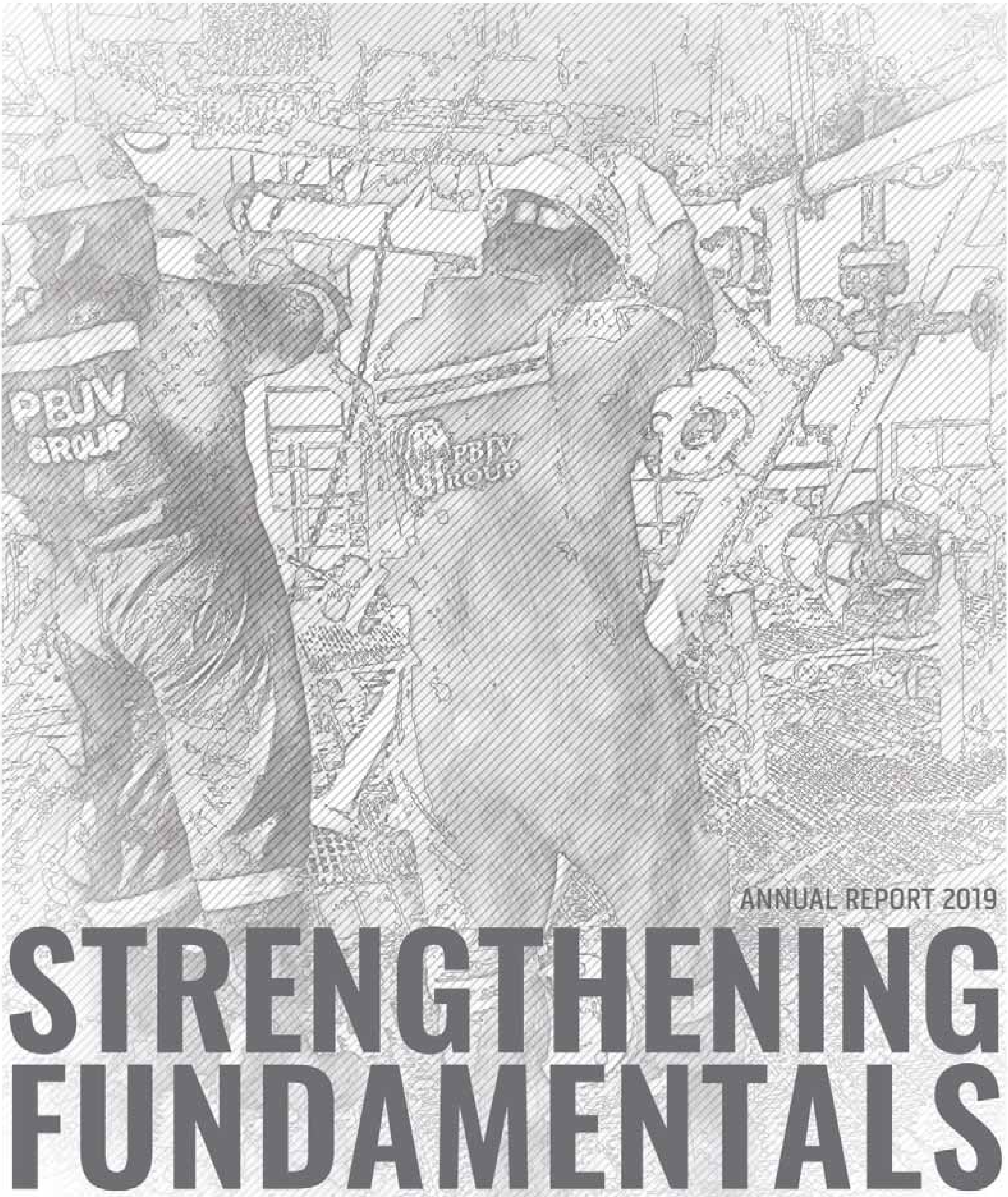
BARAKAH
OFFSHORE PETROLEUM



ANNUAL REPORT 2019

STRENGTHENING FUNDAMENTALS

VISION

To be the Premier Integrated Solutions Provider
to the Industries

MISSION

Committed to ensure high quality and innovative
solutions without compromising safety

BUSINESS ACTIVITIES

OFFSHORE TRANSPORTATION AND INSTALLATION

- Pipeline/ Riser/ Submarine Cable Installation
- Transportation and Installation of Offshore Structures
- Shore Approach
- Pipeline and Structure Repairs

TOPSIDE MAJOR MAINTENANCE, AND HOOK–UP AND COMMISSIONING

- Onshore pre-fabrication work for structural steel and process piping
- Offshore Hook-up, Tie Ins and Commissioning of pre-fabricated structural steel, process piping, mechanical equipment, electrical system and instrument control system for topside of offshore oil & gas production facilities
- Maintenance of offshore facilities
- Blasting & Painting work

EPCC (ENGINEERING, PROCUREMENT, CONSTRUCTION & COMMISSIONING) ONSHORE & OFFSHORE CONSTRUCTION

- EPCC of Onshore Gas Transmission Pipeline
- Mechanical and Piping Erection for onshore process plant
- Minor Fabrication Services
- Shutdown Maintenance Services
- EPCC of small to medium size process facilities

PIPELINE SERVICES

Pre-commissioning, Commissioning & De-commissioning:

- Cleaning Maintenance
- Gauging
- Hydrotesting
- Drying (Air/Vacuum)
- Flushing
- Deoiling
- Pigging
- Flooding
- Dewatering
- Leaks/Nitrogen Testing
- Degassing

DE-COMMISSIONING

- Pipeline, Structure and Topside
- Preservation and Abandonment

SHIP MANAGEMENT AND CHARTERING

- Pipe Lay Barge
- Derrick Lay Barge
- Accommodations Work Barge
- Work Boat

UNDERWATER SERVICES

- Inspection, maintenance, repair, drilling support and related-services for underwater facilities, using Main/ Support vessels, Air & Saturation Diving System and Remotely Operated Vehicle
- DPDSV Services
- Subsea Underwater Services and Maintenance
- Underwater Repair

TECHNOLOGY, MINERAL OPERATION & ENERGY SERVICES

- Water Mining System
- Pumping & Jetting Services
- Boring & Soil Testing
- Mineral processing & EPCC (Engineering, Procurement, Construction & Commissioning) Plant
- LNG Storage Operation
- Nitrogen Generation Plant
- Wind Vertical Power Turbine

IN THIS REPORT

CORPORATE **PROFILE**

BARAKAH OFFSHORE PETROLEUM BERHAD was listed in year 2013 and established its strength in various capabilities offering from engineering, operation services, pipeline installation and EPCC (engineering, procurement, construction & commissioning) onshore & offshore, technology and mineral operations.

Up to date we delivered RM4.3 billions worth of work to the industry.

As the industry getting too competitive and challenging, we are enhancing our capabilities by exploring few technologies that can contribute to the company revenue for instance Renewable Energy and Operation & Maintenance.

With its depth of experience and strength, Barakah Group is positively gaining momentum towards its vision "TO BE THE PREMIER INTEGRATED SOLUTIONS PROVIDER TO THE INDUSTRIES". The group is capable to undertake more technically challenging works and has set it sight to expand its business activities in Malaysia and beyond.

CORPORATE **STRUCTURE**

BARAKAH OFFSHORE PETROLEUM

- **PBJV GROUP SDN BHD** — Oil & Gas Services — 100%
  - **KOTA LAKSAMANA MANAGEMENT SDN BHD** — Vessel Management — 100%
  - **KOTA LAKSAMANA 101 LTD** — Vessel Ownership — 100%
  - **PBJV INTERNATIONAL LTD** — Oil & Gas Services for the International Market — 100%
  - **PBJV GULF CO LTD** — Oil & Gas Services for the Middle East Region — 85%
  - **PBJV MACFEAM SDN BHD** — Procurement, Construction & Commissioning of Pressurised Piping System — 51%
- **PBJV ASSET MANAGEMENT SDN BHD** — Investment Holding — 100%
- **PBJV ENERGY (LABUAN) LIMITED** — Exploration, Development & Production — 100%
- **BARAKAH OFFSHORE ENERGY SDN BHD** — Energy & Services — 100%
  - **PBJV ENERGY SDN BHD** — Energy & Services — 100%
- **BARAKAH ONSHORE VENTURES SDN BHD** — Technology, Mineral Operation and Services — 100%

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Datuk Mohd Zaid bin Ibrahim
Independent Non-Executive Chairman

Nik Hamdan bin Daud
Group President & Chief Executive Officer/
Non-Independent Executive Director

Sulaiman bin Ibrahim
Senior Independent
Non-Executive Director

Azman Shah bin Mohd Zakaria
Non-Independent Executive Director

Rasdee bin Abdullah
Non-Independent Executive Director

Nurhilwani binti Mohamad Asnawi
Independent Non-Executive Director

Dr. Rosli bin Azad Khan
Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Nurhilwani binti Mohamad Asnawi
Chairman

Dr. Rosli bin Azad Khan

Sulaiman bin Ibrahim

NOMINATION & REMUNERATION COMMITTEE

Sulaiman bin Ibrahim
Chairman

Dr. Rosli bin Azad Khan

Nurhilwani binti Mohamad Asnawi

EXECUTIVE COMMITTEE

Nik Hamdan bin Daud
Chairman

Azman Shah bin Mohd Zakaria

Rasdee bin Abdullah

Megat Khairulazhar bin Khairodin

ESOS COMMITTEE

Sulaiman bin Ibrahim
Chairman

Rasdee bin Abdullah

Nurhilwani binti Mohamad Asnawi

COMPANY SECRETARIES

Ng Heng Hooi (MAICSA 7048492)

Wong Mee Kiat (MAICSA 7058813)

REGISTERED OFFICE

Lot 6.08, 6th Floor
Plaza First Nationwide
No. 161 Jalan Tun H.S. Lee
50000 Kuala Lumpur
Malaysia
T : +603 2072 8100
F : +603 2072 8101

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T : +603 7890 4700
F : +603 7890 4670

STOCK EXCHANGE

Main Market of Bursa Malaysia
Securities Berhad
Listed on 6 November 2013

Shariah-Compliant Ordinary Shares
Stock Name : BARAKAH
Stock Code : 7251

CORPORATE WEBSITE

www.barakahpetroleum.com

AUDITORS

Messrs. Crowe Malaysia PLT
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
T : +603 2788 9999
F : +603 2788 9998

SOLICITORS

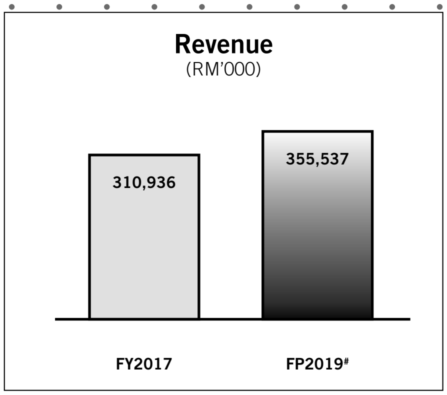
Messrs. Fairuz Ali & Co
No. 12-1, 1st Floor
Jalan Opera B U2/B
TTDI Jaya, Section U2
40150 Shah Alam
Selangor Darul Ehsan
T : +603 7831 3941/2605
F : +603 7831 3951

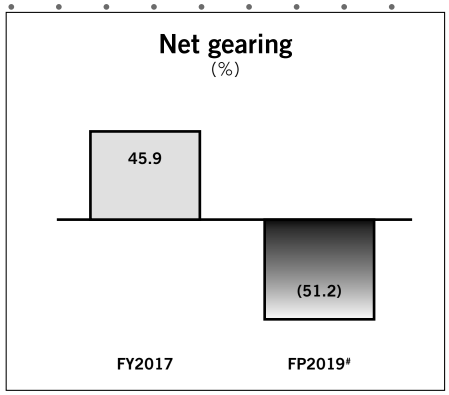
PRINCIPAL BANKERS

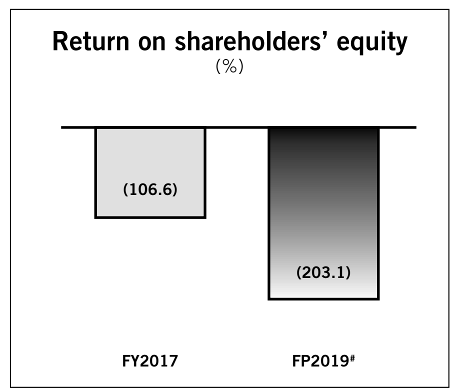
Malayan Banking Berhad
Export-Import Bank of Malaysia Berhad
Affin Bank Berhad
AmBank (M) Berhad

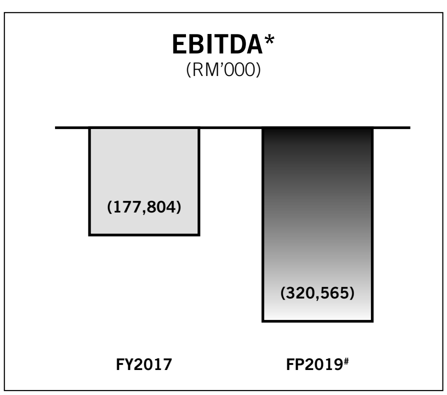
FINANCIAL **PERFORMANCE**

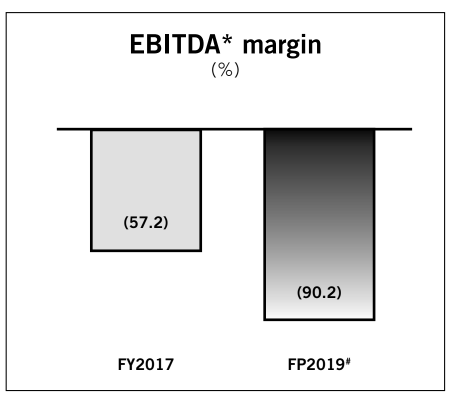
	FP2019# (18 months) RM'000	FY2017 (12 months) RM'000
Revenue	**355,537**	310,936
Loss before taxation	**(369,906)**	(216,729)
Loss after taxation attributable to owners of the Company	**(383,174)**	(216,704)
EBITDA*	**(320,565)**	(177,804)
EBITDA* margin (%)	**(90.2)**	(57.2)
Total assets	**261,284**	551,449
Total borrowings	**186,359**	225,395
Total cash ^	**89,676**	132,050
Total equity attributable to owners of the Company	**(188,651)**	203,315
Return on assets (%)	**(146.7)**	(39.3)
Return on shareholders' equity (%)	**(203.1)**	(106.6)
Net gearing (%)	**(51.2)**	45.9
Basic EPS (sen)	**(46.1)**	(26.3)
Diluted EPS (sen)	**(46.1)**	(25.3)

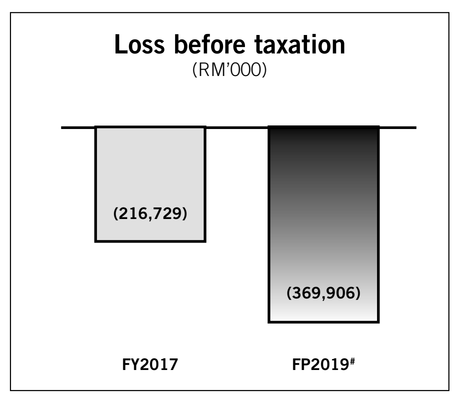












Notes:-

- Financial period from 1 January 2018 to 30 June 2019 ("FP2019"). Prior to FP2019, the financial year ended was 31 December 2017 ("FY2017").

* - Earnings Before Interest, Tax, Depreciation & Amortisation.

^ - Total cash includes short-term investments, fixed deposits with licensed banks, cash and bank balances, excluding bank overdrafts and fixed deposits pledged to licensed banks.

PROFILE OF
BOARD OF DIRECTORS

DATUK MOHD ZAID BIN IBRAHIM
Independent Non-Executive Chairman

Datuk Mohd Zaid bin Ibrahim, aged 68, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad as an Independent Non-Executive Chairman on 14 October 2019.

He obtained an LLB (University of London) and was called to the Bar at the Inner Temple in London before establishing Zaid Ibrahim & Co, which grew to become the largest legal firm in Malaysia. He is now an Advisor to the firm. He has over 40 years as a legal practitioner, and was involved in multi-disciplinary practice and advises clients on corporate matters, privatization and financing of major infrastructure projects such as the North South Highway and Water privatization. He also had extensive experience in advising government agencies on law reform and drafting of legislation and regulations.

In 2008 he was appointed to the Cabinet of former Malaysian Prime Minister Tun Abdullah Ahmad Badawi, and served as a Minister in the Prime Minister's Department with responsibility for legal affairs and judicial reform.

Datuk Zaid and his wife Datin Suliana Shamsuddin, established and manage YOKUK - Foundation for the Disabled and Underprivileged based in Kota Bharu, Kelantan since 1999. This Foundation has helped more than 5,000 children and poorer members of the community. The Foundation not only helped thousands of disabled but also provides palliative care to terminally ill cancer patients.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	0/0

NIK HAMDAN BIN DAUD
Group President & Chief Executive Officer
Non-Independent Executive Director

Nik Hamdan bin Daud, aged 52, a Malaysian and an Electrical Engineer was resigned as the Group President and Chief Executive Officer of Barakah Offshore Petroleum Berhad on 15 April 2019 and re-appointed to the same position on 19 July 2019.

Since he left Esso Production Malaysia in 1996, he chooses to be entrepreneur and he ventures into various industries and business. He has over 25 years of experience in the industry mainly in operation, maintenance and services. During these years, he served various reputable oil & gas clients such as PETRONAS, Shell, ExxonMobil, PETROFAC, HESS, Newfield, Murphy Oil, Talisman, Vietsovpetro.

He holds directorship in several private limited companies. Graduated with Bachelor of Science in Electrical/Electronic Engineering from Worcester Polytechnic Institute MA, USA in 1989. He is also a qualified gas pipeline licensed contractor with Energy Commission of Malaysia.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	8/8

SULAIMAN BIN IBRAHIM

Senior Independent Non-Executive Director

Sulaiman bin Ibrahim, aged 59, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 1 March 2012 as a Non-Executive Director. On 12 December 2013 he was designated as the Senior Independent Non-Executive Director.

Sulaiman was with PETRONAS Carigali from 1986 to 2011, and was exposed to various areas such as engineering, construction, installation and structural installations. He has experienced the full cycle of project management from tendering exercises, detail design, procurement, fabrication and installation to hook-up and commissioning of offshore facilities and onshore sludge catchers and tank farms. He also holds directorships in other private limited companies. Sulaiman graduated with a Bachelor's degree in Civil Engineering from University of Malaya in 1984.

He is the Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Management Committee.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	12/12
ESOS	1/1
NRC	3/3
ARMC	7/7

AZMAN SHAH BIN MOHD ZAKARIA

Non-Independent Executive Director

Azman Shah bin Mohd Zakaria, aged 55, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 14 May 2012 as an Executive Director. He is one of the founding members of PBJV and is presently the Executive Chairman of PBJV Group Sdn Bhd starting November 2017.

Azman has more than 19 years experience in the oil and gas industry, mainly in the areas of offshore pipeline installation, pre-commissioning and other related services. He started his career as an Aircraft Technician in 1988 with AIROD Sdn Bhd. In 1994, he joined Sukitronics Sdn Bhd as a Project Engineer and subsequently, Projass Engineering Sdn Bhd in 1995 until 1998 as a Lead Engineer where he headed the mechanical and piping construction team for power plant fabrication and construction work. He joined PTIS (M) Sdn Bhd as an Operation Manager in 1998 and headed the company's pre-commissioning and commissioning projects and operations. In 2000, he joined PBJV as General Manager and led the company in pre-commissioning and commissioning, T&I, onshore pipeline, HUC projects and operations.

Azman also holds directorships in several private limited companies. He graduated with a Higher Diploma in Mechanical and Manufacturing Engineering and BTEC Diploma in Mechanical and Manufacturing Engineering from Wigan and Leigh Technical College (Salford University), Greater Manchester, UK in 1994. He is also a qualified gas pipeline licensed contractor with the Energy Commission of Malaysia.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	11/12

PROFILE OF
BOARD OF DIRECTORS

RASDEE BIN ABDULLAH
Non-Independent Executive Director

Rasdee bin Abdullah, aged 49, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 14 May 2012 as an Executive Director. He has been the President and Chief Executive of PBJV Group Sdn Bhd since 2014. From 2011 until 2014, he was the Vice President of Operations in PBJV Group Sdn Bhd.

He has over 25 years of experience in areas such as project management, engineering, procurement, construction, and commissioning of onshore and offshore oil and gas facilities. He started his career in 1994 as a Mechanical Engineer in Drexel Bakti Oilfield Sdn Bhd. He joined MMC Engineering & Services Sdn Bhd as Project Engineer from 1995 to 1996. From 1997 to 2000, he was the Project Engineer at Shapadu Energy and Engineering Sdn Bhd. In2000, he was appointed as a Construction Superintendent by Ranhill Engineers and Constructors Sdn Bhd. Then in 2003, he joined Baxtech Resources Sdn Bhd as Operations Director prior to joining PBJV in 2011.

Rasdee also holds directorships in other private limited companies. He graduated with a Bachelor of Science in Mechanical Engineering from University of Tulsa, Oklahoma, USA in 1993.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	10/12
ESOS	1/1

NURHILWANI BINTI MOHAMAD ASNAWI
Independent Non-Executive Director

Nurhilwani binti Mohamad Asnawi, aged 44, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 1 March 2012 as an Independent Non-Executive Director. She is a Chartered Accountant of the Malaysian Institute of Accountants and has 19 years of experience in accounting, finance and treasury.

She joined Konsortium Perkapalan Berhad in 1999 as an Accounts Supervisor and in 2000, Laras Architects Sdn Bhd where she held the position of Accountant. Nurhilwani graduated with a Bachelor’s degree in Accountancy from University (Institute) Technology MARA in 1998.

She is the Chairman of the Audit and Risk Management Committee and the member of Nomination and Remuneration Committee.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	12/12
ESOS	1/1
NRC	3/3
ARMC	4/7

PROFILE OF
BOARD OF DIRECTORS

DR. ROSLI BIN AZAD KHAN
Independent Non-Executive Director

Dr. Rosli bin Azad Khan, aged 62, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 14 October 2019 as an Independent Non-Executive Director.

Dr. Rosli obtained his Ph.D in Transport Economics and Masters in Transport Planning from Cranfield University, England. He is a Fellow of the Chartered Institute of Logistics & Transport (CILT) and formerly the Vice President until 2018. Throughout his entire working career in the transportation sector, he has directed or managed consultancy projects in South East Asia, Europe, Africa and the Middle East. These include large-scale studies for both public and private sector clients involving multi-disciplinary teams.

He has more than 35 years of management and industrial experience including business consultancy especially in transportation, traffic and logistics sectors covering various modes of transport such as air, land, rail and sea. His experience covers areas such as ports & shipping, shipyard & shipbuilding, cruise & ferry studies, oil & gas, container trade, traffic planning for highways, high speed rail, MRT, LRT and urban transportation.

He has also been involved in privatization projects and consultancy, public private partnership (PPP), feasibility studies, traffic forecasting, project assessments and evaluations, financial analysis, project financing and policy reviews. He was previously a Board Member of Drydocks World, Dubai, UAE and Polarcus LLC, Norway.

Currently, he is attached to the office of the Minister of Entrepreneur Development (MED), assists the Minister as a member of the 'Majlis Tindakan' Negeri Terengganu and also as an advisor on Global Entrepreneur Network (GEN) Malaysia. Since April 2018, he was appointed as an Adjunct Professor at UTEN Melaka teaching technopreneurship to MBA students. He is also a Director for Yayasan Bank Rakyat and serves on the Board of Trustees.

He is a member of Audit and Risk Management Committee and Nomination and Remuneration Committee.

Meeting attendance in Jan 2018 – June 2019:

Meeting	Frequency
Board of Directors	0/0
NRC	0/0
ARMC	0/0

Disclaimer:
The above Directors have no family relationship with any Director and/or major shareholder of Barakah, have no conflict of interest with Barakah and have not been convicted of any offence within the past 5 years other than traffic offences. None of the Directors have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. None of the Directors hold any directorship in other public companies.

PROFILE OF **MANAGEMENT**

MEGAT KHAIRULAZHAR BIN KHAIRODIN

Chief Financial Officer
Barakah Offshore Petroleum Berhad

Megat Khairulazhar bin Khairodin, male, aged 46, a Malaysian, is the Chief Financial Officer of Barakah Offshore Petroleum Berhad. He was appointed to the position on the 14 October 2019. He has more than 23 years' experience in corporate finance, financial services, project and tender evaluation, mergers and acquisitions, fund raising, cash management, budgeting and controls and asset management.

Prior to joining Barakah, Megat Khairulazhar was the Group Strategy and Transformation Officer of Prasarana Malaysia Berhad and was the Group Chief Financial Officer since 2016.

His career with Prasarana Malaysia Berhad started back in 2002 where he was the Head of Corporate Finance Department. He was a key personnel involved in the takeover initiative of rails from PUTRA-LRT, STAR-LRT and Monorail as well as buses from Intrakota and Cityliner and also the Langkawi Cable Car and Penang Ferry concession.

In 2012, he was promoted to Executive Vice President, leading the Group Treasury, Budget and Project Evaluation Department before he was then promoted as the Chief Financial Officer.

Before joining Prasarana, Megat Khairulazhar was with Projek Usahasama Transit Ringan Automatik Sdn. Bhd, formerly known as PUTRA-LRT, a concession company under Renong Berhad Group that design, construct and operate the LRT System 2 for Kuala Lumpur.

Megat Khairulazhar graduated with a Bachelor of Science (Hons) in Accounting from University of Hull, United Kingdom and an Associate Member of the Institute of Certified Management Accountants of Australia.

The above Key Senior Management has no family relationship with any Director and/or major shareholder of Barakah, has no conflict of interest with Barakah and has not been convicted of any offence within the past 5 years other than traffic offences. He does not have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. He does not hold any directorship in other public companies.

HANIZA BINTI JAFFAR

Vice President of Finance & Accounts
Barakah Offshore Petroleum Berhad

Haniza binti Jaffar, female, aged 44, a Malaysian, is the Vice President of Finance and Administration at PBJV Group Sdn Bhd. She was appointed to this position on 1 September 2014. She heads the Finance and Accounts, and Information Technology and Administration departments of PBJV Group Sdn Bhd. She is in charge of the treasury, working capital, financial management and reporting in compliance with Malaysia Financial Reporting Standards, policy and procedures, cashflow management and financial resources planning in support of the operations of the Group together with information technology and administration. She has over 17 years of experience in finance, accounting and treasury functions.

As at 15 Octocber 2019, the whole PBJV Finance & Accounts Function was transferred up to Barakah.

She started her career in 1998 as an Accounts Executive with several private limited companies, where she was involved in financial and management reporting, office management, project financing and project development scheduling. She joined PBJV Group Sdn Bhd as Head of Finance and Accounts in 2001. She was promoted to General Manager of Group Finance and Accounts in 2010 and to the current position in 2014.

Haniza graduated with a Bachelor's degree in Accountancy from University (Institute) Technology MARA in 1998. She is a Chartered Accountant of the Malaysian Institute of Accountants.

AHMAD AZRAI BIN ABU BAKAR

Vice President of Operations
PBJV Group Sdn Bhd

Ahmad Azrai bin Abu Bakar, male, aged 56, a Malaysian, was appointed the Vice President of Operations at PBJV Group Sdn Bhd on 25 November 2014. He is in charge of project management and deliveries of the Group. He has 32 years of experience in project management, execution and deliveries.

Azrai joined PBJV Group Sdn Bhd as General Manager of Operations in 2006. He started his career as a Marine Engineer with Malaysian International Shipping Corporation Bhd in 1986. In 1988, he joined Chiyoda Malaysia Sdn Bhd as Construction Superintendent. Three years later, he joined Nigata Engineering Sdn Bhd as Construction Supervisor. In 1992, he joined Sri Takada (M) Sdn Bhd as a Field Engineer. A year later, he took on the role of Senior Mechanical Engineer and subsequently Site Manager with Projass Engineering Sdn Bhd. From 1995 to 1997, he moved up the rank from Superintendent in Toyo Engineering Corporation and Nigata Engineering Corporation Japan to Project Manager in Ramgate System Sdn Bhd. In 1998, he joined Pakaruji Sdn Bhd as Engineering Inspector before moving to OGP Technical Services Sdn Bhd as Senior Static Planner. In 2000, he joined Dialog Engineering and Construction Sdn Bhd as Construction Manager before moving to MMC Engineering & Services Sdn Bhd in 2003.

Ahmad Azrai graduated with a Diploma in Marine Engineering from Politeknik Ungku Omar, Ipoh, Perak in 1986.

PROFILE OF
MANAGEMENT

MOHD ALWI BIN MISMAN

General Manager, Corporate QHSE
PBJV Group Sdn Bhd

Mohd Alwi bin Misman, male, aged 45, a Malaysian, was appointed the General Manager of QHSE at PBJV Group Sdn Bhd on 8th January 2015. He is in charge of overall company Quality, Health, Safety and Environment, as well as company Integrated Management System (IMS) for ISO 9001, ISO 14001 and OHSAS Mohd 18001.

Mohd Alwi has over 20 years of experience working with various industries. He started his career as an Engineer with Sony Technology (M) Sdn Bhd in year 1995 until 2002 and MAC Technology (M) Sdn Bhd in year 2002 until 2004 for the field of manufacturing and engineering. He joined the Department of Occupational Safety and Health Malaysia (DOSH) in year 2005 until 2011 as an Assistant Director, and has exposure to Occupational Safety & Health Act, OSHA 1994, Factories & Machinery Act, FMA 1967 and Petroleum (Safety Measure) Act, PSMA 1984. Well verse in occupational safety & health, design appraisal and inspection of boiler, pressure vessel, gas & petroleum pipeline, lifting machineries and elevator. He has competency of Welding Inspector CSWIP 3.1 and Lift Competent Person Grade 1. In 2011, he joined PBJV as QAQC Manager and led the QAQC Department for company management system and project QAQC deliverable. In 2013, he was promoted to Senior Manager, QHSE and led for QAQC and HSE Department. He has competency of Lead Auditor for ISO 9001 and ISO 14001 and Certified Company Security Officer (CSO) issued by Marine Department.

Mohd Alwi graduated with a Bachelor's Degree of Engineering (Mechanical) from University of Technology Malaysia (UTM) in 2003 and Diploma in Mechanical Engineering from University of Technology Malaysia (UTM) in 1995.

MOHD KHAIRI BIN HASAN

General Manager, Group Supply Chain (GSC)
Barakah Offshore Petroleum Berhad

Ir. Mohd Khairi bin Hasan, male, aged 52, a Malaysian, is the General Manager of Group Supply Chain at Barakah Offshore Petroleum Berhad. He was appointed to this position on 15 October 2019. He leads the tender and proposal department and oversees procurement, contracts and cost control.

He joined PBJV Group Sdn Bhd as a Project Manager in 2014 to lead and manage the PMT organization for the planning and execution of the onshore gas pipeline projects. He has 29 years of experience in project management functions includes project scheduling, project monitoring & control, contract management and project risk assessment.

He started his career as Measurement While Drilling Engineer with Sperry-Sun Drilling Services Sdn Bhd in 1990. In 1993, he joined Gas Malaysia Berhad as Pipeline Design Engineer and later as Project Manager, and Operations & Maintenance Manager until 2001. He serves as Managing Director of Broadgate Engineering Sdn Bhd, a gas pipeline contractor from 2002 until 2009. He works in one of the largest petrochemical plants in the world, SABIC Kayan Petrochemical Company, as a Senior Project Engineer from 2010 until 2012 where he was involved in the management of various de-bottlenecking and expansion projects within the complex . He was a Project Manager for Petronas Technical Services Sdn Bhd in 2013 and later rejoins Broadgate Engineering Sdn Bhd as General Manager prior to assume an employment with PBJV Group Sdn Bhd in 2014.

He graduated with a Bachelor of Science degree in Natural Gas Engineering from Texas A&M University, USA in 1990.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OVERVIEW OF 2019

The crude price seems to show some recovery for year 2019, however the industry remains challenging in our services as our services are towards the end of development stage.

Barakah is working on Restructuring Program with value added investors and also venturing potential capabilities outside oil and gas sector.

In addition, the Group order book based on our existing contracts stays at RM514 million up to year 2023.

DEBT RESTRUCTURING EXERCISE AND PN17 STATUS

On 16 October 2018, the Company and its wholly-owned subsidiary, PBJV Group Sdn. Bhd. ("PBJV") had been granted orders pursuant to Section 366 and 368 of the Companies Act 2016 ("the Act") by the High Court of Malaya at Kuala Lumpur ("Court") restraining all proceedings and actions brought against the Company and PBJV ("Restraining Order") except with leave of Court and subject to any terms that the Court may impose.

The Restraining Order commenced on 16 October 2018 for a period of 90 days up to 14 January 2019.

The Restraining Order was applied for as part of proactive measure by the Company to manage the debt levels of the Group and of the Company, and the Restraining Order allows the Group to negotiate term with our lenders and creditors without having the threat of any proceedings and actions being brought against the Group.

On 6 March 2019, during the hearing for the appeal for the renewal of the Restraining Order application, the Court had granted, amongst others, the following:-

i) the Restraining Order to be extended for a further period of 90 days commencing from 14 January 2019 up to 14 April 2019;
ii) contingent creditors be expressly excluded from the Restraining Order; and
iii) Encik Sulaiman bin Ibrahim be approved to act as director of the Company and PBJV pursuant to Section 368(2)(d) of the Act.

On 22 April 2019, the Court had granted an extension of time to convene the creditor's meeting for a further 90 days. However, the Court had decided to set aside the Restraining Order.

However, on 29 May 2019, the Court granted PBJV a fresh Restraining Order for the period commencing from 29 May 2019 until 22 July 2019.

On 17 May 2019, the Company announced that it was an affected listed issuer under the Practice Note ("PN17") of the Main Market Listing Requirements ("Listing Requirements"). Barakah clarified on 21 May 2019 that it was classified as a PN17 company pursuant to Paragraph 2.1(f) of PN17 of the Listing Requirements, as its indirect wholly-owned subsidiary, Kota Laksamana 101 Ltd ("KL101 Ltd") had received a notice of demand dated 17 May 2019 from Export-Import Bank of Malaysia Berhad ("EXIM Bank") due to a breach of terms in KL101 Ltd's facility agreement with EXIM Bank (being a failure to make instalment payments totalling USD2,654,211.11 to EXIM Bank).

On 25 June 2019, Barakah announced that the Company had further triggered the prescribed criteria under Paragraphs 2.1(a) and 2.1(e) of PN17 of the Listing Requirements as follows:

(a) the shareholders' equity of Barakah on a consolidated basis is 25% or less of its issued share capital and such shareholders' equity is less than RM40.00 million, calculated based on the unaudited interim financial results of Barakah for 31 May 2019; and

(b) the external auditors of the Company, Messrs. Crowe Malaysia PLT, had express material uncertainty related to the going concern of Barakah in the audited financial statements of FY2017 of Barakah and the shareholders' equity of Barakah on a consolidated basis is 50% or less of its issued share capital calculated based on the unaudited interim financial results of Barakah for the financial period ended 31 May 2019.

As at the date of this report, the Company is in the midst of formulating a plan to regularise its financial condition ("Regularisation Plan"). The Company will make the necessary announcement on the Regularisation Plan in accordance with the requirements under PN17 of the Listing Requirements.

“Overall industry is still challenging; hence, New Technology ventures and sustainability are very essential”

Nik Hamdan bin Daud
Group President & Chief Executive Officer

MANAGEMENT DISCUSSION
AND ANALYSIS

TOTAL ORDER BOOK UP TO 2023

No.	Projects	RM' million
1.	Pan Malaysia Maintenance, Construction and Modification	427
2.	Repair and Maintenance of Sabah Sarawak Gas Pipeline	63
3.	Installation & Construction	24
	Total	514

PBJV Group Sdn Bhd ("PBJV") has received a Letter of Award for Provision of Pan Malaysia Maintenance, Construction and Modification ("PM-MCM") Contract for year 2018 – 2023 from Enquest Petroleum Production Malaysia Ltd ("ENQUEST"), Sapura Exploration and Production (PM) Inc. ("SEP"), HESS Exploration and Production Malaysia B.V ("HESS"), Petrofac (Malaysia-PM304) Limited ("PETROFAC") and IPC Malaysia B.V ("IPC").

The Contract for Provision of Repair and Maintenance of Sabah Sarawak Gas Pipeline ("SSGP") awarded by PETRONAS Gas Berhad ("PGB") will be completed by 30 November 2019.

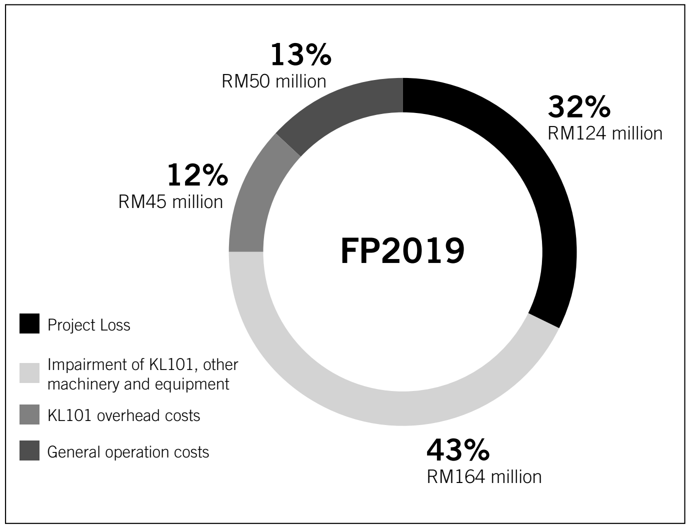
The work for the Contract for the Provision of Basic and Detailed Engineering, Procurement, Construction and Commissioning Package ("DABAI") at ABF, Sarawak was completed in August 2019.

The Contract for Provision of Production Riser Tensioner Overhaul, Maintenance and Upgrade for MURPHY Production Operations for duration two (2) years and expected completion in December 2019.

FINANCIAL PERFORMANCE

We suffered a significant loss after tax of RM383 million in FP2019. The loss were mainly attributed to the following:

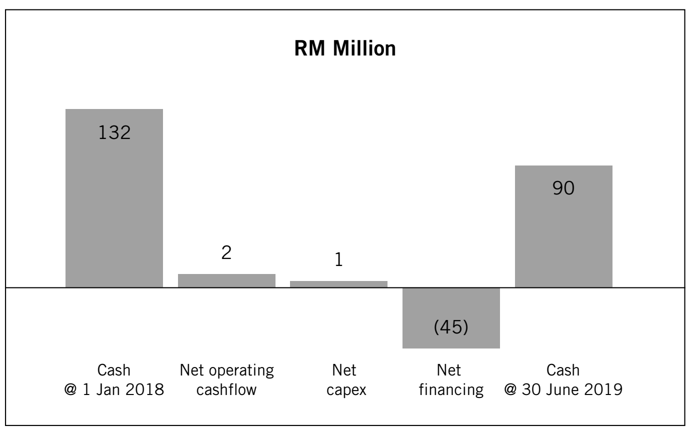
i) Project loss (include provision for additional cost in relation to past projects) of RM124 million
ii) Impairment of KL101, other machinery and equipment of RM164 million
iii) KL101 overhead costs of RM45 million
iv) General operation costs of RM50 million



CASHFLOW

The cash balance at the end of FP2019 was lower by RM42 million at RM90 million as compared to RM132 million as at end FY2017.

Approximately 76% of net financing was the repayment of trade finance facilities for project financing obtained from financial institutions, while the remaining 15% were for working capital purposes and 9% for the repayment of the Group's term loans.

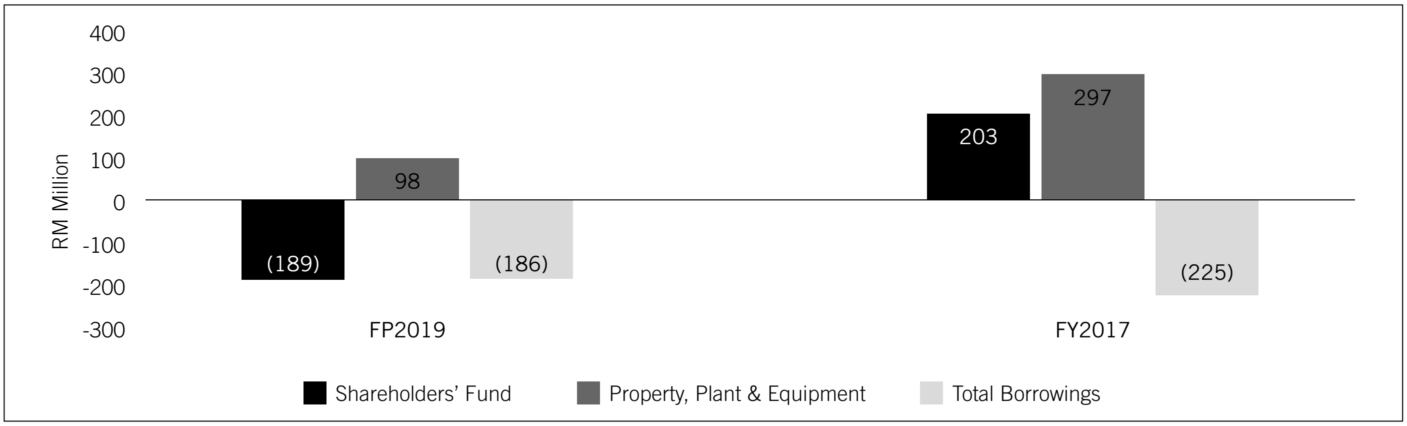


BALANCE SHEET

- FP2019 shareholders' fund reduced to a capital deficiency of RM189 million, a decrease of RM392 million from FY2017 shareholders' fund of RM203 million. This was mainly due to the losses incurred during FP2019.

- The Group's property, plant and equipment reduced to RM98 million from RM297 million, mainly due to the impairment of its pipe lay barge, other machinery and equipment of RM164 million. The net book value of the pipe lay barge was restated from USD60 million to USD21 million after taking into consideration the valuation carried out by a professional marine vessel valuation company.

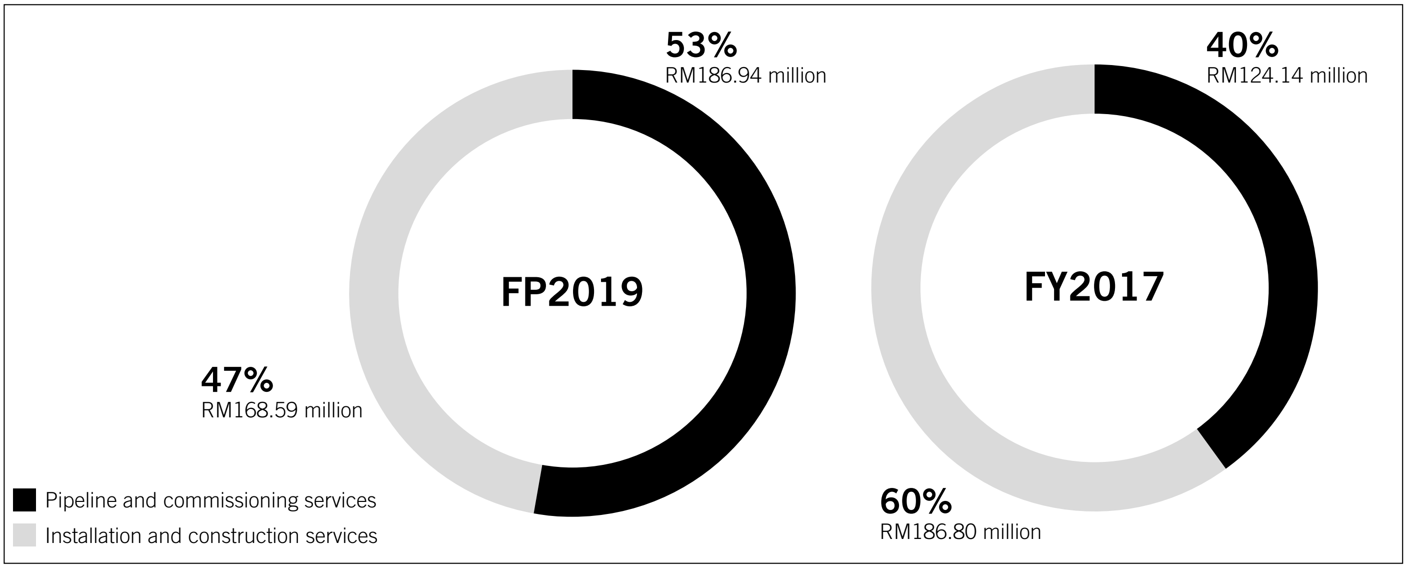
- FP2019 total borrowings decreased to RM186 million from RM225 million in FY2017 mainly due to repayment of trade finance facilities.



OPERATIONS

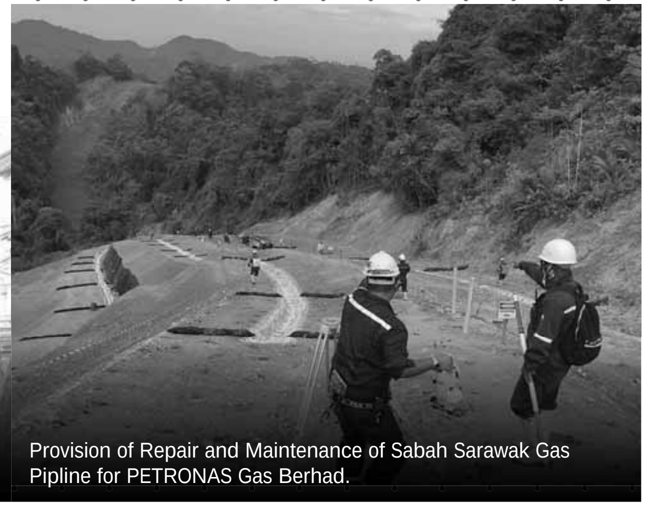
FP2019 saw an increase in the contribution from our pipeline and commissioning services division as a percentage of the Group's revenue from 40% in FY2017 to 53% in FP2019, whereas the installation and construction services division recorded a reduction in activities as compared to FY2017.

The breakdown of revenue by division for FP2019 and FY2017 are as follows:



MANAGEMENT DISCUSSION **AND ANALYSIS**


Hook-Up & Commissioning Project
Power Tooling and Painting Work for Piping.


Provision of Repair and Maintenance of Sabah Sarawak Gas Pipline for PETRONAS Gas Berhad.

PIPELINE AND COMMISSIONING ("P&C")

FP2019 revenue increased by 50.59% to RM186.94 million. Main contributors for the P&C in FP2019 are:

- Sabah-Sarawak Gas Pipeline maintenance contract which contributed to about 21% of FP2019 total revenue
- Newly secured 5 year Pan Malaysia Maintenance, Construction and Modification ("PM-MCM") contracts, which contributed to about 15% of FP2019 total revenue

Total man-hours FP2019

3,606,657

INSTALLATION AND CONSTRUCTION ("I&C")

FP2019 revenue decrease by 9.74% to RM168.59 million. Main contributors for the I&C in FP2019 are:

- Underwater Services Contract 2016-2018 which contributed to about 25% of FP2019 total revenue
- Asean Bintulu Fertilizer Contract which contributed to about 9% of FP2019 total revenue. This contract was completed in August 2019.


Erection of Shiploader
Project: Provision of Basic and Detailed Engineering, Procurement, Construction and Commissioning Package ("DABAI") for ABF.


PRT Installation for Provision of Production Riser Tensioner Overhaul, Maintenance and Upgrade for MURPHY.

IMMEDIATE ACTION PLAN

1. Formulating a plan to regularise financial conditions and make further announcement once there is any development.
2. Focusing the resources in executing the Pan Malaysia Maintenance, Construction and Modification ("PM-MCM") Contract.
3. Marketing the pipelay barge Kota Laksamana 101 to pursue better contract opportunities.
4. Utilizing capabilities and assets in other sectors.

OUTLOOK

- Collaboration with local and international partners to strengthen bidding success rate and improve project delivery capability.
- Expanding our services into the international market through collaboration with international service providers.
- Continue with cost rationalisation to sustain operations and cashflow.

Nik Hamdan bin Daud
Group President & Chief Executive Officer

SUSTAINABILITY **STATEMENT**

ABOUT THIS STATEMENT

Barakah Offshore Petroleum Berhad ("Barakah" or the "Company") is pleased to present our sustainability statement which is in line with the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia in October 2015. This statement is prepared in accordance with the Global Reporting Initiatives ("GRI") Standards: Core Option and describes the sustainability impacts of the Company's Environment, Economic and Social ("EES") risks and opportunities.

Our reporting period is from 1 January 2018 to 30 June 2019.

Barakah is committed to incorporating sustainability practices throughout our business guided by the importance of EES aspects that benefit our stakeholders. We strive to achieve a positive impact in terms of our economic and social performance whilst safeguarding the environment.

REPORT SCOPE

Barakah's business portfolio comprises the following segments:

- Pipeline Services;
- Offshore Transportation and Installation;
- Topside Major Maintenance and Hook-up Commissioning;
- EPCC Onshore Pipeline and Construction;
- Underwater Services;
- Ship Management and Chartering; and
- Technology, Mineral Operation and Services.

For this year of reporting, the Company has disclosed our qualitative and quantitative sustainability performance for two business segments - Topside Major Maintenance and Hook-up Commissioning as well as EPCC Onshore Pipeline and Construction.

SUSTAINABILITY STRATEGY

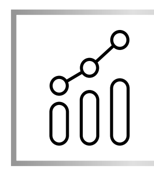
Our Vision is to be the Premier Integrated Solutions Provider to the Industries. We are committed to delivering high quality and innovative solutions without compromising the safety of the environment.

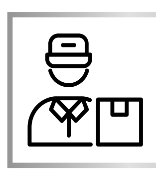
Barakah has adopted a Sustainability Policy that aims to deliver lasting value to its stakeholders and the Company. Sustainability ensures that the Company is able to move in a strategic direction to enhance our economic growth whilst monitoring our impact on the environment and our commitment to corporate social responsibility.

The Company's key success factors in the competitive industries are attributed to our continued strive for excellence and our unwavering focus and commitment in the execution of our services, supported by the elements of sustainability embedded into our business practices. Barakah's Sustainability Policy is anchored on four main pillars - workplace, marketplace, environment and community.

MARKETPLACE

Ensuring that the Company's business is governed by a professional code of conduct.



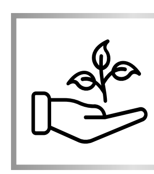


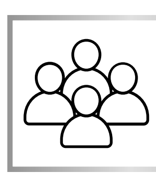
WORKPLACE

Ensuring a positive workplace and providing continuous development and training for our employees.

ENVIRONMENT

Protecting the environment by reducing negative environmental impacts.





COMMUNITY

Interacting with the communities and contributing to the underprivileged.

LEADERSHIP FOR SUSTAINABILITY

For this financial period, Barakah is pleased to announce that we have formalised our committee structure for sustainability leadership. At the top of the governance structure is the Board of Directors that establishes clear objectives and relevance of the sustainability within the Company.

To ensure continuous improvement in sustainability performance, at the foundation of the structure is the Sustainability Committee ("SC") which is helmed by the Chairman, who reports directly to the Board of Directors. The Sustainability Committee is divided into two teams, Operations and Business, and is responsible for all sustainability policies and strategies.

The roles and responsibilities of the Sustainability Committee are defined in the illustration below.

ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS

- Establishes clear objectives and relevance of sustainability within the Company.
- Provides strategic guidance and oversees sustainability management.
- Reviews and approves the Company's sustainability strategies and ensures transparency in sustainability reporting.

CHAIRMAN OF THE SUSTAINABILITY COMMITTEE

- Oversees the progress of the Sustainability Committee.
- Reports to the Board of Directors.

SUSTAINABILITY COMMITTEE

- Develops sustainability policies and strategies.
- Develops and prioritises material sustainability matters.
- Develops related internal guidance documents on sustainability.
- Reports planning to the Chairman.

SUSTAINABILITY
STATEMENT

OUR STAKEHOLDERS

Barakah believes in the long-term sustainability of our business, thus building strong relationships with our key stakeholder groups is a priority to us. The Company has identified our key stakeholders based on their influence on our business operations, and we continuously endeavor to maintain good ethics, integrity and conduct in our business practices to foster positive relations with our stakeholders.

STAKEHOLDER ENGAGEMENT

The table below shows our stakeholders' interests, how we engage with each of the stakeholder group(s) and the frequency of each engagement.

Our stakeholders	Stakeholder interests	How we engage with them	Frequency of engagement
Employees	• Fair remuneration • Career development and progression opportunities • Work life balance • Safe and conducive workplace	• Training programme • Management visits • Sport activities • Toolbox meetings	• Regularly • Quarterly visit • Regularly • Daily
Regulatory authorities	• Regulatory compliances • Keeping abreast of policy and regulatory changes	• Policy briefings • Consultation sessions and conferences • ISO and OHSAS certificate compliance	• Regularly • Regularly • Annually
Customers	• Performance Reviews • Contractor's Engagement Sessions • Industry Conference and Networking Events	• Customer feedback and surveys • Meetings	• Quarterly • Monthly
Suppliers	• Suppliers evaluation • Establish price agreement/contract for cost optimisation	• Supplier assessment review and performance • Site visits and supervision • Maintaining good relationship	• Regularly • Regularly • Regularly
Local communities	• Creating a positive impact on the surrounding communities • Responsible corporate citizen-giving back to the community • Employment opportunity	• Corporate Social Responsibility ("CSR") programmes • Staff engagement programmes • Public engagement programmes • Internship programme	• Regularly • Regularly • Regularly • Regularly
Investors	• Stable and sustainable distribution of income • Solid financial performance • Timely and transparent reporting • Prudent risk management	• Statutory announcements • Annual general meetings • Analyst briefings • Annual Report • Financial report and Investor Briefing	• Regularly • Annually • Quarterly • Annually • Quarterly
Bankers	• Business growth and stability • Sustainable cashflow • Compliance to facilities condition	• Meetings and continuous correspondence • Annual review	• Regularly • Annually

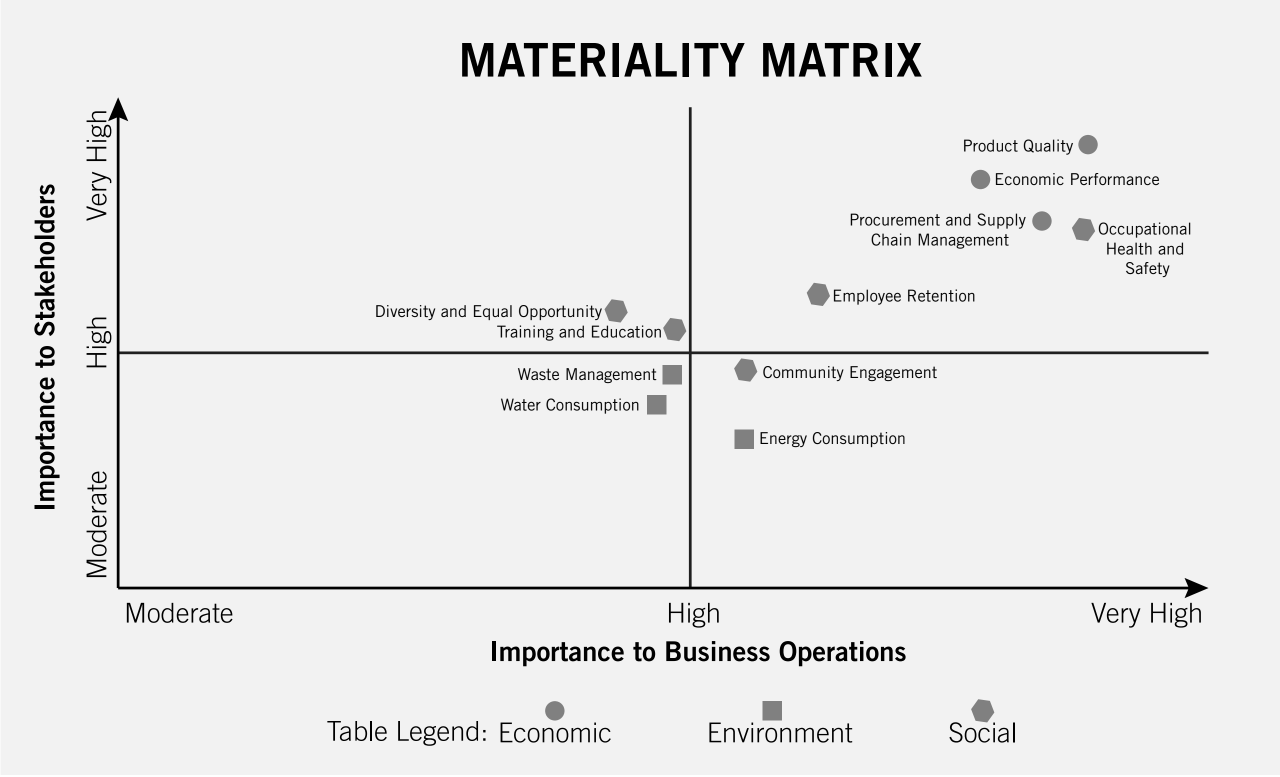
SUSTAINABILITY STATEMENT

SUSTAINABILITY MATTERS

Barakah's Sustainability Committee has identified and assessed material sustainability matters that are relevant to the Company's business operations and influence stakeholders' decisions. We have taken appropriate measures in assessing each material sustainability matters via a materiality assessment exercise to rank the level of importance that each material matter has on our Company and stakeholders.

Materiality Matrix

A materiality assessment was conducted with the management team and our Sustainability Committee to identify and rank the material sustainability matters that are unique to our business operations. The matrix below presents the results of the materiality assessment for the Company.



The table below shows the ranked material sustainability matters based on its relevance to our stakeholders as well as its corresponding GRI Standards indicators.

Material Sustainability Matter	Relevant Stakeholder(s)	Corresponding GRI Indicator(s)
● **Product Quality**	Customers, Investors, Bankers	GRI General Standard Disclosures
● **Economic Performance**	Investors, Suppliers, Bankers	Economic Performance
⬢ **Occupational Health and Safety**	Employees, Suppliers, Regulatory Agencies	Occupational Health and Safety
● **Procurement and Supply Chain Management**	Suppliers, Regulatory Agencies, Investors	Procurement Practices
⬢ **Employee Retention**	Employees	Employment
⬢ **Training and Education**	Employees	Training and Education
⬢ **Diversity and Equal Opportunity**	Employees	Diversity and Equal Opportunity
■ **Energy Consumption**	Suppliers, Regulatory Agencies	Energy
■ **Waste Management**	Suppliers, Regulatory Agencies, Local Communities	Waste and Effluent
■ **Water Consumption**	Suppliers, Regulatory Agencies, Local Communities	Water
⬢ **Community Engagement**	Local Communities	Local Communities

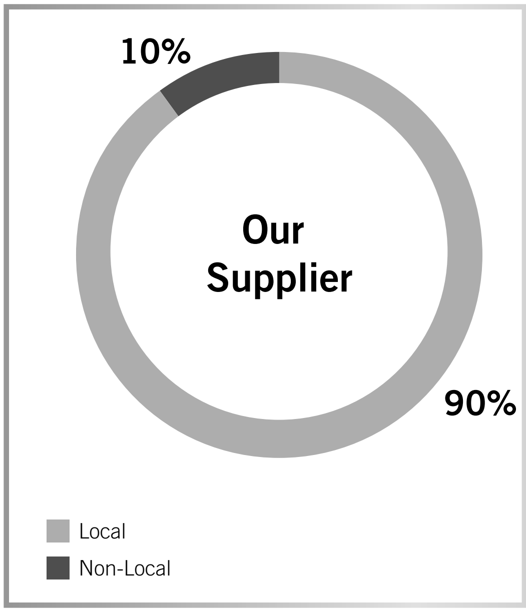
OUR MARKETPLACE

Despite the vagaries of the global oil and gas industry. Barakah has remained economically resilient and overcome the challenges of continued low revenue in the past three years through the strategic reallocation of capital to optimise financial returns. The Company has further adopted a business approach focused on improving our project win rate and delivery to address the sustainability and safety matters.

To maintain a competitive advantage in the ever-challenging oil and gas industry, Barakah undertakes initiatives to deliver services with integrity, ethics, safety and quality. The Company's continued investments in our people and services have been critical in the ongoing drive for improvements in our business.

Our Procurement Practices

The Company seeks to conduct a fair, transparent and traceable procurement practices in all our business dealings. At Barakah, 90% of our suppliers are Malaysian companies registered under the Petronas Standardised Work & Equipment Categories ("SWEC") Code while the non-local suppliers make up the remaining 10%. Non-local suppliers are only considered in the event that there is an unavailability of resources in the local market or as per clients' preference in selective cases. Through this practice, the Company is able to provide economic opportunities to local businesses, thereby strengthening the local economy.



Our Product Quality

Barakah pays close attention to our product quality and complies with all applicable regulations to meet the needs and expectations of our clients. With regular monitoring of our business performance, the Company is able to identify continual improvement measures to achieve product quality excellence.

Barakah's commitment to product quality and customer satisfaction is further enhanced by the Company's certification to the ISO 9001:2015 Quality Management System, the ISO 14001:2015 Environment Management System and the OHSAS 18001:2007 Occupational Safety and Health Management System. The Company takes a proactive approach to workplace safety and health by regularly undergoing audits, conducting inspections and reporting any unsafe activities during operations.

SUSTAINABILITY **STATEMENT**

OUR ENVIRONMENT

Barakah places great importance in ensuring a sustainable environment and as such, the Company continuously strives to take the necessary measures and initiatives in our operations to minimise our impact on the environment. The Company strictly complies with all laws and regulations related to protecting the environment in Malaysia and we regularly conduct internal and external monitoring to ensure that our organisation meets these standards.

Licensed Contractor

We engaged only licensed contractors to dispose our scheduled waste

Paper Usage

Effort in reducing the usage of paper by communicating via email and phone

Campaign

We have on-going Go Green Campaign - "Save Green, Save Planet" for recycling

Operation Efficiency

We use selected approved vessels for our operation

Energy Consumption

As part of the Company's initiatives to minimise our energy consumption, we only select the most efficient vessels to carry out operations, whilst also ensuring cost efficiency. The criteria for selection of vessels are as presented below.

Age | **Horse power** | **Propulsion type** | **Technical requirement**

Concurrent with our efforts in sustainability, we have implemented measures to ensure that our unused vessels remain pertinent to us. These unutilised vessels are scheduled to undergo maintenance, certification validity and physical or sea trials, in compliance with the requirements of our client's third-party Marine Warranty Surveyor audit.

Water Management

In conformity with the International Convention for the Prevention of Pollution from Ships (MARPOL) - Annex IV regulations, all Barakah's vessels are equipped with sewage water treatment plants. On account of the Company's operations involving the hydro test process which utilises treated sea water, we have developed and communicated a site-specific emergency response plan for each hydrostatic test with the appropriate resources and response materials available for implementation as required.

Waste Management

As part of our efforts in waste management, the Company has established an on-going Go Green Campaign – "Save Green, Save Planet" at our headquarters to promote recycling and initiatives to go paperless by encouraging business communication via emails and phones.

For the Company's offshore waste disposal, we only engage licensed contractors or third-party licensed contractors approved by the Department of Environment ("DOE") to collect, transport and dispose of our scheduled wastes, which are categorised as shown in the table below.

Type of Waste	Description
SW 408	Contaminated soil, debris or matter resulting from cleaning up of a spill of chemical, mineral oil or scheduled wastes
SW 417	Waste of inks, paints, pigments, lacquer, dye or varnish
SW 410	Rags, plastics, papers or filters contaminated with scheduled wastes
SW 305	Spent lubricating oil
SW 416	Sludges of inks, paints, pigment, lacquer, dye or varnish

OUR WORKPLACE

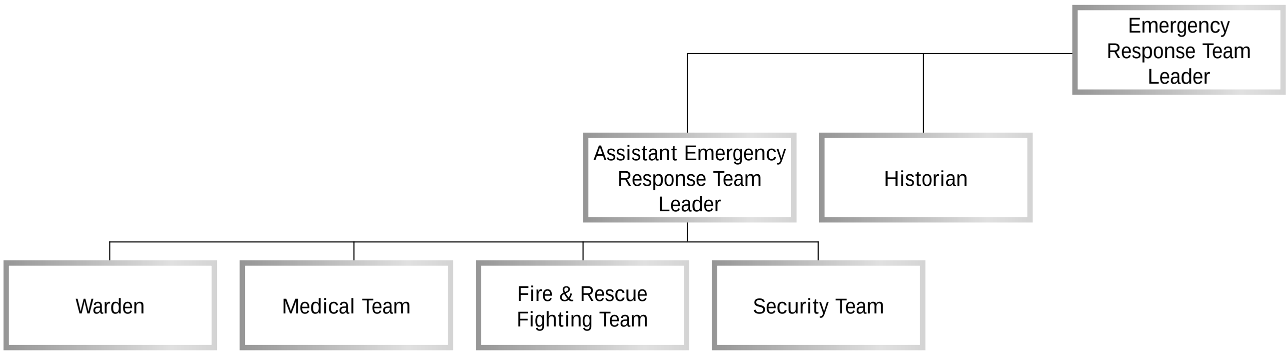
Occupational Safety and Health

Occupational safety and health ("OSH") at the workplace has always been a prime consideration for Barakah. The Company strictly complies with the relevant legislation prescribed by the Department of Occupational Safety and Health ("DOSH"), and are proud to note that we are certified to the OHSAS 18001:2007 Occupational Safety and Health Management System, having met the requirements and undergo surveillance audits by regulatory agencies and certification body.

The Company has also practice the OSH Committee as part of our continued efforts in cultivating a safe and healthy work environment. The OSH committee is divided into two teams, headquarters and operations, with involvement of representatives from the employer and representatives from the employees, and lead by the Chairman.

In further demonstrating our commitment to workplace health and safety, the Company has formed an Emergency Response Team ("ERT") equipped with robust emergency preparedness and response procedures. Our President and Chief Executive Officer lead the ERT team, supported by other key individuals who are responsible for organising, preparing and executing the emergency action plan, as illustrated in the chart below. Drills and training exercises are regularly conducted for employees to ensure their preparedness during real emergencies.

Our ERT team is headed by the Emergency Response Team Leader, who makes the arrangements and plans to cater for any emergency situations. The Assistant Emergency Response Team Leader and the Historian act as assistants to the Team Leader. The Warden, Medical Team, Fire and Rescue Fighting Team, and the Security Team, play their respective roles in managing the emergencies and reporting to the Team Leader.



SUSTAINABILITY **STATEMENT**

Safety is a key priority at Barakah and as such, all personnel in the Company have a responsibility to play a role in maintaining our safety and health performance. We are proud of our standing figures on incident rates and strive to continually increase safety awareness in pursuit of an incident-free workplace.

FP2019
3,606,657 Man Hours

Recognition for Good Safety Practices
Barakah is proud to announce that we have been presented a total of three awards for the year 2018 in recognition of the Company's commitment to operational excellence and quality.

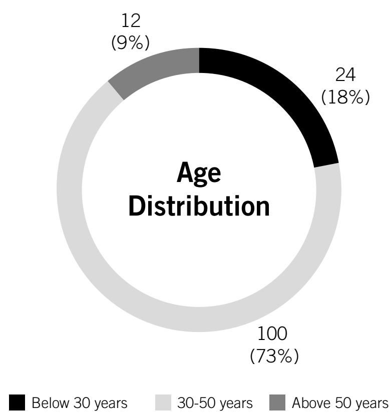
8th June 2018 - SOHELP Certification
5th October 2018 - PETRONAS
12th April 2018 - PETROFAC

In June 2018, Barakah received a certification of appreciation from Kementerian Sumber Manusia (Jabatan Keselamatan dan Kesihatan Pekerjaan Terengganu) for our completion of the Systematic Occupational Health Enhancement Level Programme ("SOHELP").

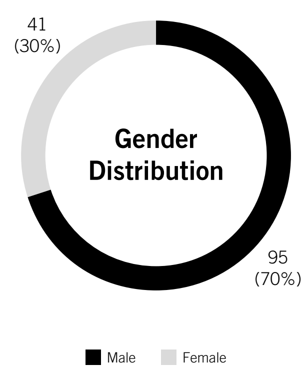
In October 2018, the Company received recognition from PETRONAS for our work in the IRM 2018 Campaign in East Malaysia under PETRONAS Carigali Sdn Bhd. Our outstanding Project Management Team effort and leadership in the planning, mobilisation and site work execution for DSV NPP Nusantara, DSV MMA Prestige and DSV Lichtenstein saw the successful completion of the project scope with 250,000 Safe Man-Hours.

Additionally, Barakah is also proud to announce that the Company received a Certificate of Appreciation from PETROFAC (Malaysia-PM304) Limited for our noteworthy contribution to 800,000 Man-Hours LTI Free from the years 2013 to 2018.

Our Diversity and Equal Opportunity
Barakah is a firm believer in diversity and equal opportunity, and provides opportunities to employees on meritorious grounds regardless of race, ethnicity and gender. The Company also strongly encourages knowledge sharing and networking among employees.



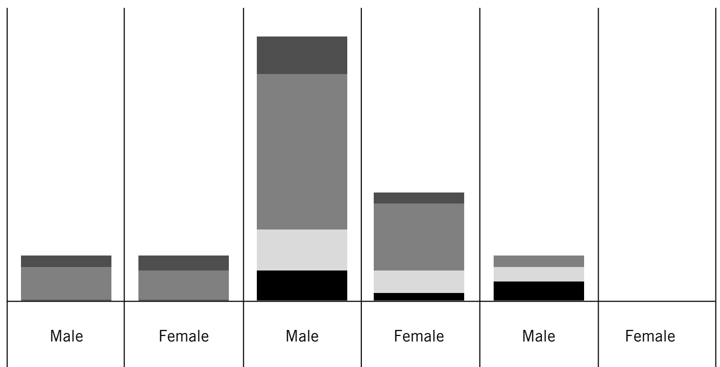
The pie chart illustrates the age distribution of Barakah's workforce. As the oil and gas industry demands employees with experience and knowledge, the majority or 73% of the workplace are from the 30-50 years age group, in line with our industry peers. However, the Company does believe in young talent and its adaptivity, leading to the second largest age group of below 30 years with 18%. The minority meanwhile, is from the above 50 years age group.



At Barakah, we know that a diverse and inclusive workplace makes us more resilient and vibrant. Though EPCC is a male dominated industry, we encourage female participants in this segment. This is evident from the pie chart which shows the gender composition in the Company, whereby women comprise 30% of our total work force and men make up 70% of the workforce.

The figure below shows the distribution of employment categories for both genders in Barakah.

Employee Distribution



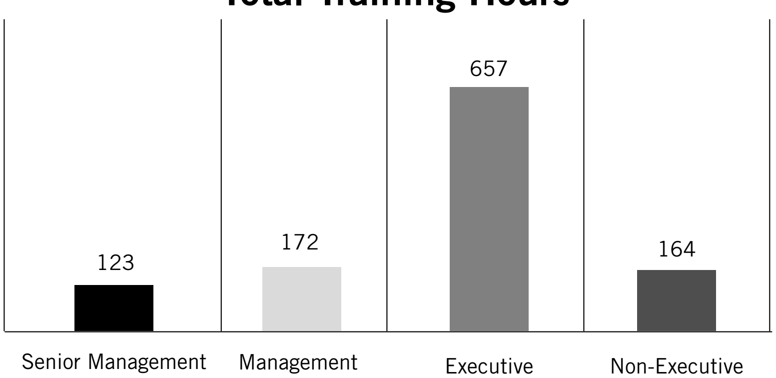
	Below 30 years		30-50 years		Above 50 years	
	Male	Female	Male	Female	Male	Female
Non-Executive	3	4	10	3	0	0
Executive	9	8	42	18	3	0
Management	0	0	11	6	4	0
Senior Management	0	0	8	2	5	0

Training

Barakah offers dedicated development programmes to our employees from all employment categories for enhancement of their skills and competencies. These training and development programmes are based on the employees' performance and their individual training matrix, and include but is not limited to, skills development, competencies and safety training. The Company is pleased to note that our total training hours for the reporting period has reached 1,116 hours, with an average of 8.2 hours per employee. Our aim is to further increase these learning activities to support the development of our people.

The figure below shows our training statistics based on employment categories.

Total Training Hours



Our Training Hours for Females	Our Traning Hours for Males
336 hours	780 hours

SUSTAINABILITY **STATEMENT**

Moving forward, the Company realizes that all our employees need to be equipped with the right skills and capabilities to facilitate continuous business growth and success. Thus, we attach great importance in ensuring that sufficient training and skill enhancement programmes are provided to our employees.

Notable Training Programmes

Development
- Mental & Health (Employer & Employee)

Business & Auditing
- Professional Business Writing
- A Journey Back to Sales Tax & Service Tax - Implementation Workshop
- Tea Talk Session - Corporate Liability Provision
- Implementation of Employment Insurance System (EIS) Act 2017
- Workshop for Chief Internal Auditor: Policy and Consulting
- Asian Confederation of Institute of Internal Auditors Conference 2018
- Breaches of Contract of Employment

Occupational Health & Safety
- Safe Handling of Forklift Truck
- Working at Height
- *Kursus Pertolongan Cemas* & CPR
- Basic Process Safety Management Concept
- Behaviour Based Safety
- Authorised Entrant & Standby Person for Confined Space (AESP)
- Tropical BOSIET with EBS and Travel Safety by Boat
- Designated Person Ashore Training (DPA)
- Offshore Safety Induction & Emergency Training: 5906 (BOSIET)
- OPITO Tropical BOSIET with EBS & Travel Safety by Boat
- Seminar: Managing OSH in Construction (DOSHTECH)
- COSH 2018: 21st Conference & Exhibition on Occupational Safety & Health
- OSHCIM Principal Designer & Designer Competency Seminar
- Authorized Entrant & Standby Person for Confined Space
- ISO 45001:2018 IRCA Approved - LAC

Quality Management Systems
- IMS (ISO 9001:2015 & ISO 14001:2015) Awareness & Implementation
- ISO 9001:2015 Lead Auditor Training

Environment
- Certified Environmental Professional in Schedule Waste Management (CEPSWAM)

New Employee Hires and Employee Turnover

Barakah's new employee hires for the reporting year are as shown in the figure below, with the majority from the below 30 years age group followed by the 30-50 years age group and the least from the above 50 years age group.

During the reporting period, the Company's employee turnover rate is 28.4%, which is a normal percentage in the oil and gas industry. For the past few years, the oil and gas industry has been extremely competitive, has a challenging economic environment and has shown a decrease in operations. Following the state of the oil and gas industry, the Company has also undergone business restructuring and undertaken rightsizing exercise. The Company's rightsizing exercise that was recently concluded in 2019 will not be reflected in our employee headcount as disclosed in this statement.

OUR COMMUNITY

Barakah values our role in working with the local communities and networking as we believe that engaging with communities is essential to creating sustainable impacts. To this end, the Company constantly endeavor to contribute and give a helping hand to the underprivileged through various sustainability initiatives. Beyond our employees' welfare initiatives, the Company also focuses on programmes related to safety, development of youths and spirituality.

Event	Project Description	Total no. of staff involved	Involvement of local community
Offshore Technology Conference Asia (OTC) 2018 20 – 23 March 2018 Kuala Lumpur Convention Centre	Networking and sharing of our experiences between the community and oil & gas professionals	50	Yes
Staff Welfare 1 year programme HQ office	Providing pre-packed lunch	120	No
Api Kawan Jadi Lawan 6 Feb 2018 Ma'ahad Al-Quran Ar-Rafiq, Kota Damansara	Safety awareness program with students and teachers from Ma'ahad Al- Quran Ar-Rafiq Kota Damansara	10 from Barakah and 100 from Ma'ahad Al-Quran Ar-Rafiq	Yes
6th Annual General Meeting (AGM) 27 June 2018 Kelab Golf Seri Selangor, Damansara	Session with shareholders to present and discuss the annual performance	150 (including shareholders)	Yes
Hunt the Hunters 21 April 2018 Eco Botani Park, Shah Alam	Staff engagement program to encourage and improve communication and leadership skills	100	Yes
#salamkosongkosong 7 July 2018 HQ	Hari Raya gathering event between staff and family members. Special invitation to underprivileged children from Rumah Kasih Harmoni Paya Jaras, Sungai Buloh	300	Yes
Safety Back Home Campaign 5 October 2018 Lazenda Hotel, Labuan	Safety campaign for offshore project staff	40	Yes
Monthly Solat Hajat HQ	Gathering session with special invitation extended to Ustaz and students from Ma'ahad Tahfia Al-Quran Ar-Rafiq Kota Damansara	120	Yes

CONCLUSION

To remain relevant and competitive in the industries, the Company needs to gain insight into the dynamics of the market and capitalise on potential business opportunities. We need to continuously improvise approaches and solutions to how we overcome any challenges that may come our way. Guided by our four pillars of marketplace, workplace, environment and community, we seek to realize the sustainability of our Economic, Environment and Social initiatives.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors (Board) of Barakah Offshore Petroleum Berhad (Barakah or Company) and its subsidiary companies (Group) pledges a high standard of corporate governance and ensures these standards are established into the governance framework, policies and practices within the Group.

The Board is pleased to present this Statement to provide an overview of the governance practices carried out by the Group. This Statement is prepared to comply with the format required by the Bursa Main Market Listing Requirement (MMLR) with references made to the Corporate Governance Report published by the Company on its website at **www.barakahpetroleum.com**

COMPLIANCE WITH THE MCCG

As a Main Market Listed company, the Board is pleased to present this statement in accordance with the MCCG which sets out the standards of good practice in relation to:

a) Principle A: Board Leadership and Effectiveness
b) Principle B: Effective Audit and Risk Management
c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. ESTABLISH CLEAR ROLES AND RESPONSIBLITIES FOR LEADERSHIP FUNCTIONS

An Overview of the Roles and Responsibilities of the Board

Role	Key responsibilities
Chairman	To preside over the Board meetings and ensure the smooth functioning of the Board in the interest of good corporate governance.
Group President & Chief Executive Officer (“GPCEO”)	To assume overall responsibilities for the execution of the Group’s strategies in line with the Board’s direction, drives the Group’s businesses and performance towards achieving its vision and mission.
Executive Director	To manage the day to day operations of the Group’s businesses and implement policies, strategies and decisions approved by the Board.
Non-Executive Director (Independent and Non-Independent)	To provide an independent, balanced and objective judgement in making board decisions.

Clear Roles and Responsibilities
The key roles and responsibilities of the Board are to:

- Adopt and review the strategic business plans for the Group.
- Oversee and evaluate the conduct of the Group’s business including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.
- Identify principal risks and ensuring the implementation of appropriate systems to manage these risks.
- Approve and monitor the progress of major capital expenditure, fund-raising, acquisitions and divestitures. Review the efficiency and quality of the Group’s financial reporting process and systems of accounting and internal controls.
- Establish a succession plan for senior management. Ensure strategies of the Group promote sustainability. As certain the independent of the external auditors and Group’s internal audit functions.
- Assess on an annual basis the performance and the effectiveness of the Board, Board Committees and individual Directors including GPCEO and Chief Financial Officer (CFO).

Responsibilities of Company Secretary

Company Secretary plays important roles in advising and supporting the Board. The Company Secretary through the Chairman plays important role in good governance by helping the board and its committees function effectively and in accordance with our Term of Reference.

The Company has two (2) Company Secretaries who are qualified under the Section 235(2) of the Companies Act 2016 and are members of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretaries also act as secretaries of all Board Committee (except for Executive Committee). The Company Secretaries circulate relevant guidelines and updates on statutory and regulatory requirements from time to time for the Director's reference. They also ensure that all Board and Board Committee meetings are properly convened and that deliberations, proceedings and resolutions are properly documented in the minutes of meetings.

The Board Charter & Delegation of Authority

The Company has a Board Charter (Charter) that sets out the role and responsibilities of the Board and those matters which are delegated to management. The Charter was first approved and adopted by the Board on 23 October 2013. The Board reviews the Charter periodically and makes appropriate revisions from time to time. The Charter is available in the Corporate Governance section at the Company's website **www.barakahpetroleum.com**

The Charter addresses the following pertinent matters:

- Provides term and reference for the Board's composition, appointments and removals, and the division of powers, roles and responsibilities of the Board and its key values.
- Provides guidance and reference to the Board on the overall business affairs and operations that include processes and procedures in line with the principles of good corporate governance.

In addition, the Board has established a Delegation of Authority (DOA) on 26 August 2016 to define policy and operational decision making process that include matters reserved for the Board's approval and those delegated to the Board Committees, Group President & Chief Executive Officer (GPCEO) and management.

Board Committees

Four (4) Board Committees are established to assist the Board in the discharge of its statutory and fiduciary responsibilities. The Board Committees and their roles are as follows:

Board Committee	Role
Audit & Risk Management Committee (ARMC)	Oversees the Group's financial reports and its processes before presenting to Board for deliberation and approval. The ARMC also reviews the internal audit and external audit plan and reports, Group's risk management and internal controls statement in order to achieve the Group's objective.
Nomination & Remuneration Committee (NRC)	Manages the nomination and remuneration process of the Board, Board Committees and key management position. Evaluates the performance and effectiveness of the Board and Board Committees, GPCEO and CFO.
Executive Committee (EXCO)	Makes decision on strategic direction of the Group, including but not limited to matters involving business proposals, financials and stakeholder relations.
Employees' Share Option Scheme (ESOS) Committee	Administer the Employees' Share Option Scheme.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

Policies

The Board has the following policies/framework in place:

a) Succession Planning Policy
A program is in place for the orderly succession of senior management that involves the development of skills and abilities for the betterment of their current and future competencies. Succession planning helps to ensure continuity of business and prevent potential business and operational disruption due to any change of senior management personnel.

b) Corporate Disclosure Policy
This policy emphasises the importance of the development and implementation of a stakeholder's communication policy for the Group.

c) Risk Management Policy/Framework
The Board is ultimately responsible for the adequacy and integrity of the internal control system of the Group. This policy was adopted to ensure principal risks are adequately identified and appropriate internal controls and mitigation measures are implemented by the management in managing those risks. The Board reviews the internal control system as set out in the Statement on Risk Management and Internal Control of this Annual Report on pages 40 to 42.

d) Code of Conduct & Business Ethics Policy
The Code requires the Board and the employees of the Group to uphold the highest standards of ethical behaviour, honesty and personal integrity in their dealings.

A summary of the code and the following policies are available in the Company's website at **www.barakahpetroleum.com**
- Code of Ethics and Conduct Policy
- Whistle-blowing Policy and
- Insider Dealing Policy

Together with Corporate Disclosure Policy, these policies promote appropriate communication and feedback channels including those that facilitate whistle blowing. These policies also encourage every person in the Group to act in the best interest of the Group, safeguarding confidentially, compliance with the relevant laws and regulations, safety provisions and avoiding any conflict of interest or duties.

e) Sustainability Policy
This policy establishes clear objectives for sustainability within the Group. The Board provides strategic guidance and oversight of management that includes reviewing and approving the Group's sustainability strategy and ensuring transparent sustainability reporting. The Sustainability Statement is provided in this Annual Report on pages 18 to 29.

2. ESTABLISHED POLICY OF BOARD INDEPENDENCE

Board Composition

The Board Charter currently provides for at least two (2) directors or one third (1/3) of the Board of Directors, whichever is higher, shall be independent non-executive directors.

Nevertheless in practice, half of the current Board of Directors of the Company comprise of Independent Non-Executive Directors. The Board composition reflects a balance of executive and Non-Executive Directors to instill strong check and balances on the management of the Group.

During the financial year under review, the Board assessed the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR of Bursa Securities and was satisfied that the Independent Directors continue to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

Appointment of Independent Directors

The Nomination and Remuneration Committee (NRC) is responsible for recommending to the board for approval for the following appointments:

a. Chairman
b. Members of the Board
c. Members of the Board Committees
d. Senior Independent Non-Executive Director
e. Top Management

The NRC shall ensure that the Group recruits, retains, trains and develops suitably qualified and capable executive and non-executive directors and manage the Board's renewal and succession effectively. It also make recommendations on the remuneration policy for the directors and the top management.

The NRC shall prepare a report on the effectiveness of the Board as a whole and the individual performance of each Director for the Board to access annually.

Separation of Key Roles of Chairman and GPCEO
The Board supports the principle that separate roles of the Chairman and GPCEO with a clear division of responsibilities to ensure a balance of power and authority such that no one individual has unlimited powers of decision making. Each of their roles had been identified in the Board Charter and DOA.

The Chairman holds a non-executive function and leads the Board in overseeing of management and chairs the Board meetings and functions. The GPCEO has overall management responsibilities of the Group's operations and implementation of Board policies, strategies, directives and decisions. They report and discuss at the Board Meetings all material matters currently or potentially affecting Barakah and its performance.

3. ESTABLISH STRUCTURE FOR LEADERSHIP EFFECTIVENESS

The Board has established the Nomination and Remuneration Committee (NRC) to assist the Board in managing the composition of the Board through nomination process and to evaluate the performance of the Board, Board Committees and key management position as well as the remuneration for the Directors and key management position.

Roles and Responsibilities of the NRC
The main duties of the NRC as provided in the NRC Term of Reference include:

- Assist the Board in ensuring that the Group recruits, retains, trains and develops suitably qualified and capable Executive and Non-Executive Directors and manages the Board's composition effectively including assessment of the required mix of skills and experience of the individual Board Members and the Board Committees.
- Review and determine whether a director can continue to be independent in character and judgement and also to take into account the need for progressive change of the Board's composition at the conclusion of a specific term of office.
- Assess the annual effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual Director, including Independent Non-Executive Directors and the Group President and Chief Executive Officer (GPCEO).
- Recommended the remuneration for the directors and key management and review and recommend the annual bonus pool for employees.

The NRC terms of reference are disclosed in the Company's website at **www.barakahpetroleum.com**

The NRC has established guidelines on the recruitment and appointment of a Board member that forms a part of the NRC's Term of Reference. The Board supports non-discrimination on gender, ethnicity and age group of candidates to be appointed as Board members although no formal policy has been formed. The board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with skills, experience, time commitment and other qualities in meeting the future needs of the Company. The Board is aware that there is no such policy on gender composition of the Board. Such policy may be considered in future depending on future growth and requirement of the Group.

Leadership Effectiveness
During the year, the NRC assessed the knowledge, skills and experience of the individual director and skill matrix based on evaluation forms recommended by Malaysian Code of corporate Governance (MCCG). The assessment on the individual directors were then mapped onto Skill Matrix Form. Following this review, the NRC was satisfied that the Board as a whole has the required level and mix of skills to steer the Group within the industry that it is operating. The NRC also carried out assessment on the directors based on the Directors/Key Officers Evaluation Form recommended by the MCCG. Based on this assessment, the NRC was satisfied that the Board has been effective in carrying its leadership role for the Group.

Training
The Group recognised the importance of continuing professional development to ensure that Board members and employees are updated with the necessary skills and knowledge to meet business challenges. The Group conducted in-house training for Board and employees facilitated by external trainers and management as well as provided budget to external training workshop or conferences. These include the training for leadership skills, team building and technical knowledge as well as for industry updates and business networking.

One of the trainings attended by the Board is Mandatory Accreditation Programme for Directors of Public Listed Companies.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

Meeting
During the financial period ended 30 June 2019, below are the total number of meeting attended by all the Board:

Name	Board Meeting
Dato' Mohamed Sabri bin Mohamed Zain *Resignation w.e.f 8/8/2019*	12/12
Nik Hamdan bin Daud *Resignation w.e.f 15/4/2019* *Appointed w.e.f 19/7/2019*	8/8
Sulaiman bin Ibrahim	12/12
Datuk Azizan bin Haji Abd Rahman *Resignation w.e.f 1.7.2018*	3/3
Azman Shah bin Mohd Zakaria	11/12
Rasdee bin Abdullah	10/12
Nurhilwani binti Mohamad Asnawi	12/12
Datuk Chew Theam Hock *Resignation w.e.f 17/6/2019*	9/12
Abdul Rahim bin Awang *Appointed w.e.f 15/4/2019* *Resignation w.e.f 19/7/2019*	4/4
Datuk Joseph Lau *Resignation w.e.f 2/4/2018*	0/2

Remuneration
The remuneration of the employees of the Group was structured based on the study conducted by professional human resources consultant in 2014 that looked into the job responsibilities, scale of the Group's operations and salary range of peer companies. From this review, the Group has structured the staff salary scale and the benefits where the Group had positioned itself to be approximately within the median range of the industry.

The Board determines and approves the remuneration of the Executive Directors' including GPCEO following assessment and recommendation by the NRC done on annual basis. For this assessment, the NRC took into account the individual performance. Company's performance, prevailing market rates, market conditions and other relevant factors.

The Non-Executive Directors' remuneration is determined by the Board with the recommendation from the NRC taking into consideration the market competitiveness in order to attract and retain directors of such calibre and to provide the necessary skills and experience as required. Their remuneration comprises fees and allowances that reflect their expected roles and responsibilities within the Board and Board Committees. The directors' fees for the financial year ending 30 June 2020 will be tabled for the shareholders' approval at the upcoming Seventh AGM of the Company.

The detailed breakdown of director's remuneration is provided in the Corporate Governance Report published on the Company's website.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board has approved the Risk Management Policy/Framework of the Group and has delegated the overseeing function to ARMC whilst the EXCO manages the risk management. To assist the ARMC and EXCO, a management working group in the form of the Risk Management Steering Committee was established to coordinate the identification, monitoring and mitigation of the risk issues of the Group. The ARMC continues to maintain and review its issues of the Group. The ARMC continues to maintain and review its overall internal control system to ensure as far as possible the protection of its assets and its shareholders' investments.

Details of the Group's internal control system and framework are stated in the Statement on Risk Management and Internal Control set out on pages 40 to 42.

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

Financial Reporting
The Board and assisted by the ARMC, review the financial statements to ensure that the Group's financial statements are prepared in accordance with the provisions of the Companies Act 2016 and the applicable approved Financial Reporting Standards. The Statement of Directors' Responsibility in relation to the Financial Statement is presented in the appropriate section of this Annual Report as shown on page 43.

The ARMC reviewed all financial reports prepared by the management prior to submission to the Board for deliberation and approval. The appropriate accounting policies has been adopted and applied consistently and the relevant financial statements gave a true and fair view of the state of affairs of the Group in compliance with the Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, as part of the Group's annual financial reports.

In addition to the above, the Internal Audit (IA) division has performed limited review on the quarterly financial reports for additional reasonable assurance to the ARMC and Board.

Communication with Stakeholders

In line with the MMLR to enhance corporate disclosure requirements, the Board's policy is to ensure a high standard of communications in a timely manner to stakeholders, on all material and significant information on the Group. Barakah's corporate website: **www.barakahpetroleum.com** contains non-exhaustive Group's corporate information, Board profiles, Group's businesses and announcement to Bursa Securities, press release, share information, financial results, annual report, corporate governance and corporate news. The website is regularly updated to provide current and comprehensive information on Barakah. This allows all shareholders and the public to gain access to information about the Group.

Annual General Meeting (AGM)

The AGM is a principal avenue for shareholders to communicate and engage in dialogue with the Board and management of Barakah. The highlights of the Group's operations and financial performance will be presented directly by the management to the shareholders. Shareholders are given opportunity to raise questions on issues pertaining to the Group's operational and financial performance. At the AGM, the shareholders can exercise their voting rights in convened to strict compliance with the laws and procedures of a general meeting. To promote good attendance at AGM, the Company has provided ample notice of more than 28 days prior to the meeting. The Seventh AGM will be held on 30 December 2019 and detailed information of this meeting can be found in the Notice of Annual General Meeting.

Poll Voting

Pursuant to the Paragraph 8.29A(1) of the MMLR of Bursa Malaysia Securities Berhad (Bursa Securities), the Company is required to ensure that any resolution set out in the Notice of AGM is voted by poll. A resolution set out in Notice of AGM will be voted by way of poll. An independent scrutineer will be appointed to validate the votes cast at general meeting.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

A. COMPOSITION AND ATTENDANCE

The Audit and Risk Management Committee ("ARMC") comprises of three (3) members, all of whom are Independent Non-Executive Directors. This is in line with the requirement of paragraph 15.09 (1)(a) and (b) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The members are as follows:

Puan Nurhilwani binti Mohamad Asnawi ARMC Chairman Independent Non-Executive Director *Appointed w.e.f 1.7.2018*
Datuk Azizan bin Haji Abdul Rahman ARMC Chairman Independent Non-Executive Director *Resignation w.e.f 1.7.2018*
Dato' Mohamed Sabri bin Mohamed Zain ARMC Member Independent Non-Executive Chairman *Resignation w.e.f 8.8.2019*
Encik Sulaiman bin Ibrahim ARMC Member Senior Independent Non-Executive Director
Dr. Rosli bin Azad Khan ARMC Member Independent Non-Executive Director *Appointed w.e.f 14.10.2019*

The ARMC Chairman, Puan Nurhilwani binti Mohamad Asnawi, is a fellow member of the Malaysian Institute of Accountants. Accordingly, Barakah complies with paragraph 15.09(1)(c)(i) of MMLR.

The Board assesses the performance of ARMC and its members. The Board is satisfied that the ARMC and its members have discharged their functions, duties and responsibilities according to the Terms of Reference ("TOR") of ARMC.

The TOR of ARMC was also reviewed by its members during the financial period ended 30 June 2019 ("FP2019") and is published in Barakah's website in line with MMLR.

B. MEETINGS

The ARMC held seven (7) meetings during the FP2019. Attendance record of the 7 ARMC meetings can be found on page 07 and 08 of the Annual Report.

The meetings deliberated amongst others the Internal Audit ("IA") annual plan and reports, the quarterly results, related party transactions, risk reports as well as the External Auditors ("EA") reports; i.e. Audit Planning Memorandum and Audit Review Memorandum.

At the ARMC meetings, the Executive Directors and Management were invited to brief the ARMC on specific issues arising from the audit reports or any matters of interest.

Two (2) private meetings (on 26 Feb 2018 and 27 May 2019) with the External Auditors were held without presence of Executive Directors and Management. The focuses of these meetings were to get feedback on the audit performed, challenges faced and audit scope.

Minutes of each ARMC meetings were recorded and tabled for confirmation at the following ARMC meeting. The minutes were also tabled to the Board of Directors ("Board") for notation. In addition, the ARMC Chairman would update the meetings proceedings of each ARMC meeting to the Board for information and/or deliberation.

C. SUMMARY OF ACTIVITIES

The summary of activities of ARMC during FP2019:

1. Financial Reporting

In line with the MMLR requirements, the ARMC reviewed the unaudited quarterly results. Before their deliberation, the IA would perform limited review of the results and presented their reports during the ARMC meetings.

For the sixth quarter results, the EA (Messrs Crowe Malaysia PLT) would perform limited review of the quarterly results in accordance to the International Standard on Review Engagement (ISRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The ARMC would deliberate on the comments highlighted by the EA.

The ARMC also reviewed the quarterly and full year audited accounts, among others, the members focused on the following:-

(i) Trend analysis on the financial amount and ratios
(ii) Review of any material changes against budget and trend; and
(iii) Any impact due to implementation of new accounting policy or accounting standards.

ARMC also sought assurance from Chief Financial Officer (“CFO”) on matters which involve judgements ad estimates.

Based on the ARMC deliberations and discussions with management, CFO, EA and IA, the ARMC recommended to the Board for deliberation and approval before releasing to Bursa Malaysia and Securities Commission.

2. External Audit

The engagement partner for FP2019 audit is Mr Ung Voon Huay of Messrs Crowe Malaysia PLT.

The EA presented their audit plan to ARMC before embarking on the FP2019 audit. ARMC deliberated the audit plan including on the scope, resources and timeline. On May 2019, the EA presented its audit review memorandum to the ARMC for deliberation. Subsequently, the ARMC Chairman updated the Board on Messrs Crowe Malaysia PLT’s audit plan.

ARMC reviewed the scope of audit and the peformance, their independence and objectivity, and their services rendered including non-audit services. The non-audit services were related to review of the sixth quarter financial results, review of the Statement on Risk Management and Internal Control and regularisation plan. Considering the nature and scope of non-audit fees, the ARMC is that they were not likely to create any conflict of interest or impair the independence and objectivity of the EA.

ARMC also reviewed any matters concerning the appointment and re-appointment, and any questions of resignation or dismissal of the External Auditors.

AUDIT AND RISK MANAGEMENT
COMMITTEE REPORT

3. Internal Audit

ARMC reviewed and deliberated:

- The adequacy of scope and coverage of IA Plan for FP2019. The review of audit plan took into account the risk profile and direction of the Barakah Group as well as the IA resource. Then, ARMC Chairman shared the audit plan in the BOD meeting.
- The audit findings raised in the IA reports tabled during the year. The Management was invited to the ARMC meetings where the ARMC members would seek for explanation from the management whenever required. Subsequently, ARMC Chairman updated the BOD on the key outcome from all audit reports.
- The adequacy of the scope, functions, competency, resources levels as well as the process and results of the internal audit functions.

ARMC Chairman also had several private discussions with the CIA to receive direct feedback and updates on the IA and the Company.

Detail activities of IA function are in page 38 to 39 of the Annual Report.

4. Risk Management

ARMC reviewed the risk reports prepared by Head of Risk Management Division on behalf of Risk Management Steering Committee ("RMSC") for FP2019 the RMSC is chaired by President and Chief Executive of PBJV Group Sdn Bhd who is also an Executive Director of Barakah. During the discussion, ARMC would seek for clarification and explanation on the risk reports.

ARMC also reviewed the effectiveness of Statement on Risk Management & Internal Control by deliberating the following:

- Risk reports provided by Risk Management Division;
- EA's review report on Statement on Risk Management and Internal Control;
- EA's report on improvement to be made by management from the control review;
- IA review report on Risk Management processes;
- IA Reports on various areas during the year;
- Follow-up audit reports conducted by IA; and
- The assurance letter from GPCEO and VPFA on behalf of the EXCO.

5. Related Party Transactions and Employees' Share Option Scheme ("ESOS")

ARMC discussed and reviewed the related party transactions tabled by the CFO on quarterly basis. Clarification (whenever necessary) was sought from the CFO during meetings.

ARMC also deliberated the ESOS audit report presented by CIA.

D. INTERNAL AUDIT FUNCTION

The IA is an integral part of the governance structure of Barakah Group. IA provides independent, objective assurance and consultancy services designed to add value and improve the Group's operations. IA implements a systematic approach to evaluate and improve the effectiveness of the Group's risk management, internal control and governance processes.

The IA is an in-house function, which report directly to ARMC Chairman and administratively to the GPCEO until early April 2019.

During the FP2019, a total approximately RM531,350 was incurred as part of resource allocation for the IA, covering mainly on manpower and incidental costs such as travelling and training costs.

The IA function adopts a risk-based audit methodology to ensure that the effectiveness of relevant controls addressing the Group's key risks, are reviewed on a periodically basis. The purpose, authority, responsibility and independence are clearly articulated in the IA Charter in line with Main Market Listing Requirements ("MMLR"), Malaysian Code on Corporate Governance and the Institute of Internal Auditors' International Professional Practices Framework.

The IA plan for FP2019 was reviewed and approved by ARMC and BOD was subsequently notified. Amongst others, the plan include risk based audit engagement and consulting activities, manpower requirements, budget and key performance indicators of the function.

The IA activities were carried out based on the approved risk based audit plan and adhoc assignment. The key IA engagements for FP2019 were:

- Audit of Risk Management Process;
- Review of ESOS Management;
- Review of Related Parties Transactions/Recurrent Related Parties Transactions;
- Limited Review of Quarterly Results;
- Review on Project Lesson Learn Process;
- Review on project budgetary control; and
- Follow up audit reports.

The results of audit conducted were presented to the management and Executive Committee. The reports were then reviewed by ARMC. On quarterly basis, IA updates its activities in relation to the execution of the approved audit plan, adhoc assignments and consulting activities performed.

Apart from the above, on a periodically basis, IA also provides advice to management on control, risk and governance matters whenever consulted. Nevertheless, the IA ensure its independence is maintained during the consulting activities.

This statement is made in accordance with the resolution of the Board dated 17 October 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Company acknowledge that Board responsibilities for the risk management and internal control, which include the establishment of appropriate control and ensures the framework and related system are manageable in good level. In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, the Board is pleased to set out our Group's Statement of Risk Management and Internal Control for financial year ended 30 June 2019 which prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors and Listed Issuers".

BOARD RESPONSIBILITY

In relation to risk management and internal control, pursuant to the requirement under the Malaysian Code on corporate Governance (MCCG) for companies listed on the Bursa Malaysia Securities Berhad (Bursa Malaysia), the Board acknowledges their responsibilities under the MMLR of Bursa Malaysia as follows:

- Review on the risk management framework, processes and responsibilities in order to provide reasonable assurance that risks are managed in all aspects of business operations and activities by identifying principal risks and implement appropriate control measures to manage those risks.

- Review on the adequacy and integrity of the risk management and internal control systems for compliance with applicable laws, regulations, rules, directives and guidelines.

- Establish the policies and procedures in the Group in ensuring the adequacy and effectiveness of the risk management and internal control systems as it oversees its roles and responsibilities towards promoting that environment within all aspects of the Group's activities.

The management of Barakah is accountable to provide assurance to the Board that the risk management and internal control systems are implemented as mentioned in this statement. The Board has received assurance from the Executive Director and Vice President of Finance & Accounts, on behalf of the EXCO, that the risk management framework and processes and also the internal control system are operating adequately and effectively as intended.

RISK MANAGEMENT POLICY

The risk management policy/framework defines the risk management policy of the Group and risk management framework including the reporting structure to the Board. It was established and approved by the Board on 31 March 2016 and remain unchange.

Our risk management framework is based on enterprise risk management (ERM) concept that covers: identifying, assessing, evaluating, reviewing, treating reporting and monitoring of risks and took reference from the best practices and standards (including ISO31000:2009 Risk Management – Principles and Guidelines) for effective control and mitigation of risks.

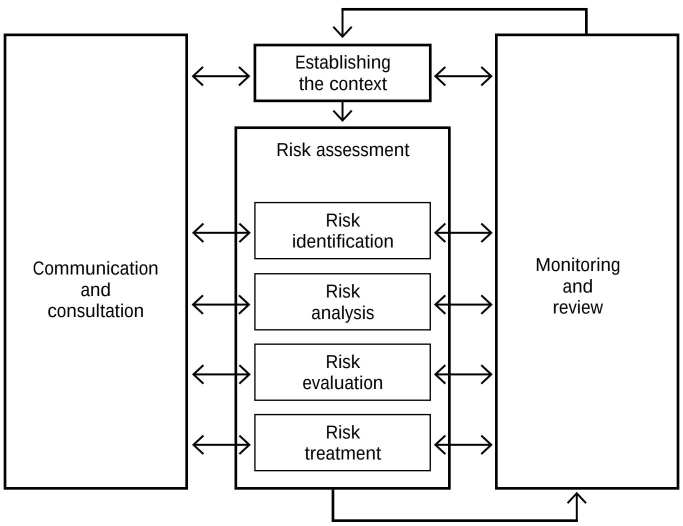
The Board has delegated the oversight role of risk management and internal control to the Audit and Risk Management Steering Committee (RMSC). The primary role of RMSC is facilitate the implementation of the risk management framework within the Group. The RMSC members comprise of an Executive Director (cum PCE, PBJV Group Sdn Bhd) as Chairman and Heads of Divisions and Departments whom are identifies as the respective Risk Owners within their divisions/departments.

The coordination and reporting of risk management activities are managed by the PCE of PBJV Group Sdn Bhd and assisted by Quality Health Safety and Environment (QHSE) Department.

The primary role of RMSC consists of issuance of risk report providing risk support to the operation and administration maintaining appropriate risk policies, procedures and providing coordination of the Group integrated risk management in holistic approach.

The RMSC provides the risk management reports to the EXCO, ARMC and Board. The Board reviews the risk management report including assessing the extent of reasonable assurance that all identified risk are continuously being monitored and managed within tolerable level. The risk reports include the identification of risks, potential impact, and evaluation of effectiveness of the mitigation and control procedures. The reports also include recommendation for further controls or indicators where necessary.

The key elements of these Risk Management processes are as follows:



1. Establish, communicate and consult within the Group on its risk management and framework. This helps to establish the context, articulates the objectives, define the internal and external parameters in managing risk and define the risk criteria in line with our policy and establish the management process.

2. Conduct risk assessment exercise covering:-

   a. Risk identification
   It involves identifying sources of risk, areas of impacts, events (including changes in circumstances) and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.

   b. Risk analysis
   It involves developing an understanding of the risk. Risk analysis provides an input to risk evaluation and to decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies and methods. Risk analysis can also provide an input into making decisions where choices must be made and the options involve different types and level of risk.

   c. Risk evaluation
   It involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be considered. The risk evaluation can also lead to a decision not to treat risk in any way other than maintaining existing controls.

   d. Risk treatment
   It involves selecting the most appropriate one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls. Risk treatment involves a cyclical process of assessing a risk treatment; deciding whether residual risk levels are tolerable; if not tolerable, generating a new risk treatment risk treatment and assessing the effectiveness of that treatment.

3. Conduct risk awareness sessions by QHSE Department with Risk Owners and staff on the ERM practice and on-going review sessions for continuous improvement and promoting a proactive risk management culture and environment.

4. Record our risk management process that includes the identified risks, and methods and tools for handling the said risks.

5. Deliberations at RMSC meetings to monitor and review on implementing of risk management process. At the RMSC meeting, the risk reports were tabled, reviewed and challenged. And when necessary, recommendations were made for improvements on the risks mitigation actions. The risk report is further monitored and reviewed at the following levels with EXCO and ARMC.

6. Presentation of a risk summarizing of risks to the Board through the Audit and Risk Management Committee for further deliberation where necessary.

7. Review by the Internal Audit on the implementation of risk control measures to check for compliance.

There were six (6) meetings held during the financial period under review.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

KEY INTERNAL CONTROL PROCESSES

The Group's internal control systems encompasses the following key processes:

Authority and Responsibility

1. Clear responsibilities have been delegated to the Board Committees through clearly defined Terms of Reference (TOR) of the relevant committees and existing Delegations of Authority (DOA). The DOA also encompasses delegation of authority not only to the Board Committees but also to the management based on the roles and responsibilities of the respective committees and management position.

2. The Board has established for (4) Board Committees to support the Board functions. The committees are the ARMC, NRC, ESOS and EXCO. The detailed TOR of each committee can be found at our corporate website at **www.barakahpetroleum.com**

3. The Group's systems of internal control comprises but not limited to the following activities:-
   a. The ARMC comprises solely of Independent Non-Executive Directors with full access to both the internal and external auditors.
   b. The ARMC meetings are held separately from Board meetings.
   c. The ARMC is assisted by the company's in-house Internal Audit.

4. During the financial period under review, the management had continuously referred to its DOA and risk management framework to reflect the continuous control and delegation for the effective management of the Group.

Policies and Procedures

1. Formalised and documented internal policies are in place to ensure compliance to the MMLR and the MCCG. The Board maintains the following approved Policies in the organization.
   a. Whistle Blowing Policy
   b. Related Party Transaction Policy
   c. Risk Management Policy/Framework
   d. Insider Dealing Policy
   e. Code of Ethics and Conduct Policy
   f. Corporate Disclosure Policy
   g. Sustainability Policy
   h. Directors' Assessment and Remuneration Policy
   i. Succession Planning Policy
   j. Privacy Notice

2. PBJV is continuously embracing the international standards in its operations by implementing and complying with its ISO certified "Integrated Management Systems" that consist of the ISO 9001:2015 Quality Management System, OHSAS 18001:2007 Occupational Health and Safety Management System and ISO 14001:2015 Environmental Management System.

3. Continuous improvement and updates are made to our Standard Operating Procedures (SOP) from time to time, if necessary, to meet the demand of the business and keeping abreast with the competition and new rules and regulation.

Internal Audit (IA)

Barakah has an in-house IA reporting directly to the ARMC until early April 2019. The IA provides an independent, objective assurance and consulting activity designed to add value and improve Barakah's operations. This is in addition to review for compliance checking. It helps Barakah to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance progress. Further information on the IA is provided in page 38 and 39 of the Annual Report.

CONCLUSION

The Board is of the view that the Group's internal control system is adequate and effective to safeguard the shareholders' interest and the Group's assets. However the Board also is aware of the fact that the Groups internal control system and risk management practices must continuously evolve to meet the challenges of the changing business environment. Therefore the Board will, when necessary put in place appropriate action plans to further enhance the Group's internal control systems and risk management framework.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control and reported to the Board that nothing has come to their attention that causes them to believe that the statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer and Practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 to be set out, nor is the statement factually inaccurate.

This Statement of Risk Management and Internal Control is made accordance with the resolution of the Board dated 17 October 2019.

STATEMENT OF
DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Group's and the Company's financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia and the Main Market Listing Requirements of Bursa Securities.

In preparing the financial statements for the financial period ended 30 June 2019, the Directors have:-

a) adopted and applied consistently accounting policies;
b) made judgment, estimates and assumptions based on their past experience and best knowledge of current events and actions;
c) ensured that accounting records are properly maintained; and
d) prepared the financial statements on a going concern basis.

The Directors have also taken the necessary steps to ensure that appropriate internal controls are in place to enable the preparation of the financial statements that are free from material misstatements, as well as to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1) UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposals during the financial period ended 30 June 2019.

2) AUDIT AND NON-AUDIT FEES

The total amount of audit fees paid or payable to the external auditors by the Company and the Group during the financial period ended 30 June 2019 amounted to RM34,000 and RM234,150 respectively.

The total amount of non-audit fees paid or payable to the external auditors, or a firm or corporation affiliated to the auditors' firm by the Company and the Group during the financial period ended 30 June 2019 are as follows:-

	The Company RM	The Group RM
• Review of Statement on Risk Management and Internal Control	3,000	3,000
• Review on the Compilation of Pro Forma Consolidated Balance Sheet	80,000	80,000
• Review of First and Sixth Quarter Financial Statement	5,000	5,000
• Review of the Group's assessment on MFRS 9 - Financial Instrument and MFRS 15 - Revenue from Contract with Customers	35,000	35,000
• Training for MFRS 9 - Financial Instrument and MFRS 15 - Revenue from Contract with Customers	5,800	5,800
	128,800	128,800

3) MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries, involving directors' and major shareholders' interest, which subsisted at the end of the financial period or, if not then subsisting, entered into since the end of the previous financial year except as disclosed in Note 37 to the financial statements.

4) RELATED PARTY TRANSACTIONS

The details of related party transactions for the financial period ended 30 June 2019 are disclosed in Note 37 to the financial statements.

FINANCIAL STATEMENTS

DIRECTORS' **REPORT**

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period from 1 January 2018 to 30 June 2019.

CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company and its subsidiaries have changed their financial year end from 31 December to 30 June. Accordingly, the financial statements of the Group and of the Company for the financial period from 1 January 2018 to 30 June 2019 cover an 18-month period as compared to the 12-month period ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

RESULTS

	The Group RM'000	The Company RM'000
Loss after taxation for the financial period	(383,212)	(81,668)
Attributable to:-		
Owners of the Company	(383,174)	(81,668)
Non-controlling interest	(38)	–
	(383,212)	(81,668)

DIVIDENDS

No dividend was recommended by the directors for the financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial period:-

(a) the Company increased its issued and paid-up ordinary share capital from RM165,328,873 to RM167,818,573 by way of an issuance of 9,380,936 new ordinary shares resulting from the conversion of 3.5% Redeemable Convertible Unsecured Loan Stocks ("RCULS") upon its maturity date on 25 October 2018, at the rate of one (1) RCULS into one (1) fully paid-up ordinary share in the Company.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial period, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees' Share Option Scheme.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 23 May 2012. The ESOS was to be in force for a period of five (5) years effective from 27 September 2013. On 30 March 2018, the Board of Directors had approved for the extension of the ESOS period for an additional five (5) years from 27 September 2018 to 26 September 2023.

During the financial period, all outstanding ESOS of the Company not exercised totalling 21,219,600 units have lapsed.

The details of the ESOS are disclosed in Note 17 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action 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 had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to 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 misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate. The financial statements of the Group and of the Company are prepared on the basis of accounting principles applicable to a going concern as disclosed in Note 4.3 to the financial statements.

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 40 to the financial statements. At the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial period.

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 period 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.

DIRECTORS' REPORT

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 financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial period were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than the impairment loss on property, plant and equipment of RM163,897,235 as disclosed in Note 31 to the financial statements.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial period in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial period and up to the date of this report are as follows:-

Azman Shah Bin Mohd Zakaria
Rasdee Bin Abdullah
Sulaiman Bin Ibrahim
Nurhilwani Binti Mohamad Asnawi
Nik Hamdan Bin Daud (Resigned on 15.4.2019 and re-appointed on 19.7.2019)
Datuk Mohd Zaid Bin Ibrahim (Appointed on 14.10.2019)
Rosli Bin Azad Khan (Appointed on 14.10.2019)
Dato' Mohamed Sabri Bin Mohamed Zain (Resigned on 8.8.2019)
Abdul Rahim Bin Awang (Appointed on 15.4.2019 and resigned on 19.7.2019)
Datuk Chew Theam Hock (Appointed on 2.4.2018 and resigned on 17.6.2019)
Datuk Azizan Bin Haji Abd. Rahman (Resigned on 1.7.2018)
Datuk Joseph Lau (Resigned on 2.4.2018)

The names of directors of the Company's subsidiaries who served during the financial period and up to the date of this report, not including those directors mentioned above, are as follows:-

Dato' Amir Danial Bin Abdullah
Nik Suriani Binti Daud
Ruslen Binti Sulami

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial period in shares and options over shares of the Company and its related corporations during the financial period are as follows:-

	Number of Ordinary Shares			
	At 1.1.2018/ Date of appointment	Bought	Sold	At 30.6.2019
The Company				
Direct Interests				
Azman Shah Bin Mohd Zakaria	20,611,624	–	–	20,611,624
Sulaiman Bin Ibrahim	5	–	–	5
Nurhilwani Binti Mohamad Asnawi	5	–	–	5
Nik Hamdan Bin Daud	329,006,337	–	(66,043,600)	262,962,737#
Abdul Rahim Bin Awang	600,000&	–	–	600,000#
Indirect Interests				
Nik Hamdan Bin Daud@	2,390,000	–	–	2,390,000#
Abdul Rahim Bin Awang*	100,000&	–	–	100,000#

Until date of resignation as a director of the Company.

& From date of appointment as a director of the Company.

@ Deemed interested by virtue of his direct shareholding in Vertical Sources Sdn. Bhd.

* Deemed interested through spouse's shareholding in the Company.

	Number of Options over Ordinary Shares			
	At 1.1.2018	Exercised	Lapsed	At 30.6.2019
Share Options of The Company				
Nik Hamdan Bin Daud	2,412,000	–	(2,412,000)	–
Azman Shah Bin Mohd Zakaria	2,010,000	–	(2,010,000)	–
Rasdee Bin Abdullah	1,521,000	–	(1,521,000)	–

By virtue of their shareholdings in the Company, Azman Shah Bin Mohd Zakaria, Sulaiman Bin Ibrahim, Nurhilwani Binti Mohamad Asnawi, Nik Hamdan Bin Daud and Abdul Rahim Bin Awang are deemed to have interests in shares in its related corporations during the financial period to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial period had no interest in shares and options over shares of the Company or its related corporations during the financial period.

DIRECTORS' **REPORT**

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 included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) 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 except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 37 to the financial statements.

Neither during nor at the end of the financial period was the Group or the Company a party to any arrangements whose object is 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 other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial period are disclosed in Note 38 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial period, the total amount of indemnity coverage and insurance premium paid for the directors and certain officers of the Company and of the Group were RM10,000,000 and RM18,000 respectively. No indemnity was given to or insurance effected for auditors of the Company and of the Group.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are disclosed in Note 42 to the financial statements.

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 43 to the financial statements.

AUDITORS

The auditors' remuneration are disclosed in Note 31 to the financial statements.

Signed in accordance with a resolution of the directors dated 17 October 2019.

Azman Shah Bin Mohd Zakaria

Rasdee Bin Abdullah

STATEMENT BY **DIRECTORS**

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

We, Azman Shah Bin Mohd Zakaria and Rasdee Bin Abdullah, being two of the directors of Barakah Offshore Petroleum Berhad, state that, in the opinion of the directors, the financial statements set out on pages 55 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2019 and of their financial performance and cash flows for the financial period ended on that date.

Signed in accordance with a resolution of the directors dated 17 October 2019.

Azman Shah Bin Mohd Zakaria

Rasdee Bin Abdullah

STATUTORY **DECLARATION**

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

I, Haniza Binti Jaffar, MIA Membership Number: CA 32417, being the officer primarily responsible for the financial management of Barakah Offshore Petroleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovementioned Haniza Binti Jaffar,
at Kuala Lumpur in the Federal Territory
on this 17 October 2019

Before me

Lai Din (No. W-668)
Commissioner for Oaths

Kuala Lumpur

Haniza Binti Jaffar

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO: 980542-H

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of Barakah Offshore Petroleum Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 138.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in Note 4.3 to the financial statements, the financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and settle their liabilities in the normal course of business.

1.1 For the financial period from 1 January 2018 to 30 June 2019, the Group incurred a net loss of RM383.21 million, and as of 30 June 2019, the Group's current liabilities exceeded its current assets by RM145.69 million and has a deficit in shareholders' equity of RM188.76 million. Current liabilities of the Group comprised mainly trade payables and bank borrowings of RM258.06 million and RM45.10 million respectively. The total borrowings of the Group amounted to RM186.36 million.

1.2 An indirect wholly-owned subsidiary of the Company, Kota Laksamana 101 Ltd ("KL101 Ltd") had on 17 May 2019 received a notice of demand from a Financial Institution ("FI") on an event of default in payment of loan instalment due on 16 May 2019. In addition, KL 101 Ltd had received a second notice of demand dated 15 August 2019 from the FI's solicitors for an amount outstanding of USD3,859,201 (equivalent to RM16,031,121) as at 2 August 2019.

1.3 On 17 May 2019, the Company announced that it became an Affected Listed Issuer pursuant to Paragraph 2.1(f) of Practice Note No.17/2011 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") after the event of default in payment of the principal and interest pursuant to Paragraph 9.19A of the Listing Requirements and the Company was unable to provide a solvency declaration to Bursa Malaysia. As an affected listed issuer, the Company is required to submit a regularisation plan to address the PN17 status within twelve (12) months from 17 May 2019 to Bursa Malaysia approval.

The Company is currently formulating a regularisation plan to address the Company's PN17 status. This includes, among others, a debt restructuring scheme involving financial lenders and major creditors of the Group ("Proposed Regularisation Plan"). The Company is required to submit its Proposed Regularisation Plan to the relevant authorities by 16 May 2020.

1.4 On 8 July 2019, PBJV Group Sdn. Bhd. ("PBJV"), a wholly-owned subsidiary of the Company received a notice of suspension of PBJV's license from Petroliam Nasional Berhad ("Petronas") for a period of three (3) years with effect from the date of the letter.

The implication of the letter is that Petronas, including its subsidiaries and any Petroleum Arrangement Contractors ("PACs"), will not award any new contracts to PBJV during the suspension period. PBJV will not be allowed to bid for new projects undertaken by Petronas including its subsidiaries and any PACs during the suspension period. Nevertheless, PBJV is still allowed to continue and complete its existing and on-going contracts with Petronas including its subsidiaries and PACs in accordance to the terms and conditions of the existing and on-going contracts.

Basis for Disclaimer of Opinion (Cont'd)

1. As disclosed in Note 4.3 to the financial statements, the financial statements of the Group and of the Company have been prepared on the assumption that the Group and the Company will continue as going concerns. The application of going concern basis is based on the assumption that the Group and the Company will be able to realise their assets and settle their liabilities in the normal course of business (Cont'd).

   1.5 As described in Note 42 (j) to the financial statements, the Company and PBJV had on 16 October 2018 been granted orders pursuant to Sections 366 and 368 of the Companies Act 2016 ("the Act") by the High Court of Malaya at Kuala Lumpur ("Court") restraining all proceedings and actions brought against the Company and PBJV. The Restraining Order was applied as part of proactive measure by the Company to manage debt levels of the Group and of the Company, and the Restraining Order allows the Group to negotiate terms with its lenders and creditors without having the threat of any proceedings and actions being brought against the Group. The Restraining Order ended on 22 July 2019.

   Subsequently, the Company and PBJV has received demand notices dated 8 August 2019 from a customer for an amount of RM85,203,274.96 on the basis that PBJV has failed to fulfil all of its obligations under the contract. In response, the Company and PBJV had both issued a Notice of Reply on 22 August 2019 to dispute the claim.

   As disclosed in Note 4.3 to the financial statements, the directors have prepared the financial statements on the assumption that the Group and the Company are going concerns. The going concern assumption is highly dependent upon:-

   (a) formulation of a viable plan to regularise the financial conditions of the Group for timely submission to Bursa Malaysia and other relevant authorities for approval;
   (b) approval by all relevant parties on the Proposed Regularisation Plan;
   (c) the timely and successful implementation of the Proposed Regularisation Plan;
   (d) the ability of the Group to achieve sustainable and viable operations so as to generate sufficient cash flows to enable the Group to meet its obligations as an when they fall due.

   In the event that these do not materialise, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. In view of the matters set out above, there are material uncertainties that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the preparation of the financial statements of the Group and the Company on a going concern basis.

2. We were unable to observe the counting of physical inventories in a timely manner. As such, we were not able to satisfy ourselves by alternative means concerning the existence and valuation of inventories held as at 30 June 2019.

Independence and Other Ethical Responsibilities

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

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.

INDEPENDENT AUDITORS' **REPORT**

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD (INCORPORATED IN MALAYSIA) COMPANY NO: 980542-H

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's and the Company's financial statements in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, and to issue an auditors' report. However, because of the matters described in the Basis of Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The names of the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the Financial Statements.

In accordance with the requirements of Section 266(3) of the Companies Act 2016 in Malaysia, because of the matters as disclosed in the Basis for Disclaimer of Opinion section:

(a) We report that we have not obtained all the information and explanations that we require in relation to the matters as disclosed in the Basis for Disclaimer of Opinion section; and

(b) We are unable to report whether the procedures and methods used by the Company or certain subsidiaries in arriving at the amount taken into the consolidated financial statements were appropriate to the circumstances of the consolidation.

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.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Ung Voon Huay
03233/09/2020 J
Chartered Accountant

Kuala Lumpur
17 October 2019

STATEMENT OF
FINANCIAL POSITION
AT 30 JUNE 2019

		The Group		The Company	
		30.6.2019	31.12.2017	30.6.2019	31.12.2017
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	**–**	–	**1**	83,456
Property, plant and equipment	7	**98,214**	297,447	**3**	416
		98,214	297,447	**4**	83,872
CURRENT ASSETS					
Inventories	8	**5,611**	5,154	**–**	–
Trade receivables	9	**28,771**	61,791	**–**	–
Other receivables, deposits and prepayments	10	**2,873**	12,041	**15**	84
Contract assets	11	**9,403**	–	**–**	–
Current tax assets		**26,736**	42,966	**–**	1,954
Amount owing by subsidiaries	12	**–**	–	**79,806**	124,324
Short-term investments	13	**5,222**	136	**5,199**	121
Fixed deposits with licensed banks	14	**53,777**	102,709	**4,079**	8,423
Cash and bank balances		**30,677**	29,205	**11,552**	2,597
		163,070	254,002	**100,651**	137,503
TOTAL ASSETS		**261,284**	551,449	**100,655**	221,375
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	**231,889**	165,329	**231,889**	165,329
Share premium		**–**	64,070	**–**	64,070
Merger deficit	16	**(71,909)**	(71,909)	**–**	–
Employees' share option reserves	17	**–**	6,407	**–**	6,407
Redeemable convertible unsecured loan stocks ("RCULS")	18	**–**	539	**–**	539
Foreign exchange translation reserves	19	**6,906**	10,694	**–**	–
(Accumulated loss)/Retained profits		**(355,537)**	28,185	**(132,124)**	(17,722)
Equity attributable to owners of the Company		**(188,651)**	203,315	**99,765**	218,623
Non-controlling interests		**(112)**	(72)	**–**	–
TOTAL EQUITY		**(188,763)**	203,243	**99,765**	218,623

The annexed notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Note	The Group 30.6.2019 RM'000	The Group 31.12.2017 RM'000	The Company 30.6.2019 RM'000	The Company 31.12.2017 RM'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	20	**22**	50	**8**	36
Long-term borrowings	21	**141,264**	169,442	**–**	147
RCULS	18	**–**	1,763	**–**	1,763
		141,286	171,255	**8**	1,946
CURRENT LIABILITIES					
Trade payables	24	**258,058**	119,791	**–**	–
Other payables and accruals	25	**5,046**	2,970	**295**	575
Current tax liability		**560**	–	**560**	–
Amount owing to a director	26	**2**	–	**–**	–
Short-term borrowings	27	**36,154**	38,529	**27**	231
Bank overdrafts	28	**8,941**	15,661	**–**	–
		308,761	176,951	**882**	806
TOTAL LIABILITIES		**450,047**	348,206	**890**	2,752
TOTAL EQUITY AND LIABILITIES		**261,284**	551,449	**100,655**	221,375

The annexed notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

	Note	The Group 1.1.2018 to 30.6.2019 RM'000	The Group 1.1.2017 to 31.12.2017 RM'000	The Company 1.1.2018 to 30.6.2019 RM'000	The Company 1.1.2017 to 31.12.2017 RM'000
REVENUE	29	**355,537**	310,936	**10,528**	9,775
COST OF SALES		**(479,987)**	(400,786)	**–**	–
GROSS (LOSS)/PROFIT		**(124,450)**	(89,850)	**10,528**	9,775
OTHER INCOME		**5,378**	4,428	**409**	574
		(119,072)	(85,422)	**10,937**	10,349
ADMINISTRATIVE EXPENSES		**(27,492)**	(25,389)	**(8,661)**	(7,420)
OTHER EXPENSES		**(207,806)**	(91,280)	**(86,263)**	(21,503)
FINANCE COSTS		**(20,738)**	(14,638)	**(281)**	(488)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS	30	**5,202**	–	**3,874**	–
LOSS BEFORE TAXATION	31	**(369,906)**	(216,729)	**(80,394)**	(19,062)
INCOME TAX EXPENSE	32	**(13,306)**	(25)	**(1,274)**	(626)
LOSS AFTER TAXATION		**(383,212)**	(216,754)	**(81,668)**	(19,688)
OTHER COMPREHENSIVE EXPENSES					
FOREIGN CURRENCY TRANSLATION DIFFERENCE FOR FOREIGN OPERATIONS		**(3,790)**	(3,864)	**–**	–
TOTAL OTHER COMPREHENSIVE EXPENSES		**(3,790)**	(3,864)	**–**	–
TOTAL COMPREHENSIVE EXPENSES FOR THE FINANCIAL PERIOD/YEAR		**(387,002)**	(220,618)	**(81,668)**	(19,688)
LOSS AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		**(383,174)**	(216,704)	**(81,668)**	(19,688)
Non-controlling interests		**(38)**	(50)	**–**	–
		(383,212)	(216,754)	**(81,668)**	(19,688)
TOTAL COMPREHENSIVE EXPENSES ATTRIBUTABLE TO:-					
Owners of the Company		**(386,962)**	(220,577)	**(81,668)**	(19,688)
Non-controlling interests		**(40)**	(41)	**–**	–
		(387,002)	(220,618)	**(81,668)**	(19,688)
LOSS PER SHARE (SEN)					
Basic	33(a)	**(46.13)**	(26.25)		
Diluted	33(b)	**(46.13)**	(25.25)		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Group	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Employees' Share Option Reserves RM'000	RCULS RM'000	Foreign Exchange Translation Reserves RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance at 1.1.2017	165,033	64,070	(71,909)	6,680	610	14,567	244,616	423,667	(31)	423,636
Loss after taxation for the financial year	–	–	–	–	–	–	(216,704)	(216,704)	(50)	(216,754)
Other comprehensive income for the financial year:										
- Foreign currency translation differences	–	–	–	–	–	(3,873)	–	(3,873)	9	(3,864)
Total comprehensive expenses for the financial year	–	–	–	–	–	(3,873)	(216,704)	(220,577)	(41)	(220,618)
Contributions by and distributions to owners of the Company:										
Issuance of shares pursuant to conversion of RCULS	296	–	–	–	(71)	–	–	225	–	225
Employees' share option:										
- Forfeited/Lapsed	–	–	–	(273)	–	–	273	–	–	–
Total transactions with owners	296	–	–	(273)	(71)	–	273	225	–	225
Balance at 31.12.2017	165,329	64,070	(71,909)	6,407	539	10,694	28,185	203,315	(72)	203,243

The annexed notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Group	Note	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Employees' Share Option Reserves RM'000	RCULS RM'000	Foreign Exchange Translation Reserves RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance at 31.12.2017/1.1.2018		165,329	64,070	(71,909)	6,407	539	10,694	28,185	203,315	(72)	203,243
Changes in accounting policies	44	–	–	–	–	–	–	(6,955)	(6,955)	–	(6,955)
Balance at 31.12.2017/1.1.2018 (restated)		165,329	64,070	(71,909)	6,407	539	10,694	21,230	196,360	(72)	196,288
Loss after taxation for the financial period		–	–	–	–	–	–	(383,174)	(383,174)	(38)	(383,212)
Other comprehensive income for the financial period:											
- Foreign currency translation differences		–	–	–	–	–	(3,788)	–	(3,788)	(2)	(3,790)
Total comprehensive expenses for the financial period		–	–	–	–	–	(3,788)	(383,174)	(386,962)	(40)	(387,002)
Contributions by and distributions to owners of the Company:											
Issuance of shares pursuant to conversion of RCULS		2,490	–	–	–	(539)	–	–	1,951	–	1,951
Transfer to share capital upon implementation of the Companies Act 2016	15	64,070	(64,070)	–	–	–	–	–	–	–	–
Employees' share option:											
- Forfeited/Lapsed		–	–	–	(6,407)	–	–	6,407	–	–	–
Total transactions with owners		66,560	(64,070)	–	(6,407)	(539)	–	6,407	1,951	–	1,951
Balance at 30.6.2019		231,889	–	(71,909)	–	–	6,906	(355,537)	(188,651)	(112)	(188,763)

The annexed notes form an integral part of these financial statements.

STATEMENTS OF
CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

The Company	Note	Share Capital RM'000	Share Premium RM'000	Employees' Share Option Reserves RM'000	RCULS RM'000	Retained Profits/ (Accumulated Loss) RM'000	Total RM'000
Balance at 1.1.2017		165,033	64,070	6,680	610	1,693	238,086
Loss after taxation/Total comprehensive expenses for the financial year		–	–	–	–	(19,688)	(19,688)
Contributions by and distributions to owners of the Company:							
Issuance of shares pursuant to conversion of RCULS		296	–	–	(71)	–	225
Employees' share option:							
- Forfeited/Lapsed		–	–	(273)	–	273	–
Total transactions with owners		296	–	(273)	(71)	273	225
Balance at 31.12.2017/ 1.1.2018		165,329	64,070	6,407	539	(17,722)	218,623
Changes in accounting policies	44	–	–	–	–	(39,141)	(39,141)
Balance at 31.12.2017/ 1.1.2018 (restated)		165,329	64,070	6,407	539	(56,863)	179,482
Loss after taxation/Total comprehensive expenses for the financial period		–	–	–	–	(81,668)	(81,668)
Contributions by and distributions to owners of the Company:							
Issuance of shares pursuant to conversion of RCULS		2,490	–	–	(539)	–	1,951
Transfer to share capital upon implementation of the Companies Act 2016	15	64,070	(64,070)	–	–	–	–
Employees' share option:							
- Forfeited/Lapsed		–	–	(6,407)	–	6,407	–
Total transactions with owners		66,560	(64,070)	(6,407)	(539)	6,407	1,951
Balance at 30.6.2019		**231,889**	**–**	**–**	**–**	**(132,124)**	**99,765**

The annexed notes form an integral part of these financial statements.

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Note	The Group		The Company	
		1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Loss before taxation		**(369,906)**	(216,729)	**(80,394)**	(19,062)
Adjustments for:-					
Depreciation of property, plant and equipment	7	**32,320**	28,198	**413**	377
Interest expense		**20,526**	14,338	**262**	302
Interest income		**(3,707)**	(3,611)	**(385)**	(253)
Unrealised (gain)/loss on foreign exchange		**(2,083)**	9,995	**–**	–
Property, plant and equipment written off	7	**2,941**	1,113	**–**	237
Gain on disposal of property, plant and equipment		**(1,752)**	(4)	**–**	–
Impairment loss on:-					
- investments in subsidiaries	6	**–**	–	**83,455**	20,167
- goodwill		**–**	20	**–**	–
- property, plant and equipment	7	**163,898**	43,762	**–**	–
Reversal of impairment loss on:-					
- trade receivables	9	**(5,072)**	(37)	**–**	–
- other receivables	10	**(114)**	–	**–**	–
- contract assets	11	**(16)**	–	**–**	–
- amount owing by subsidiaries	12	**–**	–	**(3,874)**	–
Bad debts written off		**353**	–	**–**	–
Operating (loss)/profit before working capital changes		**(162,612)**	(122,955)	**(523)**	1,768
(Increase)/Decrease in inventories		**(457)**	5,325	**–**	–
Decrease in trade and other receivables		**21,914**	64,172	**69**	73
Decrease in contract assets		**8,765**	–	**–**	–
Decrease/(Increase) in amount owing by subsidiaries		**–**	–	**9,251**	(508)
Increase/(Decrease) in trade and other payables		**146,551**	(13,900)	**(280)**	(205)
CASH FROM/(FOR) OPERATIONS		**14,161**	(67,358)	**8,517**	1,128
Interest paid		**(15,323)**	(14,076)	**(81)**	(40)
Interest received		**3,707**	3,611	**385**	253
Net income tax (paid)/refund		**(645)**	5,995	**1,219**	(1,133)
NET CASH FROM/(FOR) OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		**1,900**	(71,828)	**10,040**	208

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Note	The Group 1.1.2018 to 30.6.2019 RM'000	The Group 1.1.2017 to 31.12.2017 RM'000	The Company 1.1.2018 to 30.6.2019 RM'000	The Company 1.1.2017 to 31.12.2017 RM'000
NET CASH FROM/(FOR) OPERATING ACTIVITIES/ BALANCE BROUGHT FORWARD		**1,900**	(71,828)	**10,040**	208
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Purchase of property, plant and equipment	7	**(958)**	(2,707)	**–**	–
Proceeds from disposal of property, plant and equipment		**2,400**	4	**–**	–
Acquisition of a subsidiary, net of cash and cash equivalents acquired	34	**–**	1	**–**	#
Decrease/(Increase) in pledged fixed deposits with licensed banks		**45,336**	12,981	**4,344**	(244)
NET CASH FROM/(FOR) INVESTING ACTIVITIES		**46,778**	10,279	**4,344**	(244)
CASH FLOWS FOR FINANCING ACTIVITIES					
Repayment of hire purchase obligation	35(a)	**(457)**	(577)	**(351)**	(515)
Repayment of term loans	35(a)	**(4,552)**	(15,290)	**–**	–
Drawdown of trust receipts	35(a)	**75,412**	123,872	**–**	–
Repayment of trust receipts	35(a)	**(109,403)**	(135,723)	**–**	–
Advances from/(Repayment to) a director		**2**	(18)	**–**	–
Advances to subsidiaries		**–**	–	**–**	(21)
NET CASH FOR FINANCING ACTIVITIES		**(38,998)**	(27,736)	**(351)**	(536)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS/BALANCE CARRIED FORWARD		**9,680**	(89,285)	**14,033**	(572)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS/BALANCE BROUGHT FORWARD		**9,680**	(89,285)	**14,033**	(572)
EFFECT OF FOREIGN EXCHANGE TRANSLATION		**2**	(643)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/YEAR		**17,475**	107,403	**2,751**	3,323
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD/YEAR	35(b)	**27,157**	17,475	**16,784**	2,751

Note:-
- Denotes (RM6)

The annexed notes form an integral part of these financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Lot 6.08, 6th Floor, Plaza First Nationwide, No. 161 Jalan Tun H.S. Lee, 50000 Kuala Lumpur.
Principal place of business	:	No. 3 Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 October 2019.

2. CHANGE OF FINANCIAL YEAR END

During the current financial period, the Company has changed its financial year end from 31 December to 30 June. As a result of this change, the audited financial statements are for a period of 18-months from 1 January 2018 to 30 June 2019.

3. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial period.

4. BASIS OF ACCOUNTING

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

4. BASIS OF ACCOUNTING (CONT'D)

4.1 During the current financial period, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 15: Effective Date of MFRS 15
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
Amendments to MFRS 140 - Transfers of Investment Property
Annual Improvements to MFRS Standards 2014 - 2016 Cycles

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with the 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios.

The changes in accounting policies as a consequence of the adoption of above accounting standards (including the consequential amendments, if any) are presented in Note 44 to the financial statements.

4. BASIS OF ACCOUNTING (CONT'D)

4.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 - 2017 Cycles	1 January 2019

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follow:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial positon (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

4.3 The financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern. The application of the going concern basis is based on the assumption that the Group will be able to realise its assets and discharge its liabilities in the ordinary course of business.

(a) During the financial period ended 30 June 2019, the Group incurred a loss after tax for the financial period of RM383,212,000 and as at that date, the Group's current liabilities exceeded its current assets by RM145,691,000 as a result of losses incurred during the current and previous financial years.

(b) On 17 May 2019, an indirect wholly-owned subsidiary of the Company, Kota Laksamana 101 Ltd ("KL101 Ltd"), had received a notice of demand from a financial institution ("FI") that an event of default had occurred due to a breach of terms in its facility agreement for failing to pay the principal and interest of USD2,654,211 which was due on 16 May 2019.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

4. BASIS OF ACCOUNTING (CONT'D)

4.3 (c) On 17 May 2019, the Company announced that it has become an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.1(f) of Practice Note 17 ("PN17") of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") after the event of default in payment of the principal and interest pursuant to Paragraph 9.19A of the Listing Requirements and the Company was unable to provide a solvency declaration to Bursa Malaysia. As an affected listed issuer, the Company is required to submit a regularisation plan to Bursa Malaysia to address the PN17 status within twelve (12) months from 17 May 2019 if the regularisation plan does not result in a significant change in the business direction or policy of the Group. In the event that the Group undertakes a regularisation plan which will result in a significant change in its business direction or policy, the Company is required to submit the regularisation plan to Securities Commission ("SC") for approval to implement the plan, within the same stipulated timeline.

Should the Company fail to comply with the obligations to regularise its condition, the Company's listed securities will be suspended from the market and de-listing procedures shall be taken against the Company by Bursa Malaysia.

(d) As disclosed in Note 43(b) to the financial statements, PBJV Group Sdn. Bhd. ("PBJV"), a wholly-owned subsidiary of the Company had on 8 July 2019 received a notification of suspension of PBJV's licence from Petroliam Nasional Berhad ("Petronas"). The letter from Petronas indicated that there was an adverse report from Petronas Carigali Sdn. Bhd. ("PCSB") pertaining to the non-performance of PBJV in relation to the contract referred to as "Provision for Underwater Services for PCSB". Resulting from that, Petronas has decided to suspend PBJV's licence for a period of three (3) years with effect from the date of the letter.

The implication of the letter is that Petronas including its subsidiaries and any Petroleum Arrangement Contractors ("PACs") will not award any new contract to PBJV during the suspension period. PBJV will not be allowed to bid for new projects undertaken by Petronas including its subsidiaries and any PACs during the suspension period. Nevertheless, PBJV is still allowed to continue and complete its existing and on-going contracts with Petronas including its subsidiaries and PACs in accordance with the terms and conditions of the respective existing and on-going contracts.

The Company is in the midst of formulating a Proposed Regularisation Plan to address the financial condition of the Group and believes that the Proposed Regularisation Plan once formulated and implemented and the ability of the Group to achieve sustainable and viable operations, will enable the Group to reduce its liabilities and will fully generate sufficient cash flows to meet their obligations.

Thus, the directors of the Company are of the opinion that the preparation of the financial statements of the Group and of the Company on a going concern basis remains appropriate as they believe that the Proposed Regularisation Plan will obtain the support of the FI, creditors and shareholders, and will enable the Group to continue in operational existence for the foreseeable future and to realise its assets and discharge its liabilities in the ordinary course of business.

The appropriateness of the going concern basis, amongst others, are dependent upon the following:-

- formulation of a viable plan to regularise the financial conditions of the Group for submission to Bursa Malaysia and other relevant authorities for their approval;
- approvals obtained from all relevant parties on the Proposed Regularisation Plan;
- timely and successful implementation of the Proposed Regularisation Plan;
- ability of the Group to achieve sustainable and viable operations to generate sufficient cash flows to enable the Group to meet its obligations as and when they fall due.

4. BASIS OF ACCOUNTING (CONT'D)

4.3 In the event that these are not forthcoming, the Group may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Accordingly, the financial statements may require adjustments to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(b) Impairment of Property, plant and equipment

The Group determines whether its property, plant and equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 7 to the financial statements.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT"D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables and contract assets. The carrying amount of trade receivables and contract assets as at the reporting date are disclosed in Notes 9 and 11 to the financial statements.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amount owing by subsidiaries as at the reporting date are disclosed in Notes 10 and 12 to the financial statements.

(f) Revenue Recognition for Construction Contracts

The Group recognises construction revenue by reference to the construction progress based on the physical proportion of contract work certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of the performance obligation based on the contract work certified to date corroborated by the level of completion of the construction based on actual costs incurred to date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as at the reporting date is disclosed in Note 11 to the financial statements.

(g) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(h) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(i) Purchase Price Allocation

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impact the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact of future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the previous financial year are disclosed in Note 34 to the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT"D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

(b) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(c) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(d) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

(e) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT"D)

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisitions of businesses are accounted for using the acquisition method other than those resulted from business combinations involving common control entities which is outside the scope of MFRS 3. The merger accounting is used by the Group to account for such common control business combinations.

(a) Merger accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT"D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

(b) Acquisition Method of Accounting for Non-common Control Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquire are remeasured 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.

(c) Non-controlling Interest

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in Ownership Interest in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of control

Upon loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(a) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2017 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT"D)

5.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in 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 Company's functional and presentation currency and has been recorded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributable to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT”D)

5.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has 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.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset’s cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT"D)

5.4 FINANCIAL INSTRUMENTS (CONT"D)

(a) Financial Assets (Cont'd)

Equity Instruments
All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss
Fair value through profit or loss 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. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities
Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares
Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Redeemable Convertible Unsecured Loan Stocks ("RCULS")
The RCULS are regarded as compound financial instruments, consisting of a liability component and an equity component. The component of RCULS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The interests on RCULS are recognised as interest expense in the profit or loss using the effective interest rate method. On issuance of the RCULS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability.

The residual amount, after deducting the fair value of the liability component, is the equity component and is included in shareholder's equity, net of transaction costs. The equity component is not remeasured subsequent to initial recognition.

Transaction costs are apportioned between the liability and equity components of the RCULS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 FINANCIAL INSTRUMENTS (CONT"D)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

<u>Accounting Policies Applied Until 31 December 2017</u>

As disclosed in Note 44 to the financial statements, the Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.

- Non-derivative financial assets with fixed or determinable payments and fixed maturities that the management had the positive intention and ability to hold to maturity were classified as held-to-maturity. The held-to-maturity investments were measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- Available-for-sale financial assets were non-derivative financial assets not classified in any of the other categories. After initial recognition, available-for-sale financial assets were remeasured to fair value at each reporting date with any gain and loss recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve was reclassified from equity into profit or loss. Investments in equity instruments whose fair value cannot be reliably measured were measured at cost less accumulated impairment losses, if any.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the lease period of 99 years
Building	2%
Computers	50%
Furniture and fittings	10%
Communication equipment	10%
Machinery and equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovation	10%
Barge and pipe laying equipment	4% - 10%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and will be transferred to the relevant category of long term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken specifically to finance the purchase of the assets, net of interest income on the temporary investment of those borrowings.

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if 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 property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries including the fair value adjustments on the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

Investments in subsidiaries are stated at fair value in accordance with MFRS 9 (2017 - MFRS 139) and are classified as fair value through profit or loss (2017 - available-for-sale financial assets).

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.7 FINANCE LEASES

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the Statement of Financial Position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

5.8 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

5.9 CONTRACT ASSETS

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9 - Financial Instruments.

5.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents are presented net of bank overdraft.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, trade receivables and contract assets.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve (12) month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Accounting Policy Applied Until 31 December 2017

As disclosed in Note 44 to the financial statements, the Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued assed is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

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. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

5.12 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

5.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly to equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

5.15 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5.16 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including 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 maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise redeemable convertible unsecured loan stock and share options granted to employees.

5.18 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

5.19 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the surveys of work performed. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

5.21 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

6. INVESTMENTS IN SUBSIDIARIES

	The Company	
	30.6.2019 RM'000	**31.12.2017 RM'000**
Unquoted ordinary shares, at cost	**97,878**	97,878
Share options granted to employees of a subsidiary	**5,745**	5,745
	103,623	103,623
Accumulated impairment losses	**(103,622)**	(20,167)
	1	83,456

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 30.6.2019 %	31.12.2017 %	Principal Activities
Subsidiaries of the Company				
PBJV Group Sdn. Bhd. ("PBJV") * &	Malaysia	100	100	Providing and carrying out onshore and offshore contracting works such as pipeline pre-commissioning, commissioning and de-commissioning, pipeline installation, fabrication, hook-up, topside maintenance and other related activities.
PBJV Energy (Labuan) Limited @ # &	Federal Territory of Labuan, Malaysia	100	100	Oil and gas exploration, development and production.
PBJV Asset Management Sdn. Bhd. ^ # +	Malaysia	100	100	Investment holding, investment in offshore support vessels and equipment, and operation and maintenance of offshore support vessels and equipment.
Barakah Offshore Energy Sdn. Bhd. ("Barakah Offshore") ^ # +	Malaysia	100	100	Investment in oil and gas ventures, development and production of hydrocarbon, operation and maintenance of oil and gas facilities and related services.
Barakah Onshore Ventures Sdn. Bhd. ^ # +	Malaysia	100	100	Investment in oil and gas ventures, development and production of hydrocarbon, operation and maintenance of oil and gas facilities.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 30.6.2019 %	31.12.2017 %	Principal Activities
Subsidiaries of PBJV				
Kota Laksamana Management Sdn. Bhd. * &	Malaysia	100	100	Conducting service expedition relating to marine activities for the oil and gas industry.
PBJV International Limited @ * # &	Federal Territory of Labuan, Malaysia	100	100	Ship-owning and other shipping related activities.
PBJV Gulf Co. Ltd * # ~	Kingdom of Saudi Arabia	85	85	Providing offshore pipeline installation and maintenance services.
Kota Laksamana 101 Ltd @ * &	Federal Territory of Labuan, Malaysia	100	100	Ship-owning and other shipping related activities.
PBJV Macfeam Sdn. Bhd. ("PBJV Macfeam") # &	Malaysia	51	51	Providing procurement, construction and commissioning of pressurised piping system.
Subsidiary of Barakah Offshore				
PBJV Energy Sdn. Bhd. ^ # +	Malaysia	100	100	Investment holding, investment in upstream oil and gas assets and energy related assets, exploration, development and production of hydrocarbon and operation and maintenance of oil and gas production facilities and related services.

@ - These subsidiaries were audited by a member firm of Crowe Global of which Crowe Malaysia PLT is a member.
^ - These subsidiaries were audited by other firm of chartered accountants.
* - These subsidiaries were consolidated using the merger method of accounting.
# - These subsidiaries are inactive during the financial period.
~ - This subsidiary is under Members' Voluntary Liquidation.
& - The auditors' report on the financial statements of these subsidiaries contained disclaimer opinion as there are multiple uncertainties that may cast significant doubt on the ability of these subsidiaries to continue as going concern.
\+ - The report on the financial statements of these subsidiaries contained unmodified opinion with emphasis of matter paragraph.

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) In the last financial year, the Company had acquired 100% equity interest in PBJV Asset Management Sdn. Bhd. The details of the acquisition are disclosed in Note 34(a) to the financial statements.

(b) In the last financial year, the Company had acquired 100% equity interest in Barakah Offshore. The details of the acquisition are disclosed in Note 34(b) to the financial statements.

(c) In the last financial year, the Company had acquired 100% equity interest in Barakah Onshore Ventures Sdn. Bhd. The details of the acquisition are disclosed in Note 34(c) to the financial statements.

(d) In the last financial year, Barakah Offshore, a wholly-owned subsidiary of the Company acquired 100% equity interest in PBJV Energy Sdn. Bhd. The details of the acquisition are disclosed in Note 34(d) to the financial statements.

(e) During the financial period, the Company has carried out a review of the recoverable amounts of its investment in a subsidiary that had been persistently making losses. A total impairment loss of RM83,455,957 (2017 – RM20,166,066), representing the write-down of the investment to its recoverable amount, was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

(f) The non-controlling interest at the end of the reporting period comprise the following:-

	Effective Equity Interest		**The Group**	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	%	**%**	**RM'000**	**RM'000**
PBJV Gulf Co. Ltd	**15**	15	**(122)**	(97)
PBJV Macfeam	**49**	49	**10**	25
			(112)	(72)

(g) Summarised financial information of non-controlling interests has not been presented as the non-controlling interests of the subsidiaries are not individually material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

7. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2018 RM'000	Additions RM'000	Depreciation Charge RM'000	Disposal RM'000	Written Off RM'000	Transfer From/(To) RM'000	Impairment Loss RM'000	Exchange Difference RM'000	At 30.6.2019 RM'000
The Group									
30.6.2019									
Carrying Amount									
Leasehold land	1,628	–	(90)	–	–	–	–	–	1,538
Building	102	–	(2)	(100)	–	–	–	–	–
Computers	226	141	(241)	–	–	–	–	–	126
Furniture and fittings	254	–	(76)	–	(144)	–	–	–	34
Communication equipment	125	–	(43)	–	(81)	–	–	–	1
Machinery and equipment	24,312	39	(6,803)	(2,648)	–	–	(8,083)	13	6,830
Motor vehicles	1,274	42	(1,067)	–	–	169	–	–	418
Office equipment	322	26	(106)	–	–	–	–	–	242
Renovation	5,969	–	(1,062)	–	(2,409)	270	–	–	2,768
Barge and pipe laying equipment	262,206	–	(22,830)	–	–	–	(155,544)	1,700	85,532
Capital work-in-progress	1,029	710	–	–	(307)	(439)	(271)	3	725
	297,447	958	(32,320)	(2,748)	(2,941)	–	(163,898)	1,716	98,214

	At 1.1.2017 RM'000	Additions RM'000	Depreciation Charge RM'000	Written Off RM'000	Transfer From/(To) RM'000	Impairment Loss RM'000	Exchange Difference RM'000	At 31.12.2017 RM'000
The Group								
31.12.2017								
Carrying Amount								
Leasehold land	1,647	–	(19)	–	–	–	–	1,628
Building	106	–	(4)	–	–	–	–	102
Computers	154	285	(213)	–	–	–	–	226
Furniture and fittings	369	18	(131)	–	–	–	(2)	254
Communication equipment	141	27	(43)	–	–	–	–	125
Machinery and equipment	32,301	131	(6,765)	(875)	618	(598)	(500)	24,312
Motor vehicles	2,296	–	(784)	(238)	–	–	–	1,274
Office equipment	419	–	(97)	–	–	–	–	322
Renovation	3,426	184	(636)	–	2,997	–	(2)	5,969
Barge and pipe laying equipment	357,105	–	(19,506)	–	–	(43,091)	(32,302)	262,206
Capital work-in-progress	2,685	2,062	–	–	(3,615)	(73)	(30)	1,029
	400,649	2,707	(28,198)	(1,113)	-	(43,762)	(32,836)	297,447

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

The Group	At Cost RM'000	Depreciation Accumulated RM'000	Accumulated Impairment Loss RM'000	Carrying Amount RM'000
30.6.2019				
Leasehold land	**1,858**	**(320)**	**–**	**1,538**
Computers	**3,597**	**(3,471)**	**–**	**126**
Furniture and fittings	**84**	**(50)**	**–**	**34**
Communication equipment	**1**	**–**	**–**	**1**
Machinery and equipment	**60,225**	**(44,675)**	**(8,720)**	**6,830**
Motor vehicles	**3,767**	**(3,349)**	**–**	**418**
Office equipment	**684**	**(442)**	**–**	**242**
Renovation	**3,299**	**(531)**	**–**	**2,768**
Barge and pipe laying equipment	**372,200**	**(83,764)**	**(202,904)**	**85,532**
Capital work-in-progress	**1,076**	**–**	**(351)**	**725**
	446,791	**(136,602)**	**(211,975)**	**98,214**
31.12.2017				
Leasehold land	1,858	(230)	–	1,628
Building	440	(338)	–	102
Computers	5,576	(5,350)	–	226
Furniture and fittings	527	(273)	–	254
Communication equipment	306	(181)	–	125
Machinery and equipment	63,806	(38,896)	(598)	24,312
Motor vehicles	3,560	(2,286)	–	1,274
Office equipment	759	(437)	-	322
Renovation	8,106	(2,137)	-	5,969
Barge and pipe laying equipment	364,534	(59,237)	(43,091)	262,206
Capital work-in-progress	1,102	–	(73)	1,029
	450,574	(109,365)	(43,762)	297,447

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

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

The Company	At 1.1.2018 RM'000	Depreciation Charge RM'000	At 30.6.2019 RM'000
30.6.2019			
Carrying Amount			
Computers	**2**	*****	**1**
Furniture and fittings	**1**	**^**	**1**
Motor vehicles	**412**	**(412)**	**–**
Office equipment	**1**	**^**	**1**
	416	**(413)**	**3**

	At 1.1.2017 RM'000	Write Off RM'000	Depreciation Charge RM'000	At 31.12.2017 RM'000
31.12.2017				
Carrying Amount				
Computers	2	–	*	2
Furniture and fittings	1	–	^	1
Motor vehicles	1,026	(237)	(377)	412
Office equipment	1	–	^	1
	1,030	(237)	(377)	416

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
30.6.2019			
Computers	**3**	**(2)**	**1**
Furniture and fittings	**2**	**(1)**	**1**
Motor vehicles	**1,372**	**(1,372)**	**–**
Office equipment	**2**	**(1)**	**1**
	1,379	**(1,376)**	**3**
31.12.2017			
Computers	3	(1)	2
Furniture and fittings	2	(1)	1
Motor vehicles	1,372	(960)	412
Office equipment	2	(1)	1
	1,379	(963)	416

Notes:-
* - Denotes less than RM400
^ - Denoted less than RM200

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

(a) Included in the property, plant and equipment of the Group and the Company are the following assets acquired under finance lease and hire purchase terms. These leased assets have been pledged as security for the related finance lease liabilities of the Group.

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Leasehold land	**1,538**	1,628	**–**	–
Motor vehicles	**–**	530	**–**	412
Machinery and equipment	**1,164**	4,777	**–**	–
Barge and pipe laying equipment	**85,532**	262,206	**–**	–
	88,234	269,141	**–**	412

(b) Capital work-in-progress represents cost incurred on renovation of the Group's premises as well as cost incurred in the construction of machinery and equipment.

(c) During the financial period, the Group has carried out review of the recoverable amount of its barge and pipe laying equipment and capital work-in-progress on board the barge as proactive measures taken by the Group to manage and restructure the Group's debt levels and to ascertain the fair value of the barge during the financial period. An impairment loss of RM156,945,641 (2017 - RM43,762,171), representing the write-down of the property, plant and equipment to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 31 to the financial statements. The recoverable amount was determined based on fair value less cost to sell approach.

The fair value of the barge has been assessed by an independent professional valuer using the market approach, including consideration of the recent market transaction of vessels of similar type and age. The assessment is based on the assumption that it is on a willing buyer and willing seller basis.

(d) During the financial period, the Group has carried out a review of the recoverable amount of its machinery and equipment because a major subsidiary had been persistently making losses. An impairment loss of RM6,951,594 (2017 - Nil), representing the write-down of the machinery and equipment to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

8. INVENTORIES

	The Group	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
At cost:-		
Project materials	**1,071**	185
Spare parts	**4,508**	4,954
Personal protective equipment	**32**	15
	5,611	5,154

None of the inventories are carried at net realisable value.

The amount of inventories recognised as an expense in cost of sales was RM428,223 (2017 - RM1,099,262).

9. TRADE RECEIVABLES

	The Group	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
Trade receivables	**29,107**	43,613
Unbilled receivables	**–**	18,178
	29,107	61,791
Allowance for impairment losses	**(336)**	–
	28,771	61,791
Allowance for impairment losses:-		
At 1 January:		
- As previously reported	**–**	37
- Effects on adoption of MFRS 9	**5,408**	–
Amount reported under MFRS 9 (2017 - MFRS 139)	**5,408**	37
Reversal during the financial period/year (Note 30)	**(5,072)**	(37)
At 30 June/31 December	**336**	–

The Group's normal trade credit terms range from 60 to 90 (2017 - 60 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

In the last financial year, included in the trade receivables of the Group were unbilled receivables representing services provided but not yet billed at the end of the previous reporting period. These unbilled receivables have been represented as "contract assets" (Note 11) during the current financial period pursuant to the adoption of MFRS 15.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables:-				
Third parties	**29**	121	**–**	–
Goods and services tax recoverable	**15**	4,127	**15**	–
	44	4,248	**15**	–
Deposits	**4,182**	4,832	**–**	6
Prepayments	**54**	2,961	**–**	78
	4,280	12,041	**15**	84
Allowance for impairment losses	**(1,407)**	–	**–**	–
	2,873	12,041	**15**	84

Allowance for impairment losses:-				
At 1 January:				
- As previously report	**–**	–	**–**	–
- Effects on adoption of MFRS 9	**1,521**	–	**–**	–
Amount reported under MFRS 9 (2017 - MFRS 139)	**1,521**	–	**–**	–
Reversal during the financial period/year (Note 30)	**(114)**	–	**–**	–
At 30 June/31 December	**1,407**	–	**–**	–

Included in deposits of the Group at the end of the reporting period is an aggregate amount of RM760,786 (2017 - RM1,169,709) being deposits placed for the rental of machinery and equipment.

Included in deposits of the Group at the end of the reporting period is an aggregate amount of RM699,399 (2017 - RM730,000) being margin deposits placed for trust receipts facility provided by certain banks.

The prepayments of the Group amounting to RM Nil (2017 - RM250,003) is in respect of prepayments for facility charges.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

11. CONTRACT ASSETS

	The Group	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
Contract assets	**9,413**	–
Allowance for impairment losses	**(10)**	–
	9,403	–
Allowance for impairment losses:-		
At 1 January:		
- As previously reported	**–**	–
- Effects on adoption of MFRS 9	**26**	–
Amount reported under MFRS 9 (2017 - MFRS 139)	**26**	–
Reversal during the financial period/year (Note 30)	**(16)**	–
At 30 June/31 December	**10**	–

The contract assets primarily relate to the Group's right to consideration for work completed from contracts but not yet billed as at the reporting date.

These contract assets were presented as part of trade receivables as "unbilled receivables" in the previous financial year.

The changes to contract asset balance during the financial period is summarised below:-

	The Group	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
At 1 January:		
- As previously reported	**18,178**	–
- Impairment loss arising from the adoption of MFRS 9	**(26)**	–
- As restated	**18,152**	–
Revenue recognised in profit or loss during the financial period/year	**355,537**	–
Billings to customers during the financial period/year	**(364,302)**	–
Reversal of impairment loss on contract assets	**16**	–
At 30 June/31 December	**9,403**	–

12. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	30.6.2019 RM'000	**31.12.2017 RM'000**
Amount owing by subsidiaries:-		
Trade balance	**22,698**	34,942
Non-trade balance	**92,375**	89,382
	115,073	124,324
Allowance for impairment loss	**(35,267)**	–
	79,806	124,324
Allowance for impairment loss:-		
At 1 January		
- As previously reported	**–**	–
- Effects on adoption of MFRS 9	**39,141**	–
	39,141	–
Reversal during the financial period/year (Note 30)	**(3,874)**	–
At 30 June/31 December	**35,267**	–

The trade balance is subject to the normal trade credit terms ranging from 60 to 90 (2017 - 60 to 90) days. The amount owing is to be settled in cash.

The non-trade balance represents unsecured interest-free advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

13. SHORT-TERM INVESTMENTS

	The Group			
	30.6.2019		**31.12.2017**	
	Carrying Amount RM'000	**Market Value RM'000**	**Carrying Amount RM'000**	**Market Value RM'000**
Money market funds in Malaysia, at fair value	**5,222**	**5,222**	136	136

	The Company			
	30.6.2019		**31.12.2017**	
	Carrying Amount RM'000	**Market Value RM'000**	**Carrying Amount RM'000**	**Market Value RM'000**
Money market funds in Malaysia, at fair value	**5,199**	**5,199**	121	121

The short-term money market fund represents the Group and the Company's investments in AmCash Management which are designed to provide investors with a stream of income and are managed with the aim of maintaining the fund's unit price at RM1. The redemption proceeds for investments in AmCash Management will normally be collected by the next business day.

The Group considered short-term investments as investments in highly liquid money market instruments which are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

14. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 2.80% to 4.05% (2017 - 2.70% to 3.70%) per annum. The fixed deposits have maturity periods ranging from 30 to 365 (2017 - 30 to 365) days.

Included in the fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period were amounts of RM53,578,447 (2017 - RM98,914,079) and RM4,046,048 (2017 - RM8,389,515) respectively which have been pledged to several licensed banks as security for banking facilities granted to the Group and to the Company.

15. SHARE CAPITAL

		The Group/The Company			
		30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	Note	**Number Of Shares('000)**		**RM'000**	
Issued And Fully Paid-Up					
At 1 January		**826,405**	825,166	**165,329**	165,033
Issuance of shares pursuant to conversion of RCULS		**9,381**	1,239	**2,490**	296
Transfer from share premium account		**–**	–	**64,070**	–
At 30 June/31 December		**835,786**	826,405	**231,889**	165,329

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

(b) 9,380,936 units of RCULS matured on 25 October 2018 and were automatically converted into 9,380,936 new ordinary shares at the conversion price of RM0.2654 each.

(c) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account of RM64,070,388 became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

16. MERGER DEFICIT

The merger deficit of RM71,909,061 resulted from the difference between the carrying value of the investment in a subsidiary and the nominal value of the shares of the Company's subsidiary upon consolidation under the merger accounting principle.

17. EMPLOYEES' SHARE OPTION RESERVES

The employees' share option reserves represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 23 May 2012. The ESOS is to be in force for a period of five (5) years effective from 27 September 2013. On 30 March 2018, the Board of Directors had approved for the extension of the ESOS period for an additional five (5) years from 27 September 2018 to 26 September 2023.

The main features of the ESOS are as follows:-

(i) Eligible persons are employees and/or directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group;

(ii) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 5%, or any such amount or percentage as may be permitted by the relevant authorities and approved by ordinary resolution of the shareholders of the Company of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the duration of the ESOS scheme;

(iii) The subscription price, in respect of the options granted prior to the date of listing of the Company's entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, shall be RM0.65 per share. Subsequently, the option price shall be determined by the ESOS Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the Company, whichever is higher;

(iv) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS; and

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to the date of allotment and issuance of the new ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

17. EMPLOYEES' SHARE OPTION RESERVES (CONT'D)

The option prices and the details in the movement of the options granted are as follows:-

			Number Of Options Over Ordinary Shares		
Date of Offer	**Exercise Price**	**Remaining Contractual Life of Options Price**	**At 1.1.2018**	**Lapsed**	**At 30.6.2019**
27.9.2013	RM0.65	–	4,920,300	(4,920,300)	–
4.2.2015	RM0.82	–	5,467,000	(5,467,000)	–
1.9.2015	RM0.76	–	2,639,300	(2,639,300)	–
24.6.2016	RM0.61	–	8,193,000	(8,193,000)	–
			21,219,600	(21,219,600)	–

			Number Of Options Over Ordinary Shares		
Date of Offer	**Exercise Price**	**Remaining Contractual Life of Options Price**	**At 1.1.2017**	**Forfeited/ Lapsed**	**At 31.12.2017**
27.9.2013	RM0.65	1 year	5,059,500	(139,200)	4,920,300
4.2.2015	RM0.82	1 year	6,354,500	(887,500)	5,467,000
1.9.2015	RM0.76	1 year	2,642,300	(3,000)	2,639,300
24.6.2016	RM0.61	1 year	9,377,000	(1,184,000)	8,193,000
			23,433,300	(2,213,700)	21,219,600

During the financial period, all outstanding ESOS of the Company not exercised totalling 21,219,600 units have lapsed.

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of any other company.

The number of options exercisable as at 30 June 2019 was Nil (2017 - 21,219,600) and have exercise prices in the range of RM Nil (2017 - RM0.61 to RM0.82) and a weighted average contractual life of Nil year (2017 - 1 year).

The fair values of the share options granted were estimated using an option model, taking into account the terms and conditions upon which the options were granted. The fair values of the share options measured at grant date and the assumptions used are as follows:-

	31.12.2016	**31.12.2015**	**31.12.2013**
Fair value of share options at the grant date (RM)			
- 27.9.2013	N/A	N/A	0.1070
- 4.2.2015	N/A	0.5289	N/A
- 1.9.2015	N/A	0.3443	N/A
- 24.6.2016	0.1944	N/A	N/A
Weighted average ordinary share price (RM)	0.65	0.88 - 0.95	–
Exercise price of share option (RM)	0.61	0.76 - 0.82	0.65
Expected volatility (%)	41.70	43.75 - 69.28	8.68
Expected life (years)	2.00	3.00	5.00
Risk free rate (%)	3.59	3.78 - 4.10	3.26
Expected dividend yield (%)	0.00	0.00	0.00

18. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS")

	The Group/The Company	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
Equity		
At 1 January	**539**	610
Converted during the financial period/year	**(539)**	(71)
At 30June/31 December	**–**	539
Non-current liabilities		
At 1 January	**1,763**	1,719
Converted during the financial period/year	**(1,944)**	(218)
Amortisation charge during the financial period/year	**181**	262
At 30June/31 December	**–**	1,763

The salient terms of the RCULS are as follows:-

(a)	Issue size and price	<u>Issue size</u> Up to RM41,604,273 nominal value of RCULS. <u>Issue price</u> 100% of nominal value of the RCULS of RM0.20 each.
(b)	Tenure of issue	Five (5) years from and including the date of first issuance of the RCULS ("Issue Date") and shall mature on the fifth (5th) anniversary of the Issue Date ("Maturity Date"). The RCULS were issued on 25.10.2013.
(c)	Interest/Coupon rate	3.5% per annum payable semi-annually during the tenure of the RCULS prior to redemption or conversion.
(d)	Status	The RCULS constitute direct, unconditional, unsubordinated and unsecured obligations of the Company ranking pari passu without discrimination, preference or priority among themselves and at least pari passu to all present and future unsecured obligations of the Company.
(e)	Conversion rights	Each RCULS can be converted into 1 new ordinary share of RM0.20 each in the Company, on any business day after the first (1st) anniversary of the Issue Date of the RCULS until Maturity Date. Any outstanding RCULS which have not been redeemed or converted shall automatically be converted into new ordinary shares of RM0.20 each in the Company at maturity.
(f)	Conversion price	Fixed at par value of RM0.20 per ordinary share of the Company and shall be satisfied by surrendering one (1) RCULS of nominal value of RM0.20 each for every one (1) new ordinary share in the Company.
(g)	Status of new ordinary shares	The new ordinary shares to be issued pursuant to the conversion of the RCULS will upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company in issue except that the new ordinary shares will not be entitled to any dividends, rights, allotment or other distributions that may be declared, made or paid prior to the relevant allotment date of the said new ordinary shares.
(h)	Redemption rights	Redemption shall be at the option of the Company, based on the par value of RM0.20 each. Redemption can only be made on a coupon payment date. Redemption, if made, shall be made pari passu to all holders of the RCULS. If not redeemed, the RCULS shall automatically be converted into new ordinary shares of RM0.20 each in the Company at the Maturity Date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

19. FOREIGN EXCHANGE TRANSLATION RESERVES

The foreign exchange translation reserves arose from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

20. DEFERRED TAX LIABILITIES

Presented after appropriate offsetting as follows:-

	At 1.1.2018 RM'000	Recognised in Profit or Loss (Note 32) RM'000	Conversion of RCULS RM'000	At 30.6.2019 RM'000
The Group				
30.6.2019				
Deferred Tax Liabilities				
Property, plant and equipment	**3,022**	**–**	**–**	**3,022**
RCULS	**28**	**(21)**	**(7)**	**–**
	3,050	**(21)**	**(7)**	**3,022**
Deferred Tax Assets				
Provisions	**–**	**–**	**–**	**–**
Unused tax losses	**(3,000)**	**–**	**–**	**(3,000)**
	50	**(21)**	**(7)**	**22**

	At 1.1.2017 RM'000	Recognised in Profit or Loss (Note 32) RM'000	Issuance and Conversion of RCULS RM'000	At 31.12.2017 RM'000
The Group				
31.12.2017				
Deferred Tax Liabilities				
Property, plant and equipment	3,240	(218)	–	3,022
RCULS	98	(63)	(7)	28
	3,338	(281)	(7)	3,050
Deferred Tax Assets				
Provisions	(9)	9	–	–
Unused tax losses	(2,688)	(312)	–	(3,000)
	(2,697)	(303)	–	(3,000)
	641	(584)	(7)	50

20. DEFERRED TAX LIABILITIES (CONT'D)

Presented after appropriate offsetting as follows:- (Cont'd)

	At 1.1.2018 RM'000	Recognised in Profit or Loss (Note 32) RM'000	Conversion of RCULS RM'000	At 30.6.2019 RM'000
The Company				
30.6.2019				
Deferred Tax Liabilities				
Property, plant and equipment	**8**	**–**	**–**	**8**
RCULS	**28**	**(21)**	**(7)**	**–**
	36	**(21)**	**(7)**	**8**

	At 1.1.2017 RM'000	Recognised in Profit or Loss (Note 32) RM'000	Issuance and Conversion of RCULS RM'000	At 31.12.2017 RM'000
The Company				
31.12.2017				
Deferred Tax Liabilities				
Property, plant and equipment	11	(3)	–	8
RCULS	98	(63)	(7)	28
	109	(66)	(7)	36

At the end of the reporting period, the Group has unused tax losses and unabsorbed capital allowances (stated at gross) of approximately RM325,593,126 (2017 - RM141,125,882) and RM7,510,511 (2017 - RM4,454,463) respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses expire at the end of the year of assessment 2025 but the unabsorbed capital allowances can be carried forward indefinitely to be utilised against income from the same business source, subject to no substantial change in shareholders of the subsidiaries.

With effect from the year of assessment 2019, unused tax losses in a year of assessment can only be carried forward for a maximum period of seven (7) consecutive years of assessment immediately following that year of assessment.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

21. LONG-TERM BORROWINGS

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Hire purchase payables (Note 22)	**–**	187	**–**	147
Term loans (Note 23)	**141,264**	169,255	**–**	–
	141,264	169,442	**–**	147

22. HIRE PURCHASE PAYABLES (SECURED)

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum hire purchase payments:				
- not later than one year	**27**	313	**27**	244
- later than one year and not later than five years	**–**	190	**–**	149
	27	503	**27**	393
Less: Future finance charges	*****	(19)	*****	(15)
Present value of hire purchase payables	**27**	484	**27**	378
Analysed by:-				
Current liabilities (Note 27)	**27**	297	**27**	231
Non-current liabilities (Note 21)	**–**	187	**–**	147
	27	484	**27**	378

Note:
* - Denotes less than RM200

The hire purchase payables of the Group and of the Company are secured by the Group's and the Company's motor vehicles under finance leases as disclosed in Note 7 to the financial statements. The hire purchase arrangements are expiring within 1 year (2017 - 2 years).

The hire purchase payables of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 4.64% to 4.68% (2017 - 4.64% to 4.68%) and from 4.64% to 4.68% (2017 - 4.64% to 4.68%) per annum, respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

23. TERM LOANS (SECURED)

	The Group	
	30.6.2019	31.12.2017
	RM'000	RM'000
Current liabilities (Note 27)	**36,127**	4,241
Non-current liabilities (Note 21)	**141,264**	169,255
	177,391	173,496

The interest rate profile of the term loans is summarised below:-

	Effective	The Group	
	Interest Rates	30.6.2019	31.12.2017
	%	RM'000	RM'000
Floating rate term loan	4.01 - 7.60	**177,391**	173,496

The term loans are secured by:-

(i) a first legal charge over certain leasehold land as disclosed in Note 7 to the financial statements;
(ii) a guarantee from a director of the Group;
(iii) a corporate guarantee from the Company and one of its subsidiary, PBJV;
(iv) a legal debenture on equipment financed by certain banks as disclosed in Note 7 to the financial statements;
(v) mortgage over the barge known as "Kota Laksamana 101" to a licensed financial institution as disclosed in Note 7 to the financial statements;
(vi) an assignment of charter proceeds and charge over the Project Account to a licensed financial institution;
(vii) an assignment of the barge's insurance policies to a licensed financial institution;
(viii) a negative pledge from the Group not to pledge its existing asset to other bank without the licensed financial institutions' consent; and
(ix) an undertaking from the current shareholders of the Group that they will not relinquish their shareholdings without the licensed financial institution's prior written approval so long as the facility remains outstanding.

As disclosed in Note 42 to the financial statements, a subsidiary had on 17 May 2019 defaulted the repayment of principal and interest outstanding from its Islamic Ijarah facility amounting to USD2,654,211. The total amount of the principal outstanding of USD3,256,493 as of 30 June 2019 had been classified as current liabilities.

The ability of the Group to discharge its liabilities and obligations to the financial institution is dependent on the successful implementation of the Proposed Regularisation Plan and ability of the Group to achieve sustainable and viable operations to generate sufficient cash flows.

24. TRADE PAYABLES

	The Group	
	30.6.2019	31.12.2017
	RM'000	RM'000
Trade payables	**149,879**	106,155
Accrued purchases	**108,179**	13,636
	258,058	119,791

The normal trade credit terms granted to the Group range from 60 to 90 (2017 - 60 to 90) days.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**2,661**	679	**138**	94
RCULS interest payable	**–**	11	**–**	11
Accruals	**2,245**	2,172	**157**	365
Goods and services tax payable	**140**	108	**–**	105
	5,046	2,970	**295**	575

26. AMOUNT OWING TO A DIRECTOR

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

27. SHORT-TERM BORROWINGS

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Hire purchase payables (Note 22)	**27**	297	**27**	231
Term loans (Note 23)	**36,127**	4,241	**–**	–
Trust receipts	**–**	33,991	**–**	–
	36,154	38,529	**27**	231

The trust receipts are secured by margin deposits, fixed deposits and corporate guarantees provided by the Company and one of its subsidiary, PBJV, as disclosed in Note 10, Note 14 and Note 23 to the financial statements.

28. BANK OVERDRAFTS

The bank overdrafts of the Group bore an effective interest rate of 8.19% (2017 - 8.08%) per annum at the end of the reporting period.

The bank overdrafts are secured by:-

(i) a pledge of the fixed deposits of the Group as disclosed in Note 14 to the financial statements;
(ii) a guarantee from a director of the Group;
(iii) an irrevocable letter of instruction from the Group to the main contractor and their agreement to remit payment to the bank; and
(iv) a placement of a half yearly sinking fund of RM100,000.

29. REVENUE

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000
Pipeline and commissioning services	**186,944**	124,141	**–**	–
Installation and construction services	**168,593**	186,795	**–**	–
Management fees	**–**	–	**10,528**	9,775
	355,537	310,936	**10,528**	9,775

30. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS AND CONTRACT ASSETS

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000
Impairment losses during the financial period/year:-				
Reversal of impairment losses (Note 9, 10, 11 and 12)	**5,202**	–	**3,874**	–

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

31. LOSS BEFORE TAXATION

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 30.6.2019 RM'000**	**1.1.2017 to 31.12.2017 RM'000**
Loss before taxation is arrived at after charging/(crediting):-				
Audit fee				
- current period/year	**276**	239	**34**	34
- under/(over)provision in the prior year	**6**	(2)	**–**	–
Depreciation of property, plant and equipment (Note 7)	**32,320**	28,198	**413**	377
Directors' emoluments:				
- directors' fee	**972**	746	**792**	626
- salaries, allowances and bonuses	**6,732**	4,814	**3,247**	2,321
- defined contribution benefits	**802**	592	**386**	295
- other benefits	**8**	5	**3**	2
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	**1,602**	814	**–**	–
- hire purchase	**19**	40	**15**	34
- term loans	**16,278**	9,519	**–**	–
- RCULS	**236**	268	**236**	268
- bank guarantee/trust receipts	**2,391**	3,697	**11**	–
Rental expenses on:				
- equipment and machineries	**78**	65	**–**	–
- premises	**2,411**	2,245	**–**	–
- motor vehicle	**–**	22	**–**	–
Staff costs (including other key management personnel as disclosed in Note 38):				
- salaries, allowances and bonuses	**13,550**	13,854	**3,331**	3,072
- defined contribution benefits	**1,660**	1,689	**401**	365
- other benefits	**354**	96	**29**	14
Impairment loss on:				
- investments in subsidiaries (Note 6)	**–**	–	**83,455**	20,167
- goodwill (Note 34)	**–**	20	**–**	–
- property, plant and equipment (Note 7)	**163,898**	43,762	**–**	–

31. LOSS BEFORE TAXATION (CONT'D)

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 30.6.2019 RM'000**	**1.1.2017 to 31.12.2017 RM'000**
Loss before taxation is arrived at after charging/(crediting) (Cont'd):-				
Reversal of impairment loss on:				
- trade receivables (Note 9)	**(5,072)**	(37)	**–**	–
- other receivables (Note 10)	**(114)**	–	**–**	–
- contract assets (Note 11)	**(16)**	–	**–**	–
Property, plant and equipment written off (Note 7)	**2,941**	1,113	**–**	237
Realised (gain)/loss on foreign exchange	**(132)**	2,030	**–**	2
Unrealised (gain)/loss on foreign exchange	**(2,083)**	9,995	**–**	–
Bad debts written off	**353**	–	**–**	–
Interest income on financial assets that are not at fair value through profit or loss:				
- fixed deposits with licensed banks	**(3,576)**	(3,208)	**(322)**	(246)
- cash and bank balances	**(131)**	(403)	**(63)**	(7)
Rental income	**(118)**	(60)	**–**	(30)
Gain on disposal of property, plant and equipment	**(1,752)**	(4)	**–**	–
Insurance claim from property, plant and equipment written off	**–**	(291)	**–**	(291)

The estimated total monetary value of benefits-in-kind provided by the Company to the executive directors of the Company were RM84,000 (2017 – RM56,000).

32. INCOME TAX EXPENSE

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 30.6.2019 RM'000**	**1.1.2017 to 31.12.2017 RM'000**
Current tax:				
- for the financial period/year	**3,346**	704	**1,418**	694
- under/(over)provision in the previous financial year	**9,981**	(95)	**(123)**	(2)
	13,327	609	**1,295**	692
Deferred tax (Note 20):				
- originating and recognition of temporary differences	**(21)**	(235)	**(21)**	(66)
- overprovision in the previous financial year	**–**	(349)	**–**	–
	(21)	(584)	**(21)**	(66)
	13,306	25	**1,274**	626

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

32. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000
Loss before taxation	**(369,906)**	(216,729)	**(80,394)**	(19,062)
Tax at the statutory tax rate of 24% (2017 - 24%)	**(88,777)**	(52,015)	**(19,295)**	(4,575)
Tax effects of:				
Non-deductible expenses	**45,231**	19,916	**20,707**	5,204
Non-taxable income	**(754)**	(377)	**(15)**	(1)
Effects of differential in tax rates of subsidiaries	**26**	56	**–**	–
Deferred tax assets not recognised during the financial period/year	**47,599**	32,889	**–**	–
Overprovision of deferred tax in the previous financial year	**–**	(349)	**–**	–
Under/(Over)provision of income tax in the previous financial year	**9,981**	(95)	**(123)**	(2)
Income tax expense for the financial year	**13,306**	25	**1,274**	626

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017 - 24%) of the estimated assessable profit for the financial period. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

No deferred tax assets/(liabilities) was recognised for the following items:

	The Group	
	1.1.2018 to 30.6.2019 RM'000	1.1.2017 to 31.12.2017 RM'000
Accelerated capital allowances	**(8,731)**	(12,585)
Allowance for impairment losses on trade and other receivables	**6,952**	–
Unused tax losses	**325,593**	141,126
Unabsorbed capital allowances	**7,511**	4,454
	331,325	132,995

33. LOSS PER SHARE

(a) Basic

The basic loss per share is arrived at by dividing the Group's loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial period/year.

	The Group	
	1.1.2018 to 30.6.2019	**1.1.2017 to 31.12.2017**
Loss attributable to owners of the Company (RM'000)	**(383,174)**	(216,704)
Weighted average number of ordinary shares in issue ('000)	**830,684**	825,587
Basic loss per share (Sen)	**(46.13)**	(26.25)

(b) Diluted

The diluted loss per share is arrived at by adjusting for the dilutive effects of all potential ordinary shares, such as the share options granted to employees and the conversion of RCULS, on the Group's loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial period/year.

	The Group	
	1.1.2018 to 30.6.2019	**1.1.2017 to 31.12.2017**
Loss attributable to the owners of the Company (RM'000)	**(383,174)**	(216,704)
Weighted average number of ordinary shares in issue ('000)	**830,684**	825,587
Effects of dilution from share options granted to employees ('000)	**–**	23,433
Effect of conversion of RCULS ('000)	**–**	9,381
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	**830,684**	858,401
Diluted loss per share (Sen)	**(46.13)**	(25.25)

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

34. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of PBJV Asset Management Sdn. Bhd.

In the last reporting period, the Company acquired 100% equity interest in PBJV Asset Management Sdn. Bhd.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 31.12.2017 RM
Other payables	(1,300)
Amount due to directors	(9,194)
Cash and bank equivalents	709
Net identifiable liabilities acquired	(9,785)
Add: Goodwill on acquisition	9,787
Total purchase consideration, to be settled by cash	2
Less: Cash and bank equivalents of subsidiary acquired	(709)
Net cash inflow from the acquisition of a subsidiary	(707)

	The Company 31.12.2017 RM
Total purchase consideration, to be settled by cash/Net cash outflow from the acquisition of a subsidiary	2

(b) Acquisition of Barakah Offshore Energy Sdn. Bhd.

In the last reporting period, the Company acquired 100% equity interest in Barakah Offshore Energy Sdn. Bhd.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 31.12.2017 RM
Cash and bank equivalents	2
Net identifiable assets acquired/Total purchase consideration, to be settled by cash	2
Less: Cash and bank equivalents of subsidiary acquired	(2)
Net cash inflow from the acquisition of a subsidiary	–

	The Company 31.12.2017 RM
Total purchase consideration, to be settled by cash/Net cash outflow from the acquisition of a subsidiary	2

34. ACQUISITION OF SUBSIDIARIES (CONT'D)

(c) Acquisition of Barakah Onshore Ventures Sdn. Bhd.

In the last reporting period, the Company acquired 100% equity interest in Barakah Onshore Ventures Sdn. Bhd.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 31.12.2017 RM
Cash and bank equivalents	2
Net identifiable assets acquired/Total purchase consideration, to be settled by cash	2
Less: Cash and bank equivalents of subsidiary acquired	(2)
Net cash inflow from the acquisition of a subsidiary	–

	The Company 31.12.2017 RM
Total purchase consideration, to be settled by cash/Net cash outflow from the acquisition of a subsidiary	2

(d) Acquisition of PBJV Energy Sdn. Bhd.

In the last reporting period, Barakah Offshore, a wholly-owned subsidiary of the Company had acquired 100% equity interest in PBJV Energy Sdn. Bhd.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 31.12.2017 RM
Other payables	(1,300)
Amount due to directors	(9,253)
Cash and bank equivalents	391
Net identifiable liabilities acquired	(10,162)
Add: Goodwill on acquisition	10,164
Total purchase consideration, to be settled by cash	2
Less: Cash and bank equivalents of subsidiary acquired	(391)
Net cash inflow from the acquisition of a subsidiary	(389)

The above four (4) newly acquired subsidiaries have yet to commence business operations as at the end of the current reporting period and are acquired for future business expansion of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

35. CASH FLOW INFORMATION

(a) The reconciliations of liabilities arising from financing activities are as follows:-

	RCULS RM'000	Term Loan RM'000	Hire Purchase RM'000	Trust Receipts RM'000	Total RM'000
The Group					
30.6.2019					
At 1 January 2018	**1,763**	**173,496**	**484**	**33,991**	**209,734**
Changes in Financing Cash Flows					
Proceeds from drawdown	**–**	**–**	**–**	**75,412**	**75,412**
Repayment of borrowing principal	**–**	**(4,552)**	**(457)**	**(109,403)**	**(114,412)**
Repayment of borrowing interests	**(66)**	**(11,256)**	**(19)**	**(2,391)**	**(13,732)**
Non-cash Changes					
Finance charges recognised in profit or loss (Note 31)	**236**	**16,278**	**19**	**2,391**	**18,924**
Foreign exchange adjustments	**–**	**3,425**	**–**	**–**	**3,425**
Reclassification of interest payables to "Other Payables and Accruals" (Note 25)	**11**	**–**	**–**	**–**	**11**
Conversion of RCULS	**(1,944)**	**–**	**–**	**–**	**(1,944)**
At 30 June 2019	**–**	**177,391**	**27**	**–**	**177,418**
The Group					
31.12.2017					
At 1 January 2017	1,719	206,779	1,061	45,842	255,401
Changes in Financing Cash Flows					
Proceeds from drawdown	–	–	–	123,872	123,872
Repayment of borrowing principal	–	(15,290)	(577)	(135,723)	(151,590)
Repayment of borrowing interests	(72)	(9,519)	(40)	(3,697)	(13,328)
Non-cash Changes					
Finance charges recognised in profit or loss (Note 31)	268	9,519	40	3,697	13,524
Foreign exchange adjustments	–	(17,993)	–	–	(17,993)
Reclassification of interest payables to "Other Payables and Accruals"	66	–	–	–	66
Conversion of RCULS	(218)	–	–	–	(218)
At 31 December 2017	1,763	173,496	484	33,991	209,734

35. CASH FLOW INFORMATION (CONT'D)

(a) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	RCULS RM'000	Hire Purchase RM'000	Total RM'000
The Company			
30.6.2019			
At 1 January 2018	**1,763**	**378**	**2,141**
Changes in Financing Cash Flows			
Repayment of borrowing principal	**–**	**(351)**	**(351)**
Repayment of borrowing interests	**(66)**	**(15)**	**(81)**
Non-cash Changes			
Finance charges recognised in profit or loss (Note 31)	**236**	**15**	**251**
Reclassification of interest payables to "Other Payables and Accruals" (Note 25)	**11**	**–**	**11**
Conversion of RCULS	**(1,944)**	**–**	**(1,944)**
At 30 June 2019	**–**	**27**	**27**
The Company			
31.12.2017			
At 1 January 2017	1,719	893	2,612
Changes in Financing Cash Flows			
Repayment of borrowing principal	–	(515)	(515)
Repayment of borrowing interests	(72)	(34)	(106)
Non-cash Changes			
Finance charges recognised in profit or loss (Note 31)	268	34	302
Reclassification of interest payables to "Other Payables and Accruals"	66	–	66
Conversion of RCULS	(218)	–	(218)
At 31 December 2017	1,763	378	2,141

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

35. CASH FLOW INFORMATION (CONT'D)

(b) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term investments	**5,222**	136	**5,199**	121
Fixed deposits with licensed banks	**53,777**	102,709	**4,079**	8,423
Cash and bank balances	**30,677**	29,205	**11,552**	2,597
Bank overdrafts	**(8,941)**	(15,661)	**–**	–
	80,735	116,389	**20,830**	11,141
Less: Fixed deposits pledged to licensed banks (Note 14)	**(53,578)**	(98,914)	**(4,046)**	(8,390)
	27,157	17,475	**16,784**	2,751

36. OPERATING SEGMENTS

No segmental information is provided as the Group is primarily involved in the oil and gas industry (one business segment) and the Group's activities are predominantly in Malaysia. The overseas segment account for less than 10% of the consolidated revenue and assets. Accordingly, the information by business and geographical segments is not presented.

MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

	The Group Revenue		
	30.6.2019	**31.12.2017**	
	RM'000	**RM'000**	**Segment**
Customer #1	**100,746**	147,732	Oil and gas
Customer #2	**80,802**	N/A	Oil and gas
Customer #3	**55,828**	N/A	Oil and gas

37. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

The Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial period/year:-

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 30.6.2019 RM'000**	**1.1.2017 to 31.12.2017 RM'000**
Company in which certain Directors have substantial financial interests				
Services paid/payable	**29,458**	–	**–**	–
Purchases paid/payable	**–**	486	**–**	–
Rental of premises paid/payable	**2,080**	2,220	**–**	–
Rental of yard paid/payable	**80**	60	**–**	–
Donations	**360**	530	**–**	–
Installation and construction services received/receivable	**–**	(16,555)	**–**	–
Company related to a Director				
Secretarial services paid/payable	**–**	4	**–**	–
Subsidiary				
Management fee received/receivable	**–**	–	**10,528**	9,775

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

38. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial period/year are as follows:-

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 30.6.2019 RM'000**	**1.1.2017 to 31.12.2017 RM'000**
Directors				
Directors of the Company				
Executive directors				
Short-term employee benefits:				
- salaries, allowances and bonuses	**5,777**	4,171	**3,040**	2,189
- other benefits	**6**	4	**3**	2
	5,783	4,175	**3,043**	2,191
Defined contribution plan	**712**	531	**386**	295
	6,495	4,706	**3,429**	2,486
Non-executive directors				
Short-term employee benefits:				
- fees	**792**	626	**792**	626
- allowances	**207**	132	**207**	132
	999	758	**999**	758
	7,494	5,464	**4,428**	3,244
Directors of the Subsidiaries				
Executive directors				
Short-term employee benefits:				
- fees	**180**	120	**–**	–
- salaries, allowances and bonuses	**748**	511	**–**	–
- other benefits	**2**	1	**–**	–
	930	632	**–**	–
Defined contribution plan	**90**	61	**–**	–
	1,020	693	**–**	–
Total directors' remuneration (Note 31)	**8,514**	6,157	**4,428**	3,244

38. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

The key management personnel compensation during the financial period/year are as follows (Cont'd):-

	The Group		The Company	
	1.1.2018 to 30.6.2019 RM'000	**1.1.2017 to 31.12.2017 RM'000**	**1.1.2018 to 30.6.2019 RM'000**	**1.1.2017 to 31.12.2017 RM'000**
Other key management personnel				
Short-term employee benefits	**1,531**	4,352	**1,531**	1,126
Defined contribution plan	**184**	522	**184**	135
Total compensation for other key management personnel	**1,715**	4,874	**1,715**	1,261

The estimated total monetary value of benefits-in-kind provided by the Group and the Company to the executive directors were RM84,000 (2017 - RM56,000).

The estimated total monetary value of benefits-in-kind provided by the Group to the directors of the subsidiaries was RM17,963 (2017 - RM23,950).

39. CAPITAL COMMITMENTS

	The Group	
	30.6.2019 RM'000	**31.12.2017 RM'000**
Purchase of property, plant and equipment	**625**	4,020

40. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Group		The Company	
	30.6.2019 RM'000	**30.6.2017 RM'000**	**30.6.2019 RM'000**	**30.6.2017 RM'000**
Unsecured				
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**–**	–	**177,352**	172,377
Bank guarantees extended to clients	**20,377**	111,169	**2,633**	12,727

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

40. CONTINGENT LIABILITIES (CONT'D)

(a) Demand Notices from PRPC Utilities and Facilities Sdn. Bhd. ("PRPC")
As disclosed in Note 43(c) to the financial statements, the Company and PBJV have both received demand notices from PRPC amounting to RM85,203,274.96 on the basis that among others PBJV has failed to fulfil all of its obligations under a contract referred to as "Utilities, Interconnecting, Offsite (UIO) Facilities: Procurement, Construction & Commissioning (PCC) of Underground Pressurized Non-Metallic Piping Firewater Network East Side" ("P14 Contract").

PRPC has included the Company as the recipient of the demand on the basis that the Company has given a Parent Company Guarantee dated 6 April 2016 to guarantee the performance of PBJV as the contractor.

41. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. 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.

41.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Saudi Riyal ("SAR"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

	SGD RM'000	USD RM'000	SAR RM'000	Ringgit Malaysia RM'000	Total RM'000
The Group					
30.6.2019					
Financial assets					
Trade receivables	–	–	–	28,771	28,771
Other receivables	–	–	29	16	45
Contract assets	–	–	–	9,403	9,403
Short-term investments	–	–	–	5,222	5,222
Fixed deposits with licensed banks	–	–	–	53,777	53,777
Cash and bank balances	3	506	1,104	29,064	30,677
	3	506	1,133	126,253	127,895
Financial liabilities					
Trade payables	409	1,334	–	256,315	258,058
Other payables and accruals	–	–	24	5,022	5,046
Amount owing to a director	–	–	–	2	2
Term loans	–	177,352	–	39	177,391
Hire purchase payables	–	–	–	27	27
Bank overdrafts	–	–	–	8,941	8,941
	409	178,686	24	270,346	449,465
Net financial assets/(liabilities)	(406)	(178,180)	1,109	(144,093)	(321,570)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	–	177,265	(1,109)	144,145	320,301
Currency exposure	(406)	(915)	–	52	(1,269)

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

	SGD RM'000	USD RM'000	SAR RM'000	EUR RM'000	Ringgit Malaysia RM'000	Total RM'000
The Group						
31.12.2017						
Financial assets						
Trade receivables	–	–	–	–	61,791	61,791
Other receivables and deposits	–	–	116	–	8,964	9,080
Short-term investments	–	–	–	–	136	136
Fixed deposits with licensed banks	–	7,359	–	–	95,350	102,709
Cash and bank balances	3	1,055	1,083	25	27,039	29,205
	3	8,414	1,199	25	193,280	202,921
Financial liabilities						
Trade payables	1,020	4,487	–	79	114,205	119,791
Other payables and accruals	–	–	7	–	2,963	2,970
Term loans	–	172,376	–	–	1,120	173,496
Trust receipts	–	–	–	–	33,991	33,991
Hire purchase payables	–	–	–	–	484	484
RCULS	–	–	–	–	1,763	1,763
Bank overdrafts	–	–	–	–	15,661	15,661
	1,020	176,863	7	79	170,187	348,156
Net financial (liabilities)/assets	(1,017)	(168,449)	1,192	(54)	23,093	(145,235)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	–	164,708	(1,192)	–	(22,585)	140,931
Currency exposure	(1,017)	(3,741)	–	(54)	508	(4,304)

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

The Company does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

		The Group	
		30.6.2019	**31.12.2017**
		RM'000	**RM'000**
Effects on Loss After Taxation			
SGD/RM	- strengthened by 1%	**(3)**	(8)
	- weakened by 1%	**3**	8
USD/RM	- strengthened by 1%	**(7)**	(28)
	- weakened by 1%	**7**	28
EUR/RM	- strengthened by 1%	**–**	(#)
	- weakened by 1%	**–**	#
Effects on Other Comprehensive Expenses			
SGD/RM	- strengthened by 1%	**(3)**	(8)
	- weakened by 1%	**3**	8
USD/RM	- strengthened by 1%	**(7)**	(28)
	- weakened by 1%	**7**	28
EUR/RM	- strengthened by 1%	**–**	(#)
	- weakened by 1%	**–**	#

Note:-
- Denotes RM410

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined by MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 23, Note 27 and Note 28 to the financial statements.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
Effects on Loss After Taxation		
Increase of 100 basis points	**(1,416)**	(1,696)
Decrease of 100 basis points	**1,416**	1,696
Effects on Other Comprehensive Expenses		
Increase of 100 basis points	**(1,416)**	(1,696)
Decrease of 100 basis points	**1,416**	1,696

The Company does not have any floating rate borrowings and hence, no sensitivity analysis is presented.

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (3) customers which constituted approximately 82% of its trade receivables at the end of the reporting period.

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowances for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work completed from contracts and have substantially the same risk. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days are deemed credit impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables and contract assets are summarised below:-

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
30.6.2019			
Not past due	**27,446**	**(186)**	**27,260**
Past due:-			
- less than 2 months	**1,146**	**(109)**	**1,037**
- 2 to 6 months	**359**	**(3)**	**356**
- over 6 months	**5**	**(1)**	**4**
- more than 1 year	**151**	**(37)**	**114**
Trade receivables	**29,107**	**(336)**	**28,771**
Contract assets	**9,413**	**(10)**	**9,403**
	38,520	**(346)**	**38,174**

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:-

The Group	Gross Amount RM'000	Individual Impairment RM'000	Carrying Amount RM'000
31.12.2017			
Not past due	43,320	–	43,320
Past due:-			
- less than 2 months	1,527	–	1,527
- 2 to 6 months	16,746	–	16,746
- over 6 months	191	–	191
- more than 1 year	7	–	7
	61,791	–	61,791

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Note 9 and Note 11 to the financial statements respectively.

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Deposits

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for other receivables and deposits are summarised below:-

The Group	**Gross Amount RM'000**	**Lifetime Loss Allowance RM'000**	**Carrying Amount RM'000**
30.6.2019			
Low credit risk:-			
- Other receivables	44	–	44
- Deposits	4,182	(1,407)	2,775
	4,226	(1,407)	2,819

The movements in the loss allowances in respect of other receivables and deposits are disclosed in Note 10 to the financial statements respectively.

Amount owing by subsidiaries

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

The Company	**Gross Amount RM'000**	**Lifetime Loss Allowance RM'000**	**Carrying Amount RM'000**
30.6.2019			
Not past due	553	(169)	384
Past due:-			
- less than 2 months	1,197	(367)	830
- 2 to 6 months	2,831	(868)	1,963
- over 6 months	2,024	(620)	1,404
- more than 1 year	16,093	(4,932)	11,161
Trade balance	22,698	(6,956)	15,742
Low credit risk:-			
- Non-trade balance	92,375	(28,311)	64,064
	115,073	(35,267)	79,806

The movements in the loss allowances in respect of amount owing by subsidiaries are disclosed in Note 12 to the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
30.6.2019						
Non-derivative Financial Liabilities						
Hire purchase payables	**4.66**	**27**	**28**	**28**	**–**	**–**
Term loans	**4.07**	**177,391**	**208,350**	**37,050**	**171,300**	**–**
Trade payables	**–**	**258,058**	**258,058**	**258,058**	**–**	**–**
Other payables and accruals	**–**	**5,046**	**5,046**	**5,046**	**–**	**–**
Amount owing to a director	**–**	**2**	**2**	**2**	**–**	**–**
Bank overdrafts	**8.19**	**8,941**	**8,941**	**8,941**	**–**	**–**
		449,465	**480,425**	**309,125**	**171,300**	**–**
31.12.2017						
Non-derivative Financial Liabilities						
Hire purchase payables	4.66	484	503	313	190	–
Term loans	4.07	173,496	207,420	12,950	144,217	50,253
Trust receipts	7.08	33,991	33,991	33,991	–	–
RCULS	15.60	1,763	1,942	1,942	–	–
Trade payables	–	119,791	119,791	119,791	–	–
Other payables and accruals	–	2,970	2,970	2,970	–	–
Bank overdrafts	8.08	15,661	15,661	15,661	–	–
		348,156	382,278	187,618	144,407	50,253

41. FINANCIAL INSTRUMENTS (CONT'D)

41.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000
30.6.2019					
Non-derivative Financial Liabilities					
Hire purchase payables	**4.66**	**27**	**28**	**28**	**–**
Other payables and accruals	**–**	**295**	**295**	**295**	**–**
		322	**323**	**323**	**–**
31.12.2017					
Non-derivative Financial Liabilities					
Hire purchase payables	4.66	378	393	244	149
RCULS	15.60	1,763	1,942	1,942	–
Other payables and accruals	–	575	575	575	–
		2,716	2,910	2,761	149

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) 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.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	30.6.2019	**31.12.2017**
	RM'000	**RM'000**
Hire purchase payables (Note 22)	**27**	484
Term loans (Note 23)	**177,391**	173,496
Trust receipts (Note 27)	**–**	33,991
RCULS (Note 18)	**–**	1,763
Bank overdrafts (Note 28)	**8,941**	15,661
	186,359	225,395
Less: Short-term investments (Note 13)	**(5,222)**	(136)
Less: Fixed deposits with licensed banks (Note 14)	**(53,777)**	(102,709)
Less: Cash and bank balances	**(30,677)**	(29,205)
Net debt	**96,683**	93,345
Total equity	**(188,763)**	203,243
Debt-to-equity ratio	**(0.51)**	0.46

There was no change in the Group's approach to capital management during the financial period.

41. FINANCIAL INSTRUMENTS (CONT'D)

41.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group 30.6.2019 RM'000	The Company 30.6.2019 RM'000
Financial assets		
Amortised Cost		
Trade receivables (Note 9)	28,771	–
Other receivables (Note 10)	44	15
Amount owing by subsidiaries (Note 12)	–	79,806
Fixed deposits with licensed banks (Note 14)	53,777	4,079
Cash and bank balances	30,677	11,552
	113,269	95,452
Mandatorily at Fair Value Through Profit or Loss		
Short-term investments (Note 13)	5,222	5,199
Financial liabilities		
Amortised Cost		
Hire purchase payables (Note 22)	27	27
Term loans (Note 23)	177,391	–
Trade payables (Note 24)	258,058	–
Other payables and accruals (Note 25)	5,046	295
Amount owing to a director (Note 26)	2	–
Bank overdrafts (Note 28)	8,941	–
	449,465	322

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	The Group 31.12.2017 RM'000	The Company 31.12.2017 RM'000
Financial assets		
Loans and receivables financial assets		
Trade receivables (Note 9)	61,791	–
Other receivables and deposits (Note 10)	9,080	6
Amount owing by subsidiaries (Note 12)	–	124,324
Fixed deposits with licensed banks (Note 14)	102,709	8,423
Cash and bank balances	29,205	2,597
	202,785	135,350
Fair value through profit or loss: Held-for-trading		
Short-term investments (Note 13)	136	121
Financial liabilities		
Other financial liabilities		
Hire purchase payables (Note 22)	484	378
Term loans (Note 23)	173,496	–
Trust receipts (Note 27)	33,991	–
RCULS (Note 18)	1,763	1,763
Trade payables (Note 24)	119,791	–
Other payables and accruals (Note 25)	2,970	575
Bank overdrafts (Note 28)	15,661	–
	348,156	2,716

41. FINANCIAL INSTRUMENTS (CONT'D)

41.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value			Total Fair	Carrying
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Value	Amount
The Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
30.6.2019								
Financial Asset								
Short-term investments - money market funds	**5,222**	**–**	**–**	**–**	**–**	**–**	**5,222**	**5,222**
Financial Liabilities								
Hire purchase payables	**–**	**–**	**–**	**–**	**27**	**–**	**27**	**27**
Term loans	**–**	**–**	**–**	**–**	**177,391**	**–**	**177,391**	**177,391**
31.12.2017								
Financial Asset								
Short-term investments - money market funds	136	–	–	–	–	–	136	136
Financial Liabilities								
Hire purchase payables	–	–	–	–	484	–	484	484
Term loans	–	–	–	–	173,496	–	173,496	173,496
RCULS	–	–	–	–	1,579	–	1,579	1,763

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

41. FINANCIAL INSTRUMENTS (CONT'D)

41.4 FAIR VALUE INFORMATION (CONT'D)

	Fair Value of Financial Instruments Carried At Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value				
The Company	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total Fair Value RM'000**	**Carrying Amount RM'000**
30.6.2019								
Financial Asset								
Short-term investments - money market funds	5,199	–	–	–	–	–	5,199	5,199
Financial Liability								
Hire purchase payables	–	–	–	–	27	–	27	27
31.12.2017								
Financial Asset								
Short-term investments - money market funds	121	–	–	–	–	–	121	121
Financial Liabilities								
Hire purchase payables	–	–	–	–	378	–	378	378
RCULS	–	–	–	–	1,579	–	1,579	1,763

41. FINANCIAL INSTRUMENTS (CONT'D)

41.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

- The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.

(ii) There were no transfer between level 1 and level 2 during the financial period.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair value, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of the Group's terms loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(ii) The fair values of hire purchase payables and RCULS that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	30.6.2019	**31.12.2017**	**30.6.2019**	**31.12.2017**
	%	**%**	**%**	**%**
Hire purchase payables	**4.66**	4.66	**4.66**	4.66
RCULS	**N/A**	12.99	**N/A**	12.99

42. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The significant events during the financial period are as follows:-

(a) On 30 November 2017, PBJV received a letter from PETRONAS Gas Berhad ("PGB") for the extension of the Provision of Repair and Maintenance of Sabah Sarawak Gas Pipeline contract ("Contract"). The Contract was initially awarded on 25 November 2015 for a duration of 2 years from 1 December 2015 to 30 November 2017. The Contract has since been extended by PGB for an additional 1 year until 30 November 2018.

(b) On 16 April 2018, PBJV received a conditional contract extension from PETRONAS Carigali Sdn. Bhd. ("PCSB") for the Umbrella Contract for Pan Malaysia Transportation and Installation of Offshore Facilities ("Contract"), which is due to expire in December 2018. The Contract has since been extended by PCSB for an additional 1 year until 26 December 2019.

(c) On 11 July 2018, PBJV received a letter of award from Sapura Exploration and Production (PM) Inc. ("Sapura Exploration") for the Provision of Pan Malaysia Maintenance, Construction and Modification ("PM-MCM") Contractor for year 2018 to 2023 Package A (West Malaysia) ("Contract"). The scope of the Contract will generally include the maintenance, construction and modification work for structures and facilities for Sapura Exploration's oil and gas fields offshore Peninsular Malaysia. The total value of the Contract is not fixed and will depend on the actual scope based on work orders to be issued by Sapura Exploration from time to time throughout the duration of the Contract. The Contract duration is for 5 years effective from 11 July 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

42. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

(d) On 13 July 2018, PBJV received a letter of award from Enquest Petroleum Production Malaysia Ltd ("EQ Petroleum") for the Provision of PM-MCM Contract for year 2018 to 2023 Package A ("Contract"). The total value of the Contract is not fixed and will depend on the actual scope based on work orders to be issued by EQ Petroleum from time to time throughout the duration of the Contract. The Contract duration is for 5 years effective from 13 July 2018.

(e) On 16 July 2018, PBJV received a letter of award from Petrofac (Malaysia-PM304) Limited ("Petrofac") for the Provision of PM-MCM Contract for year 2018 to 2023 ("Contract"). The scope of the Contract will generally include the maintenance, construction and modification work for structures and facilities for Petrofac's oil and gas fields offshore Peninsular Malaysia. The total value of the Contract is not fixed and will depend on the actual scope based on work orders to be issued by Petrofac from time to time throughout the duration of the Contract. The Contract duration is for 5 years effective from 17 July 2018.

(f) On 17 July 2018, PBJV received a letter of award from Hess Exploration and Production Malaysia B.V. ("Hess") for the Provision of PM-MCM Contract for year 2018 to 2023 ("Contract"). The scope of the Contract will generally include maintenance, construction and modification work for structures and facilities for Hess's oil and gas fields offshore Peninsular Malaysia. The total value of the Contract is not fixed and will depend on the actual scope agreed in work orders to be issued by Hess from time to time throughout the duration of the Contract. The Contract duration is for 5 years effective from 17 July 2018.

(g) On 27 August 2018, the Company announced that it is closing its 85% indirect subsidiary, PBJV Gulf Co. Ltd ("PBJV Gulf"), which was established under the laws of the Kingdom of Saudi Arabia. The closure of PBJV Gulf is part of the Group's actions to reduce the Group's operating costs. A liquidator, Rami K. Al-Khedher, was appointed to commence members' voluntary liquidation of PBJV Gulf.

(h) On 28 August 2018, PBJV attended a case management at High Court of Malaya at Shah Alam ("Court") in respect of a claim made by Mersing Construction & Engineering Sdn. Bhd. ("Mersing") for a sum of RM13,275,867.96. Mersing was a subcontractor appointed by PBJV for part of the scope of work for the Pengerang Gas Pipeline Project. The claim submitted by Mersing for RM2,503,655.27 is in respect of the balance of the progress claim for the subcontract work and RM10,772,212.69 is for variation order work.

PBJV has disputed the amount claimed by Mersing for the variation order work. At the same time, PBJV has also filed a civil suit against Mersing for a total sum of RM41,658,233.63 for the additional cost incurred to the project that PBJV claimed was caused by Mersing.

On 25 September 2018, the Court sought respective parties' clarification and the decision hearing of the case was fixed for 16 October 2018. The decision hearing was later postponed to 22 October 2019.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

(i) On 19 September 2018, PBJV was served with a Writ of Summons filed by CPM Construction Sdn. Bhd. ("CPM"). The matter had been fixed for case management by the High Court of Shah Alam on 25 October 2018.

CPM is a Consortium Member jointly with PBJV ("PBJV-CPM Consortium") to undertake the Procurement, Construction and Commissioning (PCC) of Pengerang Gas Pipeline Project at Johore Darul Takzim for PGB. The claim submitted by CPM is for:-

(i) the sum of RM15,573,427.78 for alleged variation works and claims for alleged loss and expense purportedly incurred by CPM under the PBJV-CPM Consortium matrix of responsibility;
(ii) interest of 5% per annum on the above sum (or any amount to be determined by the Court) from the date of this action until full payment;
(iii) costs; and
(iv) such further and/or other reliefs that the Court deems fit and proper.

On 5 November 2018, PBJV received a Writ of Summon where CPM had revised their earlier claim to be as follows:-

(i) the sum of RM5,913,886.28 for alleged variation works;
(ii) the sum of RM36,493,455.06 for alleged loss and damage purportedly incurred by CPM for purported delay and/or disruption of work;
(iii) interest at the rate of 5% per annum on the sum of RM42,407,341.34 (or such other sums as may be assessed by Court) from such date as the Court thinks fit until the date of Judgement;
(iv) interest at the rate of 5% per annum on the sum of RM42,407,341.34 (or such other sums as may be assessed by Court) from the date of Judgement until the date of full and final settlement;
(v) costs; and
(vi) such further and other reliefs which is deemed fit and proper by the Court.

On 24 May 2019, PBJV has entered into a Settlement Agreement with CPM so as to give effect to the full, final and complete settlement of all disputes and claims between PBJV and CPM.

On 14 June 2019, CPM filed a notice of discontinuance to the Writ of Summon without any order as to cost.

(j) On 16 October 2018, the Company and PBJV had been granted orders pursuant to Sections 366 and 368 of the Companies Act 2016 ("the Act") by the High Court of Malaya at Kuala Lumpur ("Court") restraining all proceedings and actions brought against the Company and PBJV ("Restraining Order") except with leave of Court and subject to any terms that the Court may impose.

The Restraining Order commenced on 16 October 2018 for a period of 90 days up to 14 January 2019.

The Restraining Order was applied for as part of proactive measure by the Company to manage the debt levels of the Group and of the Company, and the Restraining Order allows the Group to negotiate terms with its lenders and creditors without having the threat of any proceedings and actions being brought against the Group.

On 6 March 2019, during the hearing for the appeal for the renewal of the Restraining Order application, the Court had granted, amongst others, the following:-

(i) the Restraining Order to be extended for a further period of 90 days commencing from 14 January 2019 up to 14 April 2019;
(ii) contingent creditors be expressly excluded from the Restraining Order; and
(iii) Encik Sulaiman bin Ibrahim be approved to act as director of the Company and PBJV pursuant to Section 368(2)(d) of the Act.

On 22 April 2019, the Court had granted an extension of time to convene the creditor's meeting for a further 90 days. However, the Court had decided to set aside the Restraining Order.

However, on 29 May 2019, the Court granted PBJV a fresh Restraining Order for the period commencing from 29 May 2019 until 22 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

42. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

(k) On 22 November 2018, PBJV was awarded a Farm-In Agreement by IPC Malaysia B.V. ("IPC") for the Provision of PM-MCM Contract for year 2018 to 2023 Package A (West Malaysia) ("Contract"). The scope of the Contract will generally include the maintenance, construction and modification work for structures and facilities for IPC's oil and gas fields offshore Peninsular Malaysia. The total value of the Contract is not fixed and will depend on the actual scope based on work orders to be issued by IPC from time to time throughout the duration of the Contract. The Contract duration is from 22 November 2018 to 10 July 2023 in accordance with the terms and conditions of the Contract.

(l) On 6 December 2018, the Board of Directors had approved the change in the financial year end of the Group and the Company from 31 December to 30 June. Thus, the next set of audited financial statements shall be for a period of 18-months from 1 January 2018 to 30 June 2019. Thereafter, the financial year end shall be on 30 June for each subsequent year.

(m) On 23 April 2019, the Company had entered into a Memorandum of Understanding ("MOU") with Vallianz Holdings Limited ("Vallianz") to form a strategic alliance for both parties to explore business opportunities in Malaysia and the Middle East. Vallianz is listed on the Catalist Board of the Singapore Exchange and is an established provider of offshore support vessels and integrated offshore marine solutions to the oil and gas industry. The MOU is valid for 2 years.

(n) On 6 May 2019, the Company had entered into a Heads of Agreement ("Agreement") with Minsheng Financial Leasing Co. Ltd ("Minsheng") to form a strategic partnership to explore areas of collaboration in relation to oil and gas projects under Minsheng's portfolio. Minsheng is one of China's biggest financial leasing companies with a wide portfolio covering various fields such as aircrafts, ships, marine engineering equipment, logistics, energy equipment, energy saving and environmental protection, medical equipment, vehicles and construction machinery. It is China's leading ship leasing company with more than 330 ships and Asia's largest corporate aircraft leasing company with nearly 300 aircrafts under its stable.

The duration of the Agreement is for 1 year effective from 6 May 2019, and serves as a strategic framework for a Definitive Agreement, where more detailed terms of the partnership will be determined.

(o) On 17 May 2019, KL101 Ltd had received a notice of demand from Messrs. Zain Megat & Murad, acting as solicitors for Export-Import Bank of Malaysia Berhad ("EXIM Bank"), to notify that an event of default had occurred due to a breach of terms in its Ijarah Facility Agreement dated 11 June 2014 for failing to pay the principal and interest due on 16 May 2019 of USD2,654,211.11.

(p) On 17 May 2019, the Company announced that it has become an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.1(f) of PN17 of the Listing Requirements of Bursa Malaysia after the event of default in payment of the principal and interest (Note 42(o) above) pursuant to Paragraph 9.19A of the Listing Requirements and the Company was unable to provide a solvency declaration to Bursa Malaysia. As an affected listed issuer, the Company is required to submit a regularisation plan to Bursa Malaysia to address the PN17 status within twelve (12) months from 17 May 2019.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD (CONT'D)

(q) On 21 May 2019, the Company announced that pursuant to Paragraph 9.19(46) and Part H of Appendix 9A of the Listing Requirements of Bursa Malaysia, the Board of Directors had approved the incorporation of the revaluation deficit of approximately USD39.00 million in the Group's consolidated financial statements for the financial period ended 31 May 2019. The revaluation was carried out on the Group's barge and pipe laying equipment which was conducted by Maphilindo-Insight Sdn. Bhd. The valuation was carried out as one of the proactive measures taken by the Group to manage and restructure the Group's debt levels and to ascertain the fair value of the Group's non-current assets for accounting purposes pursuant to MFRS 116 "*Property, Plant and Equipment*".

On 25 June 2019, the Company had announced that it had triggered the prescribed criteria under Paragraph 2.1(a) and Paragraph 2.1(e) of PN17 of the Listing Requirements as:-

(i) the shareholders' equity of the Group on a consolidated basis is 25% or less of its issued share capital and such shareholders' equity is less than RM40.00 million, calculated based on the unaudited interim financial results of the Group for the financial period ended 31 May 2019. As a result, the Company had triggered Paragraph 2.1(a) of PN17 of Listing Requirements; and

(ii) the external auditors of the Company, Crowe Malaysia PLT, had expressed material uncertainty relating to the going concern of the Company in the Company's audited financial statements for FYE 31 December 2017 and the shareholders' equity on a consolidated basis is 50% or less of its issued share capital calculated based on the unaudited interim financial results of the Group for the financial period ended 31 May 2019. As a result, the Company had triggered Paragraph 2.1(e) of PN17 of Listing Requirements.

43. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 8 July 2019, the Company had made the requisite announcement pursuant to Paragraph 4.2(a) of PN17, which sets out the Company's Proposed Regularisation Plan comprising the following proposals:-

(i) Proposed reduction of the issued share capital of Barakah pursuant to Section 116 of the Companies Act 2016 ("***Proposed Share Capital Reduction***");

(ii) Proposed disposal of a pipelay barge, which is a marine vessel that is primarily used for the laying of pipes underwater owned by KL101 Ltd ("Pipe Lay Barge") to Lecca Group Pte Ltd ("Lecca") for a total cash consideration of USD21.00 million ("***Proposed Disposal***");

(iii) Proposed placement to (i) Lecca and such persons as may be informed by Lecca in writing and as agreed to by Barakah ("Placement Investor") of 375,000,000 new ordinary shares in Barakah ("Barakah Shares") ("Tranche 1 Placement Shares"), at an issue price of RM0.04 per Tranche 1 Placement Share, together with RM25.00 million in nominal value of 5 years 10% redeemable convertible unsecured loan stocks at 100% of its nominal value of RM0.04 each ("RCULS-B") on the basis of 5 RCULS-B for every 3 Tranche 1 Placement Shares subscribed ("Proposed Placement Tranche 1") and (ii) the option to Lecca to subscribe for up to 250,000,000 new Barakah Shares ("Tranche 2 Placement Shares") at an exercise price of RM0.04 per Barakah Share at any time over a 5 year period from the date of the completion of the Subscription Agreement (as defined herein) ("Proposed Placement Tranche 2")("***Proposed Placement***");

(iv) Proposed debt settlement involving (i) a waiver of debt of approximately RM153.99 million owing to the scheme creditors of Barakah and PBJV; (ii) cash payment of RM32.00 million; (iii) the issuance of RM33.00 million in nominal value of 5 years 3% redeemable convertible unsecured loan stocks at 100% of its nominal value of RM0.04 each ("RCULS-A") and (iv) the issuance of RM69.00 million in nominal value of 5 years 5% redeemable unsecured loan stocks at 100% of its nominal value of RM1.00 each ("RULS") to the scheme creditors ("***Proposed Debt Settlement***"); and

(v) Proposed exemption under Paragraph 4.08(1)(c) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Rules") for Lecca and its persons acting in concert ("PACS") from the obligation to undertake a mandatory offer for all the remaining ordinary shares and convertible securities in Barakah not already owned by them after the Proposed Placement ("***Proposed Exemption***").

Item (i) to (v) above are collectively referred to as the "***Proposed Regularisation Plan***".

On 9 July 2019, the Company announced that the Court Convened Meetings ("CCMs") of the scheme creditors of the Company and PBJV ("Scheme Creditors") will be held on 31 July 2019 to obtain the Scheme Creditors' approval on the Proposed Debt Settlement.

On 12 July 2019, the High Court of Malaya at Kuala Lumpur had granted the Company an extension of time until 31 July 2019 to convene the CCM.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

43. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(a) On 31 July 2019, the Company announced that the CCMs were convened on 31 July 2019. At the said CCMs, the Company informed the Scheme Creditors that due to the suspension letter issued by Petronas, as disclosed in Note 43(b) to the financial statements, notifying the suspension of PBJV's licence, this had made it challenging for the Company to implement the Proposed Regularisation Plan. In view of the same, the Company decided not to proceed with the Proposed Regularisation Plan and the Proposed Debt Settlement was not put to vote by the Scheme Creditors in the respective CCMs.

(b) On 8 July 2019, PBJV received a notification of suspension of PBJV's licence from Petroliam Nasional Berhad ("PETRONAS"). The letter from PETRONAS indicated that there was an adverse report from Petronas Carigali Sdn. Bhd. ("PCSB") pertaining to the non-performance of PBJV in relation to the contract referred to as "Provision for Underwater Services for PCSB" ("the Contract"). Resulting from that, PETRONAS has decided to suspend PBJV's licence for a period of 3 years with effect from the date of the letter.

The implication of the letter is that PETRONAS, including its subsidiaries and any Petroleum Arrangement Contractors ("PACs"), will not award any new contracts to PBJV during the suspension period. PBJV will not be allowed to bid for new projects undertaken by PETRONAS, including its subsidiaries and any PACs, during the suspension period. Nevertheless, PBJV is still allowed to continue and complete its existing and on-going contracts with PETRONAS, including its subsidiaries and PACs, in accordance to the terms and conditions of the existing and on-going contracts.

In response to this, on 5 August 2019, PBJV had issued a Notice of Demand and Dispute to both PETRONAS and PCSB where it disputes the validity of the suspension being issued without any legal justification nor compliance to procedures. The Contract had been successfully carried out and completed prior to the suspension. Upon completion of the Contract, positive appraisal was subsequently given by PCSB hence making the suspension unwarranted. PBJV has demanded an amount of RM1.02 billion against PETRONAS and PCSB, among others, based on the loss of future profits, reputation and market share price.

On 25 September 2019, the Company and PBJV have jointly filed a Writ of Summons proceeding against PETRONAS and PCSB in the Kuala Lumpur High Court ("Writ"). The Writ proceeding filed cites that the suspension notice issued by PETRONAS is illegal, unjustified and unwarranted and aims for it to be annulled and invalidated.

(c) On 9 August 2019, the Company and PBJV have both received demand notices dated 8 August 2019 from PRPC Utilities and Facilities Sdn. Bhd. ("PRPC") for an amount of RM85,203,274.96 on the basis that among others, PBJV has failed to fulfil all of its obligations under a contract referred to as "Utilities, Interconnecting, Offsite (UIO) Facilities: Procurement, Construction & Commissioning (PCC) of Underground Pressurized Non-Metallic Piping Firewater Network East Side" ("P14 Contract").

PRPC has included the Company as the recipient of the demand on the basis that the Company has given a Parent Company Guarantee dated 6 April 2016 to guarantee the performance of PBJV as the contractor.

In response to this, on 22 August 2019, the Company and PBJV have both issued a Notice of Reply to PRPC to dispute the claim. Concurrent to the Notice of Reply, PBJV has further issued a Notice of Demand dated 22 August 2019 to PRPC. The notices (in no particular order) stated among others that PRPC's conduct and failures include (but not limited to) the failure to pay an amount of RM6,579,806.74 within 30 days (pursuant to Article 32.13 of the P14 Contract) being the sum due under Progress Claim No. 9 which has been duly certified by PRPC and the subsequent failure to process PBJV's Progress Claim No.10 which has been submitted to PRPC since 30 October 2018 for work done.

43. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONT'D)

(c) The Company and PBJV further cited that despite the contractual procedures for variation of works, (which require a Change Order to be issued by PRPC), there have been verbal variation instructions given by PRPC which delayed the original milestones. In consequence to PRPC's own failure to issue the "Change Orders" and despite work being done pursuant to the said instructions, no extension of time was granted. The Company and PBJV finally dispute the validity of a letter dated 30 March 2018 issued by PRPC which purported to discontinue all the works under the P14 Contract.

PBJV has demanded PRPC to pay the amount of RM6,579,806.74 and to withdraw the discontinuance letter within 7 days from the date of PBJV's notice. Further, PRPC has been demanded to process the Progress Claim No. 10 within 15 days (in tandem with Article 32.6 of the P14 Contract) from the date of the receipt of the said notice.

On 12 September 2019, PBJV has commenced a legal proceeding by filing a Writ of Summons in the Kuala Lumpur High Court ("the Court") against PRPC. Macfeam Sdn. Bhd. has also been named as the Second Plaintiff in the said legal action.

PBJV has pleaded 5 main claims in its Statement of Claim against PRPC and each claim is based on a breach of different Articles and/or terms of the P14 Contract. The general order and contents of the claims are as follows:-

(i) the amount of RM6,579,806.74 being the amount certified and/or verified by the authorised representatives of PRPC since November 2017, for Progress Claim No. 9 and which PRPC has failed to pay within 30 days since the issuance of PBJV invoice dated 11 November 2017;
(ii) the amount of RM23,144,529.02 being the amount of Progress Claim No. 10 which PRPC has failed and/or refused to process in accordance with the terms of the Articles;
(iii) the amount of RM4,557,400.00 being the amount due for work done under various variation instructions which PRPC has refused to process;
(iv) an amount RM8,414,802.80 being the amount of the performance bond wrongfully demanded by PRPC; and
(v) a declaration that the alleged notice of discontinuance dated 30 March 2018 is null and void.

PBJV further has included general damages and other reliefs which the Court may view as just and fair to be granted at the end of the proceeding. PBJV further pleads that due to certain notable inconsistencies in Part III of the Conditions of the P14 Contract and its interpretations, recourse to court process appears to be an available option. The Writ of Summons is now pending extraction in Court.

(d) On 22 August 2019, KL101 Ltd had received a second (2nd) notice of demand dated 15 August 2019 from EXIM Bank's acting solicitors, Messrs. Zain Megat & Murad. An amount of USD3,859,201.39 has been stated in the demand for the outstanding instalment payments as at 2 August 2019.

(e) On 2 October 2019, PBJV served a Notice of Demand to PGB for a sum of RM179,843,379.10. The basis of PBJV's claims are as follows:-

(i) the loss and expenses incurred under Extension of Times ("EOTs") by PBJV under the Project known as "Procurement, Construction and Commissioning (PCC) of Pengerang Gas Pipeline Project" (formerly known as Procurement, Construction and Commissioning of RGT2 Pipeline Project) ("the Project") in a sum of RM30,437,280.00;
(ii) PBJV's loss of the balance of the Contract Price of the Project arising from and in connection with the signing of the Global Settlement Agreement dated 12 April 2018 ("GSA") in the sum of RM24,483,822.80;
(iii) 3 Change Notices submitted by PBJV to PGB for the Project in a sum of RM23,522,276.30; and
(iv) PBJV's projected loss of revenue arising from and in connection with the suspension of PBJV's Petronas Licence estimated in the sum of RM101,400,000.00.

(f) On 14 October 2019, the Company and Lecca have mutually agreed to terminate the following agreements ("Letters of Termination") which were entered into as part of the Proposed Regularisation Plan:-

(i) the conditional memorandum of agreement between KL101 Ltd and Lecca dated 8 July 2019 for the disposal of the Pipe Lay Barge for a cash consideration of USD21.00 million or approximately RM88.00 million; and
(ii) the subscription agreement entered into between the Company and Lecca dated 8 July 2019 pursuant to the Proposed Placement.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2019

44. CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 4.1 to the financial statements, the Group has adopted MFRS 9 and MFRS 15 during the financial period. The financial impacts upon the adoption of these accounting standards are summarised below:-

Statements of Financial Position

	At 1 January 2018			
	As Previously Reported RM'000	**MFRS 9 Adjustments RM'000**	**MFRS 15 Adjustments RM'000**	**As Restated RM'000**
The Group				
Current Assets				
Trade receivables	61,791	(5,434)	(18,178)	38,179
Other receivables, deposits and prepayments	12,041	(1,521)	–	10,520
Contract Assets	–	(26)	18,178	18,152
Equity				
Retained profits	28,185	(6,955)	–	21,230
The Company				
Current Asset				
Amount owing by subsidiaries	124,324	(39,141)	–	85,183
Equity				
Accumulated loss	(17,722)	(39,141)	–	(56,863)

Initial Application of MFRS 9

The Group

The Group has adopted MFRS 9 without restating any comparative information (transitional exemption). Therefore, the financial impacts arising from the new classification and measurement of financial instruments, and the new impairment requirements are not reflected in the consolidated statement of financial position as at 31 December 2017; but are recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9).

The Company

There were no material financial impacts upon the transition to MFRS 9 at the date of initial application other than an increase in the loss allowance for amount owing by subsidiaries arising from the change in impairment loss assessment.

LIST OF
PROPERTIES

No.	Name registered owner	Approximate age of building/ Tenure/Date of expiry of leasehold interest	The identification/ Postal address	Description and exisiting use	Land area/ Built up area	Restriction in Interest/ Encumbrances	Audited net book value as at 30.06.2019
1	PBJV (registered under the previous name of PBJV. Being PTIS-Baxtech JV Sdn Bhd)	Leasehold, 99 years, expiring on 12.07.2098* Gran No: 7522	PN91735, Lot No. 17895 Mukim dengkil, District of Sepang, Selangor Lot 9504, Jalan Meranti Permai, Meranti Permai Industrial Park, Batu 15, 47100 Puchong, Selangor	Open yard fabrication facilities Category of land use: Industrial	Land area: 44,670 square feet	The land can only be transferred, leased or charged with the consent of the State Authority of Selangor	RM724,082
2	PBJV	Leasehold, 60 years, expiring on 14.08.2056	Lot 1244, Block 5 Kuala Baram Land District, in the locality of Lutong - Kuala Baram Road, Miri Sarawak (Registration Number: 04-LCLS-005 - 005-01244) Lot 1244, Jalan Marigold Desa Senadin 98100, Miri Sarawak	Open yard fabrication facilities Category of land use: Town land to be as a 2-storey detached building where the ground floor to be used for as office, storage cum watchmen's quarters	Land area: 36,425 square feet	The land can only be transferred or subleased (if subleased within 5 years from 15.08.96) with the written consent of the Director of Lands and Surveys, Miri Charged to Public Bank Berhad Date acq: 15.05.2009	RM814,497

* Approximate age of building is not applicable as the yard does not contain any fixed structures or buildings

** Abbreviation: GM: Geran Mukim, PN: Pajakan Negeri, PM: Pajakan Mukim

GROUP
CORPORATE DIRECTORY

HEAD OFFICE

BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
PBJV GROUP SDN BHD (524536-A)
No. 3, Jalan Teknologi,
Taman Sains Selangor 1
Kota Damansara PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603 6143 0000
Fax : +603 6143 0003/02/01

PBJV SUPPORT OFFICES

KUALA LUMPUR
PBJV GROUP SDN BHD
Unit B-3-1
Megan Avenue 1
No 189 Jalan Tun Razak
50400 Kuala Lumpur

Tel : +603 2164 8030
Fax : +603 2164 8034

TERENGGANU
PBJV GROUP SDN BHD
Lot 198, Jalan Kuala Terengganu - Kuantan
Kampung Nyior, Paka
23100 Terengganu

Tel : +609 827 6172
Fax : +609 827 6172

SARAWAK
PBJV GROUP SDN BHD
Sublot 9, Lot 597
1st Floor, Blok 5
Desa Senadin KBLD
98100 Miri, Sarawak

Tel : +6085 622 880
Fax : +6085 622 884

ANALYSIS OF **SHAREHOLDINGS**

AS AT 19 SEPTEMBER 2019

SHARE CAPITAL

Number of Issued Shares	:	835,786,391 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

ANALYSIS BY SIZE OF HOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 - 99	1,039	10.451	14,251	0.002
100 - 1,000	972	9.778	563,138	0.067
1,001 - 10,000	3,348	33.679	19,493,196	2.332
10,001 - 100,000	3,522	35.429	147,891,684	17.695
100,001 - 41,789,319 (*)	1,060	10.663	667,824,122	79.904
41,789,320 and above (**)	0	0.000	0	0.000
Total	**9,941**	**100**	**835,786,391**	**100**

Remark:

* Less than 5% of issued shares

** 5% and above of issued shares

SUBSTANTIAL SHAREHOLDERS

		Direct		Indirect	
No	**Name**	**No. of shares**	**%**	**No. of shares**	**%**
1	Nik Hamdan bin Daud	74,529,237	8.917	2,818,100	0.337

DIRECTORS' SHAREHOLDINGS

		Direct		Indirect	
No	**Name**	**No. of shares**	**%**	**No. of shares**	**%**
1	Nik Hamdan bin Daud	74,529,237	8.917	2,818,100	0.337
2	Sulaiman bin Ibrahim	5	0	0	0
3	Nurhilwani binti Mohamad Asnawi	5	0	0	0
4	Azman Shah bin Mohd Zakaria	20,611,624	2.466	0	0
5	Rasdee bin Abdullah	0	0	0	0
6	Datuk Mohd Zaid bin Ibrahim*	0**	0	0	0
7	Dr. Rosli bin Azad Khan*	310,300	0.037	0	0

* Appointed as Director on 14 October 2019.

** Acquired 1,200,000 ordinary shares (0.144%) on 11 October 2019.

LIST OF TOP 30 SHAREHOLDERS

AS AT 19 SEPTEMBER 2019

No.	Name	No. of Shares	%
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD	39,665,600	4.746
2.	MAGNADRIVE SDN BHD	32,461,200	3.884
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NIK HAMDAN BIN DAUD (PB)	31,400,000	3.757
4.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (MARGIN)	21,696,500	2.596
5.	AZMAN SHAH BIN MOHD ZAKARIA	20,611,624	2.466
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LING SOON HING	15,056,700	1.802
7.	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	13,635,000	1.631
8.	CHAI CHAT LEONG	12,500,000	1.496
9.	MUHAMMAD YUSRI BIN ABDUL RASHID	12,032,300	1.440
10.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (021)	10,800,000	1.292
11.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (3RD PARTY-M8767)	9,710,200	1.162
12.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	7,020,000	0.840
13.	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RUSLAN BIN AHMAD @ MOHD YUSOFF (A)	7,000,000	0.838
14.	TAN YU WEI	6,000,000	0.718
15.	AFFIN HWANG INVESTMENT BANK BERHAD IVT (JRY)	5,463,000	0.654
16	LOO CHONG SING	5,215,000	0.624
17.	LAI WOON YEW	5,000,000	0.598
18.	HONG THENG LOK	4,300,000	0.514
19.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL (MARGIN)	4,100,000	0.491
20.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG HO LENG (MY0083)	4,000,000	0.479

LIST OF TOP 30 **SHAREHOLDERS**

AS AT 19 SEPTEMBER 2019

No.	Name	No. of Shares	%
21	AYOB BIN MOHD ABAS	3,624,000	0.434
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RHISDY BIN HASHIM	3,450,000	0.413
23.	MOHD NAJID BIN MD YAHYA	3,200,000	0.383
24.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	3,045,100	0.364
25.	CHEONG HO LENG	3,000,000	0.359
26.	NIK AZRI SYAZWI BIN NIK HAMDAN	2,818,100	0.337
27.	KONG AH THEN	2,750,000	0.329
28.	TEO CHIN SIONG	2,715,000	0.325
29.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR ONG EU SOON	2,500,000	0.299
30.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHUNG TOUNG (E-KKU)	2,500,000	0.299

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of Barakah Offshore Petroleum Berhad ("Barakah" or "the Company") will be held at Sireh Junjung Banquet Hall, F55, Level 1, PJU 5 Encorp Strand Mall, Kota Damansara 47810 Petaling Jaya, Selangor Darul Ehsan on Monday, 30 December 2019 at 9.30 a.m. to transact the following businesses:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial period ended 30 June 2019 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To re-elect En Rasdee Bin Abdullah who is retiring in accordance with Article 86 of the Constitution of the Company. **Ordinary Resolution 1**

3. To elect En Nik Hamdan Bin Daud who is retiring under Article 92 of the Constitution of the Company. **Ordinary Resolution 2**

4. To elect Datuk Mohd Zaid Bin Ibrahim who is retiring under Article 92 of the Constitution of the Company. **Ordinary Resolution 3**

5. To elect Dr Rosli Bin Azad Khan who is retiring under Article 92 of the Constitution of the Company. **Ordinary Resolution 4**

6. To approve the payment of Directors' fees of RM58,600 per month for the Non-Executive Directors, from 31 December 2019 until the next Annual General Meeting of the Company. **Ordinary Resolution 5**

7. To approve the payment of Directors' benefits of up to RM240,000 for the Non-Executive Directors, from 31 December 2019 until the next Annual General Meeting of the Company. **Ordinary Resolution 6**

8. To re-appoint Messrs. Crowe as Auditors of the Company 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 Ordinary and Special Resolution:

9. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   "**THAT**, subject always to the Sections 75 and 76 of the Companies Act 2016 ("**the Act**"), the Constitution of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

   AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 8**

10. **Proposed Adoption of the New Constitution of the Company**

“**THAT** approval be given to revoke the existing Constitution (previously referred to as the Memorandum and Articles of Association) of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company, as set out in the Circular to Shareholders dated 31 October 2019, be adopted as the Constitution of the Company; AND THAT the Directors of the Company be authorised to assent to any modification, variation and/or amendment as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.” **Special Resolution 1**

11. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD
NG HENG HOOI (MAICSA 7048492)
WONG MEE KIAT (MAICSA 7058813)
Company Secretaries

Date: 31 October 2019

Notes:

1. A member entitled to attend and vote at a meeting of the Company may appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies to attend at the same meeting, the member shall specify the proportion of the member’s shareholdings to be represented by each proxy.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an exempt authorised nominee appoints two (2) or more proxies, the said nominee shall specify the proportion of its shareholdings to be represented by each proxy.

3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of the appointor’s attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available a Record of Depositors as at 19 December 2019 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

7. Personal data privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

1. **Audited Financial Statements**

   Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 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. **Ordinary Resolution 5 and Ordinary Resolution 6**
   Payment of Directors' fees and benefits

   Pursuant to Section 230(1) of the Companies Act 2016, fees and benefits ("Remuneration") payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of Remuneration to Non-Executive Directors for the period commencing from 31 December 2019 up till the next Annual General Meeting of the Company in 2020. The Remuneration comprises fees, meeting allowances and benefits-in-kind payable to non-executive directors.

3. **Ordinary Resolution 8**
   Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

   The proposed Ordinary Resolution 6 is intended to renew the authority granted to the Directors of the Company at the Sixth Annual General Meeting of the Company held on 27 June 2018 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the total number of issued shares of the Company for the time being.

   The General Mandate granted by the shareholders at the Sixth Annual General Meeting of the Company had not been utilised and hence no proceeds were raised therefrom.

   The new General Mandate will enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

4. **Special Resolution 1 - Proposed Adoption of the New Constitution of the Company**

   The proposed Special Resolution 1, if passed, will bring the new Company's Constitution in line with the enforcement of Companies Act 2016 and the amended Listing Requirements of Bursa Securities, which will enhance the Company's administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 31 October 2019.

Statement Accompanying Notice of Annual General Meeting

The profile of the Directors namely Encik Nik Hamdan Bin Daud, Datuk Mohd Zaid Bin Ibrahim and Dr Rosli Bin Azad Khan, who are standing for election pursuant to Article 92 of the Constitution of the Company at the Seventh Annual General Meeting are set out on pages 06 to 09 of the 2019 Annual Report. The details of the Directors' interest in the securities of the Company are stated in the "Analysis of Shareholdings" section in the 2019 Annual Report.

PROXY FORM

BARAKAH OFFSHORE PETROLEUM

BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
(Incorporated in Malaysia)

CDS account no. of authorised nominee	No. of Shares held

I/We, ______________________________ IC No./ID No./Company No. ______________________

of ____

being a member of BARAKAH OFFSHORE PETROLEUM BERHAD hereby appoint ______________________

IC No./ID No. ____________________ of ______________________________

or failing him/her, ______________________________ IC No./ID No. ____________________

of ____

or failing him/her, *the Chairman of the Meeting as my/our proxy to vote and act for me/us, and on my/our behalf at the Seventh Annual General Meeting of the Company to be held at Sireh Junjung Banquet Hall, F55, Level 1, PJU 5 Encorp Strand Mall, Kota Damansara 47810 Petaling Jaya, Selangor Darul Ehsan on Monday, 30 December 2019 at 9.30 a.m. and at any adjournment thereof.

** Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

My/our proxy is to vote as indicated below:

	Resolutions		
	Ordinary Business	**For**	**Against**
Ordinary Resolution 1	Re-election of En Rasdee Bin Abdullah as Director		
Ordinary Resolution 2	Election of En Nik Hamdan Bin Daud as Director		
Ordinary Resolution 3	Election of Datuk Mohd Zaid Bin Ibrahim as Director		
Ordinary Resolution 4	Election of Dr Rosli Bin Azad Khan as Director		
Ordinary Resolution 5	Approval of the payment of Directors' fees of RM58,600 per month for the Non-Executive Directors, from 31 December 2019 until the next Annual General Meeting of the Company		
Ordinary Resolution 6	Approval of the payment of Directors' benefits of up to RM240,000 for the Non-Executive Directors, from 31 December 2019 until the next Annual General Meeting of the Company		
Ordinary Resolution 7	Re-appointment of Messrs Crowe as Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Ordinary Resolution 8	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Special Resolution 1	Proposed Adoption of the New Constitution of the Company		

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

____
Signature/Common Seal

Date: ______________________________

NOTES :

1. A member entitled to attend and vote at a meeting of the Company may appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies to attend at the same meeting, the member shall specify the proportion of the member's shareholdings to be represented by each proxy.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where an exempt authorised nominee appoints two (2) or more proxies, the said nominee shall specify the proportion of its shareholdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of the appointor's attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available a Record of Depositors as at 19 December 2019 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.
7. Personal data privacy:
   By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

1st fold here

AFFIX
STAMP

The Share Registrar of
BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
C/O Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

2nd fold here

BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
No. 3, Jalan Teknologi, Taman Sains Selangor 1
Kota Damansara PJU 5, 47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : 03-6143 0000
Fax : 03-6143 0003

www.barakahpetroleum.com