



REACH ENERGY BERHAD

company no: 1034400-D
(Incorporated in Malaysia)

Report on unaudited financial results for
the period 1 July 2016
to 31 December 2016

("Interim Financial Statements")

(The figures have not been audited)

REACH ENERGY BERHAD
(Company no. 1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 1 JULY 2016 TO 31 DECEMBER 2016

	Note	CUMULATIVE 6 MONTHS	CUMULATIVE 12 MONTHS
		Unaudited for the period 1 Jul 2016 to 31 Dec 2016 RM	Unaudited for the year ended 31 Dec 2016 RM
Revenue		14,993,756	14,993,756
Operating expenses		(50,484,815)	(59,276,985)
Negative goodwill	A10	142,842,528	142,842,528
Other income		14,062,588	31,410,408
Profit from operations		121,414,057	129,969,707
Finance (Net)		12,398,504	(8,083,449)
Profit before taxation	B11	133,812,561	121,886,258
Income tax expenses	B12	(5,051,760)	(9,192,392)
Profit after taxation		128,760,801	112,693,866
Profit after taxation attributable to:-			
Owners of the company		130,774,734	114,707,799
Non controlling interests		(2,013,933)	(2,013,933)
		128,760,801	112,693,866
Earnings per share attributable to Owners of the Company			
Basic earning per ordinary share (RM):	B10	0.10	0.09
Diluted loss per ordinary share (RM):		-	-
Profit after taxation		128,760,801	112,693,866
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(803,570)	(803,570)
Total comprehensive income for the financial period/year		127,957,231	111,890,296
Total comprehensive income for the financial period/year attributable to:			
Owners of the company		129,971,164	113,904,229
Non-controlling interests		(2,013,933)	(2,013,933)
		127,957,231	111,890,296

Note:

- 1) There are no comparative figures due to the change of financial year end from 31 July to 31 December.
- 2) Cumulative 6 months and 12 months figures included 1 month PBV Group's profit and loss.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

REACH ENERGY BERHAD
(Company no. 1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

Note	Unaudited As at 31 Dec 2016 RM	Audited As at 31 Dec 2015 RM
Non-current assets		
Property, plant and equipment	1,788,886,226	304,653
Long term VAT recoverable	4,863,937	-
Restricted cash	6,914,503	-
	<u>1,800,664,666</u>	<u>304,653</u>
Current assets		
Inventories	7,397,616	-
Trade and other receivables	17,345,147	189,523
Amount due from immediate holding company	42,851	-
Short term VAT recoverable	2,143,958	-
Other short term assets	20,126,544	-
Cash and bank balances	105,725,059	778,358,252
Total current assets	<u>152,781,175</u>	<u>778,547,775</u>
Total assets	<u>1,953,445,841</u>	<u>778,852,428</u>
Equity and liabilities		
Capital	488,651,315	22,035,158
Capital redemption reserves	323,991	-
Foreign exchange reserve	(803,570)	-
Non-controlling interest	27,438,117	-
Warrants reserve	198,913,650	45,277,924
Share-based payment reserves	1,190,489	458,810
Retained profit/ Accumulated loss	75,473,985	(39,233,814)
Equity attributable to owners of the Company	<u>791,187,977</u>	<u>28,538,078</u>
Non-current liabilities		
Financial liability component of the Public Issue Shares	-	738,051,343
Deferred tax liabilities	93,267,338	-
Accruals and other payables	41,102,606	-
Amount due to corporate shareholder	277,515,217	-
Asset retirement obligations	14,949,227	-
	<u>426,834,388</u>	<u>738,051,343</u>
Current liabilities		
Trade payables	46,697,959	-
Other payables and accruals	295,991,668	1,996,259
Current tax liabilities	4,596,070	10,266,748
Amount due to corporate shareholder	388,137,779	-
Total current liabilities	<u>735,423,476</u>	<u>12,263,007</u>
Total liabilities	<u>1,162,257,864</u>	<u>750,314,350</u>
Total equity and liabilities	<u>1,953,445,841</u>	<u>778,852,428</u>
Net assets per share (RM)	0.72	0.02

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. The Board of Directors of Reach Energy Berhad has resolved to change the financial year end of the Company from 31 July to 31

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2016**

	←----- Attributable to Equity Holders of the Company -----→							
	←----- Non-distributable -----→			-----→				
	Capital RM	Capital redemption reserves RM	Warrants reserve RM	Share-based payment reserves RM	Foreign exchange reserve RM	Accumulated loss/ Retained profit RM	Total RM	
							Non-controlling interest RM	
							Total equity RM	
As at 1 August 2014	20,249,194	-	8,920,808	151,158	-	(7,081,227)	22,239,933	22,239,933
Total comprehensive expenses for the financial period	-	-	-	-	-	(32,152,587)	(32,152,587)	(32,152,587)
Issuance of ordinary shares	1,785,964	-	36,357,116	-	-	-	38,143,080	38,143,080
Share-based payment transaction	-	-	-	307,652	-	-	307,652	307,652
As at 31 December 2015	22,035,158	-	45,277,924	458,810	-	(39,233,814)	28,538,078	28,538,078
As at 1 January 2016	22,035,158	-	45,277,924	458,810	-	(39,233,814)	28,538,078	28,538,078
Reclassification of financial liability component of the Public Issue Share	466,940,148	-	153,635,726	-	-	-	620,575,874	620,575,874
Cancellation of shares on 18.14% dissenting shareholders	(323,991)	323,991	-	-	-	-	-	-
Share-based payment transaction	-	-	-	731,679	-	-	731,679	978,626
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	29,205,103
Profit after taxation	-	-	-	-	-	114,707,799	114,707,799	(2,013,933)
Other comprehensive income, net of tax	-	-	-	-	(803,570)	-	(803,570)	-
-Foreign currency translation	-	-	-	-	(803,570)	-	(803,570)	-
Total comprehensive income for the financial year	-	-	-	-	(803,570)	114,707,799	113,904,229	(2,013,933)
As at 31 December 2016	488,651,315	323,991	198,913,650	1,190,489	(803,570)	75,473,985	763,749,860	791,187,977

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. The Board of Directors of Reach Energy Berhad has resolved to change the financial year end of the Company from 31 July to 31 December.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Unaudited for the year ended 31 Dec 2016 RM
Cash flows from operating activities	
Profit before tax	121,886,258
<i>Adjustments for:-</i>	
Depreciation of property, plant and equipment	3,618,087
Finance (Net)	8,083,449
Foreign exchange gain	(3,313,441)
Interest income	(28,049,950)
Negative goodwill	(142,842,528)
Operating loss before changes in working capital	(40,618,125)
Changes in working capital:	
Inventories	(7,397,616)
Trade and other receivables	(40,976,621)
Trade and other payables	337,432,913
Assets retirement obligation	14,949,227
Amount due from immediate holding company	(42,851)
Amount due to corporate shareholder	277,515,217
	-
Cash used in operations	540,862,144
Tax paid	(4,444,771)
Net cash used in operating activities	<u>536,417,373</u>
Cash flows from investing activities	
Partial payments for acquisition of subsidiaries	(580,527,782)
Payment to dissenting shareholders	(138,508,082)
Acquisition of property, plant and equipment	(502,863,141)
Finance income received in banks	19,762,942
Decrease in restricted cash	(6,914,503)
Net cash used in investing activities	<u>(1,209,050,566)</u>
Net decrease in cash and cash equivalents	(672,633,193)
Cash and cash equivalents at beginning of year	<u>778,358,252</u>
Cash and cash equivalents at end of year	<u><u>105,725,059</u></u>

Note:

1) There are no comparative figures due to the change of financial year end from 31 July to 31 December

The unaudited condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the financial period ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements. The Board of Directors of Reach Energy Berhad has resolved to change the financial year end of the Company from 31 July to 31 December.

NOTES TO THE MANAGEMENT ACCOUNTS

PART A-EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("MFRS") 134 - INTERIM FINANCIAL REPORTING

A1 Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying notes attached to the unaudited condensed consolidated financial statement.

The explanatory notes attached to unaudited condensed consolidated financial statements provide explanations of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2015.

On 25 March 2015, the Board of Directors of Reach Energy Berhad or the Company had resolved to change the financial year end of the Company from 31 July to 31 December. Due to the changes in the financial year end, there are no comparative figures given for preceding year corresponding half yearly and year-to-date in the current report.

A2 Changes in accounting policies

(a) Standards, amendments to published standards and interpretations that are applicable to the Group that are effective:

The Group has adopted the following amendments for the first time for the financial year beginning 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 101 "Presentation of financial statements - Disclosure Initiative"
- Amendments to MFRS 116 and MFRS 138, Clarification of Acceptable Methods of Depreciation and Amortisation
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS10, MFRS12 and MFRS 128)

The impact of the new accounting standards, amendments and improvements to published standards on the unaudited condensed consolidated interim financial statements of the Group is not material.

(b) Standards, amendments to published standards and interpretations that are applicable to the Group but not yet effective

No	Malaysian Financial Reporting Standards	Effective date
1	Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"	1 January 2017
2	Amendments to MFRS 112, Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
3	MFRS 9 "Financial Instruments (IFRS 9 issued by IASB in July 2014)"	1 January 2018
4	MFRS 15 "Revenue from contract with customers"	1 January 2018
5	Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transaction"	1 January 2018
6	IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018
7	MFRS 16 "Leases"	1 January 2019

The effects of the above standards, amendments to published standards, and interpretations to existing standards are currently being assessed by the Group.

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

- from the annual period beginning on 1 January 2017 for those accounting standards that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those accounting standards that are effective for annual periods beginning on or after 1 January 2019.

A3 Auditors' Opinion on Preceding Annual Financial Statements

The Company's financial statements for the financial year ended 31 December 2015 were not subject to audit qualification.

A4 Seasonality or cyclicity of operations

The Group's operations are not affected by any seasonal or cyclical factors.

A5 Individually significant items

Save as disclosed below, there were no significant items that affect the assets, liabilities, equity, net income or cash flow of the Group during the current financial period under review.

- i Approval of the shareholders of Reach Energy at the Adjourned Extraordinary General Meeting ("Adjourned EGM") of the Company held on 16 November 2016, for the proposed acquisition by Reach Energy Ventures Sdn Bhd ("REVS"), a wholly-owned subsidiary of Reach Energy Berhad, of 60% equity interest in Palaeontol B.V., a wholly-owned subsidiary of Palaeontol Cooperatief U.A. ("Palaeontol COOP") which is wholly-owned subsidiary of MIE Holdings (MIEH) and 60% of the shareholder loans from MIEH for a total cash consideration of USD154,889,000, subject to adjustments.

Proposed Acquisition was completed on 25 November 2016 and the Adjusted Purchase Consideration was mutually agreed by the parties to be USD175,856,539.

- ii. The payment of the consideration of RM0.76351 per Reach Energy Share to the entitled shareholders of the Company who had submitted the Request Form for the qualifying acquisition share repurchase ("Dissenting Shares") was made on 25th November 2016 and on 15th December 2016.

Upon the satisfaction of the consideration for the qualifying acquisition share repurchase, a total of 181,409,650 Dissenting Shares were cancelled, following which the issued and paid-up capital of the Company was reduced to RM10,964,127.75 comprising of 1,096,412,775 Reach Energy Shares.

- iii Custodian Agreement between the Company and AmanahRaya Trustees Berhad was terminated on 22 December 2016. Available fund from the Cash Trust Accounts was released for payment for completion of Qualifying Acquisition ("QA") and for Dissenting Shares repurchased. Balance of the fund was remitted to the Company as working capital.

A6 Material changes in estimates

There were no significant change in estimates that have material effect on the current financial period under review.

A7 Borrowing, debt and equity security**(i) Borrowing**

	Unaudited 31 Dec 2016 RM
Unsecured:	
Amount due to corporate shareholder	
Non-current	277,515,217
Current	388,137,779
	<u>665,652,996</u>

(ii) Equity

The movements in the issued and paid-up capital of the Company arising from the cancellation of Reach Energy Shares during the financial year ended 31 December 2016 were as follows:

	RM	RM	Unaudited 31 Dec 2016 RM
	Par value	Number of shares	Capital
Ordinary shares			
As at 01.01.2016	0.01	1,277,822,425	12,778,224
Shares cancelled due to dissenting shares	0.01	<u>(181,409,650)</u>	<u>(1,814,097)</u>
As at 31.12.2016	0.01	<u>1,096,412,775</u>	<u>10,964,128</u>

There were no other transactions during the current period other than as disclosed.

A8 Dividend paid

There was no dividend declared or paid during the current financial period ended 31 December 2016.

A9 Material events subsequent to the end of the interim period

There were no material events after the interim period that have not been reflected in the unaudited condensed consolidated interim financial statements.

A10 Changes in the composition of the company

On 25 November 2016, REVS, a wholly owned subsidiary of Reach Energy, acquired a 60% equity interest in Palaeontol B.V, a wholly owned subsidiary of Palaeontol COOP which is a wholly-owned subsidiary of MIE Holdings (MIEH). Palaeontol B.V is an investment holding company and is the sole interest holder of Emir-Oil which hold the entire subsoil use rights (100% working interest) in the Emir Oil Concession Block. Alongside with the acquisition, under an executed Deed of Assignment of Debt, assigned to REVS, 60% of the shareholder loans with interest accrued owed by Palaeontol B.V. to MIEH.

The Adjusted Transaction Consideration of USD 175.8 million comprises of the following:

- Transaction Consideration of USD154.9 million; and
- Net Contribution Amount of USD 20.9 million

A10 **Changes in the composition of the company (continued)**

The fair value was provisional as at 31st December 2016 and has been reviewed in accordance with the provisions of MFRS 3 *Business Combinations*. The initial fair values of assets and liabilities recognised on the acquisition were updated to include the working capital adjustments and decommissioning provisions.

The fair values of the identifiable assets and liabilities of 100% of Palaeontol B.V as at the date of acquisition were:

	Fair Value recognised on acquisition RM
ASSETS	
Property, plant and equipment	1,777,906,668
Intangible assets - software	717,727
Restricted cash	6,244,120
Other receivables	32,982,926
Inventories	9,324,460
Accounts receivables	6,989,540
Cash and bank balances	932,981
LIABILITIES	
Accounts payables	(45,511,987)
Other payables, accruals and provisions	(74,501,497)
Deferred tax liability	(86,414,732)
Amount due to corporate shareholder	(657,024,509)
Asset retirement obligations	(22,364,604)
Total identifiable net assets at fair value	949,281,093
Non controlling interest	(29,205,103)
Negative goodwill	(142,842,528)
Purchase consideration	777,233,462
PURCHASE CONSIDERATION:	
Cash paid and payable	580,527,782
Deferred consideration	196,705,680
	777,233,462

A11 **Contingent liabilities or contingent assets**

There were no contingent liabilities or contingent assets as at the date of this unaudited condensed consolidated interim financial statements.

A12 **Commitment**

- i Capital commitments for the purchase of property, plant and equipment:

	Unaudited 31 Dec 2016 RM	Audited 31 Dec 2015 RM
Authorised but not contracted for	199,090,723	-
Contracted but not provided for	65,904,481	-
	264,995,204	-

- ii Operating lease commitments

The Group has operating lease commitments related to its non-cancellable operating leases for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	Unaudited 31 Dec 2016 RM	Audited 31 Dec 2015 RM
<1 year	2,186,361	127,435
1-2 years	2,063,430	-
2-5 years	45,762	-
>5 years	-	-
	4,295,553	127,435

A12 **Commitment (continued)**

- iii According to the production contracts for four blocks in Kazakhstan, the Group is obligated to perform minimum work program during the life of the production contracts. Set out below is the commitment for the minimum work program

	Unaudited 31 Dec 2016 RM	Audited 31 Dec 2015 RM
<1 year	198,814,926	-
1-2 years	283,640,902	-
2-5 years	1,067,136,333	-
>5 years	2,995,098,019	-
	<u>4,544,690,180</u>	<u>-</u>

Set out above is the PBV Group's 100% commitment for the minimum work program. The minimum work program includes capital expenditure of RM1,227 million to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly other direct operation and maintenance costs of wells and related facilities.

PART B: ADDITIONAL NOTES TO REQUIREMENTS UNDER CHAPTER 9 OF THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1 Operating Segments

Operating segments are represented in respect of the Group's business segments. The Group has activities in the following principal areas:

- i Oil and gas
- ii Investment holding

	CUMULATIVE 6 MONTHS Unaudited for the period ended 1 Jul 2016 to 31 Dec 2016		CUMULATIVE 12 MONTHS Unaudited for the period ended 1 Jan 2016 to 31 Dec 2016	
	Oil & gas	Investment Holdings	Oil & gas	Investment Holdings
	RM	RM	RM	RM
Revenue	14,993,756	-	14,993,756	-
Results				
Other Income	-	14,062,588	-	31,410,408
Operating expenses	(18,069,810)	(32,415,005)	(18,069,810)	(41,207,175)
Negative Goodwill	-	142,842,528	-	142,842,528
Finance income/ (expense)	6,324,587	6,073,917	6,324,587	(14,408,036)
Profit before taxation	3,248,533	130,564,028	3,248,533	118,637,725
Income tax expenses	(6,333,233)	1,281,473	(6,333,233)	(2,859,159)
Profit/ (Loss) after taxation At 31 Dec 2016	<u>(3,084,700)</u>	<u>131,845,501</u>	<u>(3,084,700)</u>	<u>115,778,566</u>

B2 Material change in profit before taxation

For the 6 months period ended 31 December 2016, the Group recorded profit before tax of RM133.8 million

The Group recorded a profit before taxation of RM 121.9 million in the current twelve-month period ('current year') as compared to a loss before taxation of RM 21.9 million in the corresponding twelve-month period ('corresponding year'). In the current year, the Group has recorded a negative goodwill of RM 142.8 million.

Reach Energy has been reclassified from Special Purpose Acquisition Company sector to Industrial Products sector with effect from 9.00 a.m., Friday, 16 December 2016. From the date of acquisition 25 November 2016 to 31 December 2016, the Group has contributed RM 15 million to revenue and RM 18.1 million to operating expenses from the operation.

B3 Status of Corporate proposal announced but not completed

On 23 May 2016, the Company had proposed placement of new ordinary shares of RM 0.01 each in Reach Energy Berhad to raise gross proceeds of up to RM 180.0 million ("Proposed Placement")

Pursuant to the shareholders' approval obtained at the Adjourned EGM of the Company held on 16 November 2016, the Company is authorised to proceed the proposed placement within six (6) months from the date of approval of the Securities Commission Malaysia ("SC"), i.e. 24 August 2016.

The Company has submitted an application to the SC for an extension of time of six (6) months from 23 February 2017 to 22 August 2017 for the Company to implement the Proposed Placement as set out in the Circular dated 13 October 2016.

B4 Prospects

After completion of the Proposed Acquisition, with effective control of Emir-Oil which holds the entire subsoil use rights (100% working interest) of the Emir-Oil Concession Block, our Company intends to pursue various value-adding measures which focus on maximising production (subject to prevailing oil price environment) and optimising costs. Such measures include effective field development plans and application of new technologies so as to enhance near-term production growth and maximise returns to our shareholders.

Based on the negotiated price of USD308.0 million for 100% equity interest of Palaeontol B.V. as well as the transaction structure of the Proposed Acquisition including the payment schedule of the Purchase Consideration, the project IRR for the Emir-Oil Concession Block, as estimated by RPS Energy, is 18.3%. This negotiated price only takes into account the Reserves of the Emir-Oil Concession Block and does not consider the Prospective Resources of the Exploration Area of 804.8 km² and other potential upsides. Based on the Independent Upside Summary Report as set out in the Circular dated 13 October 2016, we have identified several measures/initiatives which are expected to substantially growth the value and Reserves potential of the Emir-Oil Concession Block.

B5 Profit forecast and guarantee

The Group has not announced or disclosed any profit forecast and profit guarantee in any public documents.

B6 Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities during the financial period ended 31 December 2016.

B7 Sale of unquoted investments and/or properties

There were no sale of unquoted investment and /or properties during the financial year ended 31 December 2016

B8 Financial instruments with off-balance sheet risk

There were no financial instruments with material off-balance sheet risk as at the date of this report.

B9 Material Litigation

There were no material litigation as at the date of this report.

B10 Earnings per share**i Basic earnings per ordinary share**

The calculation of basic earning /(loss) per ordinary share as at 31 December 2016 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	CUMULATIVE 6 MONTHS	CUMULATIVE 12 MONTHS
	Unaudited for the period 1 Jul 2016 to 31 Dec 2016 RM	Unaudited for the year ended 31 Dec 2016 RM
Profit attributable to ordinary shareholders	130,774,734	114,707,799
Weighted average number of ordinary shares	1,262,047,673	1,269,891,948
Basic earning per ordinary share (RM)	<u>0.10</u>	<u>0.09</u>
Diluted loss per ordinary share	<u>0.10</u>	<u>0.09</u>

ii Diluted earnings per ordinary share

There is no dilutive effect of the potential ordinary share convert under warrants issued since the exercise price is above the average market value at the company's shares.

B11 Profit before taxation

	CUMULATIVE 6 MONTHS	CUMULATIVE 12 MONTHS
	Unaudited for the period 1 Jul 2016 to 31 Dec 2016 RM	Unaudited for the year ended 31 Dec 2016 RM
Profit before taxation is arrived after charging / (crediting):		
Taxes other than income taxes	(4,742,652)	(4,742,652)
Qualifying Assets expenses	(20,856,524)	(25,615,510)
Purchases, services and other direct costs	(3,396,771)	(3,396,771)
Depreciation, depletion and amortisation	(3,467,836)	(3,618,087)
Distribution expense	(3,006,202)	(3,006,202)
Employee compensation costs	(4,451,142)	(7,512,146)
General and administrative expenses	(6,572,215)	(7,243,437)
Other operating expenses	(3,991,473)	(4,142,180)
Other income	10,702,128	28,049,948
Gain on foreign exchange	3,332,738	3,360,460
Finance Cost	(4,855,101)	(24,604,668)
Finance Income	-	16,521,219

Other than as presented in the unaudited condensed consolidated statements of profit or loss, and as disclosed above, there were no other income, interest expense, provision for and write off of receivables or inventories, gain/loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain/loss on derivatives, and other exceptional items for the financial year ended 31 December 2016.

B12 **Income Tax Expense**

	CUMULATIVE 6 MONTHS	CUMULATIVE 12 MONTHS
	Unaudited for the period 1 Jul 2016 to 31 Dec 2016	Unaudited for the year ended 31 Dec 2016
	RM	RM
Current income tax	4,481,865	8,622,497
Prior year	(5,821,977)	(5,821,977)
Deferred income tax	6,391,872	6,391,872
	<u>5,051,760</u>	<u>9,192,392</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. The Bursa announcement effective tax rate was -3.8% for the period ended 31 December 2016 and -7.5% for the year ended 31 December 2016.

The variance between effective tax rate and statutory tax rate is mainly due to calculation of negative goodwill in the Group.

B13 **Realised and unrealised retained profit/(accumulated losses)**

	Unaudited As at 31 Dec 2016	Audited As at 31 Dec 2015
	RM	RM
Analysis of retained gain/(accumulated losses):		
Realised	16,523,148	(39,233,814)
*Unrealised	<u>16,657,935</u>	-
	33,181,083	(39,233,814)
Less: Consolidation adjustment	<u>42,292,902</u>	-
	<u>75,473,985</u>	<u>(39,233,814)</u>

* The unrealised retained profit / (accumulated losses) are mainly deferred tax provision and foreign exchange gain of monetary items denominated in a currency other than functional currency.

BY ORDER OF THE BOARD
CHEN BEE LING (MAICSA 7046517)
TAN LAI HONG (MAICSA 7057707)

COMPANY SECRETARIES
28 February 2017