HIBISCUS PETROLEUM BERHAD
Registration Number: 200701040290 (798322-P)

ANNUAL REPORT
**2019/2020**


# RESPONSIBLE AND
# RESILIENT

HIBISCUS PETROLEUM BERHAD
Registration Number: 200701040290 (798322-P)

## COVER RATIONALE

Our cover features a photo collage of our valued employees, the people who work on the front lines of our business operations, and the country's frontliners who have been working without respite to safeguard the health and safety of all those who reside in Malaysia. The images reflect the resilience of our employees and national heroes during the COVID-19 global pandemic. We are truly grateful to all those who continue to raise the bar with their dedication and tenacity during these unprecedented times to ensure continuity of our business and all critical services.

# INSIDE THE REPORT


## INTRODUCTION



## PERFORMANCE REVIEW



## CORPORATE OVERVIEW



## LEADERSHIP



## GOVERNANCE



## CORPORATE DISCLOSURES



## 10TH ANNUAL GENERAL MEETING



## ABOUT OUR REPORT

**Sustainable and Resilient Organisation**

Against a backdrop of lower oil prices combined with the effects of the COVID-19 pandemic, oil and gas companies are facing their toughest challenges to-date. At Hibiscus Petroleum Berhad, our stakeholders have remained our utmost priority. The Company has adopted stringent measures which place the safety of our employees and contractors first while wide-ranging procedures have been implemented to ensure non-disruption of operations.

# 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 monetising producing oilfields and growing our portfolio of development and producing assets in areas of our geographical focus: Malaysia, the United Kingdom and Australia.

As an operator of offshore oil and gas producing fields, our efforts are focused on enhancing operational efficiencies to safely 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 portfolio of existing assets and make quality acquisitions on a selective basis, thus delivering 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 securities are listed on the Main Market of Bursa Malaysia Securities Berhad. Hibiscus Petroleum securities have been classified as being Shariah-compliant by the Shariah Advisory Council of the Securities Commission of Malaysia.

# FY2020 GROUP HIGHLIGHTS

**MARKET CAPITALISATION**[1]
**RM977 MILLION**
(FY2019: RM1.7 billion)

**CAPITAL EXPENDITURE**[3]
**RM246 MILLION**
(FY2019: RM172 million)

**REVENUE**
**RM647 MILLION**
(FY2019: RM988 million)

**EBITDA**
**RM213 MILLION**
(FY2019: RM549 million)

**NET ASSETS**[2]
**RM1.2 BILLION**
(FY2019: RM1.2 billion)

**DEBT**[2]
**RM49.2 MILLION**
(FY2019: 0)

**CASH**[2]
**RM177 MILLION**
(FY2019: RM274 million)

**LOSS AFTER TAXATION**
**RM49 MILLION**
(FY2019: Profit After Taxation RM230 million)

**NET 2P RESERVES**[4]
**46.1 MMbbl**
(FY2019: 50.7 MMbbl[5] )

**NET UNIT PRODUCTION COSTS**[6]
**USD17.7 /boe**
(FY2019: USD20 per boe)

**NET PRODUCTION RATE**
**9,120 boe/day**
(FY2019: 8,356 boe/day)

**NET 2C RESOURCES**[4]
**63.0 MMbbl**
(FY2019: 71.0 MMbbl[5])

**NOTES:**
1 As at 30 June 2020 for FY2020, as at 30 June 2019 for FY2019.
2 As at 30 June 2020.
3 For the North Sabah PSC, the Anasuria Cluster and the Marigold Development Project only.
4 As at 1 July 2020.
5 As at 1 January 2019.
6 Weighted average production volume and operating expenditure based on net entitlement/working interest in the Anasuria Cluster and North Sabah PSC.

**KEY:**
- FY2020 - Financial year ended 30 June 2020.
- FY2019 - Financial year ended 30 June 2019.
- 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.

**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 jointly operate this asset via our jointly-controlled entity, Anasuria Operating Company Limited. In FY2020, we added to the UK portfolio when we completed the acquisition of the Crown discovered oilfield.

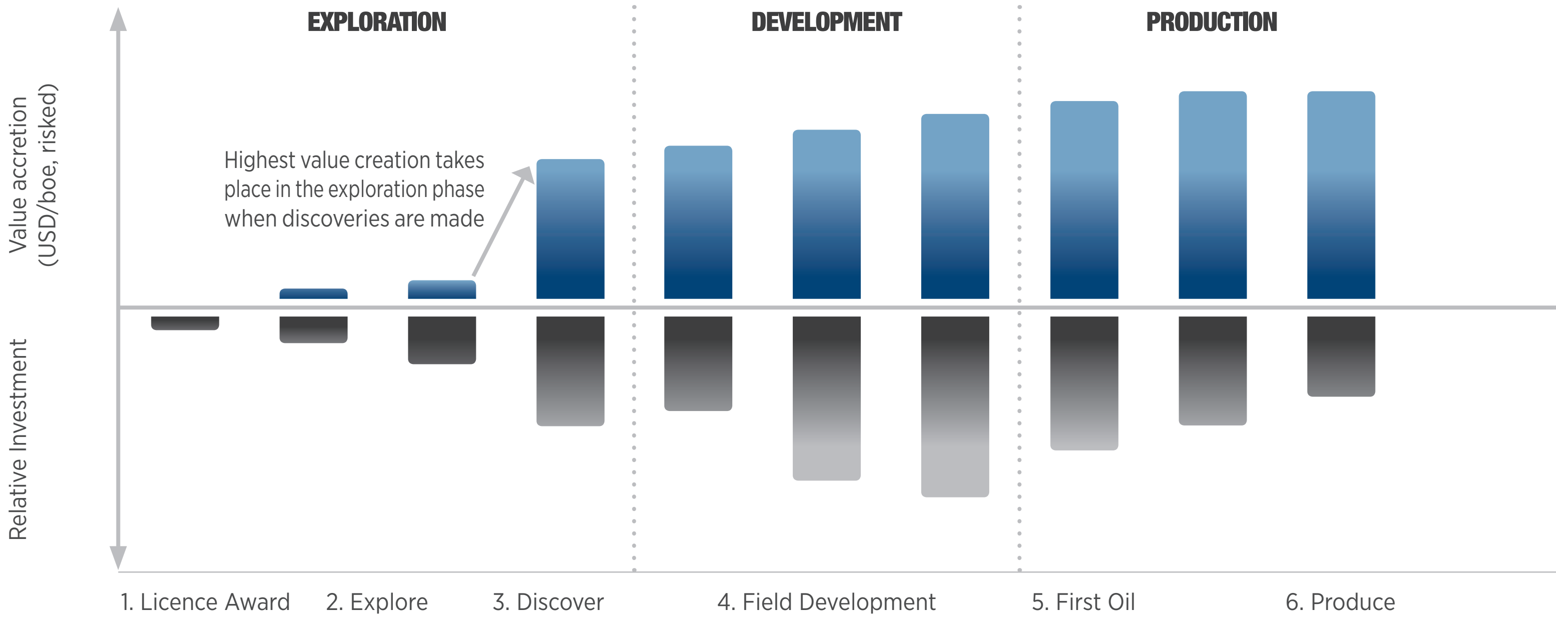
## MALAYSIA

The 2011 North Sabah Enhanced Recovery Production Sharing Contract (North Sabah PSC) – our first Malaysian Asset – has been under our operatorship now for two full financial years. Our wholly-owned subsidiary, SEA Hibiscus Sdn Bhd, has been operator of the North Sabah PSC since 31 March 2018. In FY2020, gross oil production saw a step change due to the success of various production enhancement projects. Further projects have been 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 have non-operated interests in the VIC/P74 exploration licence in the same area. With the West Seahorse discovered oilfield, Australia holds significant exploration potential for Hibiscus Petroleum's future development plans.

# INVESTMENT AND VALUE CREATION IN THE OILFIELD LIFE CYCLE

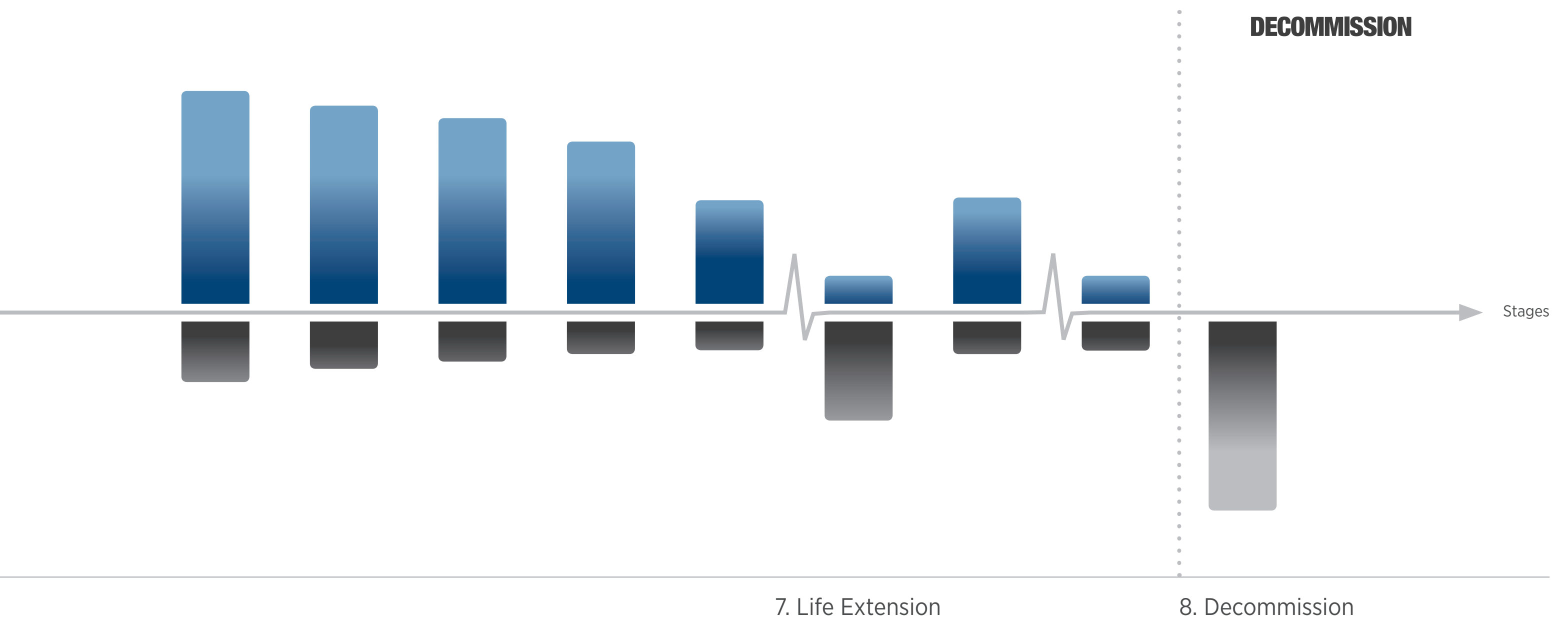




| STAGE | 1. LICENCE AWARD | 2. EXPLORE | 3. DISCOVER | |
|---|---|---|---|---|
| **Reserves/Resources** | Prospective Resources | | | Contingent Resources |
| **Investment/Activity** | Bidding or direct negotiation with host countries | Seismic acquisition, processing and interpretation | Drill exploration 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<br>- 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**

**RESERVES**

| 4. FIELD DEVELOPMENT | | 5. FIRST OIL | 6. PRODUCE | 7. LIFE EXTENSION | 8. DECOMMISSION |
|---|---|---|---|---|---|
| | Reserves | | | | - |
| **Pre-FID**<br>- Field Development Plan<br>- Plan optimal subsurface development (e.g. number of wells to drill, amount of oil production achievable)<br>- Front-End Engineering and Design (FEED) for the surface facilities | **Post-FID**<br>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;<br>Oil price risks | Design risks;<br>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 is our second producing asset, providing us with a further 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.

After the success of our production enhancement projects of FY2020, we continue to work towards realising the considerable potential within the fields of the North Sabah PSC.

# 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[5] 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 three awards at Petronas' inaugural Malaysia Upstream Awards 2020:

*i. Best Emerging Petroleum Arrangement Contractor.*
*ii. Wells Excellence Category – GOLD Award.*
*iii. Drilling Excellence Category – BRONZE Award.*

**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]:**
**91%**

**AVERAGE NET DAILY PRODUCTION RATE[1]:**
**6,222**
bbl/day

**AVERAGE UNIT PRODUCTION COST[1]:**
**12.6**
USD/bbl

**LTIF[1,6]:**
**0.30**

**2P OIL RESERVES[2]:**
**24.6**
MMstb

**2C OIL RESOURCES[3]:**
**24.1**
MMstb

**PERSONNEL WORKING ON NORTH SABAH OPERATIONS[4]:**
**336**

**STABLE AND CREDIBLE PARTNERSHIP WITH**
**PETRONAS Carigali Sdn Bhd**

**NOTES:**

1 For the financial year ended 30 June 2020.
2 As at 1 July 2020, based on SEA Hibiscus' net entitlement, based on RISC Advisory Pty Ltd's report dated January 2019 adjusted for actual production and internally estimated incremental reserves from executed projects in 2019 and for the 6 months ended 30 June 2020.
3 As at 1 July 2020, based on SEA Hibiscus' net entitlement, based on RISC Advisory Pty Ltd's report dated January 2019 less 2C contingent resources for executed projects in 2019 and for the 6 months ended 30 June 2020.
4 As at 30 September 2020.
5 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.
6 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.
- MSOSH - Malaysian Society for Occupational Safety and Health.
- OSH - Occupational Safety and Health.

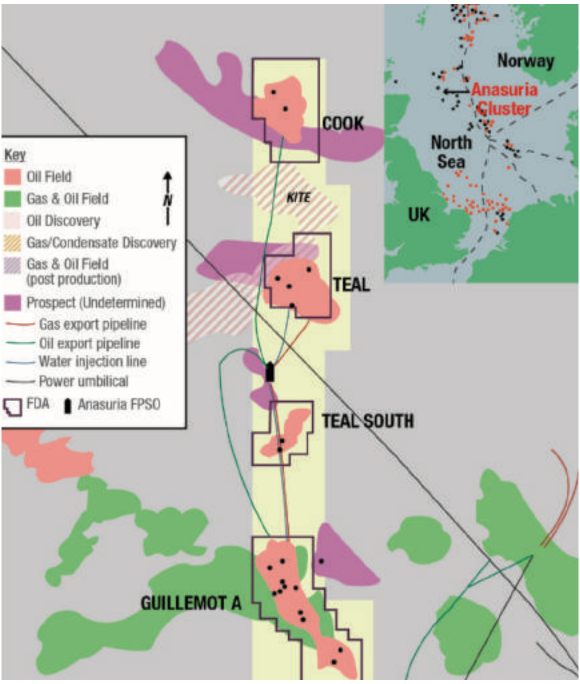
# THE UNITED KINGDOM AT A GLANCE

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

Expanding our footprint in the North Sea, Hibiscus Petroleum acquired the discovered oilfields called Marigold and Sunflower on 16 October 2018. This shallow-water development asset will deliver a step change to our production volumes and revenue generating capacity by 2023.

Additionally, we acquired the Crown discovery, also in the North Sea, close to the Marigold and Sunflower fields. This has allowed us to aggregate 2C oil 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

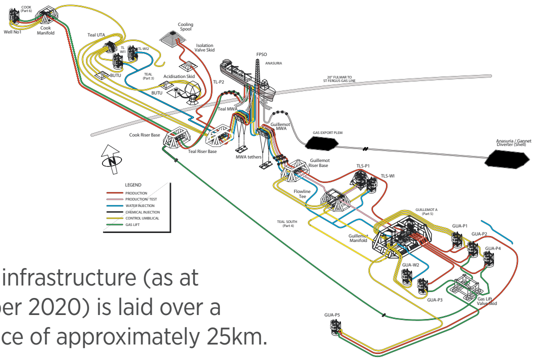
**ACQUISITION DATE:**
10 March 2016

**OFFICE LOCATIONS:**
Kuala Lumpur, Aberdeen

**SAFETY AWARD:**
The Anasuria FPSO received the Order of Distinction from ROSPA, United Kingdom for 20 consecutive annual gold awards.

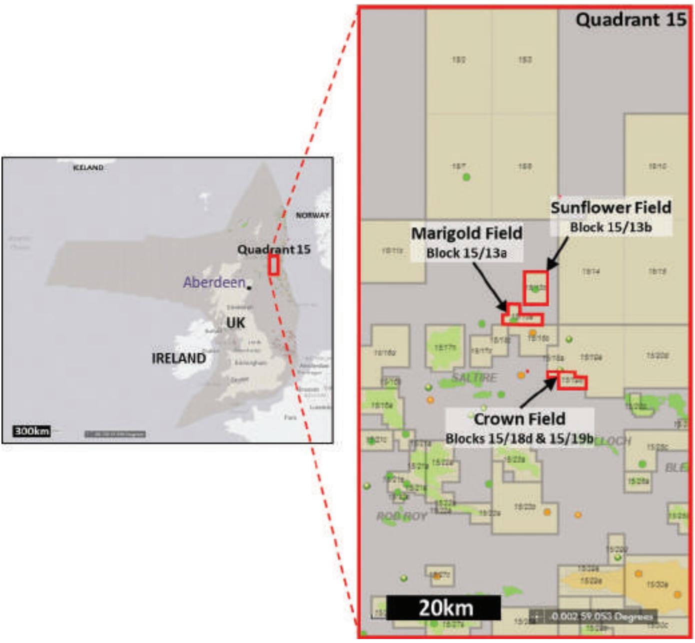
1. **P013 & ANASURIA FPSO**
   **Hibiscus Petroleum's Interest:**
   50%
   **Joint-Operator:**
   Anasuria Operating Company Limited
   **Field Life Cycle:**
   Production
   **Producing Fields:**
   Teal, Teal South, Guillemot A
   **Discovered Field:**
   Kite
   **Development Type:**
   Subsea tieback 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 October 2020) is laid over a distance of approximately 25km.

# MARIGOLD AND SUNFLOWER




**ASSET NAME:**
Marigold and Sunflower

**LICENCES:**
P198, Blocks 15/13a & 15/13b
P2366, Blocks 15/18d & 15/19b

**ASSET LOCATION:**
United Kingdom Central North Sea,
~250km northeast of Aberdeen

**WATER DEPTH:**
~140m

**OFFICE LOCATIONS:**
Kuala Lumpur, Aberdeen

1. **P198**
   **(Blocks 15/13a & 15/13b)**
   **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. **P2366**
   **(Blocks 15/18d & 15/19b)**
   **Hibiscus Petroleum's Interest:**
   100%
   **Sale and Purchase Agreement Date:**
   7 October 2019
   **Operator:**
   Anasuria Hibiscus
   **Field Life Cycle:**
   Development
   **Discovered Field:**
   Crown

**TARGET DEVELOPMENT MILESTONES:**

**2021** FID & OGA Approval of FDP.

**2023** First Oil.

# HIGHLIGHTS

**ANASURIA AVERAGE UPTIME[1]:**
**84%**

**AVERAGE NET DAILY PRODUCTION RATE[1]:**
**2,898**
boe/day

**AVERAGE UNIT PRODUCTION COST[1]:**
**19.3**
USD/boe

**LTIF[1,3]:**
**0**

**2P OIL RESERVES[2]:**
**21.5**
MMbbl

**2P GAS RESOURCES[2]:**
**9.9**
Bscf

**2C OIL RESOURCES[2]:**
**30.9**
MMbbl

**2C GAS RESOURCES[2]:**
**14.3**
Bscf

**PERSONNEL WORKING ON ANASURIA OPERATIONS[4]:**
**132**

**DEDICATED PROJECT TEAM FOR MARIGOLD:**
**24**


**NOTES:**

[1] For the financial year ended 30 June 2020.

[2] As at 1 July 2020, based on Anasuria Hibiscus UK Limited's participating interest. The reserves and resources estimates for Anasuria are based on the Gaffney, Cline & Associates Limited report as of 1 July 2020, while the contingent resources report for the Marigold and Sunflower fields are based on the RPS Energy Consultants Limited report as of 1 July 2020.

[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] As at 30 September 2020, consists of personnel in the Anasuria Operating Company Limited and personnel dedicated to Anasuria operations from Petrofac Facilities Management Limited.

**KEY:**

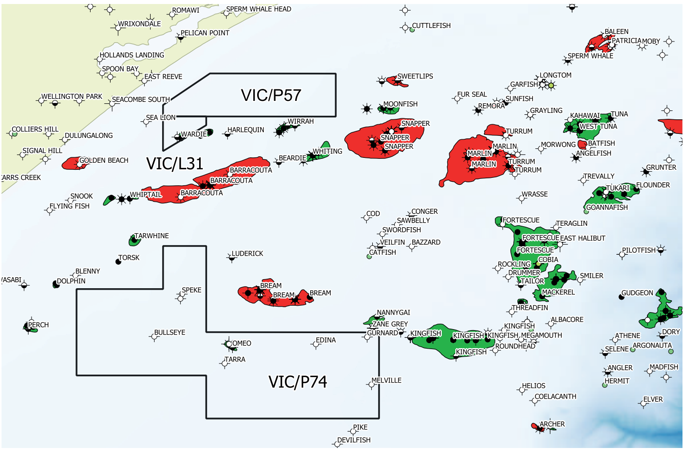
- 2P Oil/Gas Reserves - Proven and probable oil/gas reserves.
- 2C Oil/Gas Resources - Best estimate contingent oil/gas resources.
- boe - Barrels of oil equivalent.
- MMbbl - Million barrels.
- Bscf - Billions of standard cubic feet of gas.
- LTIF - Lost Time Injury Frequency.
- USD - United States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

# AUSTRALIA AT A GLANCE

Hibiscus Petroleum, through our wholly-owned subsidiary Carnarvon Hibiscus Pty Ltd (Carnarvon Hibiscus) 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

**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$^2$

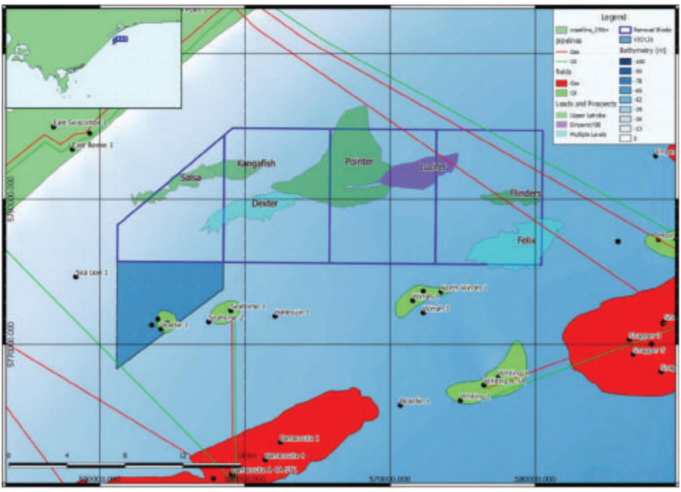
**Prospects:**
Felix, Pointer

**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. VIC/P74**

**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. INVESTMENTS:**

3D Oil, a company listed on the Australian Stock Exchange is an associate company of Hibiscus Petroleum. As at 1 October 2020, 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%
**C. T/49P**
20%
**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

**NUMBER OF LICENCES[1]:**
**3**

**2C OIL RESOURCES[2]:**
**8.0**
MMbbl

**POINTER PROSPECT BEST ESTIMATE PROSPECTIVE GAS RESOURCES[3]:**
**177**
Bscf

**FELIX PROSPECT BEST ESTIMATE PROSPECTIVE OIL RESOURCES[3]:**
**12**
MMbbl

**NUMBER OF PROSPECTS[3]:**
**2**

**WELLS DRILLED[2]:**
**1**
Exploration well

**TOTAL EXPLORATION ACREAGE[4]:**
**1,252**
km$^2$

**3D OIL 80% FARMOUT OF T/49P TO:**
**ConocoPhillips Australia**

**NOTES:**
[1] Includes the 50% participating interest in VIC/P74.
[2] Based on Hibiscus Petroleum's direct interest in VIC/L31.
[3] Based on Hibiscus Petroleum's direct interest in VIC/P57.
[4] 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.


RESPONSIBLE
AND RESILIENT


WORLD BANK: MALAYSIA RIDING OUT
MPARATIVELY BETTER
Thank You
No disruption to operations and maintaining business continuity, safely and professionally. Many of you have been separated from your families for long periods.
is second in Covi
cess
GHTERS
HEROES
T AGAINST
19

# CHAIRMAN'S STATEMENT


# DEAR SHAREHOLDERS,

## BUSINESS LANDSCAPE AND OUR RESPONSE

**THE FINANCIAL YEAR ENDED 30 JUNE 2020 (FY2020) HAS SEEN THE PENDULUM REPRESENTING GLOBAL ECONOMIC ACTIVITY OSCILLATE FROM ONE EXTREME TO THE OTHER. FOR THE FIRST HALF OF FY2020, IT WAS VERY MUCH BUSINESS AS USUAL AND THE RESULTS FOR OUR SECOND QUARTER GENERALLY REFLECTED A STABLE BUSINESS ENVIRONMENT FOR THE COMPANY.**

Mid-way through the financial year (in January 2020), there were indications that a virus, that was reported to have had its origins in the Wuhan province of China, was spreading quickly with serious social, medical and economic consequences. In a short space of time, this localised medical matter became a global pandemic of a scale and significance that has not been seen for more than a century. As a result, international commerce was reduced to a fraction of previous levels. Without a ready vaccine, it was difficult to visualise life returning to normalcy.

For companies in the oil and gas arena, crude oil prices, already under pressure from weakening global economic activity, were subject to a further downward shock in early March 2020 when the Organization of Petroleum Exporting Countries and its alliance partners (OPEC+) were unable to reach consensus to continue with agreements which managed supply volumes in support of stable and relatively higher oil prices. As a result, oil prices dropped sharply, with volatility and uncertainty quickly becoming dominant features of our business landscape.

Given the fast-changing business environment, our response had to be swift and sure, prioritising health, safety and business continuity. First on our agenda was to ensure that a comprehensive set of Standard Operating Procedures (SOPs) were implemented to assure the safety of our employees and contractors during the execution of their day-to day operational duties. Once the SOPs were in place, we were then able to address the business issues. In the first instance, Management revisited the 2020 calendar year (CY2020) Business Plan. A revised Business Plan was developed and adopted which detailed an extensive array of measures to be taken, given the realities of a “new norm” that was fast evolving. During this period, the ability of our organisation to act quickly and decisively was tested. Overall, we are satisfied with the response measures that we have adopted and the current direction of the Company in this difficult economic climate.

## DELIVERING ON OUR PROMISES

Prevailing conditions in the macro environment are generally outside our control, so it was (and remains) a key objective of the Company to focus on safety and business drivers over which we have a degree of influence. For the FY2020 period, it was our objective to run our assets as safely as practically possible and deliver an aggregate of circa 3.2 million barrels of crude oil from our two producing assets. In addition, it was also an aim to operate our North Sabah asset at an average unit production cost (OPEX/bbl) of less than USD15 per barrel (bbl), and for Anasuria at less than USD20 per barrel of oil equivalent.

All these key business objectives were met.

We also executed several capital projects during FY2020. On the North Sabah asset, we followed on from our FY2019 three-well drilling campaign on the St Joseph field by adding three more infill wells in the SF30 field. Whilst these wells have added to daily production volumes, we were hopeful of even higher levels of output and we continue to look for ways for these wells to deliver more.

In Anasuria, we side-tracked the GUA-P1 well in the Guillemot field. The well is currently producing but with concurrent water production much higher than was initially expected. Nonetheless, new data obtained from the drilling of this well is allowing us to recalibrate our geological model for the Guillemot field.

We also invested in drilling a water injection well in the Cook field. In drilling this well, we found that the oil-water contact is deeper than was originally anticipated. The implication of this deeper oil-water contact is positive and will lead to an increase in our Proved and Probable (2P) Reserves estimate of the Cook field.

## OUR FINANCIAL PERFORMANCE AND IMPAIRMENTS

Given the multitude of uncertainties that prevail in the macro environment, we are relatively pleased with our financial results for FY2020. Whilst we have reported a Loss After Taxation (LAT) of RM49.3 million, this came after provisions for the impairment of oil and gas assets amounting to RM196.3 million. More positively, our earnings before interest, taxes, depreciation and amortisation (EBITDA) remained strong at RM213.3 million.

At this point, I would like to say a few words about the impairment provisions that were recorded in FY2020, as they had a significant impact (but not cash related) on the financial statements of the Hibiscus Petroleum Group (Group). The Group, through Carnarvon Hibiscus Pty Ltd, has interests in various oil and gas concessions in the Bass Strait of Australia. Over the past few years, we have been actively developing a plan to monetise the discovered oil resources located in the VIC/L31 concession through the utilisation of existing third-party infrastructure. Unfortunately, technical discussions with the third-party owners of infrastructure have not achieved much progress, and it is unlikely a breakthrough would be achieved in the near term.

With the softening of oil prices, the widespread effects of the COVID-19 pandemic and our limited resources, it has become clear that it is only practical to pursue capital projects in jurisdictions where we already have significant technical and management presence. We are only able to maintain technical teams in foreign jurisdictions when projects demonstrate a certain degree of scale and economic robustness. Clearly, convincing levels of economic robustness have yet to be demonstrated in the Bass Strait. We thus concluded that given the prevailing circumstances, it is unlikely that we would undertake a material development project in the Bass Strait until the macro environment has stabilised and access to the existing, under-utilised third party infrastructure becomes available. As a consequence, we recorded a provision expense to impair a considerable portion of the values held on our Balance Sheet for the various oil and gas assets in the Bass Strait.

On a more positive note, we also conducted impairment assessments on our North Sea and North Sabah assets. Apart from Licence P2366 (which includes the Crown discovery), the valuations were robust for all other assets. We believe that our prudent and transparent approach in respect of asset valuations will hold us in good stead in the future.

# CHAIRMAN'S STATEMENT

## RECOGNITION OF OUR ACHIEVEMENTS

Before concluding this section of my statement, I wish to highlight that the Hibiscus team overseeing our Malaysian operations was recognised by the local regulator, Petroliam Nasional Berhad (PETRONAS), as the recipient of several awards during FY2020 and the months following the closing of the financial year-end. These awards are itemised below:

- Three awards at the Malaysia Upstream Awards 2020:
  - Best Emerging Production Arrangement Contractor (PAC);
  - Wells Excellence Category – GOLD Award; and
  - Drilling Excellence Category – BRONZE Award.

- PETRONAS Focused Recognition Awards:
  - Demonstrating prudent Deferment Management of the North Sabah Production Sharing Contract (PSC);
  - Demonstrating strong commitment during the OSR Tier 3 Audit, resulting in a score of 91.1%;
  - Most Effective Well Planning for CY2019; and
  - Highest Completion Uptime of 99.7% during the 7-well drilling campaign in CY2019.

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 (then) Malaysian Prime Minister, YB Tun Dr Mahathir bin Mohamad.

We are humbled and extremely honoured to be selected as the recipient of these prestigious awards. To the Hibiscus team, our congratulations and to The Edge and PETRONAS, our sincere thanks.

## TRANSFORMATIONAL CAPITAL RAISE

The awards we have received and the business performance metrics that the Group has delivered demonstrate our technical and operational competence. Our position as a respected Independent Oil Company (IOC) is also growing. In addition, in-house, we not only have a strong operational credential, but also strong business development skillsets, and we are being presented with new opportunities that could contribute an even greater value to all our stakeholders. Thus, subsequent to the end of FY2020, the Group embarked on a capital raising exercise with the intention of potentially transforming the Company. For this exercise, we target to raise up to RM2 billion through the issuance of convertible redeemable preference shares to be used exclusively for Merger and Acquisition (M&A) opportunities that come to market in the next twenty-four months. Our M&A targets are also geographically focused, seeking opportunities specifically located in the South-East Asia region and which are already cash flow generating.

The quantum of new capital that we are attempting to raise is more than double our current market capitalisation and is nearly three times the aggregate amount raised through equity instruments since our inception. We are excited by the opportunities that we see on the horizon and we are determined to be prepared to address them from an equity and debt perspective. We look forward to your support as we embark on this growth journey together.

## OUR SAFETY PERFORMANCE

Our work environment demands constant vigilance and attention towards Health, Safety, Security and Environment (HSSE) considerations. The onset of the COVID-19 pandemic added further responsibilities on our Leadership team in this area. Our HSSE performance for FY2020 is tabulated below:

Period: 1 July 2019 - 30 June 2020

| | United Kingdom | Malaysia | Australia |
|---|---|---|---|
| Fatality | 0 | 0 | 0 |
| Lost Time Injury Frequency (LTIF)* | 0 | 0.30 | 0 |
| COVID-19 | | | |
| • Confirmed cases amongst employees. | 0 | 0 | 0 |
| • Medical evacuations from Hibiscus Petroleum Group operated/jointly operated facilities (staff and contractors); subsequent to personnel testing positive for COVID-19. | 0 | 0 | 0 |

**FIGURE 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.

## HIGHEST COMPLETION UPTIME

**99.7% DURING THE 7-WELL DRILLING CAMPAIGN IN CY2019**

The key HSSE initiatives that were carried out in FY2020 are itemised in the Sustainability Report section of this Annual Report 2019/2020. Most significantly, we have continued with the '*I Care For Your Safety*' campaign which had been launched during FY2019 and we overlaid this programme with a successful, maiden roll-out of the International Association of Oil & Gas Producers (IOGP) Life Saving Rules across all business locations. The IOGP Life Saving Rules are accepted across the oil and gas industry and serve as a guide on the actions which our personnel may take to protect themselves and their colleagues at the worksite at various stages of job execution. We sincerely hope that such empowerment enhances the preservation of a safe work environment.

As mentioned previously, early into CY2020, we were faced with an operating environment which was unprecedented. The rate of spread of the COVID-19 virus required that we respond with stringent measures which placed the safety of our employees and contractors first. In addition, our response had to be implemented swiftly to ensure non-disruption of operations whilst being compliant with the specific legal requirements applicable in each of the jurisdictions in which we conduct operations. In this regard, we are pleased that the SOPs that were implemented and many proactive actions taken by the Company resulted in the statistics that are presented in Figure 1 on the previous page.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Over the past few years, our Company has been gradually working on initiatives with the objective of being a responsible corporate citizen. It is thus satisfying to note that our strong commitment to the principles of good corporate governance (CG) has resulted in the Company being selected, in December 2019, as one of the companies qualified under the Green Lane Policy (GLP) of Bursa Malaysia Securities Berhad (Bursa Securities). We understand that our selection is in recognition of our good CG and disclosure practices. Bursa Securities implemented the GLP to facilitate a more efficient time-to-market for corporate proposals made by GLP-qualified companies. The privileges from such GLP inclusion include certain exemptions which provide for the issuance of non-complex circulars without review by Bursa Securities and fast-tracking of processing of other circulars which do not fall within the parameters of the exemptions provided.

In addition, we are pleased to report that Hibiscus Petroleum was ranked in the top 10% of Malaysian public listed companies for CG disclosure in the Minority Shareholders Watch Group (MSWG)'s Malaysia-ASEAN Corporate Governance Report 2019. The Company was also placed in the top 5% of public listed companies for overall CG and Performance.

# CHAIRMAN'S STATEMENT

The Group has also 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. Our increasing level of emphasis on ESG driven initiatives has been reflected in the marked increase of our ESG ratings score by over 68% when compared to the previous calendar year (as evaluated by FTSE Russell[1]). FTSE Russell also recently rated our Company in the top 25% of listed companies on FTSE Bursa Malaysia (FBM) EMAS Index, awarding Hibiscus Petroleum the highest rating of 4 stars. The Group shall continue to focus on its ESG performance in order to be accepted as a constituent of the FTSE4Good Index in the near term.

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.

## NEW ENERGY VENTURES

There has been a great deal of media coverage on the climate change movement (the push for net-zero emissions) and the drive towards the use of renewable sources of energy. The shift away from the use of fossil fuels is clearly tangible and we support the fact that positive regulatory actions and large investments are being directed towards renewables, the emerging source of energy for the future.

We have been seriously evaluating how we can contribute to the climate change macro agenda in a relevant manner without straying too far away from our core competencies. Projections by credible organisations continue to show oil and gas as significant constituents of the global energy mix going forward, and as long as this is the case, it is equally important that all industry and supply chain participants work towards making the delivery process as clean and efficient as possible. Based on this premise, we are aggressively reviewing opportunities within our assets to further reduce the emission of greenhouse gases in the production of oil and gas.

We are also looking at integrating renewable energy initiatives with oil and gas opportunities. This is fast becoming an area of interest for many companies in the oil and gas space and we are no exception. To spearhead our focus in this area, we have established a "New Energy Ventures" group. Our initial investment in this area will be modest but will gradually be ramped up in the coming years.

## OUR THANKS

**THIS YEAR, I WOULD LIKE TO COMMENCE THIS SECTION OF MY STATEMENT BY EXPRESSING THE BOARD'S HEARTFELT AND SINCERE APPRECIATION TO THE "COVID-19 FRONTLINERS". MANY MADE SACRIFICES AND PLACED THEMSELVES IN HARM'S WAY IN ORDER THAT THE COMMUNITY AT LARGE WAS (AND, IS BEING) KEPT SAFE.**

**THANK YOU.**

**WITHIN OUR ORGANISATION, NEARLY ALL OUR STAFF WORKED THROUGH THE MOVEMENT CONTROL ORDER (MCO) PERIOD, WHETHER FROM HOME OR AT THE WORKSITES, TO ENSURE UNINTERRUPTED OPERATIONS. INTER-STATE BORDER CLOSURES ALSO PREVENTED MANY OF OUR OFFSHORE STAFF FROM RETURNING HOME FOR SEVERAL MONTHS. YOUR EFFORTS TO KEEP SAFE OPERATIONS ONGOING HAVE NOT GONE UNNOTICED.**

**THANK YOU.**

**NOTE:**

[1] A leading global index provider of benchmarks, analytics and data solutions and a subsidiary of the London Stock Exchange Group plc group. As of April 2020, approximately USD16 trillion is benchmarked to FTSE Russell indices.

As a small token our appreciation, the cover of this Annual Report 2019/2020 is dedicated to all of you.

The duties for the Board have been increasing as all stakeholders raise their expectations, particularly in the areas 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. Many of the matters that we review at the Board are highly technical with considerable detail being presented by our Management team. Over these past few months, many of our Board meetings were conducted without face-to-face deliberation. Even though we faced some challenges, detailed, high quality, robust discussions and meticulous reviews preceded our decisions. My thanks to my fellow Board members 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. This year, given the COVID-19 situation, we will be conducting our Annual General Meeting virtually. This is going to be a new experience for all of us and I look forward to welcoming as many of you as possible during this maiden event.

I would also like to take this opportunity to record our thanks to the relevant regulators in Malaysia, namely the Securities Commission of Malaysia, Bursa Securities and Bank Negara Malaysia. They have all assisted us at all stages of our growth with timely approvals for various corporate exercises. Our industry-specific regulators also deserve special mention, namely PETRONAS of Malaysia, the Oil and Gas Authority (OGA) and the Department for Business, Energy & Industrial Strategy 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 support and 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 equity and debt facilities that will enable us to leverage our Balance Sheet more efficiently as we grow our Company. 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. Your response to the sudden changes in the business environment has also demonstrated an agility that is fundamental to our business continuity in these uncertain times. Your courage to try for transformational targets in an effort to enhance shareholder value is particularly encouraging. I also feel that the initiatives you have implemented towards improving our ESG positioning should be especially lauded. These efforts showcase to all our stakeholders that we strive to be a responsible corporate citizen. 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. Going forward, we hope that the initiatives that we are developing around the Marigold Cluster and acquisition targets we are pursuing could make a step change to our current profile as an exploration and production (E&P) player.

The year ahead appears challenging in some respects but emanating from these challenges could be opportunities which are transformational and could move us even closer towards achieving our aspiration of being an even more respected E&P operator in the upstream business.

Thank you.

**ZAINUL RAHIM BIN MOHD ZAIN**
Chair of the Board
1 October 2020


RESPONSIBLE
AND RESILIENT
How Malaysia


WORLD BANK: MALAYSIA RIDING OUT
PARATIVELY BETTER
Thank You
Upholding the Hippocratic Oath and saving a large number of lives through the provision of treatment and medical care in the face of an invisible and dangerous foe.
is second in Covi
cess
GHTERS
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19

# MANAGEMENT DISCUSSION & ANALYSIS

**DR KENNETH GERARD PEREIRA**
Managing Director

## 1. OVERVIEW OF OUR BUSINESS AND OPERATIONS

### A. OUR BUSINESS

Our mission for our business has not changed. Hibiscus Petroleum Berhad (Hibiscus Petroleum or our Company) and our subsidiaries (our Group) are focused on 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, primarily in the continents of Asia and Europe. Our goal remains that we identify, secure and 'sweat' 'brownfield' oil and gas assets located in the areas of our geographic interest.

Within our portfolio, we also possess licences in which undeveloped oil and gas discoveries are present in reasonably substantial volumes. These licences, and the resources within them, form the core of our current, medium-term business sustainability plan. In conducting our business, we collaborate and/or compete with state-owned enterprises, other public-quoted entities and privately held companies from around the world. Where possible, we also contribute to initiatives which benefit local communities, present in the areas around where we operate. This is a part of our corporate social responsibility agenda.

At this time, our revenues are mainly derived from the sale of crude oil and thus the information discussed in this section of our Annual Report 2019/2020 focuses on the oil segment of the oil and gas industry sector. 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, FY2020, it is important to note that 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 prevailing crude oil prices.

### B. MACRO TRENDS

Crude oil is a commodity with price movements which are generally subject to the dynamics of supply and demand. The demand side of this balance has normally been a function of population and economic growth. Supply levels, on the other hand, have been governed primarily by geopolitical issues, levels of investment and technological developments.

During the current financial year however, the drivers of crude oil prices have been very different. In the first instance, the industry had already been experiencing a build-up of negative sentiment related to the emission of greenhouse gases emanating from the extraction and use of fossil fuels. Against this backdrop there has also been a negative impact on the demand for oil caused by the economic trauma of the coronavirus (COVID-19) pandemic. International border closures severely hampered tourist and business movements and the smooth conduct of commerce. Overnight, the air travel and hospitality industries were crippled whilst on the other side of the coin, those involved in the production of selected medical related products saw demand rise exponentially. For our sector, factors related to the pandemic caused daily global oil consumption to shrink by almost 25% for certain periods in the fourth quarter of FY2020.

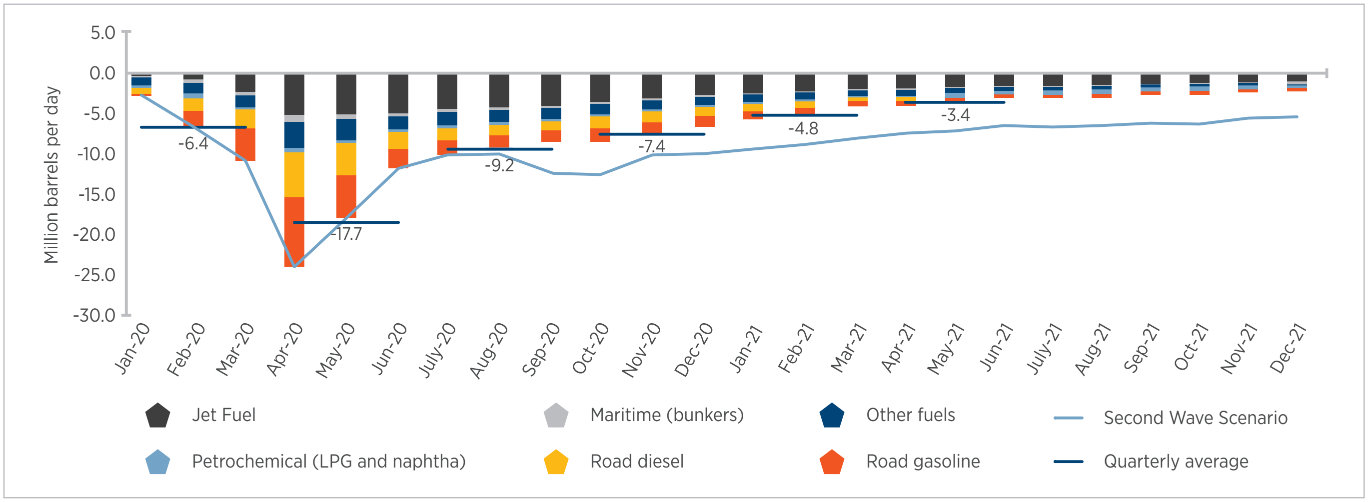



**Figure 1:** COVID-19 impact on global oil products' demand by product relative to pre-virus (2019 levels).

These were not the only calamities facing our industry. The normal course of business was further disrupted by the discontinuation of an agreement between the Organization of Petroleum Exporting Countries (OPEC) and its alliance partners (OPEC+) to limit production levels. This agreement was the keystone that supported relatively stable and higher oil prices and its discontinuance precipitated a price war between major producers which, when combined with the reduction in demand caused by the COVID-19 pandemic, caused oil prices to collapse.

Within months, OPEC+ members reconvened, intervened and reinstated production quotas, bringing a degree of stability to the crude oil market.

Oil price volatility claimed one more victim this past year. In the United States (US), several participants of the unconventional segment of the oil and gas sector ran into business continuity problems. Low oil prices translated to lower activity levels resulting in the onshore rig count dropping sharply (Figure 2) and production volumes, correspondingly, demonstrated downward trends. Oilfield service companies, sensing a non-sustainable future, also discontinued certain service offerings critical to the extraction of hydrocarbons from unconventional reservoirs.

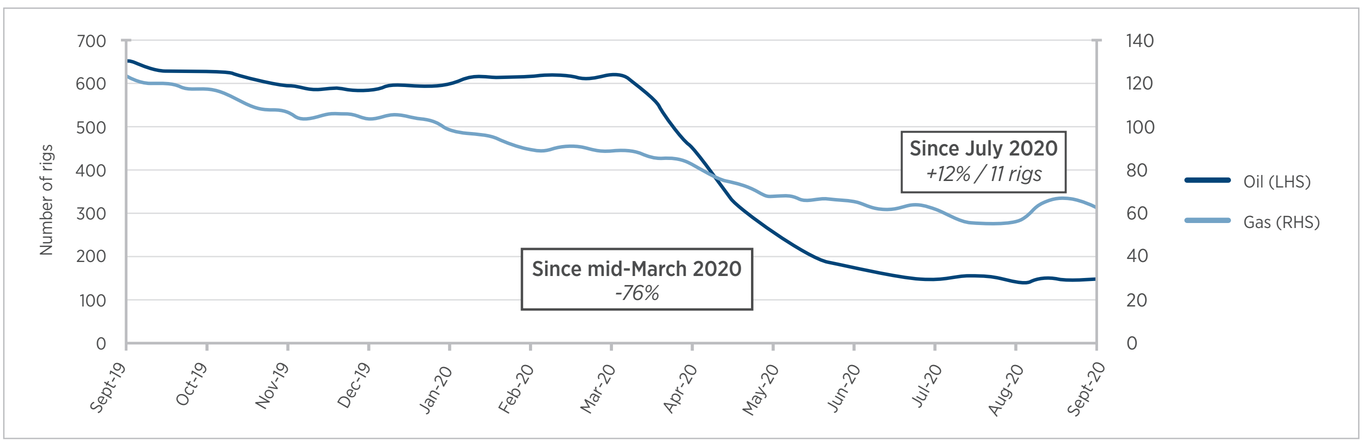



**Figure 2:** United States horizontal rig count by main hydrocarbon type.

**NOTES FOR SOURCES TO FIGURES 1 AND 2:**
Figure 1: Rystad Energy
Figure 2: Baker Hughes, Rystad Energy

# MANAGEMENT DISCUSSION & ANALYSIS

These recent events have set the scene for our industry sector and certain trends are emerging as factors for detailed consideration by industry participants going forward. These trends, their drivers and effects are further elaborated in the following paragraphs:

1. **Political, Technological and Social Trends**

   Fossil fuels have dominated the energy mix strategy of most nations for nearly a century. However, an increasing number of government policies have been favourable (through subsidies and incentives which have been available) to those operating in the renewable energy space over the past decade. Over the past five years technological improvements have also enabled cost competitive, efficient equipment used in the generation of clean, renewable energy to come to market. Such has been the cost competitiveness of this new generation of equipment that by early 2019, several governments, particularly in Europe made publicised commitments towards a 'net zero' emissions economy. Net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away.

   This year, it appears that the COVID-19 pandemic has provided an impetus for governments, particularly in Europe, to further reflect on key demands made by their electorate and it is clearly visible that initiatives related to maintaining health and wellness of citizens coupled with a care for the environment have become fundamental priorities to be addressed. To combat the impact of COVID-19, an extensive range of controls have been enacted. Country-wide lockdowns, curfews, a restricted movement of people and vehicles during the peak periods of the pandemic and health and hygiene protocols, have been implemented at great cost to the global economy. These measures also cleared the skies in many countries and pollution levels dramatically dropped making communities even more aware of the health benefits of a clean environment. As a consequence, an even greater focus on the climate change agenda has been adopted by the governments of developed nations.

2. **Economic and Business Trends**

   A reduction in economic activity over the past few months has also meant lower demand levels for oil and gas with a consequential, negative impact on oil prices. This structural disarray seen in the oil and gas sector has encouraged influential stakeholder groups to seize the opportunity to fast-forward the green agenda. An accelerated push towards the use of renewable sources of energy through investment and legislation has become a tangible, growing trend globally. Companies, previously steadfast in the oil and gas arena are now redirecting expertise and capital towards certain areas of the green economy (a common example being hydrogen). Some have also set ambitious targets to plant up solar and wind-based infrastructure that will make them become serious competitors to the conventional utility companies that we see today.

   All these initiatives are attracting the attention of the capital markets and there is an increasing trend of the migration of financial support towards companies involved in green projects with less interest being shown in traditional oil and gas producers. It is even worse for those involved in coal extraction activities as they are being virtually ignored by the debt and capital markets.

   Several oil majors, particularly those with European origins are withdrawing from the oil and gas sector altogether. They are reducing workforce levels drastically, losing a great deal of experience and knowledge in this process that there will be little or no option to ramp up production even if supply tightens. In specific cases, when some of these oil majors elect to selectively remain in certain jurisdictions, they are committing to the achievement of 'net zero' emission targets no later than 2050.

   Travel restrictions are also playing a role in the formulation and implementation of business strategy. These restrictions, imposed as a result of the COVID-19 pandemic, have made it difficult for the conduct of operations which require a certain amount of technical expertise and management leadership at the 'coal face'. Thus, we believe that geographic focus and a regional concentration of business activities will likely be a trend going forward as larger international players divest non-material assets that are remote from their business hubs.

To contain the spread of COVID-19, many organisations are resetting work paradigms and using digital tools more extensively in the management of international business. Many organisations are also reducing their physical office space requirements, permitting employees to 'work from home' (WfH). The overall result is less travel, thus requiring less energy usage. It remains to be seen if widespread WfH practices become a long-term and generally applied feature of the corporate world.

### 3. Consolidation of US Onshore Unconventionals

As mentioned above, the combined impact of volatile and lower oil prices has resulted in an increasing number of companies involved in the onshore US unconventional oil and gas business becoming financially distressed. A degree of consolidation of businesses, led by larger Independent Oil Companies (IOC) is currently underway. In the mid-term, it is unlikely that US onshore production levels will recover to pre-COVID-19 highs.

### 4. The 'Great Reset' and the 'New Norm'

The various developments in the political, economic, social and technological dimensions of the energy industry are being collectively described as 'The Great Reset' by industry commentators. For those not involved in the energy industry, changes in the way life is being lived is being termed the 'New Norm'.

Over the past few years, we have made references to analyses of our business environment as perceived by established large industry players such as BP p.l.c. (BP), a global energy company, so that our shareholders are provided with independent long-term forecasts and views. In September 2020, BP issued its Energy Outlook for 2020 in which it projected primary energy demand looking forward until 2050. BP considered three scenarios:

- Rapid Transition (Rapid);
- Net Zero (NZ); and
- Business-as-usual (BAU).

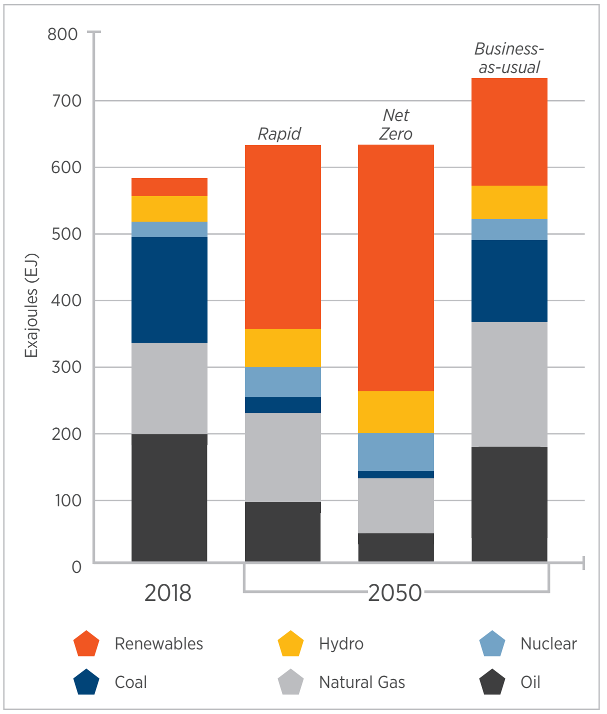



**Figure 3:** Primary energy consumption by source.

The scenario that will likely be applicable is expected to depend on the charges imposed by various nations as a penalty when carbon dioxide is produced. In arriving at the above projections, BP used the assumptions as shown in Figure 4.

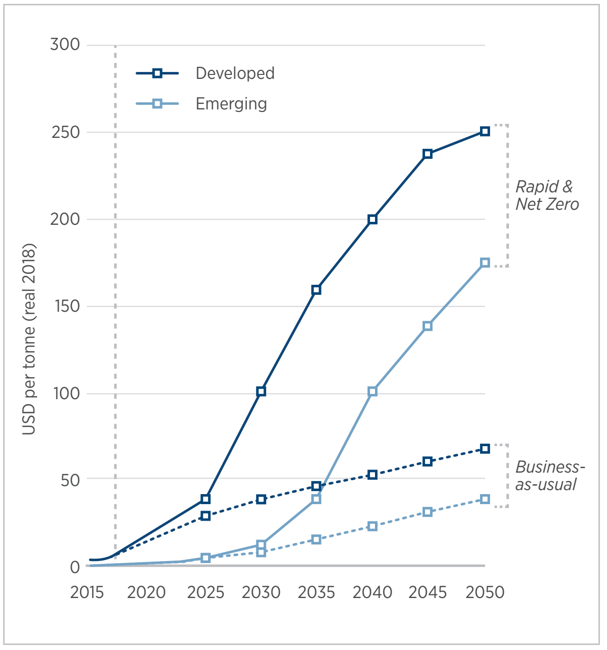



**Figure 4:** Assumptions for average carbon prices in developed and emerging regions.

**NOTES TO FIGURE 3:**
- Renewables include wind, solar, geothermal and bioenergy
- Source: BP Energy Outlook (September 2020 Edition)

**NOTE TO FIGURE 4:**
- Source: BP Energy Outlook (September 2020 Edition)

# MANAGEMENT DISCUSSION & ANALYSIS

There have been wide ranging changes to these scenarios over the past few years. At this point, our view is to continue with our business strategy and positioning, concluding from the above data points that:

- There is a requirement for oil and gas as important constituents of the energy mix going forward for the next thirty years;
- It is important to manage unit production costs; and
- We need to improve our carbon footprint if we wish to be a cost-effective player and investable participant in the oil and gas industry.

### 5. The Malaysian Situation

The discussion in the preceding paragraphs has focused on the trends impacting our industry on the global business landscape. Our Company is a Malaysian listed entity with a substantial portion of our business in Malaysia. As this Management Discussion and Analysis (MD&A) is being prepared, it appears that the spread of COVID-19 in Malaysia is beginning to rise again. We will continue to prioritise the safety of our staff but there remains a risk of business disruption.

Our regulator in Malaysia, PETRONAS has recently seen some leadership changes. We look forward to building even stronger ties as we face these challenging times together.

We also note that a number of reputable oil and gas exploration and production companies are exiting the Malay Basin. ExxonMobil, an established player in offshore Terengganu, has offered its assets for sale. Repsol, another international company has also followed a similar path. In 2018, Murphy Oil exited Malaysia. Whilst these exits may be viewed negatively from some perspectives, our Company views them as opportunities to acquire mature assets that could increase our scale to that of a mid-size IOC.

## C. OUR POSITIONING

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

- Brownfield Operations;
- New Developments; and
- 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 cash flow. Our business objective for this class of assets, during this time of the Great Reset, 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. In addition, when making such investments, we need to ensure that our carbon footprint does not increase and instead, on a holistic basis, shows improvement.

The Anasuria Cluster in the United Kingdom (UK) sector of the North Sea (including our recently offered licences of Block 21/24d – Teal West discovery, Blocks 21/19c and 21/20c – contiguous with the Cook field) and our North Sabah assets located in Malaysia fall into this category of our business.

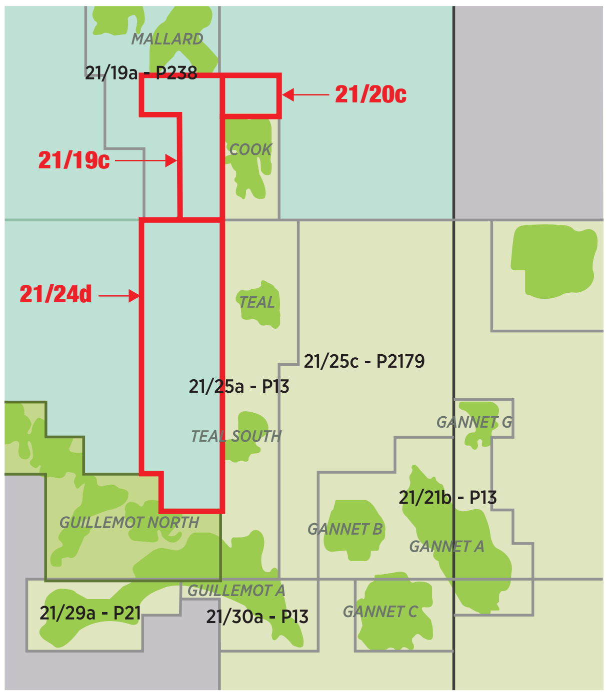



**Figure 5:** Location of new offshore blocks offered adjacent to the Anasuria Cluster.

In summary, our Brownfield Operations need to be conducted safely, cost efficiently and demonstrate a reducing trend in the area of greenhouse gas emissions.

## 2. New Developments

This area of our business covers assets in which we have an interest but are not yet in production. For these assets, a defined development concept and an approximate timeline to convert them to income-generating assets have been determined and material financial and human resources are being deployed to progress business objectives. The development of opportunities within the Marigold and Sunflower Cluster (Licence P198, Blocks 15/13a and 15/13b) in the UK North Sea fall into this category of our business.

In late 2019, we acquired interests in Licence P2366 (containing the Crown discovery) and in September 2020, we were offered Block 15/17a (containing the Kildrummy discovery) as part of the 32nd UK Offshore Licensing Round. Subject to further technical work, we hope that both Crown and Kildrummy become part of a long-term area development plan around the Marigold and Sunflower Cluster.

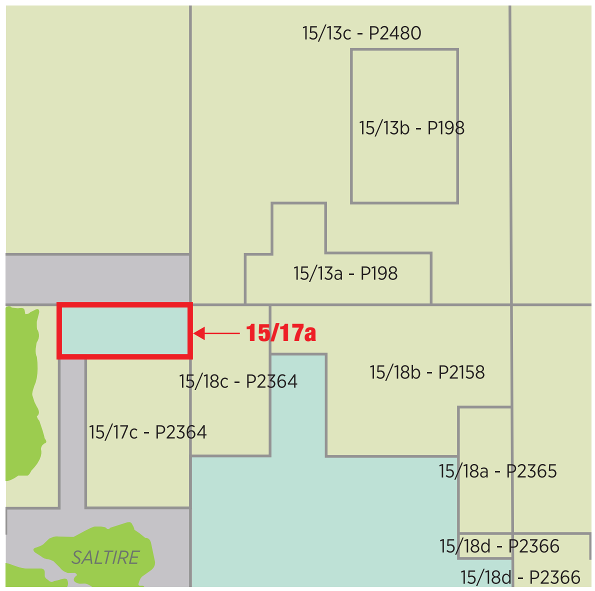



**Figure 6:** Location of new block offered adjacent to the Marigold Cluster.

## 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 future plan for exploration or exploitation. 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 which is continuously scanning the market to optimise value from our existing portfolio of licences.

# MANAGEMENT DISCUSSION & ANALYSIS

## D. OUR ASSETS

| Jurisdiction | Malaysia | | | | |
|---|---|---|---|---|---|
| **Fiscal System** | Production Sharing Contract (PSC) | | | | |
| **Licence Name** | North Sabah PSC | Anasuria Cluster (or Anasuria) | | | |
| | 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract | P013 - Teal, Teal South and Guillemot A | P185 - Cook | Block 21/24d[7] | Blocks 21/19c & 21/20c[7] |
| **Fields** | Producing: St Joseph, South Furious, South Furious 30 (SF30), Barton | Producing: Teal, Teal South, Guillemot A<br><br>Discovered: Kite | Producing: Cook | Discovered: Teal West | Prospects: Cook West, Cook South, Cook North |
| **Licence Tenure** | 2040 | Life of Field | Life of Field | Life of Field | Life of Field |
| **Direct Interest** | 50.0% | 50.0% | 19.3% | 70.0% | 19.3% |
| **Operatorship** | Operated | Jointly-operated | Non-operated | Operated | Non-operated |
| **Asset Type** | Production | Production | Production | Development | Exploration |
| **Facilities/Infrastructure** | 20 Platforms/Structures[1], 142 Wells[1], 1 Crude Oil Terminal | 11 Subsea Wells, 1 FPSO | | 2 Subsea Wells (future) | - |
| **Net Oil Reserves and Resources (MMbbl)** | 2P Reserves: 24.6[2]<br>2C Resources: 24.1[3] | 2P Reserves: 21.5[4]<br>2C Resources: 2.0[4] | | Subsurface studies yet to commence | Subsurface studies yet to commence |
| **Net Gas Reserves and Resources (Bscf)** | - | 2P Reserves: 9.9[4]<br>2C Resources: 1.6[4] | | Subsurface studies yet to commence | Subsurface studies yet to commence |

**NOTES:**

1 As of January 2020.
2 As of 1 July 2020, based on net entitlement of SEA Hibiscus Sdn Bhd (SEA Hibiscus), derived by independent technical valuer, RISC Advisory Pty Ltd's report for the PSC life, adjusted for actual production and internally estimated incremental reserves from executed projects in 2019 and for the 6 months ended 30 June 2020.
3 As of 1 July 2020, based on net entitlement of SEA Hibiscus, derived by independent technical valuer, RISC Advisory Pty Ltd's report for the PSC life, less 2C contingent resources for executed projects in 2019 and for the 6 months ended 30 June 2020.
4 As of 1 July 2020, based on participating interest of Anasuria Hibiscus UK Limited (Anasuria Hibiscus), derived from Gaffney, Cline & Associates Limited's report.
5 As of 1 July 2020, based on participating interest of Anasuria Hibiscus and derived from RPS Energy Consultants Limited's report.
6 As of 1 July 2020, based on internal estimates.
7 Subject to acceptance of award by Anasuria Hibiscus and formalisation of the licence award with the Oil and Gas Authority.
8 Internal estimate – subject to further studies.
9 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.

| United Kingdom | | | Australia | | |
|---|---|---|---|---|---|
| Concession | | | Concession | | |
| Marigold Cluster | | | Bass Strait Cluster | | |
| P198 - Blocks 15/13a and 15/13b | P2366 - Blocks 15/18d and 15/19b | Block 15/17a[7] | VIC/L31 | VIC/P57 | VIC/P74 |
| Discovered: Marigold, Sunflower | Discovered: Crown | Discovered: Kildrummy | Discovered: West Seahorse | Prospects: Pointer, Felix | - |
| Life of Field | Life of Field | Life of Field | Life of Field[9] | 2023 | 2025 |
| 50.0% | 100% | 100% | 100% | 75.1% | 50% |
| Operated | Operated | Operated | Operated | Operated | Non-operated |
| Development | Development | Development | Development | Exploration | Exploration |
| 8 Subsea Wells, 1 FPSO (future) | 1 Subsea Well (future) | 1 Subsea Well (future) | - | - | - |
| 2C Resources: 24.9[5] | 2C Resources: 4.0[6] | Subsurface studies yet to commence | 2C Resources: 8.0[6] | Best estimate prospective resources: 12 (Felix) | Subsurface studies ongoing |
| 2C Resources: 5.1 | 2C Resources: 7.6[6] | Subsurface studies yet to commence | - | Best estimate prospective resources: 177 (Pointer) | Subsurface studies ongoing |

**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.

# MANAGEMENT DISCUSSION & ANALYSIS

## E. OUR SALES AND CUSTOMERS

The fields of the Anasuria Cluster and North Sabah produce a combination of oil, gas and water daily. Of value to us are the oil and gas components of this fluid stream. This fluid stream undergoes a process of separation prior to being sold. Produced water is removed, treated and is disposed. Separated oil is sold in parcels called 'cargoes'. Gas is either sold to third parties, used on our facilities for power generation or injected into some of the fields as part of increased oil recovery (IOR) activities. A small volume of gas is flared.

Water produced from our fields is treated to reduce the oil-in-water content to levels that are in compliance with local environmental standards. We take great care in monitoring the relevant levels to ensure that we do not breach permissible concentrations in the treated liquids. The treated water is subsequently discharged to the sea.

Our goal for FY2020 was to produce between 3.0 and 3.3 million barrels (MMbbl) of oil from the two clusters of producing oilfields (Anasuria and North Sabah) operated or jointly-operated by our Group. In retrospect, we produced a combined total of approximately 3.23 MMbbl of oil. Of that volume, we sold 2.63 MMbbl, with six offtakes originating from North Sabah (Figure 7), and a further three offtakes coming from the Anasuria Cluster (Figure 8).

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

| | Unit | FY2020 | FY2019 | FY2018 |
|---|---|---|---|---|
| Net Oil Production | MMbbl | 2.28 | 1.79 | 0.54 |
| Net Oil Sold | MMbbl | 1.87 | 1.96 | 0.62 |
| Number of Cargo Offtakes | Nos | 6 | 7 | 2 |
| Average Realised Oil Price | USD/bbl | 57 | 73 | 68 |

**Figure 7:** 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 from the Anasuria FPSO facility. We have appointed BP Oil International Limited (BPOI) to lift our cargoes and to market them to refineries in Europe. The parent organisation of BPOI is BP. 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 | FY2020 | FY2019 | FY2018 |
|---|---|---|---|---|
| Net Oil Production | MMbbl | 0.95 | 1.13 | 0.98 |
| Net Oil Sold | MMbbl | 0.76 | 1.35 | 0.79 |
| Number of Cargo Offtakes | Nos | 3 | 5 | 3 |
| Average Realised Oil Price | USD/bbl | 59 | 67 | 60 |
| Net Gas Sold (exported) | MMscf | 652 | 799 | 523 |
| Average Gas Price | USD/MMbtu | 1.34 | 3.24 | 2.88 |

**Figure 8:** Oil and gas production and sales volume net to our Group from the Anasuria Cluster over the last three financial years.

**NOTES TO FIGURE 8:**
- MMscf - Million standard cubic feet.
- MMBtu - Million British thermal units.

We are pleased with both our oil trading arrangements in North Sabah and in Anasuria. Our counterparties 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 global oil trading organisations.

## F. FINANCIAL PERFORMANCE

| Financial Year End | 30 June 2020 | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
|---|---|---|---|---|---|
| Revenue (RM ’million) | 646.5 | 988.3 | 394.3 | 261.3 | 81.7 |
| EBITDA/(LBITDA) (RM ’million) | 213.3 | 549.4 | 334.1 | 156.5 | (17.2) |
| (LAT)/PAT (RM ’million) | (49.3) | 230.0 | 203.7 | 106.1 | (60.0) |
| Net Assets per Share (RM) | 0.77 | 0.78 | 0.63 | 0.51 | 0.45 |
| Debt (RM ’million) | (49.2) | - | - | - | - |

**Figure 9:** Hibiscus Petroleum’s financial performance over the last five financial years.

Figure 9 demonstrates our Company’s financial performance over the last five years. For FY2020, we reported a Loss After Taxation (LAT) of RM49.3 million, primarily due to the recognition of non-cash impairments of oil and gas assets totalling RM196.3 million. Whilst we reported an LAT, we continued to deliver strong earnings before interest, taxes, depreciation and amortisation (EBITDA) of RM213.3 million. Given the challenging market conditions, we are generally satisfied with our performance.

The impairment that was recognised resulted in there being minimal movement in our total assets and shareholders’ funds over the past financial year. As of 30 June 2020, our total assets remain at approximately RM2.4 billion and shareholders’ funds stand at about RM1.2 billion.

Prudent cash flow management, loyal shareholders and careful sequencing of investment 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.

In the last quarter of FY2020, our Company was faced with a market that offered soft oil prices in the short term. Given that we had storage capacity at both our Anasuria and North Sabah production facilities, we held back on selling our oil, due to the soft market conditions, preferring to produce and store crude until oil prices strengthened.

We also had planned to execute certain capital projects to enhance production. Given the weak demand for oilfield services and the resulting lower level of costs to execute projects, we decided to commence execution of our capital work programme, electing to continue with the drilling of four wells in the North Sabah cluster.

Our decision to delay selling our oil whilst simultaneously undertaking a large capital project required us to draw down on certain debt facilities that we had in place to fund a cash flow shortfall. Subsequent to the close of the financial year, oil prices rose to about USD40 per bbl and we lifted and sold oil cargoes in both the North Sea and North Sabah and also repaid our outstanding debt.

**NOTES TO FIGURE 9:**
- EBITDA - Earnings before interest, taxes, depreciation and amortisation.
- LBITDA - Loss before interest, taxes, depreciation and amortisation.
- PAT - Profit after taxation.
- LAT - Loss after taxation.

# MANAGEMENT DISCUSSION & ANALYSIS

## G. SHARE PERFORMANCE

| Financial Year End | 30 June 2020 | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
|---|---|---|---|---|---|
| Year High (RM) | 1.130 | 1.320 | 1.150 | 0.540 | 0.880 |
| Year Low (RM) | 0.260 | 0.775 | 0.400 | 0.175 | 0.140 |
| Year Close (RM) | 0.615 | 1.070 | 0.885 | 0.410 | 0.180 |
| Trading Volume (million) | 11,214 | 8,030 | 10,091 | 7,805 | 2,703 |
| Market Capitalisation (as at the Year End) (RM 'million) | 977 | 1,699 | 1,405 | 592 | 236 |
| Oil Price at Year Close (USD/bbl) | 41 | 67 | 79 | 48 | 48 |

**Figure 10:** Hibiscus Petroleum's share performance over the last five financial years.

Figure 10 shows our share price performance over the last five financial years. As part of our mid-term capital planning and to reward loyal shareholders, we had also issued and listed 317,645,723 Warrants C on the Main Market of Bursa Malaysia Securities Berhad on 20 March 2018 and 28 March 2018 respectively. These warrants may be exercised at any time from the date of its issuance and ending at 5.00 p.m. on 18 March 2021 (being one market day prior to the expiry date of the Warrants C of 19 March 2021).

## 2. REVIEW OF OPERATING ACTIVITIES

### A. MALAYSIA – THE NORTH SABAH PSC

#### 1. Production Operations

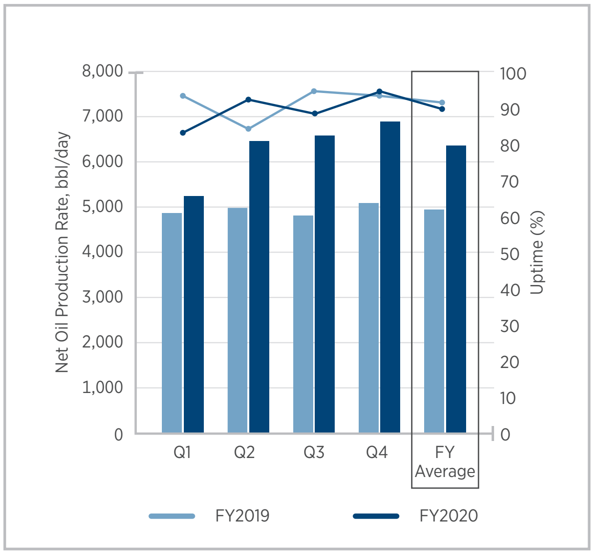



**Figure 11:** Average net oil production rate and uptime (RHS) of the North Sabah PSC.

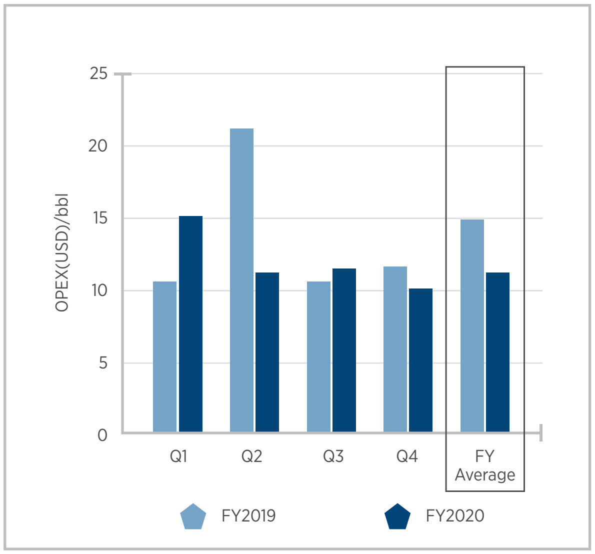



**Figure 12:** Average OPEX/bbl (unit production cost) of the North Sabah PSC.

FY2020 represents the second 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. During FY2020, we also executed our first drilling programme in the North Sabah PSC.

Average facilities uptime in FY2020 reduced by 2%. This reduction was driven primarily by drilling activities requiring a shutdown of production on the respective platforms. As a result of the successful drilling programme, the average net oil production rate in FY2020 increased by 27% compared to FY2019.

With increased production and having kept our operating costs consistent, the average operating expenditure per bbl (OPEX/bbl), or unit operating cost, for FY2020 reduced by 14% when compared to FY2019.

#### 2. Awards

Our North Sabah operations received the following safety award over the course of FY2020:

- Gold Class 1 Award from the Malaysian Society for Occupational Safety and Health (MSOSH) for calendar year 2018 operations under the category of Petroleum, Gas, Petrochemical & Allied Sectors for the St Joseph Platform.

Our Group also received the following awards for operational performance over the course of FY2020:

- Malaysia Upstream Awards 2020
  - Best Emerging Petroleum Arrangement Contractor;
  - Wells Excellence Category - GOLD Award; and
  - Drilling Excellence Category - BRONZE Award.

# MANAGEMENT DISCUSSION & ANALYSIS

- Focused Recognition Awards from Petroliam Nasional Berhad (PETRONAS):
  - Demonstrating prudent Deferment Management of the North Sabah PSC which *"Ensured the highest standards of Asset Integrity and ensuring successful collaboration with PETRONAS to meet Deferment Management WPB targets in 2018 and 2019"*.
  - Drilling Award – Successfully demonstrated the Most Effective Well Planning for 2019. Drilled and completed SF30-6ST and SJ-105C wells with a variance of only 0.09% on cost and 0.39% on schedule compared to planned figures. This was able to maximise long term value to the asset and meet production demand at an effective cost.
  - Highest Completion Uptime – Successfully designed, planned and safely completed seven-well campaign with an uptime of 99.7%, resulting in cost avoidance of USD2 million.
  - Completion Technology Replication – Successfully designed, planned and replicated the Autonomous Inflow Control Device (AICD) in the three-well St Joseph campaign. This replication contributed immensely towards reviving the production level in this field by enabling production commingling of multiple sands through the lowering of Gas Oil Ratio (GOR) from 6,000 to 800.
  - Completion Optimisation for Value Creation – Successfully designed, planned and safely implemented new technologies and process optimisation in wells for North Sabah fields resulting in improved life of well.
  - Successful delivery of St Joseph Minor and Major Sands Field Development Plan (FDP). The citation acknowledged our team for *"demonstrating strong commitment and determined effort to review St Joseph OPEX and firm pledge to cost reduction, leading to the timely delivery of cost-effective reserves monetisation. This resulted in a successful FDP formulation within a nine-month stretched timeline"*.

### 3. Production Enhancement Projects

| Project | Project Description | Status | Target Completion |
|---|---|---|---|
| St Joseph Infill Drilling | Drill 3 infill oil producing wells | Completed | August 2019 |
| SF30 Infill Drilling | Drill 3 infill oil producing wells | Completed | November 2019 |
| SF30 Water Flood Phase 1 | Drill 1 water injection well for reservoir re-pressurisation | Completed | December 2019 |
| SJ Minor Sands Redevelopment | Drill 3 infill oil producing wells | Completed | September 2020 |
| SJ Major Sands Redevelopment | Drill 1 infill oil producing well | Completed | September 2020 |

**Figure 13:** Production enhancement projects in the North Sabah PSC in 2019 and 2020.

#### a. St Joseph Infill Drilling

As mentioned in last year's Annual Report 2018/2019, our first drilling campaign in the North Sabah PSC commenced in May 2019 and completed in August 2019. Combined production from the three wells drilled was in excess of 3,200 bbl/day and added life of field (LoF) gross reserves of 2.77 million stock tank barrels (MMstb).

#### b. SF30 Infill Drilling

PETRONAS had on 1 July 2019 approved the South Furious 30 Infill Drilling project development plan intended to increase production and reserves of the South Furious 30 field. Three wells were drilled from the South Furious Jacket-C (SFJT-C) via the remaining conductor slot.

The first two wells were successfully completed and brought online, with the first well, SF30-2, producing its first oil on 8 October 2019. The well was tested at approximately 1,100 bbl per day, with the production choke at a 38/64 setting and no indications of water or sand production at surface. The second well, SF30-4, was brought online on 26 October 2019 with an initial well test of 480 bbl per day. The third well, SF30-6, was drilled in October and was found to be wet. Subsequently, a sidetrack well, SF30-6ST1 was drilled in November following the drilling of the South Furious 30 Water Flood Phase 1 infill water injector. The sidetrack well found hydrocarbons but the well remains suspended pending the completion of the South Furious 30 Water Flood Phase 1 project. The total cost of the project was RM129.2 million, which was shared equally with our joint venture partner.

**c. SF30 Water Flood Phase 1**

PETRONAS had on 17 October 2019 approved the South Furious 30 Water Flood Phase 1 project development plan which entailed the drilling and completion of one infill water injection well intended for reservoir re-pressurisation to scope out the effectiveness of water injection pressure support to help further define the full field water injection project. Topside modification entailed deck strengthening and extension works.

Following the completion of the drilling of the water injector in November 2019, topside modification works were completed in the Current Quarter. A leased Portable Water Injection Module was commissioned in June 2020, leading to First Water Injection shortly thereafter.

**d. St Joseph Minor and Major Sands Redevelopment**

PETRONAS had on 26 June 2020 approved the plan for the St Joseph Minor and Major Sands Redevelopment. This project entailed the drilling of three infill wells targeting the Minor Sands and one infill well targeting the Major Sands. This project commenced with the spudding of the first well on 7 July 2020.

**4. <u>Outlook</u>**

At the North Sabah asset level, we will continue to look for opportunities to develop more of the resources to ensure that we have cash flow positive operations until the end of the PSC in 2040. After a very active two years of drilling wells to increase production, we will now focus on larger development projects with a longer execution time frame.

## B. UNITED KINGDOM – THE ANASURIA CLUSTER

**1. <u>Production Operations</u>**

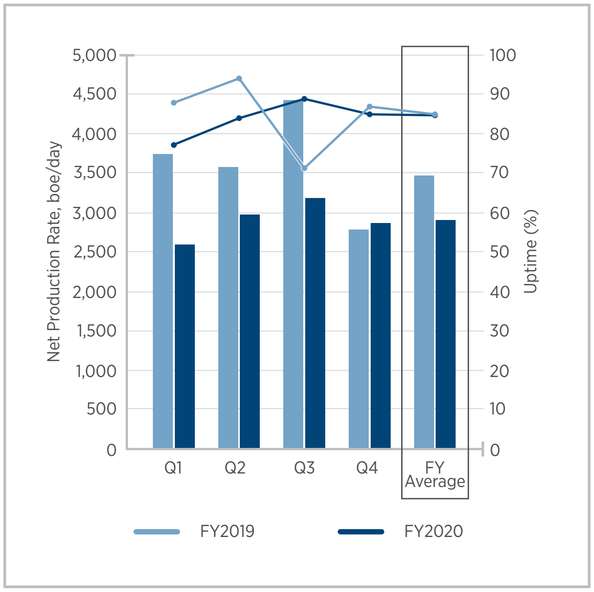



**Figure 14:** Average oil equivalent production rate and uptime (RHS) of Anasuria.

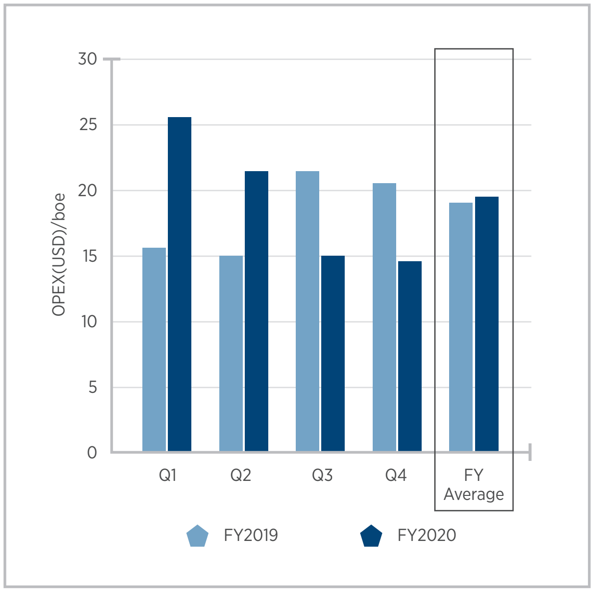



**Figure 15:** Average OPEX/boe of Anasuria.

# MANAGEMENT DISCUSSION & ANALYSIS

Average uptime achieved in FY2020 marginally decreased by 1% to 84% compared to FY2019. Furthermore, the average daily oil equivalent production rate in FY2020 decreased by 16% when compared to FY2019. This is primarily due to the natural decline in production from the fields of the Anasuria Cluster. In addition, total production from the Teal South and Guillemot-A fields are constrained due to subsea infrastructure bottlenecks which has resulted in certain wells being shut-in in favour of other wells with higher oil rates. The performance of the Anasuria wells is being actively monitored and efforts are being continuously expended to optimise production using existing infrastructure.

Operational expenditure in FY2020 decreased by 11% compared to FY2019, due to a reduction and deferment of costs in response to the COVID-19 pandemic and the resultant lower oil price. A reduced level of operational expenditure was partially off-set by lower production rates resulting in an increase in average operating expenditure per barrel of oil equivalent (OPEX/boe) of 6% to USD19/boe in FY2020 when compared to FY2019.

## 2. Production Enhancement Projects

| Project | Project Description | Status | Actual Completion |
|---|---|---|---|
| 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 | October 2019 |
| GUA-P1 Side Track | Re-enter the existing GUA-P1 well to side-track the wellbore to unlock additional volumes of oil. | Completed | August 2019 |

**Figure 16:** Production enhancement projects in Anasuria.

### a. Cook Water Injection Project

Anasuria Hibiscus together with its partners in the Cook field sanctioned the Cook Water Injection (Cook WI) project in May 2018. Ithaca Energy (UK) Limited is the operator of the Cook field. This project involved 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 overall improved recovery of hydrocarbons from this field.

The water injection well was completed as planned on 25 May 2019. Subsequently, the installation of a subsea pipeline to link the water injection well to the Anasuria FPSO was carried out and injection of water into the Cook field reservoir commenced on 3 October 2019. The total capital expenditure net to Anasuria Hibiscus for this project amounted to RM58.8 million.

Approximately 30,000 bbl of water per day was injected into the reservoir from 3 October 2019 to December 2019 until the failure of a subsea component halted the injection of water into the Cook field. Reinstatement of water injection is expected to be completed by the first quarter of calendar year 2021 and the incremental cost to Anasuria Hibiscus is estimated at RM2.5 million. This has not impacted current production from the Cook field as the pre-existing CO-P1 well is continuing to produce as normal. It will however, delay the re-pressurisation of the field.

Whilst drilling the Cook WI we encountered additional oil at least 49 metres deeper than expected, indicating that the Southern Fault Block has a deeper oil water contact (OWC) than the Northern Fault Block where the existing production well is located, although both fault blocks are in pressure communication. The deeper OWC has added additional reserves to the Cook field and could be a factor that helps explain the very stable nature of production from the field.

**b. GUA-P1 Side-Track Project**

The GUA-P1 Side-Track (GUA-P1 ST) project presented an opportunity to re-enter the existing GUA-P1 wellbore and potentially drain additional volumes of hydrocarbons from the Guillemot-A field. 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 per day. The total capital expenditure net to Anasuria Hibiscus for this project was RM97.1 million.

## 3. Outlook

A 40-day offshore turnaround of the Anasuria Floating Production Storage and Offloading (FPSO) vessel is planned to be conducted in 2Q FY2021. As a brief recapitulation, an offshore turnaround in Anasuria is a periodic, planned activity when the production systems on the Anasuria FPSO are completely shut down so that maintenance activities can be carried out to improve the overall performance of the facilities. Offshore turnaround activities are also key to ensuring that we continue to provide a safe workplace environment for our offshore personnel. Several minor production enhancement projects are also included in the planned scope of this turnaround.

The recent capital expenditure projects serve not only to arrest the natural production decline and potentially increase production, but also provide us with the opportunity to gather new data to further improve our understanding of the geology and reservoir performance of the Anasuria Guillemot-A fields. Whilst there is no major capital expenditure planned in FY2021, subsurface work being done during this period will be key for the framing of future projects. The static and dynamic reservoir simulation models for Guillemot-A and other fields will be rebuilt using the latest production data and subsurface information obtained from the drilling programmes conducted in 2018 and 2019. The objective of this work is to develop a seriatim of future Anasuria infill drilling opportunities by the end of calendar year 2021.

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 economic recovery from the area surrounding the Anasuria FPSO.

A key development in this aspect was the offer by the Oil and Gas Authority (OGA) on 3 September 2020, for several blocks neighbouring the Anasuria Cluster to Anasuria Hibiscus and our selected partners as part of the 32nd Offshore Licensing Round launched by OGA in July 2019. The licences that have been offered for award are Block 21/24d (containing the Teal West discovery) as well as Blocks 21/19c and 21/20c which are contiguous with the Cook field.

The Licensing Round offered blocks in mature, producing areas close to existing infrastructure, under flexible terms of the Innovate Licence which enables companies like Anasuria Hibiscus to define a licence duration and phasing that would result in the execution of an optimal work programme. Subject to formal licence award, the Teal West discovery will be a key focus area as a potential tieback candidate to the Anasuria FPSO in the near term.

Furthermore, the 5-year Facilities Management Agreement (FMA) with Petrofac Facilities Management Limited (Petrofac) is ending in the third quarter of FY2021. As a brief recapitulation, the FMA was awarded to Petrofac in 2016 to take on the role of the Duty Holder, responsible for the day-to-day management of the Anasuria FPSO, pipelines and wells and to conduct such operations in a safe and environmentally responsible manner. This was the operating model that was adopted by our Company and its partner, as new entrants, at that time, into the technically demanding operating environment of the UK North Sea.

As the tenure of the FMA draws to a close, it is timely that we conduct a comprehensive review of our operating strategies, maintenance systems, and organisational capability. Such a review is currently being conducted as part of an overall initiative to improve production efficiency, facilities availability as well as to carefully manage costs.

# MANAGEMENT DISCUSSION & ANALYSIS

## C. UNITED KINGDOM – THE MARIGOLD CLUSTER

The Marigold Cluster comprises the following licences and fields with discoveries:

- 50% interest in P198 - Block 15/13a (Marigold);
- 50% interest in P198 - Block 15/13b (Sunflower); and
- 100% interest in P2366 - Blocks 15/18d and 15/19b (Crown).

Based on an independent report by RPS Energy Consultants Limited, Marigold and Sunflower's Proven and Probable Contingent Resources (2C Resources) are estimated to be 49.8 MMbbl of oil (24.9 MMbbl of oil net to Anasuria Hibiscus). The 2C resources of the Crown discovery, based on internal estimates, contains 4.0 MMbbl of oil.

The development concept for the Marigold Cluster continues to be optimised to take advantage of the low crude oil price environment and the resultant reduction in oilfield service company rates. Given the current COVID-19 situation, it is likely that the Final Investment Decision for this project is now expected in 2021 with first oil being achieved in 2023.

As part of the 32nd UK Offshore Licensing Round announced in September 2020, our Group was also offered Block 15/17a. This block is located 8km from the Marigold field and contains part of the Kildrummy discovery plus a minor part of the Beaumaris discovery and the Udny prospect. Subject to further technical studies and regulatory and internal approvals, the Kildrummy discovery could be tied back and add reserves to the Marigold Cluster as part of future project development phases.

## D. AUSTRALIA – THE BASS STRAIT CLUSTER

The Bass Strait Cluster comprises the following:

- 100% interest in the VIC/L31 Production Licence (VIC/L31);
- 75.1% direct interest in the VIC/P57 Exploration Permit (VIC/P57); and
- 50% interest in the VIC/P74 Exploration Permit (VIC/P74).

In addition, we have a 11.68% interest in 3D Oil Limited (3D Oil), a company listed on the Australian Stock Exchange.

Given our Group's focus on Malaysia and the UK, as well as the low oil price environment, we have deferred our development plans for our Bass Strait Cluster. During FY2020, we have recognised provisions for impairment in licences within this Cluster (specifically VIC/L31 and VIC/P57) amounting to RM183.5 million in FY2020.

## 3. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

### A. STATEMENTS OF PROFIT OR LOSS

Calendar year 2020 commenced with the World Health Organization confirming COVID-19, a novel pneumonia disease to be a Public Health Emergency of International Concern. This precipitated a material decrease in crude oil prices primarily due to a substantial reduction in demand caused by measures taken globally to combat the COVID-19 pandemic. In March 2020, pressure on oil prices were further negatively impacted by the actions of members of the OPEC+ alliance. Member states decided to discontinue with prior agreements that were in place that supported a stable oil price marketplace.

Despite this adverse macro environment, in FY2020, our Group posted a revenue of RM646.5 million and earnings before interest, taxes, depreciation and amortisation (EBITDA) of RM213.3 million. The EBITDA was achieved despite recording impairment provisions amounting to RM196.3 million on our Group's oil and gas assets during FY2020. It is important to note that such impairment provisions did not originate from either of our producing assets, namely the North Sabah PSC or the Anasuria Cluster. As a comparison, in FY2019, revenue and EBITDA achieved were RM988.3 million and RM549.4 million respectively.

Largely on the back of impairment provisions and partly due to the adverse macro environment caused by the COVID-19 pandemic, we posted an LAT of RM49.3 million in FY2020, compared to a profit after taxation of RM230.0 million in FY2019.

In FY2020, our Group achieved its FY2020 production target of 3.2 MMbbl of crude oil and sold 2.6 MMbbl of this volume in FY2020.

Both our Group's total assets and shareholders' funds as at 30 June 2020 of RM2,426.2 million and RM1,221.3 million respectively have remained fairly consistent, when compared to the positions as at 30 June 2019 of RM2,393.1 million and RM1,237.5 million respectively. As at 30 June 2020, our Group's unrestricted cash and bank balance was reasonably healthy at RM77.3 million.

Since the acquisition of 50% participating interests in the North Sabah PSC (North Sabah Acquisition) on 31 March 2018 by our Group, our revenue base and net assets base have grown stronger adding to the contribution from the Anasuria Cluster in the UK.

# MANAGEMENT DISCUSSION & ANALYSIS

| | North Sabah PSC | | Anasuria Hibiscus | | 3D Oil, VIC/L31 & VIC/P57 | | Investment Holding and Group Activities | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial year ended 30 June 2020** | **RM '000** | | **RM '000** | | **RM '000** | | **RM '000** | | **RM '000** | |
| Revenue | 441,738 | | 200,775 | | - | | 3,991 | | 646,504 | |
| EBITDA/(LBITDA) | 320,587 | | 104,784 | | (185,173) | | (26,909) | | 213,289 | |
| PBT/(LBT) | 216,127 | | 25,174 | | (185,173) | | (30,839) | | 25,289 | |
| Taxation | (68,206) | | (6,337) | | - | | - | | (74,543) | |
| PAT/(LAT) | 147,921 | | 18,837 | | (185,173) | | (30,839) | | (49,254) | |
| **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 | |
| **Variance** | **RM '000** | **%** | **RM '000** | **%** | **RM '000** | **%** | **RM '000** | **%** | **RM'000** | **%** |
| Revenue | (145,090) | (25%) | (195,536) | (49%) | - | - | (1,173) | (23%) | (341,799) | (35%) |
| EBITDA/(LBITDA) | 25,988 | 9% | (176,547) | (63%) | (183,898) | (14,423%) | (1,618) | (6%) | (336,075) | (61%) |
| PBT/(LBT) | (1,280) | (1%) | (178,918) | (88%) | (183,898) | (14,423%) | (2,082) | (7%) | (366,178) | (94%) |
| Taxation | 21,100 | 24% | 65,814 | 91% | - | - | - | - | 86,914 | 54% |
| PAT/(LAT) | 19,820 | 15% | (113,104) | (86%) | (183,898) | (14,423%) | (2,082) | (7%) | (279,264) | (121%) |

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

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

1. **North Sabah PSC**

   In FY2020, the North Sabah PSC segment recorded a revenue of RM441.7 million from six crude oil offtakes. 1,866,819 bbl of crude oil were sold at an average realised oil price of USD56.52 per bbl.

   The segment's revenue in FY2019 was RM586.8 million, on the back of 1,958,150 bbl of crude oil sold at an average realised oil price of USD72.81 per bbl.

   Gross profit and EBITDA achieved in FY2020 were RM268.8 million and RM320.6 million respectively. Despite a lower average realised oil price, both gross profit margin and EBITDA margin over revenue, in FY2020, remained relatively high at 60.9% and 72.6% respectively as compared to 63.6% and 50.2% respectively in FY2019.

   The healthy gross profit and EBITDA margins in FY2020 were largely driven by a low average OPEX per bbl. The segment demonstrated improved operational performance in FY2020 compared to FY2019. Both the average net oil production rate and average uptime achieved in FY2020 remained relatively high; at 6,222 bbl per day (FY2019: 4,890 bbl per day) and 91% (FY2019: 92%) respectively. The resulting average OPEX per bbl in FY2020 was USD12.55 (FY2019: USD14.65). In FY2020's OPEX per bbl included amounts incurred for planned maintenance activities performed on the offshore platforms at South Furious, Barton and St Joseph. Such activities which included topside maintenance, well maintenance/intervention and pipeline inspection were mostly completed during the first half of FY2020.

   Our Group completed the North Sabah acquisition on 31 March 2018 (Completion Date). As part of the terms provided under the North Sabah acquisition, recoverable costs incurred by the sellers as part of their executed work programme but not yet recovered (unrecovered recoverable costs) as of the Completion Date are payable subject to oil prices reaching certain thresholds in calendar years 2018 to 2020. At Completion Date, our Group had provided for the amounts based on the assumption that the estimated future oil prices would meet the thresholds for the respective calendar years. To-date, SEA Hibiscus Sdn Bhd (SEA Hibiscus) has paid the sellers the unrecovered recoverable costs for calendar years 2018 and 2019. Following an assessment on the back of the recent drop in oil prices, SEA Hibiscus has concluded that it is remote that the oil price threshold set for calendar year 2020 will be met. As a result, during the financial quarter ended 30 June 2020, the net present value of the amount accrued of RM78.2 million was reversed.

Profit before tax for the North Sabah PSC segment in FY2020 was RM216.1 million. It was derived mainly after deducting the following items from EBITDA, all of which are non-cash in nature:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM77.2 million;
- Unwinding of discount on deferred consideration and non-current payables of RM12.9 million; and
- Unwinding of discount on provision for decommissioning costs of RM8.1 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 38.0%. Total net tax expenses in FY2020 amounted to RM68.2 million.

**2. <u>Anasuria Hibiscus</u>**

The Anasuria Hibiscus segment recorded a revenue and gross profit of RM200.8 million and RM124.9 million respectively in FY2020.

There were three crude oil offtakes in FY2020, in which 760,654 bbl of crude oil were sold at an average realised oil price of USD59.33 per bbl. In FY2019, 1,349,170 bbl of crude oil were sold in five offtakes at an average oil price of USD66.60 per bbl. The offtake originally planned for the financial quarter ended 30 June 2020 was deferred to July 2020 in an attempt to realise higher crude oil prices.

Operational performance in FY2020 for this segment was below that achieved in FY2019. The average daily oil equivalent production rate in FY2020 was 2,898 bbl of oil equivalent (boe) per day (FY2019: 3,459 boe per day) while average uptime was 84% (2019: 85%). Average OPEX per boe recorded for FY2020 was USD19.26 (2019: USD18.20). The relatively high OPEX per boe was mainly the result of the planned shutdown of the Anasuria FPSO for maintenance activities which commenced at the end of June 2019 and duly completed in the financial quarter ended 30 September 2019. The Anasuria FPSO facilities were completely shut down for this maintenance exercise.

The lower revenue and higher average OPEX per boe in FY2020 resulted in lower EBITDA generated compared to FY2019. EBITDA in FY2020 amounted to RM104.8 million compared to RM281.3 million in FY2019.

Up to the end of FY2020, our Group had capitalised RM4.2 million (equivalent to USD1.0 million) of its investment in Licence P2366, representing the amount paid by our Group in connection with the acquisition of this permit thus far. Given the uncertainty related to the timing of when the Crown discovery, located in this licence, will be tied back to the Marigold Cluster, our Group made a provision for the impairment of the full amount invested in the permit. This provision was recognised as at 30 June 2020.

The segment's PBT in FY2020 was RM25.2 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM62.5 million; and
- Unwinding of discount on provision for decommissioning costs of RM15.6 million.

The tax regime which applies to exploration for, and production of, oil and gas in the UK, and is thus applicable to Anasuria Hibiscus, currently comprises of ring fence corporation tax and a supplementary charge. The current rates of tax for ring fence corporation tax and supplementary charge are set at 30.0% and 10.0% respectively. The segment recorded a net tax charge in FY2020 amounting to RM6.3 million, representing an effective tax rate over PBT of 25.2%. This was lower than the statutory rates stated, mainly due to additional allowances in relation to capital expenditure incurred, as provided under the supplementary charge tax regime.

**3. <u>3D Oil, VIC/L31 & VIC/P57</u>**

The segment recorded an LAT of RM185.2 million in FY2020 compared to an LAT of RM1.3 million in FY2019.

During the financial quarter ended 30 June 2020, our Group had assessed the recoverable amounts of the intangible assets relating to both the VIC/P57 exploration permit (VIC/P57) and the VIC/L31 production licence (VIC/L31). Key assumptions, including forecasts of Brent oil prices and plans for exploration and development activities in the mid-term were considered. Following these assessments, our Group recognised a provision for impairment totalling RM183.5 million (RM107.7 million for VIC/P57 and RM75.8 million for VIC/L31).

# MANAGEMENT DISCUSSION & ANALYSIS

In addition, the USD had appreciated against the segment's functional currency, the AUD, during FY2020. The period-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange losses amounting to RM0.7 million. A large portion of such USD-denominated payables are to inter-companies, and as a result, there was no adverse impact to our Group.

4. **Investment Holding and Group Activities**

Group LAT for FY2020 amounted to RM30.8 million, an increase of RM2.0 million when compared against an LAT of RM28.8 million incurred in FY2019.

As at 30 June 2020, our Group further impaired the Britannia Rig (Rig) by RM8.6 million. After due consideration and assessment, our Group concluded that there would likely be no anticipated utilisation of the Rig within our Group's planned production related activities for the foreseeable future. Hence, our Group entered into an agreement with a third party to dispose the Rig, which was concluded after FY2020. The recoverable amount as at 30 June 2020 was based on the agreed disposal value. At the date of this Annual Report 2019/2020, the receipt of the sales proceeds of the Rig is pending.

This further impairment was partially off-set by lower corporate overheads.

## B. STATEMENTS OF FINANCIAL POSITION

1. **Non-current Assets**

Our Group's non-current assets as at 30 June 2020 amounted to RM2,072.7 million compared to RM1,982.9 million as at 30 June 2019. This increase was mainly driven by capital expenditure invested for both the North Sabah PSC and Anasuria Hibiscus segments in FY2020.

A total of RM154.1 million was incurred in the North Sabah PSC, largely for the South Furious 30 Infill Drilling and the St Joseph Infill Drilling projects which amounted to RM60.4 million and RM41.3 million respectively. In addition, PETRONAS had on 17 October 2019 approved the South Furious 30 Water Flood Phase 1 project development plan. This entailed the drilling and completion of one infill water injection well intended for reservoir re-pressurisation to scope out the effectiveness of water injection pressure support to help further define the full field water injection project. Topside modification entailed deck strengthening and extension works. Following the completion of the drilling of the water injector in November 2019, topside modification works commenced in the second half of FY2020. Total capital expenditure incurred in FY2020 amounted to RM25.0 million.

Capital expenditure programmes invested in the Anasuria Cluster during FY2020 included RM61.3 million for the drilling of a side-track from the GUA-P1 oil producing well on the Guillemot A field. A further RM25.5 million was invested for the Cook Water Injection project. Anasuria Hibiscus also invested approximately RM11.6 million for the on-going field development plan phase of the Marigold and Sunflower fields.

In addition to the above, Anasuria Hibiscus paid an amount equivalent to RM26.1 million in FY2020 as its proportionate obligation for the estimated cost of decommissioning the facilities of the Anasuria Cluster into a trust. As such decommissioning activities are expected to be carried out at the end of life of the Anasuria Cluster, these monies in the trust are classified as non-current assets.

The additions to our non-current assets were partly off-set by provisions for impairment recognised for the following oil and gas assets:

- VIC/L31 and VIC/P57 in Australia amounting to RM107.7 million and RM75.8 million respectively;
- The Rig of RM8.6 million; and
- Licence P2366 in the UK amounting to RM4.2 million.

2. **Current Assets**

Current assets amounted to RM353.4 million as at 30 June 2020, a decrease of RM56.9 million from RM410.3 million as at 30 June 2019. This decrease was largely due to the lower cash and bank balances of RM125.7 million compared to 30 June 2019. Net cash inflow from operations in both the North Sabah PSC and Anasuria Hibiscus segments during FY2020 were utilised to finance obligations arising from the investments in capital expenditure in excess of RM200.0 million. In addition, the following notable payments were made during FY2020:

- RM95.2 million for taxation liabilities across both the North Sabah PSC and Anasuria Hibiscus segments;
- RM66.6 million for the 2019 calendar year's portion of decommissioning liabilities related to the North Sabah PSC in December 2019;
- RM26.1 million for Anasuria Hibiscus' proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster into a trust; and
- RM21.1 million (USD5.0 million) for the second and final tranche of deferred consideration relating to the North Sabah acquisition in March 2020, per the agreed payment schedule.

This was partly off-set by higher net operational-related receivables in SEA Hibiscus by approximately RM62.2 million, mainly driven by the higher amount to be reimbursed by the joint venture partner, which was outstanding as at 30 June 2020.

### 3. Total Liabilities

Total liabilities increased from RM1,155.6 million as at 30 June 2019 to RM1,204.8 million as at 30 June 2020.

The higher deferred tax liabilities balance as at 30 June 2020 by RM90.5 million were mainly due to additional deferred tax liabilities recognised on capital expenditure invested for both the North Sabah PSC and the Anasuria Cluster.

During FY2020, our Group had drawn down on a term loan to aid its working capital requirements. The amount outstanding as at 30 June 2020 amounted to RM49.2 million. The term loan was fully repaid in July 2020, per the agreed terms.

In addition, as at 30 June 2020, outstanding operations-related payables and accruals for the North Sabah PSC increased by approximately RM35.5 million compared to 30 June 2019. The increase was mainly caused by amounts incurred for the St Joseph Infill Drilling, the South Furious 30 Infill Drilling and the South Furious 30 Water Flood Phase 1 projects.

These were partially off-set by the reversal of the accruals for calendar year 2020's portion of unrecovered recoverable costs of RM78.2 million relating to the North Sabah acquisition.

### 4. Total Equity

Total equity as at 30 June 2020 decreased marginally by RM16.2 million when compared to 30 June 2019. This was attributable to the provisions for impairment for oil and gas assets recognised in FY2020 amounting to RM196.3 million. These were largely off-set by net earnings generated from both the North Sabah PSC and Anasuria Hibiscus segments.

## C. STATEMENT OF CASH FLOWS

### 1. Cash flows from Operating Activities

Net cash generated from operating activities in FY2020 was RM122.3 million. It comprised mainly of net cash received from operations at the North Sabah PSC and the Anasuria Cluster, partly off-set by group-wide operating overheads and payment of taxation obligations incurred for both assets.

### 2. Cash flows used in Investing Activities

Our Group's net cash used in investing activities during FY2020 amounted to RM289.4 million.

Amounts invested in capital expenditure by SEA Hibiscus and Anasuria Hibiscus in FY2020 amounted to RM154.1 million and RM106.8 million respectively.

In addition to the above, RM21.1 million was paid for the second and final tranche of deferred consideration relating to the North Sabah Acquisition in March 2020, per the agreed schedule.

### 3. Cash flows from Financing Activities

Net cash generated from financing activities during FY2020 was RM38.8 million, arising from the drawdown of a term loan in January 2020. It was partly off-set by payments of lease obligations.

# MANAGEMENT DISCUSSION & ANALYSIS

## 4. IDENTIFIED ANTICIPATED AND KNOWN RISKS

Our Group is focused on delivering our business targets and driving future growth whilst managing our capital structure and liquidity. The Executive Risk Management Committee (ERMC), guided by an enterprise risk management framework, as approved by the Board of Directors, monitors the various risk factors that may impact our Group and proposes strategies and measures to mitigate these risks where possible.

Our Group has carried out a robust assessment of its key risk factors below (in no order of priority) that are currently being monitored on a regular basis.

**1. Oil Price Fluctuations**

| | |
|---|---|
| **Mitigation Strategies** | • Maintain low-cost structure to safely operate our assets in manner that protects their viability and business sustainability *(e.g. by differentiating essential and non-essential expenditure, determination of breakeven prices of each of our assets, and reassessment of human capital requirement)*.<br>• Suspend impending high value contracts, defer expenditure which are non-safety or non-integrity related, and/or negotiate alternative arrangements with providers.<br>• Utilise conservative oil price projections for new investment decision making purposes.<br>• Implement oil price hedging in consultation with the Audit and Risk Management Committee and the Board of Directors. |

**2. Liquidity and Funding**

| | |
|---|---|
| **Mitigation Strategies** | In addition to mitigation strategies highlighted under risk of oil price fluctuation:<br>• Review of Group cash flow requirements on an ongoing basis to ensure adequate resources are available for its needs.<br>• Continuous systematic engagements with relevant market participants on financing and capital arrangements, and with oil and gas regulators and partners on plans for existing assets.<br>• Continue public relations and investor relations plan with specific focus on potential investors, monitoring of market movements, and dissemination of accurate information via corporate channels.<br>• Ensure financial and capital discipline practised across our Group. |

**3. Health, Safety, Security and Environment (HSSE)**

| | |
|---|---|
| **Mitigation Strategies** | • Maintain, with core contractors, a comprehensive programme of assurance activities by promoting a culture of engagement and transparency in relation to HSSE matters.<br>• Active engagements with oil and gas regulators, local authorities and the community in combating threats such as oil spills and asset damage caused by fish bombing activities.<br>• Continuous monitoring of the evolving situation and impacts of the COVID-19 pandemic with all stakeholders, including governmental, industry and medical organisations. Appropriate actions to be implemented in accordance with expert advice.<br>• Our HSSE function to review, lead and support the activation of pertinent parts of the Business Continuity Plan *(e.g. awareness and education across business environment, implementation of government prevention and mitigation measures, medical emergency response in place, and following industry guidelines to protect travelling and manpower traveling or at work).* |

**4. Information Technology (IT) Security and Disaster Recovery**

| | |
|---|---|
| **Mitigation Strategies** | • Implement robust processes and changes in IT security operations, especially in the cyber security environment, with continuous monitoring.<br>• Set-up Disaster Recovery (DR) site including simulation of DR activities, and to carry out annual audit and testing on DR site to defend Group IT systems against disruption or attack.<br>• Stakeholder education including online learning assessment tracking and robust policy enforcement. |

**5. Business Priorities Alignment**

| | |
|---|---|
| **Mitigation Strategies** | • Stay cognisant of our agreements and contractual obligations and requirements.<br>• Maintain open and transparent regular communication channels with our partners and keep abreast of their business drivers to ensure alignment of interests and to maximise joint assets' value.<br>• Plan our investments so that on a portfolio basis, the impact of this specific risk factor is mitigated to the best of our abilities. |

**6. Business Integrity**

| | |
|---|---|
| **Mitigation Strategies** | • Conduct all activities in accordance with approved policies, standards and procedures.<br>• Adherence to our *Code of Conduct and Ethics*, *Anti-Corruption and Anti-Bribery Policy,* and run compliance programmes with regular training to staff in ensuring conformity with relevant legal and ethical requirements.<br>• Regular audit activities to provide assurance on compliance with established policies, standards and procedures. |

**7. Implementation of Taxes Related to Greenhouse Gas Emissions**

| | |
|---|---|
| **Mitigation Strategy** | • Undertake projects to deliver a Net Zero carbon footprint in an accelerated timeframe. |

**8. Partner Risks**

| | |
|---|---|
| **Mitigation Strategy** | • Continuous dialogue with key partners to remain in business alignment. |

# MANAGEMENT DISCUSSION & ANALYSIS

## 5. OUR FUTURE: OBJECTIVES AND STRATEGIES FOR CREATING VALUE

1. **Protect the base:**

   The COVID-19 pandemic has caused there to emerge dark clouds around nearly every sphere of economic activity. In this realm of uncertainty our Group must, as a priority, remain agile and cost effective so that we generate positive cash flows and continue as a viable business. In this regard, our current producing assets are our focus as they are the sources of our cash flow.

2. **Organic growth:**

   We have an opportunity to develop our existing undeveloped resource bases in both the UK and Malaysia. These resource bases are reasonably material and have longevity. In the immediate term, the weak oil price regime translates to a lower cost of implementing the opportunities that we already have in hand and thus, there are merits to undertake these projects at the current time. These new projects will enhance overall group production, initially from both the Anasuria and Marigold Clusters. We are actively progressing such opportunities.

3. **Mergers and Acquisitions (M&A):**

   Over the past two years we have demonstrated our capabilities and commitment to delivering enhanced production at low unit operating costs. In Malaysia, our efforts are being recognised by our partners PETRONAS Carigali and the host regulator PETRONAS as is evidenced by the numerous awards accorded to our subsidiary, SEA Hibiscus. The current low oil price environment has led to a number of larger PSC operators looking to exit Malaysia and the South East Asia region. The awards that we have won serve to qualify us as participants in some of the divestments that are on the horizon. In this regard, we are embarking on a relatively large capital raising exercise that will enable us to be ready to react to merger and acquisition opportunities in which our Group may be a successful bidder. The objective of such M&A initiatives would be to materially increase the scale of our Group and make us relevant in an industry sector in which a selective few may survive and receive investor support.

4. **Sustainability:**

   To remain an investable player in this sector will require a clear and defined path towards the reduction of greenhouse gas emissions in all that we do. Tangible efforts and investments are being made, as long as feasible, to include business sustainability considerations in our activities. We believe that in the long term, these initiatives will provide us a competitive edge.

## 6. CONCLUDING REMARKS

It has been a challenging period for all. For many of us, the business environment may get more difficult before things get better. As an organisation we believe that we need to deliver on our primary business objectives for all our stakeholders but in addition, also demonstrate a degree of social responsibility by modestly assisting those communities facing economic hardship at this time. We will try to meet these challenging goals by being Responsible and Resilient.

**DR KENNETH GERARD PEREIRA**
Managing Director
8 October 2020


RESPONSIBLE
AND RESILIENT


WORLD BANK: MALAYSIA RIDING OUT
Thank You
The unsung heroes and heroines, assisting doctors with their duties and providing the day-to-day care of patients stricken with the infectious and dangerous COVID-19 ailment.

# CALENDAR OF EVENTS

## 21 NOVEMBER 2019

Hibiscus Petroleum Berhad (Hibiscus Petroleum or the Company) announced several corporate and business updates which included the following:

i. On 28 July 2019, the GUA-P1 ST well reached a total depth of 11,615-feet measured depth and encountered approximately 445-feet True Vertical Depth Subsea (TVDSS) of oil-bearing sands with a net pay of 190-feet 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 at the end of August 2019. The well achieved a stabilised gross production flow rate to the Anasuria Floating Production Storage and Offloading (FPSO) of approximately 1,800 barrels per day (900 barrels per day net to Anasuria Hibiscus UK Limited (Anasuria Hibiscus));

ii. Ithaca Energy (UK) Limited (Ithaca), the Operator for the Cook Joint Venture, completed the drilling of the water injection well in May 2019. Subsequently, the installation of subsea facilities to connect the well to the Anasuria FPSO to allow the injection of water was completed in October 2019. In drilling the water injection well, the reservoir pressure at the injection well location was found to be as predicted. Additionally, the oil water contact was found to be deeper than originally anticipated;

iii. On 17 October 2018, the acquisition of a 50% participating interest in two discovered field in Blocks 15/13a (Marigold) and 15/13b (Sunflower) in the Central North Sea was completed. A concept select report for the development of Marigold and Sunflower fields was submitted to the United Kingdom, Oil and Gas Authority (OGA) on 31 August 2019. A letter of no objection to the selected concept was issued by the OGA on 15 October 2019; and

iv. Drilling operations for the St Joseph Infill campaign were completed in August 2019. The three infill wells reported a combined stabilised flowrate of over 3,200 barrels per day gross and exceeded pre-drill expectations of 2,600 barrels per day.

## 12 DECEMBER 2019

Hibiscus Petroleum announced that pursuant to the earlier disclosures made on 17 July 2019 and 7 October 2019, its indirect wholly-owned subsidiary, Anasuria Hibiscus had completed the acquisition of North Sea Blocks 15/18d and 15/19b (Crown Discovery), from United Oil & Gas PLC and Swift Exploration Limited for a total cash consideration of up to USD5 million.

## 6 FEBRUARY 2020

YBhg Datuk M. Magendran, the first Malaysian to reach the summit of Mount Everest, gave an inspirational talk entitled "Reaching for Greater Heights", based on the challenges he overcame to achieve his goal and national aspirations.

## 25 FEBRUARY 2020

Hibiscus Petroleum announced the following:

- On 26 October 2019, the second well of the South Furious 30 Infill Drilling project development plan, SF30-4, was brought online with an initial well test of 480 barrels per day. The third well, SF30-6, drilled in October 2019 was found to be wet. Subsequently, a sidetrack well, SF30-6ST1 was drilled in November 2019 following the drilling of the South Furious 30 Water Flood Phase 1 infill water injector. The sidetrack well found hydrocarbons but was suspended pending the completion of the South Furious 30 Water Flood Phase 1 project.

## 4 MAY 2020

Hibiscus Petroleum signed a deed of supply and collaboration (Deed) with Trafigura Pte Ltd (Trafigura) in April 2020 which covers several areas of commercial cooperation:-

- Potential future offtake of crude oil by Trafigura from assets owned/projects undertaken by Hibiscus Petroleum; and
- Potential funding for projects and asset acquisitions pursued by Hibiscus Petroleum.

## 11 JUNE 2020

Hibiscus Petroleum announced that 3D Oil's wholly-owned subsidiary, 3D Oil T49P Pty Ltd had completed the farmout of T/49P to ConocoPhillips Australia SH1 Pty Ltd (COP) following the approval of documentation by the National Offshore Petroleum Titles Administrator (NOPTA). Under the terms of the Joint Operating Agreement (JOA), COP would hold an 80% interest in the Permit and become operator, with 3D Oil holding the remaining 20% interest.

## 24 AUGUST 2020

The Group's North Sabah operations received the following awards for production operations in Malaysia:

- Malaysia Upstream Awards 2020:
  - Best Emerging Petroleum Arrangement Contractor;
  - Wells Excellence Category - GOLD Award; and
  - Drilling Excellence Category - BRONZE Award.

- PETRONAS Focused Recognition Award:
  Successful delivery of St Joseph Minor and Major Sands Field Development Plan (FDP). The citation acknowledged our team for "*demonstrating strong commitment and determined effort to review St Joseph OPEX and firm pledge to cost reduction, leading to the timely delivery of cost-effective reserves monetisation. This resulted in a successful FDP formulation within a nine-month stretched timeline*".

# CALENDAR OF EVENTS

## 3 SEPTEMBER 2020

Hibiscus Petroleum announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus had been offered the award of three licences, as part of the 32nd United Kingdom Offshore Licensing Round (Licensing Round) launched by the OGA in July 2019:

i. Block 21/24d: A 70% interest was offered for award to Anasuria Hibiscus with the remaining 30% to be held by Zennor Petroleum Limited. This block contains the Teal West discovery, and is approximately 4 kilometres from the Teal manifold of the Anasuria Cluster;

ii. Block 21/19c and Block 21/20c: Anasuria Hibiscus was offered 19.3% for these blocks, with the remaining offered to Ithaca (61.4%) and Ping Petroleum UK Limited (19.3%); and

iii. Block 15/17a: The licence offered for award to Anasuria Hibiscus is on a 100% basis. This block contains part of the Kildrummy discovery plus a minor part of the Beaumaris discovery and the Udny prospect.

## 9 SEPTEMBER 2020

Hibiscus Petroleum announced a proposal to raise up to RM2 billion from a private placement of convertible redeemable preference shares (CRPS).

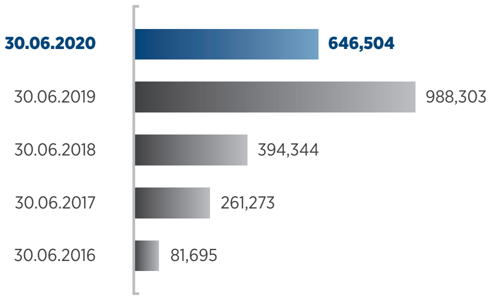
## 8 OCTOBER 2020

Hibiscus Petroleum announced that Carnarvon Hibiscus had completed its acquisition of 50% interest in the VIC/P74 exploration permit in Australia.

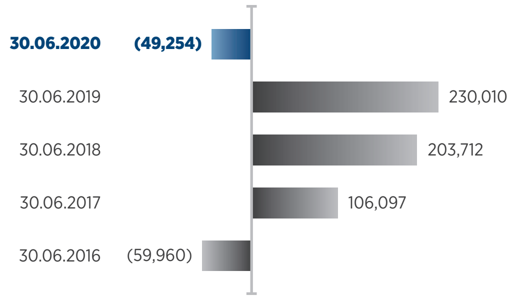
# FINANCIAL HIGHLIGHTS

| | 30.06.2020 RM'000 | 30.06.2019 RM'000 | 30.06.2018 RM'000 | 30.06.2017 RM'000 | 30.06.2016 RM'000 |
|---|---|---|---|---|---|
| Revenue | 646,504 | 988,303 | 394,344 | 261,273 | 81,695 |
| (Loss)/profit after taxation | (49,254) | 230,010 | 203,712 | 106,097 | (59,960) |
| Total assets | 2,426,152 | 2,393,132 | 1,973,965 | 1,319,586 | 1,269,167 |
| Shareholders' equity | 1,221,307 | 1,237,532 | 995,790 | 742,362 | 584,259 |
| Net assets per share | RM0.77 | RM0.78 | RM0.63 | RM0.51 | RM0.45 |
| Basic (loss)/earnings per share | (3.10 sen) | 14.48 sen | 13.19 sen | 7.51 sen | (5.66 sen) |

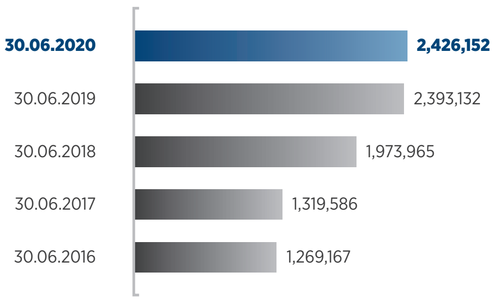
### REVENUE
RM'000



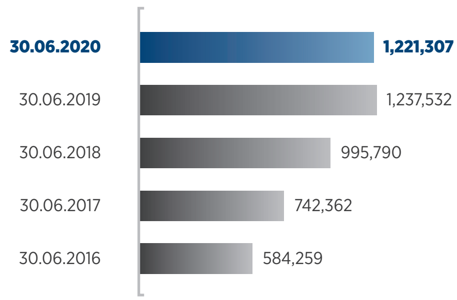

### (LOSS)/PROFIT AFTER TAXATION
RM'000



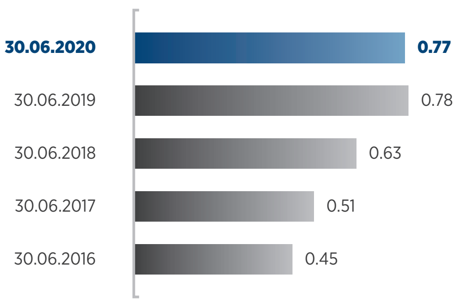

### TOTAL ASSETS
RM'000



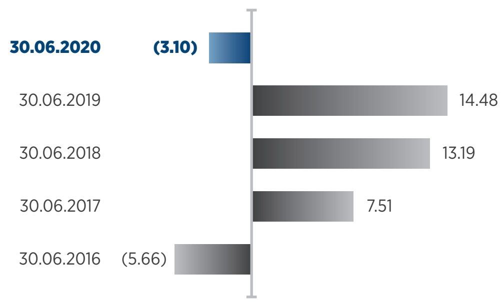

### SHAREHOLDERS' EQUITY
RM'000




### NET ASSETS PER SHARE
RM




### BASIC (LOSS)/EARNINGS PER SHARE
SEN



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

**Dr Kenneth Gerard Pereira**
*Managing Director*

**YBhg Dato' Sri Roushan Arumugam**
*Independent Non-Executive Director*

**Thomas Michael Taylor**
*Senior Independent Non-Executive Director*

**YBhg Dato' Dr Zaha Rina Zahari**
*Independent Non-Executive Director*

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Thomas Michael Taylor**
*Chair*

**Zainul Rahim bin Mohd Zain**
*Member*

**YBhg Dato' Dr Zaha Rina Zahari**
*Member*

## NOMINATING COMMITTEE

**YBhg Dato' Dr Zaha Rina Zahari**
*Chair*

**Zainul Rahim bin Mohd Zain**
*Member*

**YBhg Dato' Sri Roushan Arumugam**
*Member*

**Thomas Michael Taylor**
*Member*

## REMUNERATION COMMITTEE

**YBhg Dato' Sri Roushan Arumugam**
*Chair*

**Zainul Rahim bin Mohd Zain**
*Member*

**Thomas Michael Taylor**
*Member*

## COMPANY SECRETARIES

**Tai Yit Chan** (MAICSA 7009143)
(SSM PC No. 202008001023)
**Tan Ai Ning** (MAICSA 7015852)
(SSM PC No. 202008000067)

## 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

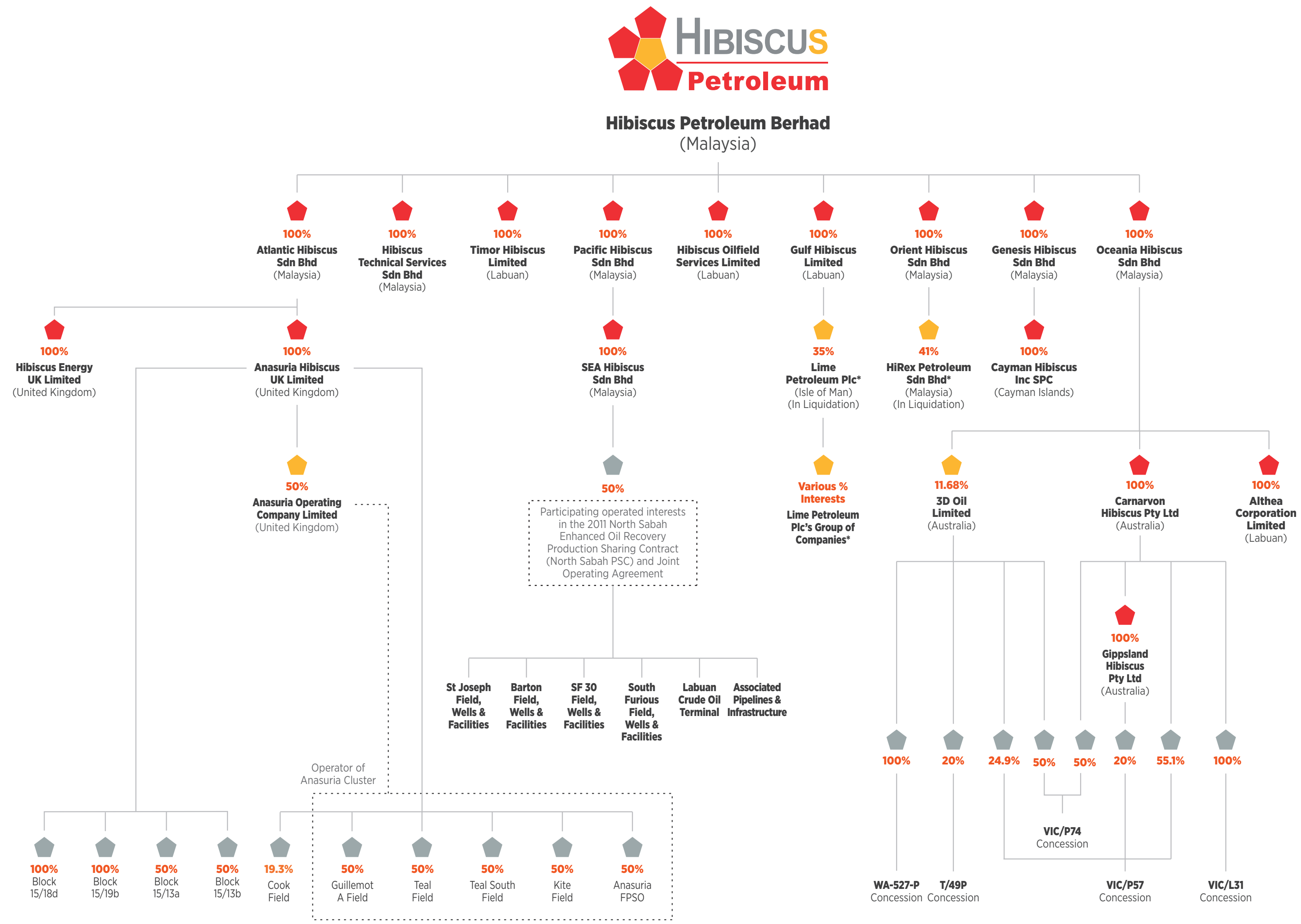
**Tricor Investor & Issuing House Services Sdn Bhd**
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel : +603 2783 9299
Fax : +603 2783 9222

## PRINCIPAL BANKER

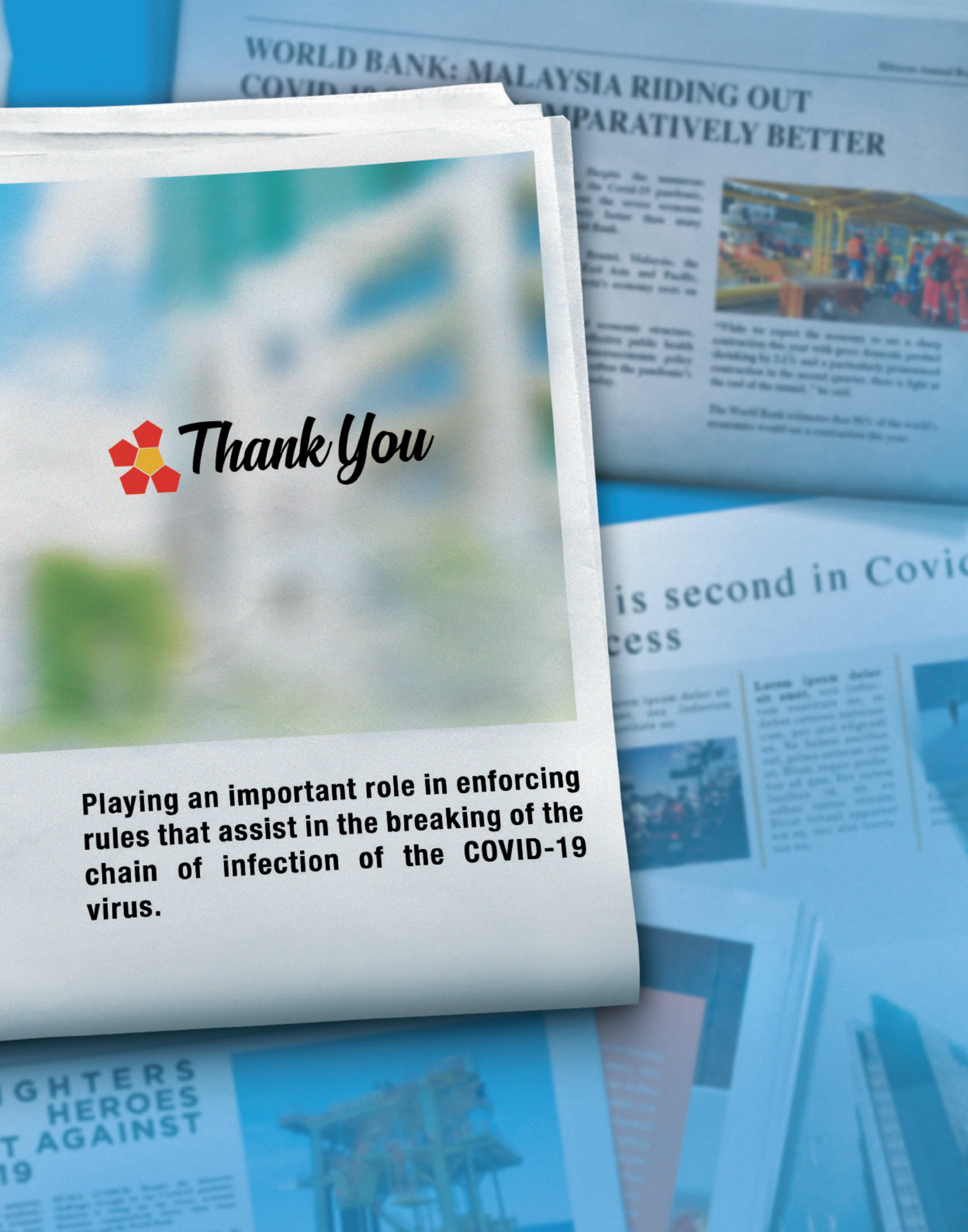
CIMB Islamic Bank Berhad

# CORPORATE STRUCTURE
## (AS AT 8 OCTOBER 2020)




**NOTES:**
* Pending resolution of various issues/claims by Hibiscus Petroleum Berhad Group.


RESPONSIBLE
AND RESILIENT


WORLD BANK: MALAYSIA RIDING OUT
Thank You
Playing an important role in enforcing rules that assist in the breaking of the chain of infection of the COVID-19 virus.

# BOARD OF DIRECTORS
## (AS AT 1 OCTOBER 2020)

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

### NATIONALITY
Malaysian

### AGE/GENDER
67/Male

### DATE APPOINTED TO THE BOARD
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
- Non-Executive Director, Standard Chartered Saadiq Berhad

### WORK EXPERIENCE AND/OR PAST DIRECTORSHIP(S) AND/OR APPOINTMENT(S):
- 42 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
Malaysian

### AGE/GENDER
62/Male

### DATE APPOINTED TO THE BOARD
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):
- 32 years of experience in the oil & gas industry (both in services and E&P)
- Managing Director, Interlink Petroleum Ltd, an oil & gas exploration & production company listed on the BSE (formerly known as Bombay Stock Exchange)
- 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)

# BOARD OF DIRECTORS
## (AS AT 1 OCTOBER 2020)

## YBHG DATO' SRI ROUSHAN ARUMUGAM
Independent Non-Executive Director

**NATIONALITY**
Malaysian

**AGE/GENDER**
48/Male

**DATE APPOINTED TO THE BOARD**
25 July 2011

**DATE OF LAST RE-ELECTION**
5 December 2017

**ACADEMIC/PROFESSIONAL QUALIFICATION(S):**
- MBA, Imperial College Business School, Imperial College, London
- MA in Law, University of Bristol, United Kingdom
- MA in English Language and Literature, St. Catherine's College, 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**
British

**AGE/GENDER**
64/Male

**DATE APPOINTED TO THE BOARD**
1 August 2016

**DATE OF LAST RE-ELECTION**
4 December 2019

**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):**
- 32 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 2020)

## YBHG DATO' DR ZAHA RINA ZAHARI

Independent Non-Executive Director

**NATIONALITY**
Malaysian

**AGE/GENDER**
58/Female

**DATE APPOINTED TO THE BOARD**
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:
- Chair, 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):

- 28 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
- Licenced 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 Coutts, 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) of 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 them by any regulatory body* during the financial year ended 30 June 2020.

5. **Attendance at Board Meetings**
   The details of attendance of each Director at Board Meetings are set out on page 87 of this Annual Report 2019/2020.

**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 2020)

### DR KENNETH GERARD PEREIRA
Managing Director

**NATIONALITY**
Malaysian

**AGE/GENDER**
62/Male

Please refer to page 61 of this Annual Report 2019/2020.

### MARK JOHN PATON
Chief Executive Officer, Anasuria Hibiscus UK Limited

**NATIONALITY**
British and Australian

**AGE/GENDER**
61/Male

**DATE APPOINTED TO THE CURRENT DESIGNATION**
1 February 2020

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

**WORKING EXPERIENCE:**
- Joined Hibiscus Petroleum in March 2013.
- Has over 40 years of experience in the oil and gas industry in both the service sector and exploration and production.
- 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 | AGE/GENDER |
|---|---|
| Malaysian | 46/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
- B.A (Honours) in Accounting and Finance, Middlesex University, London, United Kingdom

### WORKING EXPERIENCE:
- Joined Hibiscus Petroleum in November 2013 and held the position of Vice President, Finance and Group Controller before his appointment as CFO.
- Has over 26 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
Vice President, Project Assurance & Asset Oversight

| NATIONALITY | AGE/GENDER |
|---|---|
| British and American | 64/Male |

### DATE APPOINTED TO THE CURRENT DESIGNATION
1 September 2020

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

### WORKING EXPERIENCE:
- Joined Hibiscus Petroleum Group in April 2019.
- Has over 42 years of experience in Upstream Oil and Gas mainly in Exploration, Development, New Ventures and Management.
- As Vice President Asia - built a significant Exploration and Production 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 2020)

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

**NATIONALITY**
Dutch

**AGE/GENDER**
49/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 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 20 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.

### JOYCE VASUDEVAN
Head, Corporate Finance

**NATIONALITY**
Malaysian

**AGE/GENDER**
52/Female

**DATE APPOINTED TO THE CURRENT DESIGNATION**
2 September 2020

**QUALIFICATIONS:**
- B.Economics, majoring in Accounting, LaTrobe University, Melbourne
- Member of the Australian Society of Certified Practising Accountants

**WORKING EXPERIENCE:**
- Joined Hibiscus Petroleum on 1 January 2011 as CFO and was re-designated as Vice President, Strategy Development effective 5 May 2015 until December 2015. She is currently Head, Corporate Finance.
- Has 29 years of experience in audit, corporate finance, finance, business planning, operations planning, fund raising, investor relations, media relations, strategy development.
- Began as an auditor with Ernst & Young in 1989. Worked in the Corporate Finance department at Malaysian International Merchant Bankers Berhad in 1996 and RHB Sakura Merchant Bankers Berhad from 1997 to 2000 and was involved in numerous projects including acquisitions, corporate restructurings, equity issuances and valuation exercises.
- Joined Carlsberg Brewery Malaysia Berhad in 2000 where she headed the new Business Analysis & Planning Department, and was tasked to drive business plans, formulate sales, marketing, production and competitive business models and, evaluate prospective investments.
- Joined SapuraCrest Petroleum Berhad (now part of Sapura Energy Berhad Group) in 2006 where she headed the Strategic & Operations Planning Unit of the Chief Operating Officer's Office and was responsible for the development of various management and project monitoring systems, and assisting in driving a group-wide reorganisation of its operations.

## GOPALAN-KRISHNAN PAPACHAN
Vice President, Business Development

**NATIONALITY**
Malaysian

**AGE/GENDER**
63/Male

**DATE APPOINTED TO THE CURRENT DESIGNATION**
1 February 2020

**QUALIFICATIONS:**
- B.Sc (Honours) in Mechanical Engineering, Teesside University, United Kingdom
- Barrister – Inns of Court School of Law, London, United Kingdom
- Post-Graduate Diploma in Law, City University, London, United Kingdom
- MSc Finance (Beta Gamma Sigma), Baruch College, City University of New York, Singapore Campus

**WORKING EXPERIENCE:**
- Joined Hibiscus Petroleum Group in June 2018.
- 34 years experience nearly all in the upstream oil and gas industry, with experiences in roles from design engineering through to construction, commissioning, operations, economics, strategy & corporate planning, organisational change management, cost leadership, risk management, and commercial and business development.
- Previously worked at Carigali Hess Operating Company Sdn Bhd (Senior Manager Business Services), Hess Corporation (Commercial Director), Bumi Armada Berhad (Vice President Risk Management, Vice President OilField Services), Shell Malaysia Upstream (Senior General Manager, Business Development; Commercial; various roles in Malaysia, Holland and Nigeria) and Esso Production Malaysia Inc (Senior Engineer; various roles in Malaysia and Japan).

## LIM KOCK HOOI
Group Legal Counsel

**NATIONALITY**
Malaysian

**AGE/GENDER**
63/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 in October 2014.
- Over 29 years of experience in oil and gas law practice, both as in-house counsel and external counsel, covering asset transactions, project documentation, and management and resolution of project execution issues, claims & disputes.
- Other related practices include construction, insurance, capital market and project financing.
- Member of 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 prior to joining Hibiscus Petroleum.

# LEADERSHIP TEAM, MANAGEMENT TEAM AND TECHNICAL EXPERTS

## LEADERSHIP TEAM
(AS AT 1 OCTOBER 2020)

### CHONG CHEE SEONG
Chief Operating Officer, SEA Hibiscus

**NATIONALITY**
Malaysian

**AGE/GENDER**
43/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 Group in December 2017.
- Has over 19 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.

### DR AMBROSE GERARD CORRAY
Vice President,
Corporate Services (Human Capital & Information Technology)

**NATIONALITY**
Malaysian

**AGE/GENDER**
63/Male

**DATE APPOINTED TO THE CURRENT DESIGNATION**
8 January 2020

**QUALIFICATIONS:**
- Doctorate in Business, Southern Cross University, Australia
- MBA, Southern Cross University, Australia
- B.Sc (Honours) in Mechanical Engineering, King's College London, United Kingdom

**WORKING EXPERIENCE:**
- Supported Hibiscus Petroleum's successful North Sabah asset acquisition from Shell from 2016 to 2018.
- 37 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 USA drilling activities in Colorado and North Dakota as Joint Venture leader of US, Singapore and European exploration companies.
- Career starting as field engineer through senior management roles, including Country Manager (Brunei, Indonesia, Australia), UK/USA Training & Development Instructor, Supply Chain Management (Asia & Middle East), Market Strategist, Geomarket Manager (Indonesia/Australia) with Schlumberger over a 20 year span. Subsequent role as Regional Manager (Asia Pacific with General Electric) managing their pipeline integrity division.
- Founded Petrosearch Pte Ltd, a service provider in Mergers & Acquisitions, Capital Market Funding, Executive Placement, Project Management, Coaching, Training & Development
- University academic supervisor to two successful Doctoral researchers in FPSO conversion (Australia) and Succession Planning (UAE).

## DEEPAK THAKUR, CFA

Vice President, Economics and Business Planning

**NATIONALITY**
Indian

**AGE/GENDER**
37/Male

### DATE APPOINTED TO THE CURRENT DESIGNATION

1 February 2020

### QUALIFICATIONS:

- Chartered Financial Analyst (CFA), CFA Institute, Charlottesville, Virginia, United States of America
- MBA (Major in Finance), Indian Institute of Management (IIM), Bangalore, India
- B. Tech in Petroleum Engineering, Indian Institute of Technology (IIT), Dhanbad, India

### WORKING EXPERIENCE:

- Joined Hibiscus Petroleum in March 2012.
- Over 13 years of experience in the oil & gas industry in a career dedicated to developing financial models & cash flows, performing valuation & sensitivity analysis, debt funding, corporate planning, financial due diligence and reservoir engineering.
- Previously worked with Essar Group - Business Leadership Programme (BLP), Morgan Stanley and Prize Petroleum Ltd in India on multiple oil and gas opportunities based in South East Asia, United Kingdom, Australia, Africa and India.

### 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 2020.

5. **Directorship in Public Companies and Listed Issuers**
   None of the Leadership team has any directorship in public companies and 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 2020)

**INDARJIT SINGH**
Geoscience Advisor

**SYARIFAH ALIZA SYED AZAUDDIN**
Vice President,
Corporate Governance

**CATHERINE CHOW**
Vice President,
Treasury

**DR CHEN WEI NEE**
Vice President,
New Energy Ventures

**LILY LING LEONG SHUANG**
Senior General Manager,
Corporate Development

**VIVIAN PHANG MUN YEE**
Senior General Manager,
Human Capital

**MEERA SURIN DERPALL**
Senior General Manager,
Risk & Business Process Improvement

**JENNY POH**
Deputy General Manager,
Corporate Secretarial

**LIM SUI YUAN**
Senior Finance Manager

**DOREEN HONG**
Senior Manager,
Corporate Finance

**LIEW SHAU TENG**
Finance Manager

**VINCENT LEE**
Group Internal Auditor

# LEADERSHIP TEAM, MANAGEMENT TEAM AND TECHNICAL EXPERTS

## NORTH SABAH TEAM
**(AS AT 1 OCTOBER 2020)**

**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

**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 2020)

**KEVIN ROBINSON**
Vice President,
Project Assurance & Asset Oversight

**GOLOKAVASINI RAVI PILLAI**
Manager,
Economics & Business Planning

**YEE SHEN YANN**
Assistant Asset Coordinator

## MARIGOLD AND SUNFLOWER TEAM
(AS AT 1 OCTOBER 2020)

**MARK JOHN PATON**
Project Director

**POUL ERIK CHRISTIANSEN**
Project Manager

**DEVARAJAN INDRAN**
Subsurface Manager

**DR JEYANTHI RAMASAMY**
Subsea Manager

**FERGUS KULASINGHE**
Engineering Manager

**CLIFFORD LANG**
Drilling and Completions Manager

## MARIGOLD AND SUNFLOWER TEAM (CONTINUED)
### (AS AT 1 OCTOBER 2020)

**ASHOK KUMAR**
Senior Drilling Manager

**ERIC TIOE**
Senior Geoscientist

**ROY MORGAN**
Project Services Manager

**KIMBERLY KHOO**
Contracts and Procurement Specialist

**MIKE STOKELD**
General Manager, Aberdeen

**MICHAEL CLARKE**
Floating Production Storage and Offloading (FPSO) & Mooring Manager

**CHAN SINE YEE**
Project Accountant

**JOEL SHENG**
IT Manager & System Administrator


RESPONSIBLE
AND RESILIENT


WORLD BANK: MALAYSIA RIDING OUT
Thank You
Working with the Police in ensuring regulations of the Movement Control Order (MCO) are observed in all areas of the country.

# 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 THE RESOURCES OF HIBISCUS PETROLEUM AND ITS SUBSIDIARIES (GROUP) 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 was accorded Green Lane Policy (GLP) status by Bursa Malaysia Securities Berhad (Bursa Securities) in December 2019. The privileges of such inclusion include certain exemptions which provide for the issuance of "non-complex" circulars without pre-vetting by Bursa Securities and fast-tracking of processing of more "complex" circulars which do not fall within the parameters of the exemptions provided.

In addition, in September 2020, Hibiscus Petroleum was ranked in the top 10% of Malaysian public listed companies (85th position out of the 866 companies evaluated) for CG disclosure in the Minority Shareholders Watch Group (MSWG)'s Malaysia-ASEAN Corporate Governance Report 2019. The Company was also ranked in the top 5% of Malaysian public listed companies (38th position out of the 866 companies evaluated) for overall CG and performance.

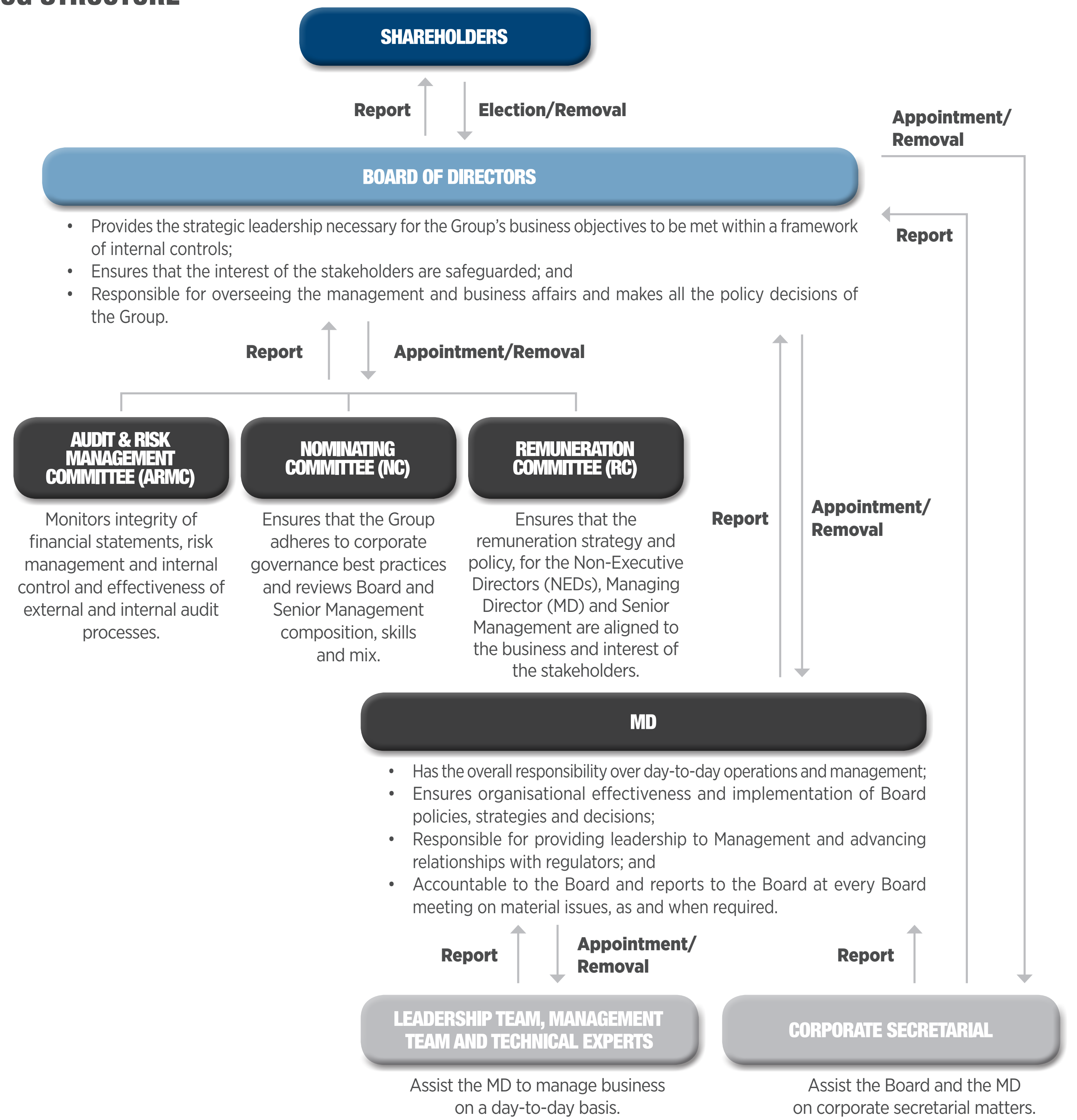
Furthermore, the Group has placed greater emphasis on its Environmental, Social and Governance (ESG) efforts and has improved in its ESG ratings score by over 68% from the previous year, as evaluated by FTSE Russell. In addition, FTSE Russell has rated the Company in the top 25% of listed companies on FTSE Bursa Malaysia (FBM) EMAS Index, achieving the highest rating of 4 stars. The Group shall continue to enhance its performance in order to be accepted as a constituent of the FTSE4Good Index.

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 2020 (FY2020).

This Statement is prepared in compliance with Bursa Securities' Main Market Listing Requirements (MMLR) and is to be read together with the Company's CG report for FY2020 (CG Report) which is available on Hibiscus Petroleum's website (https://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 (MCCG 2017) during FY2020.

## CG STRUCTURE




Our Board is responsible for overseeing the management and business affairs of our Group and is responsible for making major policy decisions. It is supported by three Board Committees namely the ARMC, NC and RC within the scope of responsibilities set out in their respective *Terms of References (TOR)*. Our Board has delegated the day-to-day management of the business to our MD within an approved set of *Limits of Authority (LOA)*.

Board powers are governed by our Company's *Constitution* which was approved by shareholders at the 8th AGM held in December 2018, replacing our earlier Memorandum and Articles of Association which had been the governing document of our Company. Our *Constitution* has, among others, set out the decision-making processes of our Board and the rights of the shareholders to attend and vote at general meetings.

Directors have access to our Management team and where necessary and appropriate, to independent advisors for the purposes of obtaining such information and advice required to discharge their responsibilities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## 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.

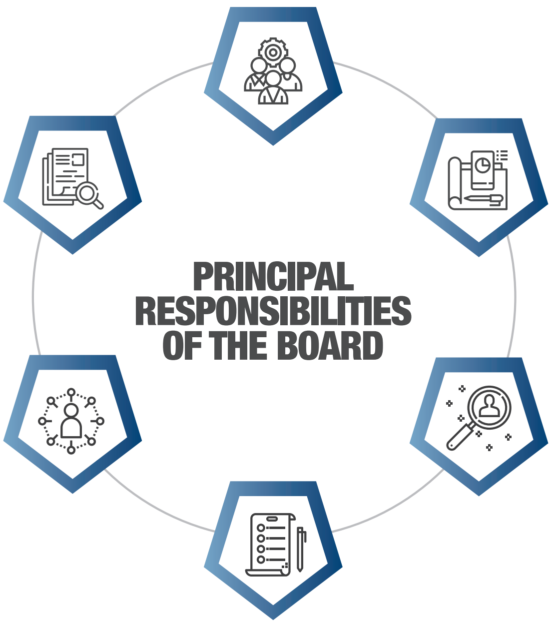
The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable under law for the Group's activities, strategies and financial management.

The principal responsibilities of the Board are shown in the diagram below:

Developing and implementing an investor relations programme or shareholders' communication policy for the Group

Identifying principal risk, determining risk appetite and ensuring the implementation of appropriate systems to manage these risks

Reviewing and adopting a strategic plan for the Group




Succession planning including appointing, training, fixing the compensation and where appropriate, replacing Senior Management

Overseeing the conduct of the Group's business to evaluate whether the business is properly managed

Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines

The Board provides the Management with invaluable steer through close scrutiny of the business plan proposed by the MD and Management team in a combined effort to develop an optimum strategic blueprint and best available cost structure for the Group, taking into account the current industry dynamics and highly competitive landscape, as well as the expected market outlook. Proposed strategies 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.

In the first quarter of 2020, a general global demand collapse caused by the effects of the COVID-19 pandemic and crude oil over-supply exacerbated by a Saudi Arabia/Russia price war posed new challenges not only to the Group, but also to the ecosystem in which we operate. Given the dynamic and unprecedented environment, the Board recognised that earlier approved strategies required a review due to the new circumstances. Safety of our staff and third party contractors was prioritised whilst a revised business plan was developed and implemented.

The Board also plays an active role in monitoring the execution of strategies by Senior Management, reviewing performance and determining business risk parameters as they evolve. In addition to the regular operations update at Board Meetings, planned reviews of the Group's operating and financial performance are discussed at quarterly intervals. Our Management team is held accountable for agreed deliverables and their performance is measured against the Key Performance Indexes (KPIs) set out in the Group Scorecard. Further details can be found in the NC Report on pages 124 to 126.

The Board is assisted in its functions and responsibilities by the ARMC, the NC and the RC which review in detail, matters within their *TOR*s, 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.

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.

Reserved Matters include 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.

As part of the periodic review carried out on the Group's internal control systems, the *LOA* for the Group was 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 separate *LOA* for SEA Hibiscus was introduced in March 2018 while an updated Project Marigold and Sunflower *LOA* was issued in February 2020. The sufficiency of *LOA*s are reviewed regularly.

In addition, the Board is also accountable for ensuring the adequacy of risk management through continuous identification of key risks and management of its impact on our Group. As such, the Board continuously reviews the Group's risk assessments against its risk tolerance parameters.

With the introduction and implementation of the corporate liability provisions introduced by Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (amended 2018), the Group updated its *Anti-Corruption and Anti-Bribery (ACAB) Policy* in April 2020. The Group's *ACAB Policy*, reviewed peridiocally, is published on Hibiscus Petroleum's website, https://www.hibiscuspetroleum.com.

The *ACAB Policy* serves as a reminder to Directors and employees of the Group, and those who have dealings with the Group, to be aware of the Group's zero-tolerance policy against all forms of bribery and corruption. Furthermore, in view of the legal provisions which are more encompassing, an *ACAB* programme has been established to strengthen existing procedures (where necessary) to reduce the risk of any improper gratification being exchanged or received. Steps taken under the programme include the conduct of an anti-corruption risk assessment evaluation at both corporate and project levels to gauge the potential risk exposure of the Group through any gaps in controls identified, and taking the necessary steps in proportion to the scale, nature, complexity and potential impact of such risks. Other initiatives carried out include several briefing sessions held to generate awareness on the new provisions of the MACC Act and reinforcement training on the *ACAB Policy*. It is planned that quizzes shall be carried out on a periodic basis beginning in the fourth quarter of this calendar year to test internal understanding in both these areas. In addition, further updates to the *Whistle Blower Policy* were made on 27 May 2019 and 25 October 2019 to further tighten our controls.

Further details on the above efforts can be found in the ARMC Report and the Statement on Risk Management and Internal Control (SORMIC) on pages 129 to 132 and pages 133 to 139.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Additionally, Hibiscus Petroleum conducted an overall review of its established policies and has refined existing policies such as its *Code of Conduct and Ethics* in March 2019 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. Meanwhile, our *Whistle Blower Policy*, latest revision of which was issued in October 2019, had 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 certain modern slavery practices, a stand-alone *Anti-Modern Slavery Policy* was announced in July 2019 to reiterate the Group's stand against modern slavery practices, to provide further support to the amended C*ode of Conduct and Ethics*.

With regard to affiliations to political parties or groups, 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 also introduced an *Environment Policy* in September 2019. This was part of an initiative to use energy and natural resources wisely and efficiently, and to ensure our environmental management system continually assesses the impact of our 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).

Furthermore, the provisions of our *Drug and Alcohol Policy* were strengthened in January 2020 to permit the Group a right to test employees and all those working in the Group's premises, to ensure a safe and healthy work environment for all, as well as to minimise the risk of any untoward incidents/accidents from occurring.

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 Polic*y and *Environment Policy* are set out in the CG Report, and these documents can be found on Hibiscus Petroleum's website: https://www.hibiscuspetroleum.com/corporate-governance.

Under the MMLR, our Directors are required to abstain from deliberating and voting on any matter in which they may be deemed interested, directly or indirectly, including any contract or proposed contract or arrangement involving a Group entity. Interested Directors recuse themselves from any discussion and voting, thus ensuring that our Board's decision is made objectively in the best interest of our Group.

As part of the monitoring of conflicts and RPTs, the directorships and shareholdings held by Directors in our Company and companies other than Hibiscus Petroleum (and any changes thereto), are tabled at the quarterly Board meetings. Our Directors' shareholdings in Hibiscus Petroleum are reported on page 251 of this Annual Report 2019/2020.

Our Directors and all of our employees including Principal Officers are reminded of their obligations not to deal in Hibiscus Petroleum securities whenever they may be in possession of price sensitive information, in addition to reminders of disclosure requirements in respect of dealings during the open and closed periods. Insider trading is a prohibited activity under law and we have in place our *Policy with Regard to Insider Dealing* to reinforce the prohibition. During FY2020, neither our Directors nor our Principal Officers dealt in Hibiscus Petroleum securities during the specified closed periods.

Our Board is assisted by our ARMC in matters relating to internal control and compliance. Matters discussed at ARMC meetings include the Group scorecard and quarterly asset performance review, financial reporting, risk management update from the Chairman of the Executive Risk Management Committee (ERMC) and any arising RPT matters.

Our Board has entrusted our NC to review the implementation of our talent management strategies and oversee succession planning. In FY2020, our Board and NC had regular engagements with the MD and Human Capital Department to examine the optimisation of our organisation structure to meet current challenges and providing the necessary training support to up-skill our workforce, where necessary. Further information can be found in the NC Report on pages 124 to 126.

Our Board through the RC reviewed our Directors' remuneration to ensure it is aligned with our *Directors' Remuneration Policy* and is market competitive. Our RC also reviewed among others, the profit share payments and salary review 2020 for the employees of the Group as well as the remuneration package of our MD and the Leadership team as part of the annual performance evaluation.

Hibiscus Petroleum's reward philosophy is to attract, engage/develop, motivate and retain talents within the Group's affordability. Our Group's policy in the selection, appointment and remuneration of the Leadership team takes into account various factors such as skills sets, education level, breadth of experience, level of accountability and complexity of the job, that may contribute towards the discharge of their respective duties. These criteria are not exhaustive and may include other important criteria such as collaborative skills.

Salary structures are appropriately benchmarked and the salary range for each level has been established. Total remuneration for the Leadership team is made up of a fixed component comprising of basic salary and a variable component awarded based on performance rating and achievement of performance targets set by the Group and the individual. Further details can be found in the RC Report on pages 127 and 128.

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**

Hibiscus Petroleum is led by a Board that is diverse in age, ethnicity, gender, experience, skills and knowledge from sectors such as oil and gas, business administration, finance and banking, engineering, accounting audit and the legal field which serves to provide the necessary range of perspective and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage and harness on such differences to further propel Hibiscus Petroleum to improve its performance and competitive advantage.

At present, our Board comprises of five Directors including a non-executive Chairman. Three (3) out of five (5) Directors, representing 60% of our Board, are Independent Non-Executive Directors (INED). Hibiscus Petroleum has one (1) woman Director on our Board. Our Directors' profiles are found on pages 60 to 65.

The Board has in place a *Diversity Policy*, updated in July 2019, which sets out the importance of diversity and inclusion in the Group's culture for enhanced value creation. The policy also puts on record 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 brings to the Board.

Appointments to our Board are guided by the factors set out in the NC *TOR* to assess the suitability of candidates, thus ensuring that each of our Directors has the skills, knowledge, expertise, experience, competence, character, integrity and time to effectively discharge his/her role as a Director.

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.

A retiring Director will be assessed by our NC and Board to determine if he/she has performed and discharged his/her responsibilities as well as the justifications for his/her re-election. Our NC will also review an Independent Director whose tenure reaches/exceeds nine (9) years to determine if shareholders' approval should be sought to retain him/her as an Independent Director.

The current tenure of our Independent Directors range from three (3) years to approximately nine (9) years.

The requirements for re-election of Directors are set out in our Company's *Constitution*. An election of Directors by rotation will take place each year at the AGM where one-third (1/3) of, if the number is not three (3) or multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. All Directors shall retire at least once in every three (3) years including the MD.

Our Board undergoes an annual assessment to review its own performance. In line with Practice 5.1 of the MCCG 2017, our NC engaged an independent expert to facilitate objective and candid evaluation when needed. The annual Board assessment is based on a self and peer evaluation with feedback from our individual Directors using a questionnaire. The annual Board assessment provides useful insights on the strengths and weaknesses of our Board, the Board Committees and individual Directors, which will enable members to raise the bar on performance, which is one of the traits of a progressive Board. The results of the annual Board assessment are used for the purposes of recommending the annual re-election of our Directors and understanding Directors' training needs.

The level of independence shown by our Independent Directors have consistently demonstrated the values and principles associated with independence, including impartiality, objectivity and consideration of all stakeholders' interests, and are unafraid to voice their opinions, even if they are not aligned with majority views.

At the forthcoming AGM in December 2020, the following Directors whole profiles are set out on pages 61, 62, 64 and 65 will retire and have offered themselves for re-election:

i. YBhg Dato' Sri Roushan Arumugam and YBhg Dato' Dr Zaha Rina Zahari are due for retirement by rotation pursuant to Clause 134 of our Company's *Constitution*; and
ii. Dr Kenneth Gerard Pereira, our MD, shall retire by rotation pursuant to Clause 125 of our Company's *Constitution*.

Based on the results of our annual Board assessment for FY2020, our Board is satisfied that YBhg Dato' Sri Roushan Arumugam, YBhg Dato' Dr Zaha Rina Zahari and Dr Kenneth Gerard Pereira have contributed to the overall effectiveness of our Board, and our Board has therefore recommended that they be re-elected as Directors of our Company.

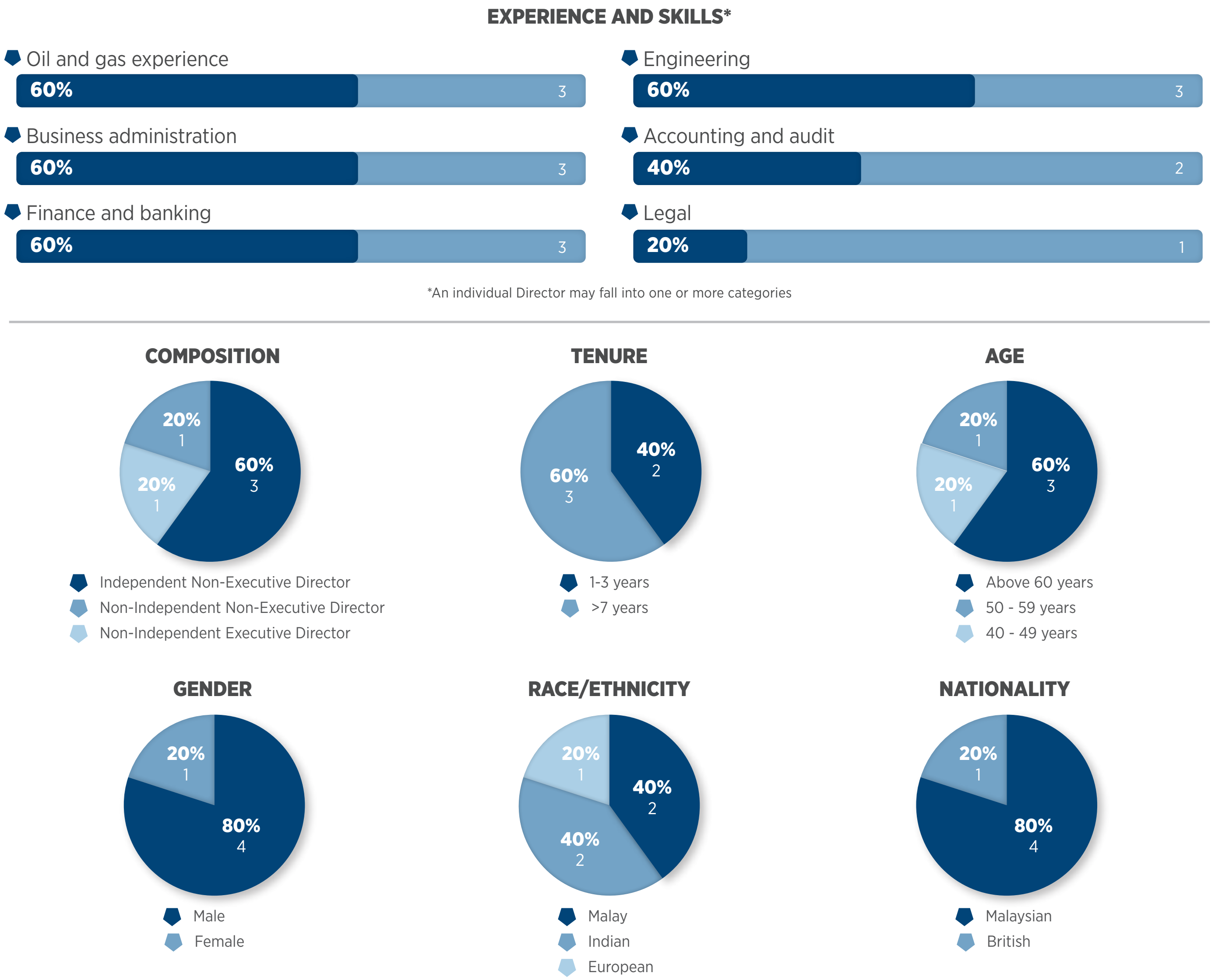
# CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition, with the recommendation of the NC and Board, YBhg 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 an Independent NED of the Company until the conclusion of the next AGM in year 2021. Earlier approval for YBhg Dato' Sri Roushan Arumugam to serve past the 9-year term period which ended on 24 July 2020, was received at the 9th Annual General Meeting (AGM) held on 4 December 2019.

Our annual Board assessment review also includes an appraisal to determine if the Board is the right size and has sufficient diversity with independent elements to meet both the current and future challenges of Hibiscus Petroleum. This evaluation was carried out in September 2020. With the wide spectrum of knowledge of our present Directors and a sound governance structure, our Board is of the view that the present composition and size are adequate for the effective discharge of its roles and responsibilities.

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

## BOARD DIVERSITY




**NOTE:**
Numbers denote members of the Board.

Our Board is required to meet at least four (4) times each financial year in accordance with our *Board Charter*. The annual Board Meeting calendar is planned ahead and communicated to our Directors prior to the commencement of each new financial year.

Each Director shall devote sufficient time and effort to our Group's affairs and this includes limiting his/her Directorship in other companies. Our Directors have been informed of their duties and responsibilities, time commitment as well as their rights and entitlement via the letters of appointment issued. None of our Directors are presently serving on the board of more than five (5) public listed companies on Bursa Securities. In addition, our Board policy for acceptance of external board appointments requires notification to be given to the Board Chairman and if there are any potential conflicts of interest, our Board Chairman should be consulted prior to acceptance.

Changes in our directorships are tabled at Board meetings if there are any. At the present time, our Board is satisfied that the present directorships in external organisations held by our Directors do not give rise to any conflicts of interest nor impair their ability to discharge their responsibilities.

A total of fourteen (14) Board meetings were held during the FY2020. Nevertheless, engagements between our Board and Management team were not confined to quarterly Board meetings as there were regular engagements between the Board and/or individual Directors and relevant Management members through ad-hoc private sessions, pre-Board and pre-Board Committee meetings.

| Name | Board | ARMC | NC | RC |
|---|---|---|---|---|
| Number of meetings held during FY2020 | 14 | 9 | 2 | 4 |
| Zainul Rahim bin Mohd Zain | 14/14 | 9/9 | 2/2 | 4/4 |
| Dr Kenneth Gerard Pereira | 14/14 | n/a | n/a | n/a |
| YBhg Dato' Sri Roushan Arumugam | 14/14 | n/a | 2/2 | 4/4 |
| Thomas Michael Taylor | 14/14 | 9/9 | 2/2 | 4/4 |
| YBhg Dato' Dr Zaha Rina Zahari | 14/14 | 9/9 | 2/2 | n/a |

Prior to each Board meeting, a comprehensive set of materials is prepared and circulated to every Director. Our Company Secretaries issue the Notice of Board Meetings setting out the agenda items which would have been discussed with our MD prior to finalisation. The materials are circulated electronically.

During FY2020, items discussed and approved by our Board included the annual business plan, annual financial statements and quarterly unaudited consolidated financial statements, annual performance review and Group scorecard, operations/business, HSSE and financial and non-financial performance updates.

In addition, the training needs of our Directors are identified through the annual Board assessment process. This is in addition to the individual Directors' recommendations on appropriate training that will enhance Board effectiveness.

Our Directors attended a wide spectrum of training programmes during FY2020. The Directors are regularly notified of external training programmes by our Corporate Secretarial team. In addition to formal training programmes, our Directors are constantly kept abreast of the market outlook, competitive landscape and changes to the accounting standards by our MD, Management team and external auditors.

All our Directors have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities. A list of seminars/ training participated by our Directors as at 1 October 2020 is shown on pages 14 to 17 of the CG Report.

**3. Remuneration**

The key principles that underpin our *Directors' Remuneration Policy* on NEDs' remuneration acknowledge the various phases that the Company will undergo in its evolution and growth process. In this regard, the prescribed policy was last reviewed in July 2019 to recognise 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 benchmarking with board fees of peer companies, including the top listed companies on Bursa Securities.

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 an 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.

Our NEDs remuneration adheres to a schedule of fixed fees in accordance with their responsibilities on our Board and Board Committees. In addition, our Directors are paid a per-day meeting allowance and reimbursed for expenses which are reasonably incurred by them in the discharge of their duties such as travel and accommodations expenses. There is an established process for the reimbursement of expenses incurred by our NEDs.

At this juncture, we wish to highlight that individual Directors do not participate in the discussions and decisions relating to their own remuneration.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The current NEDs remuneration rates were approved by our Company's shareholders at our AGM in December 2019. In accordance with Section 230 of the Companies Act, 2016 (Act), directors' remuneration shall be subject to shareholders' approval on an annual basis. At the forthcoming AGM in December 2020, our Board will be seeking approval for our NEDs remuneration structure, payable in arrears on a quarterly basis for the period commencing after our AGM to the date of our next AGM in 2021.

Our RC and Board have reviewed and concluded that the meeting allowances rate for NEDs remains competitive and appropriate based on the responsibilities of our Directors, the current market landscape that Hibiscus Petroleum operates in and are within market benchmarks. However, our findings show that the director's fees paid to our Chairman is trailing the market mean whilst the fees paid to our other NEDs fall within the "market average" range. Current market conditions require even more oversight by the Board but given the current economic climate, no adjustments to the fees paid to Board members are being proposed at this time. Please refer to the RC Report on page 128 and pages 35 to 37 of the CG Report.

**MD's Remuneration**

The MD is remunerated in accordance with the terms of his employment contract which was approved by our Board. Our MD's 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 be referred to in the Audited Financial Statements on page 222 of this Annual Report 2019/2020.

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### i. ARMC

Hibiscus Petroleum has a combined Board Committee with audit and risk functions. Our ARMC 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 and chaired by our Senior Independent NED. The composition of our ARMC is reviewed annually by our NC and recommended to the Board for approval. With the view to maintain an independent and effective ARMC, our 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*, our Board is assisted by our ARMC 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.

Our ARMC 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* of the Group.

### ii. Risk Management and Internal Control framework

Our 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 SORMIC, which has been reviewed by the external auditors, is set out on pages 133 to 139 of this Annual Report 2019/2020.

With the introduction and implementation of the corporate liability provisions introduced by Section 17A of the MACC Act 2009 (amended 2018), an anti-corruption risk assessment evaluation at both corporate and project levels has been conducted and such evaluations are consolidated together with the overall risk management evaluation done for the Group.

In addition, our Board had earlier established an internal audit function within the Company, which is headed by the Group Internal Auditor who reports directly to the ARMC.

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

**i. Communication with Stakeholders**

Our Board is committed to adequate and timely disclosure of information whether financial, organisational, governance or transactions related, to enable stakeholders to assess our Group's performance. The *Corporate Disclosure Policies and Procedures (CDDP)* regulate interaction with our stakeholders and our Group's spokespersons adhere to such policy.

We recognise the importance of shareholder engagement, which is reflective of the Board's fiduciary duties to the shareholders. The Group leverages on information technology to disseminate information such as annual reports, quarterly reports, corporate and business updates, 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 financial results and corporate governance.

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 and fund analyst briefings are held 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 key information 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.

**ii. Conduct of General Meetings**

The AGM is the annual forum for shareholders' engagement and communication. Notice of our 9th AGM in 2019 was issued more than 28 days before the AGM to ensure sufficient time for our shareholders to plan for their attendance and if required, lodge their proxy form.

Over 600 shareholders and proxies representing 41.84% of our Company's issued share capital attended our AGM that was held on 4 December 2019. Our Directors including the MD and Management team were present at the AGM to engage with our shareholders and addressed their queries regarding Hibiscus Petroleum 's financial and business performance.

Voting at our AGM was carried out by way of e-polling. Our Company appointed its share registrar, Tricor Investor & Issuing House Services Sdn Bhd as poll administrator to conduct the poll by way of electronic voting and Deloitte Risk Advisory Sdn Bhd as independent scrutineer to verify the poll results.

Our forthcoming 10th AGM scheduled on 2 December 2020, will be held via a fully virtual platform. The Notice of this AGM will be issued on 30 October 2020, giving our shareholders 32 days' notice prior to the meeting. A letter will be sent on 30 October 2020 to all shareholders notifying them that the Notice of the 10th AGM, Proxy Form, Administrative Guide, Annual Report 2019/2020 and the CG Report can be downloaded from our corporate website at https://www.hibiscuspetroleum.com. At this juncture, we wish to advise that a hard copy print-out of the Annual Report 2019/2020 will only be sent to shareholders upon request.

The decision to hold a fully virtual AGM in December 2020 is in view of the prevalent COVID-19 pandemic, to ensure the safety of all individuals, in accordance with the Guidance on the Conduct of General Meetings by Listed Issuers issued by the Securities Commission on 18 April 2020, which was subsequently revised on 15 July 2020 (including any amendment(s) that may be made from time to time) and the latest revised standard operating procedures issued by Majlis Keselamatan Negara (MKN) on 6 August 2020 (including any amendment(s) that may be made).

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

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

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.

This CG Overview Statement was approved by the Board on 1 October 2020.

# 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 ELEMENTS AND MINIMISE THOSE NEGATIVE EFFECTS THAT ORIGINATE FROM OUR BUSINESS WHICH IMPACT HIBISCUS PETROLEUM BERHAD GROUP (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 in these areas for the financial year ended 30 June 2020 (FY2020). Our material sustainability matters are specifically 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 2019/2020 which cover aspects of sustainability, namely our Management Discussion & Analysis, our Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control (SORMIC).

### 1.0 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 North Sabah PSC at the end of March 2018, only 2 years of comparative data is available.

Anasuria Operating Company Limited (AOCL) is equally owned by the Anasuria concessionaires i.e. Anasuria Hibiscus UK Limited and Ping Petroleum UK Limited (PPUK), 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 Energy (UK) Limited) 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.

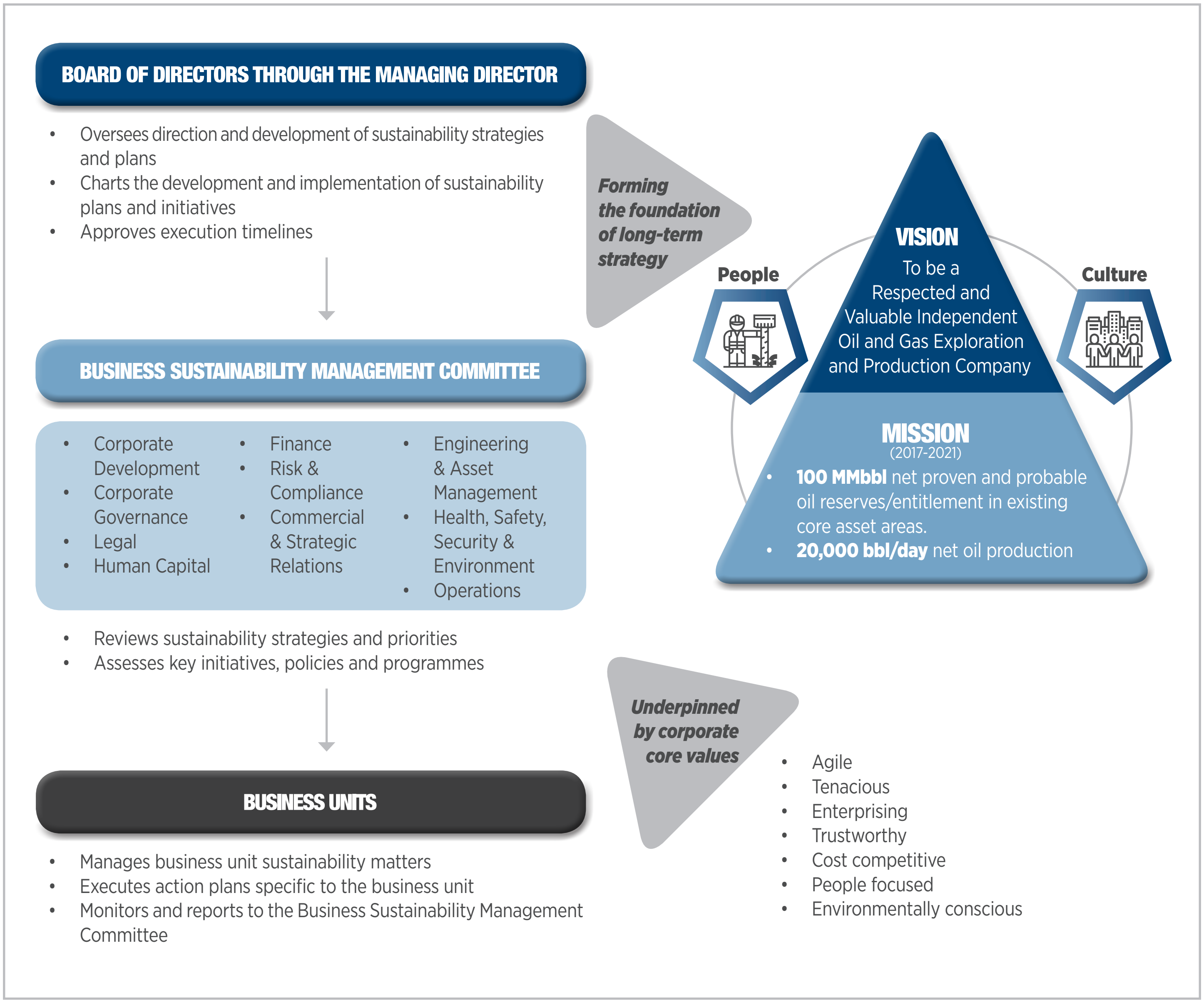
As joint operator of Anasuria, through our ownership of AOCL, it is possible for us to partly rely on the provisions of the management system standards of our Duty Holder. Petrofac is a reputable oil and gas services company in Aberdeen and provides substantial depth to AOCL's overall operating capability. As Duty Holder for Anasuria, Petrofac is responsible for the day-to-day management of the Anasuria FPSO, pipelines and wells facilities. Management of these are to be 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 clearly articulated vision and mission.

The tone of driving and managing sustainability throughout the organisation is set from the top through our Managing Director and the 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.



# 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 6 of our peers within the Oil & Gas Exploration & Production industry; and
- 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 the views of our stakeholders 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 SORMIC for more information.

## 3.0 PRIORITISING OUR MATERIAL SUSTAINABILITY MATTERS

After the initial identification of material sustainability issues, we performed internal reviews with Senior Management and the Board to finalise the material themes, initiatives currently being performed and planned for action, 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 & SECURITY** |
| Occupational health & safety |
| Process safety & asset integrity |
| Safety assessments & emergency preparedness |
| **ENVIRONMENT** |
| Climate change & greenhouse gas emissions |
| Effluents and waste |
| Major incident response |
| **ECONOMIC** |
| Value generation & distribution |
| **HUMAN CAPITAL** |
| Workforce profile - diversity, turnover, localisation |
| Performance & reward |
| Talent development |
| Employee experience |
| **COMMUNITY RELATIONS** |
| Engagement and impact management |
| Employment & training initiatives |
| Community investment |
| **SOCIETY** |
| Human rights |
| **INFORMATION TECHNOLOGY (IT)** |
| Cyber security |

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.

Health, Safety, Security and Environment (HSSE) considerations are embedded into every task and business decision.

Threats are identified and assessed by subject matter experts in terms of their technical and non-technical risk using an established Risk Assessment Matrix (RAM). The RAM evaluates an identified risk's likelihood and consequence to our set risk tolerance levels, thus forming an integral part of the risk management decision-making process.

### 4.1 Occupational Health and Safety (OH&S)

We strive, without exception, to meet our obligation to ensure that our people are not placed in an environment that is inherently hazardous. For this, various controls which govern the overarching safety culture of the organisation, our work systems and processes have been introduced. Central amongst these are the core policies that cover the HSS aspects of our business. 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.

Processes to encourage open dialogues on the work being performed and to share ideas which increase our capacity to safely manage work and critical activities, to be mindful of risks and to be committed to enhancing controls to mitigate such risks are practised at all levels across the Group. Further, we take learnings from past events and use them to improve our procedures, training, maintenance programmes and designs. Our ability to understand how people work enhances our ability to identify potential risks and introduce the necessary mitigative measures to manage these risks to As Low As Reasonably Practicable (ALARP).

This modus operandi is reinforced through the introduction of HSS activities and campaigns that focus on the verification of personal safety safeguards as well as leadership engagements at the frontline, as follows:

- All staff (including contractors) are given a HSSE briefing as part of an induction process. Further, staff travelling to offshore facilities are required to undergo the Basic Offshore Safety Induction and Emergency Training (BOSIET) programme which includes helicopter survival, emergency first aid, sea survival, fire-fighting and lifeboat training.

# SUSTAINABILITY REPORT

In addition, attendance at a refresher programme, Further Offshore Emergency Training (FOET), is compulsory every 4 years to ensure competency levels.

- Regular Toolbox Meetings are held and Safety Alerts are shared 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, where required.

- The continuous observation and analysis of trends in relation to active intervention practices such as the completion and follow-up of Accident Control Technique (ACT) findings at the business unit level, which allows 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.

- Review of the HSSE performance on a weekly, monthly and quarterly basis by Senior Management. These review sessions ensure that the annual key performance indicators and targets set at the beginning of the year are met and will continue to be met. Furthermore, Senior Management conduct monthly visits to our primary frontline locations and compliance audits are regularly carried out.

- Monthly HSSE Management meetings involving the Management team, HSSE function 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 quarterly townhall sessions across all locations.

*Management visit to St Joseph platform in North Sabah on 3 March 2020 by Head of Logistics, Offshore Installation Manager (OIM), our Chief Executive Officer (CEO) and Head of HSSE*

- Under UK regulations (Statutory Instrument 971), safety representatives are elected to represent the different worker groups offshore. On the Anasuria FPSO, regular meetings are held, chaired by the Offshore Installation Manager, with the minutes of such meetings posted on the notice board. In addition, weekly safety meetings are also held each Sunday to discuss safety issues. Furthermore, industry alerts are regularly discussed to benefit from lessons learnt 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**

Throughout FY2020, we have continued to engage our staff with the following activities, which demonstrate our focus and resolve towards safety, and highlights the importance of proactive intervention efforts by our employees and contractors:

1. 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 & Welfare Quarterly Management Engagement at the frontline and Workplace Inspection Programmes at all locations.

2. Our second annual Safety Day was carried out successfully on 31 July 2019 concurrently at our Kuala Lumpur and Kota Kinabalu offices, offshore platforms, LCOT as well as on the barges and the rig which were on location at North Sabah at that point of time. The *'I Care For Your Safety'* slogan was maintained as the main theme for this programme which was led by our Group Managing Director (MD), CEO and Senior Management team who were deployed to the various locations. Through this programme, outstanding HSSE contributions by our employees and contractors were acknowledged and recognised. Other key accomplishments from Safety Day 2019 are as listed below:

   i. The successful maiden roll-out of the International Association of Oil & Gas Producers (IOGP) Life Saving Rules across all business locations. We chose to adopt these Life Saving Rules in view that these rules have been accepted across the industry and are applicable in our activities. The rules serve as a guide on the actions which our personnel may take to protect themselves and their colleagues at the worksite at various stages of job execution i.e. during toolbox talks and safety meetings, pre-job planning stage, risk assessment phase, post-job reviews, routine observations and walkabouts.

Such empowerment enhances the preservation of a safe work environment as it reduces the likelihood of non-compliances occurring, promotes a proactive reporting and intervention culture and most importantly, empowers our people to enforce a Stop Work action where an unsafe work practice is observed. Any action or inaction that results in a violation of the Life Saving Rules will be thoroughly investigated with culpable violator(s) subject to counselling or other appropriate consequence(s).


**IOGP LIFE SAVING RULES ADOPTED**

ii. Launching of our new ACT and Near Miss booklets to curb the occurrence of accidents and to specify the procedures to be followed in the event of "near misses".

iii. Launching of our new North Sabah Offshore and LCOT safety induction video. These safety induction videos are shared with all employees, contractors and guests who travel offshore or visit LCOT.

iv. Mental Health awareness talk was held in Labuan, Kota Kinabalu and Kuala Lumpur on 31 July 2019, in conjunction with Safety Day.

v. A Zero Incident Zero Accident (ZIZA) Monsoon Campaign was held to curb the occurrence of accidents with specific focus on being more vigilant during the monsoon period.

# SUSTAINABILITY REPORT


*Launching of Safety Day 2019 by our Group MD at LCOT*


*Our CEO officiating Safety Day 2019*

*Safety Day 2019 engagement at LCOT*

- As a result of our continuous focus on the implementation of Life Saving Rules, a series of HSSE monthly theme engagements, with the intent of creating awareness of these rules in the execution of familiar or routine tasks has been carried out since January 2020 at the frontline. Every month, a specific Life Saving Rule topic is selected for the purpose of these engagements. To-date, topics such as "Line of Fire", "Working at High and Confined Spaces", "Defensive Driving", "Hot Work[1] and Lifting and Hoisting" have been successfully covered and cascaded to staff at all business locations.

- In addition to the above, Behaviour Safety Campaigns have also been carried out on a quarterly basis in 2020. Furthermore, a Hand & Finger Injury prevention campaign and a Lifting Hoisting and Drop Object awareness campaign have been successfully completed in Q1 and Q2 2020. These campaigns were conducted to reinforce the importance of HSSE awareness and to mitigate any effect of complacency in the conduct of our routine activities.

**NOTE:**

[1] Hot Work is defined as work that requires a fire or spark producing tool or other similar activities which produce a source of ignition within a classified hazardous area. Some examples of Hot Work activities include cutting and welding operations which are common to both servicing operations and drilling.

HSSE Campaign held in Q2 2020 to frontliners at North Sabah

HSSE Monthly Theme engagement sessions to frontliners in March 2020

Our key HSS performance indicators are set out below:

| Indicators | FY2019 | FY2020 |
|---|---|---|
| Number of staff trained on health and safety basic standards | 309 | 211[4] |
| Lost Time Injury Frequency (LTIF)[1] | 0.69 | 0.30 |
| Total Recordable Case Frequency (TRCF)[2] | 0.69 | 0.59 |
| Incident free days (including LTI, major spills, medical treatment case (MTC), major loss process containment)[3] | 298 | 278 |
| Number of work-related fatalities | 0 | 0 |

In FY2020, there was a single MTC incident which transpired during the carrying out of routine work, when a Galley staff sustained a laceration wound on his left thumb due to contact with the sharp edge of a metal rack barrier while collecting provisions for dinner preparation. First aid treatment was provided immediately to the injured person, after which he was given further treatment. It was found that this incident occurred due to a combination of improper handling of the provisions and sub-standard conditions of the freezer whereby it was overly congested with goods. As a result of this, a Safety Stand Down briefing was conducted by Vessel Management and our Operations team to ensure that the necessary lessons learnt were communicated to avoid a repetition of such incident.

Prior to the above MTC occurring, an LTI incident arose during the re-installation work of an actuator valve, post drilling, where a Rigger got his right ring-fingertip pinched resulting in a laceration wound. The Emergency Response team was immediately activated, and his injuries were promptly treated by the Designated First Aider. The injured person was then sent to shore for further treatment. Following this incident, an incident investigation was conducted and a Safety Stand Down briefing was conducted offshore as well as at LCOT to remind our staff to adhere to work procedures, use appropriate tools and always remain clear of the 'line of fire' to prevent recurrences.

**Anasuria**

During FY2020, there were campaigns to inculcate safety awareness within the workforce. Several campaigns were rolled out offshore, covering mental health awareness, manual handling and spatial awareness. As part of the spatial awareness campaign, the Operations Manager and Safety Advisor provided a presentation to all crew at the heliport prior to travelling offshore to remind them of the importance of dynamic risk assessment as part of all work activities.

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 visited Spadeadam in October 2019 for a full day workshop which allowed them to witness simulated process events. Staff attending the event provided positive feedback on the experience and the better understanding it had given them of potential major accident precursor events.

AOCL staff at the Major Accident Hazard Awareness workshop at Spadeadam

**NOTES:**

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 Incident free days for FY2019 is from last LTI on 5 September 2018 while for FY2020, it is from last MTC on 26 September 2019.

4 The reduced number of staff trained on health and safety basic standards in FY2020 compared to FY2019 is due to many having been trained previously and having valid training certificates.

# SUSTAINABILITY REPORT

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 FY2020 are set out below:

| Indicators | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|
| Number of staff trained on health and safety standards[1] | n.a.[2] | 9 (75%) | 10 (77%) | 9 (75%) |
| Lost Time Injury Frequency (LTIF) – employees and contractors[3] | 0 | 0 | 0 | 0 |
| Total Recordable Injury Rates (TRIR) – employees and contractors[3] | 0.00 | 0.74 | 0.89 | 0.52 |
| Incident free days (including LTI, major spills, medical treatment case, major loss process containment) | 362 | 361 | 359 | 365 |
| Number of work-related fatalities of employees and contractors | 0 | 0 | 0 | 0 |

The HSS performance for FY2020 is generally positive, with zero LTI recorded during this period, and the TRIR falling from 0.89 to 0.52 year on year.

In response to the COVID-19 pandemic, several measures were taken to minimise the risk of infection to our onshore and offshore personnel. All onshore personnel in Aberdeen commenced working from home on 23 March 2020, in line with a nationwide 'stay-at-home' order imposed by the UK government.

To mitigate the risk of an outbreak offshore, all offshore work scopes were thoroughly reviewed and a significant number of work scopes were delayed or deferred from plan to allow a safe reduction in offshore manning and thus, enable implementation of social distancing protocols. Several cabins on the FPSO facility were also designated and prepared for quarantine, if so required. In addition, non-perishable food stocks offshore were increased to cover a month in case supply became restricted due to the 'stay-at-home' order.

Local industry players responded swiftly, with temperature checks being conducted prior to entry into the helicopter base for all personnel travelling offshore. As an extra precautionary measure, special snood masks were purchased for all Anasuria personnel for use during helicopter transport.

Three pre-cautionary medical evacuations were conducted on personnel exhibiting COVID-19 symptoms. Fortunately, subsequent COVID-19 tests conducted on the personnel sent onshore were all negative and there has been zero COVID-19 cases on the Anasuria FPSO as at the date of this Report.

### 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. It is achieved via the use of effective precautions, also known as safety barriers, to keep our facilities safe, eliminating potential impact to our people, the environment, our facilities and our reputation.

Effective precautions can be broadly categorised into two groups mainly active safety barriers and passive safety barriers. These barriers involve equipment, procedural documentation and/or people. Multiple barriers are utilised throughout our operations, as is the norm in operational facilities.

Further, a rigorous maintenance programme assists in the management of the integrity of our wells, structures, piping and equipment to minimise the risk of an unplanned loss of containment or release of hydrocarbons, both of which are considered process safety events.

**NOTES:**
1 Includes only AOCL workforce.
2 Not applicable.
3 LTIF and TRCF have been defined in the earlier table on the previous page.

We also adopt a detailed approach to prevent the occurrence of major accidents whilst undertaking all projects. We ensure that the appropriate level of competency undertakes, oversees and (peer) reviews project planning activities. Appropriate materials, tools, up-to-date installation methods and drilling fluids (whilst conducting drilling related activities) are utilised in our operations, whilst meeting all relevant safety standards. Our well design, planning and inspection procedures conform to both international good practices as well as 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 for health and safety aspects prior to commencement of ongoing operations or projects. We employ Hazard Identification (HAZID), a qualitative technique that utilises the experience of a multi-disciplined team to perform a systematic assessment for the identification and description of potential safety and health hazards, consequences and unmitigated risks throughout the lifecycle of new and ongoing operations or projects. 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 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.

**North Sabah PSC**

For drilling preparation offshore, the following elements were executed to comply with our process safety procedures:

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

**External Assurance Audits & Recognitions**

During FY2020, two major external assurance programmes were conducted on the North Sabah PSC. Firstly, a Malaysia Petroleum Management (MPM) Tier 2 HSE Management System (HSEMS) audit was carried out from 24 August 2019 to 13 September 2019. This audit is a systematic and independent assurance exercise conducted by MPM at a defined frequency with the primary focus of ensuring the adequacy of our management system function, including its effective implementation and compliance to local regulatory requirements and applicable standards. Methodologies utilised by MPM during the course of this assurance exercise encompass the review of management system documentation, frontline (site) verifications as well as interviews with office and frontline staff, including third party contractors.

The second external assurance programme conducted during the financial year was the Offshore Self-Regulation (OSR) Tier 3 audit by the Department of Occupational Safety and Health Malaysia (DOSH). This programme was carried out from 24 to 26 September 2019. This audit was conducted to evaluate the PSC's degree of compliance with the applicable safety regulatory requirements for equipment such as pressure vessels and lifting machinery. The North Sabah PSC achieved an overall score of 91.1%, attaining amongst the higher scores for any PAC for this audit. In addition, we also received a Focused Recognition certificate from MPM Production & Operations Management (POM) for our strong commitment towards this audit.

Further, we hosted the Joint HSE Committee (JHSEC) meeting for performance benchmarking with all Petroleum Arrangement Contractors (PACs) on 12 December 2019.

As we move forward, the North Sabah PSC is making preparatory arrangements to pursue the OHS ISO45001 certification. OHS ISO45001 is an international standard that specifies the requirements for an OH&S management system to enable organisations to provide a safe and healthy workplaces in addition to seeking to prevent work-related incidents of injuries or ill health, and proactively improving its OH&S performance by taking advantage of OH&S opportunities.

**Anasuria**

As a practice, pre-contract HSEQ audits are carried out on all non-routine offshore projects, such as scale inhibitor squeeze, diving and drilling campaigns. In addition, Combined Operations HAZID/Risk Assessment workshops are held, bridging documents prepared and emergency response arrangements tested through exercises.

# SUSTAINABILITY REPORT

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

In April 2019 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 confirm that Petrofac are able to continue 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 to written procedures as a result of previous organisational changes. None of these areas of improvement compromised the health and safety of the workforce and process integrity of operations. These identified action items were monitored monthly, and satisfactorily closed out by 31 December 2019.

A requirement of the Safety Case Regulations 2015 is that a 'thorough review' of the installation Safety Case is carried out every five years, and a report of the findings submitted to the Health & Safety Executive. The purpose of this review is to demonstrate, through a systematic examination, that the case remains sound, information is current and accurate, and areas for improvement are identified and addressed. The review looks at design parameters, ageing processes and changes in operating conditions that may limit the life of the installation, or, impact the effectiveness of its safety critical elements. This process has been ongoing during the course of calendar year 2020, and the required report will be prepared and submitted to the Health & Safety Executive by 28 October 2020.

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.

Due to the COVID-19 pandemic, the 2020 ROSPA Health & Safety Awards have not yet been announced.

Another significant milestone was reached on 6 October 2019 when the Anasuria FPSO achieved 5 years without a lost time incident. A commemorative plaque was presented to the offshore workforce by the AOCL CEO to mark the achievement. Subsequently on 6 October 2020, the Anasuria FPSO achieved 6 years without a loss time incident.

Together with our partner PPUK and the Duty Holder of the Anasuria FPSO, we are proud that we have been able to continue to 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

Safety is not just a core value at Hibiscus Petroleum Group. It is the very foundation of our business. We determinedly strive to ensure the safety of our workforce and communities, keep our infrastructure fit for service, and we maintain strong emergency preparedness and response systems.

We plan for safe, reliable, incident-free operations, in keeping with our belief that all incidents are preventable.

We have a robust emergency preparedness and response system. We constantly test this system and strive to make improvements, to enable us to promptly resume normal operations/business activities in the unlikely event of an incident, so as to reduce the occurrence of any adverse impact to business productivity and profitability. As part of our preparedness, we partner proactively with local first responders, emergency management groups as well as state and federal agencies.

Our Crisis Management Team (CMT), located at our headquarters in Kuala Lumpur, is responsible for the overall strategic management of critical events which require corporate support.

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.

**North Sabah PSC**

Emergency preparedness requires a systematic approach in identifying potential hazards to facilitate planned mitigation and remediation actions which are efficient and effective, whilst ensuring the safety of responders, the community and the environment. Our programmes use an organisational structure for incident management that, depending on the nature and magnitude of an incident, covers all levels of the organisation—from frontline workers to executive leadership—and can be activated immediately. Additionally, these programmes are regularly reviewed and periodically audited to ensure their continual improvement and proper functioning.

Our comprehensive emergency response plans are tailored to enable each business unit to cover distinct operations and risks, including site-specific receptors. We regularly review, audit, update and test these plans to ensure they work as expected. Our emergency management programmes outline the review and improvement cycles. All of our regulated plans are currently undergoing their 3-year review cycles to ensure effectiveness and alignment with stakeholders' expectations, in addition to evolving business needs. Relevant information from our emergency response plans is shared with local first responders and key stakeholders in accordance with our licence to operate to facilitate seamless coordination between all parties.

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We place high importance in training our employees and direct contractors who would be involved in an emergency response. The training each individual receives corresponds to the role they would be required to embrace during such an emergency and addresses potential hazards or risks that may be encountered in the course of the conduct of their duties. For example, onshore operations staff are trained on shoreline oil spill protection and clean-up strategies, while marine and offshore operations staff are trained in facility emergency shutdown and offshore oil spill containment and dispersion approaches and methodologies.


*Shoreline Clean-up Assessment Technique & Deployment Training (Labuan, October 2019)*

*Tier 2 Oil Spill Exercise (Labuan, November 2019)*

*Advanced Fire-Fighting Joint Training with Fire Rescue Department WP Labuan at Bintulu Emergency and Safety Training Center (BEST) (Bintulu, August 2019)*

*Advance Fire-Fighting Joint Training with Fire Rescue Department WP Labuan at BEST Center (Bintulu, August 2019)*

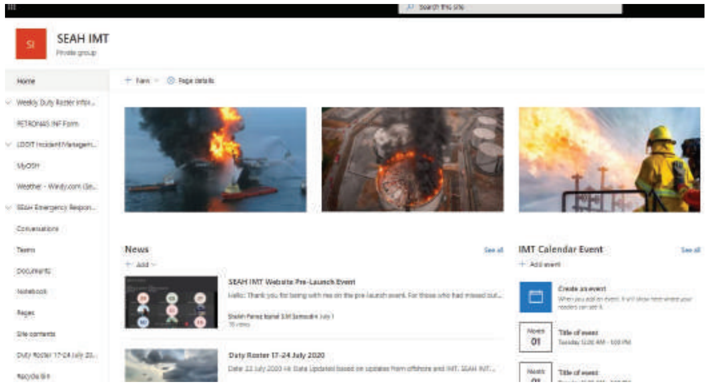
In 2019, training and various workshops and exercises were organised for the CMT and Incident Management Team (IMT) to exercise the Command, Control, Coordination and Communication (4Cs) principle between various facilities and the IMT and CMT.

To further improve response effectiveness, the HSSE Department has recently introduced a virtual incident management tool called "Logit". This tool enables both the IMT and CMT to respond to emergencies in near "real time", albeit virtually, across all locations with the support of our Emergency Control Centre (ECC).

The integration of Logit with the pre-existing emergency response procedures and plans was done via linkage to our IMT Webpage. Launched in July 2020, the IMT Webpage functions as a 1-stop centre for emergency response which provides the user access to business emergency and crisis management plans, emergency call-out duty roster, operation emergency standing instruction updates, training schedules and an online knowledge centre for emergency response including references to relevant external webpages utilised during emergency responses.

The Incident Command System (ICS), a standardised approach for the command, control and coordination of emergency response, which provides a common hierarchy within which responders can act effectively, has been integrated into our IMT structure (modified to suit our requirements).

*Logit Incident Management Software*




*SEA Hibiscus' IMT Webpage*

To ensure emergency preparedness, discussion and operations-based exercises were conducted. These included seminars, workshops and tabletop drills as well as full-scale exercises involving our employees and contractors, local first responders and other third-party agencies. In November 2019, we organised a full-scale tier 2 oil spill response exercise, code named "Exercise Kiamsam - 2019", with assistance and participation from our external oil spill response organisation, Petroleum Industry of Malaysia Mutual Action Group (PIMMAG) together with Oil Spill Response Limited (OSRL), and local authorities in Labuan. During this exercise, local first responders, relevant agencies, government and industry representatives observed first-hand our response preparedness in the event of an incident and provided their feedback on how they would jointly support us.

As a further initiative, we also work with local emergency responders through our Emergency Responder Education Programme.


*Oil Spill Response Exercise (Labuan, November 2019)*

*Oil Spill Response Exercise (Labuan, November 2019)*

*Oil Spill Response Exercise (Labuan, November 2019)*

*Oil Spill Response Exercise (Labuan, November 2019)*

*Joint Advance Fire Fighting Training with BOMBA Labuan at BEST (August 2019)*

*Joint Advance Fire Fighting Training with BOMBA Labuan at BEST (August 2019)*

*OSR Operator Course at Jesselton Port Kota Kinabalu (August & December 2019)*

*OSR Operator Course at Jesselton Port Kota Kinabalu (August & December 2019)*

Through industry collaboration, we exchange best practices with other operators and participate in committee activities and joint exercises for the purpose of advancing safety and emergency preparedness. During FY2020, these included some notable engagements with the following agencies:

1. PETRONAS MPM;
2. Malaysia National Security Council (MKN);
3. Malaysia Maritime Enforcement Agency (MMEA); and
4. Polis DiRaja Malaysia or Royal Malaysia Police (PDRM).

# SUSTAINABILITY REPORT

*Joint Security Engagement with MPM, MMEA and PAC Sabah*

*Safe Handling of Mercury Training with Fire Rescue Department WP Labuan*

*Participation and Facilitation in National Search & Rescue Exercise (SAREX) "SAREX Camar 2019" (Miri, October 2019)*

*Fishermen Engagement Gaya Island (Kota Kinabalu, November 2019)*

*Fishermen Engagement Gaya Island (Kota Kinabalu, November 2019)*

*Fishermen Engagement Gaya Island (Kota Kinabalu, November 2019)*

*Participation in National Oil Spill Response Technical Forum 2019 (Port Dickson, November 2019)*

*We hosted the National Security Council Coordination Meeting (Kota Kinabalu, November 2019)*

**Pandemic Preparedness for COVID-19**

Early 2020 saw the impact of the COVID-19 pandemic. In response, we moved swiftly to ensure preventive controls were instituted with the twin goals of prioritising employee safety and maintaining business continuity. The following initiatives were implemented upon the announcement of the Movement Control Order (MCO) by the Malaysian Government:

- A COVID-19 guidebook was prepared and published for use by our workforce;
- A COVID-19 pandemic business continuity team was established;
- Pandemic response plans were then tested in a series of drills;
- Conducted daily update meetings with Senior Management to discuss on the status of the pandemic and its impact to our operations;
- Halting of all non-essential activities to minimise exposure risk to our staff;
- Staff in non-frontline roles were allowed to work from home, and there was minimal physical manning at all business units. It is noteworthy that no downtime was recorded throughout the pandemic;
- Daily health screening/temperature check and the submission of a self-declaration form were made mandatory at all work entry checkpoints;
- Established other site COVID-19 control protocols e.g. close contact monitoring, frequent sanitisation of work area and encouraged the use of personal protective equipment (PPE);


*COVID-19 Medical and Security Checks at all checkpoints*


*Artificial Intelligence (AI) Temperature Scanner*

*MySejahtera Contact Tracing registration at our premises*


*COVID-19 Emergency Drill Exercise (April 2020)*


*COVID-19 Emergency Drill Exercise (April 2020)*


*COVID-19 Emergency Drill Exercise (April 2020)*

- Timely and frequent management circulars and directives were broadcasted internally;
- A wide scale office disinfection exercise was performed at all our business units in July 2020;
- Maintained close communications and participated in external pandemic group platforms (MPM, Kementerian Kesihatan Malaysia (KKM), National/State Crisis Preparedness Response Center (CPRC) Kota Kinabalu/ Labuan); and
- Active participation in the Malaysian Government driven contract tracing 'MySejahtera' database initiative.

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 put in place for:

- Medical Emergency Response support coverage - an integrated medical services provider has extended 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 now incorporates its services in the event of medical evacuation of staff due to occupational or non-occupational illness while at work is required.
- Oil Spill Contingency Plan support coverage - a UK specialist organisation currently works to assist local operators to respond effectively to oil spills. This has given 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. More specifically, an oil spill dispersant aircraft, based in Senai, Johor is now available for our use in the relevant emergency.
- Oil Spill Contingency Plan support coverage - a local non-profit oil spill response organisation which is well-connected to local enforcement and government agencies is available to provide oil spill response consultation and equipment during an oil spill incident, as well as assists to build competency and skills for our emergency responders.

**Anasuria**

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 be deployed to 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, facilities and procedures to ensure an effective and efficient response by an empowered organisation. 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 support located within the Petrofac Emergency Response Centre (ERSC) at Blaikies Quay, Aberdeen Harbour.

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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 exercising 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 an extraction of hydrocarbons needs to be balanced with the requirement to protect the environment. Whilst global demand for oil and gas may have plateaued as a result of the COVID-19 pandemic, trends show that it will continue to grow. Thus, 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 operate 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.

We are committed to maintaining compliance with all environmental laws and regulations and therefore adhere to all monitoring requirements which are part of our Environment Impact Assessment (EIA) and licences and permits.

Monitoring and assessments are carried out for all the five (5) environmental elements i.e. soil, water, air, noise and land. The environmental monitoring aspects are applied to groundwater quality, seawater quality, soil, dark smoke, dust particulate, flue gaseous, Fuel Burning Equipment (FBE) combustion efficiency, Effluent Treatment Plant (ETP) effluent discharge quality, soil characteristics, boundary noise, scheduled waste inventory and emissions declaration for LCOT.

*Dust particulate sampling for stack emission at LCOT using the ESC A-2000 Automated Isokinetic System*

An annual Environmental Audit by an independent third party is part of the requirement by the Department of Environment (DOE), Malaysia. We have complied to this audit annually. The Environmental Audit serves as a continuous improvement tool which can increase productivity and enable cost reduction whilst concurrently facilitating the protection of the environment. The Government of Malaysia has introduced the requirement to carry out Environmental Audits under Section 33A of the Environmental Quality Act (EQA) 1974 (Amendment 1996) to ensure compliance and impose industry self-regulation. We observe such regulations as well as 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 addition, we use an Environment Aspect and Impact Register to manage associated risks in accordance with our environmental management system throughout the lifecycle of the assets under our control or influence. 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.

Furthermore and specific to our operations, we have developed an Environmental Management Plan (EMP) for St Joseph, South Furious and Barton. The objectives of such a plan are to monitor and record any residual impacts resulting from our activities, to provide recommendations for continuous improvement and to document practices and compliances which are in place and to recommend additional ones, where necessary or relevant. The plan is an important integration document which consolidates various approvals, licence and permits conditions issued for specific activity components in each facility.

We are also currently carrying out an Environmental Site Assessment (ESA) study at LCOT. The primary purpose of this activity is to further assess the soil and groundwater quality based on trending and newly identified sampling points at LCOT. By acquiring this quantitative environmental baseline information for LCOT after the operatorship transfer to us in 2018, we will be able to review and evaluate the findings from previous site investigations, including but not limited to the Phase I and Phase II ESA in LCOT which was carried out by the previous operator in 2011, monitoring records and investigation reports in order to facilitate an understanding of the contamination condition extent (if any) of the soil, surface water or groundwater in LCOT and its surroundings, to determine the potential pathway for contaminants migration and its potential impact on nearby receptors in addition to providing recommendations on a possible Remedial Action Plan (RAP).

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).

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

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

As stated in our *Environment Policy*, 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, 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 generation.

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

In Malaysia, most of our produced gas volumes from the North Sabah fields are reinjected back into the various reservoirs as part of pressure maintenance or gas lift operations. The remaining volumes are then 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 as well as burnt in flare.

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

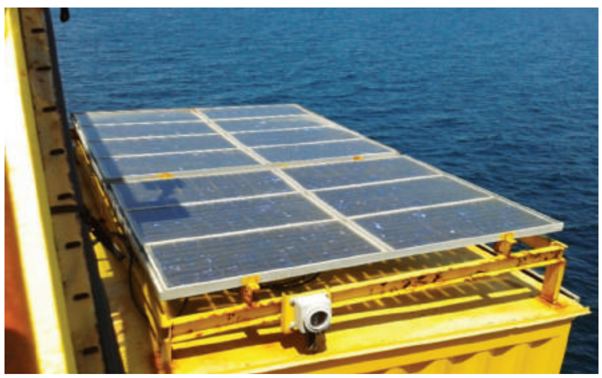
The GHG intensity from our operations in the North Sea are at the expected levels for late life mature assets. There are circumstances where we may inadvertently deviate from normal operations that result in higher GHG emissions. These circumstances are generally centred around the temporary failure of gas compression equipment which may not permit us to manage produced gases in the above-mentioned manner. We may also be constrained by the availability of the SEGAL pipeline to export our produced gas to shore, such as was experienced during the unplanned shutdown of ExxonMobil's Mossmorran plant for an extended period of time in the first half of financial year 2020.

With the UK and Scottish Governments' commitments to reach net zero emissions by 2050, AOCL is formulating a plan to contribute towards reducing emissions from Anasuria. This near-term Environmental Improvement Plan is being developed and specific initiatives will be cascaded into the annual plans to reduce emissions from Anasuria, with several opportunities already identified and being assessed for potential delivery between 2021 to 2023.

**North Sabah PSC**

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.

Within the ambit of our offshore operations, we rely on electricity to power machinery that is required to perform critical tasks. Further 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.



*One of our solar panels at our North Sabah Offshore Platform*

We are also in the process of establishing the SANGEA TM software within the North Sabah PSC to further improve and enhance GHG calculations for our monthly reporting to MPM. This software is widely recognised within the

# SUSTAINABILITY REPORT

industry as a leading GHG emissions estimation and reporting tool that can also be utilised to track energy consumption and criteria pollutant emissions.

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

| Indicators | Unit | FY2019[1] | FY2020[2] |
|---|---|---|---|
| Total operational GHG emissions (scopes 1 – 3) | tonnes $CO_2e$ | 400,793.17[3] | 430,833.94 |
| GHG emissions per barrel of oil equivalent[4] | tonnes $CO_2e$/Kboe | 76.9 | 89.2 |
| Flaring emissions ($CO_2e$) | tonnes | 154,242.42 | 152,274.22 |
| Methane emissions ($CH_4$) | tonnes | 2,207.01[5] | 4,339.9 |
| Nitrous oxide emissions ($N_2O$) | tonnes | 8.85 | 8.33 |
| Carbon dioxide emissions ($CO_2$) | tonnes | 347,454.57 | 340,492.96 |
| Nitrogen oxide emissions ($NO_X$) | tonnes | 3.65 | Not tracked[6] |

As part of efforts to reduce GHG emissions, we are planning to carry out a Leak, Detection and Repair (LDAR) initiative in 2021. LDAR is a part of the requirement imposed by the DOE, Malaysia under the Environmental Quality (Clean Air) Regulations, 2014 to detect Volatile Organic Compounds (VOCs) and methane ($CH_4$) under the category of fugitive emissions e.g. via pipeline valves.

To complement use of solar panels as a source of clean electricity at our North Sabah operations, and to improve the availability and reliability of our offshore power supply, a pilot project for wind turbines at the North Sabah offshore platforms was carried out on St Joseph Jacket F (SJJTF) in November 2018 and at Barton Jacket A (BTJT-A) in late December 2019. This wind turbine has been installed as a hybrid together with the existing solar power system. There is a plan to extend this project to all North Sabah offshore platforms by 2021 with the intention of equipping all remote jackets with solar wind turbine hybrid systems.

Effective planning and execution of shut-down programmes offshore allows for essential maintenance to facilitate increased operating efficiency but also forms the foundation 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. We estimate that the initiative was able to reduce the volumes of GHG emissions by approximately 10% overall.

**Anasuria**

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 continuous 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.

The withdrawal of the UK from the European Union will likely affect the UK's participation in the EUETS. We are closely monitoring the impact and discussions are ongoing with regards to the initiation of a UK Emissions Trading Scheme. Regardless of the outcome, we will be expected to monitor our emissions in a more stringent manner that would align with Phase IV of the current EUETS.

**NOTES:**

1 The reporting for the FY2019 column in last year's report comprised of actual numbers until April 2019 while provisional estimates were reported for May and June 2019. For this year, all the numbers in the FY2019 column are actual figures recorded.

2 Beginning January 2020, reporting to Petronas is made on quarterly basis. The GHG figures shown in the FY2020 column are actual figures.

3 GHG emissions figures for FY2019 have been adjusted due to the use of a different factor (developed by Intergovernmental Panel on Climate Change (IPCC)). Indirect GHG was not calculated for SEA Hibiscus' Logistics (ASB) in 2018.

4 GHG emissions per barrel of oil equivalent (GHG Intensity) should be in Tonnes $CO_2e$/KBoe. The figure in FY2019 has been adjusted accordingly.

5 Methane calculation in 2019 has been adjusted due to the incorporation of a new factor of Global Warming Potential (GWP), as advised by MPM in March 2019. New factor or GWP value for Methane is 25.

6 We do not report on $NO_X$ as it is no longer required by MPM post March 2019 and it is not listed in the American Petroleum Institute (API) Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Natural Gas Industry which focus on $CO_2$, $CH_4$ and $N_2O$ emissions as these are the most relevant to the oil and gas industry operations.

Furthermore, an independent third party has been commissioned to conduct an annual audit on operational GHG emissions data. In addition, monthly and quarterly internal assurance check on the accuracy of the data and readings that measure our emissions are also conducted.

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

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

| Indicators | Unit | FY2017 | FY2018[2] | FY2019[2] | FY2020 (Provisional) |
|---|---|---|---|---|---|
| Total operational GHG emissions[1] | tonnes $CO_2e$ | 114,796.52 | 164,866.67 | 125,692.05 | 147,462.28 |
| GHG emissions per barrel of oil equivalent[1,3] | kg $CO_2e$/boe | 27.67 | 45.58 | 31.29 | 41.37 |
| Flaring emissions ($CO_2e$) | tonnes | 32,524.98 | 84,736.70 | 50,262.86 | 73,820.24 |
| Methane emissions ($CH_4$)[1] | tonnes | 143.70 | 332.34 | 187.59 | 294.21 |
| Nitrous oxide emissions ($N_2O$)[1] | tonnes | 7.48 | 8.67 | 7.46 | 8.11 |
| Carbon dioxide emissions ($CO_2$)[1] | tonnes | 114,270.85 | 163,871.49 | 126,542.79 | 149,820.73 |
| Nitrogen oxide emissions ($NO_X$)[1] | tonnes | 254.74 | 329.91 | 262.45 | 246.34 |
| Sulphur oxide emissions ($SO_X$)[1] | tonnes | 1.50 | 8.71 | 4.14 | 4.13 |
| Volatile organic compounds (VOC) emissions[1] | tonnes | 118.24 | 315.54 | 187.59 | 273.13 |
| Payments made associated with climate change[4] | RM 'mil | 1.6 | 6.0 | 13.7 | 11.5 |

**Group**

On a consolidated basis, the Group indicators relating to GHG and other emissions to air are set out below:

| Indicators | Unit | FY2019 | FY2020 (Provisional) |
|---|---|---|---|
| Total operational GHG emissions | tonnes $CO_2e$ | 526,485.22 | 578,296.22 |
| Flaring emissions ($CO_2e$) | tonnes | 204,505.28 | 226,094.46 |
| Methane emissions ($CH_4$) | tonnes | 2,394.6 | 4,634.11 |
| Nitrous oxide emissions ($N_2O$) | tonnes | 16.31 | 16.44 |
| Carbon dioxide emissions ($CO_2$) | tonnes | 473,997.36 | 490,313.69 |
| Nitrogen oxide emissions ($NO_X$) | tonnes | 266.1 | Not available[5] |

## 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 continuously operate in a safe manner to avoid spills, leaks or accidental discharges of polluting materials.

**Effluents**

Our operated offshore fields deliver oil, gas and water from offshore reservoirs, which we then separate using our 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.

**NOTES:**

1 Figures are extrapolated and calculated from calendar year data.
2 Figures in FY2018 and FY2019 have been updated based on the final calendar year 2019 emissions reports submitted to the UK regulator.
3 GHG emissions from FY2017 onwards have been revised based on corrected calculation of the total produced oil and gas during the respective periods.
4 Payments for the EUETS are on a gross basis.
5 Not available as not tracked for North Sabah PSC for FY2020.

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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.

All produced water from North Sabah offshore is sent to LCOT via pipeline and then treated at the ETP in LCOT before being discharged to the open sea after treatment.

According to the Directive issued by the DOE in 2011, all crude oil terminals in Malaysia, including LCOT, are required to comply with the limit of oil and grease in effluent discharge of 100 mg/l. This parameter is monitored daily at LCOT at eight (8)-hour intervals. Data acquired is submitted monthly to DOE (online) and our data are well within the stipulated limits. We currently have two (2) competent persons (CePIETSO - Certified Environmental Professional In The Operation of Industrial Effluent Treatment Systems) certified under DOE, Malaysia to manage the effluent treatment plan, industrial and related effluents.

Other than the oil in water metric, SEA Hibiscus also monitors other parameters for the effluent discharge such as temperature, pH, Biological Oxygen Demand5 (BOD5), Chemical Oxygen Demand (COD), suspended solid, boron, phenol, sulphide, ammoniacal nitrogen, cyanide and chloride (cyanide and chloride - beginning January 2020).

**Waste**

Our activities generate different volumes and types of waste including those that are categorised as hazardous and non-hazardous.

We ensure that all hazardous waste generated from our operations in the UK and North Sabah are 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, all hazardous waste is handled as per the Environmental Quality (Scheduled Wastes) Regulations, 2005 and our Waste Management Procedure. There are two (2) competent persons (CePSWAM - Certified Environmental Professional in Scheduled Waste Management) certified under DOE, Malaysia to manage the hazardous/scheduled waste in SEA Hibiscus.

**North Sabah PSC**

*Scheduled waste inspection at North Sabah Offshore by our CePSWAM personnel in July 2020*

*Scheduled waste inspection at the logistic premise and LCOT by our CePSWAM personnel in June 2020*

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, 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*

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

| Indicators | Unit | FY2019 | FY2020 |
|---|---|---|---|
| Oil spills | kg | 0 | 0 |
| Water (effluent) discharge[1] | $m^3$ | 4,822,974 | 4,392,416.05 |
| Total water discharge[1] | $m^3$ | 0 | 0 |
| Produced Water Discharge - oil in water concentration | mg/l | 20.09 | 20.6 |
| Hazardous waste | tonnes | 3.395 | 12.95[2] |
| Non-recycled waste | tonnes | 3.395 | Not reported[3] |
| Recycled waste | tonnes | 0.978 | Not reported |
| Environmental fines and penalties | RM | 0 | 0 |

**Anasuria**

Internal assurance checks on the operational environmental data are conducted monthly. Our indicators relating to effluents and wastes are set out below:

| Indicators | Unit | FY2017 | FY2018 | FY2019 | FY2020 |
|---|---|---|---|---|---|
| Hydrocarbon release | kg | 4.0 | 0.0 | 0.0 | 299.8 |
| Water (effluent) discharge | $m^3$ | 1,640,042 | 1,593,180 | 1,264,386 | 1,345,117 |
| Discharge of oil to water | tonnes | 14.18 | 21.28 | 11.15 | 11.77 |
| Hazardous waste | tonnes | 19.76 | 23.71 | 27.02 | 26.22 |
| Non-recycled waste | tonnes | 41.43[4] | 69.88[4] | 55.56[4] | 47.49 |
| Recycled waste | tonnes | 78.09 | 82.58 | 65.91 | 72.30 |
| Environmental fines and penalties | RM | 0 | 0 | 0 | 0 |

**Group**

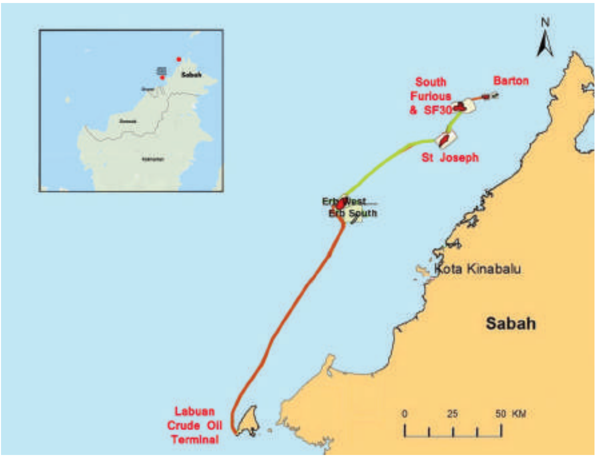
On a consolidated basis, the Group indicators relating to effluents and wastes are as follows:

| Indicators | Unit | FY2019 | FY2020 |
|---|---|---|---|
| Oil spills (North Sabah PSC) | kg | 0 | 0 |
| Hydrocarbon release (Anasuria) | kg | 0 | 299.8 |
| Water (effluent) discharge | $m^3$ | 6,087,360 | 5,737,533.05 |
| Discharge of oil to water | tonnes | 108.04 | 102.25 |
| Hazardous waste | tonnes | 30.415 | 39.17 |
| Non-recycled waste | tonnes | 58.955 | Not available[5] |
| Recycled waste | tonnes | 66.89 | Not available[5] |
| Environmental fines and penalties | RM | 0 | 0 |

**NOTES:**
1 Water (effluent) discharge represents effluent only. Total water discharge is water without effluent content. Water is discharged to sea after being treated.
2 Higher volume of hazardous waste disposed between July 2019 and June 2020 due to contract availability.
3 Non-recycled waste is not recorded in FY2020 as there is no requirement to report this to MPM.
4 Figures for non-recycled waste for FY2017 - FY2019 have been revised based on corrected calculation to the respective categories and periods.
5 Not available as not reported for the North Sabah PSC for FY2020.

### 5.3 Water Quality

Quarterly monitoring of seawater quality is carried out at the St Joseph field. Crude petroleum oil and its related products, incomplete combustion of organic materials and the use of lubricating oils and oleochemical derivatives are usually the sources of marine oil pollution in seawater. The parameters monitored are oil, grease, and copper, for which we are in compliance.




In addition, we are currently carrying out monitoring and reporting of groundwater quality to the DOE, Malaysia on a twice a year basis. Our monitoring and reporting references the Contaminated Land Management and Control Guideline No. 1: Malaysian Recommended Site Screening Levels for Contaminated Land, 2009 and Dutch Intervention Value, 2000. The parameters monitored on a bi-annual basis include temperature, pH, dissolved oxygen, total suspended solids, phenol, cyanide, chromium (hexavalent and trivalent), arsenic, copper, lead, selenium, vanadium, zinc, mercury, total polycyclic aromatic hydrocarbons (PAH) and mono-aromatic hydrocarbons - benzene, toluene, ethylbenzene and xylenes (BTEX). We have several monitoring points; BH1 - BH2 and BH4 - BH8.

*Groundwater Monitoring in progress: Water depth measurements are taken prior to the purging of the groundwater wells. The measurements attained are used to determine the volume of water required to be purged.*

*Groundwater Monitoring in progress: Bailers are used to purge and sample groundwater from the respective wells. Samples are contained in sampling bottles with the respective parameter's preservatives.*

### 5.4 Others

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. Where required, an EIA is performed to analyse the impact of our activities vis-a-vis the environment. Upon commencing implementation of our operations phase, we have been carrying out quarterly monitoring of seawater quality around our North Sabah and Anasuria operations to ensure that there has been and continues to be 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 risk to significant positive or negative environmental effects. This procedure encompasses exploration, appraisal, development, production and decommissioning operational 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. We also re-use and recycle where practicable.

**Energy use**

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

We have previously mentioned that in North Sabah, all our remote location jacket platforms are entirely powered by our renewable energy initiative i.e. a solar power systems (consisting of battery and solar array/photovoltaic panels). To complement use of solar panels as a source of clean electricity in our North Sabah operations, a pilot project for wind turbines at the North Sabah offshore platforms was carried out at the St Joseph Jacket F (SJJTF) in November 2018. The capacity for the wind turbine pilot project was 1 Megawatt (MW). This wind turbine was installed as a hybrid together with the existing solar power system. A second wind turbine (similar capacity) unit was installed at Barton Jacket A (BTJT-A) in late December 2019. There is a plan to extend this project to all North Sabah offshore platforms by 2021 with the intention of equipping all remote jackets with solar wind turbine hybrid systems.

*First wind turbine unit successfully installed at St Joseph SJJT-A in 2018*

*Second wind turbine installed at Barton BTJT-A in late December 2019*

# SUSTAINABILITY REPORT

At Anasuria, the manner 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 SEPA that they have complied with their ESOS obligations, which covers the Anasuria FPSO operations.

| Energy Consumption on the Anasuria FPSO | Unit | FY2017 | FY2018 | FY2019[1] | FY2020 |
|---|---|---|---|---|---|
| Fuel Gas | tonnes | 29,167.87 | 23,643.02 | 25,128.85 | 25,061.55 |
| Diesel | tonnes | 515.18 | 4,323.82 | 1,950.37 | 1,824.82 |

In September 2019, Petrofac conducted an energy assessment study of the Anasuria FPSO as part of an overall Energy Management Study with an end view of helping to reduce energy consumption across UK operations. The energy assessment was carried out in accordance with the "Energy Assessment Methodology", prepared by PI Energy & Emissions Limited in 2008 for the Department for Business, Enterprise and Regulatory Reform (BERR) (now known as OPRED). The study was conducted via an energy workshop with asset personnel and ITP Energised (ITPE) Limited, an independent third party who conducted an independent evaluation of energy consumption and GHG emissions generated by the site, to identify opportunities for reducing energy consumption, and to perform first order economic evaluation for each of the energy reduction opportunities identified.

During the energy workshop, current and historic operational datasets were analysed, known new issues were discussed and a brainstorming session identified a total of nine potential opportunities for energy (and hence associated GHG) reduction. These opportunities will be further assessed for economic viability and will be considered as part of the long-term operational plan for the asset. The Anasuria team have been assessing these opportunities and they form a part of the environmental opportunities to be addressed in the upcoming years.

A portion of the gas produced by the fields is 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 related facilities are designed to last the entire field lifecycle and are likely not to be frequently 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.

## 6.0 OUR PEOPLE

Our people are the collective essence of who we are. As a relatively young Group with 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 fuelled 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

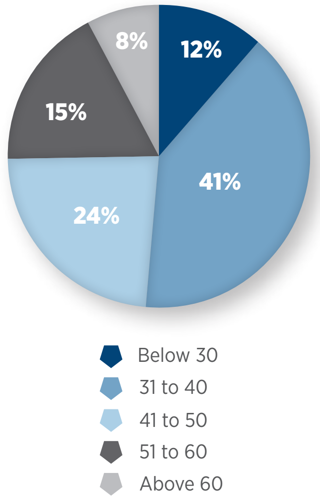
We are committed to recognising the importance of diversity. This extends to all areas of our business including talent acquisition, talent development, competency development (including skills enhancement), career progression, Board appointments, staff retention and motivation, mentoring and coaching programmes, flexible

**NOTE:**
[1] Fuel gas and diesel figures for FY2019 have been updated based on the final calendar year 2019 report.

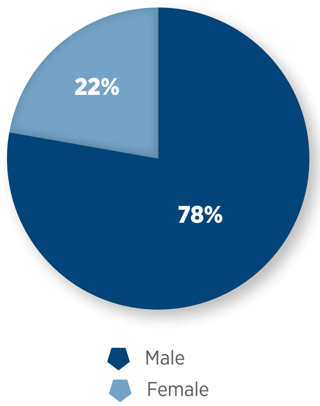
work arrangements, forms of leave available to staff, succession planning, the Group's policies and procedures and training and development. Our employees are treated respectfully and equally irrespective of age, gender, ethnicity, nationality, disability, sexual orientation, cultural background, religious 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 389 employees out of which nearly all are full-time employees. There are 5 nationalities (Malaysian, British, Australian, Indian and Dutch) 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.
- Ongoing adherence to our *Group Recruitment Policy* which aims to recruit the best candidates based on merit. Furthermore, we will continue to ensure that:
    - 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
    - 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 the recruitment of directors, the Nominating Committee:-
    - 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; and
    - will evaluate the mix of skills, experience, expertise and diversity of the existing Board that will best enhance 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 will be based on our Group's needs and determined on merit.
- To bolster our recruitment efforts, we launched an Employee Referral Programme in 2019 with the aim of widening our sources of hiring and to build on our brand image. The programme also serves to boost employee morale as employees are likely to refer candidates with the best professional and cultural fit from their network as potential colleagues.

### 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.

# SUSTAINABILITY REPORT

Our employees undergo two (2) 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, all of our employees received performance reviews with performance ratings assigned by their superiors. The performance reviews of Senior Management are conducted by our MD, Nominating and Remuneration Committees.

We are committed towards exceeding the regulatory minimum wage requirements. We extend a cost of living allowance to all employees to ensure their financial sustainability. We further strive to remunerate our employees competitively and whenever necessary, industry remuneration benchmarking is conducted. Performance incentives are utilised as a means to reward and motivate employees with clear linkages of performance to 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 a key area of 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, 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 FY2020 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 FY2020 is tabulated below:

| Indicators | FY2019 | FY2020 |
|---|---:|---:|
| Total training hours as a Group | 8,284 hours | 10,526 hours |
| Average training hours and day per employee | 22.76 hours/2.84 days | 27.06 hours/3.38 days |

In addition, we have launched a series of Knowledge Sharing Webinars where subject matter experts from different assets within our organisation collaborate and present modules on specific disciplines within the industry and specifically our experience in our Group's international businesses. These seminars serve as a platform for knowledge sharing, networking and professional development in a semi-formal environment. Topics presented range from subsurface exploration through to field development, drilling and petroleum economics. These sharing sessions provide the opportunity for different experts from multiple assets to share and learn from each other's work experiences and these sessions are recorded and posted on our corporate learning library for employee access at any time.

### 6.4 Employee management and engagement

Our management of employees is guided by the substance of our *Diversity Policy, Code of Conduct and Ethics* and *Employee Handbook*. The content within these documents have been carefully assembled after review of industry practices, consultation with staff and Senior Management and the Board. 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.

At this juncture, we wish to highlight that there has been no instance of non-compliance recorded in relation to the *Anti-Corruption Anti-Bribery (ACAB) Policy* and related matters.

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 FY2020 was 9.8%. This metric demonstrated an increase from the previous year as there were a number of staff reaching retirement age (these employees were previously hired by the former operator in North Sabah). Exit interviews were conducted, and our Human Capital Department has implemented multiple initiatives to further reduce this turnover rate.

At the start of the COVID-19 outbreak, the Human Capital and HSSE Departments conducted several COVID-19 briefings to all employees to spread awareness and to reiterate preventive measures such as the use of face masks and the strict maintaining of good hygiene practices. As the pandemic worsened, office-based employees were advised to work from home and updates were shared via Microsoft Teams platform and emails. Production facilities in the meantime were prepped to be fully compliant with the government standard operating procedures (SOPs) for the safety of our production employees.

By the time the Recovery MCO commenced, all our office premises were in compliance with respective government SOPs and the remaining office-based employees were divided into Risk Groups and scheduled for a phased return to work to minimise risk.

## 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 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 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, 47% of our employees comprise local Sabahans which far exceeds the minimum threshold set by the state government of 30%, whilst 99% 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.

For Anasuria, training is emphasised for personal development of staff. Amongst courses attended by personnel are:

- Continued Professional Development (CPD) training for Major Accident and Hazard Awareness at Royal Air Force Spadeadam in Newcastle;
- Diploma in Human Resource Management accredited by the Chartered Institute for Professional Development (CIPD);
- Geological and Geophysical (G&G) Petrel training; and
- Gas Lift Systems Design, Operations and Optimisation course.

### 7.2 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, 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 MD, 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 Business Sustainability Management Committee, and if required, approval is sought in accordance with Hibiscus Petroleum's *Limits of Authority*.

Under the Hibiscus Hope Scholarship programme, we awarded a scholarship in 2018 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. Having completed his studies, this scholar is currently employed by the Group and is currently working with our Marigold asset team.

With the inclusion of our North Sabah operations into the Group's portfolio in March 2018, we are committed to dedicating resources towards initiatives focused in Sabah. In this regard, the Group distributed a total of 360 packs of food in May 2020 to frontline personnel as a sign of our appreciation to them and their role in "fighting" the COVID-19 pandemic. Food was also given to personnel at the Kota Kinabalu City Hall, Queen Elizabeth 1 Hospital,

# SUSTAINABILITY REPORT

Kota Kinabalu Immigration Department, Customs, Civil Defence, local police stations as well as various charities. Those in senior citizen homes, orphanages and organisations nursing people with disabilities were also not forgotten.

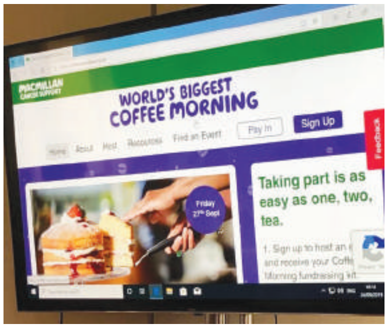

In addition, we contributed RM50,000 for the Osimal Foundation in Sabah to purchase PPE for hospitals in Sabah.


In addition, our Company donated 250 cartons of gloves to the Sungai Buloh Hospital and 200 cartons of gloves to University Malaya Medical Centre, as part of another programme organised by a reputable local bank.

We also contributed RM0.02 million for FY2020 towards the Hibiscus Hope Scholarship that was awarded in 2018.

We are currently evaluating – through our CSR programme selection process – several health and community-based proposals to be carried out in Sabah in the future. Implementation preparations are expected to begin later this calendar year.

In September 2019, our Anasuria team in the UK organised a fundraiser in support of the charity Macmillan Cancer Support by holding a Macmillan Coffee Morning. Staff had the opportunity to mingle, purchase some home bakes and donate to a very worthwhile charity. A raffle was also organised with some great prizes sponsored by individuals on the AOCL team along with some of our third-party vendors. As a result of our team's generosity, over £500 was raised on the day.




During the Christmas period in December 2019, the Anasuria team came together again in aid of the Mission Christmas Cash for Kids 2019 Appeal. This charity aims to make Christmas day different for local children living in poverty, providing gifts to the less fortunate within the community. The generosity of the AOCL team led to a fantastic number of presents and monetary contributions being donated in support of this great cause.

# SUSTAINABILITY REPORT

## 8.0 OUR SOCIETY - HUMAN RIGHTS

We are dedicated to respecting and promoting the rights of every person including our employees, the communities 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.

We have in place the following policies as a testament 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 Group Internal Auditor named as the Investigator.

  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* has been expanded to ensure the inclusiveness of all people. Please see the Workplace Diversity and Inclusivity section of this Report.

- **Whistle Blower Policy**

  In Q4 2019, 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.

- **Drug and Alcohol Policy**

  The Group recognises that the protection of the health and safety of our employees, contractors and others involved in our operations is an integral part of business performance. Therefore, this policy was introduced in January 2020 as part of efforts to illustrate the Group's commitment and seriousness in ensuring a safe and healthy work environment for all.

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.

At this juncture, we wish to highlight that we do not have any incidents of labour standards non-compliance nor any human rights violations committed by the Group.

## 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 FY2020:

- Payment of taxes and royalties totalling approximately RM30.4 million to host governments, which grant us 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 RM454.7 million; and
- Payment of remuneration of approximately RM76.4 million to our employees.

## 10.0 INFORMATION TECHNOLOGY AND CYBER SECURITY

Cyber security threats are continually evovling and managing such risks are intricate due to the complexity of an interconnected business ecosystem and the rapid evolution in technology.

Despite safeguards instituted, our IT system was subjected to a ransomware attack on 1 October 2019 called GlobeImposter. Although production operations were not impacted, the ransomware attack impacted our Group's servers, back-ups and technical application systems temporarily. The system was fully restored in stages, after focused efforts headed by an immediately formed IT Task Force, assisted by IT professional support personnel (application, hardware, network, security, operating system and database specialists).

As a response, the IT Task Force identified and prioritised four major areas for immediate attention to "normalise" the IT system including the acquisition of additional hardware, checking on completeness of recovery of data, assessment of security posture and a review of organisational structure and procedures.

As a follow-up, the findings of the security posture exercise were used to define short and medium-term recovery and resilience strategy for Hibiscus Petroleum including implementation of network intrusion protection system (IPS), enhance firewalls and email security, increase basic security and core infrastructure services, tighten security policies, build capacity and improve incident management capabilities. Additional efforts were also made to control user access, manage configuration changes, patch all critical servers and user laptops, set-up a help desk and monitor core service availability.

The key priority for the IT Department for FY2020 is to rebuild and enhance cyber security via access and security optimisation, systems customisation and enhancements, conduct licence usage, align processes within the Group and enhance systems embedment. Such efforts include new server infrastructure set-up and enhancement, application rebuild, firewall and perimeter security upgrades and the institution of advanced threat protection for emails.

Furthermore, a disaster recovery and business continuity process have been established with the introduction of an improved offsite back-up process. Simulations and audits have been conducted, and third-party experts were involved in testing the sufficiency and veracity of the system.

Other steps taken to monitor and improve our IT system on a periodic basis include:

- Data centre maintenance for file share folders and applications database;
- Data centre back-up and restore testing;
- Security awareness notifications to detect phishing attempts;
- Network maintenance; and
- Increasing inventory management controls and widening business intelligence.

In terms of IT security policies and SOPs, an external security firm has been appointed as an added safety measure to solidify our cyber security and gauge whether our existing policies and operational controls require tightening. Current policies we have in effect are:

- *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 cyber security and improvements made in the last year have 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 have also implemented an active scanning process which regularly checks for any irregularities, with escalation in place to react to rogue activities within the 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.

The progress of the IT system's infrastructure confidentiality, integrity and availability was further apparent during the COVID-19 virus pandemic that impacted many countries and businesses in the world including Malaysia and the UK. Hibiscus Petroleum Group was able to continue seamless business activities utilising our secure infrastructure while the recovery was progressively implemented to 100% capacity.

Furthermore, we continually plan improvements to our systems, and in this regard, enhancements to our IT administration and control procedures, encryption requirements and IT Segregation and additional security enhancements are among 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 have been undertaken, or plan to undertake to address matters of material sustainability within 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.**


RESPONSIBLE
AND RESILIENT


WORLD BANK: MALAYSIA RIDING OUT
Thank You
Cleaners and those in the sanitization industry who have stepped up, meticulously deep-cleaning and disinfecting public spaces or business premises to prevent the spread of COVID-19, allowing economic activities to resume and continue.

# 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 COMPANY) FOR INCLUSION IN THIS ANNUAL REPORT 2019/2020.**

**YBHG DATO' DR ZAHA RINA ZAHARI**
Chair of the Nominating Committee

Established by our Board on 26 February 2011, the composition of our NC is as listed below, and complies with Paragraph 15.08A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities) which states that a nominating committee shall comprise exclusively of Non-Executive Directors (NED), a majority of whom must be independent:

| Name of NC Member | Appointment Date | Directorship | Attendance at NC Meetings |
|---|---|---|---|
| YBhg Dato' Dr Zaha Rina Zahari | 30 May 2018 | Chair/Independent NED | 2/2 |
| Thomas Michael Taylor | 15 August 2016 | Member/Senior Independent NED | 2/2 |
| Zainul Rahim bin Mohd Zain | 26 February 2011 | Member/Non-Independent NED | 2/2 |
| YBhg Dato' Sri Roushan Arumugam | 28 March 2013 | Member/Independent NED | 2/2 |

Our NC is chaired by YBhg Dato' Dr Zaha Rina Zahari, who is an Independent Director, thereby meeting Practice 4.7 of the Malaysian Code on Corporate Governance 2017 that the nominating committee should be chaired by an independent director or the senior independent director.

During FY2020, our NC continued to pay a key role in assisting our Board to fulfil its oversight responsibilities, primarily relating to our Board's composition and appointment of key Senior Management, review of training requirements for each director, and assessing the effectiveness of the Board and Board Committees. In discharging its responsibilities, our NC is guided by the NC *Terms of Reference*, which may be viewed at our corporate website at https://www.hibiscuspetroleum.com.

Our MD was invited to the NC meetings to facilitate deliberations as well as provide clarifications on the proposals tabled for our NC's considerations. An update of key deliberations and recommendations by our NC were reported to our Board at its meetings. The Company Secretaries serve as the secretaries to our NC.

## SUMMARY OF ACTIVITIES OF THE NC

Our NC's key activities throughout FY2020 are summarised below:

### i. Board Effectiveness Evaluation

The annual Board assessment FY2020 was carried out by the NC with the assistance of our Company Secretaries.

A self-assessment questionnaire was circulated to all the Board members, and used to assess the Board as a whole, the Board Committees, as well as the Directors individually. There were a variety of parameters considered to ensure a holistic evaluation. The assessment covered 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, information management and monitoring the Company's performance.

Other areas evaluated 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 assessed the contributions of each member of the Board, his/her knowledge and abilities, integrity, collaboration with others, as well as his/her personal commitment to Board responsibilities.

NEDs 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.

The results of the analysis were shared and action plans were developed and monitored by our NC.

**ii. Appointment and Re-election of Directors**

Our NC is responsible to review candidates to the Board to fill any vacancy appointments 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 the 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 of 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.

The established Board selection criteria is summarised below to ensure that each of our Directors have the required experience, competence, character, integrity and time to effectively discharge his/her role as a Director.

| | | | |
|---|---|---|---|
| Nomination by our existing Directors, MD and within the bounds of practicability, by Senior Management or shareholders | Assessment of candidates based on the Board selection criteria and background reference checks | Interviews by Directors (where possible) and recommendation to our Board | Approval by our Board followed by announcement to Bursa Securities |

# NOMINATING COMMITTEE REPORT

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 the financial year ended 30 June 2020, 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 make the appropriate recommendation to the Board.

In this regard and being satisfied with the performance of YBhg Dato' Sri Roushan Arumugam and YBhg Dato' Dr Zaha Rina Zahari, the NC recommended the re-election of YBhg Dato' Sri Roushan Arumugam and YBhg Dato' Dr Zaha Rina Zahari, who will be due for retirement pursuant to Clause 134 of the *Constitution* of the Company for shareholders' approval at the 10th AGM of the Company. YBhg Dato' Sri Roushan Arumugam and YBhg Dato' Dr Zaha Rina Zahari abstained from deliberations on this matter.

**iii. Policy on Tenure of Independent Directors**

Our NC reviewed and recommended the retention of YBhg Dato' Sri Roushan Arumugam as an Independent NED of the Company (although his tenure has exceeded a 9-year period from 25 July 2020), to continue to serve as Independent Non-Executive Director of the Company until the conclusion of the next AGM in year 2021, based on the following justifications (earlier approval for YBhg Dato' Sri Roushan Arumugam to serve past the 9-year term period which ended on 24 July 2020 up to the AGM in 2020, was received at the 9th Annual General Meeting (AGM) held on 4 December 2019):

- He fulfils the criteria of an Independent Director as stated in the MMLR of Bursa Securities, 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 skillset coupled with experience;
- He has been with the Company for more than nine (9) 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.

**IV. Performance Evaluation of the Employees of the Group including the Leadership Team**

The NC also reviewed the 2019/2020 performance of employees of the Group (including the Leadership team) against the pre-determined targets set out in the approved FY2020 Group Scorecard.

In this regard and being satisfied with the performance of the MD, the NC recommended the re-election of Dr Kenneth Gerard Pereira who will be due for retirement pursuant to Clause 125 of the *Constitution* of the Company for shareholders' approval at the 10th AGM of the Company.

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 our Board comprises of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that our Board functions effectively and discharges its duties in the best interests of the Company and shareholders.

This Report is dated 1 October 2020.

# 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 COMPANY) FOR INCLUSION IN THIS ANNUAL REPORT 2019/2020.**

**YBHG DATO' SRI ROUSHAN ARUMUGAM**
Chair of the Remuneration Committee

The RC was established on 26 February 2011 and is exclusively comprised of Non-Executive Directors (NED), of whom a majority of them 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 2020 are as follows:

| Name of RC Member | Appointment Date | Designation | Attendance at RC Meetings |
|---|---|---|---|
| YBhg Dato' Sri Roushan Arumugam | 28 March 2013 | Chair of RC/Independent NED *(Re-designated as Chair on 15 July 2013)* | 4/4 |
| Zainul Rahim bin Mohd Zain | 26 February 2011 | Member/Non-Independent NED | 4/4 |
| Thomas Michael Taylor | 15 August 2016 | Member/Senior Independent NED | 4/4 |

The *Terms of Reference* of the RC is available on the Company's website at https://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 factors such as the financial performance of the Group (namely its Earnings before Interest, Tax, Depreciation and Amortisation), nature and size of the Group's operations, 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 update instituted in July 2019 to ensure its competitiveness to attract, retain and motivate individuals to serve on the Board of the Company.

# REMUNERATION COMMITTEE REPORT

## SUMMARY OF ACTIVITIES OF THE RC

Our RC's key activities throughout FY2020 are summarised below:

### i. Directors' Remuneration

NEDs' remuneration are reviewed annually by our RC. During the FY2020 review, our RC benchmarked existing remuneration against peer companies in the industry and found that:

- The directors' fees for our Chairman is between low-to-average at RM120,000 per annum (the average fees benchmarked was RM156,000), while the fees for our other NEDs fall within the average range of RM90,000 - RM120,000 (with the current fees at RM100,000 per annum).
- The meeting allowances for the Directors are market competitive.

Given the current economic climate, the Board resolved not to make any recommendation to the shareholders to revise the remuneration of the NEDs.

### ii. Staff Remuneration Philosophy and Reward Strategy

Hibiscus Petroleum's staff remuneration philosophy and reward strategy was reviewed by our RC to ensure the appropriateness and effectiveness of the current remuneration structure including job levels, job grade structure and employees' benefits. Hibiscus Petroleum's reward strategy focuses on cost containment and internal control while building on our objective to attract and retain talent.

The total bonus and increment proposal for Hibiscus Petroleum employees and specifically, our MD was reviewed by our RC based on the Group's performance against the pre-determined targets set out in the approved FY2020 Group Scorecard. The review also took into consideration changes to the market rates, and the average salary and performance bonus of comparable companies. Based on its assessment, the FY2020 bonus and increment proposal was recommended to our Board for approval. In addition, the RC also reviewed the performance of our MD and Leadership team to ensure a fair distribution that is linked to both the Company's performance and commensurates with the respective individual's performance.

### iii. Review of the RC Charter

The RC *Terms of Reference* is reviewed periodically and may be viewed at our corporate website at https://www.hibiscuspetroleum.com.

This Report is dated 1 October 2020.

# 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 2020 IN COMPLIANCE WITH PARAGRAPH 15.15 OF THE MAIN MARKET LISTING REQUIREMENTS (MMLR) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES).**

**THOMAS MICHAEL TAYLOR**
Chair of the Audit and Risk Management Committee

## COMPOSITION OF THE ARMC AND ATTENDANCE

The ARMC comprises of the members named below. Their attendance at the ARMC meetings held during the financial year ended 30 June 2020, is also reflected below:

| Name | Designation | Directorship | Attendance at ARMC Meetings |
|---|---|---|---|
| Thomas Michael Taylor | Chair | Senior Independent Non-Executive Director | 9/9 |
| Zainul Rahim bin Mohd Zain | Member | Non-Independent Non-Executive Chair | 9/9 |
| YBhg Dato' Dr Zaha Rina Zahari | Member | Independent Non-Executive Director | 9/9 |

**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), 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 https://www.hibiscuspetroleum.com.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## SUMMARY OF THE ARMC ACTIVITIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The ARMC carried out the following activities in discharging its functions and duties during the financial year ended 30 June 2020:

### A. Financial Reporting

- Reviewed the draft audited financial statements of the Group and the Company for the financial year ended 30 June 2019 (annual results), together with the Directors' and Auditors' Reports thereon prior to submission to the Board of Hibiscus Petroleum for consideration and approval;

- Reviewed the unaudited quarterly financial reports of the Group for the financial year ended 30 June 2020 prior to submission to the Board for consideration and approval; and

- Discussed the communication issued by the Securities Commission Malaysia's Audit Oversight Board for auditors and Audit Committees and/or those charged with governance regarding areas of focus when discharging their responsibilities on the financial reporting of the Company resulting from the impact of the COVID-19 pandemic.

### 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 cash flows 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 the financial year ended 30 June 2020;

- 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 the second half of the financial year ended 30 June 2020;
- Reviewed the effectiveness of the internal audit process and assessed the performance of the internal audit function;
- Reviewed and noted the Group Internal Auditor's annual declaration to assess the independence and objectivity of the Group Internal Auditor for the financial year ended 30 June 2020 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;

  ii. Group's business processes and compliance in the following areas:
     - the governance processes and activities of the Marigold and Sunflower development project;
     - online banking procedures and controls;

- Reviewed with the Group Internal Auditor the results of the audit progress reports and whether appropriate actions were being taken on the recommendations of the internal audit function; and
- Conducted meetings with the Group Internal Auditor without Management being present.

**D. Related Party Transactions**

- Reviewed related party transactions (RPTs) on quarterly basis. During the financial year ended 30 June 2020, 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 on Risk Management and Internal Control in the Company's Annual Report 2018/2019 for the financial year ended 30 June 2019 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 *Anti-Corruption and Anti-Bribery Policy*;
- Reviewed the proposed revisions to the *Whistle Blower Policy*;
- Reviewed the proposed *Anti-Modern Slavery Policy*;
- Reviewed the proposed *Dividend Policy*;
- Discussed the current Information Technology environment;
- Discussed the current status of preparedness in relation to the Corruption Risk Assessment; 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.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## 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 Group Internal Auditor is a qualified accountant. In order to maintain independence from Management and operations, the in-house Group 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 Group Internal Auditor in undertaking the internal audit function.

The internal audit function is guided by the Group's *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 Group 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 Group Internal Auditor for the financial year ended 30 June 2020 are as follows:

1. Established and presented risk-based annual internal audit plans for the second half of the financial year ended 30 June 2020, 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;

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

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

The sum of RM788,024 was incurred by the Group for the internal audit function for the financial year ended 30 June 2020.

This statement is made in accordance with the resolution of the Board dated 1 October 2020.

# 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 2020 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

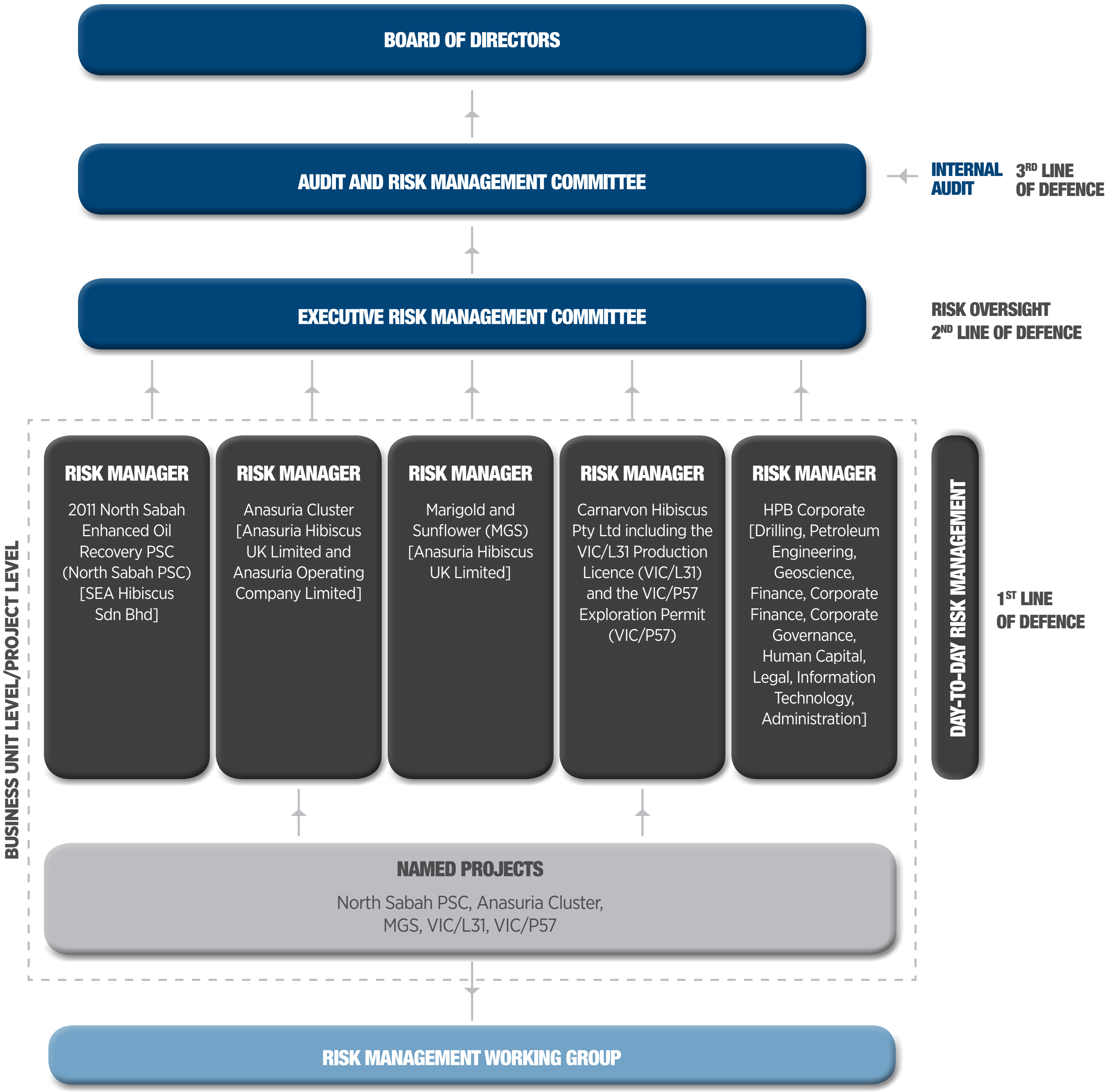
Risk management is firmly embedded in the Group's system of internal control as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and therefore, is integrated into the Group's governance, business processes and operations. It is a reiterative process, 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/project level. This information is reviewed by Management as part of the strategic review and periodical business performance process.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

## 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.

  COVID-19, a novel pneumonia disease, was confirmed by the World Health Organization in January 2020 to be a Public Health Emergency of International Concern. As part of the Group's business continuity plan, we enacted various measures expeditiously to mitigate the spread and impact of COVID-19 within our organisation given that the health and safety of our personnel is of utmost importance. We put into place at the workplace healthy hygiene practices, including (i) usage of sanitisers, (ii) stay at home when feeling unwell policy, (iii) practise of physical distancing and face masking, and (iv) allowing for home working where warranted. At the same time, the Group strove to minimise the negative financial impact of the COVID-19 pandemic and its mitigating measures by (a) revisiting its business continuity plans, (b) continually review its workforce operating arrangements, (c) maximising efficient use of virtual meetings where full physical meetings were/are not advisable, and (d) getting the Group-wide communications network right. In addition, the Group ensured that its workforce complied with measures imposed in the different jurisdictions of our operations.

  In addition, the Group's IT system was subjected to a ransomware attack on 1 October 2019. Steps taken to address risks associated with this event and this area of the business are documented in the Sustainability Report section of this Annual Report.

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

  ***Business Unit level and Project level***

  Detailed risk assessments and mitigation plans of each business unit and project are led by the relevant Risk 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.

  The respective Risk Managers identify key risks in their business units and projects, and are responsible for reviewing the likelihood and impact of such risks, as well as the execution of risk mitigation plans.

  ***Company level***

  The key risks are reported by the respective Risk Managers to the Executive Risk Management Committee (ERMC) on a regular basis for monitoring and review. The ERMC, led by the Chair of the ERMC, comprises key management personnel from different technical, commercial, operational and financial disciplines, as appointed by the ARMC. 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. Based on its reviews, the Chair of the ERMC provides regular updates to the ARMC.

  The key risk profiles at the business unit level and the project level are also regularly discussed at the management level to ensure risks and controls are designed to meet the agreed business objectives.

  At both the business unit and project levels, and, at Corporate level, a corruption risk assessment has been incorporated as part of the risk identification, assessment, mitigation and management process in view of the introduction and implementation of corporate liability provisions under Section 17A of the Malaysian Anti-Corruption Commission's (MACC) Act 2009 (amended 2018).

  Furthermore, several steps have been taken to ensure the adequacy of existing procedures to minimise any potential risks, including the tightening of existing processes and the introduction of new ones (where warranted), as further elaborated in the following sections of this Report.

- **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 Internal Auditor assists in the assessment of the quality of the Group's 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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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;
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 financial 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, including amongst others, the COVID-19 pandemic and the ransomware attack on the Group's IT system; 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 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 cash flow 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 capital 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. *LOA*s 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 (Anasuria Operating Company Limited (AOCL) and the 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 had 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 have been 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.

*Regular toolbox meetings are held and Safety Alerts are shared to ensure our staff and contractors receive the necessary awareness guidance*

**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 observe.

**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. An updated version of the policy was introduced in April 2020 which serves to provide greater clarification.

**Drug and Alcohol Policy**

The Group recognises that the protection of the health and safety of our employees, contractors and others involved in the Group's operations is an integral part of business performance. Therefore, this policy was formally introduced in January 2020 as part of efforts to demonstrate the Group's commitment and seriousness in ensuring a safe and healthy work environment for all parties.

**Other Policies**

Key policies and procedures covering *Related Party Transactions*, *IT*, *Accounting*, *Contracting and Procurement*, *Information Management*, *Risk Management*, *Corporate Disclosure*, *Succession Planning*, *Insider Trading*, *External Auditor Independence*, *Environment*, *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 settlement 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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's overall strategic business plan which maps out its objectives, business direction and highlights project risks with particular focus on the North Sabah PSC, the Anasuria Cluster, the MGS oilfields and the VIC/P57 and VIC/L31 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 Licence 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 is the operator of the Production Licence P198 Blocks 15/13a and 15/13b, also known as the MGS fields. 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 receives status updates on the progress of the project.

In addition, 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 in-house by the Group 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 Group 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.

To ensure independence from Management, the Group 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 system of internal controls 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 the statement, the Board has received assurance from the Managing Director and 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 the financial year ended 30 June 2020, 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 2020.

# 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 2020 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 appointed 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.

  Effective 1 August 2020, an extension of the MD's Service Agreement for a period of 2 years was put in place.

## 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 2020, 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 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 |
| Year 3 | 20 March 2020 to 19 March 2021 | RM1.12 (Current Exercise Price of Warrants C) |

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 RM1.00 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 RM425,500 and RM334,800 respectively, incurred for tax-related and accounting-related services/advices, and advisory services related to corporate exercises.

## 6. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

**Warrants C**

As of 1 October 2020, the Company had received proceeds of RM100.00 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 keeps 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 from pages 143 to 147 and the financial statements from pages 157 to 249 of this Annual Report 2019/2020.

This statement is made in accordance with the resolution of the Board dated 1 October 2020.

# FINANCIAL REPORT

# 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 2020.

## 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 |
|---|---|---|
| Loss after taxation for the financial year | (49,254) | (366,761) |

## 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 and further revised from RM1.06 to RM1.12 per Warrant C with effect from 20 March 2020. The Warrants C can be exercised at any time from the date of its issuance and ending at 5.00pm on 18 March 2021 (being one market day prior to the expiry date of the Warrants C) in accordance with the provisions of the deed poll in relation to Warrants C.

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 2020, the number of outstanding Warrants C is 317,645,623 Warrants C. During the financial year, there was no exercise of Warrants C.

## 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.

# DIRECTORS' REPORT (CONTINUED)

### 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 the impairment of intangible assets and the significant event as disclosed in Note 13 and Note 44 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, Dato' Sri Roushan A/L Arumugam and Dato' Dr Zaha Rina binti Zahari shall retire by rotation from the Board of Directors at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

In accordance with Clause 125 of the Constitution of the Company, Dr Kenneth Gerard Pereira shall retire 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' 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 01.07.2019 | Bought | Sold | At 30.06.2020 |
| **Direct interests:** | | | | |
| Dato' Dr Zaha Rina binti Zahari | 4,365,000 | 135,000 | – | **4,500,000** |
| Dato' Sri Roushan A/L Arumugam | 400,000 | 300,000 | – | **700,000** |
| **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 01.07.2019 | Bought | Redeemed | At 30.06.2020 |
| **Indirect interests:** | | | | |
| Dr Kenneth Gerard Pereira* | 2,193,880 | – | – | **2,193,880** |

* *Deemed interested via his 63.75% equity interest in Hibiscus Upstream.*

# DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

| | Number of Warrants C | | | |
|---|---|---|---|---|
| | At 01.07.2019 | Bought | Sold | At 30.06.2020 |
| **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 RM7,510,760 and RM30,175 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 RM177,750 in the financial year.

**SUBSIDIARIES**

The details and principal activities of the subsidiaries are set out in Note 16 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 2020. 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 157 to 249 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 2020 and financial performance of the Group and of the Company for the financial year ended 30 June 2020 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 2020.

**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 157 to 249 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 2020.

Before me

**SAMUGAM VASSOO (W632)**
**COMMISSIONER FOR OATHS**

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (INCORPORATED IN MALAYSIA) (REGISTRATION NUMBER: 200701040290 (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 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**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 2020 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 157 to 249.

**Basis for opinion**

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

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

**Independence and other ethical responsibilities**

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

**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.

**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.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
## (INCORPORATED IN MALAYSIA) (REGISTRATION NUMBER: 200701040290 (798322-P))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

**Group**

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Recoverability of the carrying amount of intangible assets and equipment**<br><br>*Refer to Note 4(k)(ii) - Significant accounting policies: Impairment of non-financial assets, Note 4(u)(i) - Significant accounting policies: Critical estimates and judgement for the estimation of oil and gas reserves, Note 4(u)(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"), Note 13 Intangible assets and Note 14 Equipment - Oil and gas assets and FPSO* | |
| As at 30 June 2020, the Group's carrying amount of rights and concession and conventional studies included within intangible assets, and oil and gas assets and FPSO included within equipment (collectively "Upstream Assets") amounted to RM1,364.6 million and RM573.1 million respectively.<br><br>These Upstream Assets are related to the Anasuria Cluster, the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract ("North Sabah"), the Marigold and Sunflower fields ("MGS"), the VIC/P57 exploration permit ("VIC/P57") and the VIC/L31 production license ("VIC/L31"), representing 5 different cash generating units ("CGU") based on operating areas.<br><br>Management had performed the impairment assessment for Upstream Assets relating to the Anasuria Cluster, North Sabah, MGS, VIC/L31 and VIC/P57 using the fair value less costs to sell ("FVLCTS") model taking into consideration possible impact of the COVID-19 pandemic on future oil prices.<br><br>Based on the assessments, an impairment loss of RM107.7 million and RM75.8 million had been recognised for VIC/P57 and VIC/L31 respectively.<br><br>We focused on this area due to the significant assumptions and judgements used in the Group's assessment of the recoverable amounts based on FVLCTS. 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 rates. | We performed the following audit procedures for each of the CGUs:<br><br>i) Anasuria Cluster, North Sabah and VIC/L31<br><br>• Agreed the cash flows to management forecasts approved by the Directors and considered any adjustments relevant to FVLCTS;<br>• Compared the life-of-field assumptions with the production profile within the licence period for the CGUs;<br>• Agreed the production volumes incorporated into the cash flows to the reserves estimates prepared by external independent parties;<br>• Assessed the reasonableness of the forecasted oil prices incorporated into the cash flows by comparing to available market data and considered the appropriateness of the possible impact of the COVID-19 pandemic;<br>• Agreed future operating and capital expenditure included in the cash flows to supporting documents;<br>• Compared the commercial risk factors incorporated into the cash flows for North Sabah and VIC/L31 to externally available benchmarks in light of the low oil prices due to the impact of the COVID-19 pandemic;<br>• Discussed with management the assessment of likelihood for the termination of the VIC/L31 license being remote and read the opinion provided by an external independent party on likelihood of termination; |

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

**Group (continued)**

| Key audit matters | How our audit addressed the key audit matters |
| --- | --- |
| **Recoverability of the carrying amount of intangible assets and equipment (continued)** | i) Anasuria Cluster, North Sabah and VIC/L31 (continued)<br><br>• Assessed the competency, capabilities and objectivity of the external independent 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;<br>• Checked the reasonableness of the discount rate and the commercial risk factors with the assistance of our valuation experts by benchmarking to industry reports; and<br>• Performed sensitivity analysis by changing the key assumptions used in the base cash flows on oil prices, production volumes and discount rate in consideration of the possible impact caused by the COVID-19 pandemic.<br><br>ii) MGS and VIC/P57<br><br>• Agreed the cash flows to management forecasts approved by the Directors and considered any adjustments relevant to FVLCTS;<br>• Compared the life-of-field assumptions with the production profile within the licence period for MGS;<br>• Checked that validity of the VIC/P57 exploration permit is within the time frame approved by the regulator;<br>• Agreed contingent and prospective resources incorporated into the cash flows for MGS and VIC/P57 to estimates made by the internal and external geological and geophysical teams;<br>• Assessed the reasonableness of the forecasted oil prices incorporated into the cash flows by comparing to available market data and considered the appropriateness of the possible impact of the COVID-19 pandemic;<br>• Agreed future operating and capital expenditure included in the cash flows for MGS to supporting documents;<br>• Checked the estimated exploration well costs incorporated into the cash flows for VIC/P57 to the quotation provided by an external independent company;<br>• Assessed the competency, capabilities and objectivity of the internal and external geological and geophysical teams who estimated the contingent and prospective resources by considering their professional qualifications, independence and experience;<br>• Compared the commercial risk factors incorporated into the cash flows to externally available benchmarks in light of the low oil prices due to the impact of the COVID-19 pandemic; |

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
## (INCORPORATED IN MALAYSIA) (REGISTRATION NUMBER: 200701040290 (798322-P))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

**Group (continued)**

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Recoverability of the carrying amount of intangible assets and equipment (continued)** | ii) MGS and VIC/P57 (continued)<br><br>• Checked the reasonableness of the discount rate and the commercial risk factors with the assistance of our valuation experts by benchmarking to industry reports; and<br>• Performed sensitivity analysis by changing the key assumptions used in the base case cash flows on oil prices, contingent and prospective resources volumes and discount rate in consideration of the possible impact caused by the COVID-19 pandemic.<br><br>We did not find any material exceptions in the procedures performed. |
| **Sufficiency of funding to support Group's and Company's liquidity requirements**<br><br>*Refer to Note 43(a)(iii) - Financial instruments: Financial risk management policies - liquidity risk*<br><br>As at 30 June 2020, the Group's and the Company's current liabilities exceeded their current assets by RM48.8 million and RM34.3 million respectively.<br><br>Management has considered the possible impact of the COVID-19 pandemic on future oil prices and its associated impact to the Group's and the Company's cash flows. The pandemic may result in lower oil prices and reduced global oil demand which might adversely impact the Group's and the Company's future cash inflows.<br><br>We focused on this area as the cash flow projections are inherently uncertain and involved significant estimates and judgements given the recent volatility in global oil prices as a result of the effects of the COVID-19 pandemic since both the Group and the Company are relying on the cash inflows from the production from the Anasuria Cluster and North Sabah to fund their operations and commitments. | In assessing the Group's and the Company's liquidity requirements, we have performed the following procedures:<br><br><u>Group</u><br><br>• Checked management's cash flow projections for the Group and the Company over at least the next 12 months from the reporting date to the approved budget by the Directors;<br>• Discussed with management on the assumptions used by management in the cash flow projections of the Group and of the Company over at least the next 12 months from the reporting date;<br>• Challenged the key assumptions such as oil prices, and future cash outflows of operating and capital expenditures used by management in the cash flow projections;<br>• Checked that the contracted capital and operating expenditures in relation to the Anasuria Cluster, North Sabah and MGS have been included in the cash flow projections;<br>• Compared the forecast oil prices to available market data and externally available benchmarks;<br>• Assessed the reliability of management's projection by comparing the cash balances in the monthly cash flow projections against the monthly actual cash balances for prior and current periods to-date;<br>• Corroborated the availability of funding by reviewing the signed trade agreement with a counterparty;<br>• Considered the likelihood of the counterparty to provide the necessary funding based on available evidence and market information; |

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

**Group (continued)**

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **Sufficiency of funding to support Group's and Company's liquidity requirements (continued)** | Group (continued)<br><br>• Performed sensitivity analysis on the key assumptions such as oil prices for the offtakes from the Anasuria Cluster and North Sabah and the timing of the cash outflows, and considered the resulting effects to the underlying cash flow projections; and<br>• Reviewed the adequacy and the appropriateness of management's liquidity risk disclosures in the financial statements.<br><br>Company<br><br>• In addition to the relevant procedures performed for the Group's underlying cash flow projections, assessed the ability of the indirect wholly-owned subsidiaries of the Company who are revenue generating to provide advances to the Company and the ability of the wholly-owned subsidiaries of the Company to declare dividends to the Company as and when required to meet the Company's short-term obligations by checking the subsidiaries' cash flow forecasts.<br><br>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**<br><br>*Refer to Note 4(d)(i) - Significant accounting policies: Financial assets, Note 4(k)(ii) - Significant accounting policies: Impairment of non-financial assets, Note 16 - Investments in subsidiaries and Note 22 - Amounts owing by subsidiaries*<br><br>As at 30 June 2020, the net carrying value of the investments in subsidiaries and amounts owing by subsidiaries is RM79.6 million after total impairment losses of RM628.9 million.<br><br>The adverse impact of the COVID-19 pandemic on future oil prices had reduced the cash flows from the underlying Upstream Assets, resulting in an impairment loss of RM352.4 million recognised on the cost of investments in subsidiaries during the current financial year.<br><br>Also during the current financial year, there was a net reversal of impairment loss of RM1.9 million recorded for amounts owing by subsidiaries.<br><br>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. | In addition to the procedures performed on the cash flows from the underlying Upstream Assets of the subsidiaries as described in the key audit matter earlier, we performed the following audit procedures:<br><br>• 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 Upstream Assets which we have assessed above;<br>• Checked management's forecasted future operating activities including the estimated income and expenses to supporting documents;<br>• Checked that the cash flows used to determine the recoverable amount of Upstream Assets had been appropriately adjusted for financing and tax cash flows of the respective subsidiaries;<br>• Checked appropriateness of management's assessment on the expected credit losses of amounts owing by subsidiaries; and<br>• Checked the reasonableness of the discount rate with the assistance of our valuation experts.<br><br>We did not find any material exceptions in the procedures performed. |

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED) (INCORPORATED IN MALAYSIA) (REGISTRATION NUMBER: 200701040290 (798322-P))

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

**Company (continued)**

| 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 (continued)**<br><br>The recoverable amount of the investments in subsidiaries and amounts owing by subsidiaries were determined based on the discounted cash flows used to assess the recoverable amount of Upstream Assets after taking into account financing and tax cash flows of the respective subsidiaries, which are available for distributions as dividends. | |

**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 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 2020 Annual Report, which are 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### 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 the Company's internal control.

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

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

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF HIBISCUS PETROLEUM BERHAD (CONTINUED)
## (INCORPORATED IN MALAYSIA) (REGISTRATION NUMBER: 200701040290 (798322-P))

### 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 16 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

**TAN ENG HONG**
03424/03/2021 J
Chartered Accountant

Kuala Lumpur
1 October 2020

# STATEMENTS OF PROFIT OR LOSS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Revenue | 5 | **646,504** | 988,303 | **12,855** | 10,700 |
| Cost of sales | 6 | **(248,807)** | (325,813) | **–** | – |
| Gross profit | | **397,697** | 662,490 | **12,855** | 10,700 |
| Other income | 7 | **6,396** | 3,950 | **610** | 132 |
| Administrative expenses | | **(190,419)** | (111,534) | **(377,413)** | (25,733) |
| Impairment of intangible assets | | **(187,699)** | – | **–** | – |
| Impairment of equipment | | **(8,632)** | – | **–** | – |
| Net impairment of investments in subsidiaries and amounts owing by subsidiaries | | **–** | – | **(350,550)** | – |
| Reversal of unrecovered recoverable costs | | **78,182** | – | **–** | – |
| Other administrative expenses | | **(72,270)** | (111,534) | **(26,863)** | (25,733) |
| Other expenses | | **(145,018)** | (120,664) | **(1,091)** | (74) |
| Finance costs | 8 | **(42,982)** | (42,421) | **(1,722)** | – |
| Share of results of an associate | | **(385)** | (354) | **–** | – |
| Profit/(loss) before taxation | 9 | **25,289** | 391,467 | **(366,761)** | (14,975) |
| Taxation | 10 | **(74,543)** | (161,457) | **–** | – |
| (Loss)/profit after taxation | | **(49,254)** | 230,010 | **(366,761)** | (14,975) |
| (Loss)/profit after taxation attributable to: - Owners of the Company | | **(49,254)** | 230,010 | **(366,761)** | (14,975) |
| (Loss)/earnings per share (sen) | | | | | |
| Basic | 11 | **(3.10)** | 14.48 | | |
| Diluted | 11 | **(3.10)** | 14.48 | | |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| (Loss)/profit after taxation | **(49,254)** | 230,010 | **(366,761)** | (14,975) |
| Other comprehensive income: | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | |
| - Foreign currency translation | **33,029** | 11,732 | **–** | – |
| Total comprehensive (expenses)/income for the financial year, net of tax | **(16,225)** | 241,742 | **(366,761)** | (14,975) |
| Total comprehensive (expenses)/income attributable to: | | | | |
| - Owners of the Company | **(16,225)** | 241,742 | **(366,761)** | (14,975) |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION
## AS AT 30 JUNE 2020

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Intangible assets | 13 | **1,364,618** | 1,530,075 | **–** | – |
| Equipment | 14 | **587,378** | 380,228 | **2,769** | 207 |
| Right-of-use assets | 15 | **12,404** | – | **705** | – |
| Other receivables | 21 | **7,123** | – | **–** | – |
| Investments in subsidiaries | 16 | **–** | – | **76,987** | 423,592 |
| Investment in an associate | 17 | **5,403** | 5,745 | **–** | – |
| Investments in joint ventures | 18 | **–** | – | **–** | – |
| Restricted cash and bank balances | 26 | **95,795** | 66,828 | **–** | – |
| | | **2,072,721** | 1,982,876 | **80,461** | 423,799 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 19 | **68,080** | 21,378 | **–** | – |
| Trade receivables | 20 | **11,441** | 64,869 | **–** | – |
| Other receivables, deposits and prepayments | 21 | **175,244** | 116,825 | **1,056** | 1,935 |
| Amounts owing by subsidiaries | 22 | **–** | – | **2,634** | 18,680 |
| Amount owing by a joint venture | 23 | **481** | 475 | **–** | – |
| Amount owing by an associate | 24 | **62** | – | **–** | – |
| Amount owing by a related party | 25 | **–** | – | **303** | 301 |
| Cash and bank balances | 26 | **80,996** | 206,709 | **2,472** | 5,676 |
| Tax recoverable | | **17,127** | – | **–** | – |
| | | **353,431** | 410,256 | **6,465** | 26,592 |
| TOTAL ASSETS | | **2,426,152** | 2,393,132 | **86,926** | 450,391 |

# STATEMENTS OF FINANCIAL POSITION
## AS AT 30 JUNE 2020 (CONTINUED)

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | | | | | |
| Share capital | 27 | **764,965** | 764,965 | **764,965** | 764,965 |
| Other reserves | 28 | **98,230** | 65,201 | **–** | – |
| Retained earnings/(Accumulated losses) | | **358,112** | 407,366 | **(718,958)** | (352,197) |
| | | **1,221,307** | 1,237,532 | **46,007** | 412,768 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Other payables | 30 | **23,850** | 106,874 | **–** | – |
| Borrowings | 31 | **14,401** | 3,791 | **152** | – |
| Contingent consideration | 33 | **2,363** | 2,063 | **–** | – |
| Deferred tax liabilities | 34 | **485,791** | 395,316 | **–** | – |
| Provision for decommissioning costs | 35 | **276,228** | 251,290 | **–** | – |
| | | **802,633** | 759,334 | **152** | – |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 29 | **4,797** | 8,721 | **–** | – |
| Other payables and accruals | 30 | **275,684** | 221,891 | **4,850** | 4,987 |
| Borrowings | 31 | **59,864** | 1,041 | **591** | – |
| Deferred consideration | 32 | **–** | 19,184 | **–** | – |
| Amounts owing to subsidiaries | 22 | **–** | – | **34,795** | 32,105 |
| Amount owing to a joint venture | 23 | **318** | 318 | **–** | – |
| Amount owing to an associate | 24 | **–** | 17 | **–** | – |
| Amount owing to a related party | 25 | **–** | – | **312** | 312 |
| Provision for decommissioning costs | 35 | **58,717** | 65,314 | **–** | – |
| Provision for taxation | | **2,613** | 79,561 | **–** | – |
| Redeemable Convertible Preference Shares | 36 | **219** | 219 | **219** | 219 |
| | | **402,212** | 396,266 | **40,767** | 37,623 |
| **TOTAL LIABILITIES** | | **1,204,845** | 1,155,600 | **40,919** | 37,623 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,426,152** | 2,393,132 | **86,926** | 450,391 |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Non-distributable | | | | |
|---|---|---|---|---|---|
| | **Share capital RM'000** | **Other reserves RM'000** | **Foreign exchange reserve RM'000** | **Retained earnings RM'000** | **Total RM'000** |
| **Group** | | | | | |
| At 01.07.2019 | **764,965** | **389** | **64,812** | **407,366** | **1,237,532** |
| Loss after taxation | **–** | **–** | **–** | **(49,254)** | **(49,254)** |
| Other comprehensive income, net of tax: | | | | | |
| - Foreign currency translation | **–** | **–** | **33,029** | **–** | **33,029** |
| Total comprehensive income/(expenses) for the financial year | **–** | **–** | **33,029** | **(49,254)** | **(16,225)** |
| At 30.06.2020 | **764,965** | **389** | **97,841** | **358,112** | **1,221,307** |

| | 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 |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

| | Non-distributable share capital RM'000 | Accumulated losses RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| At 01.07.2019 | **764,965** | **(352,197)** | **412,768** |
| Loss after taxation/Total comprehensive expenses for the financial year | **–** | **(366,761)** | **(366,761)** |
| At 30.06.2020 | **764,965** | **(718,958)** | **46,007** |

| | 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 |

The annexed notes form an integral part of these financial statements.

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit/(loss) before taxation | | **25,289** | 391,467 | **(366,761)** | (14,975) |
| Adjustments for: | | | | | |
| Impairment of intangible assets | | **187,699** | – | **–** | – |
| Depreciation and amortisation of equipment, intangible assets and right-of-use assets | | **145,018** | 115,476 | **1,091** | 74 |
| Finance costs | | **42,982** | 42,421 | **1,722** | – |
| Impairment of equipment | | **8,632** | – | **–** | – |
| Net impairment of investments in subsidiaries and amounts owing by subsidiaries | | **–** | – | **350,550** | – |
| Impairment/(reversal of impairment) of other receivables | | **3,496** | (3,011) | **–** | – |
| Share of results of an associate | | **385** | 354 | **–** | – |
| Write-off of equipment | | **77** | – | **77** | – |
| Gain on lease termination | | **(357)** | – | **–** | – |
| Interest income | | **(871)** | (872) | **(42)** | (531) |
| Unrealised (gain)/loss on foreign exchange | | **(1,033)** | 5,188 | **(604)** | (95) |
| Reversal of unrecovered recoverable costs | | **(78,182)** | – | **–** | – |
| Reversal of impairment of investment in an associate | | **–** | (1,335) | **–** | – |
| Operating profit/(loss) before working capital changes | | **333,135** | 549,688 | **(13,967)** | (15,527) |
| Inventories | | **(45,132)** | 37,928 | **–** | – |
| Trade receivables | | **54,599** | 47,074 | **–** | – |
| Other receivables, deposits and prepayments | | **(47,671)** | (13,840) | **879** | (1,098) |
| Trade payables | | **(4,171)** | 5,589 | **–** | – |
| Other payables and accruals | | **(43,485)** | (32,130) | **(141)** | 1,139 |
| Amounts owing by subsidiaries | | **–** | – | **13,231** | (8,375) |
| Amount owing by a joint venture | | **–** | 151 | **–** | – |
| Amount owing to a joint venture | | **–** | (933) | **–** | – |
| Amount owing by a related party | | **–** | – | **–** | 9 |
| Amount owing by an associate | | **(60)** | 5 | **–** | – |
| Amount owing to an associate | | **(17)** | 18 | **–** | – |
| CASH GENERATED FROM/(USED IN) OPERATIONS | | **247,198** | 593,550 | **2** | (23,852) |
| Income tax paid | | **(95,231)** | (97,452) | **–** | – |
| Movement in restricted cash and bank balances | | **(29,686)** | (52,949) | **–** | – |
| NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES | | **122,281** | 443,149 | **2** | (23,852) |

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

| | Note | Group 2020 RM'000 | Group 2019 RM'000 | Company 2020 RM'000 | Company 2019 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of equipment | | **(252,872)** | (168,054) | **(2,978)** | (32) |
| Acquisition of intangible assets | | **(16,376)** | (161,936) | **–** | – |
| Payment of deferred consideration | | **(21,066)** | (20,643) | **–** | – |
| Interest received | | **871** | 872 | **42** | 531 |
| Advances to subsidiaries | | **–** | – | **(13,960)** | (11,289) |
| Repayment from subsidiaries | | **–** | – | **14,545** | 29,898 |
| NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES | | **(289,443)** | (349,761) | **(2,351)** | 19,108 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Net drawdown of term loan | | **46,435** | – | **–** | – |
| Net repayment of lease liabilities | | **(7,682)** | – | **(842)** | – |
| Settlement of finance lease liability | | **–** | (6,566) | **–** | – |
| Repayment to subsidiaries | | **–** | – | **–** | (857) |
| NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES | | **38,753** | (6,566) | **(842)** | (857) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(128,409)** | 86,822 | **(3,191)** | (5,601) |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | | **(993)** | (2,191) | **(13)** | (2) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | | **206,709** | 122,078 | **5,676** | 11,279 |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 26 | **77,307** | 206,709 | **2,472** | 5,676 |

The annexed notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 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 | : | 12th Floor, Menara Symphony,<br>No. 5, Jalan Prof. Khoo Kay Kim,<br>Seksyen 13,<br>46200 Petaling Jaya,<br>Selangor Darul Ehsan. |
| Principal place of business | : | 2nd Floor, Syed Kechik Foundation Building,<br>Jalan Kapas, Bangsar,<br>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 2020.

### 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 16 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 2020 (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 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 128 'Long-term interests in Associate or Joint Venture'
- Annual Improvements to MFRSs 2015-2017 Cycle: MFRS 3 'Business Combinations', MFRS 11 'Joint Arrangements', MFRS 112 'Income Taxes'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'

The Group has adopted MFRS 16 for the first time for the financial year beginning on 1 July 2019 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) Amendments to published standard that have yet to be effective but have been early adopted**

Effective for financial periods beginning on or after 1 June 2020

The Group has early adopted the following amendment for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 'Covid-19-Related Rent Concessions'

The early adoption of the above amendment to the standard did not have any material impact on the current financial year or any prior financial period.

**(c) Amendments to published standards that are applicable to the Group and the Company but not yet effective**

A number of amendments to standards are effective for financial year beginning on or after 1 July 2019. None of these are expected to have a significant effect on the financial statements of the Group and of the Company, except the following:

- 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 integrating 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 concentration 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.

## 3 BASIS OF PREPARATION (CONTINUED)

### (c) Amendments to published standards that are applicable to the Group and the Company but not yet effective (continued)

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2022) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

  The amendments shall be applied retrospectively.

The Group and the Company are in the process of assessing the impact of these amendments 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 2020.

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.

<u>Changes in ownership interests in subsidiaries without change of control</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of consolidation (continued)**

Disposal of subsidiaries

Upon loss of control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and,
- 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 'Financial Instruments' 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.

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 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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Oil and gas expenditure - exploration and evaluation ("E&E") assets (continued)

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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Currency translation (continued)**

**(iii) Translation of Group entities' financial statements**

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

- 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.

On 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**

- Classification

  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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Financial instruments (continued)

#### (i) Financial assets (continued)

- 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 fair value through profit or loss ("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 investments when and only when its business model for managing those assets changes.

  – 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Financial instruments (continued)**

**(i) Financial assets (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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Financial instruments (continued)

#### (i) Financial assets (continued)

*General 3-stage approach for 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*

- 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,
- 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Financial instruments (continued)**

**(i) Financial assets (continued)**

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; or,

  • The debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Financial instruments (continued)

#### (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 profit or loss.

#### (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 2020 (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.

#### (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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Investments in joint arrangements (continued)

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.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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 profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms 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.

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is its 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.

**(ii) Other intangible assets**

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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Equipment (continued)

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% |

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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Impairment**

**(i) Impairment of financial assets**

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.

**(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.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Provisions (continued)

#### (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.

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

#### (i) Accounting by lessee

<u>Accounting policies applied from 1 July 2019</u>

From 1 July 2019, leases are recognised as right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Leases (continued)**

**(i) Accounting by lessee (continued)**

Accounting policies applied from 1 July 2019 (continued)

- Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affect whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. Refer below on reassessment of lease liabilities.

- Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

– The amount of the initial measurement of lease liability;

– Any lease payments made at or before the commencement date less any lease incentive received;

– Any initial direct costs; and,

– Decommissioning or restoration costs.

Right-of-use assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss, if any. The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. In addition, the right-of-use assets are adjusted for certain remeasurement of the lease liabilities.

- Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

– Fixed payments (including in-substance fixed payments), less any lease incentive receivable;

– Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

– The exercise prices of purchase and extension options if the Group and the Company are reasonably certain to exercise the options; and,

– Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Leases (continued)

#### (i) Accounting by lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

- Lease liabilities (continued)

  Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

  Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

  The Group and the Company present the lease liabilities within borrowings in the statements of financial position. Interest expense on the lease liabilities is presented within the finance cost in profit or loss.

- Reassessment of lease liabilities

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

Accounting policies on lessee accounting applied until 30 June 2019

- Short-term leases and leases of low value assets

  Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

- Finance leases

  Until 30 June 2019, 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.

- Operating leases

  Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(p) Leases (continued)**

**(ii) Accounting by lessor**

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

- Finance leases

  The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

  The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to impairment assessment requirements of MFRS 9 (refer to Note 4(k)(i) to the financial statements on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

- Operating leases

  The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

  The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

- Sublease classification

  From 1 July 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

- Separating lease and non-lease components

  If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 'Revenue from Contracts with Customers'.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

### (r) Revenue

*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 hydrocarbons 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 Group and the Company, and the amount of revenue can be measured reliably.

*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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(r) Revenue (continued)**

*Revenue from other sources (continued)*

**(ii) Dividend income**

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

**(s) 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.

**(t) 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.

**(u) 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 judgement 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.

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Critical estimates and judgement (continued)**

**(i) Estimation of oil and gas reserves (continued)**

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.

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"), the VIC/L31 production license ("VIC/L31") and License No. P2366.

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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(u) Critical estimates and judgement (continued)**

**(ii) Impairment review of intangible assets, oil and gas assets and FPSO (continued)**

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.

As mentioned in Note 44 to the financial statements, the COVID-19 pandemic has had an adverse impact on the oil and gas industry. The Directors have considered such impact when assessing the recoverable amounts of the Group's intangible assets, oil and gas assets and FPSO. The outcome of the assessments are disclosed in Note 13 and Note 14 to the financial statements.

**(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**

The Company reviews the recoverability of its underlying interests in the subsidiaries 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.

## 5 REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Revenue from contracts with customer: | | | | |
| Crude oil sales | **637,609** | 968,265 | **–** | – |
| Gas sales | **4,904** | 14,874 | **–** | – |
| Project management, technical and other services fees | **3,949** | 4,633 | **12,813** | 10,169 |
| | **646,462** | 987,772 | **12,813** | 10,169 |
| Revenue from other sources: | | | | |
| Interest income | **42** | 531 | **42** | 531 |
| | **646,504** | 988,303 | **12,855** | 10,700 |

Included in interest income is profit income received from deposits with a licensed Islamic bank amounting to RM42,058 (2019: RM531,442).

## 6 COST OF SALES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Cost of operations | **223,216** | 296,099 |
| Tariff and transportation expenses | **25,591** | 29,714 |
| | **248,807** | 325,813 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 7 OTHER INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Unrealised gain on foreign exchange | **1,033** | – | **604** | 95 |
| Realised gain on foreign exchange | **3,652** | 2,297 | **6** | 37 |
| Interest income | **829** | 341 | **–** | – |
| Sundry income | **882** | 1,312 | **–** | – |
| | **6,396** | 3,950 | **610** | 132 |

The unrealised and realised gain on foreign exchange have neither been derived from the trading of futures contracts nor futures foreign exchange trading.

### 8 FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Unwinding of discount on deferred consideration (Note 32) | **1,516** | 3,212 | **–** | – |
| Unwinding of discount on contingent consideration (Note 33) | **220** | 194 | **–** | – |
| Unwinding of discount on provision for decommissioning costs (Note 35) | **23,650** | 24,798 | **–** | – |
| Unwinding of discount on non-current other payables | **11,404** | 12,179 | **–** | – |
| Interest expenses | **6,192** | 2,038 | **1,722** | – |
| | **42,982** | 42,421 | **1,722** | – |

## 9 PROFIT/(LOSS) BEFORE TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Profit/(loss) before taxation is arrived at after charging/(crediting): | | | | |
| Auditors' remuneration: | | | | |
| – fees for statutory audit | | | | |
| – PricewaterhouseCoopers PLT, Malaysia | **600** | 596 | **312** | 321 |
| – member firms of PricewaterhouseCoopers PLT, Malaysia | **291** | 247 | **–** | – |
| – fees for audit related services | | | | |
| – PricewaterhouseCoopers PLT, Malaysia | **118** | 127 | **–** | – |
| – fees for other services | | | | |
| – member firms of PricewaterhouseCoopers PLT, Malaysia | **426** | 379 | **335** | 241 |
| Impairment of intangible assets | **187,699** | – | **–** | – |
| Depreciation and amortisation of equipment, intangible assets and right-of-use assets | **145,018** | 115,476 | **1,091** | 74 |
| Prospecting costs and consultancy fees | **7,964** | 10,160 | **2,076** | 2,569 |
| Impairment of equipment | **8,632** | – | **–** | – |
| Net impairment of investments in subsidiaries and amounts owing by subsidiaries | **–** | – | **350,550** | – |
| Impairment/(reversal of impairment) of other receivables | **3,496** | (3,011) | **–** | – |
| Write-off of equipment | **77** | – | **77** | – |
| Rental expenses | **16** | 1,098 | **–** | 801 |
| Reversal of unrecovered recoverable costs | **(78,182)** | – | **–** | – |
| Realised gain on foreign exchange | **(3,652)** | (2,297) | **(6)** | (37) |
| Unrealised (gain)/loss on foreign exchange | **(1,033)** | 5,188 | **(604)** | (95) |
| Staff costs: | | | | |
| – Directors' fees | **851** | 719 | **851** | 719 |
| – salaries and bonus | **18,293** | 37,089 | **13,135** | 13,999 |
| – defined contribution plan | **3,949** | 3,440 | **2,195** | 2,159 |
| – other benefits | **1,113** | (890) | **343** | (786) |

Directors' remuneration included within staff costs is as disclosed in Note 37 to the financial statements.

Rental expenses recognised are related to short-term and low value leases.

The unrealised foreign exchange and realised foreign exchange gains/losses have neither been derived from the trading of futures contracts nor futures foreign exchange trading.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 10 TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Current tax: | | | | |
| – Malaysian income tax | **(1,182)** | 72,905 | **–** | – |
| – Foreign income tax | **1,682** | 49,415 | **–** | – |
| – Over accrual in prior year | **(611)** | (2,331) | **–** | – |
| | **(111)** | 119,989 | **–** | – |
| Deferred tax expense (Note 34): | | | | |
| – Origination of temporary differences | **74,654** | 41,468 | **–** | – |
| | **74,543** | 161,457 | **–** | – |

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 | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Profit/(loss) before taxation | **25,289** | 391,467 | **(366,761)** | (14,975) |
| Tax at the statutory tax rate of 24% (2019: 24%) | **6,069** | 93,952 | **(88,023)** | (3,594) |
| Non-deductible expenses | **7,635** | 13,068 | **85,634** | 630 |
| Non-taxable income | **(19,108)** | (764) | **(146)** | (9) |
| Effects of tax rates in different jurisdictions | **37,053** | 63,126 | **–** | – |
| Deductions for supplementary charge in different jurisdictions | **(3,749)** | (8,425) | **–** | – |
| Share of post tax results from investments accounted for using the equity method | **92** | 84 | **–** | – |
| Temporary differences not recognised | **47,367** | 3,633 | **2,535** | 2,973 |
| Recognition of previously unrecognised temporary differences | **(205)** | (886) | **–** | – |
| Over accrual in prior year | **(611)** | (2,331) | **–** | – |
| Income tax expense for the financial year | **74,543** | 161,457 | **–** | – |

Included in income tax expense of the Group and of the Company are tax savings amounting to RM42,270 (2019: RM232,476) and RM42,270 (2019: RM127,620) respectively from the utilisation of current and previous financial year tax losses.

## 11 (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is derived by dividing the Group's profit attributable to the owners of the Company of RM49,254,361 (2019: RM230,010,345) by the weighted average number of ordinary shares in issue during the financial year of 1,588,228,791 shares (2019: 1,588,228,791 shares).

Diluted (loss)/earnings per share is determined by dividing the Group's (loss)/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 (2019: 1,588,228,791 shares).

| | | Group | |
|---|---|---|---|
| | | **2020** | **2019** |
| (Loss)/profit after taxation attributable to owners of the Company (RM'000) | (A) | **(49,254)** | 230,010 |
| Weighted average number of shares for basic earnings per share computation ('000) | (B) | **1,588,229** | 1,588,229 |
| Effects of dilution of Warrants C ('000) | | **–** | – |
| Weighted average number of shares for diluted earnings per share computation ('000) | (C) | **1,588,229** | 1,588,229 |
| Basic (loss)/earnings per share (sen) | (A/B) | **(3.10)** | 14.48 |
| Diluted (loss)/earnings per share (sen) | (A/C) | **(3.10)** | 14.48 |

As at 30 June 2020, the number of outstanding Warrants C is 317,645,623. The exercise price for each Warrant C as at 30 June 2020 is RM1.12. Warrants C is not included in the calculation of the diluted earnings per share because they are antidilutive as at the end of the financial year, but it could potentially dilute basic earnings per share in the future.

## 12 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 ("Completion Date"), SEA Hibiscus completed the acquisition of the North Sabah asset from Sabah Shell Petroleum Company Limited ("Sabah Shell Petroleum") and Shell Sabah Selatan Sdn. Bhd. (collectively the "Sellers") and successfully assumed the role of operator for the assets from Sabah Shell Petroleum. The responsibilities of SEA Hibiscus as the operator of the PSC and under the JOA are the management of the operations of:

- Production of petroleum from four existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and,
- 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 12 JOINT OPERATIONS (CONTINUED)

**Anasuria Operating Company Limited ("AOCL")**

The Group, via its indirectly wholly-owned subsidiary, Anasuria Hibiscus UK Limited ("Anasuria Hibiscus"), together with Ping Petroleum UK 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 United Kingdom ("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. The license 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 are part of the UK Continental Shelf Petroleum Production License No. P198 Block 15/13a and Block 15/13b respectively, 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.

The Marigold field is expected to be in production by 2023, upon which License No. P198 (covering the Marigold and Sunflower fields), is valid for the life of the fields.

**VIC/P57**

The Group, via its indirectly wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd ("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 2020, Carnarvon Hibiscus and its wholly-owned subsidiary, Gippsland Hibiscus Pty Ltd ("Gippsland Hibiscus") have a 55.1% (2019: 55.1%) and 20.0% (2019: 20.0%) participating interest in this arrangement respectively.

The Group, together with 3D Oil Limited ("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.

## 13 INTANGIBLE ASSETS

| | Rights and concession RM'000 | Conventional studies RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| 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 |
| At 01.07.2019 | **1,393,425** | **136,650** | **1,530,075** |
| Additions | **4,213** | **12,163** | **16,376** |
| Changes in estimates | **54,178** | **–** | **54,178** |
| Amortisation | **(91,015)** | **–** | **(91,015)** |
| Impairment | **(71,454)** | **(116,245)** | **(187,699)** |
| Exchange differences | **45,453** | **(2,750)** | **42,703** |
| At 30.06.2020 | **1,334,800** | **29,818** | **1,364,618** |

Included in rights and concession are the carrying amounts of producing field licenses in the Anasuria Cluster amounting to RM661,105,947 (2019: RM668,211,518), producing field licenses in North Sabah amounting to RM482,515,665 (2019: RM471,031,008), capitalised acquisition and related transaction costs of the Marigold and Sunflower fields amounting to RM161,946,210 (2019: RM156,207,081), and capitalised acquisition and related transaction costs of VIC/L31 and VIC/P57 amounting to RM28,810,621 and RM422,175 respectively (2019: RM86,650,206 and RM11,325,810 respectively). 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 RM16,189,220 (2019: RM4,248,748), as well as exploration costs in the West Seahorse field development in VIC/L31 and VIC/P57 amounting to RM9,764,546 and RM3,864,077 respectively (2019: RM28,975,175 and RM103,425,759 respectively).

### (a) North Sabah

The recoverable amounts of the intangible assets and oil and gas assets relating to North Sabah were determined using the FVLCTS model based on discounted cash flows ("DCF") derived from the expected cash in/outflow pattern over the production life of North Sabah.

The key assumptions applied to determine the recoverable amount for North Sabah were as follows:

(i) Discount rate of 10%;

(ii) Oil price forecast based on the oil price forward curve from an independent party; and,

(iii) Future oil production profile based on an assessment by independent oil and gas reserve experts.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 13 INTANGIBLE ASSETS (CONTINUED)

#### (a) North Sabah (continued)

Fair value measurement was performed based on Level 3 hierarchy.

Based on the assessments performed, the Group concluded that the recoverable amount derived from the valuation model is greater than the carrying amount.

The most sensitive assumption in the DCF is oil price forecast. A 10% decrease in the oil price forecast would not result in the carrying amount exceeding its recoverable amount.

There was no impairment indicator for North Sabah in the previous financial year.

#### (b) Anasuria Cluster

The recoverable amounts of the intangible assets, oil and gas assets and FPSO relating to the Anasuria Cluster were determined using the FVLCTS model based on DCF derived from the expected cash in/outflow pattern over the production life of the Anasuria Cluster.

The key assumptions applied to determine the recoverable amount for the Anasuria Cluster were as follows:

(i) Discount rate of 10%;

(ii) Oil price forecast based on the oil price forward curve from an independent party; and,

(iii) Future oil production profile based on an assessment by independent oil and gas reserve experts.

Fair value measurement was performed based on Level 3 hierarchy.

Based on the assessments performed, the Group concluded that the recoverable amount derived from the valuation model is greater than the carrying amount.

The most sensitive assumption in the DCF is oil price forecast. A 10% decrease in the oil price forecast would not result in the carrying amount exceeding its recoverable amount.

There was no impairment indicator for the Anasuria Cluster in the previous 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 ("Marigold and Sunflower Acquisition").

Subsequently, the conditions precedent to the conditional SPA in connection with the Marigold and Sunflower Acquisition were 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 conditional SPA became unconditional on the same day. Pursuant to payment of the purchase consideration of USD37.5 million, the Marigold and Sunflower Acquisition was completed on 16 October 2018.

## 13 INTANGIBLE ASSETS (CONTINUED)

### (c) Marigold and Sunflower fields (continued)

The Group has assessed the recoverable amount of the intangible assets relating to the Marigold and Sunflower fields. The recoverable amount was determined using the FVLCTS model based on DCF derived from the expected cash in/outflow pattern over the production lives of the Marigold and Sunflower fields.

The key assumptions applied to determine the recoverable amount for the Marigold and Sunflower fields were as follows:

(i) Discount rate of 10%;

(ii) Oil price forecast based on the oil price forward curve from an independent party; and,

(iii) An oil production profile based on an assessment by independent oil and gas reserve experts.

Fair value measurement was performed based on Level 3 hierarchy.

Based on the assessments performed, the Group concluded that the recoverable amount derived from the valuation model is greater than the carrying amount.

The most sensitive assumption in the DCF is oil price forecast. A 10% decrease in the oil price forecast would not result in the carrying amount exceeding its recoverable amount.

### (d) VIC/L31

The VIC/L31 production license, 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 was determined using the FVLCTS model based on DCF derived from the expected cash in/outflow pattern during the production license period.

The key assumptions applied to determine the recoverable amount for VIC/L31 were as follows:

(i) Discount rate of 10% (2019: 10%);

(ii) The license being available up to 2026 (2019: up to 2025) which is the expected economic limit cut off for the license;

(iii) Total project capital expenditure of approximately USD51 million (2019: USD57 million);

(iv) First oil being achieved in July 2024 (2019: July 2023);

(v) An oil production profile based on an assessment by independent oil and gas reserve experts;

(vi) Oil price forecast based on the oil price forward curve from an independent party; and,

(vii) Commercial risk factors were applied to the valuation derived, as a result of the uncertain commerciality surrounding the development of VIC/L31.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**13 INTANGIBLE ASSETS (CONTINUED)**

**(d) VIC/L31 (continued)**

Fair value measurement was performed based on Level 3 hierarchy.

Based on the assessments performed, the Group concluded that the recoverable amount derived from the valuation model, is lower than the carrying amount for VIC/L31. Hence, an impairment expense amounting to RM75,828,190 was recognised in the current financial year.

**(e) VIC/P57**

VIC/P57 is an exploration permit granted by the Australian authorities. The recoverable amount of the intangible assets relating to VIC/P57 is determined using the FVLCTS model based on the Risked Net Asset Value model performed by a sufficiently competent and experienced in-house geology team.

The key assumptions applied to determine the recoverable amount for VIC/P57 were as follows:

(i) Discount rate of 10% (2019: 10%);

(ii) Exploration well costs of approximately USD15 million (2019: USD15 million);

(iii) Oil price forecast based on the oil price forward curve from an independent party; and,

(iv) Commercial risk factors were applied to the valuation derived, as a result of the uncertain commerciality surrounding the development of VIC/P57.

Fair value measurement was performed based on Level 3 hierarchy.

Based on the assessments performed, the Group concluded that the recoverable amount derived from the valuation model, is lower than the carrying amount for VIC/P57. Hence, an impairment expense amounting to RM107,658,141 was recognised in the current financial year.

There was no impairment indicator for VIC/P57 in the previous financial year.

**(f) License No. P2366**

On 12 December 2019, Anasuria Hibiscus completed the acquisition of 100% interest in Blocks 15/18d and 15/19b (Licence No. P2366) containing the Crown oil and gas discovery 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 (“P2366 Acquisition”).

As at 30 June 2020, the carrying amount of License No. P2366 amounting to RM4,213,100 (equivalent to USD1.0 million). Given that there is no sanctioned development of License No. P2366 as at the reporting date, the carrying amount of RM4,213,100 was impaired in the current financial year.

## 14 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 01.07.2018 | 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 |
| Adoption of MFRS 16 (Note 42) | **–** | **(5,743)** | **–** | **–** | **–** | **–** | **–** | **(5,743)** |
| At 01.07.2019 | **348** | **10,121** | **759** | **277,479** | **28,941** | **60,225** | **101,524** | **479,397** |
| Additions | **821** | **3,946** | **1,944** | **417** | **34** | **–** | **245,710** | **252,872** |
| Transfer | **–** | **–** | **–** | **255,820** | **–** | **–** | **(255,820)** | **–** |
| Write-off | **(83)** | **–** | **(321)** | **–** | **–** | **–** | **–** | **(404)** |
| Exchange differences | **4** | **198** | **23** | **14,560** | **1,151** | **870** | **3,555** | **20,361** |
| At 30.06.2020 | **1,090** | **14,265** | **2,405** | **548,276** | **30,126** | **61,095** | **94,969** | **752,226** |

* Additions of office equipment during the previous financial year included purchases via finance leases amounting to RM2,207,117.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 14 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 01.07.2018 | 123 | 5,132 | 209 | 21,712 | 1,952 | 47,167 | – | 76,295 |
| Depreciation | 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 |
| Adoption of MFRS 16 (Note 42) | **–** | **(1,396)** | **–** | **–** | **–** | **–** | **–** | **(1,396)** |
| At 01.07.2019 | **161** | **6,663** | **241** | **47,741** | **2,857** | **45,853** | **–** | **103,516** |
| Depreciation | **89** | **1,990** | **158** | **45,784** | **1,251** | **–** | **–** | **49,272** |
| Write-off | **(62)** | **–** | **(265)** | **–** | **–** | **–** | **–** | **(327)** |
| Exchange differences | **1** | **40** | **1** | **2,549** | **127** | **663** | **–** | **3,381** |
| At 30.06.2020 | **189** | **8,693** | **135** | **96,074** | **4,235** | **46,516** | **–** | **155,842** |
| **Accumulated impairment** | | | | | | | | |
| At 30.06.2019/01.07.2019 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Impairment | **–** | **–** | **–** | **–** | **–** | **8,632** | **–** | **8,632** |
| Exchange differences | **–** | **–** | **–** | **–** | **–** | **374** | **–** | **374** |
| At 30.06.2020 | **–** | **–** | **–** | **–** | **–** | **9,006** | **–** | **9,006** |
| **Net book value** | | | | | | | | |
| At 30.06.2019 | 187 | 7,805 | 518 | 229,738 | 26,084 | 14,372 | 101,524 | 380,228 |
| At 30.06.2020 | **901** | **5,572** | **2,270** | **452,202** | **25,891** | **5,573** | **94,969** | **587,378** |

As at 30 June 2020, the Rig is cold stacked in a shipyard in Turkey. The recoverable amount of the Rig is determined using the FVLCTS model. The fair value was determined using Level 3 inputs, based on a sales value provided by an external independent party. Based on the assessment performed, an impairment expense amounting to RM8,631,765 was recognised in the current financial year.

**14 EQUIPMENT (CONTINUED)**

| | Furniture and fittings RM'000 | Office equipment RM'000 | Office renovation RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **Cost** | | | | |
| At 01.07.2018 | 231 | 4,541 | 321 | 5,093 |
| Additions | – | 10 | 22 | 32 |
| At 30.06.2019/01.07.2019 | **231** | **4,551** | **343** | **5,125** |
| Additions | **826** | **661** | **1,491** | **2,978** |
| Write-off | **(83)** | **–** | **(321)** | **(404)** |
| At 30.06.2020 | **974** | **5,212** | **1,513** | **7,699** |
| **Accumulated depreciation** | | | | |
| At 01.07.2018 | 123 | 4,512 | 209 | 4,844 |
| Depreciation | 23 | 19 | 32 | 74 |
| At 30.06.2019/01.07.2019 | **146** | **4,531** | **241** | **4,918** |
| Depreciation | **75** | **136** | **128** | **339** |
| Write-off | **(62)** | **–** | **(265)** | **(327)** |
| At 30.06.2020 | **159** | **4,667** | **104** | **4,930** |
| **Net book value** | | | | |
| At 30.06.2019 | 85 | 20 | 102 | 207 |
| At 30.06.2020 | **815** | **545** | **1,409** | **2,769** |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 15 RIGHT-OF-USE ASSETS

| | Office equipment RM'000 | Equipment RM'000 | Vessels RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 01.07.2019 | – | – | – | – | – |
| Adoption of MFRS 16 (Note 42) | 7,561 | – | 567 | 5,851 | 13,979 |
| | 7,561 | – | 567 | 5,851 | 13,979 |
| Additions | 1,717 | 5,583 | – | – | 7,300 |
| Lease termination | (4,560) | – | – | – | (4,560) |
| Exchange differences | 56 | 97 | 10 | 74 | 237 |
| At 30.06.2020 | 4,774 | 5,680 | 577 | 5,925 | 16,956 |
| **Accumulated depreciation** | | | | | |
| At 01.07.2019 | – | – | – | – | – |
| Adoption of MFRS 16 (Note 42) | 1,396 | – | – | – | 1,396 |
| | 1,396 | – | – | – | 1,396 |
| Depreciation | 2,044 | 233 | 278 | 2,176 | 4,731 |
| Lease termination | (1,660) | – | – | – | (1,660) |
| Exchange differences | 56 | 4 | 5 | 20 | 85 |
| At 30.06.2020 | 1,836 | 237 | 283 | 2,196 | 4,552 |
| **Net book value** | | | | | |
| At 01.07.2019 | 6,165 | – | 567 | 5,851 | 12,583 |
| At 30.06.2020 | 2,938 | 5,443 | 294 | 3,729 | 12,404 |

## 15 RIGHT-OF-USE ASSETS (CONTINUED)

| | Office equipment RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| At 01.07.2019 | – | – | – |
| Adoption of MFRS 16 (Note 42) | **53** | **1,298** | **1,351** |
| | **53** | **1,298** | **1,351** |
| Additions | **106** | **–** | **106** |
| At 30.06.2020 | **159** | **1,298** | **1,457** |
| **Accumulated depreciation** | | | |
| At 01.07.2019 | – | – | – |
| Depreciation | **27** | **725** | **752** |
| At 30.06.2020 | **27** | **725** | **752** |
| **Net book value** | | | |
| At 01.07.2019 | **53** | **1,298** | **1,351** |
| At 30.06.2020 | **132** | **573** | **705** |

## 16 INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Unquoted shares in Malaysia, at cost | **588,053** | 588,053 |
| Less: Impairment losses | **(583,981)** | (231,544) |
| | **4,072** | 356,509 |
| Amounts owing by subsidiaries | **74,184** | 76,510 |
| Less: Impairment losses | **(1,269)** | (9,427) |
| | **76,987** | 423,592 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

| Name of company | Principal activities | Country of incorporation | Group's effective equity interest (%) 2020 | 2019 |
|---|---|---|---|---|
| Gulf Hibiscus Limited ("Gulf Hibiscus") | Provision of project management, technical and other services | Malaysia | **100** | 100 |
| Hibiscus Oilfield Services Limited | 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 |
| 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(1) | Exploration and development of oil and gas | Australia | **100** | 100 |
| Althea Corporation Limited | Investment holding | Malaysia | **100** | 100 |
| **Subsidiary of Genesis Hibiscus** | | | | |
| Cayman Hibiscus Inc SPC(2) | Dormant | Cayman Islands | **100** | 100 |

## 16 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 (%) 2020 | 2019 |
|---|---|---|---|---|
| **Subsidiary of Atlantic Hibiscus** | | | | |
| Anasuria Hibiscus[(1)] | Exploration and production of oil and gas | UK | **100** | 100 |
| Hibiscus Energy UK Limited[(3)] | Dormant | UK | **100** | – |
| **Subsidiary of Pacific Hibiscus** | | | | |
| SEA Hibiscus | Exploration and production of oil | Malaysia | **100** | 100 |
| **Subsidiary of Carnarvon Hibiscus** | | | | |
| Gippsland Hibiscus[(1)] | Exploration and development of oil and gas | Australia | **100** | 100 |

(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 2020.

(3) Incorporated on 14 April 2020. As permitted by the regulations of its country of incorporation, the first set of audited financial statements will be prepared for the financial period ending 30 June 2021.

During the financial year, due to the financial position of its subsidiaries and the adverse impact from the COVID-19 pandemic as disclosed in Note 44 to the financial statements, the Company reviewed the recoverability of its underlying interests in them. The recoverable amount was determined using the FVLCTS model. The key assumptions of the cash flows included the cash flows from the underlying intangible assets, fair value of the underlying equipment and an investment as disclosed in Note 13, Note 14 and Note 17 to the financial statements. Fair value measurement was performed based on Level 3 hierarchy. As a result of the review, the Company recognised an impairment in its investment in Oceania Hibiscus of RM352,436,589.

In addition, there was a net reversal of impairment losses of RM8,158,485 during the financial year, comprised a reversal of impairment loss on an amount owing by a subsidiary of RM9,035,376, offset by an additional impairment loss on an amount owing by another subsidiary of RM876,891.

In the previous financial year, the net reversal of the impairment losses of RM1,144,966 comprised 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 17 INVESTMENT IN AN ASSOCIATE

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| At 01.07.2019/01.07.2018 | **5,745** | 4,906 |
| Share of post-acquisition results and reserves | **(342)** | (496) |
| Reversal of impairment of investment | **–** | 1,335 |
| At 30.06.2020/30.06.2019 | **5,403** | 5,745 |
| Fair value of quoted shares (Level 1) | **6,572** | 9,898 |

Set out below is the summarised financial information for 3D Oil which is accounted for using the equity method:

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Revenue | **208** | 129 |
| Loss after taxation/Total comprehensive expenses | **(3,196)** | (3,216) |
| Non-current assets | **44,753** | 56,209 |
| Current assets | **15,384** | 5,903 |
| Non-current liabilities | **(13,017)** | (12,278) |
| Current liabilities | **(3,492)** | (3,278) |
| Net assets | **43,628** | 46,556 |
| Group's share of net assets (11.68% (2019: 11.68%)) | **5,096** | 5,438 |
| Transaction costs capitalised | **307** | 307 |
| Carrying amount | **5,403** | 5,745 |

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.

## 17 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 (%) 2020 | 2019 |
|---|---|---|---|---|---|
| 3D Oil* | Exploration and development of upstream oil and gas assets | Australia | Equity | **11.68** | 11.68 |

* 3D Oil is a joint venture partner to VIC/P57.

During the previous 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 2020, the share price was AUD0.072 per share as compared to AUD0.110 per share as at 30 June 2019. The fair value is within Level 1 of the fair value hierarchy. The cost to sell is estimated to be immaterial.

## 18 INVESTMENTS IN JOINT VENTURES

| | Group 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| Unquoted shares outside Malaysia, at cost: | | |
| At 30.06.2020/30.06.2019 | **–** | – |

**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 2020 (CONTINUED)

### 18 INVESTMENTS IN JOINT VENTURES (CONTINUED)

**HiRex Petroleum Sdn. Bhd. ("HIREX")**

Pursuant to a winding-up process initiated by the Group during the financial year ended 30 June 2018, 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 (%) 2020 | 2019 |
|---|---|---|---|---|---|
| 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.

### 19 INVENTORIES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Crude oil | **47,053** | 5,673 |
| Spares | **20,422** | 15,705 |
| Diesel | **605** | – |
| | **68,080** | 21,378 |

Inventories recognised as expenses during the financial year amounted to RM223,215,797 (2019: RM296,098,815). These were included in cost of sales as disclosed in Note 6 to the financial statements.

### 20 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Sales of crude oil | **–** | 56,824 |
| Sales of gas | **168** | 752 |
| Provision of project management, technical and other services | **11,273** | 7,293 |
| | **11,441** | 64,869 |

The amounts are unsecured and are to be settled in cash.

## 21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Non-current** | | | | |
| Other receivables | **7,123** | – | **–** | – |
| **Current** | | | | |
| Other receivables and deposits | **171,635** | 111,102 | **4,603** | 4,571 |
| Less: Impairment of other receivables | **(9,860)** | (6,007) | **(4,296)** | (4,296) |
| | **161,775** | 105,095 | **307** | 275 |
| Prepayments | **13,469** | 11,730 | **749** | 1,660 |
| | **175,244** | 116,825 | **1,056** | 1,935 |

### Other receivables

Other receivables include finance leases receivable in relation to right-of-use assets used in North Sabah. The following table sets out the maturity analysis of the finance leases receivable, showing the undiscounted lease payments to be received after the reporting date.

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Within one year | **5,835** | – |
| Later than one year but not later than five years | **7,065** | – |
| Later than five years | **1,584** | – |
| Minimum lease payments | **14,484** | – |
| Future finance income | **(2,405)** | – |
| Net investment in finance leases | **12,079** | – |
| Non-current | **7,123** | – |
| Current | **4,956** | – |
| | **12,079** | – |

Included in impairment of other receivables is impairment loss on an amount paid as security for costs with regard to legal proceedings in Norway relating to the Lime Group, which the Group has decided to recognise in the current financial year. Nonetheless and for the avoidance of doubt, the rights and legal position of the Group are fully reserved in all respects.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

**Deposits**

Current 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 RM42,863,000 (2019: RM41,344,000), as required by the terms of the SPA for the said acquisition.

### 22 AMOUNTS OWING BY/(TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Amounts owing by subsidiaries: | | |
| Trade | **5,200** | 18,053 |
| Less: Impairment of receivables (trade) | **(3,152)** | (3,152) |
| Non-trade | **41,133** | 38,055 |
| Less: Impairment of receivables (non-trade) | **(40,547)** | (34,276) |
| | **2,634** | 18,680 |
| Amounts owing to subsidiaries: | | |
| Non-trade | **(34,795)** | (32,105) |

The trade balance of amounts owing by subsidiaries represents receivables on demand and is to be settled in cash. The non-trade balance represents payments made on behalf of subsidiaries which is unsecured and interest-free.

In the current financial year, there is an impairment loss of RM6,270,745 on an amount owing by a subsidiary.

In the current financial year, included in the non-trade balance of amounts owing to subsidiaries are advances from a subsidiary that bear an interest rate of 5.00% per annum. The advances are unsecured and are repayable on demand. The remaining non-trade balance represents unsecured, interest-free balances owing to a subsidiary.

### 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.

## 24 AMOUNT OWING BY/(TO) AN ASSOCIATE

| | Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Amount owing by an associate: | | |
| **Current** | | |
| Trade | **62** | – |
| Amount owing to an associate: | | |
| **Current** | | |
| Trade | **–** | (17) |

Amount owing by/(to) an associate represents 3D Oil's 24.9% (2019: 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

Amount owing by/(to) a related party 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 amount is unsecured and is to be settled in cash.

## 26 CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprised the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Cash and bank balances | **176,791** | 273,537 | **2,472** | 5,676 |
| Less: Cash restricted in use | **(99,484)** | (66,828) | **–** | – |
| Cash and cash equivalents | **77,307** | 206,709 | **2,472** | 5,676 |
| Cash restricted in use represented by: | | | | |
| Non-current | **95,795** | 66,828 | **–** | – |
| Current | **3,689** | – | **–** | – |
| | **99,484** | 66,828 | **–** | – |

Non-current 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. Such decommissioning activities are expected to be carried out at the end of life of the Anasuria Cluster and therefore, these monies in the trust are classified as non-current assets. Comparatives for these monies have been reclassified to conform with current financial year's presentation. The impact of the reclassification has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

Current cash restricted in use represents a deposit placed with a financial institution as security for banking facilities obtained for North Sabah.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 26 CASH AND BANK BALANCES (CONTINUED)

Consolidated Statement of Financial Position

| | As restated RM'000 | As previously reported RM'000 |
|---|---|---|
| **At 30.06.2019** | | |
| **Non-current assets** | | |
| Restricted cash and bank balances | 66,828 | – |
| **Current assets** | | |
| Cash and bank balances | 206,709 | 273,537 |

Consolidated Statement of Cash Flows

| | As restated RM'000 | As previously reported RM'000 |
|---|---|---|
| **At 30.06.2019** | | |
| Within cash generated from operating activities | | |
| Movement in restricted cash and bank balances | (52,949) | – |
| Net cash generated from operating activities | 443,149 | 496,098 |
| Net increase in cash and cash equivalents | 86,822 | 139,771 |
| Cash and cash equivalents at beginning of the financial year | 122,078 | 135,957 |
| Less: Cash restricted in use | * | (66,828) |

* The previously reported movement of cash restricted in use has now been represented within cash generated from operating activities. The restatement does not affect cash and cash equivalents as at 30 June 2019.

Reclassification of the restricted cash and bank balances of RM13,878,690 from current assets to non-current assets as at 1 July 2018 is not presented as the effect on the information in the Consolidated Statement of Financial Position as at 1 July 2018 is not material.

The reclassification does not have any impact to the (loss)/earnings per share as disclosed in Note 11 to the financial statements.

## 26 CASH AND BANK BALANCES (CONTINUED)

Reconciliation of liabilities arising from financing activities:

| | | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 01.07.2019 RM'000 | Adoption of MFRS 16 RM'000 | Cash flows RM'000 | Additions RM'000 | Interest expense RM'000 | Transfer RM'000 | Foreign exchange movement RM'000 | At 30.06.2020 RM'000 |
| **Group** | | | | | | | | |
| Lease liabilities | **4,832** | **12,850** | **(7,682)** | **12,882** | **1,819** | **–** | **367** | **25,068** |
| Term loan | **–** | **–** | **46,435** | **–** | **2,762** | **–** | **–** | **49,197** |
| Total liabilities arising from financing activities | **4,832** | **12,850** | **38,753** | **12,882** | **4,581** | **–** | **367** | **74,265** |

| | | | | Non-cash changes | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 01.07.2019 RM'000 | Adoption of MFRS 16 RM'000 | Cash flows RM'000 | Additions RM'000 | Interest expense RM'000 | Transfer RM'000 | Foreign exchange movement RM'000 | At 30.06.2020 RM'000 |
| **Company** | | | | | | | | |
| Lease liabilities | **–** | **1,351** | **(842)** | **106** | **128** | **–** | **–** | **743** |

| | | | 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 |

In the previous financial year, there is no liability arising from financing activities of the Company.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 27 SHARE CAPITAL

| | Number of shares | Share capital RM |
|---|---|---|
| **Ordinary shares** | | |
| At 30.06.2020/30.06.2019 | 1,588,228,791 | 764,965,289 |

There were no changes in the share capital of the Company during the financial year.

### 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 TRADE PAYABLES

Trade payables are related to the cost of executing operations which result in the production of crude oil and gas. The amounts are unsecured and are to be settled in cash.

### 30 OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Non-current** | | | | |
| Other payables | **23,850** | 106,874 | **–** | – |
| **Current** | | | | |
| Other payables | **105,304** | 85,688 | **696** | 959 |
| Accruals | **170,380** | 136,203 | **4,154** | 4,028 |
| | **275,684** | 221,891 | **4,850** | 4,987 |

In the current financial year, other payables include payables for certain capital expenditure in the Anasuria Cluster that are repayable over a period of more than twelve months. Included in current other payables of the Group is an amount of RM60,008,200 that bears an interest rate of 7.18% per annum.

In the previous financial year, non-current other payables of the Group related to North Sabah. The balance represented 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. As at 30 June 2020, the Group concluded that it is remote that the oil price threshold set for calendar year 2020 would be met. As a result, the carrying amount as at 30 June 2020 amounting to RM78,181,885 has been reversed.

## 31 BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020<br>RM'000 | 2019<br>RM'000 | 2020<br>RM'000 | 2019<br>RM'000 |
| **Non-current** | | | | |
| **Secured** | | | | |
| Finance lease liabilities | **–** | 3,791 | **–** | – |
| Lease liabilities | **14,401** | – | **152** | – |
| | **14,401** | 3,791 | **152** | – |
| **Current** | | | | |
| **Secured** | | | | |
| Finance lease liabilities | **–** | 1,041 | **–** | – |
| Lease liabilities | **10,667** | – | **591** | – |
| **Unsecured** | | | | |
| Term loan | **49,197** | – | **–** | – |
| | **59,864** | 1,041 | **591** | – |
| | **74,265** | 4,832 | **743** | – |

**Lease liabilities on right-of-use assets**

| | Group<br>2020<br>RM'000 |
|---|---|
| Commitments in relation to lease liabilities on right-of-use assets are payable as follows: | |
| Within one year | **12,480** |
| Later than one year but not later than five years | **14,306** |
| Later than five years | **3,167** |
| Minimum lease payments | **29,953** |
| Future finance charges | **(4,885)** |
| Recognised as liabilities | **25,068** |
| The present value of lease liabilities on right-of-use assets are as follows: | |
| Within one year | **10,667** |
| Later than one year but not later than five years | **11,954** |
| Later than five years | **2,447** |
| Lease liabilities on right-of-use assets | **25,068** |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 31 BORROWINGS (CONTINUED)

**Lease liabilities on right-of-use assets (continued)**

| | Company 2020 RM'000 |
|---|---|
| Commitments in relation to lease liabilities on right-of-use assets are payable as follows: | |
| Within one year | **644** |
| Later than one year but not later than five years | **169** |
| Minimum lease payments | **813** |
| Future finance charges | **(70)** |
| Recognised as liabilities | **743** |
| The present value of lease liabilities on right-of-use assets are as follows: | |
| Within one year | **591** |
| Later than one year but not later than five years | **152** |
| Lease liabilities on right-of-use assets | **743** |

As at 30 June 2020, the Group's and the Company's leases liabilities have remaining terms of less than ten years and less than five years respectively.

**Finance lease liabilities**

| | Group 2019 RM'000 |
|---|---|
| Commitments in relation to finance lease liabilities are payable as follows: | |
| Within one year | 1,431 |
| Later than one year but not later than five years | 4,360 |
| Minimum lease payments | 5,791 |
| Future finance charges | (959) |
| Recognised as liabilities | 4,832 |
| The present value of finance lease liabilities are as follows: | |
| Within one year | 1,041 |
| Later than one year but not later than five years | 3,791 |
| Lease liabilities on finance lease liabilities | 4,832 |

In the previous financial year, the Group leased equipment with a carrying amount of RM4,347,398 under finance leases with terms of five years. As at 30 June 2019, the finance leases had remaining terms of less than five years.

Following the adoption of MFRS 16 during the current financial year, equipment under lease that was presented as finance lease liabilities in the previous financial year has been reclassified and included as part of lease liabilities on right-of-use assets.

## 31 BORROWINGS (CONTINUED)

### Term loan

The term loan is unsecured and repayable on its maturity date, 10 July 2020. The term loan bears an interest rate of 7.30% per annum. The term loan has been fully repaid per the agreed schedule.

## 32 DEFERRED CONSIDERATION

### North Sabah

The base consideration for the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC comprised 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 was payable as follows:

- USD5.0 million within 12 months from the Completion Date; and,
- USD5.0 million within 24 months from the Completion Date.

As at 30 June 2020, total deferred consideration of USD10.0 million had been settled per the agreed schedule.

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Current** | | |
| At 01.07.2019/01.07.2018 | **19,184** | 18,717 |
| Unwinding of discount (Note 8) | **1,516** | 3,212 |
| Payment made | **(21,066)** | (20,643) |
| Transfer from non-current liabilities | **–** | 17,344 |
| Exchange differences | **366** | 554 |
| At 30.06.2020/30.06.2019 | **–** | 19,184 |
| **Non-current** | | |
| At 01.07.2019/01.07.2018 | **–** | 16,946 |
| Transfer to current liabilities | **–** | (17,344) |
| Exchange differences | **–** | 398 |
| At 30.06.2020/30.06.2019 | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 33 CONTINGENT CONSIDERATION

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| **Non-current** | | |
| At 01.07.2019/01.07.2018 | **2,063** | 1,822 |
| Unwinding of discount (Note 8) | **220** | 194 |
| Exchange differences | **80** | 47 |
| At 30.06.2020/30.06.2019 | **2,363** | 2,063 |

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 barrel, in which case, Shell UK, Shell EP and Esso UK would be paid USD0.15 x (Y-USD75) per barrel 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.

### 34 DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Deferred tax liabilities | **627,160** | 558,988 |
| Deferred tax assets | **(141,369)** | (163,672) |
| | **485,791** | 395,316 |
| At 01.07.2019/01.07.2018 | **395,316** | 345,172 |
| Recognised in profit or loss (Note 10) | **74,654** | 41,468 |
| Exchange differences | **15,821** | 8,676 |
| At 30.06.2020/30.06.2019 | **485,791** | 395,316 |

## 34 DEFERRED TAX LIABILITIES (CONTINUED)

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 01.07.2018 | 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 |

| | 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 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 01.07.2019 | **126,048** | **432,693** | **247** | **558,988** |
| Recognised in profit or loss | **20,204** | **26,262** | **1,848** | **48,314** |
| Exchange differences | **4,982** | **14,841** | **35** | **19,858** |
| At 30.06.2020 | **151,234** | **473,796** | **2,130** | **627,160** |
| Offsetting | | | | **(141,369)** |
| Deferred tax liabilities (after offsetting) at 30.06.2020 | | | | **485,791** |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 34 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 01.07.2019 | **(1,157)** | **(123,400)** | **(430)** | **(24,318)** | **(14,367)** | **(163,672)** |
| Recognised in profit or loss | **1,179** | **(2,596)** | **348** | **19,441** | **7,968** | **26,340** |
| Exchange differences | **(22)** | **(4,578)** | **8** | **596** | **(41)** | **(4,037)** |
| At 30.06.2020 | **-** | **(130,574)** | **(74)** | **(4,281)** | **(6,440)** | **(141,369)** |
| Offsetting | | | | | | **141,369** |
| Deferred tax liabilities (after offsetting) at 30.06.2020 | | | | | | **-** |

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 therefrom:

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Tax losses | **368,397** | 162,174 | **75,863** | 64,201 |
| Unabsorbed capital allowance | **7,173** | 4,378 | **4,858** | 4,378 |
| Provisions and other payables | **62,083** | 57,481 | **53,688** | 55,268 |
| | **437,653** | 224,033 | **134,409** | 123,847 |

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses brought forward of RM69,698,111 and RM12,084,642 will have the limit of utilisation up to years of assessment of 2025 and 2026 respectively. The Company's unutilised tax losses brought forward of RM64,200,949 and RM11,662,243 will have the limit of utilisation up to years of assessment of 2025 and 2026 respectively.

## 35 PROVISION FOR DECOMMISSIONING COSTS

| | Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| At 01.07.2019/01.07.2018 | **316,604** | 259,237 |
| Additions | **–** | 5,004 |
| Changes in estimates | **54,178** | 95,894 |
| Payment | **(66,559)** | (69,261) |
| Unwinding of discount (Note 8) | **23,650** | 24,798 |
| Exchange differences | **7,072** | 932 |
| At 30.06.2020/30.06.2019 | **334,945** | 316,604 |
| Represented by: | | |
| Non-current | **276,228** | 251,290 |
| Current | **58,717** | 65,314 |
| At 30.06.2020/30.06.2019 | **334,945** | 316,604 |

The Group makes full provision for the future costs of decommissioning of its oil production facilities and pipelines on a discounted basis.

## 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 01.07.2019/30.06.2020 | **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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 36 RCPS (CONTINUED)

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.

(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 | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Executive Director: | | |
| – salaries and bonus | **4,100** | 3,800 |
| – defined contribution plan | **842** | 854 |
| – other benefits | **84** | 701 |
| | **5,026** | 5,355 |
| Non-executive Directors: | | |
| – fees and allowances | **851** | 719 |
| | **5,877** | 6,074 |

## 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 | |
|---|---|---|
| | **2020** | **2019** |
| Executive Director: | | |
| RM5,350,001 – RM5,400,000 | **–** | 1 |
| RM5,000,001 – RM5,050,000 | **1** | – |
| Non-executive Directors: | | |
| RM200,001 – RM250,000 | **2** | – |
| RM150,001 – RM200,000 | **2** | 4 |
| | **5** | 5 |

## 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 Note 16, Note 17 and Note 18 to the financial statements; and,

(ii) the Directors and senior management team who are the key management personnel.

**(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 | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Group** | | | | |
| Project management, technical and other services fees receivable from: | | | | |
| Ping Petroleum UK Limited(1) | **3,949** | 4,542 | **11,271** | 7,285 |
| HIREX(2) | **–** | – | **178** | 172 |
| Lime(2): | | | | |
| Gross | **–** | – | **1,683** | 1,683 |
| Less: Impairment of receivables | **–** | – | **(1,683)** | (1,683) |
| | **–** | – | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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 | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Group (continued)** | | | | |
| Joint Operating Agreement indirect overheads recovery from: | | | | |
| 3D Oil[(3)] | **3** | 23 | **–** | – |
| Technical and non-technical charges reimbursed from an associate: | | | | |
| 3D Oil[(3)] | **4** | 33 | **–** | – |
| Technical and non-technical, and overhead charges reimbursed to an associate: | | | | |
| 3D Oil[(3)] | **(151)** | (595) | **62** | (17) |
| **Company** | | | | |
| Project management, technical and other services fees receivable from: | | | | |
| Oceania Hibiscus[(4)] | **12** | 183 | **1,154** | 1,109 |
| Hibiscus Technical[(4)]: | | | | |
| Gross | **7,325** | 5,700 | **5,200** | 18,053 |
| Less: Impairment of receivables | **–** | – | **(3,152)** | (3,152) |
| | **7,325** | 5,700 | **2,048** | 14,901 |
| Anasuria Hibiscus[(4)] | **4,548** | 1,916 | **–** | – |
| SEA Hibiscus[(4)] | **274** | 1,323 | **224** | 49 |

## 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 | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Company (continued)** | | | | |
| Project management, technical and other services fees receivable from: (continued) | | | | |
| Gulf Hibiscus[4]: | | | | |
| Gross | **602** | 1 | **984** | 1 |
| Less: Impairment of receivables | **–** | – | **(984)** | – |
| | **602** | 1 | **–** | 1 |
| Payment on behalf of: | | | | |
| Gulf Hibiscus[4]: | | | | |
| Gross | **2,348** | 4,489 | **10,876** | 9,302 |
| Less: Impairment of receivables | **–** | – | **(10,876)** | (5,590) |
| | **2,348** | 4,489 | **–** | 3,712 |
| Oceania Hibiscus[4]: | | | | |
| Gross | **4,205** | 5,598 | **50,160** | 44,333 |
| Less: Impairment of receivables | **–** | – | **–** | – |
| | **4,205** | 5,598 | **50,160** | 44,333 |
| Hibiscus Technical[4]: | | | | |
| Gross | **280** | 745 | **21,601** | 29,798 |
| Less: Impairment of receivables | **–** | – | **–** | (9,035) |
| | **280** | 745 | **21,601** | 20,763 |
| Anasuria Hibiscus[4] | **31** | – | **–** | – |
| Timor Hibiscus[4]: | | | | |
| Gross | **9** | 9 | **27,789** | 27,781 |
| Less: Impairment of receivables | **–** | – | **(27,772)** | (27,772) |
| | **9** | 9 | **17** | 9 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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 | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Company (continued)** | | | | |
| Advances from subsidiaries: | | | | |
| Anasuria Hibiscus[4] | **–** | 58 | **32,687** | 31,564 |
| Interest expense on advances from: | | | | |
| Anasuria Hibiscus[4] | **1,594** | – | **1,594** | – |

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.

**(c) Key management personnel compensation**

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Included under Directors' remuneration | | | | |
| – fees | **851** | 719 | **851** | 719 |
| – salaries and bonus | **4,100** | 3,800 | **4,100** | 3,800 |
| – defined contribution plan | **842** | 854 | **842** | 854 |
| – other benefits | **84** | 701 | **84** | 701 |
| Included under staff costs | | | | |
| – salaries and bonus | **13,812** | 11,502 | **3,011** | 2,785 |
| – defined contribution plan | **1,006** | 854 | **507** | 442 |
| – other benefits | **788** | 459 | **77** | 59 |

## 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.<br><br>The functional currency of this segment is USD. The average and closing rate adopted for conversion to RM in the current financial year are 4.213 and 4.286 respectively. |
| (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, and (iii) License No. P2366, all located offshore in the UK Continental Shelf.<br><br>Anasuria Cluster:<br><br>• 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.<br><br>Marigold and Sunflower fields:<br><br>• 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.<br><br>License No. P2366:<br><br>• Group's investment in 100% interest in License No. P2366.<br><br>The functional currency of the segment is USD. The average and closing rates adopted for conversion to RM in the current financial year are 4.213 and 4.286 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.<br><br>The functional currency of the segment is AUD. The average and closing rates adopted for conversion to RM in the current financial year are 2.825 and 2.948 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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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 | Group RM'000 |
|---|---|---|---|---|---|
| **30.06.2020** | | | | | |
| Non-current assets | **669,436** | **1,345,953** | **48,264** | **9,068** | **2,072,721** |
| Included in the segments assets is: | | | | | |
| Investment in an associate | – | – | **5,403** | – | **5,403** |
| Additions to non-current assets | **218,534** | **137,517** | **580** | **8,391** | **365,022** |
| Project management, technical and other services | – | – | – | **3,949** | **3,949** |
| Sales of crude oil and gas | **441,738** | **200,775** | – | – | **642,513** |
| Interest income | – | – | – | **42** | **42** |
| Revenue | **441,738** | **200,775** | – | **3,991** | **646,504** |
| Depreciation and amortisation | **(78,929)** | **(62,858)** | – | **(3,231)** | **(145,018)** |
| Profit/(loss) from operations | **163,193** | **45,594** | **(1,303)** | **(18,012)** | **189,472** |
| Impairment of intangible assets | – | **(4,213)** | **(183,486)** | – | **(187,699)** |
| Impairment of equipment | – | – | – | **(8,632)** | **(8,632)** |
| Impairment of other receivables | – | – | – | **(3,496)** | **(3,496)** |
| Share of results of an associate | – | – | **(385)** | – | **(385)** |
| Reversal of unrecovered recoverable costs | **78,182** | – | – | – | **78,182** |
| Finance costs | **(25,531)** | **(16,752)** | – | **(699)** | **(42,982)** |
| Interest income | **283** | **545** | **1** | – | **829** |
| Taxation | **(68,206)** | **(6,337)** | – | – | **(74,543)** |
| Profit/(loss) after taxation | **147,921** | **18,837** | **(185,173)** | **(30,839)** | **(49,254)** |

During the financial year, revenue from external customers come from the sale of crude oil and gas of RM642,513,279 (2019: RM983,139,356). Revenue derived from each of the two (2019: two) major customers amount to RM441,738,450 (2019: RM586,828,151) and RM195,871,493 (2019: RM381,437,205) respectively.

## 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 | Group RM'000 |
|---|---|---|---|---|---|
| **30.06.2019** | | | | | |
| Non-current assets | 499,046 | 1,229,124 | 234,852 | 19,854 | 1,982,876 |
| Included in the segments assets is: | | | | | |
| Investment in an associate | – | – | 5,745 | – | 5,745 |
| Additions to non-current assets | 115,155 | 363,022 | 1,707 | 5,742 | 485,626 |
| 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) | (27,942) | 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) | (28,757) | 230,010 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 40 COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Approved and contracted for:** | | | | |
| Capital commitments | **92,051** | 52,521 | **467** | 3,120 |
| Share of a joint operation's capital commitments | **9,946** | 41,566 | **–** | – |
| | **101,997** | 94,087 | **467** | 3,120 |
| Share of a joint operation's other material commitments | **38,078** | 35,693 | **–** | – |
| | **140,075** | 129,780 | **467** | 3,120 |
| **Approved but not contracted for:** | | | | |
| Capital commitments | **28,339** | 21,521 | **93** | 680 |
| Share of a joint operation's capital commitments | **692** | 11,389 | **–** | – |
| | **29,031** | 32,910 | **93** | 680 |
| Share of a joint operation's other material commitments | **3,147** | 2,233 | **–** | – |
| | **32,178** | 35,143 | **93** | 680 |

### 41 OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:

| | Group 2019 RM'000 |
|---|---|
| **Group** | |
| Within one year | 2,964 |
| Later than one year but not later than five years | 3,607 |
| | 6,571 |

| | Company 2019 RM'000 |
|---|---|
| **Company** | |
| Within one year | 830 |
| Later than one year but not later than five years | 695 |
| | 1,525 |

## 42 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of MFRS 16 on the Group's and the Company's financial statements.

**Adoption of MFRS 16**

On 1 July 2019, the Group and the Company changed its accounting policies on leases upon adoption of MFRS 16. The Group and the Company applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

**(a) Leases classified as operating leases under MFRS 117**

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate of the lessee as of 1 July 2019 was 11.79% per annum.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position of the Group and the Company as at 1 July 2019.

In applying MFRS 16 for the first time, the Group and the Company have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and,
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**(b) Leases classified as finance leases under MFRS 117**

For leases previously classified as finance leases and presented as a part of 'Property, plant and equipment', the Company recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**42 CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

**Adoption of MFRS 16 (continued)**

**(c) The effect of adoption as at 1 July 2019 is as follows:**

As at 1 July 2019, the change in accounting policies has affected the following items:

| | Reported as at 30 June 2019 RM'000 | Effect of adoption on MFRS 16 RM'000 | Restated as at 1 July 2019 RM'000 |
|---|---|---|---|
| **Group** | | | |
| **Non-current assets** | | | |
| Equipment (Note 14) | | | |
| Cost | 485,140 | (5,743) | 479,397 |
| Accumulated depreciation | (104,912) | 1,396 | (103,516) |
| Right-of-use assets (Note 15) | | | |
| Cost | – | 13,979 | 13,979 |
| Accumulated depreciation | – | (1,396) | (1,396) |
| **Non-current liabilities** | | | |
| Finance lease liabilities | 3,791 | (3,791) | – |
| Borrowings | – | 12,449 | 12,449 |
| **Current liabilities** | | | |
| Finance lease liabilities | 1,041 | (1,041) | – |
| Borrowings | – | 5,233 | 5,233 |
| **Company** | | | |
| **Non-current assets** | | | |
| Right-of-use assets (Note 15) | | | |
| Cost | – | 1,351 | 1,351 |
| Accumulated depreciation | – | – | – |
| **Non-current liabilities** | | | |
| Borrowings | – | 648 | 648 |
| **Current liabilities** | | | |
| Borrowings | – | 703 | 703 |

## 42 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### Adoption of MFRS 16 (continued)

#### (d) Measurement of lease liabilities on 1 July 2019

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 30 June 2019 to the lease liabilities recognised at 1 July 2019 is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Operating lease commitments disclosed as at 30 June 2019 | **6,571** | **1,525** |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | **5,606** | **1,355** |
| Lease liabilities additionally recognised based on initial application of MFRS 16 | **7,603** | **–** |
| Low-value leases recognised on a straight-line basis as expense | **(359)** | **(4)** |
| Finance lease liabilities recognised as at 30 June 2019 | **4,832** | **–** |
| Lease liabilities recognised as at 1 July 2019 | **17,682** | **1,351** |
| Current lease liabilities | **5,233** | **703** |
| Non-current lease liabilities | **12,449** | **648** |
| | **17,682** | **1,351** |

## 43 FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including price risk, 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

*Price risk*

Commodity price risk related to crude oil is the Group's market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC+ actions, political events and supply and demand fundamentals. The Group is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Group's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Group may periodically use different types of derivative instruments to manage its exposure to price volatility, thus mitigating fluctuation in commodity-related cash flows.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

**43 FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial risk management policies (continued)**

**(i) Market risk (continued)**

*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<br>RM'000 | RM<br>RM'000 | AUD<br>RM'000 | GBP<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **30.06.2020** | | | | | | |
| **Financial assets** | | | | | | |
| Trade receivables | – | – | – | 11,441 | – | 11,441 |
| Amount owing by a joint venture | 178 | 303 | – | – | – | 481 |
| Amount owing by an associate | – | – | 62 | – | – | 62 |
| Other receivables and deposits | 63,600 | 102,989 | – | 1,446 | – | 168,035 |
| Cash and bank balances | 20,588 | 48,338 | 100 | 107,762 | 3 | 176,791 |
| Intra-group balances | 248,092 | 77,770 | 49,051 | (5,618) | – | 369,295 |
| | 332,458 | 229,400 | 49,213 | 115,031 | 3 | 726,105 |
| **Financial liabilities** | | | | | | |
| Trade payables | 467 | – | – | 4,330 | – | 4,797 |
| RCPS | – | 219 | – | – | – | 219 |
| Other payables and accruals | 214,776 | 45,401 | 537 | 38,052 | 768 | 299,534 |
| Amount owing to a joint venture | 302 | 16 | – | – | – | 318 |
| Borrowings | 17,822 | 56,277 | – | 166 | – | 74,265 |
| Contingent consideration | 2,363 | – | – | – | – | 2,363 |
| Intra-group balances | 376,431 | 72,619 | 92,798 | 13,606 | 6,982 | 562,436 |
| | 612,161 | 174,532 | 93,335 | 56,154 | 7,750 | 943,932 |

## 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<br>RM'000 | RM<br>RM'000 | AUD<br>RM'000 | GBP<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **30.06.2020** | | | | | | |
| Net financial (liabilities)/assets | **(279,703)** | **54,868** | **(44,122)** | **58,877** | **(7,747)** | **(217,827)** |
| Less: Net financial liabilities denominated in respective entities' functional currencies | **116,459** | **40,358** | **36,669** | **39,933** | **–** | **233,419** |
| | **(163,244)** | **95,226** | **(7,453)** | **98,810** | **(7,747)** | **15,592** |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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** | | | | | | |
| **30.06.2019** | | | | | | |
| **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) |

## 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** | | | | | | |
| **30.06.2020** | | | | | | |
| **Financial assets** | | | | | | |
| Other receivables and deposits | – | 303 | – | – | – | 303 |
| Amounts owing by subsidiaries | 55,797 | 13,551 | 5,704 | 497 | – | 75,549 |
| Cash and bank balances | 151 | 2,312 | 4 | 2 | 3 | 2,472 |
| Amount owing by a related party | – | 303 | – | – | – | 303 |
| | 55,948 | 16,469 | 5,708 | 499 | 3 | 78,627 |
| **Financial liabilities** | | | | | | |
| RCPS | – | 219 | – | – | – | 219 |
| Other payables and accruals | 13 | 4,534 | 303 | – | – | 4,850 |
| Amounts owing to subsidiaries | 34,795 | – | – | – | – | 34,795 |
| Amount owing to a related party | 296 | 16 | – | – | – | 312 |
| Finance lease liabilities | – | 743 | – | – | – | 743 |
| | 35,104 | 5,512 | 303 | – | – | 40,919 |
| Net financial assets | 20,844 | 10,957 | 5,405 | 499 | 3 | 37,708 |
| Less: Net financial assets denominated in respective entities' functional currencies | – | (10,957) | – | – | – | (10,957) |
| | 20,844 | – | 5,405 | 499 | 3 | 26,751 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (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 assets** | | | | | | |
| Other receivables and deposits | – | 274 | – | – | – | 274 |
| Amounts owing by subsidiaries | 50,304 | 16,649 | 5,031 | 10,066 | 3,713 | 85,763 |
| Cash and bank balances | 142 | 5,516 | 7 | 6 | 5 | 5,676 |
| Amount owing by a related party | – | 301 | – | – | – | 301 |
| | 50,446 | 22,740 | 5,038 | 10,072 | 3,718 | 92,014 |
| **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 assets | 17,946 | 18,065 | 4,608 | 10,055 | 3,717 | 54,391 |
| Less: Net financial assets denominated in respective entities' functional currencies | – | (18,065) | – | – | – | (18,065) |
| | 17,946 | – | 4,608 | 10,055 | 3,717 | 36,326 |

## 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 | |
|---|---|---|---|---|
| | 2020 Increase/ (Decrease) RM'000 | 2019 Increase/ (Decrease) RM'000 | 2020 Increase/ (Decrease) RM'000 | 2019 Increase/ (Decrease) RM'000 |
| Effects on profit/(loss) before taxation/equity: | | | | |
| USD | | | | |
| – strengthened by 5% | **(8,162)** | (6,210) | **1,042** | 897 |
| – weakened by 5% | **8,162** | 6,210 | **(1,042)** | (897) |
| AUD | | | | |
| – strengthened by 5% | **(373)** | (360) | **270** | 230 |
| – weakened by 5% | **373** | 360 | **(270)** | (230) |
| GBP | | | | |
| – strengthened by 5% | **4,941** | 2,053 | **25** | 503 |
| – weakened by 5% | **(4,941)** | (2,053) | **(25)** | (503) |
| RM | | | | |
| – strengthened by 5% | **4,761** | (419) | **–** | – |
| – weakened by 5% | **(4,761)** | 419 | **–** | – |

*Interest rate risk*

The Group and the Company have minimal exposure to interest rate risks.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 43 FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial risk management policies (continued)

##### (ii) Credit risk

<u>Trade receivables</u>

The Group and the Company manage their exposure to credit risk or the risk of counterparties defaulting, arising 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 3 (2019: 4) customers which constituted 100% (2019: 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 allowances for all trade receivables.

As at 30 June 2020, 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.

<u>Other financial assets</u>

The Group's and the Company's exposures to credit risk for other financial assets arises from 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. Management has taken reasonable steps to ensure these financial assets are recoverable.

These financial assets are assessed on an individual basis for ECL measurement and the impairment losses recognised are disclosed in Note 16, 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.

## 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.

As at 30 June 2020, the Group and the Company are in a net current liabilities position of RM48,781,241 (2019: net current assets position of RM13,991,546) and RM34,301,726 (2019: net current liabilities position of RM11,030,441) respectively.

The Directors are of the view that the Group and the Company will have sufficient cash flows for at least the next twelve months from the reporting date to meet their cash flow requirements, and there is no material uncertainty on its ability to continue as a going concern. Therefore, the Directors have prepared the financial statements of the Group and of the Company on a going concern basis.

The Group's cash requirements for at least the next twelve months from the reporting date primarily include operational requirements for North Sabah, the Anasuria Cluster, corporate overheads and repayment of a term loan.

In preparing the cash flow forecast for at least the next twelve months from the reporting date, the Directors have considered the impact of the COVID-19 pandemic on future oil prices.

The Directors expect to fund their obligations via cash inflow from the operations of North Sabah and the Anasuria Cluster and the availability of funding from a trade arrangement with a counterparty.

The Company expects to fund its short-term obligations through the provision of advances from its indirect wholly-owned revenue generating subsidiaries and the distribution of dividends from its wholly-owned subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 43 FINANCIAL INSTRUMENTS (CONTINUED)

#### (a) Financial risk management policies (continued)

##### (iii) Liquidity risk (continued)

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** | | | | | |
| **30.06.2020** | | | | | |
| Trade payables | **4,797** | **4,797** | **4,797** | **–** | **–** |
| RCPS | **219** | **219** | **219** | **–** | **–** |
| Other payables and accruals | **299,534** | **301,364** | **277,514** | **11,567** | **12,283** |
| Amount owing to a joint venture | **318** | **318** | **318** | **–** | **–** |
| Term loan | **49,197** | **49,358** | **49,358** | **–** | **–** |
| Lease liabilities | **25,068** | **29,953** | **12,480** | **12,480** | **4,993** |
| Contingent consideration | **2,363** | **2,743** | **–** | **2,743** | **–** |
| | **381,496** | **388,752** | **344,686** | **26,790** | **17,276** |
| **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 |

## 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** | | | | |
| **30.06.2020** | | | | |
| RCPS | **219** | **219** | **219** | **–** |
| Other payables and accruals | **4,850** | **4,850** | **4,850** | **–** |
| Amounts owing to subsidiaries | **34,795** | **36,433** | **36,433** | **–** |
| Amount owing to a related party | **312** | **312** | **312** | **–** |
| Lease liabilities | **743** | **813** | **644** | **169** |
| | **40,919** | **42,627** | **42,458** | **169** |
| **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 | – |

### (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.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 43 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Classification of financial instruments

| | 2020 RM'000 | 2019 RM'000 |
|---|---|---|
| **Group** | | |
| **Financial assets** | | |
| **Financial assets at amortised cost** | | |
| Trade receivables | **11,441** | 64,869 |
| Other receivables and deposits | **168,035** | 101,447 |
| Amount owing by an associate | **62** | – |
| Amount owing by a joint venture | **481** | 475 |
| Cash and bank balances | **176,791** | 273,537 |
| | **356,810** | 440,328 |
| **Financial liabilities** | | |
| **Financial liabilities at amortised cost** | | |
| Trade payables | **4,797** | 8,721 |
| RCPS | **219** | 219 |
| Other payables and accruals | **299,534** | 221,891 |
| Amount owing to a joint venture | **318** | 318 |
| Amount owing to an associate | **–** | 17 |
| Borrowings | **74,265** | 4,832 |
| Deferred consideration | **–** | 19,184 |
| | **379,133** | 255,182 |
| **Financial liabilities at FVTPL** | | |
| Other payables | **–** | 106,874 |
| Contingent consideration | **2,363** | 2,063 |
| | **2,363** | 108,937 |

## 43 FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Classification of financial instruments (continued)

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Company** | | |
| **Financial assets** | | |
| **Financial assets at amortised cost** | | |
| Other receivables and deposits | **303** | 274 |
| Amounts owing by subsidiaries | **75,549** | 85,763 |
| Amount owing by a related party | **303** | 301 |
| Cash and bank balances | **2,472** | 5,676 |
| | **78,627** | 92,014 |
| **Financial liabilities** | | |
| **Financial liabilities at amortised cost** | | |
| RCPS | **219** | 219 |
| Other payables and accruals | **4,850** | 4,987 |
| Amounts owing to subsidiaries | **34,795** | 32,105 |
| Amount owing to a related party | **312** | 312 |
| Borrowings | **743** | – |
| | **40,919** | 37,623 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 43 FINANCIAL INSTRUMENTS (CONTINUED)

**(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** | | | |
| **30.06.2020** | | | |
| **Financial assets** | | | |
| Amounts owing by subsidiaries | **89,648** | **(14,099)** | **75,549** |
| **Financial liabilities** | | | |
| Amounts owing to subsidiaries | **48,894** | **(14,099)** | **34,795** |
| **30.06.2019** | | | |
| **Financial assets** | | | |
| Amounts owing by subsidiaries | 98,911 | (13,148) | 85,763 |
| **Financial liabilities** | | | |
| Amounts owing to subsidiaries | 45,253 | (13,148) | 32,105 |

**(e) Fair values of financial instruments**

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2020.

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.

<u>Financial instruments other than those carried at fair value</u>

The carrying amounts of the financial assets and liabilities of the Group and of the Company at the reporting date approximate their fair values.

**(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).

## 43 FINANCIAL INSTRUMENTS (CONTINUED)

### (f) Fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows: (continued)

| | 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 01.07.2018 | – | – | 1,822 | 1,822 |
| Unwinding of discount | – | – | 194 | 194 |
| Exchange differences | – | – | 47 | 47 |
| At 30.06.2019/01.07.2019 | **–** | **–** | **2,063** | **2,063** |
| Unwinding of discount | **–** | **–** | **220** | **220** |
| Exchange differences | **–** | **–** | **80** | **80** |
| At 30.06.2020 | **–** | **–** | **2,363** | **2,363** |
| **Other payables** | | | | |
| At 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 30.06.2019/01.07.2019 | **–** | **–** | **106,874** | **106,874** |
| Payment | **–** | **–** | **(42,131)** | **(42,131)** |
| Reversal of unrecovered recoverable costs | **–** | **–** | **(78,182)** | **(78,182)** |
| Unwinding of discount | **–** | **–** | **11,404** | **11,404** |
| Exchange differences | **–** | **–** | **2,035** | **2,035** |
| At 30.06.2020 | **–** | **–** | **–** | **–** |

## 44 SIGNIFICANT EVENT

COVID-19, a novel pneumonia disease, was confirmed by the World Health Organization in January 2020 to be a Public Health Emergency of International Concern. There was a material decrease in the oil price between March 2020 to May 2020 primarily due to a substantial reduction in demand caused by measures taken globally to combat the COVID-19 pandemic. These measures include global restrictions on movement and travel with severe limitations being placed on the conduct of economic activity. The Group has taken the necessary steps to mitigate the risks arising from the COVID-19 pandemic and low oil prices, which include optimising costs, preserving liquidity and continuous enhancement of operational efficiency. Nevertheless, since June 2020, with OPEC+ production cuts in place and demand increasing as countries reduce restrictions enacted to combat the spread of COVID-19, Brent oil prices have stabilised above USD40.00 per barrel.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 45 SUBSEQUENT EVENTS

#### (a) Fund raising via Proposed Private Placement of CRPS

On 9 September 2020, the Group announced that the Company proposes to undertake the following proposals:

(i) Proposed issuance of convertible redeemable preference shares ("CRPS") to raise up to RM2.00 billion through a private placement exercise ("Proposed Private Placement of CRPS"); and,

(ii) The proposed amendments to the Constitution of the Company ("Constitution") to facilitate the issuance of the CRPS ("Proposed Amendments").

The Proposed Private Placement of CRPS entails the issuance of up to 2,000,000,000 units of CRPS to raise up to RM2.00 billion through a private placement exercise.

The CRPS are intended to be placed out to Malaysian and foreign investors who fall within the ambit of Schedules 6 and 7 of the Capital Markets and Services Act 2007, to be identified at a later date.

The net proceeds (after deducting all costs and expenses relating to the issuance of CRPS) raised from the issuance of the CRPS may be utilised in relation to acquisitions and/or investments in producing assets (whether directly or indirectly, through entities holding such assets or otherwise) that meet specific qualifying parameters, including payment of associated transaction costs, transition costs and deposits for such assets.

The Proposed Private Placement of CRPS is subject to approvals being obtained from the following:

(i) Bursa Securities, for the:

(a) Admission of up to 2,000,000,000 CRPS to be issued pursuant to the Proposed Private Placement of CRPS to the Official List of the Main Market of Bursa Securities;

(b) Listing of and quotation for up to 2,000,000,000 CRPS on the Main Market of Bursa Securities; and,

(c) Listing of and quotation for up to 3,030,303,030 new ordinary shares of the Company on the Main Market of Bursa Securities to be issued arising from the conversion of the CRPS.

(ii) Shariah Advisory Council of the Securities Commission Malaysia for the Shariah approval for the CRPS, if applicable;

(iii) The shareholders of the Company at an Extraordinary General Meeting ("EGM") to be convened;

(iv) The necessary consent of the holders of the existing RCPS; and,

(v) Any other relevant authorities and/or parties, if required.

The Proposed Amendments are subject to approvals being obtained from the following:

(i) Shareholders of the Company at an EGM to be convened; and,

(ii) Any other relevant authorities and/or parties, if required.

## 45 SUBSEQUENT EVENTS (CONTINUED)

### (a) Fund raising via Proposed Private Placement of CRPS (continued)

Subsequently, in a letter dated 22 September 2020, Bursa Securities had approved the following, subject to certain conditions:

(i) Admission to the Official List and the listing of up to 2,000,000,000 CRPS to be issued pursuant to the Proposed Private Placement of CRPS; and,

(ii) Listing of up to 3,030,303,030 new ordinary shares of the Company on the Main Market of Bursa Securities to be issued arising from the conversion of the CRPS.

### (b) 32nd UK Offshore Licensing Round Awards

On 3 September 2020, the Group announced that Anasuria Hibiscus was offered the award of three licences, as part of the 32nd UK Offshore Licensing Round ("Licensing Round") launched by the OGA in July 2019.

The Licensing Round offered blocks in mature, producing areas close to existing infrastructure, under flexible terms of the Innovate Licence which enables companies like Anasuria Hibiscus to define a licence duration and phasing that would result in the execution of an optimal work programme.

The licences that have been offered to Anasuria Hibiscus for award are as follows:

(i) Block 21/24d

The block contains the Teal West discovery, which is contiguous to the Teal field and is located approximately 4 kilometres from the Teal manifold of the Anasuria Cluster.

A 70% interest in Block 21/24d has been offered for award to Anasuria Hibiscus with the remaining 30% to be held by Zennor Petroleum Limited.

(ii) Blocks 21/19c and 21/20c

These blocks are contiguous with the Cook field.

The blocks offered for award will reflect a similar equity holding as that of the Cook field i.e. Anasuria Hibiscus has been offered 19.325%, Ithaca Energy UK Limited has been offered 61.35%, and Ping Petroleum UK Limited has been offered 19.325% in each of both the blocks.

(iii) Block 15/17a

This block is located 8 kilometres from the Marigold field. This block contains part of the Kildrummy discovery plus a minor part of the Beaumaris discovery and the Udny prospect. The licence offered for award to Anasuria Hibiscus is on a 100% basis.

Further documentation will need to be completed prior to formalisation of the awards and relevant disclosures will be made in due course.

# ANALYSIS OF ORDINARY SHAREHOLDINGS
## AS AT 30 SEPTEMBER 2020

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 | **89** | **1,831** | **–** |
| 100 – 1,000 | **3,669** | **2,329,545** | **0.15** |
| 1,001 – 10,000 | **14,741** | **83,457,951** | **5.25** |
| 10,001 – 100,000 | **9,412** | **312,338,031** | **19.66** |
| 100,001 to less than 5% of issued shares | **1,358** | **911,281,433** | **57.38** |
| 5% and above of issued shares | **2** | **278,820,000** | **17.56** |
| **Total** | **29,271** | **1,588,228,791** | **100.00** |

**Substantial Shareholders as per Register of Substantial Shareholders as at 30 September 2020**

| No. | Name | Direct No. of Ordinary Shares | % | Indirect 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 | YBhg Datuk Michael Tang Vee Mun | **–** | **–** | **141,900,000[2]** | **8.93** |
| 5 | Mettiz Capital Limited | **–** | **–** | **138,900,000[3]** | **8.75** |
| 6 | Polo Resources Limited | **–** | **–** | **138,900,000[3]** | **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 his interest in Polo Investments Limited and Mettiz Capital Sdn Bhd pursuant to Section 8 of the Act.
[3] Deemed interest by virtue of their interest in Polo Investments Limited pursuant to Section 8 of the Act.

**Directors' Shareholdings as per Register of Directors' Shareholdings as at 30 September 2020**

| 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 | YBhg Dato' Sri Roushan Arumugam | **700,000** | **0.04** | **53,415,000**[2] | **3.36** |
| 4 | Thomas Michael Taylor | – | – | – | – |
| 5 | YBhg Dato' Dr Zaha Rina Zahari | **4,500,000** | **0.28** | – | – |

**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 2020**

| No. | Name | No. of Shares | % of Total Shareholdings |
|---|---|---|---|
| 1 | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MGN-HUS0001M) | **139,920,000** | **8.81** |
| 2 | CIMSEC Nominees (Asing) Sdn Bhd<br>CIMB for Polo Investments Limited (PB) | **138,900,000** | **8.75** |
| 3 | UOBM Nominees (Asing) Sdn Bhd<br>United Overseas Bank Nominees (Pte) Ltd for Littleton Holdings Pte Ltd | **28,265,000** | **1.78** |
| 4 | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd (SFS-PB) | **25,500,000** | **1.61** |
| 5 | CitiGroup Nominees (Tempatan) Sdn Bhd<br>Universal Trustee (Malaysia) Berhad for Principal Islamic Lifetime Balanced Fund | **19,862,100** | **1.25** |
| 6 | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MY1928) | **19,200,000** | **1.21** |
| 7 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (MEF) | **18,713,000** | **1.18** |
| 8 | CIMB Islamic Nominees (Tempatan) Sdn Bhd<br>CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund | **16,131,000** | **1.02** |
| 9 | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Bank Berhad (EDP 2) | **15,655,300** | **0.99** |
| 10 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for Credit Suisse (SG BR-TST-Asing) | **14,368,900** | **0.90** |
| 11 | Lim Chin Sean | **14,050,000** | **0.88** |
| 12 | CitiGroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (PHEIM) | **11,415,900** | **0.72** |

# ANALYSIS OF ORDINARY SHAREHOLDINGS (CONTINUED)
## AS AT 30 SEPTEMBER 2020

### LIST OF TOP 30 SHAREHOLDERS AS AT 30 SEPTEMBER 2020

| No. | Name | No. of Shares | % of Total Shareholdings |
|---|---|---|---|
| 13 | Maybank Investment Bank Berhad<br>IVT (16) | **11,336,000** | **0.71** |
| 14 | CitiGroup Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraan (Diperbadankan) (Kenanga) | **10,121,300** | **0.64** |
| 15 | Huang Tiong Sii | **10,000,000** | **0.63** |
| 16 | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Principal Islamic Lifetime Balanced Growth Fund (230122) | **9,945,700** | **0.63** |
| 17 | Kelrix Sdn Bhd | **9,889,889** | **0.62** |
| 18 | Hibiscus Upstream Sdn Bhd | **9,652,600** | **0.61** |
| 19 | Sri Inderajaya Holdings Sdn Bhd | **9,452,702** | **0.60** |
| 20 | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Commerce Trustee Berhad - Kenanga Malaysian Inc Fund | **8,102,100** | **0.51** |
| 21 | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd (SFS) | **7,836,000** | **0.49** |
| 22 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Universal Trustee (Malaysia) Berhad for Principal Islamic Small Cap Opportunities Fund | **6,716,400** | **0.42** |
| 23 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc | **6,406,700** | **0.40** |
| 24 | Sri Inderajaya (Far East) Sdn Bhd | **6,060,606** | **0.38** |
| 25 | Public Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Teo Kok Woon (E-PTS) | **6,000,000** | **0.38** |
| 26 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS) | **5,996,600** | **0.38** |
| 27 | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Venudran A/L Raman | **5,684,000** | **0.36** |
| 28 | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Dana Makmur PHEIM (211901) | **5,425,600** | **0.34** |
| 29 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (ULIFE) | **5,266,000** | **0.33** |
| 30 | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad For Manulife Investment CM Shariah Flexi FD (270785) | **5,127,700** | **0.32** |

# ANALYSIS OF WARRANTS C HOLDINGS
## AS AT 30 SEPTEMBER 2020

| | | |
|---|---|---|
| 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 | **908** | **34,287** | **0.01** |
| 100 – 1,000 | **1,998** | **1,044,998** | **0.33** |
| 1,001 – 10,000 | **2,281** | **10,466,041** | **3.30** |
| 10,001 – 100,000 | **1,895** | **74,279,755** | **23.38** |
| 100,001 to less than 5% of issued Warrants C | **444** | **179,266,022** | **56.43** |
| 5% and above of issued Warrants C | **2** | **52,554,520** | **16.55** |
| **Total** | **7,528** | **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 2020

| | | 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 | YBhg Dato' Sri Roushan Arumugam | – | – | **10,683,000**[2] | **3.36** |
| 4 | Thomas Michael Taylor | – | – | – | – |
| 5 | YBhg Dato' Dr Zaha Rina Zahari | – | – | – | – |

**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.

# ANALYSIS OF WARRANTS C HOLDINGS (CONTINUED)
## AS AT 30 SEPTEMBER 2020

### LIST OF TOP 30 WARRANTS C HOLDERS AS AT 30 SEPTEMBER 2020

| No. | Name | No. of Warrants C | % of Warrants C Holdings |
|---|---|---|---|
| 1 | CIMSEC Nominees (Asing) Sdn Bhd<br>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<br>Exempt AN for DBS Bank Ltd (SFS-PB) | **10,683,000** | **3.36** |
| 4 | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Hibiscus Upstream Sdn Bhd (MY1928) | **3,840,000** | **1.21** |
| 5 | Georges Mourad | **3,638,000** | **1.15** |
| 6 | Lim Chee Hau | **2,815,000** | **0.89** |
| 7 | Ayob bin Mohd Abas | **2,602,300** | **0.82** |
| 8 | Lee Chung Liang Theresa | **2,329,400** | **0.73** |
| 9 | Loo Thin Poh | **2,276,900** | **0.72** |
| 10 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for Credit Suisse (SG BR-TST-Asing) | **2,064,400** | **0.65** |
| 11 | Kelrix Sdn Bhd | **1,977,977** | **0.62** |
| 12 | Sri Inderajaya Holdings Sdn Bhd | **1,890,540** | **0.60** |
| 13 | Yong Fan Hing | **1,859,100** | **0.59** |
| 14 | Yap Soon Beng | **1,668,000** | **0.53** |
| 15 | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Richard Teo Chok Teck | **1,550,000** | **0.49** |
| 16 | Ahmad Zahri bin Mirza Abdul Hamid | **1,500,000** | **0.47** |
| 17 | Alvin Chong Yew Kuan | **1,500,000** | **0.47** |
| 18 | Maybank Nominees (Tempatan) Sdn Bhd<br>Ho Keat Soong | **1,400,000** | **0.44** |
| 19 | See Chun Yuen | **1,350,000** | **0.43** |
| 20 | Ng Yoke Chan | **1,330,080** | **0.42** |
| 21 | Lee Eng Hock | **1,306,000** | **0.41** |
| 22 | Poon Yoke Man | **1,300,000** | **0.41** |
| 23 | Tiong Yee Fan | **1,270,000** | **0.40** |
| 24 | Khaw Siang Siang | **1,266,400** | **0.40** |
| 25 | UOB Kay Hian Nominees (Tempatan) Sdn Bhd<br>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients) | **1,224,980** | **0.39** |
| 26 | Sri Inderajaya (Far East) Sdn Bhd | **1,212,121** | **0.38** |
| 27 | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ting Hua Kiong (ET) | **1,211,000** | **0.38** |
| 28 | Public Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Teo Kok Woon (E-PTS) | **1,200,000** | **0.38** |
| 29 | Tee Jen Tong | **1,170,000** | **0.37** |
| 30 | Richard Teo Chok Teck | **1,147,000** | **0.36** |

# ANALYSIS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES (RCPS) HOLDINGS

## AS AT 30 SEPTEMBER 2020

### 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 2020

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| No. | Name | No. of RCPS | % | No. of RCPS | % |
| 1 | Zainul Rahim bin Mohd Zain | – | – | – | – |
| 2 | Dr Kenneth Gerard Pereira | – | – | **2,193,880**[1] | **100** |
| 3 | YBhg Dato' Sri Roushan Arumugam | – | – | – | – |
| 4 | Thomas Michael Taylor | – | – | – | – |
| 5 | YBhg 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 2020

| No. | Name | No. of RCPS | % of Total RCPS Holdings |
|---|---|---|---|
| 1 | Hibiscus Upstream Sdn Bhd | **2,193,880** | **100** |

# NOTICE OF THE 10TH ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN that the 10th AGM of HIBISCUS PETROLEUM BERHAD (Hibiscus Petroleum or the Company) will be held via a fully virtual platform at the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (**Broadcast Venue**) on Wednesday, 2 December 2020 at 9.30 a.m. or any adjournment thereof, whichever is later, for the purpose of considering and if thought fit, to pass the following resolutions (with or without modifications):

**AGENDA**

**As Ordinary Business**

1. To receive the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2020 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 3 December 2020 until the date of the next AGM in year 2021, to be paid quarterly in arrears. **[Ordinary Resolution 1]**

3. To approve the payment of Directors' meeting allowances for the period from 3 December 2020 until the date of the next AGM in year 2021 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 3 December 2020 until the date of the next AGM in year 2021, 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 YBhg Dato' Sri Roushan Arumugam who is retiring pursuant to Clause 134 of the *Constitution* of the Company. **[Ordinary Resolution 4]**

6. To re-elect YBhg Dato' Dr Zaha Rina Zahari who is retiring pursuant to Clause 134 of the *Constitution* of the Company. **[Ordinary Resolution 5]**

7. To re-elect Dr Kenneth Gerard Pereira who is retiring pursuant to Clause 125 of the *Constitution* of the Company. **[Ordinary Resolution 6]**

8. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2021 and to authorise the Directors to fix their remuneration. **[Ordinary Resolution 7]**

**As Special Business**

To consider and, if thought fit, to pass the following resolutions:

**9. AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **[Ordinary Resolution 8] (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 twenty per centum (20%) 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 AGM 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."

**10. RETENTION OF YBHG DATO' SRI ROUSHAN ARUMUGAM AS INDEPENDENT DIRECTOR** **[Ordinary Resolution 9] (Please refer to Explanatory Note 4)**

"THAT approval be and is hereby given to YBhg Dato' Sri Roushan Arumugam, whose tenure as an Independent Director of the Company has exceeded a cumulative term of nine (9) years, to continue to act as an Independent Director of the Company until the conclusion of the next AGM in year 2021."

11. 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) (SSM PC No. 202008001023)
TAN AI NING (MAICSA 7015852) (SSM PC No. 202008000067)
Secretaries

Selangor Darul Ehsan
30 October 2020

# NOTICE OF THE 10TH ANNUAL GENERAL MEETING (AGM)

**Notes:**

1. *In light of the Coronavirus (COVID-19) pandemic and in line with the Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia, the 10th AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd (TIIH) as the Poll Administrator for this 10th AGM to facilitate the RPV via TIIH Online website at https://tiih.online. The procedures for members to register, participate and vote remotely via the RPV facilities are provided in the Administrative Guide for this 10th AGM.*

2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act, which requires the Chair of the meeting to be present at the main venue. Members/proxies **are NOT** to be physically present at the Broadcast Venue on the day of this 10th AGM.*

3. *For purposes of determining who shall be entitled to attend this 10th AGM 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 24 November 2020 and only Depositors whose name appear on such Record of Depositors shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote via RPV at this 10th AGM.*

4. *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the 10th AGM via RPV. 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 10th AGM via RPV shall have the same right as a member to speak (in the form of real time submission of typed texts) at the 10th AGM.*

5. *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.*

6. *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.*

7. *A member who has appointed a proxy or attorney or authorised representative to attend and vote at this 10th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.*

   *Please follow the procedures for RPV set out in the Administrative Guide.*

8. *For members who are individual persons, the appointment of a proxy may be made in hard copy form or by electronic means.*

   *For members who are not individual persons (e.g. corporate member, exempted authorised nominee, etc.), the appointment of a proxy MUST be made in hard copy form only.*

   *Proxy Forms must be submitted in the following manner, not less than forty-eight (48) hours before the time appointed for holding the 10th AGM 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):*

*i) In hard copy form (applicable for all members)*

*(a) To be valid, the Form of Proxy duly completed must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd's address at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.*

*(b) 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.*

*ii) Via Tricor Online System (TIIH Online) (applicable for members who are individual persons only). The Proxy Form can be electronically submitted via TIIH Online at https://tiih.online. Please follow the procedures set out in the Administrative Guide.*

*9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of this 10th AGM will be put to vote by way of poll. Independent Scrutineers will be appointed to verify the poll results.*

## 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 9 of the Agenda**

The Company had, during its 9th AGM held on 4 December 2019, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Companies Act 2016 (2019 Mandate). As at the date of the notice, the Company did not issue any shares pursuant to the 2019 Mandate.

The Ordinary Resolution 8 proposed under item 9 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. Bursa Malaysia Securities Berhad had on 16 April 2020 announced that listed issuers are allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of not more than 20% of the total number of issued shares for issue of new securities (20% General Mandate), provided that the following are complied with:

# NOTICE OF THE 10TH ANNUAL GENERAL MEETING (AGM)

(a) The Company procures its shareholders' approval for the 20% General Mandate at a general meeting; and
(b) The Company complies with all relevant applicable legal requirements, including its Constitution or relevant constituent document.

This 20% General Mandate may be utilised by the listed issuer to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

The Board, having considered the current economic climate and future plans and financial needs of the Group, is of the opinion that this 20% General Mandate is in the best interests of the Company and its shareholders. This 20% General 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 20% 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 10 of the Agenda**

The Board of Directors has via the Nominating Committee conducted an annual performance evaluation and assessment of YBhg Dato' Sri Roushan Arumugam, who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years since 25 July 2011, 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 nine (9) 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.

The Ordinary Resolution 9 if passed, will enable YBhg Dato' Sri Roushan Arumugam who has served more than 9 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 this Ordinary Resolution 9 is not carried (and subject to passing of Ordinary Resolution 4), YBhg Dato' Sri Roushan Arumugam will remain on the Board as a Non-Independent Non-Executive Director of the Company.

## PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak (in the form of real time submission of typed texts) and vote at the 10th 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 10th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 10th 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**
Registration Number: 200701040290 (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 10th Annual General Meeting (AGM) of the Company to be held via a fully virtual platform at the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (**Broadcast Venue**) on Wednesday, 2 December 2020 at 9.30 a.m., or at any adjournment thereof, whichever is later, on the following resolutions (with or without modifications) referred to in the Notice of the 10th 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 2020 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 3 December 2020 until the date of the next AGM in year 2021, to be paid quarterly in arrears. | 1 | | |
| 3. | To approve the payment of Directors' meeting allowances for the period from 3 December 2020 and up to the date of the next AGM in year 2021 at the following rate (as applicable), to be paid quarterly in arrears:<br>• RM4,500 for each meeting of the Board and of the Board Committees that a NED attends as Chair of the meeting; or<br>• 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 3 December 2020 until the date of the next AGM in year 2021, at the rate of RM3,500 per meeting or event, to be paid quarterly in arrears. | 3 | | |
| 5. | To re-elect YBhg Dato' Sri Roushan Arumugam who is retiring pursuant to Clause 134 of the *Constitution* of the Company. | 4 | | |
| 6. | To re-elect YBhg Dato' Dr Zaha Rina Zahari who is retiring pursuant to Clause 134 of the *Constitution* of the Company. | 5 | | |
| 7. | To re-elect Dr Kenneth Gerard Pereira who is retiring pursuant to Clause 125 of the *Constitution* of the Company. | 6 | | |
| 8. | To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2021 and to authorise the Directors to fix their remuneration. | 7 | | |
| | **Special business** | **Resolution** | **For** | **Against** |
| 9. | Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016. | 8 | | |
| 10. | Retention of YBhg Dato' Sri Roushan Arumugam as Independent Director. | 9 | | |

Dated this ______________ day of ______________ 2020

| | |
|---|---|
| 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 | | | **%** |
| **Total** | | **100** | **%** |

***Notes:***

1. *In light of the Coronavirus (COVID-19) pandemic and in line with the Guidance and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia, the 10th AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Voting (RPV) facilities. The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd (TIIH) as the Poll Administrator for this 10th AGM to facilitate the RPV via TIIH Online website at https://tiih.online. The procedures for members to register, participate and vote remotely via the RPV facilities are provided in the Administrative Guide for this 10th AGM.*
2. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act, which requires the Chair of the meeting to be present at the main venue. Members/proxies* ***are NOT*** *to be physically present at the Broadcast Venue on the day of this 10th AGM.*
3. *For purposes of determining who shall be entitled to attend this 10th AGM 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 24 November 2020 and only Depositors whose name appear on such Record of Depositors shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote via RPV at this 10th AGM.*
4. *A member shall be entitled to appoint up to two (2) proxies to attend and vote at the 10th AGM via RPV. 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 10th AGM via RPV shall have the same right as a member to speak (in the form of real time submission of typed texts) at the 10th AGM.*
5. *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.*
6. *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.*
7. *A member who has appointed a proxy or attorney or authorised representative to attend and vote at this 10th AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.*

   *Please follow the procedures for RPV set out in the Administrative Guide.*
8. *For members who are individual persons, the appointment of a proxy may be made in hard copy form or by electronic means.*

   *For members who are not individual persons (e.g. corporate member, exempted authorised nominee, etc.), the appointment of a proxy MUST be made in hard copy form only.*

   *Proxy Forms must be submitted in the following manner, not less than forty-eight (48) hours before the time appointed for this 10th AGM 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):*

   i) *In hard copy form (applicable for all members)*

      (a) *To be valid, the Form of Proxy duly completed must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd's address at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.*

      (b) *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.*

   ii) *Via Tricor Online System (TIIH Online) (applicable for members who are individual persons only). The Proxy Form can be electronically submitted via TIIH Online at https://tiih.online. Please follow the procedures set out in the Administrative Guide.*
9. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of this 10th AGM will be put to vote by way of poll. Independent Scrutineers will be appointed to verify the poll results.*

**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 10th AGM dated 30 October 2020.

AFFIX
POSTAGE
STAMP

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
Malaysia

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**HIBISCUS PETROLEUM BERHAD**
Registration Number: 200701040290 (798322-P)

Head Office:
2nd Floor
Syed Kechik Foundation Building
Jalan Kapas, Bangsar
59100 Kuala Lumpur
Malaysia

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Fax: +603 2092 1301

**www.hibiscuspetroleum.com**

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This Annual Report 2019/2020 cover is printed on FSC certified paper.

The Forest Stewardship Council (FSC) is a global not-for-profit organisation that sets the standards for what is responsibly managed forest, both environmentally and socially. The FSC trademark highlights achievements in responsible sourcing of forest-derived materials and the purchasing choices contribute to taking care of the world's forests.