad (PETRONAS) as the winner of their Production Delivery award for 2018. I am also pleased to report that in September 2019, our Company received yet another recognition; this time by The Edge, for delivering the "Highest Returns to Shareholders over Three Years" in the Energy sector, at their Billion Ringgit Club 2019 event, which was graced by the Malaysian Prime Minister. We are humbled and extremely honoured to be selected as the recipient of this award. To the Hibiscus team, our congratulations and to The Edge and our regulator, PETRONAS, our sincere thanks.



"I AM DELIGHTED TO REPORT THAT IN THE UNITED KINGDOM, THE ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS (ROSPA), RECOGNISED THE TEAM AT THE ANASURIA FLOATING PRODUCTION STORAGE AND OFFLOADING FACILITY (DUTY HOLDER: PETROFAC FACILITIES MANAGEMENT LIMITED) WITH THE FOLLOWING AWARDS:

- **CONTINUATION OF GOLD AWARD FOR THE 20TH CONSECUTIVE YEAR; AND**
- **THE ORDER OF DISTINCTION FOR 20 CONSECUTIVE GOLD AWARDS FOR HEALTH AND SAFETY PERFORMANCE FOR THE CALENDAR YEAR 1 JANUARY 2018 TO 31 DECEMBER 2018."**

Our Safety Performance

We operate in an environment where constant vigilance and attention towards Health, Security, Safety and Environment (HSSE) considerations are a necessity. Our HSSE performance for FY2019 is tabulated below.

	UKCS		Malaysia	Australia
	Anasuria Cluster	Marigold & Sunflower	North Sabah PSC	Bass Strait Assets
Fatality	0	0	0	0
Lost Time Incident (LTI)	0	0	2	0

In an immediate response to the two LTIs experienced in Malaysia, the company launched the 'I Care for your Safety' campaign on 16 October 2018. Senior management from our Company visited all Malaysian worksites to roll-out the campaign and have continued operational engagements to reinforce the message that the workplace is safer and more secure if each person takes personal ownership for the safety performance of the asset.

Malaysian safety performance statistics since the implementation of this initiative have improved. As of the end of June 2019, our Malaysian operations had clocked 2.4 million manhours without a safety related incident. This statistic includes all manhours incurred as part of two separate barge-based maintenance campaigns (2018 and 2019) and the first two months of drilling activities on the St Joseph field. Regrettably, in August 2019, after the close of FY2019, we suffered a LTI incident when a third-party contractor suffered a finger injury at the conclusion of our St Joseph drilling operations in Malaysia.

Nevertheless, I am pleased to inform our shareholders that our team operating the North Sabah assets was a Gold Class 1 award winner for health and safety performance for the 2018 calendar year. This prestigious recognition was accorded to us by the Malaysian Society for Occupational Safety & Health.

In the United Kingdom, proactive action by the Health & Safety Executive over concerns of a risk associated with a potential falling object from a flare tower resulted in a Prohibition Notice being imposed on the duty holder of the Anasuria Floating Production Storage and Offloading facility. This led to an earlier than planned production shutdown (initially scheduled for later in the year) to address the potential safety hazard. Post removal technical analysis of the suspect component (a flare tip) indicated that there was no immediate safety threat.

Chairman's Statement

"IT ALSO GIVES ME PLEASURE TO REPORT THAT AS A RESULT OF OUR STRONG COMMITMENT TO THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE, HIBISCUS PETROLEUM BERHAD HAS BEEN RANKED IN THE TOP 12% OF MALAYSIAN PUBLIC LISTED COMPANIES (99TH POSITION OUT OF THE 866 COMPANIES EVALUATED) FOR CORPORATE GOVERNANCE DISCLOSURE IN THE MINORITY SHAREHOLDERS WATCH GROUP (MSWG)'S MALAYSIA-ASEAN CORPORATE GOVERNANCE REPORT 2018."

On a more positive note, I am delighted to report that in the United Kingdom, the Royal Society for the Prevention of Accidents (ROSPA), recognised the team at the Anasuria Floating Production Storage and Offloading facility (Duty Holder: Petrofac Facilities Management Limited) with the following awards:

- Continuation of Gold Award for the 20th consecutive year; and
- The Order of Distinction for 20 consecutive Gold awards for health and safety performance for the calendar year 1 January 2018 to 31 December 2018.

We are extremely pleased to have been recognised once again by these respected institutions as a recipient of their prestigious awards for safety performance but our primary goal remains that of continuously providing a safe and secure workplace for all our employees.

Environmental, Social and Governance Considerations

It also gives me pleasure to report that as a result of our strong commitment to the principles of good corporate governance, Hibiscus Petroleum Berhad has been ranked in the top 12% of Malaysian public listed companies (99th position out of the 866 companies evaluated) for corporate governance disclosure in the Minority Shareholders Watch Group (MSWG)'s Malaysia-ASEAN Corporate Governance Report 2018.

Over the past few years, the Group has been gradually building a work culture and developing business processes that are becoming the foundation of a sustainable business. Core to our approach is the belief that responsible growth and the building of a sustainable business must include environmental, social and governance (ESG) considerations.

The Sustainability Report, contained in the later part of this disclosure, demonstrates the purpose-driven way in which we are approaching our key responsibilities, and provides an update on the advances we have made throughout the last financial period in addressing material sustainability matters to the Group and capitalising on the opportunities before us.

A New Asset for our Portfolio: Marigold and Sunflower

You may recall that in October 2018, we announced the acquisition of a 50% interest in Blocks 15/13a (Marigold) and 15/13b (Sunflower), expanding our footprint in the UKCS. This acquisition of a development asset will allow our Company to make a step change in scale as well as be a platform for us to build internal technical and project management capability. An experienced project management team is being assembled and key technical elements of the project are being analysed in detail. Several project delivery milestones have been imposed on us by the regulatory authorities in the United Kingdom and we are determined to positively progress this opportunity.

Our Thanks

The duties for the Board have been increasing as regulators raise their expectations in the area of corporate governance and transparency. As has always been the case, it has been a pleasure to work with my fellow Board members who have continuously discharged their duties with utmost care and dedication. Detailed, high quality, robust discussions and meticulous reviews have preceded our decisions. My thanks to each of them for their individual contributions.

On behalf of the Board, I would also like to extend our thanks to our stakeholders. Firstly, I would like to thank our loyal shareholders. Thank you for your continued trust and support. We hope that our improving performance and the potential of our new business initiatives will cause you to retain your ownership of our company for a long time to come. I look forward to welcoming and meeting as many of you as possible at the upcoming Annual General Meeting.

Secondly, I would like to thank the relevant regulators in Malaysia, namely the Securities Commission of Malaysia, Bursa Malaysia Securities Berhad and Bank Negara Malaysia. They have all assisted us at various stages of our growth with timely approvals for the corporate exercises that we have implemented. Our industry-specific regulators also deserve special mention, namely PETRONAS of Malaysia, the Oil and Gas Authority (OGA) of the United Kingdom and the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) of the Commonwealth of Australia. Your continuous support has been instrumental in our success.

At the asset level, we work with our partners and co-venturers. On behalf of the Board, I would like to extend our thanks to each of them - PETRONAS Carigali Sdn Bhd, Ping Petroleum UK Limited, Ithaca Energy (UK) Limited, Caldera Petroleum (UK) Limited and 3D Oil Limited – for their support and co-operation over the past year.

This past financial year has been operationally busy. To assist us in achieving our objectives, we have relied on contractors and their contractors. To each of you, thank you for your commitment in helping us achieve our operational aspirations and safety related goals.

Over the past year, we have engaged with several financial institutions in an effort to secure debt facilities that will enable us to leverage our balance sheet more efficiently. We have received tremendous encouragement in this area. On behalf of the Group, thank you for your confidence in us.

Finally, I would like to extend my thanks to the Management Team and our employees. Once again, your dedication and professionalism towards delivering our business objectives and plan have been of the highest standard. The financial results that have been achieved are a tangible piece of evidence that reflects your hard work and perseverance in a volatile market environment. I also feel that the initiatives you have implemented towards improving our ESG positioning should be lauded. Whilst you continue to pursue our business goals, I urge you to always remember to continue to prioritise the objective of keeping everyone safe and secure at the workplace and never forget the importance of caring for the environment.

In the past twelve months, we have built a strong and sustainable business foundation around our two producing assets. The work we are doing around the Marigold and Sunflower opportunity could make a step change to our current profile as a junior exploration and production (E&P) player; it could move us closer towards achieving our aspiration of being a respected E&P operator in the upstream business.

Thank you.

ZAINUL RAHIM BIN MOHD ZAIN
Chair of the Board
1 October 2019

Production Momentum

Our drilling programme on the North Sabah and Anasuria assets is providing us with a firm foundation to increase production momentum. We are targeting a combined net production of 12,000 barrels of oil per day (bopd) for both assets by end of 2020 as we strive towards our goal of achieving 20,000 bopd as part of our 2021 Mission.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HIBISCUS
Petroleum

Management Discussion & Analysis

1. OVERVIEW OF OUR BUSINESS AND OPERATIONS

A. Our Business

The team at Hibiscus Petroleum Berhad (Hibiscus Petroleum or our Company) and our subsidiaries (our Group) is in the business of creating value for all our stakeholders by safely and efficiently finding and selling crude oil produced from the oil and gas fields that we operate or jointly operate in the continents of Asia, Oceania and Europe. In conducting our business, we collaborate and/or compete with state-owned enterprises, other public-listed entities and privately held companies from around the world.

At this time, our revenues are mainly derived from the sales of crude oil and thus the information discussed in this section of the Annual Report 2018/2019 focuses on the oil component of the oil and gas industry. Our business performance is sensitive to the price at which we can sell the volumes of crude oil that we produce matched against our costs of production. For the current financial year (FY2019), our produced volumes of crude oil and gas were not the subject of any hedging related structures and thus, the revenues we generated were a direct function of crude oil prices.

B. Macro Trends

There are several key points to be highlighted prior to reviewing specific macro trends impacting the global oil and gas industry. Given the long cycle nature of the energy business and the scale of the investments involved, dominant, established players build ‘scenarios’ that provide them with the basis to chart a long term business strategy. As a junior player in the global industry, we analyse these scenarios (which are published) and we adapt our modest, mid-term strategic initiatives, where applicable, to dovetail with the predicted macro trends.

BP p.l.c. (BP), a reputable player in the energy sector, has built four long term scenarios in the Energy Outlook 2019 edition covering a period until 2040. Our Company analyses some of their data (amongst other third-party datasets) in the development of our mission and business plan. The BP scenarios are categorised as follows:

- More energy (ME);
- Evolving transition (ET);
- Less globalisation (LG); and
- Rapid transition (RT)

In all scenarios that BP considered, global Gross Domestic Product (GDP) doubles by 2040, driven by prosperity in fast-growing developing economies.

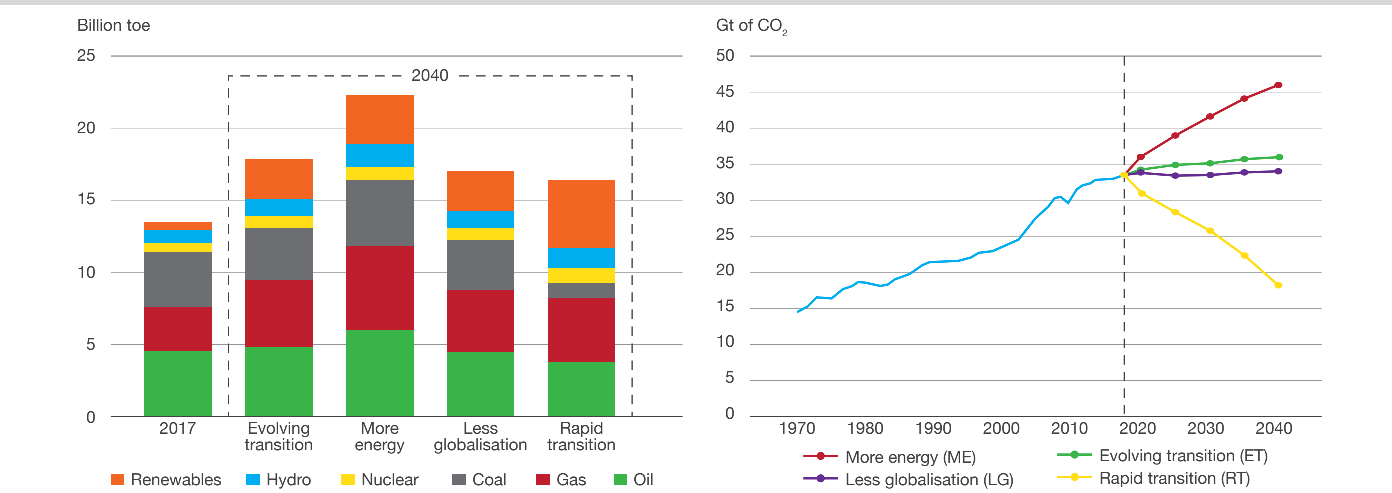


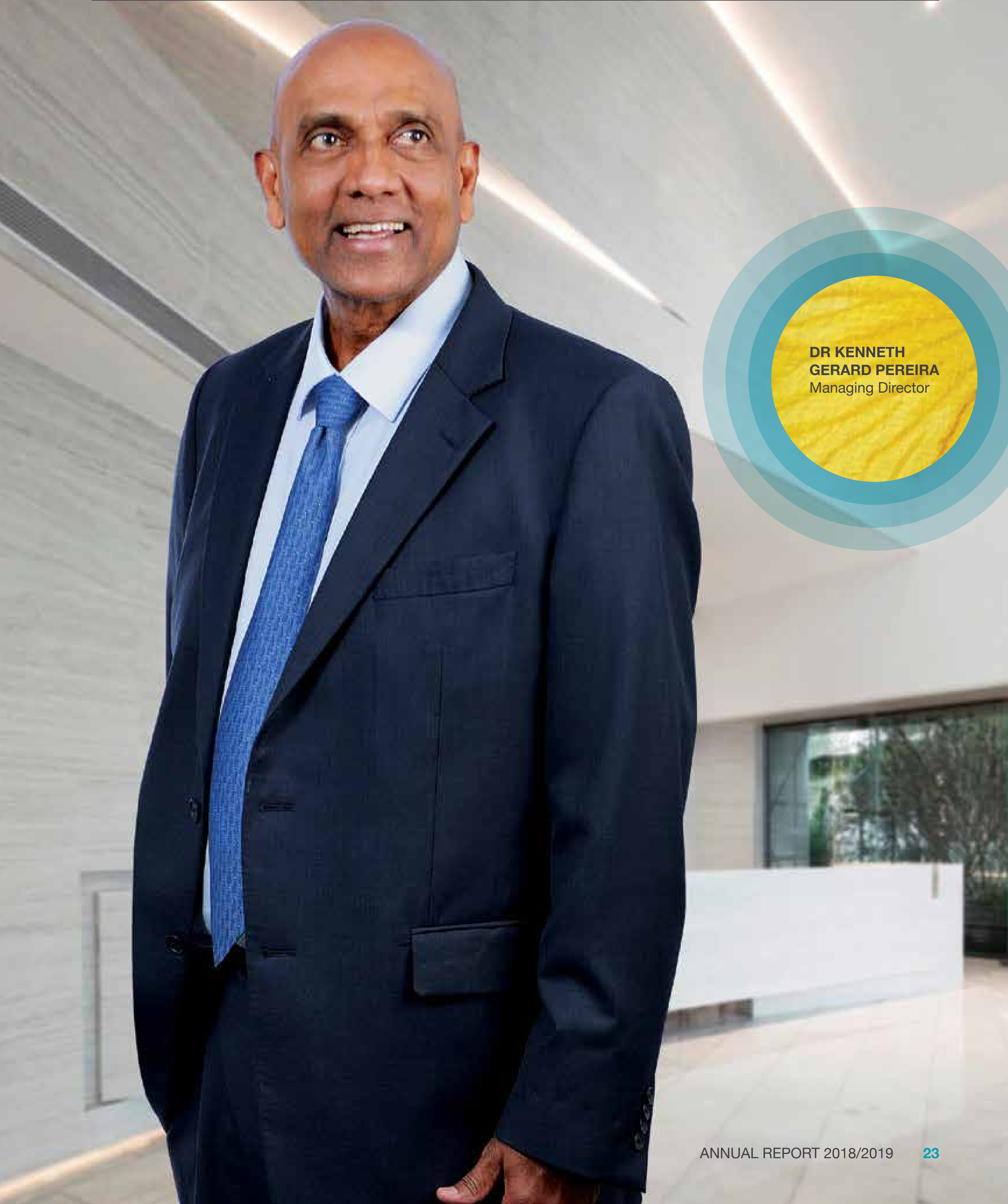
Figure 1: Projections of primary energy consumption by fuel (left chart) and CO_2 emissions (right chart).

Notes to Figure 1:

- Renewables include wind, solar, geothermal, biomass and biofuels.
- Source: BP Energy Outlook (June 2019 edition).
- toe : tonnes of oil equivalent.
- Gt : Gigatonnes.

Key:

- FY2019 : Financial year ended 30 June 2019.
- FY2018 : Financial year ended 30 June 2018.



DR KENNETH GERARD PEREIRA
Managing Director

Management Discussion & Analysis

This improvement in living standards causes energy demand to increase by about one-third over their outlook period (2017 – 2040). Demand from Asian economies account for two-thirds of this increase. Despite this increase in energy demand, two-thirds of the world's population still live in conditions where energy consumption per head is relatively low.

In the ET scenario:

- The world continues to electrify, with around three-quarters of the increase in primary energy absorbed by the power sector. Renewable energy (further discussed in this section of the Management Discussion and Analysis (MD&A)) is projected to be the fastest growing source of energy supply, becoming the largest source of power by 2040.
- Demand for oil and other liquid fuels (a critical driver of crude oil price) grows for the first phase of the outlook period before gradually plateauing. The increase in liquids production is initially dominated by United States (US) tight oil but production from the Organization of the Petroleum Exporting Countries (OPEC) subsequently increases as tight oil production declines.
- Use of natural gas grows robustly, supplied by broad-based demand and the increasing availability of gas coupled with a continuing expansion of liquified natural gas (LNG) processing infrastructure.

Finally, in the ET scenario, carbon emissions continue to rise, signalling the need for a comprehensive set of policy measures to achieve 'less carbon' (further discussed in this section of the MD&A).

These scenarios allow us to have a long-range view as to the potential direction of our industry. As an operating, public-listed organisation, we are also driven by short term objectives and our day-to-day activities are supported by existing cashflow. These are a function of near-term crude oil prices and our daily production volumes. Some of the factors that impact crude oil price movement are discussed in the following paragraphs:

1. **The American Narrative**

   This consists of several components. In the first instance, the policies of the President of the US play a significant role. At this time, US President Donald Trump, representing the Republican Party, is supportive of an oil and gas agenda which delivers a low crude oil price coupled with energy security for the US. His policies in this regard have further encouraged the large-scale development of unconventional oil and gas opportunities which require tight rock to be fractured in the production of hydrocarbons.

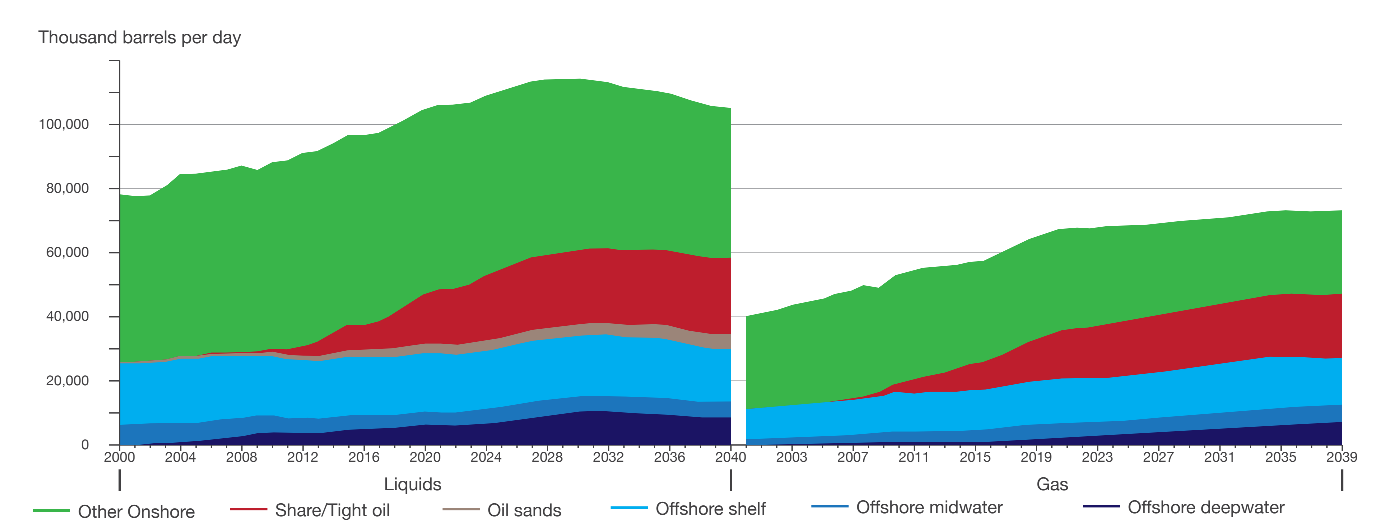


Figure 2: Global production of liquids and gas with projection to 2040.

Note to Figure 2:

- Source: Rystad Energy, June 2019.

The widespread use of this technique has led to the US becoming the leading producer (and an exporter) of oil and this position is expected to be further consolidated in the coming years (Figure 2). The volumes being extracted from the continental US have caused OPEC and a group of allies, primarily Russia, to cut back on their production in order to maintain crude prices at levels that make oil and gas production a profitable enterprise for their respective nations.

On taking office, President Trump initiated the 'America First' policy. The implementation of this policy has resulted in existing trade agreements with large trading partners being renegotiated. Trade-related negotiations with the People's Republic of China have not been smooth and the resulting tensions have caused volatility in the global capital markets. The large size of both the economies involved in these negotiations and the relative complexity and inter-connectivity of modern supply chain networks have had a negative, global ripple effect, and overall demand for crude oil has reduced.

Other elements of American foreign policy have had an opposite effect. Sanctions applied to Iran and Venezuela for various security or politically motivated reasons have resulted in large volumes of oil being stranded. This has had a positive effect on the pricing of oil futures.

The American political landscape introduces other uncertainties. The 59th quadrennial US presidential election is scheduled to be held on 3 November 2020. Three leading members of the Democratic Party who are seeking nomination to run for the presidential election have publicly declared that they are not supportive of sub-surface fracturing as a technique used onshore in the continental US for the extraction of hydrocarbons. If any one of them and the Democratic Party are mandated to lead the US government post 2020, then the US oil industry, and possibly the global oil industry, would undergo major restructuring.

Given this uncertainty, it would be logical to conclude that the relevant American-owned oil companies which are (and have been) divesting their international interests particularly in conventional oil assets, with the objective of repatriating funds for investment in domestic, short-cycle shale related opportunities, will phase their investments until a definite government policy direction crystallises. This phasing of investment may cause a tightening of supply for a period of time in 2020 and 2021.

2. IMO 2020

The International Maritime Organization (IMO) has ruled that from 1 January 2020, marine sector emissions in international waters are to be significantly reduced. Specifically, the marine sector will have to reduce sulphur emissions by over 80% by switching to the utilisation of fuels with a lower sulphur content. The current maximum fuel oil sulphur limit of 3.5 weight percent (wt%) will fall to 0.5 wt% (except for Emission Control Areas). IMO 2020 regulations will see the largest reduction in the sulphur content of a transportation fuel undertaken at one time. The marine sector consumed approximately 3.8 million barrels (MMbbl) per day of fuel oil in 2017 and supports about half of global fuel oil demand. Thus, the shift of the marine sector to using fuels with a low sulphur content has the potential for being positive for compliant, sweet crude oil prices.

3. The Rise of the Renewables

The confluence of environmental and economic factors gave renewables a kick-start and it is no coincidence that a threefold increase in oil prices (from circa USD38 per barrel (bbl) in 2004 to an annual average of USD97/bbl in 2008) was met with an almost equivalent threefold increase in new investment in clean energy (USD62 billion in 2004 versus USD206 billion in 2008).

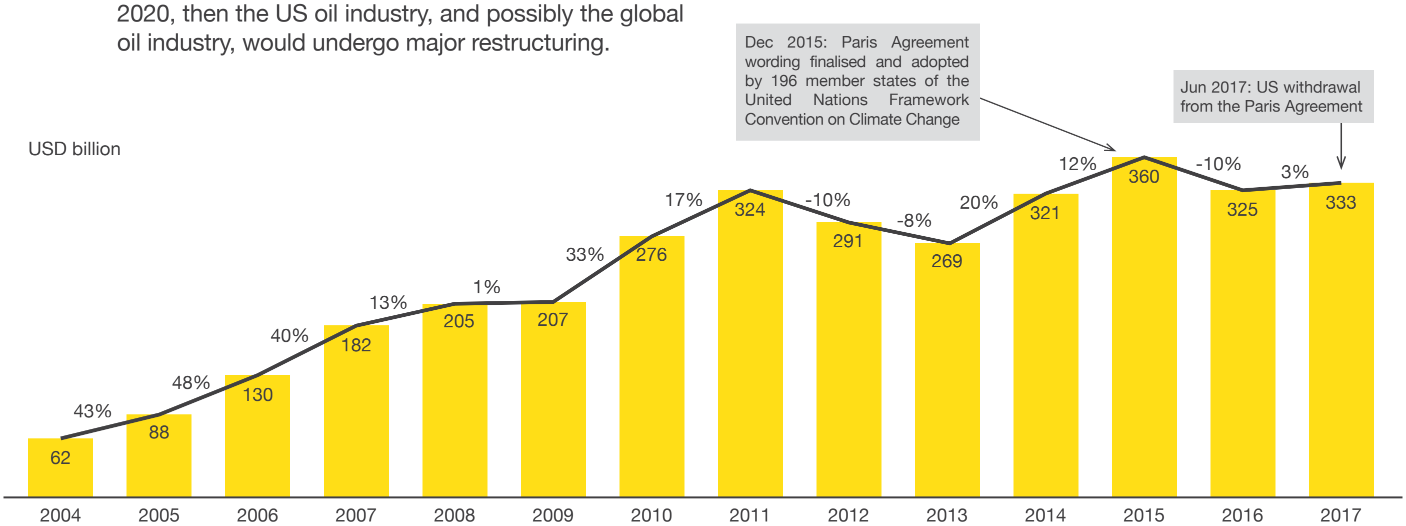


Figure 3: Global new investment in clean energy from 2004 to 2017.

Notes to Figure 3:
- All values nominal.
- Source: Bloomberg New Energy Finance.

Management Discussion & Analysis

Material investment at that time, in conventional oil opportunities, were mainly 'long cycle' (i.e. takes a relatively long time to get to financial break-even or payback) and exposed traditional energy sector investors to oil and gas development projects of increasingly greater risk profile. It was not uncommon for projects to be executed in deep water or in the Arctic Circle.

These projects tested challenging technical boundaries but required vast sums of cash and could also be commercially risky. In such circumstances, it was not a difficult decision to move long-term investment and debt dollars to the technically simple realm of large scale solar or wind farms which were generally, commercially supported by government subsidies and/or financial guarantees.

Today, green initiatives have built momentum in critical areas. The outcome of the 2015 United Nations Climate Change Conference, COP 21, resulted in an agreement being signed in 2016 in which 174 countries committed to adopt practices that would limit global warming to 'well below 2 degrees Celsius compared to pre-industrial levels' (2015 Paris Agreement). It should be noted that this agreement takes legal effect only when at least the 55 countries which together represent 55% of global greenhouse gas emissions join the agreement.

On 1 June 2017, US President Donald Trump announced that the US would cease participation in the 2015 Paris Agreement citing that the agreement would undermine the US economy and put the US at a permanent disadvantage. Under the provisions of the agreement, the earliest date that the US could formally withdraw from the agreement would be 4 November 2020 which is one day after the 2020 US Presidential elections.

Thus, the result of the US election may eventually have a bearing on the long term environmental related policies of the US and its compliance to the commitments it had made under the terms of the 2015 Paris Agreement. A reduced level of commitment towards the agenda of the 2015 Paris Agreement may slow down the growth of renewables as a component of the energy mix. Such a scenario may be a positive development for the oil and gas sector.

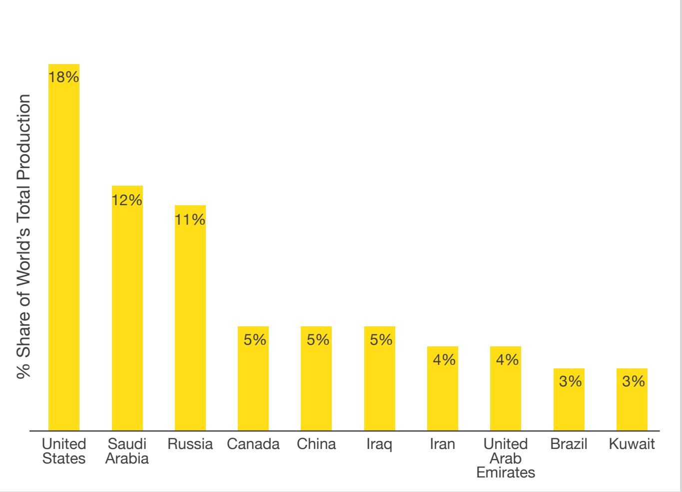


Figure 4: World's Top Ten Oil Producing Countries in 2018.

4. Middle East Geopolitical Concerns

The impact of the actions and policies of the various Middle Eastern countries on crude oil price movement is significant. This region of the world is the source of the largest oil reserves and provides the core membership of OPEC. In addition, in 2018, approximately 28% of daily global oil production originated from the Middle East (see Figure 4).

Whilst this region is a rich source of crude oil and gas, it is also a hotbed of complex politically charged issues. The causes of these issues are deep-rooted in history but the present-day areas that impact the oil and gas industry are:

- Iranian–Saudi Arabian tensions which have resulted in a proxy war being fought in Yemen, mainly between the Saudis and the Iran-aligned Houthi group in Yemen. In recent weeks, this Houthi group claimed they were responsible for the deployment of multiple drones in coordinated attacks on two oil facilities located in Saudi Arabia, significantly impacting daily oil production and processing, and, potentially also delaying the much-awaited listing of Saudi Aramco. This act of retaliation by the Houthis may trigger further action by the Saudis and other parties interested in maintaining global energy security, thus escalating tensions in an already politically fragile region of the world.

Note to Figure 4:
- Source: US Energy Information Administration.

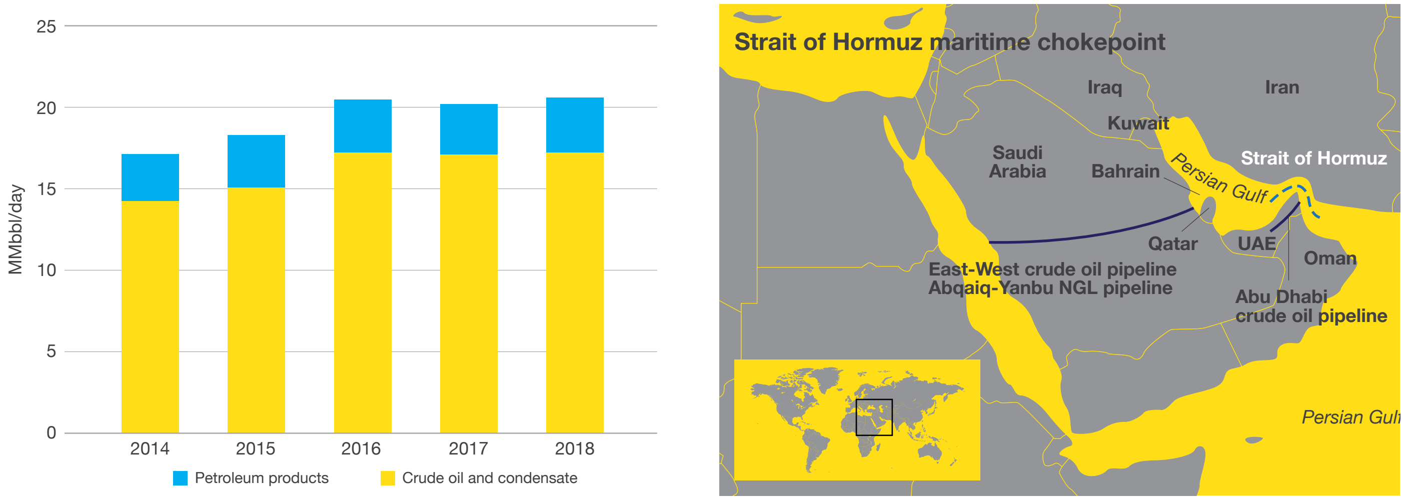


Figure 5: Crude oil, condensate, and petroleum products transported through the Strait of Hormuz.

- US-applied sanctions on Iran has resulted in the Iranian government threatening the movement of oil through the Strait of Hormuz. The Strait of Hormuz, located between Oman and Iran, connects the Persian Gulf with the Gulf of Oman and the Arabian Sea. The Strait of Hormuz is the world's most important oil chokepoint because of the large volumes of oil that flow through the strait. In 2018, its daily oil flow averaged 21 MMbbl/day (Figure 5), or the equivalent of about 21% of global petroleum liquids consumption.

In recent months, several vessels have been attacked (purportedly by Iranian government agencies) whilst others have been seized by parties trying to enforce US and European Union (EU) sanctions in the area. The frequency of these attacks give cause for concern. In May 2019, four vessels - including two Saudi oil tankers - were attacked near Fujairah just beyond the Strait. On 13 June 2019, an attack on two oil tankers in the Gulf of Oman raised fears about global oil supply and raised new questions about the security of shipments through the Strait of Hormuz. Most recently, in July 2019, the United Kingdom (UK) navy seized an Iranian oil tanker suspected of transporting crude oil to Syria in contravention of EU sanctions off the coast of Gibraltar.

In summary, geopolitical tensions in the Middle East are unlikely to be resolved in the near term and will continue to result in a risk premium being placed on oil prices given the dependency of the world on crude oil supply from this region.

C. Our Positioning

Our Company has evolved and today our activities may be broadly categorised into three areas, i.e.:

- Brownfield Operations
- New Developments
- Portfolio Management

1. Brownfield Operations

This business area covers our operations or joint operations and management of 'late-life' producing assets. These assets are our main source of cashflow. Our business objective for this class of assets is to make investments that enable the execution of work programmes that in the first instance, arrest the natural decline in production, and secondly, enhance output in a cost-efficient manner, thereby extending the economic life of the oil or gas field. The Anasuria Cluster in the UK sector of the North Sea and the North Sabah PSC in Malaysia fall into this category of our business.

2. New Developments

This area of our business covers assets with discovered oilfields in which we have an interest but are not yet in production. For these assets, a defined development concept and timeline to convert them into income generating assets have been determined and material financial and human resources are being deployed to progress business objectives. Our Marigold Project (Licence P198, Blocks 15/13a and 15/13b, and subject to acquisition completion, Licence P2366, Blocks 15/18d and 15/19b) in the UK North Sea falls into this category of our business.

3. Portfolio Management

We also possess interests in certain licences which have either exploration or development potential but are yet to possess a defined, firm plan. Our permits in Australia (i.e. VIC/L31, VIC/P57 and VIC/P74) fall into this category of our business.

As part of the effort to enhance shareholder value, we have a business development team who are continuously scanning the market for new opportunities that complement our existing portfolio.

Note to Figure 5:

- Source: US Energy Information Administration.

Management Discussion & Analysis

D. Our Assets

Jurisdiction	Malaysia	United Kingdom				Australia		
Fiscal System	Production Sharing Contract	Concession				Concession		
Licence Name	North Sabah PSC	Anasuria Cluster (or Anasuria)		Marigold & Sunflower		Bass Strait Assets		
	2011 North Sabah Enhanced Oil Recovery Production Sharing Contract	P013 – Teal, Teal South and Guillemot A	P185 – Cook	P198 – Blocks 15/13a and 15/13b	P2366 – Blocks 15/18d and 15/19b (acquisition pending completion)	VIC/L31	VIC/P57	VIC/P74 (pending completion)
Fields	Producing: St Joseph, South Furious, South Furious 30 (SF30), Barton	Producing: Teal, Teal South, Guillemot A Discovered: Kite	Producing: Cook	Discovered: Marigold, Sunflower	Discovered: Crown	Discovered: West Seahorse	Prospects: Pointer, Felix	-
Licence Tenure	2040	Life of Field	Life of Field	Life of Field	Life of Field	Life of Field[4]	2023	2025
Direct Interest	50.0%	50.0%	19.3%	50.0%	100%	100%	75.1%	50.0%
Operatorship	Operated	Jointly-operated	Non-operated	Operated	Operated	Operated	Operated	Non-operated
Asset Type	Production	Production	Production	Development	Development	Development	Exploration	Exploration
Facilities /Infrastructure	20 Platforms/ Structures[1], 135 Wells[1], 1 Crude Oil Terminal	11 Subsea Trees, 1 FPSO	2 Subsea Trees	-	-	-	-	-
Net Oil Reserves and Resources (MMbbl)	2P Reserves: 20.5[2] 2C Resources: 31.7[2]	2P Reserves: 23.7[3] 2C Resources: 7.8[3]		2C Resources: 30.0	2C Resources: 4.0 - 8.0	2P Reserves: 6.5 2C Resources: 1.5	Best estimate prospective resources: 23 (Felix)	Subsurface studies yet to commence
Net Gas Reserves and Resources (Bscf)	-	2P Reserves: 14.8[3] 2C Resources: 6.7[3]		2C Resources: 24.4	-	-	Best estimate prospective resources: 128 (Pointer)	Subsurface studies yet to commence

Notes:
1. As of January 2018.
2. As of 1 January 2019, based on net entitlement of SEA Hibiscus Sdn Bhd (SEA Hibiscus), derived by independent technical valuer, RISC Operations Pty Ltd's report for the PSC life.
3. As of 1 January 2019, based on participating interest of Anasuria Hibiscus UK Limited (Anasuria Hibiscus), derived from LEAP ENERGY Partners Sdn Bhd's report, as of 1 July 2018 less actual production until 31 December 2018.
4. Subject to outcome of decision on whether to maintain existing production licence or apply for a retention lease. Licence tenure for a retention lease would be five years.

Key:
- FPSO : Floating Production, Storage and Offloading vessel.
- 2P Reserves : Proven and probable reserves.
- 2C Resources : Best estimate contingent resources.
- Bscf : Billion standard cubic feet.

E. Our Sales and Customers

The fields of the Anasuria Cluster and North Sabah PSC produce a combination of oil, water and gas daily if the infrastructure and facilities are available to transport and process the produced liquids. The crude oil resulting from the continuous processing is then stored in storage tanks either offshore or onshore and subsequently sold in cargoes.

Water produced from these fields is treated to reduce the oil-in-water content. The treated water is subsequently released into the sea. In both assets, a portion of the gas produced is used as fuel for equipment that is part of the processing facilities. In the Anasuria Cluster, the remaining volumes of produced gas is sold, whereas in the North Sabah PSC, it is reinjected into the fields as part of reservoir management. Minimal volumes of gas are flared as a consequence of operational requirements.

In FY2019, the fields operated or jointly-operated by our Group produced a combined total of approximately 20.2 MMbbl of gross liquids (oil and water). Of this, the total amount of oil produced net to our Group was approximately 2.9 MMbbl of oil.

Our goal in FY2019 was to sell 2.7 to 3.0 MMbbl of oil from our two producing assets. We exceeded this target and have sold approximately 3.3 MMbbl of crude oil across both producing assets, with seven offtakes originating from the North Sabah PSC (Figure 6), and a further five offtakes coming from the Anasuria Cluster (Figure 7).

In the North Sabah PSC, oil is lifted from the Labuan Crude Oil Terminal, and is sold in parcels of approximately 300,000 bbl directly to the Trafigura Group, a large global commodities trader.

	Unit	FY2019	FY2018
Net Oil Production	MMbbl	1.79	0.54
Net Oil Sold	MMbbl	1.96	0.62
Number of Cargo Offtakes	Nos	7	2
Average Realised Oil Price	USD/bbl	73	73

Figure 6: Oil production and sales volume net to our Group from the North Sabah PSC since the acquisition completed on 31 March 2018.

For the Anasuria Cluster, we sell our crude oil in cargoes of approximately 250,000 bbl net to our Group from the Anasuria FPSO facility. We have appointed BP Oil International Limited (BPOI) to lift our cargoes and to market them to refineries in the region. The parent organisation of BPOI is BP, a global energy company. To date, BPOI has successfully marketed all our cargoes at competitive prices.

Excess produced gas from the Anasuria Cluster is exported through the Fulmar Gas Line, which is part of the SEGAL (Shell Esso Gas and Associated Liquids) system, to the St Fergus gas terminal. Sales gas deliveries from St Fergus gas terminal are integral to meeting the UK gas requirements on a daily basis.

	Unit	FY2019	FY2018
Net Oil Production	MMbbl	1.13	0.98
Net Oil Sold	MMbbl	1.35	0.79
Number of Cargo Offtakes	Nos	5	3
Average Realised Oil Price	USD/bbl	67	60
Net Gas Sold (exported)	MMscf	976	523
Average Gas Price	USD/MMBtu	3.24	2.88

Figure 7: Oil and gas production and sales volume net to our Group from the Anasuria Cluster in FY2018 and FY2019.

We are pleased with both our oil trading arrangements in the North Sabah PSC and Anasuria Cluster. Our counter-parties are reputable and have a large pool of clients. Working with major global players also ensures transparency and allows us to gradually develop business relationships with some of the largest oil trading organisations.

Notes to Figure 7:
- MMscf : Million standard cubic feet.
- MMBtu : Million British thermal units.

Management Discussion & Analysis

F. Financial Performance

Financial Year/Period End	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Number of Months	12 months	12 months	12 months	12 months	18 months
Revenue (RM ’million)	988.3	394.3	261.3	81.7	15.6
EBITDA/(LBITDA) (RM ’million)	549.4	334.1	156.5	(17.2)	(67.0)
PAT/(LAT) (RM ’million)	230.0	203.7	106.1	(60.0)	(74.2)
Net Assets per Share (RM)	0.78	0.63	0.51	0.45	0.55
Debt (RM ’million)	-	-	-	-	-

Figure 8: Hibiscus Petroleum’s financial performance over the last five financial years/periods.

Figure 8 demonstrates our Company’s financial performance over the last five financial years/periods. Our financial position has never been stronger. Our strategy of acquiring producing assets during the downturn of the industry, our ability to optimise operating costs and a gradual strengthening of crude oil prices have combined to yield positive results.

As of 30 June 2019, we have built our total assets to approximately RM2.4 billion and shareholders’ funds stand at about RM1.2 billion, representing an increase of 21% and 24%, respectively, from 30 June 2018.

Prudent cashflow management, loyal shareholders and careful sequencing of investments into opportunities and projects have continued to be key in ensuring that we maintain a degree of financial independence. Whilst profits are extremely important, management’s focus remains on delivering strong and sustainable EBITDA levels as long-term business continuity is of the highest priority.

Access to capital is an important enabler for growth. We anticipate that we shall undertake certain fundraising activities to ensure that the projects and opportunities we have in hand, which are expected to enhance production and create value, may be executed smoothly.

As we currently have no debt, based on our projected activities, we envisage that some borrowings may be required and we are currently considering various debt options that are on offer, bearing in mind, factors such as long term capital requirements, preference for us to maintain a certain level of business agility and financial flexibility and our overall weighted average cost of capital. We wish to maintain a conservative level of gearing. Hence, a strong equity base will be essential.

On 20 August 2019, we announced that a Dividend Policy had been established through which we may issue dividend payments to reward shareholders for their continuous support. The Dividend Policy, which describes our present intention and the various considerations that are required to declare any dividends, can be found on our website (https://www.hibiscuspetroleum.com/dividendpolicy/).

Notes to Figure 8:

- EBITDA – Earnings before interest, taxes, depreciation and amortisation.
- LBITDA – Loss before interest, taxes, depreciation and amortisation.
- PAT – Profit after taxation.
- LAT – Loss after taxation.

G. **Share Performance**

Financial Year/Period End	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Number of Months	12 months	12 months	12 months	12 months	18 months
Year/period high (RM)	1.320	1.150	0.540	0.880	2.210
Year/period low (RM)	0.775	0.400	0.175	0.140	0.675
Year/period close (RM)	1.070	0.885	0.410	0.180	0.745
Trading volume (million)	8,030	10,091	7,805	2,703	303
Market capitalisation (as at the year/period end) (RM ’million)	1,699	1,405	592	236	691
Oil Price at year/period close (USD/bbl)	67	79	48	48	60

Figure 9: Hibiscus Petroleum’s share performance over the last five financial years/periods.

Figure 9 shows the performance of our share price over the last five financial years. As part of our mid-term capital planning and to reward loyal shareholders, we issued and listed 317,645,723 Warrants C on the Main Market of Bursa Malaysia Securities Berhad on 28 March 2018.

We hope that the performance of our underlying shares will result in the Warrants C being eventually exercised in the coming years to the benefit of both our Company and all our Warrants C holders.

Management Discussion & Analysis

2. REVIEW OF OPERATING ACTIVITIES

A. Malaysia – North Sabah PSC

1. Production Operations

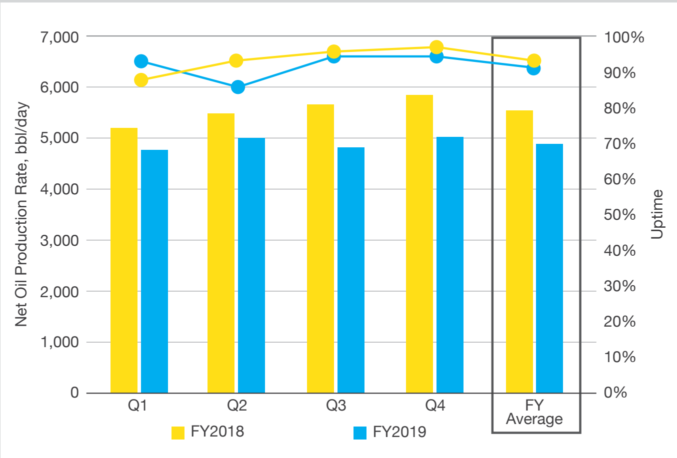


Figure 10: Average net oil production rate and uptime (RHS) of the North Sabah PSC.

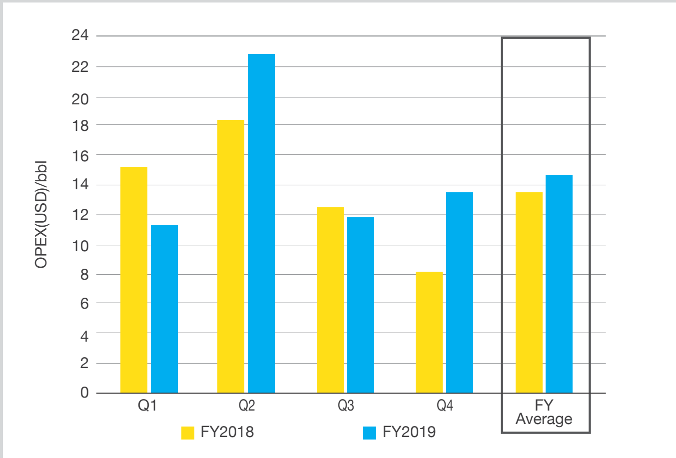


Figure 11: Average OPEX/bbl (unit production cost) of the North Sabah PSC.

FY2019 represents the first full financial year of our operatorship of the North Sabah PSC. As operator, we are responsible for the day-to-day operations, maintenance, and conduct of production enhancement activities carried out on the asset.

The average uptime and net oil production rate in FY2019 reduced by 2% and 12%, respectively, when compared to FY2018. A key operational activity in FY2019 was a planned offshore maintenance campaign, which was mostly carried out from October to December 2018 (Q2 FY2019). During this period, various facilities were required to be shut down for inspection and maintenance work, thus impacting the uptime and production metrics for the year.

Despite this decline, the average operating expenditure per bbl (OPEX/bbl), or unit production cost, for the North Sabah PSC of USD14.6/bbl in FY2019 is fairly consistent with the USD13.5/bbl achieved in FY2018. Additionally, the asset performed above expectations. At the opening of the Petroliam Nasional Berhad (PETRONAS) Reservoir Management Surveillance Summit, in April 2019, we received the 2018 Production Delivery Award, for *"Outstanding achievements and continuous contribution towards the oil and gas development and production in Malaysia Field".*

Note to Figures 10 and 11:

- Financial year (FY) average is based on the weighted average quarterly figures.

2. Production Enhancement Projects

Project	Project Description	Status	Target Completion
St Joseph Infill Drilling	Drill 3 infill oil producing wells	Completed	Aug 2019
SF30 Infill Drilling	Drill 3 infill oil producing wells	Execution commenced in August 2019	Nov 2019
SF30 Water Flood Phase 1	Drill 1 water injection well for reservoir re-pressurisation	Execution expected to start in November 2019	Dec 2019

Figure 12: Production enhancement projects in the North Sabah PSC in 2019.

a) St Joseph Infill Drilling

PETRONAS had on 21 December 2018 approved the St Joseph Infill field development plan intended to increase production and reserves of the St Joseph field. The total capital expenditure for this project is approximately RM142.6 million, and is shared equally with our joint venture partner, PETRONAS Carigali Sdn Bhd. This project entailed the drilling of three infill producers utilising a triple splitter wellhead on the St Joseph Jacket-A platform with minimal modifications to topside facilities.

Drilling operations commenced in May 2019 and we subsequently achieved first oil in July 2019. The results of each well drilled are as follows:
- SJ-105A well: brought online, achieved a stabilised flow rate of over 1,000 bbl/day gross.
- SJ-105C well: brought online, achieved a stabilised flow rate of over 1,300 bbl/day gross.
- SJ-105B well: tested at a flow rate of over 900 bbl/day gross.

The combined flow rate of the three wells, in excess of 3,200 bbl/day, exceeded the combined pre-drill expectations of oil gross of approximately 2,600 bbl/day of oil gross. The St Joseph Infill Drilling project was successfully completed in August 2019 and is expected to add a life of field (LoF) gross reserves of 2.77 million stock tank barrels (MMstb).

b) SF30 Infill Drilling

The field development plan for the SF30 Infill Drilling project to increase the production and reserves of the SF30 field was approved by PETRONAS on 1 July 2019. The total capital expenditure estimated for this project is RM126.8 million, to be shared equally with our joint venture partner. The project entails the drilling of three infill wells at the South Furious Jacket-C (SFJT-C) through the remaining conductor slot with minimal modifications to topside facilities. Drilling operations commenced in August 2019 and are expected to complete in November 2019. This project is expected to add approximately 4,000 bbl/day of oil production gross (at its peak) with an expected addition to LoF gross reserves of 3.2 MMstb.

c) SF30 Water Flood Phase 1

The Milestone Review-4 for the SF30 Water Flood Phase 1 project, which entails the drilling and completion of one infill water injection well, was endorsed by PETRONAS on 4 July 2019. The goal of this project is to enable the definition of the effectiveness of water injection as a means of providing long-term reservoir pressure support for the SF30 field. Phase 1 of this project is intended to assess the viability for a full field water injection project.

The total capital expenditure of this project is estimated to be RM50.8 million, to be shared equally with our joint venture partner. Topside modifications will be required which will entail deck strengthening and extension works. Subject to the approval of the field development plan, drilling is targeted to commence through a new conductor from SFJT-C in November 2019, following the completion of the SF30 Infill Drilling project. Upon completion of the drilling of the well, water will be injected through a small template Portable Water Injection Module which will be housed at SFJT-C.

Management Discussion & Analysis

3. Outlook

Our execution of activities in the North Sabah PSC provides us with a Malaysian platform to demonstrate our capabilities and commitment to delivering enhanced production at low unit operating costs. We believe that in the coming years, more fields in Malaysia and in the surrounding areas will be categorised as mature fields and will lose the focus of (and be the subject of divestment by) the Supermajors and the Independent Oil Companies. We believe that our growing track record and these upcoming opportunities will be a positive development for our Group.

At the micro level, we see many opportunities to grow production from the North Sabah PSC. We will phase the execution of the related projects to ensure that we do not over-extend ourselves, financially or operationally. We will also ensure that projects are technically mature before we make the relatively large investment decisions associated with them.

B. United Kingdom – The Anasuria Cluster

1. Production Operations

The average uptime in FY2019 increased by 12% compared to FY2018. This is primarily due to a 30-day planned offshore turnaround of the Anasuria FPSO conducted between September and October 2017 (2017 Offshore Turnaround). That activity directly contributed to a lower average uptime in FY2018 but may have also indirectly resulted in improved performance of the offshore facilities in the subsequent months.

As a brief recapitulation, an offshore turnaround in Anasuria is a periodic, planned activity when the Anasuria FPSO is completely shut down so that maintenance activities can be carried out to improve the overall performance of the production facilities. Offshore turnaround activities are also key to ensuring that we continue to provide a safe workplace environment for our offshore personnel.

The average daily oil equivalent production rate in FY2019 increased by 15% when compared to FY2018. This is a result of higher average uptime as well as the incremental oil and gas production from the GUA-P2 Side-Track well that was completed in September 2018.

As a result, the average operating expenditure per barrel of oil equivalent (OPEX/boe) reduced by 22% to USD18/boe in FY2019 compared to FY2018.

This has been achieved despite the impact of several operational activities conducted during the current financial year, such as:

- Scale squeeze operations;
- Flare tip changeout to mitigate a potential risk; and
- Commencement of the 2019 Offshore Turnaround.

The 2019 Offshore Turnaround commenced at the end of June 2019 and subsequently completed in mid-July 2019. Following this activity, it is hoped that the reliability and availability of the facilities will improve as was demonstrated post the 2017 Offshore Turnaround.

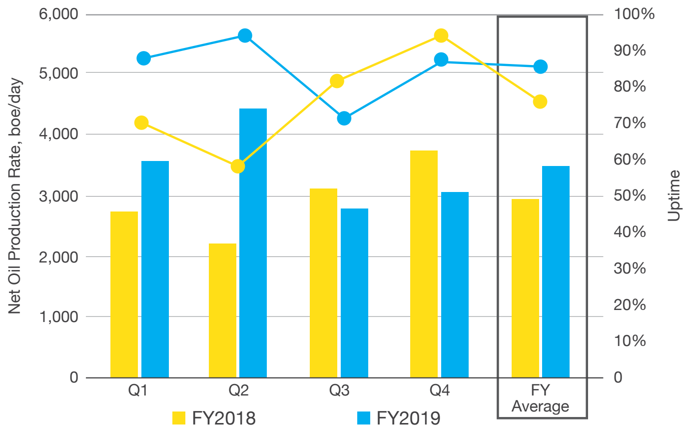


Figure 13: Average oil equivalent production rate and uptime (RHS) of Anasuria.

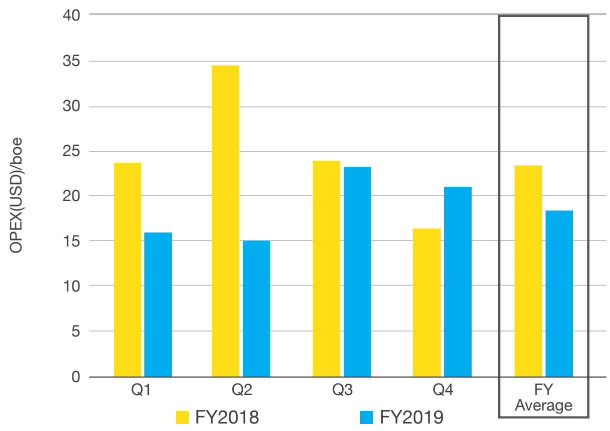


Figure 14: Average OPEX/boe of Anasuria.

2. Production Enhancement Projects

Project	Project Description	Status	Actual Completion
GUA-P2 Side-Track	Re-enter the existing GUA-P2 well to side-track the wellbore to unlock additional volumes of oil	Completed	Sept 2018
Cook Water Injection	Drill 1 water injection well in the Cook field for reservoir re-pressurisation and install water injection pipeline to the Anasuria FPSO	Completed	Oct 2019
GUA-P1 Side-Track	Re-enter the existing GUA-P1 well to side-track the wellbore to unlock additional volumes of oil	Completed	Aug 2019

Figure 15: Production enhancement projects in Anasuria.

a) GUA-P2 Side-Track Project

The drilling of a side-track well from the GUA-P2 oil producing well on the Guillemot-A field (GUA-P2 ST) commenced on 4 June 2018. It entailed re-entering the existing GUA-P2 well and subsequently side-tracking the well towards a compartment of the Forties reservoir that was prognosed to be untapped. This was a production enhancement project, with the objective of unlocking additional volumes of oil.

On 3 September 2018, our Group announced that the GUA-P2 ST well programme had been completed and during the clean-up and flowback phase, the well achieved a stabilised gross oil production flow rate to the Anasuria FPSO of 4,750 bbl/day (2,375 bbl/day, net to our Group). This stabilised production rate was established during a twenty-hour flow period through a 32% choke with the application of gas lift, at a rate of 1.7 million standard cubic feet per day. The total capital expenditure net to Anasuria Hibiscus was RM98.4 million.

b) Cook Water Injection Project

Anasuria Hibiscus together with its partners in the Cook field had, in May 2018, sanctioned the Cook Water Injection project. Ithaca Energy (UK) Limited (Ithaca) is the operator of the Cook field. This project involves the drilling of a water injection well into the Cook field to increase its reservoir pressure. It is expected that an increased reservoir pressure will result in an improved oil and gas production rate as well as an improved recovery of hydrocarbons from this field.

The execution of the drilling of the water injection well commenced on 25 March 2019. The well was drilled to a total depth of 13,045 feet (ft) measured depth (-12,248 ft true vertical depth subsea (TVDSS)) on 2 May 2019. In drilling the water injection well, the reservoir pressure at the injection well location was found to be as predicted.

Management Discussion & Analysis

However, the oil water contact is deeper than originally anticipated. The implication of a deeper oil water contact is positive and is anticipated to increase our 2P Reserves in the Cook field. A further announcement will be made when the detailed work has been completed to establish the latest reserves estimates.

The water injection well was completed as planned on 25 May 2019 and the installation of a subsea pipeline to link the water injection well to the Anasuria FPSO was concluded in October 2019. The injection of water into the Cook field reservoir has commenced. The total capital expenditure net to Anasuria Hibiscus for this project is estimated to be RM61.0 million.

c) GUA-P1 Side-Track Project

The GUA-P1 Side-Track (GUA-P1 ST) project was an opportunity to re-enter the existing GUA-P1 wellbore and potentially drain additional volumes of hydrocarbons from the Guillemot A field. This project is targeted to unlock approximately 1.7 MMbbl of oil from Anasuria Hibiscus' current net 2P Reserves.

Operations commenced when the Stena Spey drilling rig mobilised to location and deployed anchors on 17 May 2019.

On 28 July 2019, the well reached a total depth of 11,615 ft measured depth and encountered approximately 445 ft TVDSS of oil-bearing sands with a net pay of 190 ft TVDSS in the targeted reservoirs of the Guillemot A field. The relevant hydrocarbon bearing zones were perforated on 16 August 2019. The well was subsequently cleaned-up and hydrocarbons were flowed to surface. The well achieved a stabilised gross production flow rate to the Anasuria FPSO of approximately 1,800 bbl/day (900 bbl/day net to our Group). The total capital expenditure net to Anasuria Hibiscus for this project is estimated to be RM100.4 million.

We are encouraged by the incremental production observed from bringing the GUA-P1 ST well online. New data obtained from this well will allow us to reset some of our geological models and we will require a wider subsurface study of the fields within the Anasuria Cluster. We look forward to such work resulting in further value accretion of the asset.

THE RECENT CAPITAL EXPENDITURE PROJECTS SERVE NOT ONLY TO INCREASE PRODUCTION, BUT ALSO PROVIDE US WITH AN OPPORTUNITY TO FURTHER IMPROVE THE GEOLOGICAL AND RESERVOIR UNDERSTANDING OF OUR FIELDS.

3. **Outlook**

The recent capital expenditure projects serve not only to increase production, but also provide us with an opportunity to further improve the geological and reservoir understanding of our fields.

We look forward to the outcome of the studies by the Cook field operator, Ithaca, on the positive results from the drilling of the Cook Water Injection well. We are also optimistic that the subsurface studies using new information and learnings from the drilling of the GUA-P1 ST well will also yield greater confidence when pursuing new opportunities within Anasuria.

In addition, consistent with our strategy to grow our business and footprint in the UK, we have been investigating opportunities and activities to extend the economic life of Anasuria, unlock value and maximise the economic recovery from the area surrounding the Anasuria FPSO. As such, we had, and welcome further discussions with third parties who are interested to either tieback their fields to our infrastructure or to divest part/all their stake in nearby stranded discovered fields.

C. **United Kingdom – Marigold**

1. **Marigold and Sunflower**

On 9 October 2018, we announced that Anasuria Hibiscus had entered into a sale and purchase agreement (SPA) with Caldera Petroleum Limited to acquire a 50% interest in Licence P198 Blocks 15/13a and 15/13b, which consists of the Marigold and Sunflower discovered fields, for a total purchase consideration of USD37.5 million. This acquisition was completed on 16 October 2018.

This acquisition presents an opportunity for us to expand our footprint in an area of our geographic interest and is consistent with our 2021 Mission. Whilst the Company may have a more prudent view of the estimated sub-surface volumes which it is using to test the economic viability of the development of the project, based on the work of a third party independent expert, AGR Tracs International Limited, the 2C Resources for these fields is estimated to be 60.0 MMbbl gross (30.0 MMbbl net to Anasuria Hibiscus).

Having conducted some benchmarking exercises, we believe that the acquisition cost per discovered bbl of oil, at USD1.25/bbl, was very attractive and we anticipate that the value added to our portfolio through this transaction will gradually grow as we mature the field development plan.

In addition, given that production from the Anasuria Cluster generates taxable profits, we believe that the development of these newly acquired fields may provide us with an opportunity to optimise our tax position whilst accreting value to all our stakeholders through the addition of production.

We have also identified several stranded discoveries around these fields. The potential collaboration with concession owners of these stranded discoveries located around Marigold could allow a reduction in overall unit development and unit production cost for all parties. This, in turn, could potentially enable a higher volume of oil over a greater area to be economically produced. Such an outcome would deliver greater value overall, in line with the UK MER Strategy (Maximising Economic Recovery Strategy for the UK).

As Block Operator, since the completion of the acquisition, we have established a dedicated project team to conduct the subsurface field development engineering studies and, with the support of third-party contractors, execute the concept select phase as part of the effort to establish a field development plan for Marigold and Sunflower by the end of calendar year 2020. Development options that were considered include a fixed platform, a floating solution, as well as a tieback to existing, nearby infrastructure solutions.

A preferred concept has been determined, and the final concept select report has been submitted to the Oil and Gas Authority (OGA) for their review and consent. Subject to regulatory consent on the selected concept, we plan to proceed into the front-end engineering and design phase to continue the progress towards a field development plan.

2. **Crown**

On 7 October 2019, we announced that Anasuria Hibiscus had signed a conditional SPA to acquire 100% interest in Blocks 15/18d and 15/19b (Licence P2366) from United Oil & Gas PLC and Swift Exploration Limited for a total cash consideration of up to USD5.0 million, to be paid based on a combination of a series of milestones and an overriding royalty scheme.

Licence P2366 is located offshore in the UK sector of the North Sea, approximately 250km northeast of Aberdeen and 12km southeast of the Marigold field, and includes the Crown discovered field which consists of 2C Resources of between 4 to 8 MMbbl of oil, subject to an independent third party expert's assessment.

Management Discussion & Analysis

The rationale for this transaction is to secure the opportunity to aggregate 2C Resources (from the Crown discovery) at a competitive unit cost per bbl and integrate these contingent resources as part of the Marigold area-wide development with the objective of reducing overall unit development and production costs.

The proposed acquisition of this licence is subject to the receipt of regulatory approvals for the assignment of the licence to Anasuria Hibiscus and the appointment of Anasuria Hibiscus as operator. If the conditions have not been fulfilled or waived by the parties by 31 December 2019 (or such later date no later than 31 March 2020 as the parties may mutually agree), the proposed acquisition would be terminated according to the terms of the SPA.

D. Australia – VIC/L31, VIC/P57 and VIC/P74

1. VIC/L31

In 2013, our Group had secured approval from the Australian authorities to develop the West Seahorse field within the VIC/L31 Production Licence. Financing was also secured. However, the downturn in oil prices in 2014 caused us to halt investment before the commencement of the development phase.

Oil prices have now stabilised to a level which provides us encouragement that we may be able to economically develop the West Seahorse field. We have reactivated project activities and are evaluating our development options including the potential tie-back of the West Seahorse field to existing nearby infrastructure.

A Retention Lease application was submitted on 4 December 2018. However, discussions are ongoing with National Offshore Petroleum Titles Administrator (NOPTA) on whether to maintain the existing Production Licence or continue the application for a Retention Lease.

The decision will be dependent on ongoing discussions with nearby infrastructure owners for the potential tieback of the West Seahorse field.

2. VIC/P57

The VIC/P57 permit was successfully renewed for a further five years in March 2018 with a minimum guaranteed work programme until March 2021, and subsequently an optional secondary work programme until March 2023.

The minimum guaranteed work programme, which is the first three years of the renewal period, is designed to de-risk and upgrade the prospect inventory and ultimately progress prospects to 'drill-ready', while also providing an opportunity to identify previously undetected gas targets. An exploration well to be drilled in year 4 of the renewal period which, being the secondary term, is an optional programme.

In mid-July 2018, the joint venture received a 564km^2 subset of the CGG Gippsland Regeneration reprocessed data, covering the entirety of VIC/P57 area and relevant nearby oil and gas fields including the West Seahorse field. This exceeds a key work commitment for the primary term which entailed 230km^2 of seismic reprocessing. The dataset has been loaded into the interpretation software and preliminary analysis show exceptional improvement to the data quality.

Activities that had been conducted in Year 1 have fulfilled the primary term work commitments and have high-graded several drill-targets to prospect status, including Felix and Pointer.

High-resolution interpretation of the latest reprocessing, including fault and horizon mapping and depth conversion, has been completed and has reduced the uncertainty on trapping mechanisms and closures. A detailed velocity model has mitigated velocity anomalies over the area caused by channelling in the shallow overburden, leading to the refinement of the leads and prospects portfolio to Felix, Dexter and Pointer.

The joint venture has completed a variety of geological and geophysical studies, including petrophysics, rock physics and stochastic modelling studies, to understand a significant seismic amplitude anomaly at the Pointer prospect. Rock physics and Amplitude Versus Offset (AVO) forward modelling studies utilise rock physics inputs from wells from surrounding fields to constrain the seal and reservoir lithologies and determine the types of amplitude responses that can be expected for a range of fluid scenarios. This work has reduced the uncertainty surrounding hydrocarbon presence at Pointer prospect.

The technical programme has now been completed and a farm-out campaign has been initiated. The minimum guaranteed work programme has been completed and we are approximately two years ahead of schedule.

We are now in the process of farming out the block for a carry on one well to be drilled in 2021/2022. A data room is in place with several companies currently assessing the opportunities.

3. **VIC/P74**

On 26 July 2019, we announced that our associate company, 3D Oil Limited (3D Oil), a company listed on the Australian Stock Exchange, was awarded the VIC/P74 permit in the offshore Gippsland Basin by NOPTA. The 1,006km^2 permit is located on the southern side of the Gippsland Basin.

We have exercised an option that was secured prior to the permit award, to farm-in to VIC/P74 by acquiring a 50% non-operated interest in the permit on a ground floor basis. The primary work programme (First Exploration Phase), which consists of the first three years since permit award, is the 1,006km^2 of recently reprocessed 3D seismic and geophysical and geological studies. The gross cost for the First Exploration Phase is estimated to be AUD1.2 million. During this phase, 3D Oil will remain as the operator.

We will take over as operator if and when a decision is made to proceed with drilling of an exploration well either during or after the First Exploration Phase. However, if there is a farm-in for a substantial interest in VIC/P74 that will require drilling a well or wells by the farmee, the farmee will become the operator instead for all operations.

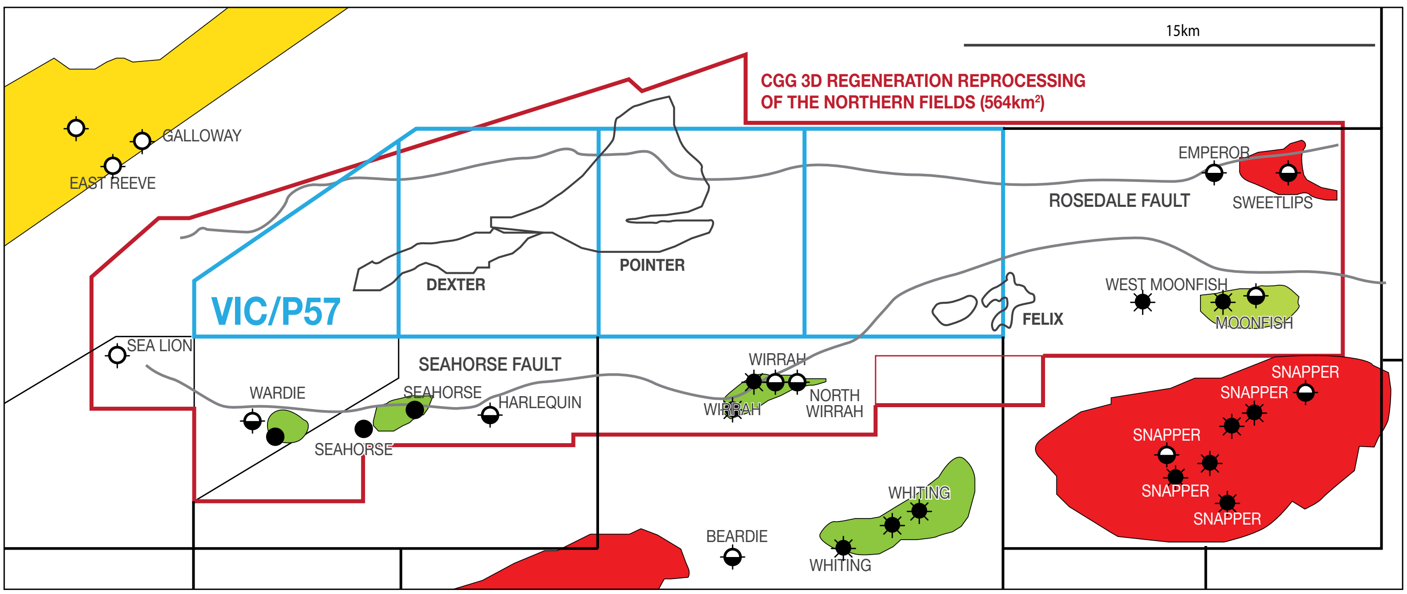


Figure 16: VIC/P57 Location (blue polygon) with Gippsland Regeneration reprocessed data (red polygon).

Management Discussion & Analysis

3. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

A. Statements of Profit or Loss

In FY2019, we posted a revenue of RM988.3 million, representing an increase of 151% compared to that achieved in the corresponding twelve-month period in FY2018 of RM394.3 million. Our Group's profit after taxation rose 13% from RM203.7 million in FY2018 to RM230.0 million in FY2019.

Our Group completed the acquisition of 50% participating interests in the North Sabah PSC on 31 March 2018. Therefore, FY2019 is the first year during which our Group's financial performance incorporated the North Sabah PSC's full twelve months operational results as compared to the three-month period included as part of the FY2018 results. In addition to this, Anasuria Hibiscus' FY2019 financial performance has outperformed that recorded in FY2018.

	North Sabah PSC		Anasuria Hibiscus		3D Oil, VIC/L31 & VIC/P57		Investment holding and group activities		Total	
Financial year ended 30 June 2019	**RM'000**		**RM'000**		**RM'000**		**RM'000**		**RM'000**	
Revenue	586,828		396,311		-		5,164		988,303	
EBITDA/(LBITDA)	294,599		281,331		(1,275)		(25,291)		549,364	
PBT/(LBT)	217,407		204,092		(1,275)		(28,757)		391,467	
Taxation	(89,306)		(72,151)		-		-		(161,457)	
PAT/(LAT)	128,101		131,941		(1,275)		(28,757)		230,010	
Financial year ended 30 June 2018	**RM'000**		**RM'000**		**RM'000**		**RM'000**		**RM'000**	
Revenue	181,886		207,379		-		5,079		394,344	
EBITDA/(LBITDA)	266,173		107,400		(4,494)		(34,948)		334,131	
PBT/(LBT)	247,037		49,209		(5,041)		(46,738)		244,467	
Taxation	(25,507)		(15,299)		42		9		(40,755)	
PAT/(LAT)	221,530		33,910		(4,999)		(46,729)		203,712	
Variance	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Revenue	404,942	223%	188,932	91%	-	-	85	2%	593,959	151%
EBITDA/(LBITDA)	28,426	11%	173,931	162%	3,219	72%	9,657	28%	215,233	64%
PBT/(LBT)	(29,630)	-12%	154,883	315%	3,766	75%	17,981	38%	147,000	60%
Taxation	(63,799)	-250%	(56,852)	-372%	(42)	-	(9)	-	(120,702)	-296%
PAT/(LAT)	(93,429)	-42%	98,031	289%	3,724	74%	17,972	38%	26,298	13%

Figure 17: Analysis of our Group's financial performance by operating segments.

Notes to Figure 17 :
EBITDA - Earnings before interest, taxes, depreciation and amortisation.
LBITDA - Loss before interest, taxes, depreciation and amortisation.
PBT - Profit before taxation.
LBT - Loss before taxation.
PAT - Profit after taxation.
LAT - Loss after taxation.

The results of each of our Group's operating segments are detailed below:

1. **North Sabah PSC**

   SEA Hibiscus completed the acquisition of 50% participating interests in the North Sabah PSC on 31 March 2018 (Completion Date).

   In FY2019, the segment recorded a revenue of RM586.8 million from seven crude oil offtakes. A total of 1,958,150 bbl of crude oil were sold, at an average realised oil price of USD72.81/bbl. In FY2018, from the Completion Date to 30 June 2018, two crude oil offtakes were sold at an average realised oil price of USD73.26/bbl, which contributed to a revenue of RM181.9 million.

   The sale of the seven cargoes at a relatively high average realised oil price was the main driver for the segment recording an EBITDA of RM294.6 million and EBITDA margin over revenue of 50% in FY2019.

   The FY2018 EBITDA of RM266.2 million included a negative goodwill amount of RM206.3 million, which did not recur in FY2019. The negative goodwill was recorded when the fair value of the share of net identifiable assets acquired (reviewed in accordance with the provisions of Malaysian Financial Reporting Standard 3 'Business Combinations') as at the Completion Date exceeded the purchase consideration.

IN FY2019, WE POSTED A REVENUE OF RM988.3 MILLION, REPRESENTING AN INCREASE OF 151% COMPARED TO THAT ACHIEVED IN THE CORRESPONDING TWELVE-MONTH PERIOD IN FY2018 OF RM394.3 MILLION. OUR GROUP'S PROFIT AFTER TAXATION ROSE 13% FROM RM203.7 MILLION IN FY2018 TO RM230.0 MILLION IN FY2019.

   Segment PBT in FY2019 was RM217.4 million after deducting the following items, all of which are non-cash in nature:
   - Amortisation of intangible assets of RM49.9 million;
   - Unwinding of discount on deferred consideration and non-current payables of RM15.4 million; and
   - Unwinding of discount on provision for decommissioning costs of RM10.8 million.

   The tax regime under which Malaysian oil and gas activities are governed, and is thus applicable to SEA Hibiscus, is the Petroleum (Income Tax) Act 1967 (PITA). The provisions of PITA are applied to net taxable petroleum income at the rate of 38%. Net tax expenses incurred in FY2019 were due to taxes levied on profits generated from operations, partly off-set by a reversal of deferred tax liabilities.

2. **Anasuria Hibiscus**

   In FY2019, the Anasuria Hibiscus operating segment recorded an EBITDA of RM281.3 million, or 71% margin over revenue, compared to EBITDA of RM107.4 million (52% margin over revenue) in FY2018.

   There were five crude oil offtakes in FY2019, with a total of 1,349,170 bbl sold at an average realised oil price of USD66.60/bbl. Revenue attained was RM396.3 million. In FY2018, 791,822 bbl were sold in three offtakes at an average oil price of USD60.11/bbl, resulting in a revenue of RM207.4 million.

   The higher revenue and improved operational performance in FY2019 were the main drivers for the EBITDA level to improve by 162% in FY2019 compared to FY2018.

   The segment's PBT in FY2019 was RM204.1 million. This was achieved after having accounted for the following non-cash items:
   - Amortisation of intangible assets and depreciation of oil and gas assets of RM62.9 million; and
   - Unwinding of discount on provision for decommissioning costs of RM14.0 million.

   The segment recorded a net tax charge in FY2019 amounting to RM72.2 million. Income tax expenses amounted to RM49.4 million, while net deferred tax liabilities recognised were RM22.8 million.

Management Discussion & Analysis

The tax regime in the UK which applies to the exploration for, and production of, oil and gas, allows for any investments in capital expenditure to be fully deducted from taxable income in the same financial year/period in which they are incurred, thus lowering the income taxation for that financial year/period. At the same time, a deferred tax liability (based on the existing applicable UK tax rate of 40%) is recognised in respect of the carrying value of the capital expenditure at the point when such capital expenditure is made. This creates a tax expense in the profit or loss account. However, such a tax expense is non-cash in nature.

In FY2019, qualifying capital expenditure invested by Anasuria Hibiscus for taxation purposes amounted to RM131.0 million. This resulted in a deferred tax expense of approximately RM51.0 million which has been charged to the profit or loss account. It was partly off-set by the reversal of deferred tax liabilities previously recognised upon accounting for the asset as a business combination upon completion of its acquisition. Such deferred tax liabilities were in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base.

3. 3D Oil, VIC/L31 & VIC/P57

This segment of our business recorded a LAT of RM1.3 million in FY2019 compared to a LAT of RM5.0 million in FY2018.

The lower LAT was mainly due to the non-recurrence of a one-off third-party engineering services related consultancy charge incurred in FY2018.

4. Investment Holding and Group Activities

The investment holding and group activities operating segment recorded a LAT of RM28.8 million in FY2019, a decrease of RM17.9 million when compared to a LAT of RM46.7 million in FY2018.

In FY2018, after due consideration and assessment, our Group wrote down the carrying costs of the Britannia Rig (Rig) to its scrap value and recognised an impairment loss of RM6.6 million. As a result, depreciation on the Rig charged to the profit or loss account in FY2018 amounting to RM9.8 million did not recur in FY2019.

B. Statements of Financial Position

1. Non-current Assets

Our Group's non-current assets as at 30 June 2019 amounted to RM1,916.0 million compared to RM1,571.5 million as at 30 June 2018.

The increase was mainly driven by the capitalisation into intangible assets of those costs incurred which were directly attributable to the acquisition of 50% interest in the Marigold and Sunflower oilfields by Anasuria Hibiscus in FY2019, which amounted to RM156.5 million.

In addition, capital expenditure programmes invested in the Anasuria asset (included in equipment) in FY2019 amounting to RM145.2 million have also contributed to the increase in our Group's non-current assets. Major capital expenditure undertaken during FY2019 was for the drilling of the GUA-P2 ST well (which was completed in September 2018), the drilling of the GUA-P1 ST well (which commenced in May 2019 and completed in August 2019) and the Cook Water Injection project (which was completed in October 2019).

2. **Current Assets**

   Current assets increased from RM402.5 million as at 30 June 2018 to RM477.1 million as at 30 June 2019.

   Cash and bank balances increased by RM137.6 million, largely due to the collection of proceeds from crude oil offtakes in both the Anasuria Hibiscus and North Sabah PSC operating segments during FY2019.

   In addition, other operational-related receivables in the North Sabah PSC segment increased by approximately RM23.5 million.

   These are partially off-set by a lower trade receivables balance of RM44.2 million when compared to 30 June 2018. It should be noted that the trade receivables balances at the end of the respective reporting periods are impacted by the timing of receipts of proceeds from crude oil offtakes in both the Anasuria Hibiscus and North Sabah PSC operating segments. In addition, inventory balances were lower by RM36.5 million.

3. **Total Liabilities**

   Our Group's total liabilities amounted to RM1,155.6 million as at 30 June 2019, an increase of RM177.4 million from RM978.2 million as at 30 June 2018.

   During FY2019, SEA Hibiscus recognised a RM65.3 million provision for decommissioning costs for the North Sabah PSC subsequent to a re-assessment of a liability that is due in December 2019. In addition, a higher volume of work was carried out throughout FY2019 when compared to activity levels in FY2018. This is due to the fact that SEA Hibiscus only completed the acquisition of the North Sabah PSC on 31 March 2018 and only a limited amount of activity could be conducted during the three-month window i.e. between 1 April 2018 and the financial year end on 30 June 2018. Payables and accruals as at 30 June 2019, which included liabilities for drilling activities and planned maintenance and inspection work, showed an increase of RM57.5 million when compared to 30 June 2018.

   Deferred tax liabilities also increased by RM50.1 million, while the provision for taxation recognised by both SEA Hibiscus and Anasuria Hibiscus was higher by RM24.0 million. The higher provision for taxation was due to a higher taxable income resulting from the higher revenue achieved.

4. **Total Equity**

   The increase in total equity during FY2019 by RM241.7 million was mainly attributable to net earnings generated from both the Anasuria Hibiscus and North Sabah PSC operating segments.

C. Statements of Cash Flows

1. **Cash flows from operating activities**

   Net cash generated from operating activities in FY2019 was RM496.1 million. It comprised mainly of cash received that was derived from operations at the North Sabah PSC and Anasuria Hibiscus operating segments, partly off-set by payment of taxation obligations incurred in both of the segments and group-wide operating overheads.

2. **Cash flows from investing activities**

   Our Group's net cash used in investing activities amounted to RM349.8 million.

   A total of RM168.1 million was utilised mainly for investments in capital expenditure in both the Anasuria Hibiscus and North Sabah PSC operating segments.

   In addition, RM154.8 million was paid for the acquisition of 50% interest in the Marigold and Sunflower oilfields by Anasuria Hibiscus during the financial quarter ended 31 December 2018.

   Our Group paid RM20.6 million (USD5.0 million) for the first tranche of deferred consideration relating to the acquisition of 50% participating interests in the North Sabah PSC in March 2019, per the agreed schedule. Note that the second and final tranche, also amounting to USD5.0 million, is payable in March 2020.

3. **Cash flows from financing activities**

   Net cash used in financing activities during FY2019 were payments for computer hardware and software purchased via finance lease arrangements amounting to RM6.6 million.

Management Discussion & Analysis

4. IDENTIFIED ANTICIPATED AND KNOWN RISKS

Our Group is exposed to both operational and business risks. The Executive Risk Management Committee (ERMC) monitors the various risk factors that may impact our Group and proposes measures to mitigate these risks where this is possible. The following are several key risk factors (in no order of priority) that are being monitored.

1. Unplanned extended shutdown of Anasuria operations

Potential Impact	Any prolonged stoppage of production from the Anasuria Cluster or associated infrastructure could negatively impact our revenue generation capacity.
Mitigation Measure	Our Group has put in place a degree of business interruption insurance protection for the Anasuria asset that will mitigate a major portion of our operating expenditure if any unplanned major shutdown exceeds 60 days (continuous) duration. Our Group has also conducted an FPSO Turnaround between June 2019 and July 2019, which saw a full shutdown of production operations during this period. This allowed for the carrying out of critical maintenance work to improve the reliability of the topside facilities, as well as to ensure a safe working environment for our personnel offshore.

2. Unplanned extended shutdown of North Sabah PSC operations

Potential Impact	Any prolonged stoppage of production from the North Sabah PSC or associated infrastructure could negatively impact our revenue generation capacity.
Mitigation Measure	Our Group has put in place a degree of business interruption insurance protection for the North Sabah PSC that will mitigate a major portion of our operating expenditure if any unplanned major shutdown exceeds 60 days (continuous) duration. Our Group completed a planned ramp-up of maintenance activities on the offshore facilities to improve the reliability of the facilities in FY2019.

3. Project management capability to deliver Marigold & Sunflower to production

Potential Impact	Development of the Marigold & Sunflower fields will be a material undertaking for our Group. It will also be the first time our Group is working to deliver a development project in the UK North Sea.
Mitigation Measure	The development of the Marigold & Sunflower fields on time and on budget represent an opportunity for our Group to enhance our technical and project management track record and deliver on our 2021 Mission. However, review of projects implemented in the UK North Sea show that the majority of projects suffer cost overruns and time delays. Risk mitigation measures for our Group include (but are not limited to) the following: • Relevant prior experience: Project team comprises personnel with experience of working on similar projects and those whom have worked on UK North Sea projects. • Project controls structure: Independent project cost control structure reporting to the Chief Financial Officer. • Proper work scoping and packaging of work scopes: Comprehensive work scoping, and packaging of scopes of work to minimise technical interfaces and cost overruns. • Reliable contractors: Use of reliable contractors with a visible track record of delivering similar projects in the UK North Sea environment on time and on budget. • Choice of development concept: Implementation of the concept that minimises the risks of project delivery and enhances the maximisation of economic recovery through the life cycle of the fields. • Funding plan: To ensure that the venture is adequately funded before embarking on the project.

4. Oil price fluctuations

Potential Impact	Our revenues are directly related to the volumes of oil that we sell and the oil price that is secured at the time of a lifting. Hence, if a relatively low oil price prevails at the time of a lifting, it could reduce cashflow generation and revenue recognition for the period. A prolonged low oil price scenario could negatively impact future cashflow projections and thereby potentially hinder certain planned business initiatives.
Mitigation Measure	The primary means to mitigate this risk is to keep unit operating costs to a level that is a low as practically possible to safely operate the asset. This manner of mitigation protects the viability and business sustainability of the asset. For business planning purposes, our Group utilises conservative oil price projections for new investment decision making purposes. Our Group is always cognisant of the fact that if oil price trends towards a level that approaches our unit operating cost, we will consider entering into an appropriate hedging programme after carefully assessing prevailing market conditions. Our Audit and Risk Management Committee and our Board of Directors will be consulted for the necessary guidance and approvals if such a hedging programme is invoked.

5. Project cost overruns

Potential Impact	Any significant cost overruns on future capital expenditure projects, undertaken on the Anasuria Cluster or the North Sabah PSC could negatively impact our liquidity and our ability to fund future production or value enhancing initiatives.
Mitigation Measure	Our Group matures every project through a stringent, peer-reviewed gate process. This is to ensure adequate technical work and engineering has been done prior to a material quantum of capital being invested. On execution of the relevant project, we focus on ensuring constant and open communication channels between all project stakeholder groups and we ensure sufficient resources are available and applied in all phases of the execution of the project. As far as possible, we utilise a flat project management organisational structure, thus enabling quick decision making. We also put in place strong and effective supervision at all levels of the project organisation. Our Group maintains a cash buffer to mitigate any significant cash shortfalls that may occur during the project. As we grow, the number of projects we may execute simultaneously also grows in tandem, so it is likely that our Group will also put in place a revolving credit facility to act as a contingency financial line.

6. Alignment of the business priorities at the Anasuria Cluster with those of our joint operating partner, Ping Petroleum UK Limited or the operator of the Cook Field, Ithaca Energy (UK) Limited

Potential Impact	The activities we are able to prioritise or carry out at the Anasuria Cluster are subject to mutual agreement and alignment with our partners in the various fields. They may not share the same technical or commercial views, may lack funding capacity or even be pursuing an exclusive business strategy (an exit process) which discourages further investment in the asset, thus impacting our ability to deliver the full potential of the asset for a period of time.
Mitigation Measure	We recognise that we are not always able to convince our partners to act in a manner that is mutually beneficial. We can, however, maintain open and transparent communication channels with our partners, keep abreast of their business drivers and plan our investments so that on a portfolio basis, we are able to mitigate the impact of this specific risk factor to the best of our abilities.

Management Discussion & Analysis

5. OUR FUTURE: OBJECTIVES AND STRATEGIES FOR CREATING VALUE

In 2015, in the wake of declining oil prices, we made a conscious, strategic decision to abandon our exploration-led strategy and instead, secure cash-generating producing assets. We believed that a low oil price environment would precipitate portfolio rationalisation exercises by the larger producers and subscale fields (for large companies) with relatively high unit operating costs and near-term abandonment liabilities, would come onto the market.

From 2015 through to 2018, as we prognosed, several opportunities did come to market and we acquired two high potential assets at a relatively low cost. A subsequent upturn of crude prices combined with our ability to reduce unit operating costs safely and our capacity to invest in the acquired assets have resulted in substantial value accretion and job creation.

The platform we have established now provides us with a springboard to achieve our future objectives. Our mission for 2021 is articulated in Figure 18.

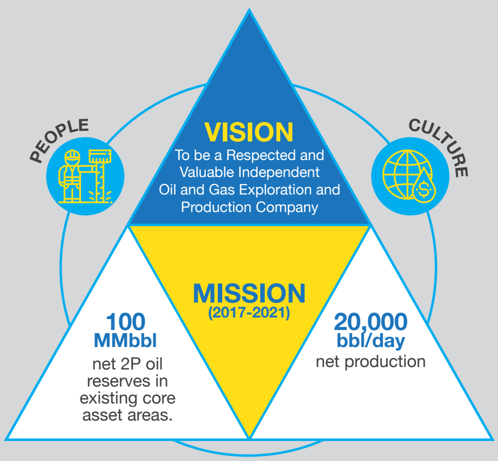


Figure 18: Hibiscus Petroleum's strategic vision and mission for 2021.

With the completion of our acquisition, in October 2018, of a 50% interest in the Marigold and Sunflower discovered fields in the UK North Sea, we believe that we are well positioned to achieve our 2021 Mission. The figure below depicts our net entitlement to reserves and resources, as of 1 January 2019, within the licences in which we have interests.

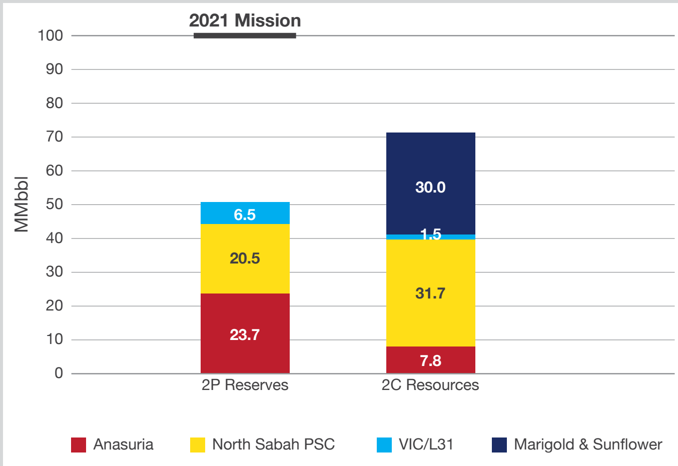


Figure 19: Hibiscus Petroleum's net reserves and resources estimates.

Notes to Figure 19:

- Reserves and resources are as of 1 January 2019.
- Anasuria 2P Reserves and 2C Resources are based on Anasuria Hibiscus' participating interest and derived from LEAP ENERGY Partners Sdn Bhd's report, as of 1 July 2018, less actual production until 31 December 2018.
- North Sabah 2P Reserves and 2C Resources are based on SEA Hibiscus' net entitlement and derived by RISC Operations Pty Ltd's report dated January 2019 for the PSC life.

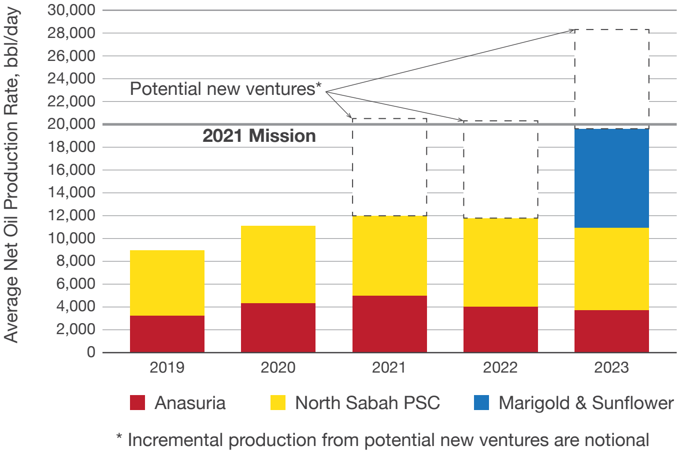


Figure 20: Hibiscus Petroleum's 5-year net production target.

Figure 20 depicts our production targets for the next five years. In order for us to achieve this target, our main focus over the next three years will entail:

- Enhancing production at the Anasuria and North Sabah fields;
- Converting our 2C Resources, particularly in Marigold and Sunflower into producing 2P Reserves;
- High-grading exploration prospects and progressing discussions on sharing nearby available infrastructure to monetise the West Seahorse development asset; and
- Continuing to look for opportunities to grow our asset base mainly in or around the areas of our geographic focus.

CONCLUDING REMARKS

We are pleased with the results achieved for FY2019. Production targets were delivered and financially, the position of our Group has not been stronger. We also believe that certain trends which are emerging in the macro environment will provide more growth opportunities for our organisation.

We foresee that for our sector:

- There will be new venture opportunities emanating in Malaysia as the fields in the Malay Basin mature and established players review their portfolios;
- Climate change activism will cause some large companies to review their portfolios and choose to exit assets in which they have large exposure to carbon emissions. Again, this type of approach may cause new opportunities to come to market;
- Oil prices will trend higher as security concerns in the Middle East and the impact of IMO 2020 take effect. In addition, our view is that climate change activism will reduce investment in oil projects, thus causing a mid -term tightening of supply; and
- US policy in many facets of the global economy and the results of the 2020 US Presidential elections will have a significant impact on the volatility and direction of crude oil prices in the mid-term.

From the perspective of Hibiscus Petroleum, we will continue on our path towards delivering the goals of our 2021 Mission, prioritising the sustainability of our business. This will involve safely executing projects that enhance production and generate strong positive cashflow.

DR KENNETH GERARD PEREIRA
Managing Director
7 October 2019

Note to Figure 20:

- Production from Marigold and Sunflower assumes that our Group retains approximately 35% interest in these fields.

Cashflow Generation

The successful execution of various projects and the maintaining of production momentum has led to significant improvement in the overall Group financial performance as compared to FY2018, with Revenue rising by 151% and our EBITDA rising by 64% in FY2019. We are positive that our current and future projects will build a strong and sustainable platform for future earnings and cashflow generation.

Calendar of Events

24 OCTOBER 2018

Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) announced that its associate company, 3D Oil Limited (3D Oil) had completed a review on its wholly-owned exploration permit WA-527-P, and had identified possible look-alike structures in its open-file seismic database, similar to the significant Dorado-1 oil discovery located approximately 80 kilometres (km) away. 3D Oil had also commenced reprocessing of the open-file data in order to determine the continuity of the identified feature.

27 NOVEMBER 2018

Hibiscus Petroleum announced that for the quarter ended 30 September 2018, the Group's profit after tax (PAT) rose by 827% to RM100.0 million while earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 625% to RM209.2 million.

3 DECEMBER 2018

Hibiscus Petroleum announced several corporate and business updates which included the following:

i) Technical work and value-accreting activities offshore were carried out. In mid-2018, the existing GUA-P2 (GUA-P2 ST) well was sidetracked into a nearby, untapped compartment of the Forties reservoir containing a gross recoverable oil volume of approximately 1.5 million barrels. The completion of the sidetrack increased net daily production from the Anasuria Cluster by more than 33% in September 2018, compared to August 2018.

ii) The acquisition of a 50% participating interest in two discovered fields in Blocks 15/13a and 15/13b in the Central North Sea in October 2018 by our wholly-owned subsidiary, Anasuria Hibiscus UK Limited (Anasuria Hibiscus).

iii) In August 2018, Petroliam Nasional Berhad (PETRONAS) approved the St Joseph Infill Drilling project leading to the submission of a Field Development Plan in November 2018. This project entailed the drilling of three infill producers and was expected to add approximately gross 2,600 barrels per day of oil at peak production, from an estimated ultimate recovery (EUR) of a gross of 2.8 million stock tank barrels (MMstb) of oil.

16 JANUARY 2019

Hibiscus Petroleum announced that its indirect wholly-owned subsidiary, SEA Hibiscus Sdn Bhd (SEA Hibiscus), had on 1 November 2018, appointed RISC Advisory Pty Ltd to undertake an independent audit and provide an assessment of the reserves and contingent resources within the Barton, St Joseph, South Furious and SF 30 oilfields in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC), offshore Sabah, Malaysia (North Sabah Fields).

As of 31 December 2018, the gross proved plus probable reserves (2P Reserves) and the gross contingent resources (2C Resources) of oil in the North Sabah Fields were estimated to be 55.3 MMstb and 85.7 MMstb respectively. (On 12 October 2016, Hibiscus Petroleum had disclosed gross 2P Reserves and gross 2C Resources as of 1 January 2016 of 62 MMstb and 79 MMstb respectively, derived by the independent technical valuer, RISC Operations Pty Ltd).

23 JANUARY 2019

Hibiscus Petroleum announced that 3D Oil had completed test seismic reprocessing of open-file 2D seismic data for WA-527-P. Erosional channels had been identified across the permit which were potential trapping mechanisms for oil, analogous to that discovered in the Dorado setting. Analysis indicated the presence of possible hydrocarbon leakage which supported the concept of a prolific petroleum system to be present in the acreage providing abundant oil charge. Farm-out discussions for WA-527-P were also underway.

19 FEBRUARY 2019

Hibiscus Petroleum announced that for the quarter ended 31 December 2018, the Group's PAT rose by 354% to RM50.1 million (2Q 2018: RM11.0 million) while EBITDA rose by 245% to RM98.0 million (2Q 2018: RM28.4 million).

4 MARCH 2019

Hibiscus Petroleum announced that its jointly-controlled operating company, Anasuria Operating Company Limited was on track to execute the Guillemot A GUA-P1 side-track well, a planned production enhancement project at the Anasuria Cluster concession offshore in the United Kingdom North Sea, which was targeted to unlock approximately 1.7 million barrels of oil from its current net 2P (proven and probable) oil reserves.

6 MAY 2019

Hibiscus Petroleum announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus had received a positive update on the progress of the Cook Water Injection Project from Ithaca Energy (UK) Limited (Ithaca), the Operator of the Cook Joint Venture. Ithaca advised Anasuria Hibiscus that the Cook water injection well had been drilled to a total depth of 13,045-feet Measured Depth (-12,248-feet True Vertical Depth SubSea) on 2 May 2019.

In drilling the water injection well, the reservoir pressure at the injection well location was found to be as predicted and the water injection well would now be completed as planned to provide pressure support to the Cook P1 production well. Additionally, the oil water contact was found to be deeper than originally anticipated. The implications of a deeper oil water contact whilst potentially positive, were still being evaluated.

27 MAY 2019

Hibiscus Petroleum announced that for the nine-month period ended 31 March 2019, the Group's PAT rose by 96% to RM205.3 million (9M 2018: RM105.0 million) while EBITDA rose by 169% to RM422.3 million (9M 2018: RM156.9 million).

Calendar of Events

17 JULY 2019

Hibiscus Petroleum announced that Anasuria Hibiscus had entered into a conditional non-binding term sheet to acquire North Sea Blocks 15/18d and 15/19b (Licence P.2366 or Blocks), from United Oil & Gas PLC (United) and Swift Exploration Limited (Swift) for a total cash consideration of up to USD5 million.

The Blocks are located offshore in the United Kingdom sector of the North Sea, approximately 250km northeast of Aberdeen. The Blocks include the Crown Discovery.

The Blocks are located 12km southeast of Marigold field, which together with the Sunflower field, was acquired by Anasuria Hibiscus in October 2018.

24 JULY 2019

Hibiscus Petroleum announced that SEA Hibiscus had on 16 July 2019, safely and successfully drilled and completed the SJ-105A well, the first of three infill wells being drilled as part of the St Joseph infill drilling project in Malaysia, under the North Sabah PSC.

26 JULY 2019

Hibiscus Petroleum announced that 3D Oil had been awarded the VIC/P74 permit in the offshore Gippsland Basin by the National Offshore Petroleum Titles Administrator (NOPTA). The 1,006km^2 permit is located on the southern side of the Gippsland Basin, adjacent to the world class Kingfish oilfield. The Kingfish oilfield is the largest oilfield ever discovered in Australia and to date has produced over one billion barrels of oil.

20 AUGUST 2019

- Hibiscus Petroleum announced that SEA Hibiscus had safely and successfully completed the St Joseph Infill Drilling campaign in the North Sabah PSC. This campaign entailed the drilling and completion of three infill oil producers, utilising triple splitter wellheads on the St Joseph Jacket-A (SJJT-A) platform with minimal modifications to topside facilities.

  The combined increase in production from the three infill wells for the St Joseph Infill Drilling campaign of over 3,200 barrels per day had exceeded pre-drill expectations of approximately 2,600 barrels per day.

- Hibiscus Petroleum announced that for the financial year ended 30 June 2019 (FY2019), the Group's PAT rose by 13% to RM230.0 million (FY2018: RM203.7 million) while EBITDA rose by 64% to RM549.4 million (FY2018: RM334.1 million). The significant improvement in overall Group performance compared to FY2018 was attributable to the contribution from the Malaysian North Sabah asset. This was the first full year that the Malaysian asset was under the Group's operatorship. In addition, there was higher overall production from the Anasuria Cluster in the United Kingdom.

3 OCTOBER 2019

Hibiscus Petroleum announced that pursuant to an earlier disclosure made on 26 July 2019, Carnarvon Hibiscus Pty Ltd (Carnarvon Hibiscus), an indirect wholly-owned subsidiary of Hibiscus Petroleum, had exercised its option to farm into exploration permit VIC/P74 (the Permit) by acquiring a 50% interest in the Permit from 3D Oil.

It had been agreed between the parties that (a) if it is required that a well or wells be drilled after the primary first 3 years of the prospect generation phase, Carnarvon Hibiscus shall be the operator of the Permit but 3D Oil shall continue to be the operator for geological & geophysical operations, but (b) however, if there is a farm-in for a substantial interest in the Permit that will require drilling a well or wells by the farmee, the farmee will become the operator instead for all operations.

7 OCTOBER 2019

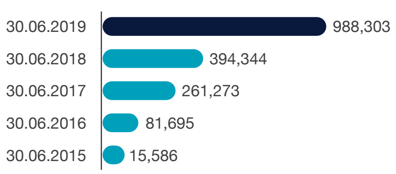
Hibiscus Petroleum announced that pursuant to its disclosure on 17 July 2019, its indirect wholly-owned subsidiary, Anasuria Hibiscus has entered into a conditional Sale and Purchase Agreement to acquire Licence P.2366 from United and Swift for a total cash consideration of up to USD5 million.

Financial Highlights

	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Revenue	988,303	394,344	261,273	81,695	15,586
Profit/(loss) after taxation	230,010	203,712	106,097	(59,960)	(74,216)
Total assets	2,393,132	1,973,965	1,319,586	1,269,167	551,037
Shareholders' equity	1,237,532	995,790	742,362	584,259	511,737
Net assets per share	RM0.78	RM0.63	RM0.51	RM0.45	RM0.55
Basic earnings/(loss) per share	14.48 sen	13.19 sen	7.51 sen	(5.66 sen)	(9.68 sen)

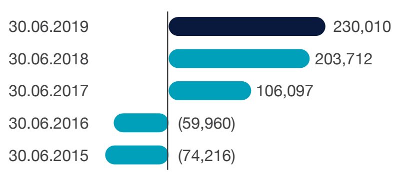
+150.6%[1]

REVENUE
(RM'000)



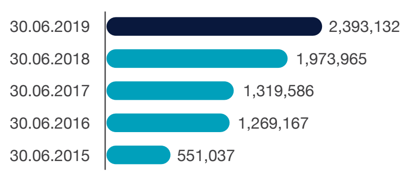
+12.9%[1]

PROFIT/(LOSS) AFTER TAXATION
(RM'000)



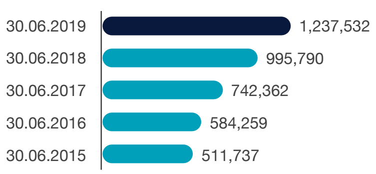
+21.2%[2]

TOTAL ASSETS
(RM'000)



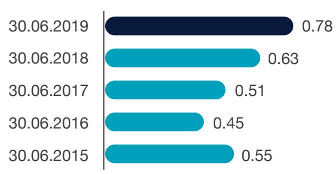
+24.3%[2]

SHAREHOLDERS' EQUITY
(RM'000)



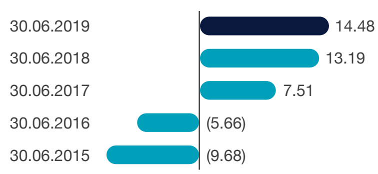
+23.8%[2]

NET ASSETS PER SHARE
(RM)



+9.8%[1]

BASIC EARNINGS/(LOSS) PER SHARE
(sen)



Notes:
1 : Financial year ended 30 June 2019 versus financial year ended 30 June 2018.
2 : As at 30 June 2019 versus as at 30 June 2018.

Corporate Information

BOARD OF DIRECTORS

Zainul Rahim bin Mohd Zain
Non-Independent Non-Executive Chair

Dr Kenneth Gerard Pereira
Managing Director

Dato' Sri Roushan Arumugam
Independent Non-Executive Director

Thomas Michael Taylor
Senior Independent Non-Executive Director

Dato' Dr Zaha Rina Zahari
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Thomas Michael Taylor
Chair

Zainul Rahim bin Mohd Zain
Member

Dato' Dr Zaha Rina Zahari
Member

NOMINATING COMMITTEE

Dato' Dr Zaha Rina Zahari
Chair

Zainul Rahim bin Mohd Zain
Member

Dato' Sri Roushan Arumugam
Member

Thomas Michael Taylor
Member

REMUNERATION COMMITTEE

Dato' Sri Roushan Arumugam
Chair

Zainul Rahim bin Mohd Zain
Member

Thomas Michael Taylor
Member

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

2nd Floor
Syed Kechik Foundation Building
Jalan Kapas, Bangsar
59100 Kuala Lumpur
Tel : +603-2092 1300
Fax : +603-2092 1301
Website : www.hibiscuspetroleum.com

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel : +603-2173 1188
Fax : +603-2173 1288

STOCK EXCHANGE LISTING

The Main Market of Bursa Malaysia Securities Berhad
Stock Name : HIBISCS
Stock Code : 5199
Sector : Energy
Sub-sector : Oil & Gas Producers

SHARE REGISTRAR

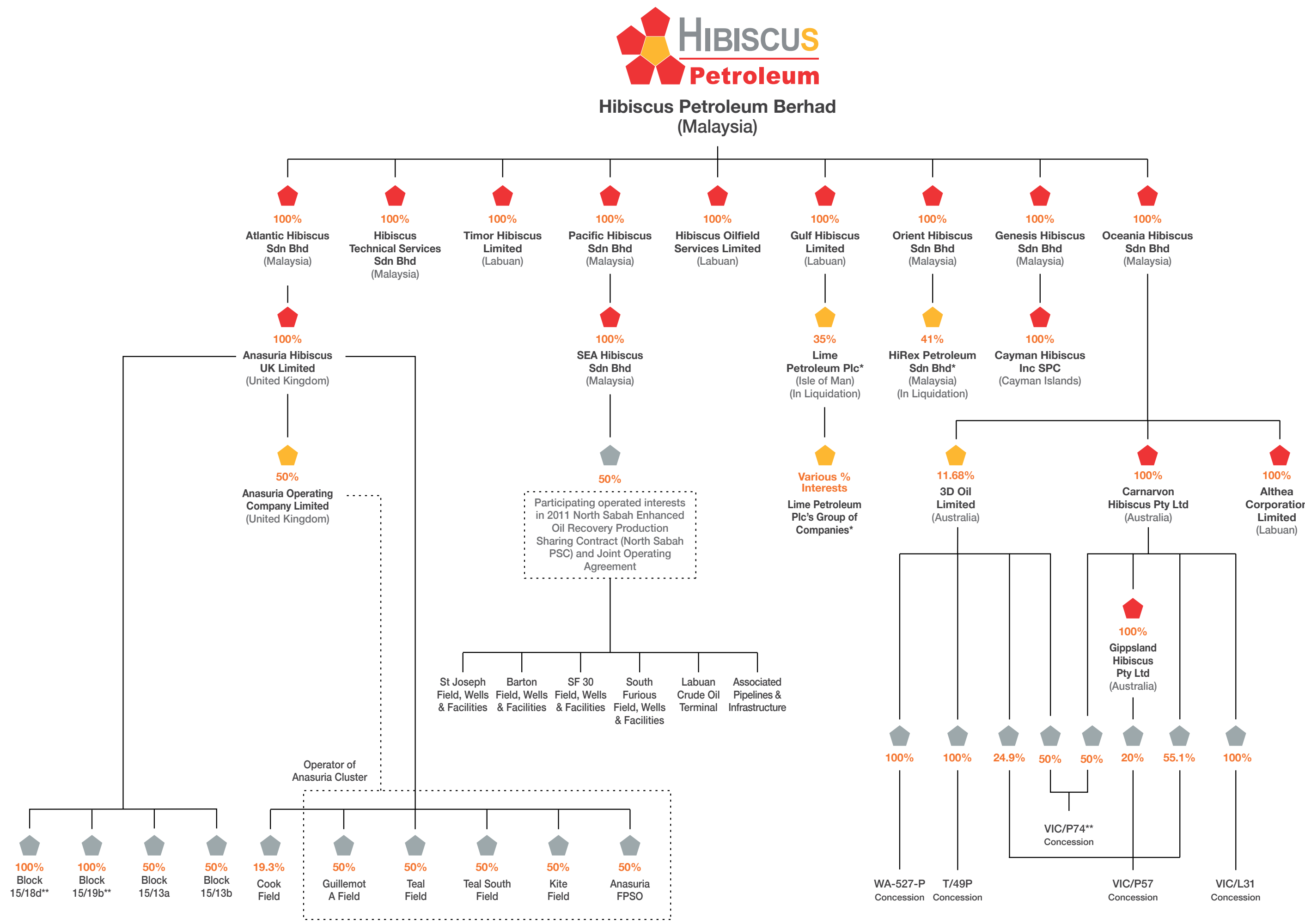
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : +603-2783 9299
Fax : +603-2783 9222

PRINCIPAL BANKER

CIMB Islamic Bank Berhad

Corporate Structure

(As at 7 October 2019)



Notes:

* Subject to claims and ongoing legal proceedings by Hibiscus Petroleum Berhad Group.

** Pending completion

Board of Directors
(AS AT 1 OCTOBER 2019)

ZAINUL RAHIM BIN MOHD ZAIN
Non-Independent Non-Executive Chair

Nationality	Age/Gender	Date appointed to Board
Malaysian	66/Male	14 December 2010

Date of Last Re-election
4 December 2018

Academic/Professional Qualification(s):
B.Eng majoring in Mechanical Engineering, University of Western Australia, Australia

Membership on the Board Committees:
- Member, Audit and Risk Management Committee
- Member, Nominating Committee
- Member, Remuneration Committee

Present Directorship(s) in other companies:
Listed Entity: Nil
Other Public Companies: Nil

Present Appointment(s):
- Chairman, Cenergi SEA Sdn Bhd
- Chairman, Malaysian Dutch Business Council

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 41 years of experience in the oil & gas exploration and production (E&P) industry
- Adviser, Sime Darby Energy & Utilities Division
- Director, Bank Pembangunan Malaysia Berhad
- Director, Petronas Carigali Sdn Bhd
- Director, redT Energy Plc
- Director, UKM Holdings Sdn Bhd
- Deputy Chairman, Shell Malaysia
- Chairman, Shell companies in Egypt
- Managing Director, Shell Egypt N.V

DR KENNETH GERARD PEREIRA
Managing Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	61/Male	13 September 2010

Date of Last Re-election
5 December 2017

Academic/Professional Qualification(s):
- Doctorate in Business Administration, University of South Australia, Australia
- Masters in Business Administration (MBA), Cranfield University, United Kingdom
- B.Sc (Honours) in Engineering, Bath University, United Kingdom

Present Directorship(s) in other companies:
Listed Entity: Nil
Other Public Companies: Nil

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 31 years of experience in the oil & gas industry (both in services and E&P)
- Managing Director, Interlink Petroleum Ltd, an oil & gas E&P company listed on the Bombay Stock Exchange (BSE)
- Chief Operating Officer, SapuraCrest Petroleum Berhad (now part of Sapura Energy Berhad Group)
- Vice President, Energy Sector Projects of Sapura Energy Sdn Bhd
- Various positions at Sapura Group of companies
- Previously worked for Schlumberger Overseas (as a Field Engineer in North Africa, Asia and Europe)

DATO' SRI ROUSHAN ARUMUGAM
Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	47/Male	25 July 2011

Date of Last Re-election
5 December 2017

Academic/Professional Qualification(s):
- MBA, Imperial College Business School, Imperial College, London
- MA, Law, University of Bristol, United Kingdom
- MA, English Language and Literature, Oxford University, United Kingdom

Membership on the Board Committees:
- Chair, Remuneration Committee
- Member, Nominating Committee

Present Directorship(s) in other companies:
Listed Entity: Nil
Other Public Companies: Nil

Present Appointment(s):
- Director, Littleton Holdings Pte Ltd
- Director, Sri Inderajaya Holdings Sdn Bhd
- Director, Pneumacare Ltd
- Director, South Pickenham Estate Company Ltd
- Member of the Advisory Board of Oakhouse Partners

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- Investment Banker, Nomura Advisory Services, Malaysia
- Investment Banker, Deutsche Bank, London
- Analyst, Emerging Markets Equity Research, Caspian Securities Ltd, London
- Consultant, Price Waterhouse, London
- Domus Fellow, St. Catherine's College, Oxford University
- Trustee, East West Trust, St. Catherine's College

THOMAS MICHAEL TAYLOR
Senior Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
British	63/Male	1 August 2016

Date of Last Re-election
6 December 2016

Academic/Professional Qualification(s):
- MA, Engineering, University of Cambridge, United Kingdom
- Member of the Chartered Institute of Management Accountants

Membership on the Board Committees:
- Chair, Audit and Risk Management Committee
- Member, Nominating Committee
- Member, Remuneration Committee

Present Directorship(s) in other companies:
Listed Entity: Nil
Other Public Companies: Nil

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 31 years of oil and gas industry experience
- Finance Director, Sakhalin Energy Investment Company
- Finance Director, Shell Malaysia
- Finance Director, Brunei Shell Petroleum
- Held board memberships in oil and gas companies, in all sectors of the industry in Malaysia, Brunei, Russia, Hungary and France

Board of Directors
(AS AT 1 OCTOBER 2019)

DATO' DR ZAHA RINA ZAHARI
Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	57/Female	15 September 2017

Date of Last Re-election
5 December 2017

Academic/Professional Qualification(s):
- Doctorate in Business Administration, Hull University, United Kingdom focusing on capital markets research and specialising in derivatives.
- MBA, Hull University, United Kingdom
- BA (Hons) Accounting and Finance, Leeds, United Kingdom

Membership on the Board Committees:
- Chair, Nominating Committee
- Member, Audit and Risk Management Committee

Present Directorship(s) in other companies:
Listed Entity:
- Chairman, Manulife Holdings Berhad
- Director, Hong Leong Industries Berhad
- Director, Pacific & Orient Berhad
- Director, IGB Berhad

Other Public Companies:
- Director, Pacific & Orient Insurance Co Bhd

Present Appointment(s):
- Director, Sage 3 Capital Sdn Bhd
- Director, FWU Malaysia Sdn Bhd
- Director, L'Oreal Malaysia Sdn Bhd
- Director, Sri Communications Sdn Bhd
- Director, Pacific & Orient Properties Limited

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 27 years of experience in financial (including Islamic), commodities and securities industry and the developing of the Malaysian Financial Market, M&A in insurance and Takaful companies
- Licensed by Securities Commission of Malaysia for corporate advisory services
- CEO, RHB Securities Bhd
- COO, Kuala Lumpur Options and Financial Futures Exchange
- Head of Exchanges, KLSE, MESDAQ, MDEX, Labuan Offshore Financial Exchange
- Consultant, Financial Technologies Middle East based in Bahrain (BFX)
- SV President, Royal Bank of Scotland Group, Singapore
- Member, Global Board of Adviser for XBRL Board Member, Commodity and Monetary Exchange of Malaysia
- Director, Tanah Makmur Bhd
- Director, MyCreative Ventures Sdn Bhd
- Director, Zurich Insurance Malaysia Bhd
- Director, MIMB Investment Bank Bhd
- Director, EON Capital Bhd
- Director, EON Bank Bhd
- Director, MAA Takaful Bhd
- Director, Malaysian Assurance Alliance Bhd
- Director, MAA Holdings Bhd
- Director, MAA International Assurance Ltd
- Board Member, Trustee for Malaysia AIDS Foundation
- Market Participants Committee (MPC), Bursa Malaysia Bhd

Declarations:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any Director and/or major shareholder of Hibiscus Petroleum Berhad (Hibiscus Petroleum).

2. **Conflict of Interest**
   None of the Directors has any conflict of interest with Hibiscus Petroleum.

3. **Conviction of Offences**
   None of the Directors has been convicted for offences within the past 5 years other than traffic offences, if any.

4. **Public Sanction/Penalty**
   None of the Directors has any public sanction or penalty imposed on him/her by any regulatory body* during the financial year ended 30 June 2019.

5. **Attendance at Board Meeting**
   The details of attendance of each Director at Board Meetings are set out on page 77 of this Annual Report 2018/2019.

Note:

* Regulatory bodies refers to any regulator that regulates Hibiscus Petroleum or its subsidiaries or any authority or organisation which regulates the business activity of Hibiscus Petroleum or its subsidiaries. This includes Bursa Malaysia Securities Berhad, the Securities Commission of Malaysia, Bank Negara Malaysia, the Companies Commission of Malaysia, the Employees Provident Fund, the Inland Revenue Board, the Department of Environment and the local municipal councils, amongst others.

Leadership Team, Management Team and Technical Experts

LEADERSHIP TEAM
(AS AT 1 OCTOBER 2019)

DR KENNETH GERARD PEREIRA
Managing Director

Please refer to page 56 of this Annual Report 2018/2019.

MARK JOHN PATON
Chief Operating Officer

Nationality
British and Australian

Age/Gender
60/Male

Date appointed to the current designation:
1 December 2017

Qualifications:
- B.Sc (Honours) in Chemical Engineering, University of Leeds, United Kingdom

Working Experience:
- Joined Hibiscus Petroleum Berhad in March 2013.
- Has over 39 years of experience in the oil and gas industry in both the service sector and E&P.
- Began his career with BP Exploration in 1980, as Production and Commissioning Engineer.
- Joined BHP in 1989 and held positions including Well Services Supervisor, Production Manager and as General Manager for BHP Petroleum's Northern Australia Operations.
- Was the founder of Upstream Petroleum, a dominant provider of operations, and maintenance services and marginal field development solutions to the Australian Oil & Gas Industry. Upon the company's acquisition by the AGR Group ASA of Norway, he acted as Managing Director for the Asia Pacific region. Subsequent to leaving AGR he acted as Chief Executive Officer for the ASX-listed, Cue Energy Resource Ltd from 2011 to 2013.

YIP CHEE YEONG
Chief Financial Officer (CFO)

Nationality
Malaysian

Age/Gender
45/Male

Date appointed to the current designation:
1 June 2019

Qualifications:
- Member of the Malaysian Institute of Accountants, Malaysia and Fellow Member of the Association of Chartered Certified Accountants, United Kingdom
- Association of Chartered Certified Accountants, United Kingdom
- Bachelor of Arts (Honours) in Accounting and Finance, Middlesex University, London, United Kingdom

Working Experience:
- Joined Hibiscus Petroleum Berhad in November 2013 and had held the position of Vice President Finance and Group Controller before his appointment as CFO.
- Has over 25 years of accounting and finance experience in various industries, namely oil and gas, manufacturing, technology, services, risk consulting, audit and taxation.
- Was previously the CFO at Microsoft Malaysia, responsible for company-wide financial management and was a key member of the senior management team.

KEVIN ROBINSON
Special Projects Advisor

Nationality
British and American

Age/Gender
63/Male

Date appointed to the current designation:
8 April 2019

Qualifications:
- M.Sc in Geochemistry, Leeds University, United Kingdom
- B.Sc (Honours) in Geology, Sheffield University, United Kingdom

Working Experience:
- Joined Hibiscus Petroleum Berhad Group in April 2019.
- Has over 41 years of experience in Upstream Oil and Gas mainly in Exploration, Development, New Ventures and Management.
- As Vice President Asia - built a significant E&P Business in Malaysia from 2004 to 2019 for Newfield Exploration and then Sapura E&P developing 10 oilfields and 1 gas field with peak production of 75,000 barrels per day. Also discovered 9 TCF of commercial Gas in Sarawak with 11 gas discoveries that was sold to the LNG plant in Bintulu, Sarawak.
- Expanded Sapura's E&P business outside Malaysia signing 9 exploration permits in Australia, New Zealand and Mexico. Also discovered and developed 2 oilfields in China for Newfield from 1997 to 2004.
- Prior to 2004, worked for Oryx, Huffco and Newfield as a Petroleum Geologist and Geochemist on projects in Southeast Asia, Australia, China, South America and North Sea with numerous commercial discoveries, field developments and acquisitions.
- Started career with Core Laboratories working at the wellsite and then built a successful Geoscience Lab Business in Southeast Asia, China and Australia.

Leadership Team, Management Team and Technical Experts

LEADERSHIP TEAM
(AS AT 1 OCTOBER 2019)

DR PASCAL HOS
Chief Executive Officer, SEA Hibiscus Sdn Bhd (SEA Hibiscus)

Nationality	**Age/Gender**
Dutch	48/Male

Date appointed to the current designation:
28 September 2017

Qualifications:
- Doctorate in Mechanical Engineering, Rice University, Texas, United States of America
- B.Sc in Mechanical Engineering, Rice University, Texas, United States of America

Working Experience:
- Joined Hibiscus Petroleum Berhad in February 2011 as Head of Petroleum Engineering and was redesignated as Chief Operating Officer of HiRex Petroleum Sdn Bhd in October 2014.
- Has over 19 years of experience in general management, field development, reservoir engineering, production technology and rock mechanics in major local and foreign companies. Includes experience in project management, field development planning, development project execution, well and reservoir management and reserves reporting.
- Previously worked at Sarawak Shell Berhad (SSB) as Senior Reservoir Engineer.

UDAY JAYARAM
Vice President, Corporate Development

Nationality	**Age/Gender**
Malaysian	51/Male

Date appointed to the current designation:
1 April 2018

Qualifications:
- B.Sc (Honours) in Economics majoring in Accounting and Finance, London School of Economics, United Kingdom
- Chartered Accountant, Institute of Chartered Accountants in England and Wales (ICAEW)

Working Experience:
- Has 26 years experience covering the fields of audit, management consultancy, equities research, institutional sales, capital markets and stock exchange business.
- Began career with Ernst & Young, London in 1990. Audited several large public limited companies including HSBC Bank, British Airways, ABB Group and IKEA. Also worked in Kazakhstan undertaking a banking diagnostic study for the World Bank.
- Worked at Deutsche Morgan Grenfell, CIMB and ING Financial Markets in equities research moving to become Head of Equity and Division Director from 2005-2009 at Macquarie Capital Securities.
- Joined Bursa Malaysia Berhad as Global Head of Securities Markets in 2010 responsible for developing the securities markets business of the stock exchange. Served as a member of Bursa's Market Participants Committee and was Chairman of the FTSE Bursa Index Advisory Committee.

LIM KOCK HOOI
Group General Counsel

Nationality
Malaysian

Age/Gender
62/Male

Date appointed to the current designation:
7 March 2017

Qualifications:
- LLB (Honours), University of London, United Kingdom
- B.Sc (Honours) in Applied Geology, University of Malaya, Malaysia
- Fellow of the London-based Chartered Institute of Arbitrators

Working Experience:
- Joined Hibiscus Petroleum Berhad in October 2014.
- Over 28 years of experience in oil and gas law practice, project documentation, and, management and resolution of project execution issues, claims & disputes.
- Other related practices include construction, insurance, capital market and private equity financing.
- Previously, was with the management team of Caelus Energy Asia, a United States of America-based E&P start-up, as the Senior Vice President for Legal for the Asia-Pacific region.

CHONG CHEE SEONG
Chief Operating Officer, SEA Hibiscus

Nationality
Malaysian

Age/Gender
42/Male

Date appointed to the current designation:
1 December 2017

Qualifications:
- Master in Mechanical Engineering, Cambridge University, United Kingdom
- Master of Arts in Engineering, Cambridge University, United Kingdom

Working Experience:
- Joined Hibiscus Petroleum Berhad Group in December 2017.
- Has over 18 years work experience in the oil & gas industry.
- Joined ExxonMobil Exploration & Production Malaysia Inc in 2001 in the Development Projects Department as a Mechanical Engineer and subsequently transitioned through various technical and leadership roles, including assignments in Reservoir Engineering, Production Planning, Operations and Integrity Management.
- Previously worked at Newfield Malaysia (later acquired by Sapura Energy) initially as Business Planning Manager, subsequently assuming technical and operations responsibilities for the company's crude oil Production Sharing Contracts (PSCs) as its Oil Assets Manager.

Leadership Team, Management Team and Technical Experts

LEADERSHIP TEAM
(AS AT 1 OCTOBER 2019)

DR AMBROSE GERARD CORRAY
Vice President, Human Capital

Nationality	Age/Gender
Malaysian	62/Male

Date appointed to the current designation:
1 January 2019

Qualifications:
- Doctorate in Business, Southern Cross University, Australia
- MBA, Southern Cross University, Australia
- Bachelor of Science (Honours) in Mechanical Engineering, King's College London, United Kingdom

Working Experience:
- Joined Hibiscus Petroleum Berhad Group in January 2019. Consulted for Hibiscus Petroleum from bid submission for North Sabah asset since 2016 through transition and transfer of asset from Shell to Hibiscus Petroleum in March 2018.
- Has over 36 years oil and gas industry global experience. Previously worked with Schlumberger, GE Oil & Gas; oil companies as Vice President, E&P / Chief Operating Officer at Interlink Petroleum (BSE listed) & Chief Executive Officer of Loyz Energy (Catalist listed); Director, Loyz Australia. Managed United States of America joint venture operations drilling wells in Colorado/North Dakota as Joint Venture leader with United States of America, Singapore and European exploration companies.
- Held positions from field engineer through to senior management roles, including Country Manager (Brunei, Indonesia, Australia), United Kingdom/United States of America Training & Development Instructor, Supply Chain Management (Asia & Middle East), Market Strategist, Geo-market Manager (Indonesia/Australia) all with Schlumberger and Regional Manager (Asia Pacific with GE).
- Founded Petrosearch Pte Ltd, a service provider in Mergers & Acquisitions, Capital Market Funding, Executive Placement, Project Management, Coaching, Training & Development.
- Successfully supervised two Doctoral researchers in FPSO conversion (Australia) and Succession Planning (UAE).

Declarations:

1. **Family Relationship with Director and/or Major Shareholder:**
   None of the Leadership Team has any family relationship with any Director and/or major shareholder of Hibiscus Petroleum Berhad (Hibiscus Petroleum).

2. **Conflict of Interest:**
   None of the Leadership Team has any conflict of interest with Hibiscus Petroleum.

3. **Conviction of Offences:**
   None of the Leadership Team has been convicted for offences within the past 5 years other than traffic offences, if any.

4. **Public Sanction/Penalty:**
   None of the Leadership Team has any public sanction or penalty imposed on him/her by any regulatory body* during the financial year ended 30 June 2019.

5. **Directorship in Public Companies and Listed Issuers:**
   None of the Leadership Team have any directorship in other public companies or listed issuers.

Note

* Regulatory bodies refers to any regulator that regulates Hibiscus Petroleum or its subsidiaries or any authority or organisation which regulates the business activity of Hibiscus Petroleum or its subsidiaries. This includes Bursa Malaysia Securities Berhad, the Securities Commission of Malaysia, Bank Negara Malaysia, the Companies Commission of Malaysia, the Employees Provident Fund, the Inland Revenue Board, the Department of Environment and the local municipal councils, amongst others.

Leadership Team, Management Team and Technical Experts

MANAGEMENT TEAM AND TECHNICAL EXPERTS
(AS AT 1 OCTOBER 2019)

GOPALAN KRISHNAN PAPACHAN
Senior General Manager,
Business Development

INDARJIT SINGH
Geoscience Advisor

SYARIFAH ALIZA SYED AZAUDDIN
Vice President, Corporate Governance

CATHERINE CHOW
Vice President, Treasury

DEEPAK THAKUR, CFA
Group Petroleum Economist &
United Kingdom Joint Venture Asset
Manager

VIVIAN PHANG MUN YEE
Senior General Manager,
Human Capital

JOEL SHENG
Project Information Technology Manager
& Document Controller

JENNY POH
Deputy General Manager,
Corporate Secretarial

LIM SUI YUAN
Senior Finance Manager

MEERA SURIN DERPALL
Internal Auditor

Leadership Team, Management Team and Technical Experts

NORTH SABAH TEAM
(AS AT 1 OCTOBER 2019)

DR PASCAL HOS
Chief Executive Officer

CHONG CHEE SEONG
Chief Operating Officer

DAVID JAYAKUMAR RICHARDS
Head of Subsurface

NG KOK KONG
Head of Finance

MUHAMAD HER NASIR
Head of Contracts & Procurement

ALAN TOH
Head of Planning

MOHAMED HANIF ABDUL HAMID
Head of Commercial & Strategic Relations

MICHELE TOH
Legal Counsel

MOHAMMAD HATTA RIZAL MANSOR
Head of Health, Safety, Security & Environment

NICHOLAS RAJAN VARGIS
Head of Information Technology & Information Management

NORDIN AHMAD
Head of Human Capital Management

MICHAEL ANTHONY FOX
Operations Improvement Lead

EDMUND ANG
Operations Manager

AMNORADI BAIJURI
Head of Projects & Engineering

NOR AINA AHMAD
Logistics Manager

ANWAR HISHAM ZAINAL ANUAR
Drilling Manager

KEVIN GAN
Enterprise Resource Planning Lead

Leadership Team, Management Team and Technical Experts

ANASURIA CLUSTER TEAM
(AS AT 1 OCTOBER 2019)

DEEPAK THAKUR, CFA
United Kingdom Joint Venture Asset Manager

GOLOKAVASINI RAVI PILLAI
United Kingdom Joint Venture Asset Co-ordinator

YEE SHEN YANN
Financial Accountant,
Anasuria Operating Company Limited

MARIGOLD AND SUNFLOWER TEAM
(AS AT 1 OCTOBER 2019)

MARK JOHN PATON
Project Director

KOSTAS KOUNDOURAS
Project Manager

INDARJIT SINGH
Geoscience Advisor

DEVARAJAN INDRAN
Subsurface Manager

GOPALAN KRISHNAN PAPACHAN
Commercial Advisor & Project Controller

FERGUS KULASINGHE
Engineering Manager

YIP CHEE YEONG
Finance Advisor

Corporate Governance Overview Statement

THE BOARD OF DIRECTORS (BOARD) OF HIBISCUS PETROLEUM BERHAD (HIBISCUS PETROLEUM OR THE COMPANY) IS ENTRUSTED WITH THE RESPONSIBILITY OF SAFEGUARDING HIBISCUS PETROLEUM'S AND ITS SUBSIDIARIES' (GROUP) RESOURCES IN THE INTERESTS OF ITS SHAREHOLDERS BY EXERCISING DUE AND REASONABLE CARE IN ITS OVERSIGHT OF THE GROUP.

As a result of the Board's strong commitment to the principles of good corporate governance (CG), the Company has been ranked in the top 12% of Malaysian public listed companies (99th position out of the 866 companies evaluated) for CG disclosure in the Minority Shareholders Watch Group (MSWG)'s Malaysia-ASEAN Corporate Governance Report 2018.

The CG Overview Statement (Statement) presents key highlights of the CG practices of the Company under the leadership of the Board during the financial year ended 30 June 2019 (FY2019).

This Statement is prepared in compliance with Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (MMLR) and is to be read together with the Company's CG report for FY2019 (CG Report) which is available on Hibiscus Petroleum's website (http://www.hibiscuspetroleum.com).

The CG Report details how the Company has applied each Practice as set out in the Malaysian Code of Corporate Governance 2017 (MCCG2017) during FY2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board recognises that its primary role is to protect and promote the interests of its shareholders, with the overriding objective of enhancing the long-term value of the Group. In this regard, the Board remains focused and committed to enhancing its current high standards of corporate governance whilst ensuring that the appropriate management of risks is mitigated by leveraging on the Management's knowledge and experience. The Board is cognisant of the need to ensure that there is a robust and effective corporate governance system employed throughout the Group, in line with the importance it places on accountability and transparency.

In order to ensure the orderly and effective discharge of the above functions and responsibilities of the Board, the Board had earlier established three Board Committees namely; the Audit and Risk Management Committee (ARMC), the Nominating Committee (NC) and the Remuneration Committee (RC). The Board Committees review in detail, matters within their Terms of Reference (TOR) and make the necessary recommendations to the Board, which retains full responsibility for approval of these recommendations. The Board is kept apprised of the activities of the Board Committees through circulation of the minutes of the Board Committee meetings as well as by the briefings given by the Chair of the respective Board Committees on key matters discussed within their respective committees.

STAKEHOLDERS

BOARD OF DIRECTORS

- Provides strategic leadership necessary to enable the Group's business objectives to be met within a framework of internal controls
- Ensures that the interest of the stakeholders are safeguarded
- Responsible for overseeing the management and business affairs and makes all the policy decisions of the Group

ARMC

Monitors integrity of financial statements, risk management and internal control and effectiveness of external and internal audit processes

NC

Ensures that the Group adheres to corporate governance best practices and reviews Board and Senior Management composition, skills and mix

RC

Ensures that the remuneration strategy and policy, for the Non-Executive Directors (NEDs), Managing Director (MD) and Senior Management are aligned to the business and interest of the stakeholders

MANAGING DIRECTOR

- Has the overall responsibility over day-to-day operations and management
- Ensures organisational effectiveness and implementation of Board policies, strategies and decisions
- Responsible for providing leadership to Management and advancing relationships with regulators
- Accountable to the Board and reports to the Board at every Board meeting on material issues, as and when required

LEADERSHIP TEAM, MANAGEMENT TEAM & TECHNICAL EXPERTS

Assist the MD manage the business on a day-to-day basis

Corporate Governance Overview Statement

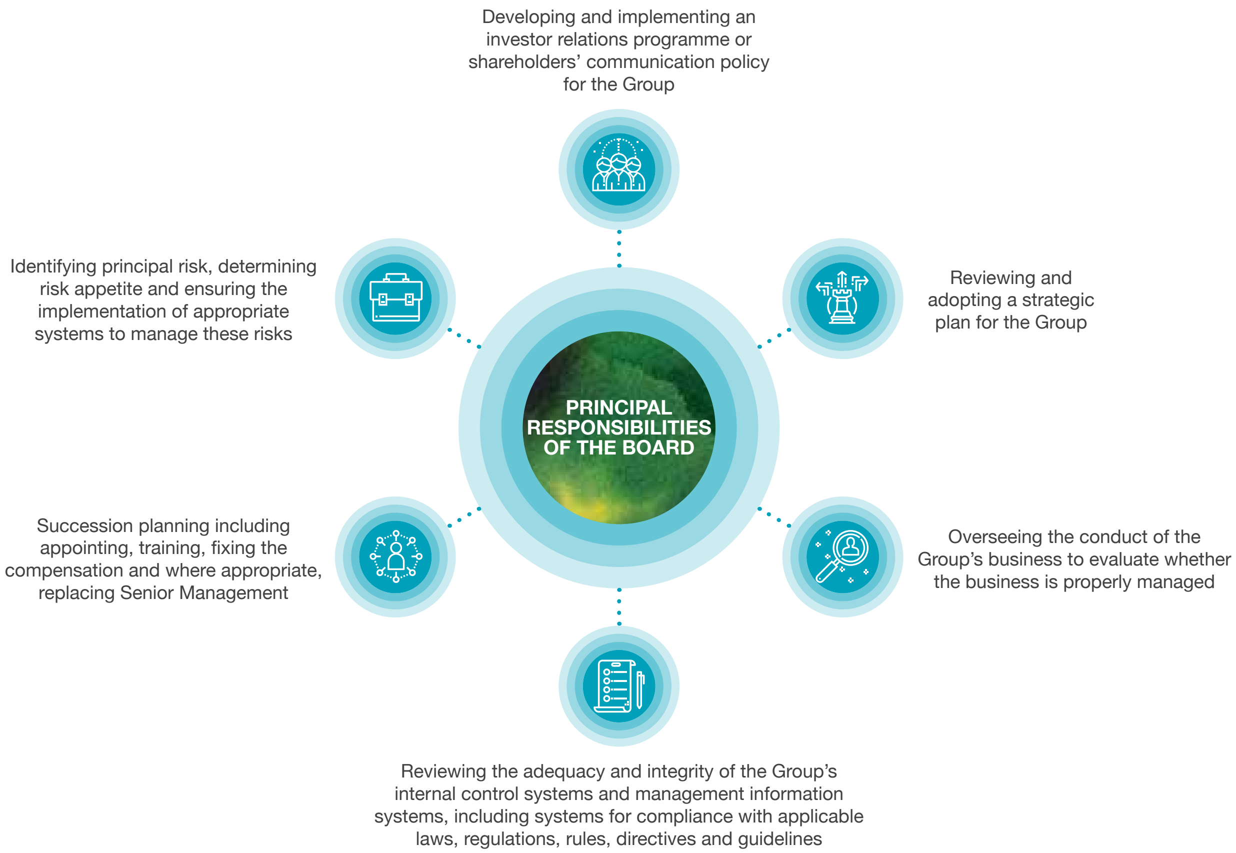
The Board has a wide range of responsibilities, which are discharged in the best interest of the Company in pursuance of its business objectives. The Board plays an active role in guiding strategic direction, supervising Management, reviewing performance and determining business risk parameters. The Board Charter contains specific guidance for the Directors on, inter alia, the key values, principles and ethos of the Group, the Board's principal responsibilities, specific delineated key matters which are reserved for the Board's approval (Reserved Matters), Directors' qualification standards, orientation and training, compensation, code of conduct and annual performance.

The Board Charter, which has been recently updated to reflect their growing oversight role, and the TOR of the Board Committees, are published on Hibiscus Petroleum's website, http://www.hibiscuspetroleum.com and are reviewed periodically.

The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable under the law for the Group's activities, strategies and financial performance. The Board plays an active role in reviewing and adopting the strategic business plans of the Group by ensuring that the strategies proposed by the Management are discussed at length and critically examined by the Directors, who are provided with sufficient information to enable their discharge of duties with reasonable care, skill and diligence.

To ensure the effective discharge of its responsibilities, the Board has delineated Reserved Matters, from those delegated to the Board Committees and the MD. The delegation of authority to the Board Committees and the MD are set out in the TOR of the respective committees and the Limits of Authority (LOA), respectively.

The principal resposibilities of the Board are mapped out in the diagram below:



Reserved Matters are expressly set out in the Board Charter and LOA, which include but are not limited to the review and approval of transactions with threshold amounts exceeding the LOA of the MD, strategic business plans and annual budgets, audited and quarterly financial statements, and major capital expenditure; such considerations being always subject to compliance with the applicable laws and regulations governing the Group.

The LOA matrix sets out the specific approval thresholds for management decisions and the persons authorised to approve the various decisions to be taken. As part of the periodic review carried out on the Group's internal control systems, the LOA for the Group has been updated in April 2019 to reflect the growth of the business which necessitate additional authorities and controls to be introduced to monitor operations more efficiently. In this regard, a new LOA for Project Marigold and Sunflower was also introduced in May 2019.

Additionally, Hibiscus Petroleum has conducted an overall review of its established policies and has refined existing policies such as its Code of Conduct and Ethics which has been expanded to include the Group's commitment to respecting internationally recognised human rights and labour standards which includes taking reasonable steps to ensure that there is no form of forced, bonded or underage labour in the Group's business and supply chain and the Whistle Blower Policy, which has been extended to cover all parties working with the Group as well as provide more clarity on the process for reporting any known malpractices or wrongdoings.

In view of the seriousness of the modern slavery epidemic, a stand-alone Anti-Modern Slavery Policy has been announced in July 2019 to reiterate the Group's stand against modern slavery practices, to provide further support to the amended Code of Conduct and Ethics. Furthermore, the Group has also presented an Anti-Corruption and Anti-Bribery Policy in the same month to emphasise the Group's zero tolerance of all forms of corruption and bribery, while providing clarity on the parameters and controls instituted to facilitate understanding and monitoring. At this juncture, the Group wishes to highlight that it has not made any political contributions to-date. Aside from the existing Health, Safety, Security and Environment (HSSE) Policy, the Group has also introduced an Environment Policy as part of steps to endeavor to use energy and natural resources wisely and efficiently, and to ensure its environmental management system continually assesses the impact of its operations to the surrounding environment, while maintaining action plans capable to respond to any arising emergency (which is supported by the Group's Crisis Management Plan).

These policies have been updated/introduced to ensure that good standards of behaviour and professionalism permeate throughout all levels of the Group. They also facilitate efforts to prevent misconduct and promote ethical practices and consequently, support the delivery of long-term sustainable success for the Company.

Further details of the Board Charter, Code of Conduct and Ethics, Whistle Blower Policy, Anti-Modern Slavery Policy, HSSE Policy and Environment Policy are set out in the CG Report, and these documents can be found on Hibiscus Petroleum's website: http://www.hibiscuspetroleum.com/corporate-governance

The Board Members have full access to two (2) Company Secretaries who provide advisory services to the Board, particularly on matters relating to the constitution of the Company, facilitating compliance with the listing requirements and the relevant legislation. The Company Secretaries provide support in the execution of corporate proposals and serve as the secretary to the Board Committees. In addition to their statutory duties, the Company Secretaries also facilitate communication between the Board and Management.

2. Board Composition

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity, gender, skillset and professional background provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage the differences in thought process, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity and gender, which ensures that Hibiscus Petroleum retains its competitive advantage.

The Board also has in place a Diversity Policy, which sets out the intention of increasing the participation of women in the Group at all levels, with a target of at least 30% women on the Board. Notwithstanding this target, Board appointments are based on merit, focusing on the potential value-add that each candidate will bring to the Board. The Diversity Policy has been recently updated in July 2019 to highlight the importance of diversity and inclusion in the Group's culture, for enhanced value creation.

In this regard, the Board through its NC conducts an annual review of its size and composition to determine if the Board is the right size and has sufficient diversity with independent elements that fit the Company's objectives and strategic goals.

The Board has in place a Board Charter and Directors' Assessment Policy which both limit the tenure of the Independent NEDs of the Company to nine (9) years or a cumulative period of nine (9) years with intervals, with the aim of enabling the Board to continuously maintain its objectivity and effectiveness. This limit applies unless an extension of the respective director's service is approved by the shareholders.

As such, with the recommendation of the NC and Board, Dato' Sri Roushan Arumugam whose tenure as an Independent NED of the Company would extend for longer than nine (9) years from 25 July 2020, will be seeking shareholders' approval at the forthcoming AGM for him to continue in office as the Independent NED of the Company until the conclusion of the next AGM in year 2020.

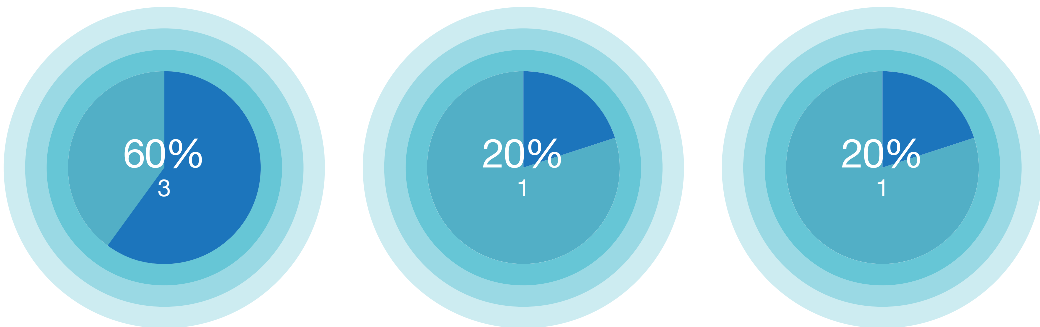
Corporate Governance Overview Statement

As at 30 June 2019, the Board comprised three (3) Independent NEDs, one (1) Non-Independent NED and one (1) Executive Director who is the Managing Director of the Company.

The diversity in the skills, experience, age, race/ethnicity (cultural background) and nationality of the existing Board are shown below:

Board Diversity

COMPOSITION

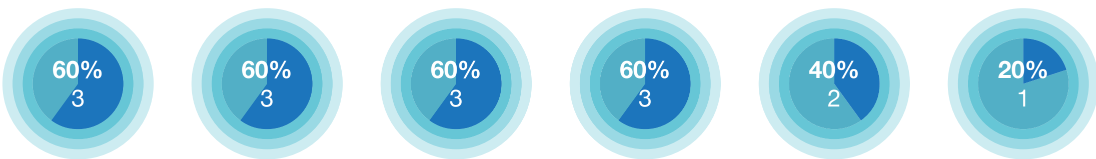


Independent Non-Executive Director

Non-Independent Non-Executive Director

Non-Independent Executive Director

EXPERIENCE AND SKILLS*



Oil and gas experience

Business administration

Finance and banking

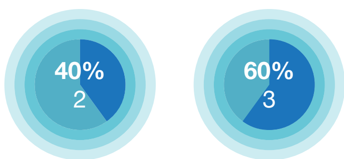
Engineering

Accounting and audit

Legal

* Individual Directors may fall into one or more categories

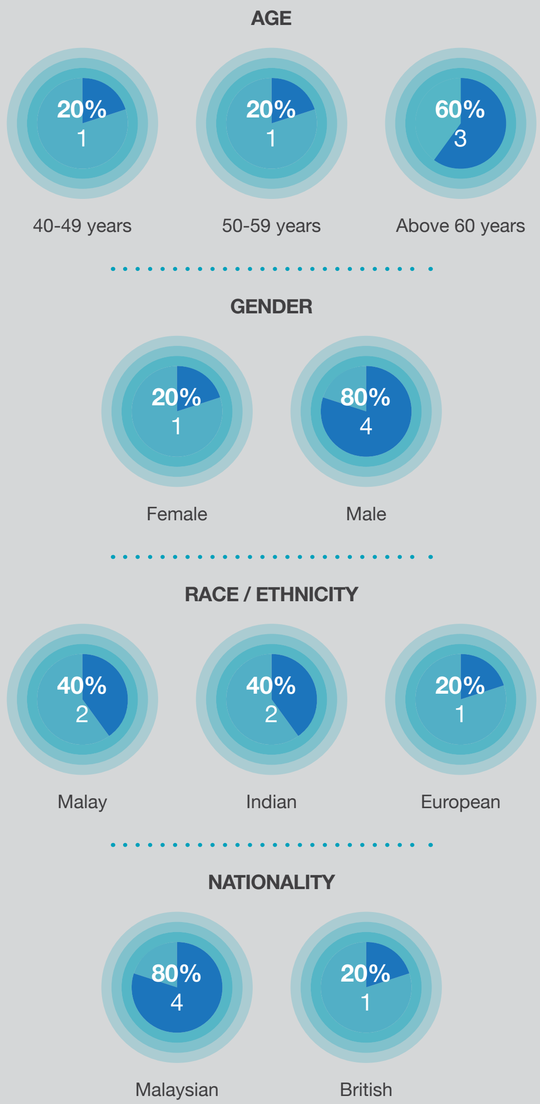
TENURE



1-3 years

>7 years

Note:
Numbers denote members of the Board.



Note:
Numbers denote members of the Board.

The Board annually assesses the effectiveness of the Board as a whole, with the Board Committees and Directors evaluated individually through the NC. The NC has engaged Boardroom Corporate Services Sdn Bhd to facilitate the annual assessment for FY2019. Based on the findings from the annual assessment for FY2019, our Board and Board Committees have discharged their roles and responsibilities in accordance with their respective charters.

Specific disclosures on the activities of the NC (including training attended by the Directors) are provided in the NC Report on page 106, and in the CG Report available on Hibiscus Petroleum's website.

A total of twelve Board Meetings and eight ARMC meetings were held during FY2019.

The NC and RC meet at least once annually. The Senior Management have also attended Board Committee meetings by invitation, where required.

The attendance record of individual Directors at duly convened Board and Committee meetings are as follows:

Name	Board	ARMC	NC	RC
Number of meetings held during FY2019	12	8	3	3
Zainul Rahim bin Mohd Zain	12/12	8/8	3/3	3/3
Dr Kenneth Gerard Pereira	12/12	n/a	n/a	n/a
Dato' Sri Roushan Arumugam	11/12	n/a	3/3	3/3
Thomas Michael Taylor	11/12	8/8	3/3	3/3
Dato' Dr Zaha Rina Zahari	12/12	8/8	3/3	n/a

3. Remuneration

The Board has implemented the Directors' Remuneration Policy, which prescribes the fundamental principles of remuneration

Corporate Governance Overview Statement

and acknowledges the various phases that the Company will undergo in its evolution and growth process. In this regard, the prescribed policy has been updated in July 2019 to recognise that the nature of the Group's business activities in the Exploration and Production (E&P) segment within the Oil & Gas industry requires a suitable mix of Directors with specialised technical knowledge, width and depth of relevant experience and business network, and to also emphasise that as the Group continues to undergo various phases in its growth evolution, the Directors' Remuneration packages will be assessed annually by the RC to ensure that the Directors are fairly remunerated based on the financial performance of the Group, the nature and size of the Group's operations, the scope of Directors' duties and accountability, the level of engagement required from NEDs in the form of meetings, workshops and discussions, and/or market standard.

The Board recommends payments to the NEDs and reviews their remuneration annually. Pursuant to Section 230 of the Companies Act 2016 (Act), the Company is seeking shareholders' approval for the payment of Directors' fees and the meeting allowances to the NEDs from 5 December 2019 and up to the date of the next Annual General Meeting (AGM) of the Company to be held in 2020, to be paid quarterly in arrears.

Individual directors do not participate in the discussions and determination of their own remuneration.

The Directors are also, inter alia, reimbursed for expenses reasonably incurred in the course of the performance of their duties. This includes, but is not limited to, travel and accommodation.

The disclosure of the detailed remuneration of the NEDs for FY2019 and meeting allowances for the same period is provided in the CG Report.

Furthermore, it is also a policy of the Company that Executive Directors who are appointed to the Boards of associate and/or subsidiary companies of the Company which attract directors' remuneration, fees, expenses or benefits, shall surrender to the Company such remuneration, fees, expenses or benefits as soon as practically possible after receipt, provided that such individual is fully and adequately protected and indemnified from all claims and liabilities that may be incurred by the individual concerned in discharging his or her duties in a lawful manner in the interest of the company on whose board he or she is serving.

<u>MD's Remuneration</u>

The MD is remunerated in accordance with the terms of his employment contract. His remuneration is aligned with the scope of his duties and responsibilities, pre-requisite qualifications and experience, strategic targets and performance of the Group (amongst others).

The breakdown of the MD's remuneration can also be referred to in the Audited Financial Statements on page 204.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. ARMC

The ARMC of the Company comprises three (3) members who are all NEDs, of which a majority are Independent NEDs, in compliance with Paragraph 15.09(1) of the MMLR. The ARMC is chaired by Mr Thomas Michael Taylor, who is also the Senior Independent NED. Annually, the composition of the ARMC is reviewed by the NC and recommended to the Board for approval. With the view to maintain an independent and effective ARMC, the NC ensures that only a NED who is financially competent, possesses the appropriate level of expertise and experience and has strong understanding of the Company's business is considered for membership in the ARMC.

In addition to the duties and responsibilities set out under its TOR, the ARMC assists the Board in the review of the financial statements of the Group to ensure that they are prepared in compliance with the provisions of the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Act in Malaysia.

The ARMC members reviewed the Company's quarterly financial reports and audited financial statements in the presence of external auditors prior to recommending them for approval by the Board. The Chief Financial Officer formally presented the quarterly financial reports to the ARMC and the Board, detailing the performance of the current quarter against the previous corresponding quarter results, the current year/period against the previous corresponding year/period results and the current quarter against the preceding quarter results. The external auditor's reports are also considered by the ARMC in reviewing the financial statements of the Group.

The Board is ultimately responsible for presenting a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects each time it releases its quarterly and annual financial statements to its shareholders, as well as ensuring that the financial statements give a true and fair view of the results of operations and the financial state of affairs of the Group.

In the annual assessment on the suitability, objectivity and independence of the external auditors, the ARMC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR as well as the External Auditor Independence Policy which was approved by the Board on 12 February 2014.

2. Risk Management and Internal Control Framework

The Board has established a comprehensive and holistic framework for risk management and a sound internal control system, which has also undergone a periodic evaluation process during the financial year and been updated accordingly. The Board's statement on risk management and internal control, which has been reviewed by the external auditors, is set out on pages 113 to 118 of this Annual Report.

The Board has established an internal audit function within the Company, which is headed by the Head of Internal Audit who reports directly to the ARMC.

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

1. Communication with Stakeholders

The Company is guided by the corporate disclosure guide for directors issued by Bursa Securities to promote timely and high-quality disclosure of material information to the public. We have enhanced a process for the preparation of announcements to Bursa Securities, which is coordinated between the Corporate Finance, Corporate Governance, Company Secretarial, Investor Relations, Finance, and Legal teams to ensure that the information to be disclosed is properly verified before it is disseminated. Depending on the type of information to be released, prior approval of the Board may be obtained; otherwise, the approval of the MD is attained.

As a responsible corporate citizen, the Group's spokespersons adhere to the Corporate Disclosure Policies and Procedures in their interaction with the Group's stakeholders.

The Group leverages on information technology to disseminate vital information to the public. From its website (www.hibiscuspetroleum.com), stakeholders can access information such as annual reports, quarterly reports, notice of general meetings, investor briefing slides, press releases, public announcements and responses to frequently asked questions, amongst others. There are also dedicated sections on corporate governance and financial results.

We recognise the importance of shareholder engagement, which is reflective of the Board's fiduciary duties to the shareholders. The Board believes that clear and consistent communication encourages better appreciation of our activities and further allows our business and its prospects to be better understood and evaluated by the shareholders. Press conferences are initiated at regular intervals to keep the media abreast on the Group's performance and recent developments, amongst others. Webcasts are also used by the Management of the Group as a communications tool to ensure that critical information (e.g. quarterly financial updates) is released with the relevant degree of explanation. In addition, the Group has also been providing answers to various questions posed by shareholders vide an open forum on our website.

The Board also encourages other channels of communication with the stakeholders.

If required, queries or concerns may be directed to the Board through the Chair or the Senior Independent NED:

Encik Zainul Rahim bin Mohd Zain
(Chair)
Email : zainulrahim@hibiscuspetroleum.com
Tel : +603 2092 1300
Fax : +603 2092 1301

Mr Thomas Michael Taylor
(Senior Independent Non-Executive Director)
Email : tmiketaylor@hibiscuspetroleum.com
Tel : +603 2092 1300
Fax : +603 2092 1301

2. The Constitution

The Constitution of the Company was adopted in place of the Memorandum and Articles of Association of the Company, pursuant to the approval of the shareholders at the 8th AGM of the Company held on 4 December 2018. The Constitution, which is in alignment with the Act, the MMLR of Bursa Securities and/or other applicable laws, regulations and guidelines, regulates the manner in which the Company is governed.

3. Conduct of General Meetings

The Company's AGM is an important means of communicating with its shareholders. To ensure effective participation of and engagement with shareholders at the 8th AGM, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chair of the Board conducted the 8th AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. The MD presented to the meeting the overall performance of the Company. The Senior Management of the Company were also present to respond to any enquiries from the shareholders. In line with good CG practice, the notice of the 8th AGM was issued at least 28 days before the AGM date.

Voting at the 8th AGM was conducted through an electronic voting system. The Company continues to explore the leveraging of technology, to enhance the quality of the engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

The Board is pleased to report that the Group has been, and is continuously committed to, operating within its established governance framework which has been designed to foster transparency, integrity and good standards of behaviour of all personnel within the Group.

As part of efforts to further strengthen the governance establishment within the Group, future considerations for improvement which are being considered include integrating associated responsibilities in one document to facilitate reference and reviewing the need for more specific guidelines for certain areas, instead of overview principle-based ones, to further tighten and streamline the behaviour of personnel within the operating environment of the Group.

This CG Overview Statement was approved by the Board on 1 October 2019.

Sustainability Report

ABOUT OUR SUSTAINABILITY REPORT

Our vision is clear - to be a respected and valuable independent oil and gas exploration and production company. In pursuit of our vision, we remain committed to working responsibly and ethically. We aim to maximise the positive impacts and minimise any negative effects that originate from our business and impacts Hibiscus Petroleum Berhad and its subsidiaries (Group), its stakeholders and society at large.

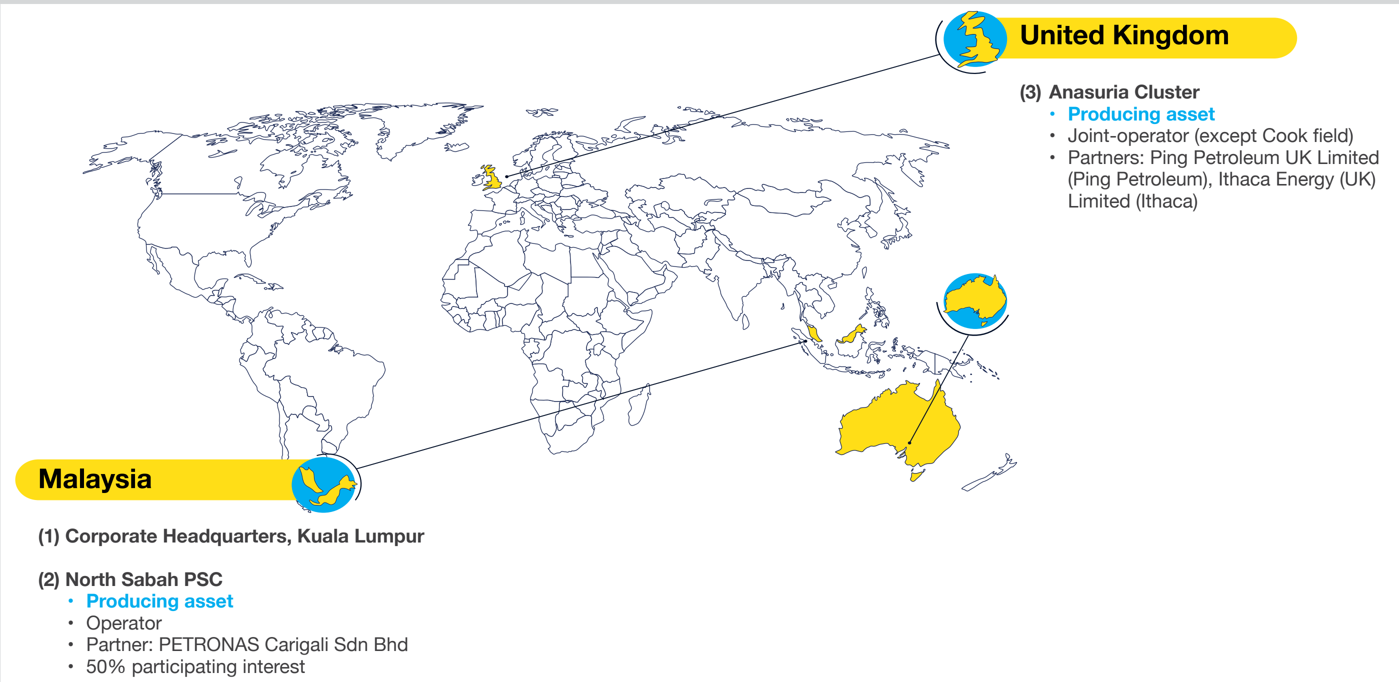
The purpose of the Group's Sustainability Report is to communicate to our stakeholders our management of economic, environmental and social matters resulting from our activities which are considered material to us and our stakeholders. Our report highlights our efforts to achieve positive outcomes for the financial year ended 30 June 2019 (FY2019). Our material sustainability matters are those areas over which we have a degree of influence, which are important to our stakeholders and which can significantly affect our Group's risk profile, potential liabilities, maintenance of our licences to operate, reputation and access to capital.

This Report should be read together with other reports included in this Annual Report 2018/2019 which cover aspects of sustainability, namely our Management Discussion & Analysis, our Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control.

1. OUR APPROACH

1.1 Coverage

This Report primarily focuses on our active operations such as the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract in Malaysia (North Sabah PSC) for which we are the operator. Our active operations also include the Anasuria Cluster in the North Sea, United Kingdom (UK) (Anasuria), as well as our corporate headquarters in Kuala Lumpur.



As the Group only completed the acquisition of the North Sabah PSC at the end of March 2018, the previous year's comparative data is not reported.

Anasuria Operating Company Limited (AOCL) is equally owned by both Anasuria Hibiscus UK Limited and Ping Petroleum, and operates the fields served by the Anasuria Floating Production Storage and Offloading (FPSO) facility (with the exception of the Cook field which is operated by Ithaca on behalf of the said concessionaires). As an operator in one of the most technically demanding operating environments in the world, AOCL is supported by Petrofac Facilities Management Limited (Petrofac), as the Duty Holder.

As the joint operator of Anasuria, it is possible for us to partly rely on the provisions of the management system standards of our Duty Holder. Petrofac is a reputable oil and gas services company that employs over 1,000 professionals in Aberdeen and provides substantial depth to AOCL's overall operating capability. As Duty Holder for Anasuria, Petrofac is responsible for the day-to-day management of the Anasuria FPSO, pipelines and wells, conducted in a safe and environmentally responsible manner. In our operating model, the Duty Holder is also the owner of the Safety Case.

1.2 Sustainability framework

We operate within an established framework of oversight and reporting, underpinned by our core values whilst working towards a clear-sighted vision and mission.

The tone of driving and managing sustainability throughout the organisation is set from the top through our Managing Director and our Board. Our Business Sustainability Management Committee, which meets monthly, consists of senior representatives from all key business units and departments.

Such a robust structure ensures that there is regular guidance on the direction, management and reporting of important sustainability matters.

Board of Directors through Managing Director

- Oversees direction and development of sustainability strategies and plans
- Charts the development and implementation of the sustainability plans and initiatives
- Approves execution timelines

Business Sustainability Management Committee

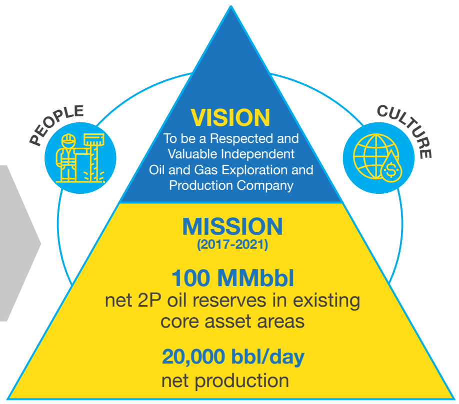
- Corporate Development
- Corporate Governance
- Legal
- Human Capital
- Finance
- Risk & Compliance
- Commercial & Strategic Relations
- Engineering & Asset Management
- Health, Safety, Security & Environment
- Operations

- Reviews sustainability strategies and priorities
- Assesses key initiatives, policies and programmes

Business Units

- Manages business unit sustainability matters
- Executes action plans specific to the business unit
- Monitors and reports to the Business Sustainability Management Committee

Forming the foundation of long-term strategy



Underpinned by corporate core values

- Agile
- Tenacious
- Enterprising
- Trustworthy
- Cost competitive
- People focused
- Environmentally conscious

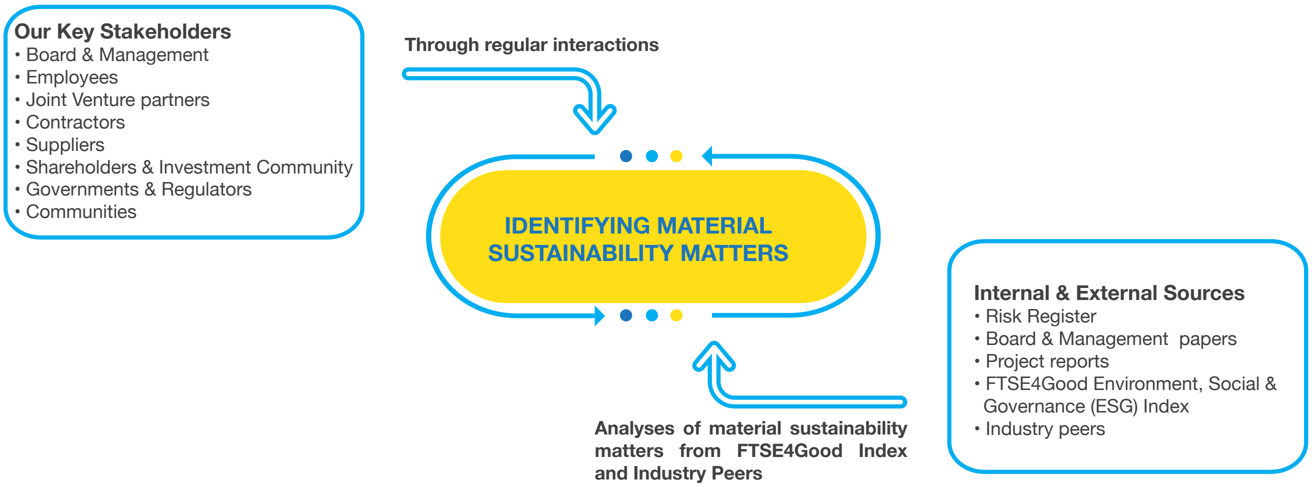
Sustainability Report

2.0 IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

In order to better understand issues in the area of business sustainability considered material to our stakeholders and our Group, we conducted a review of the following:

- Our current business strategy;
- Relevant requirements, guidelines and policies, including those issued by Bursa Malaysia Securities Berhad as well as its Sustainability Reporting Guide and Toolkit;
- Sustainability topics reported by a selected 7 of our peers within the Oil and Gas Exploration and Production industry;
- Environment, social and governance themes and indicators utilised by the FTSE4Good Index.

We also drew upon our existing risk assessment and management processes as well as feedback and input received through our regular interactions with our key stakeholders.



Engaging with our stakeholders

Understanding stakeholder views is important to us and is an essential component of our sustainability model. As such, close engagement and relationships with our stakeholders are embedded within the full spectrum of our business and operating activities. These activities commence prior to investment in new opportunities and continue through all aspects of execution (i.e. from business development, exploration and development planning phases through to field operations, as well as corporate areas).

Risk assessment

We strive to maintain a comprehensive and disciplined focus on risk management whilst combining this activity with a practical approach to business needs, operational excellence and delivery of business objectives. Through a comprehensive process of identifying and managing our business and operational risk exposure areas, we are able to operate effectively whilst protecting our people, environment and communities. Please refer to the Statement on Risk Management and Internal Control for more information.

3.0 PRIORITISING OUR MATERIAL SUSTAINABILITY MATTERS

After the initial identification of material sustainability issues, we performed internal reviews with our senior management and our Board to finalise the material themes, initiatives currently being performed and planned to be performed, as well as related qualitative and quantitative indicators.

Criteria used for our assessment included how issues may affect our stakeholders and our Group's business, e.g. through legislation, reputational damage, employee turnover, licence to operate, legal action or stakeholder relationships, and how these may affect our business strategy and financial and operational performance.

Our material sustainability matters of high importance are tabled below, and discussed in greater detail in this report.

BUSINESS ETHICS
HEALTH, SAFETY AND SECURITY
Occupational health & safety Process safety & asset integrity Emergency preparedness
ENVIRONMENT
Climate change & greenhouse gas emissions Effluents and waste
HUMAN CAPITAL
Workforce diversity & inclusivity Performance & reward Talent development
COMMUNITY RELATIONS
Engagement and impact management Employment & training initiatives Community investment
SOCIETY
Human rights
ECONOMIC
Value generation & distribution
INFORMATION TECHNOLOGY
Cybersecurity

Please note that Business Ethics is covered under our Corporate Governance Overview Statement.

For completeness, we also touch on sustainability matters of medium importance, such as energy use and biodiversity.

4.0 OUR HEALTH, SAFETY AND SECURITY (HSS)

Our most valuable asset is our people. Providing a safe and secure working environment as well as maintaining the health and well-being of our people and contractors are of paramount importance to us. We strive to continuously improve our HSS performance. Accordingly, the emphasis on HSS is driven from the top where our Board has oversight over HSS matters and evaluates HSS performance regularly. The Group scorecard, which determines annual remuneration, also includes HSS targets.

4.1 Occupational Health and Safety

Whilst each person is responsible for his or her own personal workplace safety, our core obligation as an organisation is to ensure that our people are not placed in an environment that is inherently hazardous. We have various policies that cover the HSS aspects of our business but key amongst them is that we make it a duty for each and every person working in or for our organisation to immediately stop work if even a small uncertainty exists that a particular activity may be unsafe and could potentially harm the well-being of any person or result in damage to the asset or environment.

Policies alone are not enough. We also embed safety practices in the performance of our daily activities. The key practices include the following:

- All employees receive a health, safety, security and environment (HSSE) briefing as part of the induction process. Employees travelling to offshore facilities must undergo basic offshore safety induction and emergency training (BOSIET) programmes which include helicopter survival, emergency first aid, sea survival, fire-fighting and lifeboat training. A refresher programme must be attended every 4 years to ensure competency levels.
- Toolbox meetings and the sharing of Safety Alerts are performed to ensure our staff and contractors receive the necessary awareness guidance and are empowered to make the right decision i.e. call for Stop Work.
- Analysis of trends are observed in relation to active intervention practices such as the completion and follow-up of Accident Control Technique (ACT) findings at the business unit level. This allows for the HSSE function to monitor and gauge overall focus areas that will need to be continually monitored closely as well as identify potential areas for improvement.

Sustainability Report

- Senior management also reviews the HSSE performance on a weekly, monthly and quarterly basis and ensures that the annual key performance indicators and targets set at the start of the year are met and will continue to be met.
- Frequent visits are made by senior management to all our primary locations and compliance audits are also conducted.
- In Malaysia, monthly HSSE meetings with the management team and staff representatives are organised prior to the release of the HSSE KPI monthly reporting to the regulator i.e. before the 10th of every month. HSSE performance is also shared with all staff during the monthly townhall sessions across all locations.
- Under UK regulations (Statutory Instrument 971), safety representatives are elected to represent the different worker groups offshore. This is active on the Anasuria FPSO, with regular meetings held, chaired by the Offshore Installation Manager and minutes posted on the notice board. There is also a weekly safety meeting held each Sunday to discuss safety issues. Industry alerts are regularly discussed to benefit from lessons learned at other locations.

We also ensure security is provided at all places of operations with auxiliary police stationed at the Labuan Crude Oil Terminal (LCOT), as well as security guards positioned at our corporate headquarters.

North Sabah PSC

During FY2019, we continued to engage our employees with the following activities, which demonstrate our focus and resolve towards safety, and highlights the importance of intervention efforts by our employees and contractors:

- As part of efforts to ensure that any potential risk is identified and the relevant mitigation action is taken as early as possible to address the same, activities carried out include the Quarterly Vessel Fast Crew Boat, standby boat and boat inspection programme, HSSE Quarterly Contractor Engagement Programme, and HSSE & Welfare Quarterly Management Engagement & Workplace Inspection Programme at all locations.
- A series of awareness talks/sessions were organised covering various topics related to Fire Prevention and Mental Health awareness.
- The '*I Care For Your Safety*' initiative was developed and introduced as the main theme for our very first annual Safety Day event which was held on 28 and 29 November 2018. Outstanding HSSE initiatives by staff and contractors across all our primary operating locations were acknowledged and recognised.
- Campaigns were also conducted to reinforce the importance of HSSE controls. Amongst them is the HSSE Management System Rollout Campaign to remind all staff to adhere to our system, which is in compliance with applicable regulatory requirements and international standards. In addition, the Zero Incident Zero Accident (ZIZA) Monsoon Campaign, the Risk Control Framework Rollout Programme Campaign and ACT & Near Miss Reporting Campaign were carried out to curb the occurrence of accidents and to specify the process to follow, in the event of near accidents.

Launching of Safety Day at SJQ-A on 28 November 2018

Our CEO officiating Safety Day

Launching of Safety Day at LCOT on 29 November 2018

Our key HSS performance indicators during FY2019 are set out below:

Indicators	FY2019
Number of staff trained on health and safety basic standards	309
Lost Time Injury Frequency (LTIF) [1]	0.69
Total Recordable Case Frequency (TRCF) [2]	0.69
Incident free days (including LTI, major spills, medical treatment case, major loss process containment)[3]	298
Number of work-related fatalities	0

1 LTIF represents the number of lost time injuries (LTI) i.e. fatality, permanent disability or time lost from work occurring in a workplace per 1 million hours worked by employees and contractors.
2 TRCF is the number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked by employees and contractors.
3 From last LTI on 5 September 2018 which is further described below.

There were two LTI incidents which occurred during the financial year. In the first instance, during routine work at LCOT, an Operations Technician tripped on a support beam and fell onto a concrete floor. The Emergency Response team was immediately activated and his injuries were promptly addressed by the Designated First Aider. The injured person was sent to hospital to have his minor injuries examined. Our HSS team took prompt action to barricade the relevant area, paint the support beam and check the area lighting. A Safety Stand Down briefing was also conducted by the Duty Work Supervisor and by the Plant Manager on two occasions over two days.

In the second instance, a LTI incident occurred during the replacement of hydraulic accumulators on the Barton platform. In an attempt to open a stiff needle valve, additional force was inappropriately applied on the valve handle using a spanner. Trapped pressure inside the accumulator was inadvertently released causing hydraulic fluid to be sprayed onto the faces of 2 technicians (who did not suffer serious or permanent injuries). Following this incident, an incident investigation was conducted and a Safety Stand Down briefing was conducted for all North Sabah platforms to remind the offshore team to adhere to work procedures, use appropriate tools and always remain clear of a ‘line of fire’ to prevent recurrences.

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During FY2019, there were campaigns to inculcate safety awareness within the workforce:

- A “Hand Safety” campaign was held during the third financial quarter to create awareness and provide familiarisation with a new range of safety gloves.

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- A major accident hazard awareness campaign commenced in May 2019 and remains ongoing with the objective of emphasising the importance of process safety and all potential contributors to major incidents to all personnel. This campaign was part of a "Step Change in Safety" initiative. Step Change in Safety is a not-for-profit, member-led organisation which aims to make the UK the safest oil province in the world to work in through collaboration, sharing and adopting best practices.

To further improve major accident hazard awareness, two groups of 20 onshore and offshore employees will visit Spadeadam in October 2019 for a full day workshop which will allow them to witness simulated process events.

In addition, for the FPSO, annual Health, Safety, Environment and Quality (HSEQ) targets are set based on upper quartile industry performance, and are monitored and discussed at monthly review meetings.

Our key HSS performance indicators during FY2019 are set out below:

Indicators	FY2017	FY2018	FY2019
Number of staff trained on health and safety standards [1]	n.a. [2]	9 (75%)	10 (77%)
Lost Time Injury Frequency – employees and contractors [3]	0	0	0
Total Recordable Injury Rates – employees and contractors [3]	0.00	0.74	0.89
Incident free days (including LTI, major spills, medical treatment case, major loss process containment)	362	361	359
Number of work-related fatalities of employees and contractors	0	0	0

1 Includes only AOCL workforce.
2 Not applicable.
3 Please refer to the footnotes disclosed under the North Sabah PSC for descriptions of these indicators.

4.2 Process safety and asset integrity

Our Process Safety Framework is a tool for managing asset integrity across the value chain through the disciplined application of systems and processes.

We follow a rigorous maintenance schedule to manage the integrity of our wells, structures, piping and equipment to minimise the risk of loss of containment or release of hydrocarbons.

We also adopt a detailed approach to prevent the occurrence of major accidents whilst undertaking projects. We ensure that the appropriate level of competency undertakes, oversees and (peer) reviews project planning activities. We use the appropriate materials, tools, up-to-date installation methods and drilling fluids (whilst conducting drilling related activities) in our operations, whilst meeting all relevant safety standards. Our well design, planning and inspection procedures conform to international good practices and existing legislation. We rely on the effective application of design criteria and safety barriers which are built into our programmes and verified through internal and external processes, including independent inspections of proposed well designs.

Risk assessments are carried out regarding health and safety aspects prior to commencement of new and ongoing operations or projects. We employ Hazard Identification (HAZID), a technique that uses an experienced multi-disciplined team for the identification and description of safety and health hazards, consequences and unmitigated risks. The key objectives of HAZID are to:

- Provide first opportunities for input to a project or activity to aid in making the right decisions and choices with respect to HSSE hazards;
- Identify the primary safety (people), environmental, asset and community hazards and risks including existing safeguards and recommend any additional safeguards required to achieve ALARP (as low as reasonably practicable) associated with the project or for planned activities which include Turn-Around (TA), Simultaneous Operations (SIMOPs) and Plant Change Proposals (PCP);
- Identify significant drivers in terms of potential costs, design requirements, and limitations on choice of concept or operations arising from major safety and environmental hazards;
- Consider the manageability of any Major Accident Hazards (MAHs) and Risks (Severity 5 or Red Risk Assessment Matrix Hazards); and
- Provide input for the development of the Hazards and Effects Register, if applicable.

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We hosted the first Joint HSE Committee (JHSEC) meeting for 2019 for performance benchmarking with all Petroleum Arrangement Contractors (PACs).

Our ongoing efforts were recently, once again, recognised in the industry for its HSSE standards and performance by being selected as the winner of the 2018 MSOSH OSH Gold Class 1 award[1] for our St Joseph platform after a stringent auditing process.

For drilling preparations at the fields, the following elements were executed in terms of process safety:

- Certification, validation and tests conducted on well control equipment
- Training of personnel to further enhance competency levels e.g. IWCF (International Well Control Forums) Training
- Barriers verification for compliance (physical well barrier) including testing of BOP (Blow out Preventer)
- Evaluation of subsurface uncertainties e.g. inaccurate pore pressure

[1] The Malaysian Society for Occupational Safety & Health (MSOSH) OSH Award is an annual award presented to organisations in Malaysia with proven outstanding Occupational Safety and Health performance. Identified companies are subjected to stringent document and site verification audits by the MSOSH panel of qualified and dedicated auditors which comprise, amongst others, representatives from the Department of Occupational Safety & Health (DOSH) and National Institute of Occupational Safety & Health (NIOSH) prior to being considered by the MSOSH Technical Committee for the respective awards.

- Full compliance with standards and procedures
- Preparation and training of emergency response plan (ERP) including incident management, drills and exercises and alarm management
- Performed risk assessments from planning and during drilling

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During FY2019, pre-contract HSEQ audits were carried out on the Helix Well Enhancer (that was commencing a diving campaign), the Grand Canyon (for the Teal P2 & Guillemot P3 scale squeeze campaign), and, the Stena Spey (for the GUA-P1 side-track drilling campaign). In all three cases, Combined Operations HAZID/ Risk Assessment workshops were held, bridging documents prepared and emergency response arrangements tested through exercises conducted.

With respect to the planned shutdowns, several planning meetings were held and the various workpacks prepared were subject to detailed risk assessments.

In April and May 2019, an independent third party audit of Petrofac was carried out. This audit was designed and executed to meet the requirements of The Offshore Installation (Offshore Safety Directive) (Safety Case etc.) Regulations 2015 (SCR) – Regulation 5 in order to ensure that Petrofac are able to carry out the functions and discharge the duties of the operator under the relevant statutory provisions. The audit identified several areas for improvement, primarily relating to descriptions of key activities not being aligned

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to written procedures as a result of previous organisational changes. None of these areas of improvement are believed to compromise the health and safety of the workforce and process integrity of operations. These identified action items are being monitored monthly with a target date for completion of December 2019 to ensure a timely close-out.

On 12 September 2019, Anasuria was awarded the Continuation of Gold Award for the 20th consecutive year and the Order of Distinction for 20 consecutive Gold awards for health and safety performance from the Royal Society for the Prevention of Accidents (ROSPA), UK. Hibiscus Petroleum has been a joint operator of Anasuria since 10 March 2016. Prior to this, Shell had been the operator of Anasuria since the fields commenced production in 1996. We are proud that together with our partner Ping Petroleum and the Duty Holder of the Anasuria FPSO, Petrofac, we have been able to continuously uphold the safety performance of the Anasuria asset.

At many of our operating sites, we work alongside third party contractors who deliver proprietary products, specialist technical skills and services. Where third party contractors work alongside our employees, we must ensure that these members of the supply chain also subscribe to our systems and processes to assure a safe working environment for all. Thus, our selection of business partners and suppliers requires an assessment of their own organisational safety performance. We are only interested in working with those who are non-compromising in their attitude towards safety performance.

4.3 Crisis and emergency preparedness

The driving objective of our crisis management and emergency response plans is to decrease the potential severity and consequences of events impacting our people, assets, environment and reputation of our organisation to enable prompt resumption of normal operations/business activities, thus reducing any adverse impact to business productivity and profitability.

Our crisis management team, located at our headquarters in Kuala Lumpur, is responsible for the overall strategic management of critical events which require corporate support.

The Anasuria team receiving the awards from ROSPA

At project level, the coverage of emergency preparedness encompasses unintended events caused by natural disasters, major fires, spills, or social unrest, and ensures that Emergency Response (ER) centres and ER Plans are in place at the country, regional or global level.

ER plans are seamlessly integrated by Company-appointed crisis and ER operatives and personnel by providing knowledge and skills development coaching programmes and training to manage various business emergencies. Corporate and site-specific drills and exercises to test emergency response plans are embedded in yearly activity plans and executed under the monitoring and coaching capabilities of the HSSE Department.

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During FY2019, ongoing initiatives were expanded, and new programmes initiated, towards building a holistic approach to strengthen capabilities in the area of Crisis and Emergency Management. These initiatives and programmes are:

- **Capacity and capability building:**
  - In-house skills and competencies development programme
  - Development of e-Learning modules
  - Strengthening of crisis, emergency and incident management
- **Strategic alliances and stakeholder engagements:**
  - Participation in Malaysia Petroleum Management programmes and collaboration with other PACs
  - Planned engagement with authorities and communities
  - Joint training and exercises with authorities and response organisations

Our ER plans primarily cover the following:

- Preparation, response and recovery in relation to credible, largest credible, severe and worst-case spill scenarios;
- ER mitigation by country, regional or global managers overseeing Emergency and Crisis Management;
- Establishing and maintaining ER Plans and Procedures which include:
  - interfacing ER requirements with business continuity plans and Company function support teams (Health/Security/Human Capital/ Logistics/Travel/Assets as needed);
  - contact details of the ER Team including contractors and external supporting agencies;
  - escalation procedures that include a transfer of command process for incidents that rise above local ER capabilities;
  - criteria for notification of an Emergency Incident to a Crisis; and
  - the transition process to normal operations after an Emergency Incident is declared over.
- Establishing and maintaining spill preparedness and response plans to comply with national oil and chemical spill preparedness and response plans;
- Periodic review and update of the ER Plans and Procedures annually with a comprehensive assessment including audits on a pre-defined interval of 3 years; and
- Planning for security incidents and cyber-attacks.

In addition, we secured contractual support from well-established entities to better manage and elevate our capabilities when facing non-desired events. More specifically, contracts were established for:

- Medical Emergency Response support coverage - the integrated medical services provider extends comprehensive and continuous occupational health services covering international medical assistance, healthcare, occupational health regulatory compliance consultation and medical evacuation support services. Our Medical ER Plan incorporates its services in the event of medical evacuation of staff due to occupational or non-occupational illness while at work.
- Oil Spill Contingency Plan support coverage - the UK specialist organisation works to assist operators to respond effectively to oil spills. This gives us access to their global network of oil spill response equipment and expertise, including offshore and shoreline oil recovery equipment, dispersant stockpiles and aerial dispersant spraying capabilities. Their equipment can be quickly mobilised from their regional bases at any time, for instance, it owns a dispersant aircraft based at Senai, Johor.
- Oil Spill Contingency Plan support coverage - the local non-profit oil spill response organisation is well-connected with local enforcement and government agencies. It provides oil spill response consultation and equipment during oil spill incidents, as well as assists to build competency and skills for our emergency responders.

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Our close collaborative relationships with the relevant authorities and the Malaysia Petroleum Management (MPM) unit of Petroliam Nasional Berhad (PETRONAS) has improved our effectiveness, capabilities and contingency planning for emergency situations.

Efforts are ongoing to further improve our Emergency and Crisis management process. Incident Command System (ICS) is a standardised approach to the command, control and coordination of emergency response providing a common hierarchy within which responders from multiple agencies can respond effectively. The implementation of ICS management, which is in line with our resolve to continue to adopt industry best practices, is currently in its planning stage.

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To support our oil spill response plans and capabilities, we are an associate member of a specialist organisation which works to assist operators to respond effectively to oil spills. Apart from access to their global network of oil spill response equipment and expertise, we also have access to the UK's Oil Spill Prevention and Response Advisory Group's (OSPRAG) well capping device. The well capping device is a vital new piece of equipment which, if in the unlikely event had to be called upon, would seal off oil leaking from an uncontrolled subsea oil well and minimise damage to the marine environment. The AOCL Duty Managers have the authority to mobilise these resources in response to an incident. AOCL is also a member of the Offshore Pollution Liability Association (OPOL).

We also contract with an established integrated medical services provider which provides us with international medical assistance, healthcare and security services. The Coastguard Search and Rescue helicopter can also be called upon to provide emergency evacuation of casualties/ serious illness.

We have identified all foreseeable major accident scenarios related to work under our direct control and have implemented emergency response plans, organisation, facilities and procedures to ensure an effective and efficient response. Emergency response plans are regularly tested through drills and exercises. As part of our initiatives in this area, employees and contractors receive emergency response training appropriate to their roles and responsibilities.

We also have the capability to respond to Tier 2 and 3 environmental events. An Emergency Manager Handbook is available which details the process in place to maintain a constant state of preparedness and to enable the proactive mobilisation of resources when responding to an emergency. The emergency response provision functions through an on-call Duty Manager with onshore incident management team support located within the Petrofac Emergency Response Centre (ERSC) at Blaikies Quay, Aberdeen Harbour.

The Petrofac Oil Pollution and Emergency Plan (OPEP) details the offshore Tier 1 response and is supported by the AOCL onshore OPEP with Tier 2 and 3 arrangements. Additional OPEPs, Temporary Operation OPEPs and Communication and Interface Plans are developed and implemented where required.

Training and exercise plans are in place to ensure all personnel required to respond to an emergency are competent. Duty Managers are trained to OPEP level 2 and participate in a minimum of one exercise per year.

5.0 ENVIRONMENTAL MANAGEMENT

We believe that the extraction of hydrocarbons needs to be balanced with the requirement to protect the environment. Whilst global demand for oil and gas continues to grow, the provision of its supply should only be undertaken where every process meets the stringent requirements of the rules and regulations that govern the protection of our environment.

As stated in our Environment Policy, we are committed to operating in a manner that manages our environmental impacts to ALARP level and in compliance with regulations, in relation to biodiversity, climate change, energy use and waste management aspects.

We ensure that our environmental goals and standards are understood and followed at all levels of the Group. In this regard, we collaboratively plan and implement specific activities and develop appropriate strategies to mitigate risks. Such activities include the Annual Environmental Audit by an independent third party and the quarterly monitoring of seawater quality surrounding our North Sabah operations.

To assure ourselves that our goals are understood by all our people, regular internal audits of compliance to our Group's Environment Policy are carried out. Such actions also facilitate our compliance with all applicable standards of the law and regulations of the jurisdictions in which we operate, in addition to international oil and gas industry regulations. Where possible, we also comply with industry best practice.

At Hibiscus Petroleum, we observe the respective regulations of the Environmental Quality Act (EQA), 1974 and relevant industry guidelines and practices such as those of the International Petroleum Industry Environmental Conservation Association (IPIECA), in the jurisdictions in which we operate. In the UK, AOCL also observes the relevant environmental regulations and guidance on offshore oil and gas exploration and production guidelines and practices such as those of the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) and the Scottish Environmental Protection Agency (SEPA).

We use an Environment Aspect and Impact Register to manage the risks associated with the identified environmental aspects and impacts in accordance with our environmental management system throughout the lifecycle of the assets in our control. Environmental aspects are those elements of our activities, products, services or physical resources which may have physical effects on, or potential benefits to, the environment. These include discharges and emissions, raw materials and energy use, waste disposal and pollution. Environmental impacts represent the consequences of the occurrence of any given aspect – for instance, an impact is the pollution that would result if an environmental aspect was not properly managed or controlled.

As an oil and gas producer, our most significant areas of environmental concerns include:

- Greenhouse gas emissions from the flaring and venting of gas and fuel consumption at our facilities;
- Other emissions to air associated with our drilling activities; and
- Effluents and waste, which includes the management of hazardous waste and discharges of produced water to the sea, as well as the prevention of oil spills.

5.1 Greenhouse gas (GHG) emissions and other emissions to air

We are cognisant of our responsibility to reduce or prevent emissions, where possible, that contribute to global warming.

The source of GHG emissions in our operated and jointly-operated facilities are from:

- combustion sources from stationary devices such as flares, furnace, fuel burning equipment (FBE), compressors, etc;
- mobile sources such as company vehicles, supply boats and barges;
- direct sources such as process vents; and
- indirect sources such as electricity.

Other emissions include evaporation from fixed and floating roof storage tanks and crude oil transportation pipelines.

In Malaysia, most of our produced gas from the North Sabah fields is reinjected back into the various reservoirs as part of pressure maintenance or gas lift operations. The remaining volumes are used as fuel gas with minimal volumes flared.

In our Anasuria field in the North Sea, UK, produced gas is used as fuel gas for our machinery supporting operations, for gas lift operations to enhance production and the remaining volume is exported via pipelines to the UK mainland and sold as one of the cleaner sources of primary energy.

Our normal operating practices in the North Sea and North Sabah emit a low volume of greenhouse gases into the environment. There are circumstances where we may inadvertently deviate from the above practices. These circumstances are primarily centred around any temporary failure of gas compression equipment which may not permit us to manage produced gases in the above-mentioned manner. As an improvement initiative, we have invested in equipment to ensure higher levels of reliability which result in GHG emissions to be minimised.

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Reducing the levels of GHG emissions is one of the most critical responses to climate change, hence it plays a central role in implementing the Carbon and Climate Commitments.

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Offshore, we rely on electricity to power machinery that is required to perform critical tasks. Our efforts to reduce carbon emissions from the burning of fossil fuels to generate electricity to power gas turbines and diesel generators that drive pumps and compressors on our offshore platform operations are addressed by the installation of solar/photovoltaic panels on our North Sabah platforms. These photovoltaic panels are a source of power supply to our wireless communications, flare ignition systems and marine lanterns. Such renewable energy initiatives entirely power all our remote location jacket platforms.

To complement solar panels as a source of clean electricity in our North Sabah operations, and to improve the availability and reliability of our offshore power supply, mini wind turbines are being installed together with these solar panels over a period of a year, commencing in December 2018.

In addition, effective planning and execution of shutdown programmes offshore not only allows for the essential maintenance to facilitate increased operating efficiency but also forms measures through which we are able to address and improve on climate change mitigation actions.

Through the execution of these shut-down programmes, we were able to change out the ignitor set for the respective locations. This initiative is believed to be able to reduce the volumes of GHG emissions by approximately 10% overall.



Our solar panels at our North Sabah Offshore Platform

The indicators for our GHG emissions and other emissions to air are set out below:

Indicators	Unit	FY2019
Total operational GHG emissions (scopes 1 – 3)	tonnes CO2e	1,183,450.69
GHG emissions per barrel of oil equivalent	CO2e/boe	14.35
Flaring emissions (CO2e)	tonnes	154,242.42
Methane emissions (CH4)	tonnes	16,335.00
Nitrous oxide emissions (N20)	tonnes	8.85
Carbon dioxide emissions (CO2)	tonnes	347,454.57
Nitrogen oxide emissions (NOX)	tonnes	3.65

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The AOCL framework under the HSEMS for Environmental Management is externally verified to ISO14001:2015. AOCL has in place an Environmental Management Manual, which describes the approach to eliminate or reduce risks to the environment and actively promote continual improvement.

AOCL participates in the European Union Emissions Trading Scheme (EUETS), and actively purchases carbon credits when the emissions at Anasuria exceed the free allowances. Funds raised from organisations participating in the EUETS go toward investment in emissions-saving companies such as those that promote clean technologies and develop low carbon projects in developing countries and economies in transition.

In addition, effective planning and execution of shutdown programmes offshore not only allows for the essential maintenance to facilitate operating efficiency but also forms measures through which we are able to address and improve on safety and production efficiency. Through the execution of planned shut-down programmes on the Anasuria FPSO, we were able to change out the fuel and flare meters which ensures the accuracy of reporting emissions. As part of the EUETS, AOCL is obliged to ensure that these meters are run to the required standards.

Furthermore, an independent third party is commissioned to conduct an audit annually on operational GHG emissions data, as well as monthly and quarterly internal assurance checks on the accuracy of the data and readings.

Performance is tracked on a regular basis incorporating monitoring, audits and inspections, regulatory inspection letters and internal and external incidents. Performance improvement will be implemented via the HSE Continual Improvement Plans.

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The indicators for the GHG emissions and other emissions to air are set out below:

Indicators	Unit	FY2017	FY2018	FY2019
Total operational GHG emissions[1]	tonnes	114,796.52	164,866.67	127,365.98
GHG emissions per barrel of oil equivalent[1]	CO2e/boe	0.0240	0.0377	0.0317
Flaring emissions (CO2e)	tonnes	32,852.04	85,606.75	50,749.10
Methane emissions (CH4)[1]	tonnes	143.70	332.34	207.48
Nitrous oxide emissions (N20)[1]	tonnes	7.48	8.67	7.50
Carbon dioxide emissions (CO2)[1]	tonnes	114,270.85	163,871.49	126,671.52
Nitrogen oxide emissions (NOX)[1]	tonnes	254.74	329.91	296.67
Sulphur oxide emissions (SOX)[1]	tonnes	1.50	8.71	4.32
Volatile organic compounds (VOC) emissions[1]	tonnes	118.24	315.54	188.49
Payments made associated with climate change[2]	RM	1.6 mil	6.0 mil	13.7 mil

[1] Figures are extrapolated from calendar year data.
[2] Costs spent for the EUETS on a gross basis.

5.2 Effluents and waste

A range of pollution risks are associated with offshore activities. These include risks related to planned and unplanned discharges and waste management. We strive to continually operate in a safe manner to avoid spills, leaks or accidental discharges of polluting materials. For our offshore activities, we commit to carefully managing waste and discharges to the sea.

Effluents

Our operated offshore fields deliver oil, gas and water from offshore reservoirs, which we then separate using our on-site processing facilities. For North Sabah, this is performed at LCOT whilst this is performed at the FPSO for Anasuria.

In the case of water (produced water), it is either re-injected into the reservoir to maintain underground pressure or it is cleaned, filtered and then discharged into the sea. Operational discharges to sea include produced water, slop and bilge water, all of which may have adverse effect on the aqueous environment. Of these three, produced water usually has the highest environmental risk and accordingly receives the most attention from us.

In the UK, the Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005 (as amended) state that the concentration of dispersed oil in produced water discharges as averaged over a monthly period must not exceed 30 mg/l, whereas the maximum permitted concentration must not exceed 100 mg/l at any time. This parameter is monitored once per 12-hour shift and our oil in water content has been well within the regulatory limit.

The Malaysian regulations under Environmental Quality (Industry Effluent) Regulations 2009 states that the discharge shall be below 40 mg/l oil in water. This parameter is monitored daily at LCOT. Furthermore, the Department of Environment (DOE) stipulates that for all Crude Oil Terminals (COTs), the discharge limit threshold for all parameters under the Environmental Quality (Industry Effluent) Regulations, 2009 (except oil and grease (oil in water)) is 100 mg/l. We are in compliance and well within the stipulated limits.

Waste

Our activities generate different volumes and types of waste including both hazardous and non-hazardous wastes.

We ensure that any hazardous waste generated from our operations in the UK and Malaysia is treated in an environmentally responsible and auditable manner.

In the UK, the majority of waste produced offshore is classified as general (non-hazardous) waste. There is a basic level of segregation required between non-hazardous, solid and inert waste and all other categories offshore. A number of products, waste and containers, including some chemicals used offshore, are classified as special waste (hazardous waste) and therefore require to be managed according to their hazardous properties, concentrations and flash point. Some special waste materials or 'sludge' are managed by specialist contractors. All such waste which is transferred ashore for disposal is an auditable process.

In Malaysia, a sludge farm located on the premises of LCOT treats sludge which is produced from operations and maintenance activities. The sources of sludge are primarily from crude oil production facilities/processes such as the Emulsion and Wax Treatment Plant (EWTP), Crude Storage Tanks, Effluent Treatment Plant (ETP), Free Water Knock-out Vessels (FWKO) and Pigging Operations. Once sent to the sludge farm, the sludge is then treated using bacteria and nutrients, and goes through the process of tilting, ploughing and water spraying. This is carried out over a period of between five to eight years until such time when it can be disposed-off into a designated landfill which is also situated within the LCOT premises, after approvals from the DOE and Atomic Energy Licensing Board (AELB) are received.

The operations of the sludge farm are governed by the DOE and are subject to stringent monitoring as required under the Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) (Amendment) Reg. 2006.

Sludge Farm at LCOT as seen from entrance

Sludge Farm undergoing treatment

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Our indicators relating to effluents and wastes for FY2019 are set out below:

Indicators	Unit	FY2019
Oil spills	kgs	0
Water (effluent) discharge [1]	m3	4,822,974
Total water discharge [1]	m3	0
Discharge of oil to water	mg/l	20.09
Hazardous waste	tonnes	3.395
Non-recycled waste	tonnes	3.395
Recycled waste	tonnes	0.978
Environmental fines and penalties	RM	0

[1] Water (effluent) discharge represents effluent only. Total water discharged is water without effluent content. Water is discharged to sea after being treated.

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Internal assurance checks on the operational environmental data are conducted on a monthly basis.

Our indicators relating to effluents and wastes are set out below:

Indicators	Unit	FY2017	FY2018	FY2019
Hydrocarbon spills	kgs	4	0	0
Water (effluent) discharge	m3	1,640,042	1,593,180	1,264,386
Discharge of oil to water	mg/l	8.64	13.36	8.82
Hazardous waste	tonnes	19.760	23.706	27.024
Non-recycled waste	tonnes	41.080	69.521	55.395
Recycled waste	tonnes	78.093	82.577	65.098
Environmental fines and penalties	RM	0	0	0

5.3 Others

Biodiversity

We recognise that biodiversity is an essential component of ecological balance. We also recognise the importance of the conservation of biological diversity, safeguarding ecosystems and species.

In North Sabah, biodiversity includes marine algae, marine fishes, marine reptiles, seagrasses, mangroves and coral reefs.

We regularly assess the impact of our operations on the surrounding environment, including in relation to biodiversity. Before drilling our wells, we analyse the impact of our activities through an Environment Impact Assessment (EIA). Upon commencing implementation of our operation phase, we carry out quarterly monitoring of seawater quality around our North Sabah operations to ensure that there is no significant impact to the sea.

The Environmental Aspects and Impacts Procedure/Register earlier mentioned, identifies the environmental aspects of those activities which we control or can influence, and which may give rise to significant positive or negative environmental effects. This procedure encompasses exploration, appraisal, development, production and decommissioning operation activities.

We focus on our objectives of reducing environmental impact caused to the surrounding area by limiting the quantities of waste and other discharges and handling them in a responsible manner; and, we re-use and recycle where practicable.

Energy use

We endeavour to use energy and natural resources wisely and efficiently.

In North Sabah, all our remote location jacket platforms are entirely powered by our renewable energy initiative i.e. a solar power system (consisting of battery and solar array /photovoltaic panels). As set out in Section 5.1, to complement solar panels as a source of clean electricity in our North Sabah operations, mini wind turbines are being installed together with these solar panels over a period of a year, commencing in December 2018.

At Anasuria, the way in which we run our operations is governed by the AOCL HSEMS. In addition, Petrofac (the Duty Holder of the Anasuria FPSO) as an organisation, qualifies for the Energy Savings Opportunity Scheme (ESOS) in the UK. As such, Petrofac is obliged to notify the UK Environment Agency that they have complied with their ESOS obligations, which covers the Anasuria FPSO operations, for the second compliance period by December 2019.

A portion of the gas produced by the fields are used as fuel gas and is supplemented by diesel. These are used to power turbines and engines on the Anasuria FPSO. The Anasuria FPSO and the facilities are designed to last the entire field lifecycle and are rarely replaced. Thus, opportunity for energy savings is challenging. However, if a requirement to replace or procure new equipment arises, we would endeavour to procure new equipment that could offer the opportunity to save energy.

Energy Consumption on the Anasuria FPSO	Unit	FY2017	FY2018	FY2019
Fuel Gas	tonnes	29,167.87	23,643.02	25,212.54
Diesel	tonnes	515.18	4,323.82	2,097.66

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6.0 OUR PEOPLE

Our people are the essence of who we are. As a relatively young Group with diversified operations across multiple geographies and an ambitious growth plan, we recognise it is important that our people drive sustainable practices at all levels of our business.

Our vision of becoming a *respected* and *valuable* independent oil and gas exploration and production company is fueled by our seven corporate core values – including being agile, tenacious, enterprising, people focused, cost competitive, trustworthy and environmentally conscious. These core values define how we work as a team and how we deliver on our commitments to our stakeholders. As a young organisation in a competitive, global environment, we question the status quo and challenge norms. Finding a novel solution requires a mindset that is enterprising and innovative. Implementing such an idea requires the agility and tenacity to act as well as the trust of stakeholders, whilst being conscious that no solution has utility if it is not cost competitive, safe and environmentally friendly.

Our success is underpinned by our ability to recruit, motivate and retain highly competent employees. This is driven primarily by the following key factors:

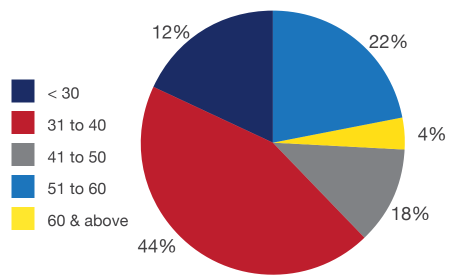
- Ensuring a diverse and inclusive working environment, where we seek to treat all our employees fairly and equally;
- Establishing competitive remuneration packages linked with the performance of our Group and employees; and
- Nurturing talent development to optimise the capabilities of our employees which also sets the critical platform for succession planning.

6.1 Workforce diversity and inclusivity

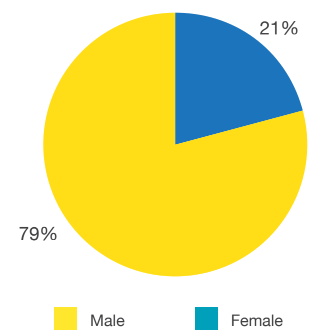
We are committed to recognising the importance of diversity which extends to all areas of our business including talent acquisition, talent development, competency development (including skills enhancement), career progression, Board appointments, staff retention and motivation, mentoring and coaching programmes, flexible work arrangements, forms of leave available to staff, succession planning, the Group's policies and procedures and training and development. Our employees are treated respectfully and equally irrespective of age, gender, ethnicity, nationality, disability, sexual orientation, cultural background, religious belief and social-economic status. Our commitment towards such inclusivity and diversity is clearly set out in our Diversity Policy.

We are a melting pot of different nationalities, gender, age-groups, education and experience levels. We foster an inclusive work environment. We have 364 employees out of which approximately 83% are full-time employees. There are 5 nationalities with an average age of 42 years, representing a healthy mix across all age groups and various technical backgrounds. We recognise deep technical experience as our key asset.

Employee Age Group



Group Employee Gender



We will continue to take positive measures to improve our workforce diversity, which provides equal opportunities, free of any form of discrimination and encourages fair treatment and opportunity for men and women. These measures include:

- Expanding the scope of our Diversity Policy to be more inclusive during the financial year.
- Ongoing adherence to our Group Recruitment Policy which aims to recruit the best candidates based on merit. Furthermore, we will continue to ensure that:
    - o all persons, regardless of age, gender, ethnicity, disability, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally when recruiting new staff or directors; and
    - o there will be no preference given to a specific gender for a position and women with appropriate experience and qualifications will be considered equally in the recruitment and selection process.
- In relation to recruitment of directors, the Nominating Committee:
    - o is entrusted by the Board to identify potential candidates by seeking applications from suitably qualified individuals and/or engaging external consultants that will present diverse candidates;
    - o will evaluate the mix of skills, experience, expertise and diversity of the existing Board that will best increase the Board's effectiveness.
- Continued use of our performance appraisal and incentives framework which is merit-based. In addition, all decisions associated with career advancement, including promotions, transfers, and other assignments, and training opportunities are based on our Group's needs and determined on merit.

6.2 Performance and reward

We integrate our corporate core values into the way we set our targets, in how we measure our performance, and in our efforts to enhance the expertise and skillsets of our people. Our Performance Management System has been extended to recognise not only an individual's work performance but also how the individual interacts with the team to achieve common goals. We emphasise the importance of constructive feedback and conversations throughout the year and empower people to deliver on their commitments.

Our employees undergo two comprehensive performance appraisals per annum which include discussing performance reviews, the status of achievement of pre-determined targets, future career development and training requirements. During the financial year, 100% of our employees received performance reviews with performance ratings assigned by their superiors. The performance reviews of senior management are conducted by both our Managing Director, and the Nominating and Remuneration Committees.

We commit to continuing to exceed the regulatory minimum wage requirements including extending a cost of living allowance to all employees to ensure their financial sustainability. We further strive to remunerate our employees competitively and where necessary, industry remuneration benchmarking is conducted. Performance incentives are utilised as a means to reward and motivate employees with clear linkages of performance with rewards. Discretionary bonuses are paid annually based on the achievement of corporate and individual performance targets.

6.3 Talent development

Talent development has continued to be an area of key focus for the organisation. It ensures that we have, and will continue to have, the relevant competencies and capabilities required to achieve our Group's business objectives. Talent development also allows our people to realise their career aspirations.

Our talent development programmes comprise on-the-job training and mentoring, overseas secondments, workshops, conferences and seminars. The various types of training programmes that are offered to employees builds on key competencies required for their specific job roles. In addition, employees are afforded exposure to other fields. The programmes undertaken during FY2019 included technical courses (mandatory and compulsory HSSE), skills development, personal competencies and various finance, accounting and corporate courses.

The extent of training provided to our employees during FY2019 is tabulated below:

Indicators	FY2019
Total training hours as a Group	8,284 hours
Average training hours and day per employee	22.76 hours/ 2.84 days

6.4 Employee management and engagement

Our management of employees is guided by our Diversity Policy, Code of Conduct and Ethics and Employee Handbook. These documents are accessible to all employees via SharePoint, our Group's web-based collaborative platform. Employees are advised of updates to the documents via email notification.

Sustainability Report

Our leadership team members regularly engage each other and with all levels of personnel within our Group through townhall sessions, weekly and monthly meetings, and festive celebrations. Importantly, we celebrate significant milestones and achievements as a team.

Apart from meetings and gatherings, we gather employee feedback and concerns through semi-annual performance appraisals and a formal, confidential and non-recriminatory grievance process as set out in the Employee Handbook.

The attrition rate of our full-time employees during FY2019 was 7.97%, a bulk of which were from employees previously hired under the previous operator in North Sabah. Exit interviews were conducted, and our Human Capital Department is well into the process of implementing multiple initiatives to further reduce the turnover rate.

7.0 OUR COMMUNITY

We are committed to conducting our business operations in a manner that fully acknowledges and respects the rights of the people impacted by our operations, in particular, our local community. Our presence in the various locations in which we operate places us in the position of being able to directly understand as to how we can make a positive difference to the communities that support us.

We also recognise the importance of building positive relationships with our community and providing them with enduring socio-economic benefits, where possible. By implementing such 'inclusive initiatives', we build trust with local communities and strong partnerships with host regulators and our stakeholders in general.

7.1 Engagement and Impact Management

When we took over operations and management of the North Sabah PSC, we continued with works to replace a 36" effluent discharge pipeline with a 28" high-density polyethylene pipeline from the sump pit to the seashore at LCOT and further extend the distance from the shoreline to the offshore discharge point such that it was approximately 1km away (during the lowest astronomical tide), from its original location which was originally approximately less than 300m from the shoreline. The works executed also included the installation of new dual pipelines from the holding basin to the new sump pit, fitting handrails at the new sump pit, reinstatement of fencing around the area and carrying out minor road repairs within the terminal.

The reinstatement of the shoreline area which was completed earlier this year, is our added effort in recognising and respecting the rights, safety and comfort of the local community living in the vicinity of our place of operations.

Before Effluent Discharge Pipeline Replacement (EDPR) Works

After EDPR Works

Post reinstatement of the shoreline

7.2 Employment and training initiatives

We prioritise the appointment of suitably qualified locals in the areas in which we operate and build on this initiative by investing in their training and development through on-the-job training and external courses.

For North Sabah, 44% of our employees comprise local Sabahans which far exceeds the minimum threshold set by the state government of 30%, whilst 98% of our employees are Malaysians.

In Malaysia, we also support and comply with PETRONAS' requirement for affirmative action with respect to the award of supply and service contracts to companies from the Malaysian states that produce oil and gas (Terengganu, Sabah and Sarawak). As we conduct operations in Sabah, where viable, we unbundle scopes of integrated contracts and carve out minor works for tender and award these to indigenous contractors from within the state. This practice directly generates job opportunities within local communities in Sabah, where we operate.

7.3 Community investment

The Group has comprehensive Corporate Social Responsibility (CSR) selection criteria and review processes to evaluate and approve all CSR initiatives on a Group-wide basis. CSR proposals are assessed by the CSR Review Panel on the Business Sustainability Management Committee (Committee), utilising a set of criteria that covers, amongst others, relevance to business operations, social and environmental reach, cost effectiveness, risks and programme sustainability. This is performed under the direction of the Group's Managing Director, who is the Committee chair.

Separate specific working committees are formed to undertake additional research and groundwork (e.g. site recces) for shortlisted projects before final presentation to the CSR Review Panel. The Board is informed of activities approved by the Committee, and if required, approval is sought in accordance with the Hibiscus Petroleum Limits of Authority.

Under the Hibiscus Hope Scholarship programme, we awarded a scholarship last year to a British student to pursue a fully funded postgraduate petroleum engineering degree at the Malaysian campus of a British university. This scholarship recognised that it was from the acquisition of our Anasuria asset, UK, that we commenced building a sustainable business within our Group and it enabled the successful scholar an opportunity to experience the unique cultural setting of Malaysia whilst also working for a masters' level qualification.

With the inclusion of our North Sabah operations in the Group's portfolio in March 2018, we are committed to dedicating resources towards initiatives focussed in Sabah.

The first such initiative was a Beach Cleaning Programme in March 2019, held in collaboration with the Department of Occupational Safety and Health Sabah (DOSH Sabah) and Kota Kinabalu City Hall. Litter along a 2km stretch of Likas Bay in Kota Kinabalu was cleared with the help of approximately 150 volunteers, mostly comprising students from various Technical and Vocational Education and Training (TVET) institutes in Sabah. The programme also included a health and safety awareness talk by DOSH Sabah on heat stroke. We were encouraged by the active participation of students and believe that their awareness and appreciation for health, safety and the environment was enhanced by the programme.

Group photo at Likas Bay Beach Clean-Up in March 2019

Sustainability Report

In FY2019, contributions made by our Group towards CSR initiatives amounted to approximately RM0.2 million, which is primarily for the Hibiscus Hope Scholarship that was awarded in 2018, with the remaining contributions going towards charitable events and the Beach Cleaning Programme.

For future CSR plans, we are currently evaluating – through our CSR selection process – several health and community-based proposals in Sabah, for which preparations are expected to begin later this calendar year in the event that these initiatives are approved.

8.0 OUR SOCIETY - HUMAN RIGHTS

We are dedicated to respecting and promoting the rights of every person including our employees, our community where we are active and those working within our supply chain. This is in line with internationally recognised human rights and labour standards such as the United Nations Guiding Principles on Business and Human Rights (2011) and the United Nations International Covenant on Economic, Social and Cultural Rights which guide businesses on how to act responsibly in respecting human rights.

During FY2019, we introduced the following new policies and expanded on current policies as a re-iteration of our ongoing commitment in upholding human rights:

- **Anti-Modern Slavery Policy**
  This states our commitment in prohibiting the employment of forced, bonded or underage labour and in taking all reasonable steps to ensure that there is no form of slavery in our business and supply chain. This policy covers our Group, and contractors, joint venture partners, or other parties working with us.

  The Audit and Risk Management Committee is the designated independent committee to receive any complaints/information with follow-up on actions taken (if any) with the Internal Auditor the named Investigator as an impartial party.

  We work to continually assess the extent of the risk of instances of modern slavery and human trafficking in our business and take reasonable steps to ensure that these have no place in our Group and supply chain. Going forward, we will enhance our efforts in bringing to the attention of our suppliers our commitment against modern slavery in our business operations.

- **Diversity Policy**
  Our Diversity Policy was improved to further expand the inclusiveness of all people. Please see the Workplace Diversity and Inclusivity section of this Sustainability Report.

- **Whistle Blower Policy**
  During FY2019, we expanded our Whistle Blower policy to encompass external parties as a further sign of our commitment to our key stakeholders, including our communities. This provides a confidential and anonymous avenue for individuals and communities impacted by any human rights violations arising from our business activities.

  Further, we support the right of our employees to freedom of association and collective bargaining, in compliance with the Malaysian labour regulations. We also commit to fully complying with labour regulations of the countries in which we operate and accordingly, have not recorded any non-compliances of applicable labour standards or encountered any human rights violations during the financial year under review.

9.0 ECONOMIC VALUE GENERATION AND DISTRIBUTION

We aim to make a positive contribution by delivering long-term tangible benefits to our key stakeholders. We generated and distributed value in the following manner during FY2019:

- Payment of taxes and royalties totaling approximately RM143.1 million to host governments, which grant our licence to operate;
- Use of contractors and suppliers in our host countries, when they possess the necessary expertise and resources. In this regard, we have compensated local service providers and suppliers approximately RM451.6 million;
- Payment of remuneration of approximately RM69.1 million to our employees.

10.0 INFORMATION TECHNOLOGY AND CYBER SECURITY

Cybersecurity threats evolve and managing such risks are intricate due to the complexity of an interconnected business ecosystem and the rapid evolution in technology.

In efforts to address this risk, we have rolled-out several policies in place to mitigate this, in addition to planned improvements to protect our information and ensure the security of our system.

Included amongst the policies that we have in effect are:

- Information Technology (IT) Management Policy which provides guidelines on IT equipment which may be used/accessed, user login governance and approval requirements, and pre-set parameters on internet and email usage;
- IT Data Access Policy which controls access provisions, authorises delegation of authority, and governs data storage and classification;
- Password policy and guidelines which specify password policies, requires use of multi-factor authentication, and imposes policy compliance requirements; and
- Electronic data disposal and sanitisation which deals with data disposal management, and physical and logical data destruction.

Our commitment to cybersecurity has put us in good stead in ensuring that our IT infrastructure is secure, with appropriate authentication, firewall and perimeter security, controls and active virus and threat protection in place. In addition, we also implement an active scanning process which regularly checks for any irregularities, with escalation in place to react to rogue activities within the network. There is also an additional access control (Dot1x) tool being employed to only allow the Group's machines within our network.

With regard to access controls, we have established appropriate internal controls throughout our system, such as those which review password policies and the Remote Authentication Dial-In User Service (RADIUS) system in place for authentication. All our computers are installed with the latest anti-virus and anti-malware for personal computer protection. Access to our servers are also secure due to the controls we have instituted.

As we view data and application recovery as critical, we have in place a Disaster Recovery Centre (DRC) to address the occurrence of any disasters to enable business continuity. Simulations and audits are conducted, and third party experts are involved, as and when required.

Furthermore, we continually plan improvements to our systems, and in this regard, enhancements to our IT administration and control procedures, encryption requirements and mobile device management enhancements are amongst the scheduled developments planned for implementation in the immediate term.

OUR WAY FORWARD

In this report, we have detailed many of the specific initiatives that we have undertaken or plan to undertake to address sustainability matters material to our Group and stakeholders. Much of what we do relies on the efforts of our people.

Hibiscus Petroleum's corporate core values form the bedrock of our Sustainability Principles. With our workforce equipped with such values, we believe that we are able to balance our commercial objectives of achieving profitability and growth without compromising on the overarching need to extract essential resources from our planet safely and responsibly whilst keeping our people safe and secure.

We are strengthening our foothold in the oil and gas industry in line with our aspirations to be a long-term player. Our long-term existence as a commercial organisation can only be assured if we act responsibly now and always. **We endeavour to be an organisation that incorporates sustainability initiatives in all that we do.** We believe that such an approach is part of our obligation to accrete shareholder value responsibly, in a dynamic and evolving business environment. **Each of our stakeholders should remain assured that the Board and Management of Hibiscus Petroleum Group remain committed to these goals.**

Nominating Committee Report

THIS REPORT HAS BEEN REVIEWED BY THE NOMINATING COMMITTEE (NC) AND APPROVED BY THE BOARD OF DIRECTORS (BOARD) OF HIBISCUS PETROLEUM BERHAD (HIBISCUS PETROLEUM OR THE COMPANY) FOR INCLUSION IN THIS ANNUAL REPORT 2018/2019.

1. COMPOSITION

The NC was established on 26 February 2011 and comprises exclusively of Non-Executive Directors, in compliance with Paragraph 15.08A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

The NC understands the value to be derived from a diverse Board, and the members have been chosen to achieve that goal through the inclusion of members who have a wide variety of skills and experiences, yet knowledgeable about the relevant business matters at hand. Such a composition enables the Board to be more effective in executing its duties and responsibilities.

The members of the NC and their attendance at the NC meetings held during the financial year ended 30 June 2019 (FY2019) are as follows:

Name of NC Member	Appointment Date	Designation	Attendance at NC Meetings
Dato' Dr Zaha Rina Zahari	30 May 2018	Chair/Independent Non-Executive Director	3/3
Thomas Michael Taylor	15 August 2016	Member/Senior Independent Non-Executive Director	3/3
Zainul Rahim bin Mohd Zain	26 February 2011	Member/Non-Independent Non-Executive Director	3/3
Dato' Sri Roushan Arumugam	28 March 2013	Member/Independent Non-Executive Director	3/3

The Terms of Reference (TOR) of the NC is published on the Company's website at www.hibiscuspetroleum.com.

2. NOMINATION, ELECTION AND SELECTION OF DIRECTORS

The NC is responsible for the recommendation of candidates to the Board to fill any vacancy arising from resignation, retirement or other reasons, or, if there is a need to appoint additional directors with the required skills to the Board in order to address any competency gap in the Board identified by the NC.

The Board has in place a Diversity Policy, which sets out a target of having at least 30% women representation on the Board. Notwithstanding this target, Board appointments are based on merit, focusing on the potential value-add that each candidate will bring to the Board.

In this regard, the Board through its NC conducts an annual review of its size and composition to determine if the Board is the right size and has sufficient diversity with independent elements that fit the Company's objectives and strategic goals. In the event there is a need for additional directors, the NC is responsible to conduct an assessment and evaluation on the proposed candidate(s).

Where possible, each Director will also be given the opportunity to meet with potential candidates before any appointment is formalised to assess their suitability based on a prescribed set of criteria as set out in the TOR of the NC. Potential candidates are required to declare and confirm in writing, amongst others, that he/she is neither an undischarged bankrupt, nor is involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment nor is subject to any investigation by any regulatory authorities under any legislation. Furthermore, candidates being considered for the position of independent directors are required to declare and confirm their independence based on the criteria set out in the MMLR of Bursa Securities. Newly appointed directors are required to confirm in writing that he/she accepts the terms set out in his/her appointment letter which include his/her time commitment, requirement to disclose other directorships and business interest, if any.

Upon completion of the assessment and evaluation of the proposed candidate, the NC makes its recommendation to the Board. Based on the recommendation of the NC, the Board evaluates and decides on the appointment of the proposed candidate.

Management conducts an induction programme to assist new directors familiarise themselves with the Group's structure and businesses by providing the directors with relevant information about the Group. New directors are also encouraged to undertake site visits and to meet with key senior executives.

For FY2019, no new director was appointed to the Board.

In addition, the Company Secretaries monitor the Directors' retirement by rotation at each Annual General Meeting (AGM) and submit the proposal to the NC in accordance with the Constitution of the Company, which requires one-third of the total number of Directors, or if the number is not a multiple of three, the number nearest to one-third, to retire by rotation at the AGM each year.

The NC reviews the performance of the said Director(s) who is(are) retiring by rotation as part of the annual Board assessment and makes the appropriate recommendation to the Board.

3. BOARD EFFECTIVENESS EVALUATION

The Board effectiveness evaluation is facilitated by the NC annually with the support of the Company Secretaries and the findings are then presented to the Board.

A self-assessment questionnaire is distributed to all the Board members, and, is used to assess the Board as a whole, the Board Committees, as well as the Directors individually. There are a variety of parameters used in the assessment in order to ensure a holistic evaluation. The assessment covers areas which include, inter alia, the responsibilities of the Board in relation to its role and function, strategic planning, succession plans for the Board and Senior Management, sustainability strategies, corporate governance, and monitoring the Company's performance.

Other areas being assessed include the composition and size of the Board and Board Committees, Board remuneration, the Board's decision-making and output, information, and the overall perception of the Board and support rendered to the Board.

The NC also assesses the contributions of every member of the Board, his/her knowledge and abilities, integrity, collaboration with others, as well as his/her personal commitment to Board responsibilities.

Non-Executive Directors are further assessed on their ability to exercise independent judgement, in addition to their ability to demonstrate the values and principles associated with independence such as impartially, objectivity and consideration of all stakeholders' interests, including taking an unpopular stand at times, where deemed necessary.

Nominating Committee Report

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE NC

The activities undertaken by the NC included the following:

- Administered the annual Board assessment on the mix of skills, professionalism, competency, integrity, diversity and gender. Based on the results, the Board is satisfied that the Board as a whole, Board Committees, Board Chair and Chairs of the respective Board Committees, as well as the Directors individually, have performed well and continue to discharge their responsibilities as expected of them. The Directors concluded that the effectiveness of the Board can be further enhanced by appointing additional members to the Board who possess upstream oil and gas operations experience, particularly in late life assets, to add more diversity of thought;

- Reviewed the terms of office and performance of the Audit and Risk Management Committee (ARMC) and each of its members in accordance with the TOR of the ARMC;

- Discussed the training needs of each Director;

- Reviewed and recommended the re-election of Mr Thomas Michael Taylor who will be due for retirement pursuant to Clause 134 of the Constitution of the Company for shareholders' approval at the 9th AGM of the Company;

- Reviewed the performance of the Managing Director;

- Reviewed the extension of employment contract of the Chief Executive Officer of SEA Hibiscus Sdn Bhd and recommended the same for the Board's approval;

- Reviewed and recommended to the Board the re-designation of the Vice President (VP) Finance and Group Controller to Chief Financial Officer of the Company;

- Endorsed the appointment of the Special Projects Advisor;

- Reviewed and recommended to the Board the appointment of the VP, Human Capital;

- Reviewed the results of the 2018 Performance Evaluation Process of the employees of the Group including the Leadership Team and recommended the same for the Board's approval; and

- Reviewed the NC Report for inclusion in the Annual Report 2018/2019 and recommended the same to the Board for approval.

In addition to the activities above, the NC has reviewed and recommended that the Board seek shareholders' approval at the forthcoming 9th AGM of the Company for the retention of Dato' Sri Roushan Arumugam, whose tenure as an Independent Director of the Company would exceed 9 years after 24 July 2020, to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next AGM in year 2020.

His position as an Independent Non-Executive Director has been assessed pursuant to Practice 4.2 of the MCCG 2017 and it has been recommended that Dato' Sri Roushan Arumugam be retained as an Independent Non-Executive Director of the Board of Directors and as Chair of the RC based on the following justification:

- He fulfils the criteria of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgement to the Board;

- His experience in the investment banking and venture capital industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;

- He has been with the Company for more than eight (8) years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations and discussions, including at the NC (as a member), Remuneration Committee (RC) (as the Chair of the Committee) and at Board meetings; and

- He has devoted sufficient time and effort in attending the Audit and Risk Management Committee meetings (as an invitee), in addition to participating in the NC, RC and Board meetings and contributing to informed and balanced decision making.

At this juncture, the Group wishes to highlight that it practices non-discrimination in any form, whether based on age, gender, ethnicity or religion throughout the organisation. This includes the selection of Board members and senior management. In addition, the Group believes that it is of utmost importance that the Board comprises of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and discharges its duties in the best interests of the Company and shareholders.

This Report is dated 1 October 2019.

Remuneration Committee Report

THIS REPORT HAS BEEN REVIEWED BY THE REMUNERATION COMMITTEE (RC) AND APPROVED BY THE BOARD OF DIRECTORS (BOARD) OF HIBISCUS PETROLEUM BERHAD (HIBISCUS PETROLEUM OR THE COMPANY) FOR INCLUSION IN THIS ANNUAL REPORT 2018/2019.

The RC was established on 26 February 2011 and is exclusively comprised of Non-Executive Directors, of whom a majority are Independent Directors in compliance with the Malaysian Code of Corporate Governance 2017.

The members of the RC and their attendance at the RC meetings held during the financial year ended 30 June 2019 are as follows:

Name of RC Member	Appointment Date	Designation	Attendance at RC Meetings
Dato' Sri Roushan Arumugam	28 March 2013	Chair of RC/Independent Non-Executive Director *(Re-designated as Chair on 15 July 2013)*	3/3
Zainul Rahim bin Mohd Zain	26 February 2011	Member/Non-Independent Non-Executive Director	3/3
Thomas Michael Taylor	15 August 2016	Member/Senior Independent Non-Executive Director	3/3

The Terms of Reference of the RC is available on the Company's website at www.hibiscuspetroleum.com.

The Board has established a formal and transparent Directors' Remuneration Policy, based on the recommendation of the RC, to ensure that the Directors are fairly remunerated based on the following factors:-

- Financial performance of the Group, namely its EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation);
- Nature and size of the Group's operations;
- Scope of duties and accountability;
- Level of engagement required from non-executive directors in the form of meetings, workshops and discussions; and/or
- Market standard.

The RC periodically reviews the Directors' Remuneration Policy, with the most recent exercise being conducted in July 2019 to determine its competitiveness to attract, retain and motivate individuals to serve on the Board of the Company. In this respect, the Board has approved the recommendation of the RC to amend the Directors' Remuneration Policy accordingly.

In addition, the RC conducted an evaluation of corporate performance and senior leadership team's performance based on a set of pre-determined criteria. The RC had then made the following recommendations which the Board had subsequently approved in January 2019:

- a base salary adjustment and promotion increase for identified employees effective January 2019. The salary adjustment for the identified employees took into consideration the competitive positioning, the cost of living and the projected pay increase in the oil and gas industry; and

- a discretionary performance bonus for eligible persons in recognition of their performance in 2018.

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE RC

The activities undertaken by the RC included the following:

- Reviewed the remuneration package for the Chief Executive Officer of SEA Hibiscus Sdn Bhd and recommended the same to the Board for approval;

- Reviewed the remuneration packages for the new Chief Financial Officer and Vice President, Human Capital of the Company and recommended the same to the Board for approval;

- Endorsed the compensation package of the Special Projects Advisor;

- Reviewed the bonus and salary increment payments for calendar year 2018 to the employees of the Group including the Managing Director, subsequent to the conduct of a Staff Performance Evaluation Process;

- Reviewed and recommended the proposed amendments to the Terms of Reference of the RC;

- Reviewed the Directors' fees, meeting allowances and specific meeting allowances for the Non-Executive Directors for the period from 5 December 2019 and up to the date of the next Annual General Meeting in 2020; and

- Reviewed the RC Report for inclusion in the Annual Report 2018/2019 and recommended the same to the Board for approval.

This Report is dated 1 October 2019.

Audit and Risk Management Committee Report

The Audit and Risk Management Committee (ARMC) is pleased to present the ARMC Report for the financial year ended 30 June 2019 (FY2019) in compliance with paragraph 15.15 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

COMPOSITION OF ARMC AND ATTENDANCE

The ARMC comprises of the members named below. Their attendance at the ARMC meetings held during FY2019, is also reflected below:

Name	Designation	Directorship	Attendance at ARMC Meetings
Thomas Michael Taylor	Chair	Senior Independent Non-Executive Director	8/8
Zainul Rahim bin Mohd Zain	Member	Non-Independent Non-Executive Chair	8/8
Dato' Dr Zaha Rina Zahari	Member	Independent Non-Executive Director	8/8

Note: The minimum number of ARMC meetings to be held in a financial year is 4 meetings. Additional meetings may be called at any time, at the discretion of the Chair of the ARMC.

In line with Paragraph 15.09(1)(b) of the MMLR, all ARMC members are Non-Executive Directors, with the majority being Independent Directors and at least one member of the ARMC fulfils the requirements as prescribed under Paragraph 15.09(1)(c) of the MMLR.

During the year under review, the Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company), via the Nominating Committee, had performed the annual assessment on the term of office and performance of the ARMC and each of its members pursuant to Paragraph 15.20 of the MMLR of Bursa Securities. This annual assessment was done to evaluate whether the ARMC and each of its members had discharged their responsibilities and duties in accordance with the ARMC's Terms of Reference (TOR).

The TOR of the ARMC is available on the Company's website at www.hibiscuspetroleum.com.

SUMMARY OF THE ARMC ACTIVITIES FOR FY2019

The ARMC carried out the following activities in discharging its functions and duties during FY2019:

A. Financial Reporting

- Reviewed the draft audited financial statements of the Group and the Company for the financial year ended 30 June 2018 (FY2018) (annual results), together with the Directors' and Auditors' Reports thereon prior to submission to the Board of Hibiscus Petroleum for consideration and approval; and
- Reviewed the unaudited quarterly financial reports of the Group for FY2019 prior to submission to the Board for consideration and approval.

B. External Audit

- Reviewed and discussed with Management and the external auditors the key audit matters connected to the review of the annual results and actions to be taken to address such matters, focusing primarily on:
  - significant matters highlighted by Management, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed;
  - compliance with accounting standards and other legal or regulatory requirements to ensure that the financial statements give a true and fair view of the state of affairs;
  - financial results and cashflow of the Group and the Company;
  - changes or implementation of accounting policies and standards;
  - compliance with Malaysian Financial Reporting Standards and provisions of the Companies Act 2016 as well as the MMLR;
- Reviewed and discussed with the external auditors the nature and scope of their audit and ensured that the audit covered the key risk areas affecting financial reporting;
- Reviewed the external auditors' audit plan and the audit fee of the Group for FY2019;
- Considered the findings by the external auditors during the review of the annual results and Management's response thereto;

- Discussed new developments in financial reporting and standards with the external auditors in relation to future financial years/periods;

- Reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services;

- Reviewed the external auditors' internal control recommendations and Management's response;

- Ensured appropriate actions were taken to ensure the effectiveness of the internal control systems based on feedback received from the external auditors;

- Reviewed the fees and type of non-audit services provided by the external auditors;

- Assessed the independence of the external auditors by obtaining a written confirmation and as set out in the Group's External Auditor Independence Policy, evaluated the quality and rigour of the audit performed, the quality of service provided, the audit firm's reputation, the compliance to the engagement partners' rotation period in accordance with the terms of all relevant professional and regulatory requirements and the independence of the external auditors;

- Recommended the re-appointment of the external auditors of the Company by the Board, and subject to shareholders' approval; and

- Conducted meetings with the external auditors without Management being present.

C. Internal Audit

- Reviewed and approved the internal audit plans for FY2019 and the first half of the financial year ending 30 June 2020 (FY2020);

- Reviewed the effectiveness of the internal audit process and assessed the performance of the internal audit function;

- Reviewed and approved the Internal Auditor's annual declaration to assess the independence and objectivity of the Internal Auditor for FY2019 in accordance with the Group's Internal Audit Charter;

- Reviewed the internal audit reports which incorporated findings, recommendations and Management responses for the Group. Key areas covered during the financial year were:
  (i) SEA Hibiscus Sdn Bhd's key business processes and compliance in the following areas:
    - contracting and procurement;
    - logistics;
    - financial reporting function;
  (ii) Group's business processes and compliance in the following areas:
    - human resource management;
    - online banking procedures and controls;
    - information technology system access;
    - assets verification;

- Reviewed with the Internal Auditor the results of the Internal Audit Progress Report and whether or not appropriate action was taken on the recommendations of the internal audit function; and

- Conducted meetings with the Internal Auditor without Management being present.

D. Related Party Transactions

- Reviewed related party transactions (RPTs) on quarterly basis. During FY2019, there were no RPTs that triggered the disclosure threshold under the MMLR and required shareholders' approval.

E. Annual Report

- Reviewed and recommended the draft ARMC Report and draft Statement of Risk Management and Internal Control in the Company's Annual Report 2017/2018 for FY2018 to the Board for approval.

F. Others

- Reviewed the Group and each business division's key risks and mitigation plans taken or to be taken by the Management to control and mitigate the risks based on the recommendations of the Executive Risk Management Committee (ERMC);

- Reviewed the proposed revisions to the TOR of the ARMC and recommended to the Board for approval;

- Reviewed the proposed Anti-Corruption and Anti-Bribery Policy of the Group; and

- Reviewed the status of action plans committed by Management arising from the follow-up reviews of internal and external audit reports previously presented and communicated the relevant issues to the Board.

INTERNAL AUDIT FUNCTION

The Group's internal audit function supports the ARMC and the Board in discharging its duties and responsibilities by providing independent and objective assessment on the adequacy and effectiveness of internal control and governance processes/ framework of the Group.

The in-house Internal Auditor is a qualified accountant, a member of The Malaysian Institute of Certified Public Accountants (MICPA) and an associate member of the Institute of Internal Auditors Malaysia (IIAM). In order to maintain independence from Management and operations, the in-house Internal Auditor reports directly to the ARMC, which reviews the annual internal audit plan and scope of work for the Group as well as the performance of the Internal Auditor in undertaking the internal audit function.

Audit and Risk Management Committee Report

The internal audit function is guided by the Group Internal Audit Charter, which sets out its purpose, authority, scope, independence and responsibilities.

Through the internal audit function, the Group undertakes regular and structured reviews of the system of internal controls so as to provide reasonable assurance that such system of internal controls continue to operate satisfactorily and effectively in the Group.

During the financial year under review, the Internal Auditor conducted various engagements in accordance with the approved risk-based internal audit plan of the Group. The internal audit plan was developed based on the information provided by Management through enterprise risk assessments conducted by the ERMC, as well as areas of concern deemed important by the ARMC and/or Management.

Details of the internal audit activities carried out by the Internal Auditor for FY2019 are as follows:

1. Established and presented risk-based annual internal audit plans for FY2019 and the first half of FY2020, which included the internal audit strategy and key focus areas taking into consideration the Group's business strategic plans, regulatory requirements and Management inputs for the ARMC's deliberation and approval;

2. Evaluated and appraised the soundness, adequacy and application of accounting, financial and other controls towards promoting effective controls in the Group and the Company;

3. Appraised the level of operational and business compliance with established policies and procedures;

4. Identified and recommended opportunities for improvements to the existing system of internal controls and processes in the Group;

5. Conducted audit reviews based on the approved audit plan and any ad-hoc requests by the ARMC on specific areas of concern;

6. Reported results of internal audit reviews to the ARMC on a regular basis;

7. Performed follow-up reviews to ensure that audit recommendations and action plans were implemented by Management on a timely basis; and

8. Participated in meetings on strategies and planning involving the Group with Management in the role of observer and provided independent feedback on internal controls and governance aspects, where applicable.

The sum of RM793,437 was incurred by the Group for the internal audit function for FY2019.

This statement is made in accordance with the resolution of the Board dated 1 October 2019.

Statement on Risk Management and Internal Control

The Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) affirms its commitment towards maintaining a sound framework of risk management and internal control in Hibiscus Petroleum Group (Group) and is pleased to provide the following statement. This statement outlines the nature and scope of risk management and internal control as managed within the Group during the financial year ended 30 June 2019 (FY2019) and it further applies up to the date of this statement.

BOARD RESPONSIBILITY

The Board is responsible and accountable for the Group's risk management framework and system of internal control. This responsibility and accountability includes the establishment of an appropriate risk management framework and control environment, as well as reviewing its effectiveness, adequacy and integrity. The system of internal control covers governance, financial, organisational, operational and compliance controls. Due to the limitations inherent in any system of internal controls, this system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's desired objectives. Accordingly, it can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Management has applied judgement in assessing the risks faced by the Group, identifying the Group's ability to reduce the incidence and impact of risks, and ensuring that the benefits outweigh the costs of operating the controls. The Board, through the Audit and Risk Management Committee (ARMC), oversaw that measures were taken on areas identified for improvement, as part of Management's continued efforts to strengthen the Group's internal control.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

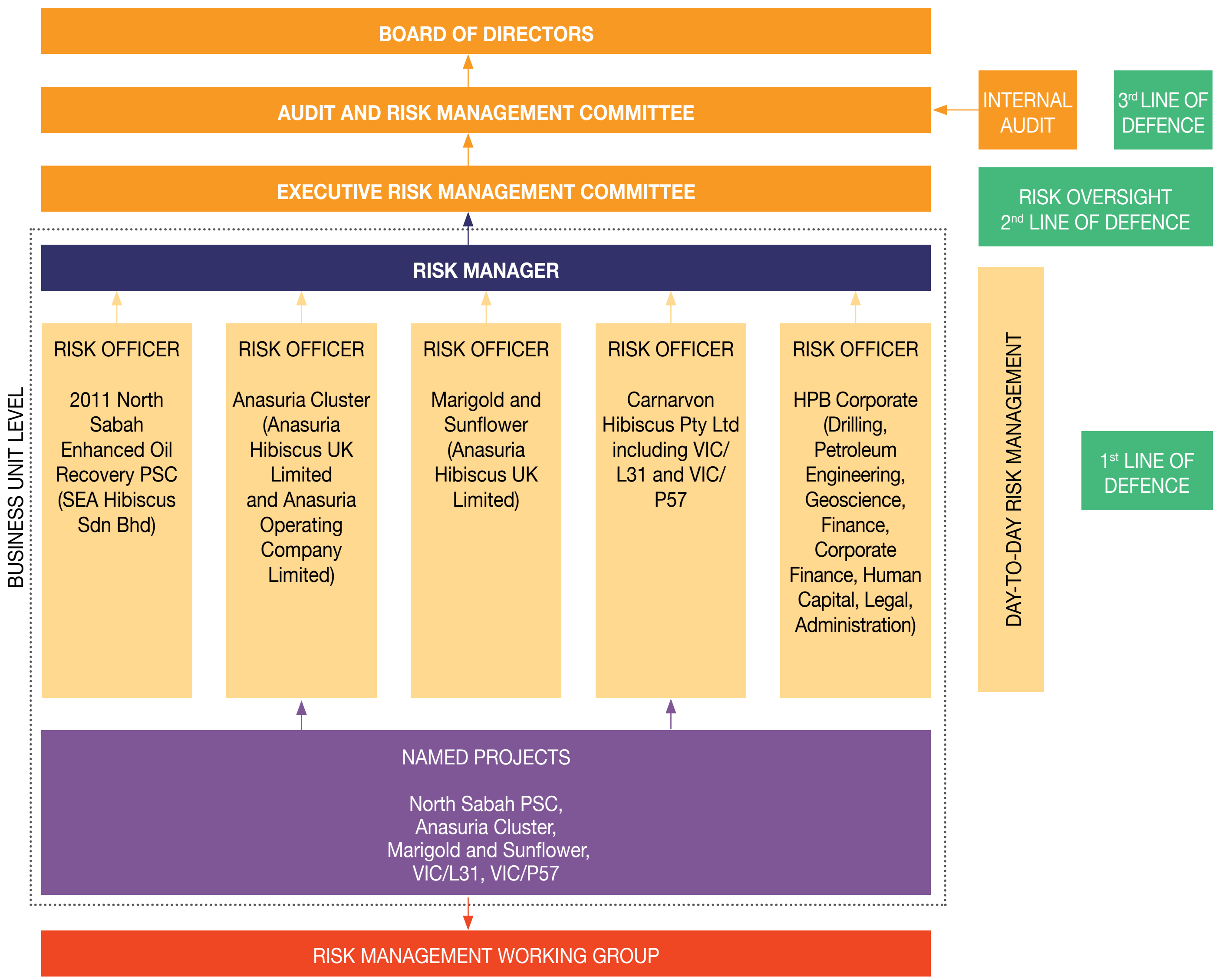
Risk Management Framework

Risk management is firmly embedded in the Group's system of internal control as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and therefore, is integrated into the Group's governance, business processes and operations. It is a reiterative process, consisting of steps which enable continuous improvement in decision-making.

To this end, the Group has established a Risk Management Framework which includes processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation are integral to the Group's strategic planning and day-to-day operations. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by Management as part of the strategic review and periodical business performance process. Pursuant to a periodic assessment of our Risk Management Framework, the necessary refinements were made this year to accommodate our growing business and address changes to our operating environment and, to ensure that the control systems in place remain comprehensive and holistic. In the event of an identified breach in our control system, the appropriate parties are informed immediately and steps taken to remedy such a breach.

Statement on Risk Management and Internal Control

Risk Management Structure



- **Management**

  Management acknowledges that they are responsible for implementing the processes for identifying, evaluating, monitoring and reporting risks and for taking appropriate and timely corrective or mitigating actions as needed. Management has further assured the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

The risk profile of the Group has been established based on the enterprise risk management concept with significant risks identified and regular reviews of key risks indicators and risk mitigation plans.

Management has implemented the necessary processes to:

(a) identify risks relevant to the Group's business and the achievement of its objectives and strategies;

(b) design, implement and monitor the risk management framework in accordance with the Group's strategic vision and overall risk appetite; and
(c) identify changes to risks or emerging risks, take mitigating actions as appropriate, and promptly bring these to the attention of the Board.

Under the Risk Management Framework, the responsibilities are allocated in the following manner:

Project level and Business Unit level

Detailed risk assessments and mitigation plans of each project are led by the relevant project manager involving health, safety, security and environment (HSSE) specialists, geologists, petroleum engineers, facilities/project engineers, primary contractors and joint venture representatives. Areas covered include resources and reserves, production and cost, HSSE, planning and execution, legal, political and regulatory, capital, human capital, reputation, commercial and business continuity.

Company level

The respective Risk Officers identify key risks by business unit and project, and are responsible for reviewing the likelihood and impact of such risks, as well as the execution of risk mitigation plans by the risk owners.

The key risks are reported to the Executive Risk Management Committee (ERMC) on a regular basis for monitoring and review. The ERMC, led by the Risk Manager, comprises key management personnel from different technical, commercial, operational and financial disciplines. The ERMC is responsible for ensuring effective risk governance and implementation within the Group and meets at least once each quarter to review and update the risk events, procedures and mitigating measures that are undertaken and also proposes new mitigation measures to contain all risks which remain prevalent. The Chair of the ERMC provides regular updates based on its review to the ARMC.

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

- **Internal Audit**

Internal audit complements the role of the ERMC by independently reviewing the adequacy and effectiveness of the controls implemented based on identified risk profiles and risk management strategies relevant to the audit engagement.

The Group's internal auditor assists in the assessment of the quality of risk management and control, and reports to the ARMC on the status of specific areas identified for improvement based on its audit plan.

- **Board**

In evaluating the effectiveness of the risk oversight and internal control activities of the Group, the Board considers whether business risks have impacted or are likely to impact the Group's achievement of its objectives and strategies. The Board also assesses the effectiveness of the risk management and internal control system in managing those risks.

The ERMC meets the ARMC regularly to highlight and discuss the key risks as well as the status of mitigation plans.

The ARMC, on behalf of the Board:

(a) reviews the adequacy of the Group's risk management framework;
(b) through the internal audit process, reviews the effectiveness of the internal control systems deployed by Management to address those risks;
(c) reviews and recommends corrective measures to be undertaken to remedy any failings and/or weaknesses;
(d) reviews status updates from internal audit on recommended corrective actions;
(e) reviews and undertakes monitoring of principal risks which may affect the Group directly or indirectly, and if deemed necessary, recommends additional courses of action to mitigate such risks;
(f) monitors and communicates the risk assessment results to the Board; and
(g) reviews the actual and potential impact of any failure or weakness of the internal controls in place, particularly those related to financial performance or conditions affecting the Group.

The responsibilities of the Board for the governance of risk and related issues and the institution of controls include:

(a) approving the Group's risk philosophy/policy;
(b) approving the Group's risk portfolio and determining the Group's risk tolerance and risk appetite;
(c) assessing and monitoring key business risks to safeguard shareholders' investments and the Group's assets;
(d) providing effective oversight on assessment of principal risks and the appropriate systems to manage these risks; and
(e) reviewing the adequacy and integrity of the Group's internal control system to safeguard shareholders' investments and the Group's assets.

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

(a) changes in the nature and the extent of significant risk factors since the previous assessment and how the Group has responded to changes in its business and the external environment;

Statement on Risk Management and Internal Control

(b) the effectiveness of the Group's risk management and internal control system;
(c) the work of its internal audit, risk management team and other assurance providers, including the external auditors;
(d) the extent and adequacy of the communication of the results from the monitoring to the Board;
(e) the incidence of any control failure or weakness that was identified at any time during the year and its impact on the Group's performance or financial, business or operational conditions;
(f) events that had not been anticipated by Management which impacted the achievement of the Group's objectives; and
(g) the adequacy and effectiveness of the risk management and internal control policies as a whole.

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

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

A. Control Environment

The control environment is the organisational structure and culture created by Management and employees to sustain organisational support for effective internal control. It is the foundation for all the other components of internal control, providing discipline and structure. Management's commitment to establishing and maintaining effective internal control is cascaded downwards and permeates the Group's control environment, aiding in the successful implementation of internal control.

Key elements include:

Organisation Structure

The Group has a well-defined organisation structure that is aligned to its business requirements and ensures check and balance through the segregation of duties. Clear reporting lines and authority limits govern the approval process, driven by Limits of Authority (LOA) set by the Board.

All key strategic, business and investment plans are approved and monitored by the Board. Comprehensive Board papers, which include both financial and non-financial matters such as cashflow forecasts, business strategies, business opportunities, corporate exercises and any other key matters to be considered for the Group, are escalated to the Board for deliberation and approval.

LOA

The Board's approving authority is in part, delegated to Management through a clear and formally defined LOA which deals with areas of corporate, financial, operational, human resource and work plans and budgets. The LOA is the primary instrument that governs and manages the Group's business decision process. Whilst the objective of the LOA is to empower Management, the key principle adhered to in its formulation is to ensure that a system of internal control of checks and balances are incorporated therein. The LOA is periodically reviewed and updated to ensure its relevance to the Group's business. LOAs are implemented at corporate level, including at operating subsidiary level (SEA Hibiscus Sdn Bhd (SEA Hibiscus) and Carnarvon Hibiscus Pty Ltd (Carnarvon Hibiscus)), as well as at relevant joint operations such as Anasuria Operating Company Limited (AOCL) and the Marigold and Sunflower (MGS) project.

Board and Management Committees

The various Board committees, namely the ARMC, Nominating Committee and Remuneration Committee are all governed by clearly defined Terms of Reference.

The ARMC comprises a majority of Independent Directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. Its members continue to meet regularly and have full and unimpeded access to both the internal and external auditors during the financial year.

Human Resource Policies and Procedures

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

Code of Conduct and Ethics (Code)

Directors and employees are required to read, understand and adhere to the Code. The Code was updated in March 2019 to include the Group's commitment to respect internationally recognised human rights and labour standards. More information on the Code is available on the Company's website.

There were no incidences of non-compliance of the Code during the financial year under review.

HSSE Policy

The Group continues to inculcate awareness and build commitment on HSSE throughout the whole organisation. The goal is zero injuries, with the safe delivery of projects being a critical success factor.

Whistle Blower Policy

The Group has refined the policy to cover all parties including external stakeholders and members of the public (where relevant) and the policy now provides more clarity on the reporting process to be observed.

Anti-Modern Slavery Policy

The policy, which supports the Code, reiterates the Group's stand to respecting internationally recognised human rights and labour standards, and extends to external third parties working with the Group.

Anti-Corruption and Anti-Bribery Policy

The policy illustrates the Group's zero tolerance policy against all forms of corruption and bribery.

Other Policies

Key policies and procedures covering Related Party Transactions, Information Technology, Accounting, Contracting and Procurement, Information Management, Risk Management, Corporate Disclosure, Succession Planning, Prevention of Insider Trading, External Auditor Independence, Sustainability and Diversity are available via the Group's Sharepoint facility. These are revised periodically to meet changing business, operational and statutory reporting needs.

At this juncture, the Group wishes to highlight that there have been no fines nor settlements paid or provided for during the financial year under review.

B. Monitoring

Monitoring the effectiveness of internal controls is embedded in the normal course of the business. Periodic assessments are integral to the Management's continuous monitoring, upgrading and tightening of internal controls to reflect the Group's operations.

Management and Board Meetings

The Board meets regularly with a set schedule of matters, which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Managing Director and key management personnel lead the presentation of Board papers and provide explanations of pertinent issues. In arriving at any decision, on recommendation by Management, a thorough deliberation and discussion by the Board is a prerequisite.

The Group's overall strategic business plan which maps out its objectives, business direction and highlights project risks with particular focus on the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC), the Anasuria Cluster, the Marigold and Sunflower oilfields and the VIC/L31 and VIC/P57 concessions, are presented by Management to the Board for their deliberation and approval.

The Company's wholly-owned subsidiary company, SEA Hibiscus is the operator of the North Sabah PSC. SEA Hibiscus' management team has established its own structure for the monitoring of internal controls, which reports regularly to the Company and the Board. Any key management decisions are deliberated with the Company's key management personnel, including the Managing Director, before being presented to the Board for approval.

The Company, together with Ping Petroleum UK Limited has established the joint operating company, AOCL as the License Operator for the Anasuria Cluster. The Company monitors the progress of work plans of the Anasuria Cluster via AOCL and provides the Board with regular updates.

The Company's indirect wholly-owned subsidiary company, Anasuria Hibiscus UK Limited (Anasuria Hibiscus) is the operator of the Production Licence No. P198 Blocks 15/13a and 15/13b, also known as the Marigold and Sunflower oilfields. The MGS project team has established the base structure for monitoring of internal control, and are in the process of enhancing this structure. The project team deliberates key management decisions with the Company and the Board, where required. The Board regularly requests for status updates on the progress of the project.

In addition, the progress in the VIC/L31 and VIC/P57 work plans by the Company's wholly-owned subsidiary company, Carnarvon Hibiscus as Operator of the concessions, is presented and discussed with the Board by Management. Management, together with the Board, regularly reviews issues covering, but not limited to, strategy, risks, performance, resources and future business appraisals.

Significant changes in the business and the external environment, and strategic plans to address these changes are reported by Management to the Board on an on-going basis.

Quarterly financial results and other information are provided to the ARMC and the Board to enable the Board to monitor and evaluate the business and financial performance.

Internal Audit

The internal audit function is undertaken by the Group's in-house internal auditor. The internal audit role is to validate the adequacy and effectiveness of internal controls, and to provide an independent and objective assurance to add value and improve the internal controls of the Group. The internal auditor assists both the Board and the ARMC by conducting on-going reviews of risks and internal controls to ensure that key financial, operational, system and compliance controls established by the Board and Management are operating effectively.

Statement on Risk Management and Internal Control

To ensure independence from Management, the internal auditor reports directly to the ARMC.

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

Joint Ventures and Associate

The Group's internal control system does not apply to its associate company, which falls within the control of its majority shareholders. The Group's internal control system described in this statement applies for joint ventures where the Group is the Operator and has the ability to participate in the key decision-making process of the joint ventures. For non-operated joint ventures with minority stakes, the Group participates in an operation committee or board meetings and reviews the management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

This Statement on Risk Management and Internal Control has been prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers 2012. In making this statement, the Board has received assurance from the Managing Director and the Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management model adopted by the Group.

The Board considers the system of internal control described in this statement to be effective and the risks to be at an acceptable level within the context of the Group's business environment and risk appetite set by the Board. The Board and Management will continue to take measures to strengthen the risk management processes and internal control environment and monitor the health of the risks and internal control framework.

For the financial year under review, the Board is satisfied with the adequacy, integrity and effectiveness of the systems of risk management and internal control and save as disclosed in the financial report for FY2019, there was no other material loss, contingency or uncertainty requiring separate disclosure.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 1 October 2019.

Additional Compliance Information

1. MATERIAL CONTRACTS INVOLVING THE INTEREST OF THE DIRECTORS AND MAJOR SHAREHOLDER

Save as disclosed below, there were no other material contracts of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) and its subsidiaries (Group) involving the interests of the directors and major shareholder, either still subsisting at the end of the financial year ended 30 June 2019 or entered into since the end of the previous financial year:

- The Service Agreement between Hibiscus Petroleum and Dr Kenneth Gerard Pereira dated 1 January 2011 to appoint him as Managing Director (MD) of Hibiscus Petroleum.

Subsequently, on 19 July 2018, a new Service Agreement to renew the appointment of Dr Kenneth Gerard Pereira as MD of Hibiscus Petroleum was executed, as he had attained the age of 60 years. This was effected to comply with the requirements of the Company's policy which requires automatic cessation of employment upon the age of 60 years, unless renewed at the Company's discretion.

2. CONTRACTS RELATING TO LOANS

There was no contract relating to loans of the Company involving the interest of the directors and major shareholder.

3. CONVERTIBLE SECURITIES

(a) Redeemable Convertible Preference Shares (RCPS)

As at 1 October 2019, the Company has 2,193,880 RCPS outstanding. These RCPS are no longer convertible into ordinary shares but remain redeemable at the option of the holders on any date after 25 July 2011, being the date of listing of our Company. There were no RCPS redeemed during the financial year under review.

(b) Free Warrants (Warrants C)

317,645,723 Warrants C were issued on 20 March 2018 in registered form and are constituted by the deed poll.

The Warrants C are listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) and are exercisable at any time during the period commencing from 20 March 2018 to 18 March 2021, being one market day prior to the expiry date of Warrants C (i.e. 19 March 2021).

The exercise price in respect of each new ordinary share of the Company, which is subject to a fixed annual step-up of RM0.06 per year on each of the anniversary dates of the date of first issuance of the Warrants C, is set out below:

Year		Exercise Price
Year 1	20 March 2018 to 19 March 2019	RM1.00
Year 2	20 March 2019 to 19 March 2020	RM1.06 (Current Exercise Price of Warrants C)
Year 3	20 March 2020 to 19 March 2021	RM1.12

There was no Warrant C conversion during the financial year under review.

As at 30 June 2018, 100 Warrants C were converted into 100 ordinary shares at an exercise price of RM 1.00 per Warrant C.

4. VARIANCE IN RESULTS

There was no deviation in the Group's profit before taxation between the audited and the unaudited results announced for the financial year under review.

5. NON-AUDIT FEES

During the financial year under review, non-audit fees payable or paid to external auditors of the Group and the Company amounted to RM379,300 and RM241,300 respectively, incurred for tax-related and accounting-related services/ advices, and advisory services related to corporate exercises.

Additional Compliance Information

6. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

6.1 PRIVATE PLACEMENT OF UP TO 144,384,429 NEW ORDINARY SHARES IN HIBISCUS PETROLEUM REPRESENTING UP TO TEN PERCENT (10%) OF THE EXISTING ISSUED ORDINARY SHARE CAPITAL OF HIBISCUS PETROLEUM (PRIVATE PLACEMENT)

The proceeds from the Private Placement of approximately RM91.1 million have been fully utilised as of 19 February 2019, as follows:

Purpose	Proposed utilisation of proceeds from the Private Placement RM'000	Actual utilisation as of 19 February 2019 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement	Percentage utilised (%)
(i) Working capital for the business operation expenditures of the Group	41,516	41,516	Within twelve (12) months	100
(ii) Payment of trade and other payables	17,800	17,800	Within twelve (12) months	100
(iii) Potential expansion and capital expenditure	29,450	29,450	Within twelve (12) months	100
(iv) New business development	870	870	Within twelve (12) months	100
(v) Estimated expenses relating to the Private Placement	1,460	1,460	Within six (6) months	100
Total	**91,096**	**91,096**		

6.2 WARRANTS C

As of 1 October 2019, the Company had received proceeds of RM100 from the exercise of Warrants C. As the proceeds received were a relatively small amount, the Company has no intention to utilise this amount for any specific purpose at this time.

The Board of Directors' Responsibility Statement

In Respect of the Preparation of the Annual Audited Financial Statements

The Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) is required by the Companies Act 2016 (Act) to prepare financial statements for each financial year in accordance with the applicable approved accounting standards in Malaysia and that give a true and fair view of the financial position of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements of the Group and of the Company, the Directors have:

- selected and applied appropriate accounting policies consistently;
- made reasonable and prudent judgements and estimates;
- ensured all applicable approved accounting standards in Malaysia and the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad have been complied with; and
- based on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Board has the responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company to enable them to ensure the financial statements comply with the Act.

The Board has overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention, detection of fraud and other irregularities.

The Board is satisfied that it has met its obligation to present a balanced and comprehensible assessment of the Group's position and prospects in the Directors' Report as pages 123 to 127 and the financial statements from pages 135 to 232 of this Annual Report.

This statement is made in accordance with the resolution of the Board dated 1 October 2019.

Financial Report

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DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Group and the Company are principally engaged in the business of exploration, development and production of oil and gas, investment holding and the provision of project management, technical and other services relating to the oil and gas exploration and production industry. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) after taxation for the financial year	230,010	(14,975)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the Directors do not recommend the payment of any dividend for the current financial year.

WARRANTS C

On 20 March 2018, the Company completed the listing and quotation of 317,645,723 Warrants C on Bursa Malaysia Securities Berhad ("Warrants C").

Each Warrant C entitles the registered holder to subscribe for one new ordinary share of the Company, at the exercise price of RM1.00 for each Warrant C in the first year.

Thereafter, the exercise price of the Warrants C is subject to a fixed annual step-up of RM0.06 per year on each of the anniversary dates from the date of first issuance of the Warrants C. In relation to this, the revised exercise price of Warrants C was revised from RM1.00 to RM1.06 per Warrant C with effect from 20 March 2019 to 19 March 2020.

The exercise price of the Warrants C is further subject to any permitted adjustments in accordance with the terms of the deed poll in relation to Warrants C.

As at 30 June 2019, the number of outstanding Warrants C is 317,645,623 Warrants C. During the financial year, there was no exercise of Warrants C.

DIRECTORS' REPORT (CONTINUED)

RESERVES AND PROVISIONS

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

SHARE CAPITAL

There were no changes in the share capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts have been written off and adequate provision made for impairment.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the impairment of receivables inadequate to any substantial extent.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charges on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and,

(ii) any contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Note 17(c) to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

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

Zainul Rahim bin Mohd Zain
Dr Kenneth Gerard Pereira
Thomas Michael Taylor
Dato' Sri Roushan A/L Arumugam
Dato' Dr Zaha Rina binti Zahari

In accordance with Clause 134 of the Constitution of the Company, Thomas Michael Taylor shall retire by rotation from the Board of Directors at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares			
	At 01.07.2018	**Bought**	**Sold**	**At 30.06.2019**
Direct interests:				
Dato' Dr Zaha Rina binti Zahari	4,365,000	-	-	**4,365,000**
Dato' Sri Roushan A/L Arumugam	-	400,000	-	**400,000**
Indirect interests:				
Dr Kenneth Gerard Pereira*	168,772,600	-	-	**168,772,600**
Dato' Sri Roushan A/L Arumugam**	53,415,000	-	-	**53,415,000**

* *Deemed interested via his 63.75% equity interest in Hibiscus Upstream Sdn. Bhd. ("Hibiscus Upstream").*
** *Deemed interested via his 100.00% equity interest in Littleton Holdings Pte Ltd.*

	Number of Redeemable Convertible Preference Shares ("RCPS")			
	At 01.07.2018	**Bought**	**Redeemed**	**At 30.06.2019**
Indirect interests:				
Dr Kenneth Gerard Pereira*	2,193,880	-	-	**2,193,880**

* *Deemed interested via his 63.75% equity interest in Hibiscus Upstream.*

	Number of Warrants C			
	At 01.07.2018	**Bought**	**Sold**	**At 30.06.2019**
Indirect interests:				
Dr Kenneth Gerard Pereira*	28,614,520	-	-	**28,614,520**
Dato' Sri Roushan A/L Arumugam**	10,683,000	-	-	**10,683,000**

* *Deemed interested via his 63.75% equity interest in Hibiscus Upstream.*
** *Deemed interested via his 100.00% equity interest in Littleton Holdings Pte Ltd.*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration as disclosed in Note 37 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 in which the Director has a substantial financial interest and any benefit that may deemed to have been received by certain Directors.

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

DIRECTORS' REMUNERATION

Details of the remuneration of the Company's Directors are set out in Note 37 to the financial statements.

There are two types of Directors for the Company's subsidiaries, namely Directors who are also employees of the Group and Directors who are external parties. Employees of the Group do not receive any separate additional remuneration for serving as Directors of the Company's subsidiaries. Total emoluments received by the Directors of the Company's subsidiaries during the financial year in the form of salaries, defined contribution plans and other benefits in their capacity as employees of the Group and Directors' fees amounted to RM8,091,207 and RM31,531 respectively.

The Company has effected a Directors' and Officers' Liability Insurance (subject to applicable sub-limits and terms) for the Directors and officers of the Group at a total insurance premium cost of RM180,000 in the financial year.

SUBSIDIARIES

The details and principal activities of the subsidiaries are set out in Note 12 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 1 October 2019. Signed on behalf of the Board of Directors:

DR KENNETH GERARD PEREIRA
DIRECTOR

ZAINUL RAHIM BIN MOHD ZAIN
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

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

We, Dr Kenneth Gerard Pereira and Zainul Rahim bin Mohd Zain, two of the Directors of Hibiscus Petroleum Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 135 to 232 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and financial performance of the Group and of the Company for the financial year ended 30 June 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 1 October 2019.

DR KENNETH GERARD PEREIRA
DIRECTOR

ZAINUL RAHIM BIN MOHD ZAIN
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Yip Chee Yeong, the officer primarily responsible for the financial management of Hibiscus Petroleum Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 135 to 232 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

YIP CHEE YEONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 1 October 2019.

Before me

SAMUGAM VASSOO (W632)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD
(Incorporated in Malaysia) (Company No. 798322-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hibiscus Petroleum Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 135 to 232.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA) (COMPANY NO. 798322-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Group

Key audit matters	How our audit addressed the key audit matters
Purchase of 50% interest in the United Kingdom ("UK") Continental Shelf Petroleum Production License No. P198 Block 15/13a and Block 15/13b in UK Central North Sea *Refer to Note 17(c) - Intangible Assets: Marigold and Sunflower fields* On 16 October 2018, the Group, via its indirectly wholly-owned subsidiary, Anasuria Hibiscus UK Limited, completed the purchase of 50% interest in the UK Continental Shelf Petroleum Production License No. P198 Block 15/13a and Block 15/13b in UK Central North Sea (collectively referred as "Blocks") for a total cash consideration of USD37.5 million (equivalent to RM155.0 million). The purchase of the Blocks was accounted for as an asset acquisition based on MFRS 138 "Intangible Assets" as it did not constitute a business as defined in MFRS 3 "Business Combination". We focused on the accounting treatment of the purchase of the Blocks as it was a significant transaction during the financial year.	We performed the following audit procedures: • Read the agreement for the purchase of the Blocks from management and discussed the key terms and conditions with management; • Checked the conditions for the completion of the purchase of the Blocks to supporting documents; • Checked the purchase cost of the Blocks and the directly attributable costs to the relevant agreements and supporting documents; and • Reviewed appropriateness of management's accounting treatment for the purchase of the Blocks as an acquisition of asset. We did not find any material exceptions in the procedures performed.
Recoverability of the carrying amount of the VIC/L31 production license ("VIC/L31") and the VIC/P57 exploration permit ("VIC/P57") recognised as part of the Group's intangible assets *Refer to Note 4(k)(ii) - Significant accounting policies: Impairment of non-financial assets, Note 4(v)(i) - Significant accounting policies: Critical estimates and judgement for the estimation of oil and gas reserves, Note 4(v)(ii) - Significant accounting policies: Critical estimates and judgement for the impairment review of intangible assets, oil and gas assets and floating production storage and offloading vessel ("FPSO") and Notes 17(d) and 17(e) - Intangible assets: VIC/L31 and VIC/P57*	

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
As at 30 June 2019, total carrying amount of intangible assets of VIC/L31 and VIC/P57 amounted to RM230.4 million that comprise conventional studies of RM132.4 million and rights and concessions of RM98.0 million. VIC/L31 and VIC/P57 represented two different cash generating units ("CGU"). These CGUs are based on geographical location. Management had performed the following: i) Impairment assessment for intangible assets relating to VIC/L31, which is not an exploration and evaluation asset, using the value in use ("VIU") model based on MFRS 136 "Impairment of Assets"; and ii) Assessed intangible assets relating to VIC/P57 for impairment indicators based on MFRS 6 "Exploration for and Evaluation of Mineral Resources" for exploration and evaluation assets. Based on the assessments, the Directors concluded that no impairment is required for VIC/L31 and no impairment indicator was identified for VIC/P57. We focused on this area due to the significant assumptions and judgements used in the Group's assessment of the recoverable amounts based on VIU and the impairment indicators. The most critical assumptions used in forecasting future cash flows is management's view on the long-term oil price outlook, future expected production volumes and discount rate.	We performed the following audit procedures for each of the CGUs: i) VIC/L31 • Checked the cash flows to management forecasts approved by the Directors; • Compared the life-of-field assumptions with the production profile within the license period for the CGU; • Discussed with management the assessment of likelihood for the termination of the VIC/L31 license being remote and obtained confirmation from an external independent party that there were no reported instances of termination of similar licenses; • Compared the forecast oil prices incorporated into the cash flows to available market data and externally available benchmarks; • Agreed the production volumes incorporated into the cash flows to the reserves estimates prepared by an external party; • Assessed the competency and objectivity of the external parties who produced the reserves estimates and assessed the likelihood for the termination of the VIC/L31 license by considering their professional qualifications, experience, and independence; • Agreed future operating and capital expenditure included in the cash flows to supporting documents; • Checked the reasonableness of the discount rate used with the assistance of our valuation experts by benchmarking to industry reports; and • Performed sensitivity analysis by changing the key assumptions used in the base case cash flows on oil prices, production volumes and discount rate. ii) VIC/P57 • Checked that the most recent renewal application for the exploration permit and plans to continue exploration activities had been approved by the regulator; • Checked that the estimates made by management using the Risk Net Assets Value ("RNAV") model is higher than the carrying amount; • Agreed prospective oil resources incorporated in the RNAV model to estimates made by the external geological and geophysical team; • Assessed the competency, capabilities and objectivity of the external geological and geophysical team who concurred on the prospective oil resources estimates by considering their professional qualifications, independence, and experience;

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA) (COMPANY NO. 798322-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	• Checked the estimated exploration well cost to a current quotation provided by an external independent company; and • Compared the forecast oil prices incorporated into the RNAV model to available market data and externally available benchmarks. We did not find any material exceptions in the procedures performed.

Company

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of cost of investments in subsidiaries and amounts owing by subsidiaries *Refer to Note 4(d)(i) - Significant accounting policies: Financial instruments - Financial assets, Note 4(k)(ii) - Significant accounting policies: Impairment of non-financial assets, Note 4(v)(iv) - Significant accounting policies: Critical estimates and judgement for the impairment review of investments in subsidiaries and amounts owing by subsidiaries, Note 12 - Investments in subsidiaries and Note 22 - Amounts owing by subsidiaries* As at 30 June 2019, the net carrying value of the investments in subsidiaries and amounts owing by subsidiaries is RM442.3 million after accumulated impairment losses of RM278.4 million. We focused on this area due to the significant judgements and assumptions made by management in determining the recoverable amount of the investments in subsidiaries and amounts owing by subsidiaries. The recoverable amount of the investments in subsidiaries and amounts owing by subsidiaries were determined based on the discounted cash flows that are available for repayment of amounts owing by subsidiaries and distributions as dividends from the respective subsidiaries. The discounted cash flows are derived from cash flows used to determine the recoverable amount of intangible assets held by and the future operating activities of the respective subsidiaries, after taking into account financing and tax cash flows of the respective subsidiaries.	In addition to the procedures performed on the cash flows from the underlying intangible assets of the subsidiaries as described in the key audit matter earlier, we performed the following audit procedures: • Agreed the cash flows used to determine the recoverable amount of the investments in and amounts owing by subsidiaries to cash flows used to determine the recoverable amount of intangible assets which we have assessed earlier; • Checked management's forecasted future operating activities including the estimated income and expenses to supporting documents; • Checked that the cash flows used to determine the recoverable amount of the investments in subsidiaries had been appropriately adjusted for financing and tax cash flows of the respective subsidiaries to assess cash flow available for dividends; • Checked appropriateness of management's assessment on the expected credit losses of amounts owing by subsidiaries; and • Checked the reasonableness of the discount rate used with the assistance of our valuation experts. We did not find any material exceptions in the procedures performed.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors’ report, and other sections in the 2019 Annual Report, which is expected to be made available to us after that date. Other information 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 on the other information that we obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditors’ responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA) (COMPANY NO. 798322-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TUCK HENG
02092/09/2020 J
Chartered Accountant

Kuala Lumpur
1 October 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	5	**988,303**	394,344	**10,700**	5,524
Cost of sales	6	**(325,813)**	(173,239)	**-**	-
Gross profit		**662,490**	221,105	**10,700**	5,524
Other income	7	**3,950**	3,896	**132**	1,213
Administrative expenses		**(111,534)**	(83,332)	**(25,733)**	(33,400)
Reversal of impairment of investment in an associate		**1,335**	2,098	**-**	-
Impairment of equipment		**-**	(6,607)	**-**	-
Net reversal of impairment/(impairment) of investments in subsidiaries		**-**	-	**1,145**	(10,180)
Other administrative expenses		**(112,869)**	(78,823)	**(26,878)**	(23,220)
Other expenses		**(120,664)**	(81,775)	**(74)**	(2,127)
Finance costs	8	**(42,421)**	(21,031)	**-**	(21)
Share of results of an associate		**(354)**	(650)	**-**	-
Negative goodwill from business combination	15	**-**	206,254	**-**	-
Profit/(loss) before taxation	9	**391,467**	244,467	**(14,975)**	(28,811)
Taxation	10	**(161,457)**	(40,755)	**-**	-
Profit/(loss) after taxation		**230,010**	203,712	**(14,975)**	(28,811)
Profit/(loss) after taxation attributable to:					
- Owners of the Company		**230,010**	203,712	**(14,975)**	(28,811)
Earnings per share (sen)					
Basic	11	**14.48**	13.19		
Diluted	11	**14.48**	12.48		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(loss) after taxation	**230,010**	203,712	**(14,975)**	(28,811)
Other comprehensive income/(expenses):				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation	**11,732**	(39,386)	**-**	-
Total comprehensive income/(expenses) for the financial year, net of tax	**241,742**	164,326	**(14,975)**	(28,811)
Total comprehensive income/(expenses) attributable to:				
- Owners of the Company	**241,742**	164,326	**(14,975)**	(28,811)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	12	**-**	-	**423,592**	415,832
Investment in an associate	13	**5,745**	4,906	**-**	-
Investments in joint ventures	14	**-**	-	**-**	-
Intangible assets	17	**1,530,075**	1,337,252	**-**	-
Equipment	18	**380,228**	229,311	**207**	249
		1,916,048	1,571,469	**423,799**	416,081
CURRENT ASSETS					
Inventories	19	**21,378**	57,914	**-**	-
Trade receivables	20	**64,869**	109,028	**-**	-
Other receivables, deposits and prepayments	21	**116,825**	98,984	**1,935**	832
Amounts owing by subsidiaries	22	**-**	-	**18,680**	37,217
Amount owing by a joint venture	23	**475**	608	**-**	-
Amount owing by an associate	24	**-**	5	**-**	-
Amount owing by a related party	25	**-**	-	**301**	312
Cash and bank balances	26	**273,537**	135,957	**5,676**	11,279
		477,084	402,496	**26,592**	49,640
TOTAL ASSETS		**2,393,132**	1,973,965	**450,391**	465,721
EQUITY AND LIABILITIES					
EQUITY					
Share capital	27	**764,965**	764,965	**764,965**	764,965
Other reserves	28	**65,201**	53,469	**-**	-
Retained earnings/(Accumulated losses)		**407,366**	177,356	**(352,197)**	(337,222)
		1,237,532	995,790	**412,768**	427,743

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019 (CONTINUED)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
NON-CURRENT LIABILITIES					
Deferred consideration	29	**-**	16,946	**-**	-
Contingent consideration	30	**2,063**	1,822	**-**	-
Finance lease liabilities	35	**3,791**	6,628	**-**	-
Other payables	34	**106,874**	112,621	**-**	-
Deferred tax liabilities	31	**395,316**	345,172	**-**	-
Provision for decommissioning costs	32	**251,290**	259,237	**-**	-
		759,334	742,426	**-**	-
CURRENT LIABILITIES					
Trade payables	33	**8,721**	3,126	**-**	-
Other payables and accruals	34	**221,891**	156,144	**4,987**	3,856
Provision for decommissioning costs	32	**65,314**	-	**-**	-
Deferred consideration	29	**19,184**	18,717	**-**	-
Amounts owing to subsidiaries	22	**-**	-	**32,105**	33,591
Amount owing to a joint venture	23	**318**	595	**-**	-
Amount owing to an associate	24	**17**	-	**-**	-
Amount owing to a related party	25	**-**	-	**312**	312
Finance lease liabilities	35	**1,041**	1,421	**-**	-
Provision for taxation		**79,561**	55,527	**-**	-
Redeemable Convertible Preference Shares	36	**219**	219	**219**	219
		396,266	235,749	**37,623**	37,978
TOTAL LIABILITIES		**1,155,600**	978,175	**37,623**	37,978
TOTAL EQUITY AND LIABILITIES		**2,393,132**	1,973,965	**450,391**	465,721

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	|-------- Non-distributable ---------| Share capital RM'000	Other reserves RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000
Group						
At 01.07.2018		**764,965**	**389**	**53,080**	**177,356**	**995,790**
Profit after taxation		**-**	**-**	**-**	**230,010**	**230,010**
Other comprehensive income, net of tax:						
- Foreign currency translation		**-**	**-**	**11,732**	**-**	**11,732**
Total comprehensive income for the financial year		**-**	**-**	**11,732**	**230,010**	**241,742**
At 30.06.2019		**764,965**	**389**	**64,812**	**407,366**	**1,237,532**

	Note	|-------- Non-distributable ---------| Share capital RM'000	Other reserves RM'000	Foreign exchange reserve RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000
Group						
At 01.07.2017		675,314	389	92,466	(25,807)	742,362
Issuance of shares, net of directly attributable expenses	27, 28	89,651	-	-	-	89,651
Warrants issuance transaction costs		-	-	-	(549)	(549)
Profit after taxation		-	-	-	203,712	203,712
Other comprehensive expenses, net of tax:						
- Foreign currency translation		-	-	(39,386)	-	(39,386)
Total comprehensive (expenses)/income for the financial year		-	-	(39,386)	203,712	164,326
At 30.06.2018		764,965	389	53,080	177,356	995,790

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	Note	Non-distributable share capital RM'000	Accumulated losses RM'000	Total RM'000
Company				
At 01.07.2018		**764,965**	**(337,222)**	**427,743**
Loss after taxation/Total comprehensive expenses for the financial year		**-**	**(14,975)**	**(14,975)**
At 30.06.2019		**764,965**	**(352,197)**	**412,768**

	Note	Non-distributable share capital RM'000	Accumulated losses RM'000	Total RM'000
Company				
At 01.07.2017		675,314	(307,862)	367,452
Issuance of shares, net of directly attributable expenses	27, 28	89,651	-	89,651
Warrants issuance transaction costs		-	(549)	(549)
Loss after taxation/Total comprehensive expenses for the financial year		-	(28,811)	(28,811)
At 30.06.2018		764,965	(337,222)	427,743

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		**391,467**	244,467	**(14,975)**	(28,811)
Adjustments for:					
Depreciation and amortisation of equipment and intangible assets		**115,476**	68,633	**74**	86
Interest income		**(872)**	(636)	**(531)**	(84)
Unrealised loss/(gain) on foreign exchange		**5,188**	13,142	**(95)**	2,040
Finance costs		**42,421**	21,031	**-**	21
Impairment of equipment		**-**	6,607	**-**	-
Reversal of impairment of investment in an associate		**(1,335)**	(2,098)	**-**	-
Net (reversal of impairment)/impairment of investments in subsidiaries, other receivables and amounts owing by subsidiaries, joint ventures, an associate and a related party		**(3,011)**	1,338	**-**	12,685
Provision for stock obsolescence		**-**	269	**-**	-
Share of results of an associate		**354**	650	**-**	-
Negative goodwill from business combination	15	**-**	(206,254)	**-**	-
Operating profit/(loss) before working capital changes		**549,688**	147,149	**(15,527)**	(14,063)
Trade receivables		**47,074**	(100,572)	**-**	-
Other receivables, deposits and prepayments		**(13,840)**	(24,995)	**(1,098)**	67
Trade payables		**5,589**	2,975	**-**	-
Other payables and accruals		**(32,130)**	83,755	**1,139**	21
Inventories		**37,928**	42,554	**-**	-
Amounts owing by subsidiaries		**-**	-	**(8,375)**	(4,975)
Amount owing by a joint venture		**151**	(2,413)	**-**	-
Amount owing to a joint venture		**(933)**	659	**-**	-
Amount owing by a related party		**-**	-	**9**	(1,252)
Amount owing to a related party		**-**	-	**-**	(19)
Amount owing by an associate		**5**	(5)	**-**	-
Amount owing to an associate		**18**	(23)	**-**	-
CASH GENERATED FROM/(USED IN) OPERATIONS		**593,550**	149,084	**(23,852)**	(20,221)
Income tax paid		**(97,452)**	(46,978)	**-**	-
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**496,098**	102,106	**(23,852)**	(20,221)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment		**(168,054)**	(57,183)	**(32)**	-
Interest received		**872**	636	**531**	84
Acquisition of intangible assets		**(161,936)**	(575)	**-**	-
Payment of deferred consideration		**(20,643)**	-	**-**	-
Net cash outflow arising from business combination	15	**-**	(30,486)	**-**	-
Advances to subsidiaries		**-**	-	**(11,289)**	(53,340)
Repayment from subsidiaries		**-**	-	**29,898**	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(349,761)**	(87,608)	**19,108**	(53,256)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issuance of ordinary shares		**-**	89,651	**-**	89,651
Settlement of finance lease liability		**(6,566)**	-	**-**	-
Advances from subsidiaries		**-**	-	**-**	10,472
Repayment to subsidiaries		**-**	-	**(857)**	-
Repayment of advances from a third party		**-**	(17,333)	**-**	(17,333)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(6,566)**	72,318	**(857)**	82,790
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**139,771**	86,816	**(5,601)**	9,313
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		**(2,191)**	(5,360)	**(2)**	(2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**135,957**	54,501	**11,279**	1,968
CASH AT END OF THE FINANCIAL YEAR		**273,537**	135,957	**5,676**	11,279
Less: Cash restricted in use		**(66,828)**	(13,879)	**-**	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	**206,709**	122,078	**5,676**	11,279

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Securities. The registered office and principal place of business are as follows:

Registered office	:	Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.
Principal place of business	:	2nd Floor, Syed Kechik Foundation Building, Jalan Kapas, Bangsar, 59100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 1 October 2019.

2 PRINCIPAL ACTIVITIES

The Group and the Company are principally engaged in the business of exploration, development and production of oil and gas, investment holding and the provision of project management, technical and other services relating to the oil and gas exploration and production industry. The principal activities of the subsidiaries are set out in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3 BASIS OF PREPARATION

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

The financial statements have been prepared under the historical cost convention, except as disclosed in the significant accounting policies in Note 4 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

3 BASIS OF PREPARATION (CONTINUED)

(a) Standards and amendments to published standards that are effective to the Group and the Company

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 July 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements to MFRS 128 'Investments in Associates and Joint Ventures'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The Group has adopted MFRS 9 and MFRS 15 for the first time for the financial year beginning on 1 July 2018 which resulted in changes in accounting policies. The detailed impact of changes in accounting policies are set out in Note 42 to the financial statements.

Other than that, the adoption of other amendments listed above did not have any impact on the current financial year.

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2018. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except the following:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The Group and the Company have assessed the effects of applying the new standard on the Group's and the Company's financial statements and do not expect any material impact arising from adoption of this standard.

3 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 'Long-term Interests in Associate or Joint Venture' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 (including the impairment requirements) to long-term interests in an associate or joint venture, which in substance, form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interests are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRSs 2015-2017 Cycle: Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account for the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

- Annual Improvements to MFRSs 2015-2017 Cycle: Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

- Annual Improvements to MFRSs 2015-2017 Cycle: Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are a distribution of profits (that is, dividends). Tax on dividends should not be recognised in equity merely on the basis that it is related to a distribution to owners.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

3 BASIS OF PREPARATION (CONTINUED)

(b) Standards and amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

- Amendments to MFRS 3 (effective from 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and substantive process that together significantly contribute to the ability to create outputs. The amendments provide guidance to determine whether an input and a substantive process are present, including the situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or intergrating the acquired activities and assets. In addition, the revised definition of the term ‘outputs' is narrower, focuses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings. The amendments introduce an optional simplified assessment known as ‘concentration test' that if met, eliminates the need for further assessment. Under this concentrated test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

Other than MFRS 16, the Group and the Company are assessing the impact of the above standards and amendments to the existing standards to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2019.

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

Intragroup transactions, balances, unrealised gains and unrealised losses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Disposal of subsidiaries

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and,

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary less any non-controlling interests.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combination

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred also includes the fair value of a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs, other than the costs to issue debt or equity securities, are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of 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 acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 4(i)(i) to the financial statements.

(b) Oil and gas expenditure - exploration and evaluation ("E&E") assets

E&E assets comprise of rights and concession and conventional studies. Following the acquisition of a concession right to explore a licensed area, the costs incurred such as geological and geophysical surveys, drilling, commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs, are capitalised as conventional studies, presented as intangible assets.

Oil and gas expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward in relation to each area of interest to the extent that following conditions are satisfied:

- the rights to tenure of the area of interest are current; and,
- at least one of the following conditions is also met:
    - E&E expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or,
    - E&E activities in the area of interest have not at the reporting date reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full to profit or loss in the financial period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the proven and probable developed reserves.

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. The Group will allocate E&E assets to cash generating unit ("CGU")s or groups of CGUs for the purpose of assessing such assets for impairment. Each CGU or group of units to which an E&E asset is allocated will not be larger than an operating segment as disclosed in Note 39 to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the reporting date are recognised in profit or loss.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

(iii) Translation of Group entities' financial statements

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

- Assets and liabilities are translated at the closing exchange rates at the reporting date;

- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions);

- All resulting currency translation differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve;

- On consolidation, exchange differences arising from translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investment, are recognised in other comprehensive income; and,

- Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. Exchange differences are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Currency translation (continued)

(iii) Translation of Group entities' financial statements (continued)

On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss.

(d) Financial instruments

Financial instruments are recognised in the statements of financial position when the Group and the Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability or an asset are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group and the Company have a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets

<u>Accounting policies applied until 30 June 2018</u>

The Group and the Company classify its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), held-to maturity, loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. The Group and the Company determine the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. The Group and the Company had only financial assets classified as loans and receivables at the reporting date.

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 30 June 2018 (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

Accounting policies applied from 1 July 2018

- Classification

  From 1 July 2018, the Group and the Company have classified its financial assets in the following measurement categories:

  - those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and,

  - those to be measured at amortised cost.

- Recognition and derecognition

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

- Measurement

  At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

  Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

  Debt instruments

  - Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company reclassify debt instruments when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

- There are three measurement categories into which the Group and the Company classify its debt instruments:

  ▪ Amortised cost

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

  ▪ Fair value through other comprehensive income ("FVOCI")

  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income/(expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(expenses) and impairment expenses are presented as separate line items in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

  ▪ FVTPL

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other income/(expenses) in the period which it arises.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

- Subsequent measurement – Impairment for debt instruments

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

  The Group and the Company have seven types of financial instruments that are subject to the ECL model:

  - Trade receivables;
  - Other receivables;
  - Deposits;
  - Amounts owing by subsidiaries;
  - Amount owing by a joint venture;
  - Amount owing by an associate; and,
  - Amount owing by a related party.

  While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

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

  The measurement of ECL reflects:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

General 3-stage approach for other receivables, deposits, amount owing by subsidiaries, amount owing by a joint venture and amount owing by a related party

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

Simplified approach for trade receivables

- The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Significant increase in credit risk

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

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and,

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and the Company and changes in the operating results of the debtor.

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

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

Definition of default and credit-impaired financial assets

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

Quantitative criteria

- The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria

- The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:
  - the debtor is in breach of financial covenants;
  - concessions have been made by the lender relating to the debtor's financial difficulty;
  - it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and,
  - the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

Write-off

Trade receivables

- Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

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

(ii) Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. The Group and the Company had not entered into any hedging activities as at the reporting date.

A financial liability is derecognised when the obligation under the liability 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 the profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(iii) Equity instruments

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

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair values. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using effective interest method until extinguished on conversion or maturity of the compound financial instrument. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except when the compound financial instrument is redeemed or repurchased before maturity.

(v) RCPS

MFRS 9 requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition.

RCPS, which amongst other conditions, are redeemable at the option of the holder of the RCPS are classified as current liability and non-current liability respectively under such circumstances. The RCPS are not entitled to any dividend.

(vi) Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments in subsidiaries

Investments in subsidiaries are carried at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of each reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable.

On the disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

(f) Investment in an associate

Associate is an entity, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for using the equity accounting method. Under the equity method, the investment is initially recognised at cost less any impairment losses, unless it is classified as available for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income or expense of the associate, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group's investment in associate includes goodwill identified on acquisition.

In respect of equity accounted associate, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity accounted associate.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the associate acquired, the difference is recognised in profit or loss.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments 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.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered. When necessary, adjustments are made to the financial results of the associate to ensure consistency of accounting policies with those of the Group.

On the disposal of the investment in an associate, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments in joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

(i) Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or,

(ii) Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and,
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method - refer above).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Production Sharing Contract

Effective 31 March 2018, the Company's indirect wholly-owned subsidiary, SEA Hibiscus Sdn. Bhd. ("SEA Hibiscus") became a contractor to Petroliam Nasional Berhad ("PETRONAS"), being the operator under a joint venture with PETRONAS Carigali Sdn. Bhd. in the 2011 North Sabah Enhanced Oil Recovery ("EOR") Production Sharing Contract ("PSC") ("2011 North Sabah EOR PSC").

Under the terms of the 2011 North Sabah EOR PSC, all assets procured by the contractor for petroleum operations in each contract area become the property of PETRONAS, with the contractor retaining the rights of use of those assets for the duration of the PSC.

The Group classifies the 2011 North Sabah EOR PSC as a joint operation and recognises its share of assets, liabilities, revenues and expenses in accordance with the contractually conferred rights and obligations stated in the PSC and the Joint Operating Agreement ("JOA").

Under a PSC, contractors fund the work outlined in an approved work programme and budget and are entitled to recover costs from production, subject to the cost recovery limits of the PSC. The cost recovery mechanism of the PSC enables contractors to recover costs incurred via entitlement to production volume. Costs unrecovered in a particular quarter can be carried forward for recovery against production in subsequent quarters. The contractors' share of production also includes an element of profits.

(i) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's CGUs that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill form part of a CGU and part of the operation within the CGU is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in these circumstances is measured on the relative fair values of the operations disposed off and the portion of the CGU retained.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (continued)

(ii) Other intangible assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period. 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 intangible assets with finite lives is recognised in profit or loss.

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

Amortisation of other intangible assets is computed based on the unit of production method using proven and probable reserves.

Cost associated with production and general corporate activities are expensed in the period incurred. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(j) Equipment

Equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of an item of equipment initially recognised include purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Furniture and fittings	10%
Office equipment	20 - 33.33%
Office renovation	10%
Britannia Rig (“Rig”)	20%
Floating production storage and offloading vessel (“FPSO”)	5%

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Equipment (continued)

The depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. The effects of any revision are recognised in profit or loss when the changes arise.

Expenditure on the construction, installation and completion of infrastructure facilities for oil and gas assets is capitalised within equipment.

Subsequent expenditure relating to equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Expenses incurred for the construction of tangible assets attributable to ongoing projects incurred are capitalised as ‘work in progress’. Capitalisation is made within tangible assets according to the nature of the expenditure. No depreciation is charged during this phase until the asset is ready for use. The depreciation rate would be calculated based on the useful life of the asset to be assessed once it is ready for use.

Depreciation of oil and gas assets comprising subsea facilities and equipment is computed based on the unit-of-production method using proven and probable developed reserves.

(k) Impairment

(i) Impairment of financial assets

Accounting policies applied until 30 June 2018

All financial assets (other than those categorised at FVTPL), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(i) Impairment of financial assets (continued)

Accounting policies applied from 1 July 2018

The accounting policies for impairment of financial assets are set out in Note 4(d)(i) to the financial statements.

(ii) Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when there is an indication that these assets may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of an asset is the higher of the assets' fair value less costs to sell ("FVLCTS") and their value in use, which is measured by reference to discounted future cash flows. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(l) Inventories

Inventories of diesel, spares and chemicals are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges incurred in bringing the inventories to their present condition and location, and is determined on a weighted average basis.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits with licensed banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and excludes restricted cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

(i) Decommissioning costs

Provision for future decommissioning costs is made in full when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Periodic estimates are made for such future facility abandonment costs. The estimated cost of decommissioning and restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable developed reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the underlying related asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in profit or loss. The estimated interest rate used in discounting the cash flows is reviewed at least annually.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment in the provision for decommissioning costs of the underlying related asset.

(ii) Other

Provisions are recognised when the Group and the Company have a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(o) Current and deferred taxation

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred tax liability is recognised on temporary differences on investments in subsidiaries, except where the Group and the Company are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred taxation (continued)

Deferred tax is measured:

(i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and,

(ii) based on the tax consequence that will follow from the manner in which the Group and the Company expect, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from business combination is adjusted against goodwill on acquisition, if any.

(p) Leases

Leases of equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(q) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised in profit or loss in the financial period in which the associated services are rendered by employees of the Group and the Company. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities such as the Employee Provident Fund on a mandatory, contractual or voluntary basis. The Group and the Company have no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue

Accounting policies applied until 30 June 2018

(i) Sale of oil and gas products

Oil and gas revenues comprise the Group's share of sales of hydrocarbons when the significant risks and rewards of ownership have been passed to the buyer.

(ii) Project management, technical and other services

Revenue is recognised upon the rendering of the project management, technical and other services relating to the oil and gas exploration and production industry, and when the outcome of the transaction can be reliably measured.

(iii) Interest income

Interest income is recognised using the effective interest method. Interest income consists of income from deposits with licensed banks and financial institutions.

(iv) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

Accounting policies applied from 1 July 2018

Revenue from contracts with customer

(i) Sale of oil and gas products

Oil and gas revenues that comprise the Group's share of sales of hydrocarbon are recognised at the point in time when control of the asset is transferred to the customer. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(ii) Project management, technical and other services

Revenue is recognised over the period in which the project management, technical and other services relating to the oil and gas exploration and production industry are rendered, when it is probable that future economic benefits will flow to the Company, and the amount of revenue can be measured reliably.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue (continued)

Accounting policies applied from 1 July 2018 (continued)

Revenue from other sources

(i) Interest income

Interest income is recognised using the effective interest method. Interest income consists of income from deposits with licensed banks and financial institutions.

(ii) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

(s) Under/overlift

The initial measurement of the overlift liability and underlift asset is at market price of oil at the date of lifting. Subsequent measurements depend on the terms of agreement. If the agreement allows the net settlement of overlift and underlift balances in cash, the balances will fall within the scope of MFRS 9. Overlift and underlift balances that fall within the scope of MFRS 9 are to be remeasured to the current market price of oil at the reporting date. Overlift and underlift balances that do not fall within the scope of MFRS 9 are measured at the lower of carrying amount and current market value. The change arising from the remeasurement is included in profit or loss.

(t) Other income

Amounts related to overhead income which is derived from charges to a joint operation to compensate for the operator's administrative contribution of performing services that is not to be considered as direct charge for the benefit of the joint operation. The operator is allowed to recover its indirect charges for the administrative contributions for supporting the joint operation by charging the non-operator the allowed overhead which is calculated based on the agreed percentages under the joint operating agreement.

(u) 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 revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Board of Directors, Managing Director and senior management team are the Group's CODM.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Critical estimates and judgement

(i) Estimation of oil and gas reserves

Oil and gas reserves are a key element in the Group's investment decision making process. They are also an important element in testing for impairment. Changes in proven and probable developed oil and gas reserves will affect unit-of-production depreciation charges to profit or loss. Proven oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Proven developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proven reserves are also subject to change.

Proven reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proven reserves only include volumes for which access to market is assured with reasonable certainty. All proven reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Probable reserves are those unproven reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proven plus probable reserves.

In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to the Group's estimates of proven and probable reserves, particularly proven and probable developed reserves, also affect the amount of depreciation and amortisation recorded for oil and gas assets and rights and concessions related to revisions. A reduction in proven and probable developed reserves will increase depreciation and amortisation charges (assuming constant production) and reduce income.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Critical estimates and judgement (continued)

(i) Estimation of oil and gas reserves (continued)

Although the possibility exists for changes in reserves to have a critical effect on depreciation and amortisation charges and, therefore, income, it is expected that in the normal course of business, the Group will continue to prioritise exploration and timely project delivery which ultimately results in maximisation of reserve recovery and will thus constrain the likelihood for changes to occur.

(ii) Impairment review of intangible assets, oil and gas assets and FPSO

Carrying amounts of the Group's intangible assets, oil and gas assets and FPSO are reviewed for possible impairment annually including any indicators of impairment. For the purpose of assessing impairment, assets are grouped at the lowest level CGUs for which there is a separately identifiable cash flow available. These CGUs are based on operating areas, represented by the 2011 North Sabah EOR PSC ("North Sabah"), the Anasuria Cluster, the Marigold and Sunflower fields, the VIC/P57 exploration permit ("VIC/P57") and the VIC/L31 production license ("VIC/L31").

Estimates of future cash flows are based on management estimates of future crude oil prices, market supply and demand, product margins and expected future production volumes. Other factors that can lead to changes in estimates may include variations in regulatory environments. Expected future production volumes, which include proven and probable reserves, are used for impairment testing because the Group believes this to be the most appropriate indicator of expected future cash flows.

A discount rate based on the rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted is used in impairment testing. The discount rate applied is reviewed on an annual basis.

(iii) Estimation of provision for decommissioning costs

Provisions are made for the future decommissioning and restoration of oil and gas assets at the end of their economic lives. Changes in the estimates of costs to be incurred, reserves or in the rate of production may impact income over the remaining economic life of the oil and gas assets.

Most of these decommissioning and restoration events are many years in the future and the precise requirements that will have to be met when such removal events occur are uncertain. Actual timing and net cash outflows can defer from estimates due to uncertainties concerning the timing of the decommissioning activity, legislative changes, technological advancement, regulatory, environmental and political changes, and the appropriate discount rate used in estimating the liability. The carrying amount of the provision, together with the discount rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to account for such changes.

(iv) Impairment review of investments in subsidiaries and amounts owing by subsidiaries

Due to the financial position including the credit risk of its subsidiaries, the Company has reviewed the recoverability of its underlying interests in them by considering the ability of the respective subsidiaries to distribute their earnings and make repayments through the utilisation of assets held by them, including the generation of income from future operating activities. The Company uses judgement in making assumptions about risk of default and expected loss rate to calculate the ECL for the amounts owing by subsidiaries. Impairment loss is recognised when the carrying amount exceeds the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

5 REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customer:				
Crude oil sales	**968,265**	380,652	-	-
Gas sales	**14,874**	8,614	-	-
Project management, technical and other services fees	**4,633**	4,994	**10,169**	5,440
	987,772	394,260	**10,169**	5,440
Revenue from other sources:				
Interest income	**531**	84	**531**	84
	988,303	394,344	**10,700**	5,524

Included in interest income is profit income received from deposits with a licensed Islamic bank amounting to RM531,442 (2018: RM84,415).

6 COST OF SALES

	Group	
	2019 RM'000	2018 RM'000
Cost of operations	**174,118**	28,817
Tariff and transportation expenses	**29,714**	10,436
Crude oil inventory movement	**121,981**	133,986
	325,813	173,239

7 OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unrealised gain on foreign exchange	**-**	-	**95**	-
Realised gain on foreign exchange	**2,297**	3,332	**37**	1,204
Interest income	**341**	552	**-**	-
Sundry income	**1,312**	12	**-**	9
	3,950	3,896	**132**	1,213

The unrealised and realised gain on foreign exchange are not derived from the trading of futures contracts nor futures foreign exchange trading.

8 FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unwinding of discount on deferred consideration (Note 29)	**3,212**	1,599	**-**	-
Unwinding of discount on contingent consideration (Note 30)	**194**	174	**-**	-
Unwinding of discount on provision for decommissioning costs (Note 32)	**24,798**	14,677	**-**	-
Unwinding of discount on non-current other payables	**12,179**	2,711	**-**	-
Interest expense	**2,038**	1,870	**-**	21
	42,421	21,031	**-**	21

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

9 PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit				
- PricewaterhouseCoopers PLT, Malaysia	**596**	578	**321**	276
- member firm of PricewaterhouseCoopers International Limited	**247**	234	**-**	-
- fees for audit related services				
- PricewaterhouseCoopers PLT, Malaysia*	**127**	48	**-**	15
- fees for other services				
- member firms of PricewaterhouseCoopers PLT, Malaysia	**379**	310	**241**	252
Prospecting costs and consultancy fees	**10,160**	20,532	**2,569**	4,174
Depreciation and amortisation of equipment and intangible assets	**115,476**	68,633	**74**	86
Impairment of equipment	**-**	6,607	**-**	-
Net (reversal of impairment)/impairment of investments in subsidiaries, other receivables and amounts owing by subsidiaries, joint ventures, an associate and a related party	**(3,011)**	1,338	**-**	12,685
Provision for stock obsolescence	**-**	269	**-**	-
Rental expenses	**1,098**	687	**801**	487
Unrealised loss/(gain) on foreign exchange	**5,188**	13,142	**(95)**	2,040
Negative goodwill from business combination	**-**	(206,254)	**-**	-
Staff costs:				
- Directors' fees	**719**	655	**719**	655
- salaries and bonus	**37,089**	16,863	**13,999**	9,530
- defined contribution plan	**3,440**	2,477	**2,159**	1,280
- other benefits	**(890)**	1,802	**(786)**	274

Director's remuneration included within staff costs is as disclosed in Note 37 to the financial statements.

The unrealised loss on foreign exchange is not derived from the trading of futures contracts nor futures foreign exchange trading.

* Included in the fees payable/paid to PricewaterhouseCoopers PLT, Malaysia as disclosed above is an amount recognised in equity during the financial year for the Group of RM Nil (2018: RM15,000) and for the Company of RM Nil (2018: RM15,000).

10 TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax:				
- Malaysian income tax	**72,905**	49,178	**-**	-
- Foreign income tax	**49,415**	18,006	**-**	-
- Over accrual in prior year	**(2,331)**	(1,274)	**-**	-
	119,989	65,910	**-**	-
Deferred tax expense (Note 31):				
- Origination/(reversal) of temporary differences	**41,468**	(25,155)	**-**	-
	161,457	40,755	**-**	-

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit/(loss) before taxation	**391,467**	244,467	**(14,975)**	(28,811)
Tax at the statutory tax rate of 24% (2018: 24%)	**93,952**	58,672	**(3,594)**	(6,915)
Non-deductible expenses	**13,068**	17,944	**630**	1,561
Non-taxable income	**(764)**	(78,973)	**(9)**	(289)
Effects of tax rates in different jurisdictions	**63,126**	44,325	**-**	-
Deductions for supplementary charge in different jurisdictions	**(8,425)**	-	**-**	-
Share of post tax results from investments accounted for using the equity method	**84**	156	**-**	-
Temporary differences not recognised	**3,633**	6,325	**2,973**	5,643
Recognition of previously unrecognised temporary differences	**(886)**	(6,420)	**-**	-
Over accrual in prior year	**(2,331)**	(1,274)	**-**	-
Income tax expense for the financial year	**161,457**	40,755	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

10 TAXATION (CONTINUED)

Included in income tax expense of the Group and of the Company are tax savings amounting to RM232,476 (2018: RM20,290) and RM127,620 (2018: RM20,290) respectively from the utilisation of current and previous financial year tax losses.

11 EARNINGS PER SHARE

The basic earnings per share for the financial year ended 30 June 2019 is arrived at by dividing the Group's profit attributable to the owners of the Company of RM230,010,345 (2018: RM203,712,111) by the weighted average number of ordinary shares in issue during the financial year of 1,588,228,791 shares (2018: 1,543,997,463 shares).

Diluted earnings per share is determined by dividing the Group's profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares during the financial year is 1,588,228,791 shares (2018: 1,632,764,203 shares).

		Group	
		2019	**2018**
Profit after taxation attributable to owners of the Company (RM'000)	(A)	**230,010**	203,712
Weighted average number of shares for basic earnings per share computation ('000)	(B)	**1,588,229**	1,543,997
Effects of dilution of Warrants C ('000)		**-**	88,767
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	**1,588,229**	1,632,764
Basic earnings per share (sen)	(A/B)	**14.48**	13.19
Diluted earnings per share (sen)	(A/C)	**14.48**	12.48

As at 30 June 2019, the number of outstanding Warrants C is 317,645,623. The exercise price for each Warrant C as at 30 June 2019 is RM1.06. Warrants C is not included in the calculation of the diluted earnings per share because they are antidilutive at the end of the financial year, but it could potentially dilute basic earnings per share in the future.

12 INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares in Malaysia, at cost	**588,053**	588,053
Less: Impairment losses	**(231,544)**	(231,544)
	356,509	356,509
Amounts owing by subsidiaries	**76,510**	69,895
Less: Impairment losses	**(9,427)**	(10,572)
	423,592	415,832

The net reversal of the impairment losses of RM1,144,966 during the financial year comprise a reversal of impairment loss on an amount owing by a subsidiary of RM10,180,342, offset with an additional impairment loss on an amount owing by another subsidiary of RM9,035,376.

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Group's effective equity interest (%) 2019	Group's effective equity interest (%) 2018
Gulf Hibiscus Limited ("Gulf Hibiscus")	Provision of project management, technical and other services	Malaysia	**100**	100
Hibiscus Oilfield Services Limited ("Hibiscus Oilfield")	Provision of project management, technical and other services	Malaysia	**100**	100
Orient Hibiscus Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Oceania Hibiscus Sdn. Bhd. ("Oceania Hibiscus")	Investment holding	Malaysia	**100**	100
Genesis Hibiscus Sdn. Bhd. ("Genesis Hibiscus")	Investment holding	Malaysia	**100**	100
Hibiscus Technical Services Sdn. Bhd. ("Hibiscus Technical")	Provision of project management, technical and other services	Malaysia	**100**	100
Timor Hibiscus Limited ("Timor Hibiscus")	Investment holding	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name of company	Principal activities	Country of incorporation	Group's effective equity interest (%) 2019	2018
Atlantic Hibiscus Sdn. Bhd. ("Atlantic Hibiscus")	Investment holding	Malaysia	**100**	100
Pacific Hibiscus Sdn. Bhd. ("Pacific Hibiscus")	Investment holding	Malaysia	**100**	100
Subsidiaries of Oceania Hibiscus				
Carnarvon Hibiscus Pty Ltd ("Carnarvon Hibiscus")[(1)]	Exploration and development of oil and gas	Australia	**100**	100
Althea Corporation Limited ("Althea Corporation")	Investment holding	Malaysia	**100**	100
Subsidiary of Genesis Hibiscus				
Cayman Hibiscus Inc SPC[(2)]	Dormant	Cayman Islands	**100**	100
Subsidiary of Atlantic Hibiscus				
Anasuria Hibiscus UK Limited ("Anasuria Hibiscus")[(1)]	Exploration and production of oil and gas	United Kingdom ("UK")	**100**	100
Subsidiary of Pacific Hibiscus				
SEA Hibiscus	Exploration and production of oil	Malaysia	**100**	100
Subsidiary of Carnarvon Hibiscus				
Gippsland Hibiscus Pty Ltd ("Gippsland Hibiscus")[(1)]	Exploration and development of oil and gas	Australia	**100**	100

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

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

(2) The financial statements were not required to be audited based on the regulations of its country of incorporation. The company had not commenced operations during the financial year ended 30 June 2019.

13 INVESTMENT IN AN ASSOCIATE

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 01.07.2018/01.07.2017	**4,906**	4,090
Share of post-acquisition results and reserves	**(496)**	(1,282)
Reversal of impairment of investment	**1,335**	2,098
At 30.06.2019/30.06.2018	**5,745**	4,906
Fair value of quoted shares (Level 1)	**5,745**	4,906

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Set out below is the summarised financial information for 3D Oil Limited ("3D Oil") which is accounted for using the equity method:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Revenue	**129**	87
Loss after taxation/Total comprehensive expenses	**(3,216)**	(3,636)
Non-current assets	**56,209**	55,121
Current assets	**5,903**	3,131
Non-current liabilities	**(12,278)**	(9,926)
Current liabilities	**(3,278)**	(2,822)
Net assets	**46,556**	45,504
Group's share of net assets (11.68% (2018: 13.04%))	**5,438**	5,934
Impairment of investment	**-**	(1,335)
Transaction costs capitalised	**307**	307
Carrying amount	**5,745**	4,906

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

13 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Nature of investment in associate is as follows:

Name of company	Principal activities	Place of business/ Country of incorporation	Measurement method	Group's effective equity interest (%) 2019	2018
3D Oil*	Exploration and development of upstream oil and gas assets	Australia	Equity	**11.68**	13.04

* 3D Oil is a joint venture partner to VIC/P57.

During the financial year, the Group's associate, 3D Oil, had issued new ordinary shares to third parties. It resulted in the Group's investment in 3D Oil being diluted from 13.04% as at 30 June 2018 to 12.95%, 11.89%, 11.70% and 11.68% as at 30 July 2018, 11 September 2018, 3 October 2018 and 21 November 2018 respectively.

There are no contingent liabilities relating to the Group's interest in the associate.

3D Oil shares are publicly traded on the Australian Stock Exchange. Due to fluctuations of the market price of the shares, an impairment assessment was performed for the Group's investment in 3D Oil by comparing the higher of FVLCTS and value in use. The recoverable amount is based on FVLCTS, which is derived from the market price of the shares. As at 30 June 2019, the share price was AUD0.110 per share as compared to AUD0.053 per share as at 30 June 2018. The fair value is within Level 1 of the fair value hierarchy. The cost to sell is estimated to be immaterial.

14 INVESTMENTS IN JOINT VENTURES

	Group 2019 RM'000	2018 RM'000
Unquoted shares outside Malaysia, at cost:		
At 30.06.2019/30.06.2018	**-**	-

Lime Petroleum Plc ("Lime")

Lime is currently in the process of being wound up and the Directors have fully impaired the Group's investment in Lime and its concession companies ("Lime Group"). Nonetheless and for the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of the Lime Group (including, without limitation, the Group's legal actions in Singapore and Norway against various parties in relation to the Lime Group).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

HiRex Petroleum Sdn. Bhd. ("HIREX")

Pursuant to a winding-up process initiated by the Group in the previous financial year, HIREX is now in liquidation. The Directors have fully impaired the Group's investment in HIREX in previous financial years. Nonetheless and for the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of HIREX.

The joint ventures below have share capital consisting solely of ordinary shares, which is held directly by the Group:

Name of company	Principal activities	Place of business/ Country of incorporation	Measurement method	Group's effective equity interest (%) 2019	2018
Lime	Oil and gas exploration and production business	Isle of Man	Equity	**35.0**	35.0
HIREX	Exploration of oil and gas	Malaysia	Equity	**41.0**	41.0

There are no contingent liabilities relating to the Group's interest in the joint ventures.

15 BUSINESS COMBINATION

In the previous financial year, on 31 March 2018 ("Completion Date"), the Company, via its indirectly wholly-owned subsidiary, SEA Hibiscus completed the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC. The acquisition of interests in the joint operation is accounted for as a business combination, as the activities of the joint operation constitute a business. The acquisition is subsequently disclosed in Note 16 to the financial statements.

The base consideration of USD25.0 million comprises the following:

- Initial consideration of USD15.0 million; and,
- Deferred consideration of USD10.0 million.

The initial consideration was payable upon completion of the acquisition, and as at 30 June 2018, had been settled per the agreed schedule.

The deferred consideration is payable as follows:

- USD5.0 million within 12 months from completion; and,
- USD5.0 million within 24 months from completion.

The first tranche of the deferred consideration which was payable within 12 months from completion, by 31 March 2019, was settled per the agreed schedule.

15 BUSINESS COMBINATION (CONTINUED)

The fair value of the identifiable assets and liabilities of the North Sabah asset as at the date of acquisition was:

	Fair value recognised on acquisition RM'000
Group	
Assets	
- Intangible assets	410,483
- Inventories	93,751
	504,234
Liabilities	
- Provision for decommissioning costs	(120,668)
- Deferred tax liabilities	(62,248)
- Accruals	(29,574)
	(212,490)
Total net identifiable assets	291,744
Negative goodwill from business combination	(206,254)
	85,490
Purchase consideration:	
- Paid	9,665
- Payable	81,662
Other amounts:	
- Unrecovered recoverable costs payable	105,307
- Interim working capital and other adjustments receivable	(111,144)
	85,490

It is not practicable to disclose the results of operations from the North Sabah asset from 1 July 2017 up to the combination had taken place as such information was not made available by the sellers, namely Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn. Bhd. (collectively the "Sellers").

The negative goodwill associated with the combination was recognised in profit or loss in the financial year ended 30 June 2018. The transaction resulted in a gain as the Group has the skill sets and capabilities to enhance the value of the assets post acquisition. As a result, the fair value of the assets was greater than the purchase consideration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

15 BUSINESS COMBINATION (CONTINUED)

Unrecovered recoverable costs payable represents recoverable costs incurred by the Sellers as part of their executed work program but not yet recovered as of the Completion Date. The unrecovered recoverable costs are payable subject to oil prices having reached certain thresholds. The Group provided for the amount based on the assumption that the estimated future oil prices will meet the thresholds.

Interim working capital and other adjustments (or completion adjustments) calculated from the effective date of 1 January 2017 to 31 March 2018 totalled USD28.8 million (RM111.1 million). This largely comprised the economic benefit derived from the asset for the fifteen-month period.

Transaction costs and professional fees incurred relating to the North Sabah asset of RM21.3 million was expensed to the administrative expenses in the profit or loss in the previous financial year.

16 JOINT OPERATIONS

Under the terms of the joint agreements below, the Group has a direct share in all of the assets employed by the arrangements and is liable for its share of the liabilities incurred. There is no legal or contractual separation between the arrangement and the parties to the arrangement. The Group has therefore classified these arrangements as joint operations. It has included its interests in the assets, liabilities, revenue and expenses in the appropriate line items in the statement of financial position and profit or loss respectively, in accordance with the accounting policy.

North Sabah

The North Sabah asset is located approximately 33 kilometres from Kota Kinabalu, Malaysia.

On 31 March 2018, SEA Hibiscus successfully assumed the role of operator for the assets from Sabah Shell Petroleum Company Limited. The responsibilities of SEA Hibiscus as the operator of the PSC and under the JOA are the management of the operations of:

(i) production of petroleum from four existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and,

(ii) existing pipeline infrastructure, the Labuan Crude Oil Terminal (“LCOT”), and all other equipment and assets relating to the PSC.

The four producing fields are located in the South China Sea, off the coast of Sabah. Each field is operated from its respective main platform/complex and is connected via trunk lines to transport hydrocarbons to the LCOT, an onshore processing plant and oil export terminal.

The production rights under the PSC are up to 2040.

The details of the acquisition are as disclosed in Note 15 to the financial statements.

16 JOINT OPERATIONS (CONTINUED)

Anasuria Operating Company Limited ("AOCL")

The Group, via its indirectly wholly-owned subsidiary, Anasuria Hibiscus, together with Ping Petroleum Limited has established the joint operating company, AOCL in Aberdeen and this company has been approved as the License Operator for the Anasuria Cluster by the Secretary of State for Energy and Climate Change of the UK Government. On 10 March 2016, AOCL successfully assumed the role of operator for the assets from Shell U.K. Ltd. ("Shell UK"). As at 30 June 2018, Anasuria Hibiscus holds 50% interest in AOCL.

The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- 100% interest in the Guillemot A field and the related field facilities;
- 100% interest in the Teal field and the related field facilities;
- 100% interest in the Teal South field and the related field facilities;
- 38.65% interest in the Cook field and the related field facilities; and,
- 100% ownership in the common infrastructure known as the Anasuria FPSO and the related equipment.

There is no expiry date for the license covering the Guillemot A, Teal and Teal South fields.

The UK's Oil and Gas Authority ("OGA") had on 12 March 2018 extended the license for the Cook field into a life of field license. A life of field extension is terminable only if there is a continuous minimum 12-month period in which the production has fallen below a minimum production level.

Marigold and Sunflower fields

The Marigold and Sunflower fields, which comprise the UK Continental Shelf Petroleum Production License No. P198 Block 15/13a and Block 15/13b, are located approximately 250 kilometres northeast of Aberdeen in the UK Central North Sea.

On 16 October 2018, the Company, via its indirectly wholly-owned subsidiary, Anasuria Hibiscus, completed the acquisition of 50% interest in the two blocks under License No. P198; (i) Block 15/13a, containing the Marigold discovered oilfield, and (ii) Block 15/13b, containing the Sunflower discovered oilfield.

On 12 February 2019, Anasuria Hibiscus assumed the role of operator for the fields.

There is no expiry date for the license covering the Marigold and Sunflower fields.

VIC/P57

The Group, via its indirectly wholly-owned subsidiary, Carnarvon Hibiscus, had entered into a joint arrangement, VIC/P57 via the Joint Operation Agreement and Farm-In Agreement dated 14 August 2012 to explore and develop oil and gas properties within the permitted area. As at 30 June 2019, Carnarvon Hibiscus and its wholly-owned subsidiary, Gippsland Hibiscus have a 55.1% (2018: 55.1%) and 20.0% (2018: 20.0%) participating interest in this arrangement respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

16 JOINT OPERATIONS (CONTINUED)

VIC/P57 (continued)

In the previous financial year, the Group, together with 3D Oil (a joint venture partner to VIC/P57) had successfully obtained the renewal of the exploration license in VIC/P57 for another five-year term commencing from 7 March 2018. The Group is committed to carry out the minimum work requirements within the renewal term.

The principal place of business of the joint operation is in Australia.

17 INTANGIBLE ASSETS

	Rights and concession RM'000	Conventional studies RM'000	Total RM'000
Group			
At 01.07.2017	881,345	147,947	1,029,292
Acquisition through business combination (Note 15)	410,483	-	410,483
Additions	-	575	575
Amortisation	(49,385)	-	(49,385)
Exchange differences	(39,661)	(14,052)	(53,713)
At 30.06.2018	1,202,782	134,470	1,337,252
At 01.07.2018	**1,202,782**	**134,470**	**1,337,252**
Additions	**155,988**	**5,948**	**161,936**
Changes in estimates	**95,894**	**-**	**95,894**
Amortisation	**(86,174)**	**-**	**(86,174)**
Exchange differences	**24,935**	**(3,768)**	**21,167**
At 30.06.2019	**1,393,425**	**136,650**	**1,530,075**

Included in rights and concession are the carrying amounts of producing field licenses in the Anasuria Cluster amounting to RM668,211,518 (2018: RM687,664,530), producing field licenses in North Sabah amounting to RM471,031,008 (2018: RM414,333,116), capitalised acquisition and related transaction costs of the Marigold and Sunflower fields amounting to RM156,207,081 (2018: RM Nil), and capitalised acquisition and related transaction costs of VIC/L31 and VIC/P57 amounting to RM97,976,016 (2018: RM100,784,482). Capitalised expenditures are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Conventional studies relate to conceptual study costs incurred for the development in the Marigold and Sunflower fields amounting to RM4,248,748 (2018: RM Nil), as well as exploration costs in VIC/P57 and the West Seahorse field development in VIC/L31 amounting to RM132,400,934 (2018: RM134,470,148).

17 INTANGIBLE ASSETS (CONTINUED)

(a) Anasuria Cluster

The Directors have concluded that there is no impairment indicator for Anasuria Cluster during the current financial year.

In the previous financial year, due to uncertainties in crude oil prices, the Group has assessed the recoverable amount of the intangible assets, oil and gas assets and FPSO relating to the Anasuria Cluster. The recoverable amount is determined using the FVLCTS model based on discounted cash flows ("DCF") derived from the expected cash in/outflow pattern over the production lives.

The key assumptions used to determine the recoverable amount for the Anasuria Cluster were as follows:

(i) Discount rate of 10%;

(ii) Future cost inflation factor of 2% per annum;

(iii) Oil price forecast based on the oil price forward curve from independent parties; and,

(iv) Oil production profile based on the assessment by independent oil and gas reserve experts.

Based on the assessments performed, the Directors concluded that the recoverable amount calculated based on the valuation model is higher than the carrying amount.

(b) North Sabah

The acquisition of the North Sabah assets was completed in the previous financial year. Details of the acquisition are as disclosed in Note 15 to the financial statements.

The Directors have concluded that there is no impairment indicator for North Sabah during the current financial year.

(c) Marigold and Sunflower fields

On 8 October 2018, Anasuria Hibiscus, entered into a conditional Sale and Purchase Agreement ("SPA") with Caldera Petroleum (UK) Ltd to acquire 50% interest in the Marigold and Sunflower fields for a total cash consideration of USD37.5 million ("Acquisition").

Subsequently, the conditions precedent to the SPA in connection with the Acquisition had been fulfilled on 16 October 2018, save for the written consent of the OGA for the transfer of operatorship to Anasuria Hibiscus which had been waived ("OGA Consent"). This OGA Consent then became a post-completion event. In conjunction thereto, the SPA became unconditional on the same day. Pursuant to payment of the purchase consideration of USD37.5 million, the Acquisition was completed on 16 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

(d) VIC/L31

A production license, VIC/L31, containing the West Seahorse field, was granted by the Australian authorities to Carnarvon Hibiscus for an indefinite period from 5 December 2013. The Group is in the process of evaluating field development options with a view to recommencing field development activities once an economically viable development solution is identified.

The intangible assets for VIC/L31 were not amortised as the field has not commenced production during the financial year.

The recoverable amount of the intangible assets relating to VIC/L31 is determined using the value in use based on DCF derived from the expected cash in/outflow pattern during the production license period.

The key assumptions used to determine the recoverable amount for VIC/L31 were as follows:

(i) Discount rate of 10% (2018: 10%);

(ii) The license being available for the projected three-year period from 2023 to 2025 (2018: 2022 to 2024) which is the expected economic limit cut off for the field;

(iii) Total project capital expenditures of approximately USD57 million (2018: USD58 million);

(iv) First oil being achieved in July 2023 (2018: July 2022);

(v) Oil production profile based on the assessment by independent oil and gas reserve experts; and,

(vi) Brent oil price of USD77.01, USD78.03 and USD80.41 per bbl for 2023, 2024 and 2025 respectively (2018: USD73.95, USD77.01 and USD80.41 per bbl for 2022, 2023 and 2024 respectively) and 2% (2018: 2%) premium to Brent oil prices.

Based on the assessments performed, the Directors concluded that the recoverable amount calculated based on the DCF model, is higher than the carrying amount for VIC/L31. Based on a sensitivity analysis performed, a USD8.50 per bbl reduction in oil price will result in the recoverable amount being equal to the carrying amount with the other variables remaining unchanged.

(e) VIC/P57

VIC/P57 is a joint arrangement which is in the exploration stage. An impairment indicator review has been performed for VIC/P57. The assessment was based on the following:

(i) The Group had obtained a renewal of the exploration permit on 7 March 2018 for a five-year term expiring in March 2023 which includes plans to continue exploration activities; and,

(ii) An internal estimate of the Risk Net Asset Value ("RNAV") model was performed as it is in exploration stage. The RNAV model performed by a sufficiently competent and experienced in-house geology team indicates that the estimate is higher than the carrying amount.

Based on the assessments performed, the Directors concluded that there is no impairment indicator for VIC/P57.

18 EQUIPMENT

	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Oil and gas assets RM'000	FPSO RM'000	Rig RM'000	Work in progress RM'000	Total RM'000
Group								
Cost								
At 01.07.2017	231	4,576	321	153,986	30,073	68,438	619	258,244
Additions*	22	8,382	-	3,288	-	-	53,873	65,565
Transfer	-	-	-	18,577	-	-	(18,577)	-
Exchange differences	-	(3)	-	(9,544)	(1,837)	(6,487)	(332)	(18,203)
At 30.06.2018/ 01.07.2018	**253**	**12,955**	**321**	**166,307**	**28,236**	**61,951**	**35,583**	**305,606**
Additions*	**94**	**2,904**	**437**	**8,472**	**-**	**-**	**163,360**	**175,267**
Transfer	**-**	**-**	**-**	**98,397**	**-**	**-**	**(98,397)**	**-**
Exchange differences	**1**	**5**	**1**	**4,303**	**705**	**(1,726)**	**978**	**4,267**
At 30.06.2019	**348**	**15,864**	**759**	**277,479**	**28,941**	**60,225**	**101,524**	**485,140**

* Additions of office equipment during the financial year include purchases via finance leases amounting to RM2,207,117 (2018: RM8,382,021).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

18 EQUIPMENT (CONTINUED)

	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Oil and gas assets RM'000	FPSO RM'000	Rig RM'000	Work in progress RM'000	Total RM'000
Group								
Accumulated depreciation								
At 01.07.2017	100	4,510	177	14,756	1,188	34,897	-	55,628
Depreciation for the financial year	23	625	32	7,923	844	9,801	-	19,248
Impairment for the financial year	-	-	-	-	-	6,607	-	6,607
Exchange differences	-	(3)	-	(967)	(80)	(4,138)	-	(5,188)
At 30.06.2018/ 01.07.2018	**123**	**5,132**	**209**	**21,712**	**1,952**	**47,167**	**-**	**76,295**
Depreciation for the financial year	**38**	**2,928**	**32**	**25,449**	**855**	**-**	**-**	**29,302**
Exchange differences	**-**	**(1)**	**-**	**580**	**50**	**(1,314)**	**-**	**(685)**
At 30.06.2019	**161**	**8,059**	**241**	**47,741**	**2,857**	**45,853**	**-**	**104,912**
Net book value								
At 30.06.2018	130	7,823	112	144,595	26,284	14,784	35,583	229,311
At 30.06.2019	**187**	**7,805**	**518**	**229,738**	**26,084**	**14,372**	**101,524**	**380,228**

As at 30 June 2019, the Rig is cold stacked in a shipyard in Turkey. The impairment assessment of the Rig was performed using the FVLCTS approach. The fair value was determined using Level 2 inputs, based on a valuation exercise performed by an independent valuer by referring to market scrap rate.

18 EQUIPMENT (CONTINUED)

	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Total RM'000
Company				
Cost				
At 01.07.2017	231	4,541	321	5,093
At 30.06.2018/01.07.2018	**231**	**4,541**	**321**	**5,093**
Additions	**-**	**10**	**22**	**32**
At 30.06.2019	**231**	**4,551**	**343**	**5,125**
Accumulated depreciation				
At 01.07.2017	100	4,481	177	4,758
Depreciation for the financial year	23	31	32	86
At 30.06.2018/01.07.2018	**123**	**4,512**	**209**	**4,844**
Depreciation for the financial year	**23**	**19**	**32**	**74**
At 30.06.2019	**146**	**4,531**	**241**	**4,918**
Net book value				
At 30.06.2018	108	29	112	249
At 30.06.2019	**85**	**20**	**102**	**207**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

19 INVENTORIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Crude oil	**5,673**	41,884
Spares	**15,705**	16,030
	21,378	57,914

Inventories recognised as expenses during the financial year amounted to RM296,098,815 (2018: RM162,803,409). These were included in cost of sales as disclosed in Note 6 to the financial statements.

20 TRADE RECEIVABLES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Sales of crude oil	**56,824**	95,838
Sales of gas	**752**	2,230
Provision of project management, technical and other services	**7,293**	10,960
	64,869	109,028

The amounts are unsecured and are to be settled in cash.

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables and deposits	**111,102**	89,203	**4,571**	4,660
Less: Impairment of receivables	**(6,007)**	(8,907)	**(4,296)**	(4,296)
	105,095	80,296	**275**	364
Prepayments	**11,730**	18,688	**1,660**	468
	116,825	98,984	**1,935**	832

Other receivables and deposits include a security deposit placed with the Sellers post completion of the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC of RM41,344,000 (2018: RM40,337,000), as required by the terms of the SPA for the said acquisition.

22 AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Amounts owing by subsidiaries:		
Current		
Trade	**18,053**	12,512
Less: Impairment of receivables (trade)	**(3,152)**	(3,152)
Non-trade	**38,055**	60,988
Less: Impairment of receivables (non-trade)	**(34,276)**	(33,131)
	18,680	37,217
Amounts owing to subsidiaries:		
Current		
Non-trade	**(32,105)**	(33,591)

The current trade balance represents receivables on demand and is to be settled in cash.

The current non-trade balance represents unsecured, interest-free advances and payments made on behalf of subsidiaries. The amounts owing are receivable or repayable on demand and are to be received or settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

23 AMOUNT OWING BY/(TO) A JOINT VENTURE

The amount owing by/(to) a joint venture is in relation to the provision of project management, technical and other services relating to the oil and gas exploration and production industry and share of administrative expenses. The amounts are unsecured and are to be settled in cash.

During the financial year, impairment of receivables for the Group is RM Nil (2018: RM996,736).

24 AMOUNT OWING BY/(TO) AN ASSOCIATE

	Group	
	2019	**2018**
	RM'000	**RM'000**
Amount owing by an associate:		
Current		
Trade	**-**	5
Amount owing to an associate:		
Current		
Trade	**(17)**	-

Amount owing by/(to) an associate represents 3D Oil's 24.9% (2018: 24.9%) share in the VIC/P57 joint bank account less 3D Oil's share of VIC/P57 expenses. The amount is unsecured and is to be settled in cash.

25 AMOUNT OWING BY/(TO) A RELATED PARTY

The amount owing by/(to) a related party are in relation to the provision of project management, technical and other services relating to the oil and gas exploration and production industry and share of administrative expenses. The amounts are unsecured and are to be settled in cash.

During the financial year, impairment of receivables for the Company is RM Nil (2018: RM996,736).

26 CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprised the following:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash and bank balances	**273,537**	135,957	**5,676**	11,279
Less: Cash restricted in use	**(66,828)**	(13,879)	**-**	-
Cash and cash equivalents	**206,709**	122,078	**5,676**	11,279

Cash restricted in use represents monies placed in trust for the Group's obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster.

Reconciliation of liabilities arising from financing activities:

			Non-cash changes				
	At 01.07.2018 RM'000	Cash flows RM'000	Additions RM'000	Interest expense RM'000	Transfer RM'000	Foreign exchange movement RM'000	At 30.06.2019 RM'000
Group							
Finance lease liabilities	**8,049**	**(6,566)**	**2,207**	**814**	**328**	**-**	**4,832**

During the financial year, there is no liability arising from financing activities for the Company.

			Non-cash changes				
	At 01.07.2017 RM'000	Cash flows RM'000	Additions RM'000	Interest expense RM'000	Transfer RM'000	Foreign exchange movement RM'000	At 30.06.2018 RM'000
Group and Company							
Advances from a third party	18,293	(17,333)	-	125	-	(1,085)	-
Finance lease liabilities	-	-	8,382	184	(517)	-	8,049
Total liabilities arising from financing activities	18,293	(17,333)	8,382	309	(517)	(1,085)	8,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

27 SHARE CAPITAL

The movements in the issued and paid-up share capital of the Group and of the Company were as follows:

	Number of shares	Share capital RM
Ordinary shares		
At 01.07.2017	1,443,844,291	675,314,577
Issuance of shares		
- Placement Shares issued during the financial year, net of directly attributable expenses	144,384,400	89,650,612
- Conversion of Warrants C	100	100
At 30.06.2018	1,588,228,791	764,965,289
At 30.06.2019	**1,588,228,791**	**764,965,289**

There were no changes in the share capital of the Company during the financial year.

In the previous financial year, the Company increased its issued and paid-up ordinary share capital by way of:

i) issuance of 144,384,400 new ordinary shares, raising a total of RM91,095,873, which was undertaken in three tranches; 62,000,000 shares were issued on 14 August 2017 at RM0.385 per share, 38,079,000 shares were issued on 26 October 2017 at RM0.695 per share and 44,305,400 shares were issued on 16 January 2018 at RM0.920 per share; and,

ii) exercise of 100 Warrants C at the exercise price of RM1.00 each and correspondingly, 100 new ordinary shares were allotted and issued, raising a total of RM100.

28 OTHER RESERVES

(a) Foreign exchange reserve

The foreign exchange reserve arose from the translation of the financial statements of entities and operations with different functional currencies and is not distributable by way of dividends.

(b) Other reserves

Other reserves consist of the Group's share of a joint venture's share-based payment reserve. Other reserves are not distributable by way of dividends.

29 DEFERRED CONSIDERATION

North Sabah

The base consideration for the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC comprises of the following:

- Initial consideration of USD15.0 million; and,
- Deferred consideration of USD10.0 million.

The initial consideration was paid upon completion of the acquisition.

The deferred consideration is payable as follows:

- USD5.0 million within 12 months from the Completion Date; and,
- USD5.0 million within 24 months from the Completion Date.

The first tranche of the deferred consideration which was payable within 12 months from completion, by 31 March 2019, had been settled per the agreed schedule.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

29 DEFERRED CONSIDERATION (CONTINUED)

North Sabah (continued)

	Group	
	2019	**2018**
	RM'000	**RM'000**
Current		
At 01.07.2018/01.07.2017	**18,717**	31,428
Addition from business combination (Note 15)	**-**	17,497
Unwinding of discount (Note 8)	**3,212**	1,184
Payment made	**(20,643)**	(30,486)
Transfer from non-current liabilities	**17,344**	-
Exchange differences	**554**	(906)
At 30.06.2019/30.06.2018	**19,184**	18,717
Non-current		
At 01.07.2018/01.07.2017	**16,946**	-
Addition from business combination (Note 15)	**-**	15,839
Unwinding of discount (Note 8)	**-**	415
Transfer to current liabilities	**(17,344)**	-
Exchange differences	**398**	692
At 30.06.2019/30.06.2018	**-**	16,946

30 CONTINGENT CONSIDERATION

	Group	
	2019	**2018**
	RM'000	**RM'000**
Non-current		
At 01.07.2018/01.07.2017	**1,822**	1,756
Unwinding of discount (Note 8)	**194**	174
Exchange differences	**47**	(108)
At 30.06.2019/30.06.2018	**2,063**	1,822

As part of the acquisition of 50% interest in the Anasuria Cluster, a contingent consideration is payable to Shell UK, Shell EP Offshore Ventures Limited ("Shell EP") and Esso Exploration and Production UK Limited ("Esso UK") from 2018 to 2021, if and only when in a calendar year, the annual average oil price (USD Y) exceeds USD75 per bbl, in which case, Shell UK, Shell EP and Esso UK will be paid USD0.15 x (Y-USD75) per bbl of the production from the Anasuria Cluster. The contingent consideration is limited by the production volume and the average oil price for the relevant calendar year.

31 DEFERRED TAX LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax liabilities	**558,988**	499,847	**-**	-
Deferred tax assets	**(163,672)**	(154,675)	**-**	-
	395,316	345,172	**-**	-
At 01.07.2018/01.07.2017	**345,172**	325,562	**-**	-
Acquisition through business combination (Note 15)	**-**	62,248	**-**	-
Recognised in profit or loss (Note 10)	**41,468**	(25,155)	**-**	-
Exchange differences	**8,676**	(17,483)	**-**	-
At 30.06.2019/30.06.2018	**395,316**	345,172	**-**	-

The movements in deferred tax assets and liabilities during the previous financial year are as follows:

	Equipment RM'000	Intangible assets RM'000	Others RM'000	Total RM'000
Group				
Deferred tax liabilities				
At 01.07.2017	59,244	370,268	1,570	431,082
Acquisition through business combination (Note 15)	-	84,764	23,338	108,102
Recognised in profit or loss	26,355	(22,673)	(19,061)	(15,379)
Exchange differences	(3,838)	(20,785)	665	(23,958)
At 30.06.2018	81,761	411,574	6,512	499,847
Offsetting				(154,675)
Deferred tax liabilities (after offsetting) at 30.06.2018				345,172

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

31 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the previous financial year are as follows: (continued)

	Decommissioning costs RM'000	Tax losses RM'000	Provision and other payables RM'000	Total RM'000
Group				
Deferred tax assets				
At 01.07.2017	(49,934)	(47,978)	(7,607)	(105,519)
Acquisition through business combination (Note 15)	(45,854)	-	-	(45,854)
Recognised in profit or loss	(6,453)	(1,677)	(1,646)	(9,776)
Exchange differences	1,100	4,632	742	6,474
At 30.06.2018	(101,141)	(45,023)	(8,511)	(154,675)
Offsetting				154,675
Deferred tax assets (after offsetting) at 30.06.2018				-

The movements in deferred tax assets and liabilities during the financial year are as follows:

	Equipment RM'000	Intangible assets RM'000	Others RM'000	Total RM'000
Group				
Deferred tax liabilities				
At 01.07.2018	**81,761**	**411,574**	**6,512**	**499,847**
Recognised in profit or loss	**42,187**	**13,244**	**(6,393)**	**49,038**
Exchange differences	**2,100**	**7,875**	**128**	**10,103**
At 30.06.2019	**126,048**	**432,693**	**247**	**558,988**
Offsetting				**(163,672)**
Deferred tax liabilities (after offsetting) at 30.06.2019				**395,316**

31 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

	Equipment RM'000	Decommissioning costs RM'000	Intangible assets RM'000	Tax losses RM'000	Provision and other payables RM'000	Total RM'000
Group						
Deferred tax assets						
At 01.07.2018	**-**	**(101,141)**	**-**	**(45,023)**	**(8,511)**	**(154,675)**
Recognised in profit or loss	**(1,155)**	**(19,706)**	**(437)**	**19,761**	**(6,033)**	**(7,570)**
Exchange differences	**(2)**	**(2,553)**	**7**	**944**	**177**	**(1,427)**
At 30.06.2019	**(1,157)**	**(123,400)**	**(430)**	**(24,318)**	**(14,367)**	**(163,672)**
Offsetting						**163,672**
Deferred tax assets (after offsetting) at 30.06.2019						**-**

The movements in deferred tax assets and liabilities are as follows:

	Equipment RM'000	Total RM'000
Company		
Deferred tax liabilities		
At 01.07.2017	13	13
Recognised in profit or loss	(13)	(13)
At 30.06.2018	-	-
At 01.07.2018/30.06.2019	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

31 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities are as follows: (continued)

	Tax losses RM'000	Total RM'000
Company		
Deferred tax assets		
At 01.07.2017	(13)	(13)
Recognised in profit or loss	13	13
At 30.06.2018	-	-
At 01.07.2018/30.06.2019	**-**	**-**

Deferred tax assets have not been recognised in respect of the following deductible temporary differences because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits there from:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tax losses	**162,174**	150,086	**64,201**	52,903
Unabsorbed capital allowance	**4,378**	6,293	**4,378**	4,313
Provisions and other payables	**57,481**	53,284	**55,268**	54,245
	224,033	209,663	**123,847**	111,461

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's and the Company's unutilised tax losses with no expiry period amounting to RM69,698,111 and RM64,200,949 as at 30 June 2019 respectively will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

32 PROVISION FOR DECOMMISSIONING COSTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
At 01.07.2018/01.07.2017	**259,237**	124,835
Acquisition through business combination (Note 15)	**-**	120,668
Additions	**5,004**	-
Changes in estimates	**95,894**	-
Payment	**(69,261)**	-
Unwinding of discount (Note 8)	**24,798**	14,677
Exchange differences	**932**	(943)
At 30.06.2019/30.06.2018	**316,604**	259,237
Represented by:		
Non-current	**251,290**	259,237
Current	**65,314**	-
At 30.06.2019/30.06.2018	**316,604**	259,237

The Group makes full provision for the future costs of decommissioning of its oil production facilities and pipelines on a discounted basis.

33 TRADE PAYABLES

Trade payables are cost of operations in relation to crude oil and gas. The amounts are unsecured and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

34 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other payables	**106,874**	112,621	**-**	-
Current				
Other payables	**85,688**	53,411	**959**	979
Accruals	**136,203**	102,733	**4,028**	2,877
	221,891	156,144	**4,987**	3,856

Non-current other payables relate to the North Sabah asset. The balance represents recoverable costs incurred by the Sellers as part of their executed work program but not yet recovered as of the Completion Date, subject to oil prices having reached certain thresholds.

35 FINANCE LEASE LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Commitments in relation to finance lease are payable as follows:		
Within one year	**1,431**	2,088
Later than one year but not later than five years	**4,360**	7,835
Minimum lease payments	**5,791**	9,923
Future finance charges	**(959)**	(1,874)
Recognised as liabilities	**4,832**	8,049
The present value of finance lease liabilities is as follows:		
Within one year	**1,041**	1,421
Later than one year but not later than five years	**3,791**	6,628
Finance lease liabilities	**4,832**	8,049

The Group leases equipment with a carrying amount of RM4,347,398 (2018: RM7,794,271) under finance leases with terms of five years. As at 30 June 2019, the finance leases have remaining terms of less than five years (2018: remaining years of less than five years).

36 RCPS

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

	Number of RCPS	Nominal value RM
Issued and paid-up		
At 01.07.2018/30.06.2019	**2,193,880**	**219,388**
Total liability component		**219,388**

The RCPS are classified as current liabilities as the RCPS are redeemable at the option of the RCPS holders. The remaining RCPS are not convertible into ordinary shares of the Company.

The principal terms of the RCPS are as follows:

(a) Dividend rights — The RCPS are not entitled to any dividend.

(b) Convertibility — The RCPS were convertible on the basis of 1 RCPS: 10 ordinary shares with 10 Warrants-B ("Shares"). After receipt of the approval from the Securities Commission Malaysia ("SC") for the Initial Public Offering ("IPO"), 5,557,000 RCPS were converted into Shares of the Company. Pursuant to the IPO, 2,804,120 RCPS were converted into such number of Shares so that the holder held a total number of Shares equivalent to 20% of the enlarged issued and paid-up ordinary share capital of the Company as at the date of listing. Other than as stated above, the holder is not entitled to convert any additional RCPS into ordinary shares of the Company.

(c) Redeemability — Subject to compliance with the relevant requirements, all RCPS (unless earlier converted into Shares) shall be fully redeemable at the option of the holder, at the Redemption Price:

(i) on the date falling 12 months after the date of issue of the RCPS if the approval from the SC is not received by the Company by then; or

(ii) on the date falling 14 business days after the Company's receipt of any letter from the SC rejecting or stating its non-approval of the Company's application for the IPO; or

(iii) on any date after the listing;

whichever occurs first.

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

No RCPS redeemed by the Company shall be capable of reissue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

36 RCPS (CONTINUED)

The principal terms of the RCPS are as follows: (continued)

(d) Redemption price RM0.10 per RCPS

(e) Status The RCPS is not listed or quoted on any stock exchange.

37 DIRECTORS' REMUNERATION

(a) The aggregate amounts of emoluments received and/or receivable by Directors of the Group and of the Company during the financial year are as follows:

	Group/Company	
	2019	**2018**
	RM'000	**RM'000**
Executive Director:		
- salaries and bonus	**3,800**	2,647
- defined contribution plan	**854**	505
- other benefits	**701**	893
	5,355	4,045
Non-executive Directors:		
- fees and allowances	**719**	655
	6,074	4,700

37 DIRECTORS' REMUNERATION (CONTINUED)

(b) Details of Directors' emoluments of the Group and of the Company received/receivable for the financial year in bands of RM50,000 are as follows:

	Group/Company	
	2019	**2018**
	RM'000	**RM'000**
Executive Director:		
RM5,350,001 – RM5,400,000	**1**	-
RM4,000,001 – RM4,050,000	**-**	1
Non-executive Directors:		
RM150,001 – RM200,000	**4**	2
RM100,001 – RM150,000	**-**	2
RM50,001 – RM100,000	**-**	-
Below RM50,000	**-**	1
	5	6

38 SIGNIFICANT RELATED PARTIES DISCLOSURES

(a) Identities of related parties

The related parties of the Group and of the Company are:

(i) its subsidiaries, an associate and the joint ventures as disclosed in Notes 12, 13 and 14 to the financial statements; and,

(ii) the Directors and senior management team who are the key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

38 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year:

	Transactions value		Balances outstanding	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
Project management, technical and other services fees receivable from:				
Ping Petroleum UK Limited[1]	**4,542**	4,952	**7,285**	10,734
HIREX[2]	**-**	42	**172**	168
Lime[2]:				
Gross	**-**	-	**1,683**	1,683
Less: Impairment of receivables	**-**	-	**(1,683)**	(1,683)
	-	-	**-**	-
Joint Operating Agreement indirect overheads recovery from:				
3D Oil[3]	**23**	4	**-**	5
Technical and non-technical charges reimbursed from an associate:				
3D Oil[3]	**33**	6	**-**	-
Technical and non-technical, and overhead charges reimbursed to an associate:				
3D Oil[3]	**(595)**	(121)	**(17)**	-

38 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year: (continued)

	Transactions value		Balances outstanding	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Company				
Project management, technical and other services fees receivable from:				
Oceania Hibiscus[(4)]	**183**	542	**1,109**	907
Hibiscus Technical[(4)]:				
Gross	**5,700**	4,277	**18,053**	12,512
Less: Impairment of receivables	**-**	-	**(3,152)**	(3,152)
	5,700	4,277	**14,901**	9,360
Anasuria Hibiscus[(4)]	**1,916**	302	**-**	-
SEA Hibiscus[(4)]	**1,323**	314	**49**	314
Payment on behalf of:				
Pacific Hibiscus[(4)]:				
Gross	**6**	258	**270**	264
Less: Impairment of receivables	**-**	-	**(264)**	(264)
	6	258	**6**	-
Gulf Hibiscus[(4)]:				
Gross	**4,489**	1,330	**9,302**	4,770
Less: Impairment of receivables	**-**	-	**(5,590)**	(4,770)
	4,489	1,330	**3,712**	-
Oceania Hibiscus[(4)]:				
Gross	**5,598**	23,421	**44,333**	38,431
Less: Impairment of receivables	**-**	-	**-**	(10,180)
	5,598	23,421	**44,333**	28,251

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

38 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(b) In addition to the information detailed elsewhere in the financial statements, set below are other significant transactions and outstanding balances with the related parties during the financial year: (continued)

	Transactions value		Balances outstanding	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Company (continued)				
Payment on behalf of: (continued)				
Hibiscus Technical[4]				
Gross	**745**	11,654	**29,798**	29,287
Less: Impairment of receivables	**-**	-	**(9,035)**	-
	745	11,654	**20,763**	29,287
Anasuria Hibiscus[4]	**-**	9,625	**-**	-
SEA Hibiscus[4]	**-**	17,374	**-**	27,405
Timor Hibiscus[4]:				
Gross	**9**	9	**27,781**	27,771
Less: Impairment of receivables	**-**	-	**(27,772)**	(27,771)
	9	9	**9**	-
Advances from subsidiaries:				
Anasuria Hibiscus[4]	**58**	18,841	**31,564**	33,047

The Group and the Company entered into the abovementioned related party transactions with parties whose relationships are set out below:

(1) Shareholder of a joint operating company of the Group.
(2) Joint ventures of the Group.
(3) An associate of the Group.
(4) Subsidiaries of the Company.

38 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(c) Key management personnel compensation

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Included under Directors' remuneration				
- fees	**719**	655	**719**	655
- salaries and bonus	**3,800**	2,647	**3,800**	2,647
- defined contribution plan	**854**	505	**854**	505
- other benefits	**701**	893	**701**	893
Included under staff costs				
- salaries and bonus	**11,502**	7,686	**2,785**	2,122
- defined contribution plan	**854**	596	**442**	232
- other benefits	**459**	563	**59**	113

39 OPERATING SEGMENTS

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas:

(i) North Sabah — Group's investment in 50% participating interests in the 2011 North Sabah EOR PSC, which includes the management of the operations relating to the production of petroleum from four existing oil fields, namely St Joseph, South Furious, SF30 and Barton and existing pipeline infrastructure, the LCOT, and all other equipment and assets relating to the PSC.

The functional currency of this segment is USD. The average and closing rate adopted for conversion to RM in the current financial year are 4.129 and 4.134 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

39 OPERATING SEGMENTS (CONTINUED)

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas: (continued)

(ii) Anasuria Hibiscus

Group's investments and operations in the UK, consisting of (i) the Anasuria Cluster, a producing asset, and (ii) Marigold and Sunflower fields, a development asset, both located offshore in the UK Continental Shelf.

Anasuria Cluster:

- Group's investment in 50% interest in the License No. P013 containing the Guillemot A, Teal and Teal South producing fields, 19.3% participating interests in the License No. P185 containing the Cook producing field, 50% interest in the Anasuria FPSO and 50% interest in the AOCL. The Group jointly operates the producing fields under License No. P013 and the Anasuria FPSO via AOCL.

Marigold and Sunflower fields:

- Group's investment in 50% interest in two blocks under License No. P198; (i) Block 15/13a, containing the Marigold discovered oilfield, and (ii) Block 15/13b, containing the Sunflower discovered oilfield. This includes the management of operations to develop these fields towards production.

The functional currency of the segment is USD. The average and closing rates adopted for conversion to RM in the current financial year are 4.129 and 4.134 respectively.

(iii) 3D Oil, VIC/L31 & VIC/P57

Group's operations in the production license VIC/L31 for the West Seahorse field and other exploration prospects in Australia within exploration permit VIC/P57, and investment in 3D Oil.

The functional currency of the segment is AUD. The average and closing rates adopted for conversion to RM in the current financial year are 2.952 and 2.906 respectively.

(iv) Investment holding and group activities

Investment in companies owning/operating oil and gas concessions, and provision of project management, technical and other services relating to the oil and gas exploration and production industry. The investment holding and group activities are located in Malaysia.

The Directors have fully impaired the Group's respective investments in Lime Group and HIREX. Therefore, both the Lime Group and HIREX are no longer relevant for inclusion in this section. For the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of each of the Lime Group (including, without limitation, the Group's legal actions in Singapore and Norway against various parties in relation to the Lime Group) and HIREX.

39 OPERATING SEGMENTS (CONTINUED)

	North Sabah RM'000	Anasuria Hibiscus RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Investment holding and group activities RM'000	Elimination RM'000	Group RM'000
30.06.2019						
Non-current assets	**499,046**	**1,162,296**	**234,852**	**20,419**	**(565)**	**1,916,048**
Included in the segments assets is:						
Investment in an associate	**-**	**-**	**5,745**	**-**	**-**	**5,745**
Additions to non-current assets	**115,155**	**310,493**	**1,707**	**6,307**	**(565)**	**433,097**
Project management, technical and other services	**-**	**-**	**-**	**4,633**	**-**	**4,633**
Sales of crude oil and gas	**586,828**	**396,311**	**-**	**-**	**-**	**983,139**
Interest income	**-**	**-**	**-**	**531**	**-**	**531**
Revenue	**586,828**	**396,311**	**-**	**5,164**	**-**	**988,303**
Depreciation and amortisation	**(49,943)**	**(62,882)**	**-**	**(2,651)**	**-**	**(115,476)**
Profit/(loss) from operations	**244,367**	**215,391**	**(2,261)**	**(27,377)**	**(565)**	**429,555**
Reversal of impairment of investment in an associate	**-**	**-**	**1,335**	**-**	**-**	**1,335**
Reversal of impairment of other receivables	**-**	**3,011**	**-**	**-**	**-**	**3,011**
Share of results of an associate	**-**	**-**	**(354)**	**-**	**-**	**(354)**
Finance costs	**(27,249)**	**(14,357)**	**-**	**(815)**	**-**	**(42,421)**
Interest income	**289**	**47**	**5**	**-**	**-**	**341**
Taxation	**(89,306)**	**(72,151)**	**-**	**-**	**-**	**(161,457)**
Profit/(loss) after taxation	**128,101**	**131,941**	**(1,275)**	**(28,192)**	**(565)**	**230,010**

During the financial year, revenue from external customers come from the sale of crude oil and gas of RM983,139,356 (2018: RM389,265,485). Revenue derived from two (2018: two) major customers amount to RM968,265,356 (2018: RM380,651,907).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

39 OPERATING SEGMENTS (CONTINUED)

	North Sabah RM'000	Anasuria Hibiscus RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Investment holding and group activities RM'000	Elimination RM'000	Group RM'000
30.06.2018						
Non-current assets	416,415	892,066	240,161	22,827	-	1,571,469
Included in the segments assets is:						
Investment in an associate	-	-	4,906	-	-	4,906
Additions to non-current assets	412,538	55,128	575	8,382	-	476,623
Project management, technical and other services	-	-	-	4,994	-	4,994
Sales of crude oil and gas	181,886	207,380	-	-	-	389,266
Interest income	-	-	-	84	-	84
Revenue	181,886	207,380	-	5,078	-	394,344
Depreciation and amortisation	(13,775)	(44,376)	(6)	(10,476)	-	(68,633)
Profit/(loss) from operations	46,113	63,058	(5,956)	(38,460)	434	65,189
Reversal of impairment of investment in an associate	-	-	2,098	-	-	2,098
Impairment of other receivables and amount owing by a joint venture	-	(547)	-	(791)	-	(1,338)
Impairment of equipment	-	-	-	(6,607)	-	(6,607)
Share of results of an associate	-	-	(650)	-	-	(650)
Other income/(expense) from inter-company securities	-	-	27,943	(27,561)	(382)	-
Finance costs	(5,361)	(13,815)	(6,226)	(1,314)	5,685	(21,031)
Interest income	31	513	8	5,737	(5,737)	552
Taxation	(25,507)	(15,299)	42	9	-	(40,755)
Negative goodwill from business combination	206,254	-	-	-	-	206,254
Profit/(loss) after taxation	221,530	33,910	17,259	(68,987)	-	203,712

40 COMMITMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Approved and contracted for:				
Capital commitments	**52,521**	1,186	**3,120**	-
Share of a joint operation's capital commitments	**41,566**	8,817	**-**	-
	94,087	10,003	**3,120**	-
Share of a joint operation's other material commitments	**35,693**	38,054	**-**	-
	129,780	48,057	**3,120**	-
Approved but not contracted for:				
Capital commitments	**21,521**	16,244	**680**	-
Share of a joint operation's capital commitments	**11,389**	114,389	**-**	-
	32,910	130,633	**680**	-
Share of a joint operation's other material commitments	**2,233**	1,918	**-**	-
	35,143	132,551	**680**	-

41 OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:

	Group	
	2019 RM'000	2018 RM'000
Within one year		
- the Group	**2,964**	1,783
- share of a joint venture's operating lease commitments (HIREX)	**-**	3
	2,964	1,786
Later than one year but not later than five years		
- the Group	**3,607**	2,892
	6,571	4,678

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

41 OPERATING LEASE COMMITMENTS (CONTINUED)

The future minimum lease payments under the non-cancellable operating leases are as follows: (continued)

	Company	
	2019	**2018**
	RM'000	**RM'000**
Within one year	**830**	809
Later than one year but not later than five years	**695**	1,269
	1,525	2,078

42 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of MFRS 9 and MFRS 15 on the Group's and the Company's financial statements.

(a) Adoption of MFRS 9

MFRS 9 replaces MFRS 139 'Financial Instruments: Recognition and Measurement'. The adoption of MFRS 9 from 1 July 2018 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. The new accounting polices are set out in Note 4(d) to the financial statements.

The Group and the Company have applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. Any cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018.

Classification and measurement of financial instruments

On 1 July 2018 (the date of initial application of MFRS 9), management has assessed which business models apply to the financial assets held by the Group and the Company, and have classified their financial instruments into the appropriate categories. There are no changes to the classification of the financial instruments from the assessment as set out at Note 43(c) to the financial statements.

42 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Adoption of MFRS 9 (continued)

Impairment of financial assets

MFRS 9 introduces an ECL model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables. Other receivables and deposits, amounts owing by subsidiaries, amount owing by a joint venture, amount owing by an associate and amount owing by a related party are assessed on individual basis for ECL measurement. The identified impairment loss was immaterial.

While cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

(b) Adoption of MFRS 15

MFRS 15: Modified retrospective transition method

The Group and the Company have applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and any cummulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 111 ‘Construction Contracts’ and MFRS 118 ‘Revenue’.

The adoption of MFRS 15 did not result in any material changes to the timing and measurement of revenue recognition. The new disclosures and accounting policies are included throughout the Group’s and the Company’s financial statements for the year ended 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

43 FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk and interest rate risk), credit risks and liquidity risks. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:

(i) Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currencies against which they are measured. Foreign currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Australian Dollar ("AUD") and Great Britain Pound ("GBP"). Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

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

	USD RM'000	RM RM'000	AUD RM'000	GBP RM'000	Others RM'000	Total RM'000
Group						
30.06.2019						
Financial assets						
Trade receivables	**56,826**	**-**	**-**	**8,043**	**-**	**64,869**
Amount owing by a joint venture	**172**	**303**	**-**	**-**	**-**	**475**
Other receivables and deposits	**41,417**	**56,319**	**-**	**15**	**3,696**	**101,447**
Cash and bank balances	**123,981**	**70,971**	**489**	**78,091**	**5**	**273,537**
Intra-group balances	**149,185**	**7,914**	**48,058**	**4,233**	**3,713**	**213,103**
	371,581	**135,507**	**48,547**	**90,382**	**7,414**	**653,431**

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	USD RM'000	RM RM'000	AUD RM'000	GBP RM'000	Others RM'000	Total RM'000
Group						
30.06.2019						
Financial liabilities						
Trade payables	-	-	-	8,721	-	8,721
RCPS	-	219	-	-	-	219
Other payables and accruals	125,015	133,985	1,251	68,109	405	328,765
Amount owing to a joint venture	296	22	-	-	-	318
Amount owing to an associate	-	-	17	-	-	17
Finance lease liabilities	-	4,832	-	-	-	4,832
Deferred consideration	19,184	-	-	-	-	19,184
Contingent consideration	2,063	-	-	-	-	2,063
Intra-group balances	268,103	29,315	89,870	20,746	5,309	413,343
	414,661	168,373	91,138	97,576	5,714	777,462
Net financial (liabilities)/assets	(43,080)	(32,866)	(42,591)	(7,194)	1,700	(124,031)
Less: Net financial (assets)/ liabilities denominated in respective entities' functional currencies	(81,120)	24,489	35,396	48,262	-	27,027
	(124,200)	(8,377)	(7,195)	41,068	1,700	(97,004)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	USD RM'000	RM RM'000	AUD RM'000	GBP RM'000	Others RM'000	Total RM'000
Group						
30.06.2018						
Financial assets						
Trade receivables	95,838	-	-	13,190	-	109,028
Amount owing by a joint venture	168	311	129	-	-	608
Amount owing by an associate	-	-	5	-	-	5
Other receivables and deposits	67,491	2,915	-	6,580	-	76,986
Cash and bank balances	52,992	56,770	692	25,503	-	135,957
Intra-group balances	63,255	22,790	52,278	(262)	11	138,072
	279,744	82,786	53,104	45,011	11	460,656
Financial liabilities						
Trade payables	-	-	-	3,126	-	3,126
RCPS	-	219	-	-	-	219
Other payables and accruals	144,855	55,675	925	67,244	62	268,761
Amount owing to a joint venture	580	15	-	-	-	595
Finance lease liabilities	-	8,049	-	-	-	8,049
Deferred consideration	35,663	-	-	-	-	35,663
Contingent consideration	1,822	-	-	-	-	1,822
Intra-group balances	160,062	45,105	90,690	15,959	879	312,695
	342,982	109,063	91,615	86,329	941	630,930

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	USD RM'000	RM RM'000	AUD RM'000	GBP RM'000	Others RM'000	Total RM'000
Group						
30.06.2018						
Net financial liabilities	(63,238)	(26,277)	(38,511)	(41,318)	(930)	(170,274)
Less: Net financial (assets)/ liabilities denominated in respective entities' functional currencies	(29,887)	5,405	34,566	60,058	-	70,142
	(93,125)	(20,872)	(3,945)	18,740	(930)	(100,132)
Company						
30.06.2019						
Financial assets						
Other receivables and deposits	**-**	**274**	**-**	**-**	**-**	**274**
Amounts owing by subsidiaries	**9**	**4,335**	**573**	**10,050**	**3,713**	**18,680**
Cash and bank balances	**142**	**5,516**	**7**	**6**	**5**	**5,676**
Amount owing by a related party	**-**	**301**	**-**	**-**	**-**	**301**
	151	**10,426**	**580**	**10,056**	**3,718**	**24,931**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	USD RM'000	RM RM'000	AUD RM'000	GBP RM'000	Others RM'000	Total RM'000
Company						
30.06.2019						
Financial liabilities						
RCPS	-	219	-	-	-	219
Other payables and accruals	195	4,441	333	17	1	4,987
Amounts owing to subsidiaries	32,008	-	97	-	-	32,105
Amount owing to a related party	297	15	-	-	-	312
	32,500	4,675	430	17	1	37,623
Net financial (liabilities)/assets	(32,349)	5,751	150	10,039	3,717	(12,692)
Less: Net financial assets denominated in respective entities' functional currencies	-	(5,751)	-	-	-	(5,751)
	(32,349)	-	150	10,039	3,717	(18,443)

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

The Group's and the Company's exposure to foreign currency is as follows: (continued)

	USD RM'000	RM RM'000	AUD RM'000	GBP RM'000	Others RM'000	Total RM'000
Company						
30.06.2018						
Financial assets						
Other receivables and deposits	-	243	-	-	-	243
Amounts owing by subsidiaries	12,606	17,700	1,030	5,870	11	37,217
Cash and bank balances	177	11,096	4	2	-	11,279
Amount owing by a related party	-	312	-	-	-	312
	12,783	29,351	1,034	5,872	11	49,051
Financial liabilities						
RCPS	-	219	-	-	-	219
Other payables and accruals	402	3,075	342	37	-	3,856
Amounts owing to subsidiaries	33,041	-	100	450	-	33,591
Amount owing to a related party	296	16	-	-	-	312
	33,739	3,310	442	487	-	37,978
Net financial (liabilities)/assets	(20,956)	26,041	592	5,385	11	11,073
Less: Net financial assets denominated in respective entities' functional currencies	-	(26,041)	-	-	-	(26,041)
	(20,956)	-	592	5,385	11	(14,968)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(i) Market risk (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the financial year, with all other variables held constant:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Increase/ (Decrease) RM'000	**Increase/ (Decrease) RM'000**	**Increase/ (Decrease) RM'000**	**Increase/ (Decrease) RM'000**
Effects on profit/(loss) before taxation/equity:				
USD				
- strengthened by 5%	**(6,210)**	(4,656)	**(1,617)**	(1,048)
- weakened by 5%	**6,210**	4,656	**1,617**	1,048
AUD				
- strengthened by 5%	**(360)**	(197)	**8**	30
- weakened by 5%	**360**	197	**(8)**	(30)
GBP				
- strengthened by 5%	**2,053**	937	**502**	269
- weakened by 5%	**(2,053)**	(937)	**(502)**	(269)
RM				
- strengthened by 5%	**(419)**	(1,044)	**-**	-
- weakened by 5%	**419**	1,044	**-**	-

Interest rate risk

The Group and the Company have minimal exposure to interest rate risks.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(ii) Credit risk

Trade receivables

The Group and the Company manage their exposure to credit risk or the risk of counterparties defaulting, arises from trade receivables by monitoring the timely receipt of receivables on an on-going basis.

The Group's major concentration of credit risk relates to trade receivables due from 4 (2018: 4) customers which constituted 100% (2018: 100%) of its total trade receivables as at the end of the financial year.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the financial year.

The Group and the Company apply MFRS 9 simplified approach to measure ECL which uses lifetime ECL allowance for all trade receivables.

As at 30 June 2019, in view of the good historical payment experience with the counterparties and the collections to date, the Group and the Company do not expect any counterparty to fail to meet its obligations. Therefore, the Group and the Company are of the view that potential credit losses are not material and hence, no allowances have been provided for.

Other financial assets

The Group's and the Company's exposures to credit risk for other financial assets arises from other receivables and deposits, amount owing by subsidiaries, amount owing by a joint venture, amount owing by an associate, and amount owing by a related party. Management has taken reasonable steps to ensure these financial assets are recoverable.

These financial assets are assessed on individual basis for ECL measurement and the impairment loss recognised are disclosed in Note 12, Note 21, and Note 22 to the financial statements.

For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. While cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(ii) Credit risk (continued)

Ageing analysis

The ageing analysis of the Group's trade receivables at the end of the previous financial year is as follows:

	Gross amount RM'000	Carrying value RM'000
Group		
30.06.2018		
Neither past due nor impaired	98,282	98,282
Past due 0-30 days but not impaired	780	780
Past due 31-120 days but not impaired	738	738
Past due more than 120 days but not impaired	9,228	9,228
	109,028	109,028

The credit quality of the Group's trade receivables that are neither past due nor impaired at the end of the previous financial year can be assessed by reference to historical information about counter party default rates:

	Group 2018 RM'000
Existing related parties with no default in the past	98,282
Existing related parties with some default in the past	-
	98,282

Other than the above, the Group did not have any exposure to credit risk, or the risk of counterparties defaulting, arising from receivables.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(iii) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances.

The following table sets out the maturity profile of the financial liabilities as at the end of the financial year based on contractual undiscounted cash flows:

	Carrying amount RM'000	Contractual undiscounted RM'000	Within 1 year RM'000	Within 1-2 years RM'000	More than 2 years RM'000
Group					
30.06.2019					
Trade payables	**8,721**	**8,721**	**8,721**	**-**	**-**
RCPS	**219**	**219**	**219**	**-**	**-**
Other payables and accruals	**328,765**	**347,989**	**221,890**	**41,344**	**84,755**
Amount owing to a joint venture	**318**	**318**	**318**	**-**	**-**
Amount owing to an associate	**17**	**17**	**17**	**-**	**-**
Finance lease liabilities	**4,832**	**5,791**	**1,431**	**1,431**	**2,929**
Deferred consideration	**19,184**	**20,672**	**20,672**	**-**	**-**
Contingent consideration	**2,063**	**2,646**	**-**	**-**	**2,646**
	364,119	**386,373**	**253,268**	**42,775**	**90,330**
30.06.2018					
Trade payables	3,126	3,126	3,126	-	-
RCPS	219	219	219	-	-
Other payables and accruals	268,761	299,336	156,140	20,168	123,028
Amount owing to a joint venture	595	595	595	-	-
Finance lease liabilities	8,049	9,923	2,088	2,088	5,747
Deferred consideration	35,663	40,337	20,169	20,168	-
Contingent consideration	1,822	2,582	-	-	2,582
	318,235	356,118	182,337	42,424	131,357

43 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management policies (continued)

(iii) Liquidity risk (continued)

	Carrying amount RM'000	Contractual undiscounted RM'000	Within 1 year RM'000	Within 1-2 years RM'000
Company				
30.06.2019				
RCPS	**219**	**219**	**219**	**-**
Other payables and accruals	**4,987**	**4,987**	**4,987**	**-**
Amounts owing to subsidiaries	**32,105**	**32,105**	**32,105**	**-**
Amount owing to a related party	**312**	**312**	**312**	**-**
	37,623	**37,623**	**37,623**	**-**
30.06.2018				
RCPS	219	219	219	-
Other payables and accruals	3,856	3,856	3,856	-
Amounts owing to subsidiaries	33,591	33,591	33,591	-
Amount owing to a related party	312	312	312	-
	37,978	37,978	37,978	-

(b) Capital risk management

The Group manages its capital, which comprises share capital and retained earnings stated in the statements of financial position, to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

Under the requirement of Bursa Securities Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) equal to or not less than 25% of the Company's issued and paid-up ordinary share capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments

	2019 RM'000	2018 RM'000
Group		
Financial assets		
Financial assets at amortised cost		
Trade receivables	**64,869**	-
Other receivables and deposits	**101,447**	-
Amount owing by a joint venture	**475**	-
Cash and bank balances	**273,537**	-
	440,328	-
Loans and receivables		
Trade receivables	**-**	109,028
Other receivables and deposits	**-**	76,986
Amount owing by an associate	**-**	5
Amount owing by a joint venture	**-**	608
Cash and bank balances	**-**	135,957
	-	322,584
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**8,721**	3,126
RCPS	**219**	219
Other payables and accruals	**221,891**	156,140
Amount owing to a joint venture	**318**	595
Amount owing to an associate	**17**	-
Finance lease liabilities	**4,832**	8,049
Deferred consideration	**19,184**	35,663
	255,182	203,792

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments (continued)

	2019 RM'000	2018 RM'000
Group (continued)		
Financial liabilities (continued)		
Financial liabilities at FVTPL		
Other payables	**106,874**	112,621
Contingent consideration	**2,063**	1,822
	108,937	114,443
Company		
Financial assets		
Financial assets at amortised cost		
Other receivables and deposits	**274**	-
Amounts owing by subsidiaries	**18,680**	-
Amount owing by a related party	**301**	-
Cash and bank balances	**5,676**	-
	24,931	-
Loans and receivables		
Other receivables and deposits	**-**	243
Amounts owing by subsidiaries	**-**	37,217
Amount owing by a related party	**-**	312
Cash and bank balances	**-**	11,279
	-	49,051

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments (continued)

	2019 RM'000	2018 RM'000
Company (continued)		
Financial liabilities		
Financial liabilities at amortised cost		
RCPS	**219**	219
Other payables and accruals	**4,987**	3,856
Amounts owing to subsidiaries	**32,105**	33,591
Amount owing to a related party	**312**	312
	37,623	37,978

(d) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

	Gross amounts RM'000	Gross amounts set off in the statement of financial position RM'000	Net amounts presented in the statement of financial position RM'000
Company			
30.06.2019			
Financial assets			
Amounts owing by subsidiaries	**31,828**	**(13,148)**	**18,680**
Financial liabilities			
Amounts owing to subsidiaries	**45,253**	**(13,148)**	**32,105**

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Offsetting financial assets and financial liabilities (continued)

	Gross amounts RM'000	Gross amounts set off in the statement of financial position RM'000	Net amounts presented in the statement of financial position RM'000
Company (continued)			
30.06.2018			
Financial assets			
Amounts owing by subsidiaries	48,142	(10,925)	37,217
Financial liabilities			
Amounts owing to subsidiaries	44,516	(10,925)	33,591

(e) Fair values of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2019.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments other than those carried at fair value

The carrying amounts of the financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Liability				
Financial liability at fair value through profit or loss:				
Contingent consideration				
At 01.07.2017	-	-	1,756	1,756
Unwinding of discount	-	-	174	174
Exchange differences	-	-	(108)	(108)
At 30.06.2018/01.07.2018	**-**	**-**	**1,822**	**1,822**
Unwinding of discount	**-**	**-**	**194**	**194**
Exchange differences	**-**	**-**	**47**	**47**
At 30.06.2019	**-**	**-**	**2,063**	**2,063**
Other payables				
At 01.07.2017	-	-	-	-
Addition from business combination (Note 15)	-	-	105,307	105,307
Unwinding of discount	-	-	2,711	2,711
Exchange differences	-	-	4,603	4,603
At 30.06.2018/01.07.2018	**-**	**-**	**112,621**	**112,621**
Payment	**-**	**-**	**(20,727)**	**(20,727)**
Unwinding of discount	**-**	**-**	**12,179**	**12,179**
Exchange differences	**-**	**-**	**2,801**	**2,801**
At 30.06.2019	**-**	**-**	**106,874**	**106,874**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

44 SUBSEQUENT EVENTS

Anasuria Hibiscus entered into a conditional non-binding term sheet with United Oil & Gas PLC ("United") and Swift Exploration Limited ("Swift") (collectively referred as "Sellers") on 17 July 2019 to acquire a 100% interest in the UK Continental Shelf Petroleum Production License No. P2366 in UK Central North Sea ("Block") for a total cash consideration of USD5.0 million ("Proposed Acquisition"). United and Swift each hold 95% and 5% participating interest respectively.

The Block is located offshore in the UK sector of the North Sea, approximately 250 km northeast of Aberdeen. The Block includes the Crown Discovery, which based on information provided by United, consists of gross contingent oil resources of 8 million barrels of oil and 6 billion cubic feet of associated gas.

The payment terms of the Proposed Acquisition would commence with a non-refundable payment of USD1.0 million to the Sellers upon completion of the SPA. Subject to further milestones being achieved post SPA completion, an additional sum of up to USD3.0 million will be paid before the end of 2020. A further USD1.0 million will be paid once the field is on production. In the unlikely event that Anasuria Hibiscus decides not to make the post completion payments, License No. P2366 will return to the Sellers.

The proposed acquisition of License No. P2366 is subject to, amongst others, completion of satisfactory due diligence and receipt of OGA's approval.

ANALYSIS OF ORDINARY SHAREHOLDINGS

AS AT 30 SEPTEMBER 2019

Total number of issued shares : 1,588,228,791 ordinary shares
Voting Rights : One vote for every ordinary share held

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Category	No. of Shareholders	No. of Ordinary Shares	% of Total Shareholdings
Less than 100	63	1,133	-
100 – 1,000	2,208	1,461,474	0.09
1,001 – 10,000	8,687	47,990,531	3.02
10,001 – 100,000	4,895	162,814,285	10.25
10,001 to less than 5% of issued shares	1,021	1,097,141,368	69.08
5% and above of issued shares	2	278,820,000	17.56
Total	**16,876**	**1,588,228,791**	**100.00**

Substantial Shareholders as per Register of Substantial Shareholders as at 30 September 2019

		Direct		Indirect	
No.	Name	No. of Ordinary Shares	%	No. of Ordinary Shares	%
1	Hibiscus Upstream Sdn Bhd	168,772,600	10.63	-	-
2	Dr Kenneth Gerard Pereira	-	-	168,772,600[1]	10.63
3	Polo Investments Limited	138,900,000	8.75	-	-
4	Datuk Michael Tang Vee Mun	-	-	138,900,000[2]	8.75
5	Mettiz Capital Limited	-	-	138,900,000[2]	8.75
6	Polo Resources Limited	-	-	138,900,000[2]	8.75

Notes:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Companies Act 2016 (the Act).

[2] Deemed interest by virtue of their interest in Polo Investments Limited pursuant to Section 8 of the Act.

ANALYSIS OF ORDINARY SHAREHOLDINGS

AS AT 30 SEPTEMBER 2019 (CONTINUED)

Directors' Shareholdings as per Register of Directors' Shareholdings as at 30 September 2019

No.	Name	Direct No. of Ordinary Shares	%	Indirect No. of Ordinary Shares	%
1	Zainul Rahim bin Mohd Zain	-	-	-	-
2	Dr Kenneth Gerard Pereira	-	-	168,772,600[1]	10.63
3	Dato' Sri Roushan Arumugam	500,000	0.03	53,415,000[2]	3.36
4	Thomas Michael Taylor	-	-	-	-
5	Dato' Dr Zaha Rina Zahari	4,365,000	0.27	-	-

Notes:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Act.

[2] Deemed interest by virtue of his interest in Littleton Holdings Pte Ltd pursuant to Section 8 of the Act.

LIST OF TOP 30 SHAREHOLDERS AS AT 30 SEPTEMBER 2019

No.	Name	No. of Shares	% of Total Shareholdings
1	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MGN-HUS0001M)	139,920,000	8.81
2	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Polo Investments Limited (PB)	138,900,000	8.75
3	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund 6B14 for Lazard Emerging Markets Small Cap Equity Trust	53,439,700	3.36
4	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	30,000,000	1.89
5	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ai Ling	29,525,000	1.86
6	UOBM Nominees (Asing) Sdn Bhd United Overseas Bank Nominees (Pte) Ltd for Littleton Holdings Pte Ltd	28,265,000	1.78
7	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	27,209,700	1.71
8	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS-PB)	25,750,000	1.62
9	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali) (419455)	21,186,300	1.33
10	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MY1928)	19,200,000	1.21

LIST OF TOP 30 SHAREHOLDERS AS AT 30 SEPTEMBER 2019 (CONTINUED)

No.	Name	No. of Shares	% of Total Shareholdings
11	HSBC Nominees (Asing) Sdn Bhd JPMBL SA for Stichting Depositary APG Emerging Markets Equity Pool	18,355,600	1.16
12	CitiGroup Nominees (Asing) Sdn Bhd Exempt AN for CitiBank New York (Norges Bank 14)	16,093,715	1.01
13	Lim Chin Sean	15,650,000	0.99
14	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	15,322,000	0.96
15	CitiGroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	15,269,500	0.96
16	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (PF)	14,583,000	0.92
17	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	14,483,000	0.91
18	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund	13,958,200	0.88
19	Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	13,420,000	0.84
20	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. LLC (Client)	13,326,800	0.84
21	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF)	12,800,300	0.81
22	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	10,795,800	0.68
23	Kelrix Sdn Bhd	9,889,889	0.62
24	Hibiscus Upstream Sdn Bhd	9,652,600	0.61
25	Sri Inderajaya Holdings Sdn Bhd	9,452,702	0.60
26	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS)	8,586,000	0.54
27	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund Shrd for Hartford Schroders International Multi-Cap Value Fund	8,364,800	0.53
28	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for Manulife Investment Shariah Progressfund	7,878,600	0.50
29	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aspen Alliance Sdn Bhd	7,780,000	0.49
30	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	7,490,000	0.47

ANALYSIS OF WARRANTS C HOLDINGS
AS AT 30 SEPTEMBER 2019

No. of Warrants C Issued	:	317,645,723
No. of Warrants C Exercised	:	100
No. of Warrants C Unexercised	:	317,645,623
Issue date	:	20 March 2018
Maturity date	:	18 March 2021
Rights of Warrants C Holder	:	The Warrants C holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in our Company until and unless such Warrants C holders exercise their Warrants C into new ordinary shares of the Company.

DISTRIBUTION OF WARRANTS C HOLDERS

Category	No. of Warrants C Holders	No. of Warrants C	% of Total Warrants C Holdings
Less than 100	871	32,741	0.01
100 – 1,000	2,207	1,184,747	0.37
1,001 – 10,000	2,506	11,101,794	3.50
10,001 – 100,000	1,773	65,994,360	20.78
100,001 to less than 5% of issued Warrants C	384	186,777,461	58.80
5% and above of issued Warrants C	2	52,554,520	16.54
Total	**7,743**	**317,645,623**	**100.00**

DIRECTORS' WARRANTS C HOLDINGS

Directors' Warrants C holdings as per Register of Directors' Warrants C holders as at 30 September 2019

		Direct		Indirect	
No.	Name	No. of Warrants C	%	No. of Warrants C	%
1	Zainul Rahim bin Mohd Zain	-	-	-	-
2	Dr Kenneth Gerard Pereira	-	-	28,614,520[1]	9.01
3	Dato' Sri Roushan Arumugam	-	-	10,683,000[2]	3.36
4	Thomas Michael Taylor	-	-	-	-
5	Dato' Dr Zaha Rina Zahari	-	-	-	-

Note:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Act.

[2] Deemed interest by virtue of his interest in Littleton Holdings Pte Ltd pursuant to Section 8 of the Act.

LIST OF TOP 30 WARRANTS C HOLDERS AS AT 30 SEPTEMBER 2019

No.	Name	No. of Warrants C	% of Total Warrants C Holdings
1	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Polo Investments Limited (PB)	27,780,000	8.75
2	Hibiscus Upstream Sdn Bhd	24,774,520	7.80
3	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS-PB)	10,683,000	3.36
4	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ai Ling	5,000,000	1.57
5	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khong Kheng Ting	4,225,300	1.33
6	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yoon Peck	4,000,000	1.26
7	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MY1928)	3,840,000	1.21
8	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dorai Rajoo a/l Irulandy	3,789,000	1.19
9	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nur Jazman bin Mohamed (CEB)	3,310,000	1.04
10	Nur Jazman bin Mohamed	3,300,000	1.04
11	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Sow Ling @ Ho Sow Ling (CCTS)	3,200,000	1.01
12	Georges Mourad	3,191,000	1.00
13	Lim Chin Sean	3,000,040	0.94
14	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Erwin Selvarajah a/l Peter Selvarajah	3,000,000	0.94
15	Phang Kin Cheong @ Phang Ngok Kee	3,000,000	0.94
16	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khong Kheng Ting (7003785)	2,780,000	0.88
17	Tee Tiong Jin	2,350,000	0.74
18	Lee Chung Liang Theresa	2,329,400	0.73
19	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	2,064,400	0.65
20	Kelrix Sdn Bhd	1,977,977	0.62

ANALYSIS OF WARRANTS C HOLDINGS

AS AT 30 SEPTEMBER 2019 (CONTINUED)

LIST OF TOP 30 WARRANTS C HOLDERS AS AT 30 SEPTEMBER 2019 (CONTINUED)

No.	Name	No. of Warrants C	% of Total Warrants C Holdings
21	Sri Inderajaya Holdings Sdn Bhd	1,890,540	0.60
22	Ng Yoke Hin	1,858,000	0.58
23	Lew Bok Hoa	1,850,000	0.58
24	Oh Chwee Hoe	1,724,000	0.54
25	Pooranamary a/p Savarinathan	1,615,520	0.51
26	Kee Ku Huak	1,600,000	0.50
27	Lim Sze Hock	1,600,000	0.50
28	Chong Sau Wah	1,423,500	0.45
29	Shuhaimy bin Othman	1,350,000	0.43
30	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kee Ku Huak	1,220,000	0.38

ANALYSIS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES (RCPS) HOLDINGS

AS AT 30 SEPTEMBER 2019

DISTRIBUTION OF RCPS HOLDERS

Category	No. of RCPS Holders	No. of RCPS	% of Total RCPS Holdings
Less than 100	-	-	-
100 – 1,000	-	-	-
1,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 to less than 5% of issued RCPS	-	-	-
5% and above of issued RCPS	1	2,193,880	100
Total	**1**	**2,193,880**	**100**

DIRECTORS' RCPS HOLDINGS

Directors' RCPS holdings as per Register of Directors' RCPS holders as at 30 September 2019

No.	Name	Direct No. of RCPS	%	Indirect No. of RCPS	%
1	Zainul Rahim bin Mohd Zain	-	-	-	-
2	Dr Kenneth Gerard Pereira	-	-	2,193,880[1]	100
3	Dato' Sri Roushan Arumugam	-	-	-	-
4	Thomas Michael Taylor	-	-	-	-
5	Dato' Dr Zaha Rina Zahari	-	-	-	-

Note:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Act.

LIST OF RCPS HOLDER AS AT 30 SEPTEMBER 2019

No.	Name	No. of RCPS	% of Total RCPS Holdings
1	Hibiscus Upstream Sdn Bhd	2,193,880	100

NOTICE OF THE 9TH ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN that the 9th AGM of HIBISCUS PETROLEUM BERHAD (Hibiscus Petroleum or the Company) will be held at Sabah Room, Basement II, Shangri-La Hotel, Kuala Lumpur, 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 4 December 2019 at 9.30 am for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To approve the payment of Directors' fees amounting to RM120,000 per annum to the Chair of the Board and RM100,000 per annum to each Non-Executive Director (NED) (save for the Chair of the Board) for the period from 5 December 2019 until the date of the next AGM in year 2020, to be paid quarterly in arrears. **[Ordinary Resolution 1]**

3. To approve the payment of Directors' meeting allowances for the period from 5 December 2019 until the date of the next AGM in year 2020 at the following rate (as applicable), to be paid quarterly in arrears: **[Ordinary Resolution 2]**

   - RM4,500 for each meeting of the Board and of the Board Committees that a NED attends as Chair of the meeting; or

   - RM3,500 for each meeting of the Board and of the Board Committees that a NED attends as a member of the Committee.

4. To approve payments for additional attendances and time expended by any NED for the Company's purposes (or on behalf of the Company) at meetings and/or third party events involving external parties, in the NED's capacity as a Director of the Company, for the period from 5 December 2019 until the date of the next AGM in year 2020, at the rate of RM3,500 per meeting or event, to be paid quarterly in arrears. **[Ordinary Resolution 3] (Please refer to Explanatory Note 2)**

5. To re-elect Mr Thomas Michael Taylor who is retiring pursuant to Clause 134 of the Constitution of the Company. **[Ordinary Resolution 4]**

6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2020 and to authorise the Directors to fix their remuneration. **[Ordinary Resolution 5]**

As Special Business

To consider and, if thought fit, to pass the following resolutions:

7. **AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **[Ordinary Resolution 6] (Please refer to Explanatory Note 3)**

   "THAT subject always to the Companies Act 2016 (the Act), the Constitution of the Company and the approvals of the relevant regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to allot and issue new ordinary shares in the Company at any time and from time to time and upon such terms and conditions to such persons and for such purposes as the Directors may in their discretion deem fit PROVIDED THAT the aggregate number of new ordinary shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued ordinary share of the Company for the time being and that such authority shall, unless revoked or varied by an ordinary resolution by the shareholders of the Company in a subsequent general meeting, commence upon the passing of this resolution and expire at the next annual general meeting of the Company AND THAT the Directors are further authorised to do all such things and upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company to give effect to the issuance of new ordinary shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares to be issued pursuant to this resolution."

8. **RETENTION OF DATO' SRI ROUSHAN ARUMUGAM AS INDEPENDENT DIRECTOR** **[Ordinary Resolution 7] (Please refer to Explanatory Note 4)**

   "THAT approval be and is hereby given to Dato' Sri Roushan Arumugam, whose tenure as an Independent Director of the Company will reach nine (9) years on 24 July 2020, to continue to act as an Independent Director of the Company until the conclusion of the next AGM in year 2020."

9. To transact any other matters that may be transacted at an AGM of which due notice shall have been given in accordance with the Act and the Constitution of the Company.

By Order of the Board
HIBISCUS PETROLEUM BERHAD

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Secretaries

Selangor Darul Ehsan
31 October 2019

NOTICE OF THE 9TH ANNUAL GENERAL MEETING (AGM)

Notes:

1. *For purposes of determining who shall be entitled to attend this meeting in accordance with Clauses 72(b) and 72(c) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 26 November 2019 and only Depositors whose name appear on such Record of Depositors shall be entitled to attend, speak and vote at the said meeting.*

2. *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the meeting. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting shall have the same right as a member to speak at the meeting.*

3. *A proxy or attorney or a duly authorised representative may, but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*

4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the Securities Industry (Central Depositories) Act, 1991 (Exempt Authorised Nominee) which holds Ordinary Shares in the Company for multiple beneficial owners in one (1) securities account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where the Exempt Authorised Nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

5. *To be valid, the Form of Proxy duly completed must be deposited at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting provided that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chair of the meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy has been duly completed by the member(s).*

6. *If the Form of Proxy is signed under the hands of an appointor or his attorney duly authorised (or if the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hands of an officer or attorney duly authorised), it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed in the Form of Proxy.*

7. *Members/proxies are required to produce the following identification documents at the registration for verification:*

   (a) original identity card (National Registration Identity Card (NRIC)) (Malaysian); or
   (b) copy of police report (for loss of NRIC)/ temporary NRIC (Malaysian); or
   (c) original passport (Foreigner).

EXPLANATORY NOTES

1. Item 1 of the Agenda

   Item 1 of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. Item 4 of the Agenda

   It is anticipated that the Group will seek to utilise and leverage more on the extensive expertise, abilities and wide business network of its NEDs for the Group's benefit, in view of the increased level of activities of the Group due to business growth and enhanced production operations. The proposed additional payments are consistent with such expected increased participation and involvement of the NEDs, as and when required.

   The Company is seeking the shareholders' approval for the payments for the additional attendances and time expended by its NEDs for the Company's purposes including attendances at meetings and/or third party events, for and on behalf of the Company.

3. Item 7 of the Agenda

   The Company had, during its 8th AGM held on 4 December 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016 (2018 Mandate). As at the date of the notice, the Company did not issue any shares pursuant to the 2018 Mandate.

   The Ordinary Resolution 6 proposed under item 7 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company for purpose of investments in capital expenditure, working capital purposes and potential business expansion. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

4. Item 8 of the Agenda

   The Board of Directors has via the Nominating Committee conducted an annual performance evaluation and assessment of Dato' Sri Roushan Arumugam, whose tenure as an Independent Director of the Company will reach nine (9) years on 24 July 2020, and recommended him to continue to act as an Independent Director of the Company based on the following justifications:

   (a) He fulfils the criteria of an Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgement to the Board;
   (b) His experience in the investment banking and venture capital industries enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
   (c) He has been with the Company for more than eight (8) years and therefore understands the Company's business operations which enables him to participate actively and contribute during deliberations and discussions, including at the Nominating Committee (as a member), Remuneration Committee (as the Chair of the Committee) and at Board meetings; and
   (d) He has devoted sufficient time and effort in attending the Audit and Risk Management Committee meetings (as an invitee), in addition to participating in the Nominating Committee, Remuneration Committee and Board meetings and contributing to informed and balanced decision making.

NOTICE OF THE 9TH ANNUAL GENERAL MEETING (AGM)

The Resolution 7 if passed, will enable Dato' Sri Roushan Arumugam who has served more than 8 years to be retained and continue to act as Independent Non-Executive Director of the Company to be in line with the Board Charter and the Board Assessment Policy of the Company and Practice 4.2 of the Malaysian Code on Corporate Governance 2017. However, if the resolution is not carried, Dato' Sri Roushan Arumugam will remain on the Board as a Non-Independent Non-Executive Director of the Company upon reaching the 9-year tenure of his directorship on the Board on 24 July 2020.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 9th AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 9th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 9th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FORM OF PROXY

Hibiscus Petroleum Berhad
(798322-P)

CDS Account No.

I/We ____

I.C. No./Passport No./Company No. ______________________________

of ____

being a member of **HIBISCUS PETROLEUM BERHAD** (**HIBISCUS PETROLEUM** or **COMPANY**), hereby appoint ____________

______________________________ I.C. No./Passport No. ____________________

of ____

or failing him/her, I.C. No./Passport No. ______________________________

of ____

or failing him/her, the CHAIR OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the 9th Annual General Meeting (AGM) of the Company to be held at Sabah Room, Basement II, Shangri-La Hotel, Kuala Lumpur, 11, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 4 December 2019 at 9.30 am or at any adjournment thereof, on the following resolutions referred to in the Notice of the 9th AGM by indicating an "**X**" in the space provided below:-

Item	Agenda			
1.	To receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon.			
	Ordinary Business	**Resolution**	**For**	**Against**
2.	To approve the payment of Directors' fees of RM120,000 per annum to the Chair of the Board and RM100,000 per annum to each Non-Executive Director (NED) (save for the Chair of the Board) for the period from 5 December 2019 until the date of the next AGM in year 2020, to be paid quarterly in arrears.	1		
3.	To approve the payment of Directors' meeting allowances for the period from 5 December 2019 and up to the date of the next AGM in year 2020 at the following rate (as applicable), to be paid quarterly in arrears: • RM4,500 for each meeting of the Board and of the Board Committees that a NED attends as Chair of the meeting; or • RM3,500 for each meeting of the Board and of the Board Committees that a NED attends as a member of the Committee.	2		
4.	To approve payments for additional attendances and time expended by any NED for the Company's purposes (or on behalf of the Company) at meetings and/or third party events involving external parties, in the NED's capacity as a Director of the Company, for the period from 5 December 2019 until the date of the next AGM in year 2020, at the rate of RM3,500 per meeting or event, to be paid quarterly in arrears.	3		
5.	To re-elect Mr Thomas Michael Taylor who is retiring pursuant to Clause 134 of the Constitution of the Company.	4		
6.	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2020 and to authorise the Directors to fix their remuneration.	5		
	Special Business	**Resolution**	**For**	**Against**
7.	Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	6		
8.	Retention of Dato' Sri Roushan Arumugam as Independent Director.	7		

Dated this __________ day of ______________ 2019

Signature/Common Seal	
Number of shares held	

For appointment of two proxies, percentage of shareholdings to be represented by the proxies			
	Number of shares	Percentage	
Proxy 1			%
Proxy 2			%
		100	%

Notes:

1. For purposes of determining who shall be entitled to attend this meeting in accordance with Clauses 72(b) and 72(c) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 26 November 2019 and only Depositors whose name appear on such Record of Depositors shall be entitled to attend, speak and vote at the said meeting.

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   (b) copy of police report (for loss of NRIC)/ temporary NRIC (Malaysian); or
   (c) original passport (Foreigner).

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of 9th AGM dated 31 October 2019.

AFFIX
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Share Registrar

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
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