BARAKAH OFFSHORE PETROLEUM

RESILIENCE & SUSTAINABILITY

ANNUAL REPORT **2020**

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

INSIDE THIS REPORT

CORPORATE PROFILE

Barakah Offshore Petroleum Berhad ("Barakah" or "the Company") was incorporated in Malaysia on 1 March 2012 as an investment holding company for PBJV Group Sdn Bhd ("PBJV") and its subsidiaries companies. The strength of PBJV is driven by its unwavering commitment to excellence and delivering results, backed by sound technical expertise and ability to resolve matters to exceed clients' expectations.

The business of PBJV started in August 2000 in offshore pipeline services. PBJV has since grown to become one of Malaysia's leading companies in pipeline services. Being focussed and committed in this ever-challenging industry and consistently striving to be the best are the key success factors of the Company.

Within 6 years by 2006, PBJV expanded its business activities into offshore transportation and installation works, hook-up and commissioning, onshore pipeline construction, underwater services and chartering of marine vessels and equipment.

PBJV continued to expand its capability with people and assets and by 2013, PBJV was recognized as one of the main contractors in offshore pipeline installation and hook-up and commissioning when it secured long-term contracts with major clients. In 2016, PBJV added another business pillar, Underwater Services involving inspection, maintenance, repair, diving support and related services for underwater facilities.

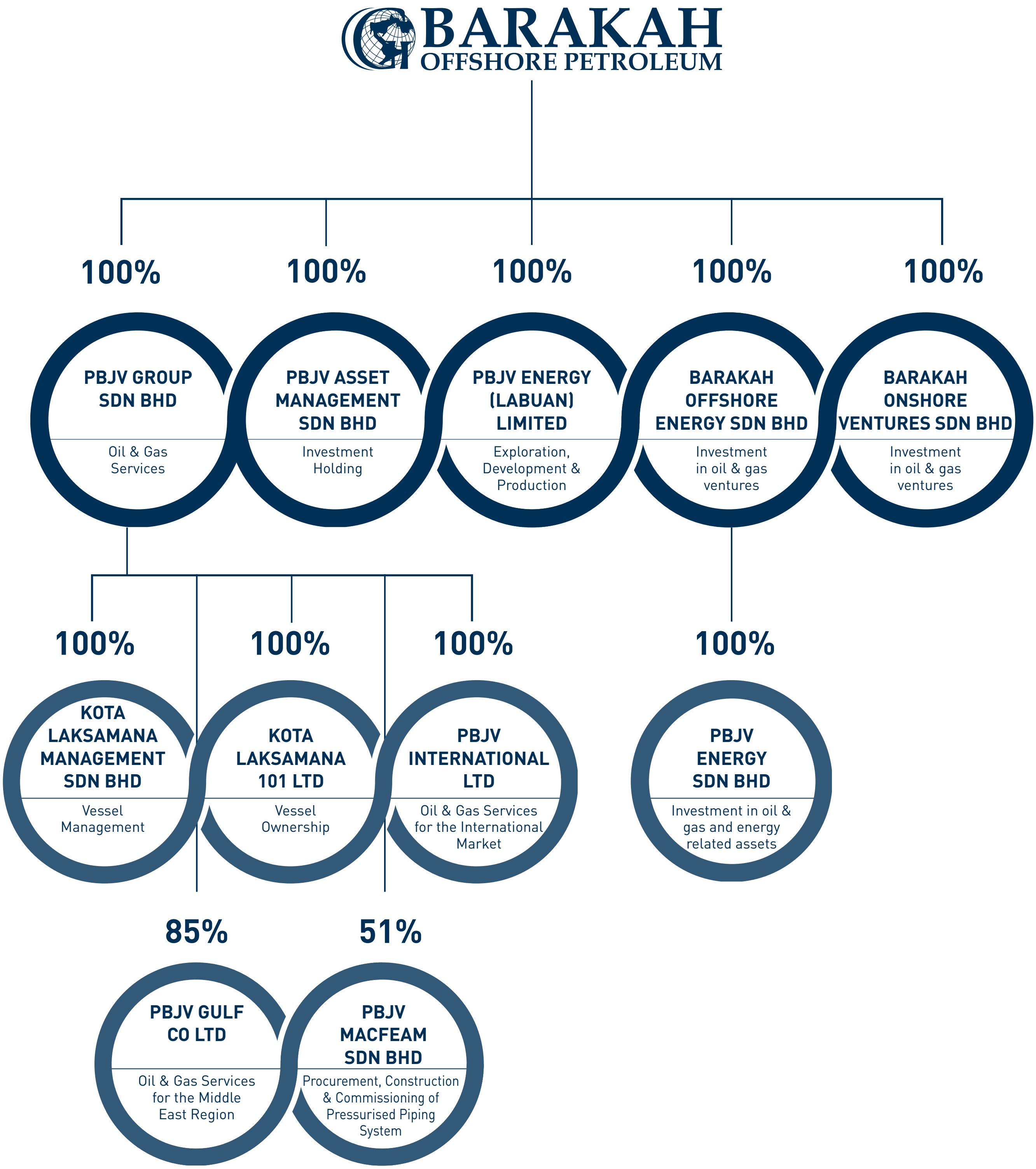
Up to the date of reporting, we delivered RM4.3 billion worth of work to the industries.

As the industry has become more challenging and too competitive, Barakah and its subsidiary companies are enhancing our capabilities by exploring new technologies that can contribute to our revenues such as from the sectors of Renewable Energy and Operation & Maintenance.

With its depth of experience and strength, Barakah is positively gaining momentum towards its vision 'TO BE THE PREMIER INTEGRATED SOLUTIONS PROVIDER TO THE INDUSTRIES'. The Company is capable to continue undertaking technically challenging works and has set its sights to expand its business activities in Malaysia and beyond.

NIK HAMDAN DAUD
Group President & Chief Executive Officer
Barakah Offshore Petroleum Berhad

CORPORATE STRUCTURE



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

Nurhilwani binti Mohamad Asnawi
Independent Non-Executive Director

Dr. Rosli bin Azad Khan
Independent Non-Executive Director

Azman Shah bin Mohd Zakaria
Non-Independent Executive Director

Rasdee bin Abdullah
Non-Independent Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Nurhilwani binti Mohamad Asnawi
Chairman

Sulaiman bin Ibrahim

Dr. Rosli bin Azad Khan

NOMINATION & REMUNERATION COMMITTEE

Sulaiman bin Ibrahim
Chairman

Nurhilwani binti Mohamad Asnawi

Dr. Rosli bin Azad Khan

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

Nurhilwani binti Mohamad Asnawi

Rasdee bin Abdullah

COMPANY SECRETARIES

Ng Heng Hooi
(MAICSA 7048492)
(PC No. 202008002923)

Wong Mee Kiat
(MAICSA 7058813)
(PC No. 202008001958)

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

Morison AAC PLT
(Formerly known as
Morison Anuarul Azizan Chew)
Chartered Accountants
No 18, Jalan Pinggir 1/64
Jalan Kolam Air
Off Jalan Sultan Azlan Shah
(Jalan Ipoh)
51200 Kuala Lumpur
T: +603 4048 2888
F: +603 4048 2999

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

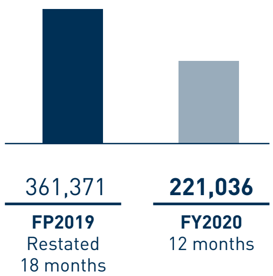
Export-Import Bank of Malaysia Berhad

Affin Bank Berhad

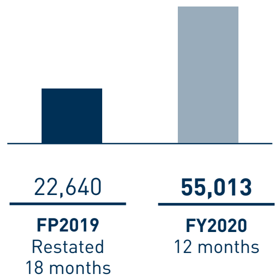
Bank Muamalat Malaysia Berhad

FINANCIAL PERFORMANCE

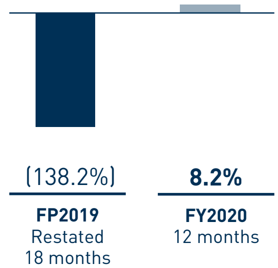
Revenue
RM'000



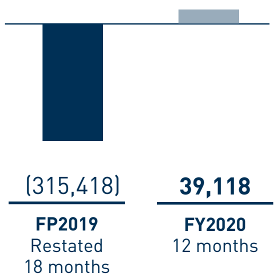
Total Cash
(%)



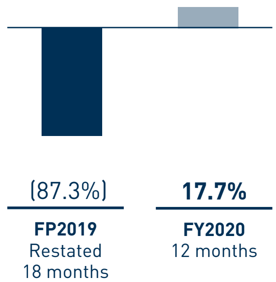
Return on Assets
(%)



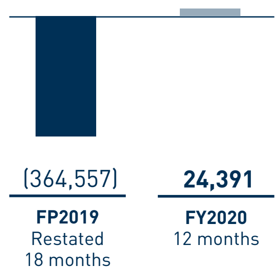
EBITDA*
RM'000



EBITDA* Margin
(%)



Profit/(Loss) Before Taxation
RM'000



	FY2020 12 months RM'000	FP2019 Restated 18 months RM'000
Revenue	**221,036**	361,371
Profit/(Loss) before taxation	**24,391**	(364,557)
Profit/(Loss) after taxation attributable to owners of the Company	**25,025**	(377,054)
EBITDA*	**39,118**	(315,418)
EBITDA* margin (%)	**17.7%**	(87.3%)
Total assets	**303,704**	272,772
Total borrowings	**189,293**	186,359
Total cash^	**55,013**	22,640
Total equity attributable to owners of the Company	**(158,453)**	(176,752)
Return on assets (%)	**8.2%**	(138.2%)
Return on shareholders' equity (%)	**N/A**	N/A
Net gearing (%)	**N/A**	N/A
Basic EPS (sen)	**2.99**	(45.40)
Diluted EPS (sen)	**N/A**	N/A

* Earnings Before Interest, Tax, Depreciation and Amortisation
^ Total cash includes short term investment, fixed deposits with licensed banks, cash and cash balances, excluding overdrafts, fixed deposits and cash pledged to licensed bank.

BOARD OF DIRECTORS

Barakah's Board of Directors steers the Company towards sustainable value delivery anchored on high standards of corporate governance.

BOARD OF DIRECTORS

From left to right:

Dr. Rosli bin Azad Khan
Independent Non-Executive Director

Sulaiman bin Ibrahim
Senior Independent Non-Executive Director

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

Datuk Mohd Zaid bin Ibrahim
Independent Non-Executive Chairman

Nurhilwani binti Mohamad Asnawi
Independent Non-Executive Director

Azman Shah bin Mohd Zakaria
Non-Independent Executive Director

Rasdee bin Abdullah
Non-Independent Executive Director

PROFILE OF BOARD OF DIRECTORS

Meeting attendance in July 2019 – June 2020:

Meeting	Frequency
Board of Directors	4/5

DATUK MOHD ZAID BIN IBRAHIM

Independent Non-Executive Chairman

Age 69	Male	Malaysia

Datuk Mohd Zaid bin Ibrahim, aged 69, 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 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, privatisation 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 Disable and Underprivileged based in Kota Bahru, Kelantan since 1999. This Foundation has helped more than 5,000 children and poorer members of the community. The Foundation not only helps thousands of disabled but also provides palliative care to terminally ill cancer patients.

Meeting attendance in July 2019 – June 2020:

Meeting	Frequency
Board of Directors	6/6

NIK HAMDAN BIN DAUD

Group President & Chief Executive Officer
Non-Independent Executive Director

Age 53	Male	Malaysia

Nik Hamdan bin Daud, aged 53, 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 was re-appointed to the same position on 19 July 2019.

After working with Esso Production Malaysia in 1996, he chose to be an entrepreneur and ventured into various industries and businesses. He has over 26 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 Carigali Sdn Bhd ("PCSB"), Petronas Gas Berhad ("PGB"), Petronas Dagangan Berhad ("PDB"), Sabah Shell Petroleum Co. Ltd., Sarawak Shell Berhad, ExxonMobil Exploration and Production ("ExxonMobil"), Repsol Oil & Gas Malaysia Limited ("Repsol"), Vietsopetro ("VSP") (Vietnam), PTTEP Sabah Oil Co.Ltd, Asean Bintulu Fertilizer Sdn Bhd ("ABF"), Petrofac (Malaysia-PM304) Limited ("PETROFAC"), EnQuest Petroleum Production Malaysia Ltd ("EnQuest") HESS Exploration and Production Malaysia B.V ("HESS"), Sapura Energy Berhad and IPC Malaysia B.V.

He holds directorship in several private limited companies. He graduated with a 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.

PROFILE OF BOARD OF DIRECTORS

SULAIMAN BIN IBRAHIM

Senior Independent Non-Executive Director

Age 60	Male	Malaysia

Sulaiman Ibrahim, aged 60, 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 July 2019 – June 2020:

Meeting	Frequency
Board of Directors	6/7
ARMC	5/5
NRC	1/1

NURHILWANI BINTI MOHAMAD ASNAWI

Independent Non-Executive Director

Age 45	Female	Malaysia

Nurhilwani Mohamad Asnawi, aged 45, 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 20 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 July 2019 – June 2020:

Meeting	Frequency
Board of Directors	7/7
ARMC	5/5
NRC	1/1

PROFILE OF BOARD OF DIRECTORS

Meeting attendance in July 2019 – June 2020:

Meeting	Frequency
Board of Directors	5/5
ARMC	4/4

DR. ROSLI BIN AZAD KHAN

Independent Non-Executive Director

Age 63	Male	Malaysia

Dr. Rosli bin Azad Khan, aged 63, 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 36 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 privatisation projects and consultancy, public private partnership ("PPP"), feasibility studies, traffic forecasting, project assessment and evaluations, financial analysis, project financing and policy reviews. He was previously a Board Member of Drydocks World, Dubai, UAE and Polarcus LLC, Norway.

He was previously 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.

PROFILE OF BOARD OF DIRECTORS

Meeting attendance in July 2019 – June 2020:

Meeting	Frequency
Board of Directors	7/7

AZMAN SHAH BIN MOHD ZAKARIA

Non-Independent Executive Director

Age 56	Male	Malaysia

Azman Shah bin Mohd Zakaria, aged 56, 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 Deputy Group President & CEO and the Executive Chairman of PBJV Group Sdn Bhd.

Azman has more than 22 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 July 2019 – June 2020:

Meeting	Frequency
Board of Directors	7/7

RASDEE BIN ABDULLAH

Non-Independent Executive Director

Age 50	Male	Malaysia

Rasdee Abdullah, aged 50, 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. He joined the Group since 2011.

He has over 26 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. In 2000, he was appointed as a Construction Superintendent by Ranhill Engineers and Constructors Sdn Bhd.

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.

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 hold any directorship in other public companies.

PROFILE OF SENIOR MANAGEMENT

MEGAT KHAIRULAZHAR BIN KHAIRODIN

Chief Financial Officer
Barakah Offshore Petroleum Berhad

Age 47	Male	Malaysia

Megat Khairulazhar bin Khairodin, male, aged 47, 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 24 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.

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.

HANIZA BINTI JAFFAR

Vice President of Finance and Accounts
Barakah Offshore Petroleum Berhad

Age 45	Female	Malaysia

Haniza binti Jaffar, female, aged 45, a Malaysian, is the Vice President of Finance and Accounts at Barakah Offshore Petroleum Berhad. She heads the Finance and Accounts Departments. 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. She has over 20 years of experience in finance, accounting and treasury functions.

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.

PROFILE OF SENIOR MANAGEMENT

AHMAD AZRAI BIN ABU BAKAR

Vice President of Operations
PBJV Group Sdn Bhd

Age 57	Male	Malaysia

Ahmad Azrai bin Abu Bakar, male, aged 57, 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 33 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.

Disclaimer: The above Senior Management 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 Senior Management have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. None of the Senior Management hold any directorship in other public companies.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has returned to the black with profit after tax of RM25.01 million for FY2020 due to the various initiatives undertaken to improve the profit margin.

NIK HAMDAN BIN DAUD
Group President & Chief Executive Officer

Despite the challenging market conditions of oil and gas industry, the Group managed to remain focused to further improve operational efficiency and cost reduction mainly on its existing Topside Maintenance and Hook-up 5 year contracts which runs until year 2023.

OVERVIEW OF 2019/2020

The oil and gas industry experienced a slowdown in 2019 despite showing signs of recovery in mid-2018. The monthly average price of Brent crude oil ranging between USD56 per barrel and USD69 per barrel during 2019 was due to growing production from the United States. This has suppressed the Brent crude oil price from increasing despite OPEC members' continued limitation of production. The downward pressure in the crude oil price is also contributed from the slowdown in oil demand attributed to dampened global economic growth in 2019.

In early 2020, the global market was hit by the outbreak of the novel coronavirus pandemic ("COVID-19"), causing a global economic downturn. Global oil and gas demand fell significantly as several major economies went into lockdown to control the pandemic. The Brent crude oil spot prices fell from a monthly average price of USD64 per barrel in January 2020 to a record low of USD21 per barrel in April 2020.

Despite the challenging market conditions of oil and gas industry, the Group managed to remain focused to further improve operational efficiency and cost reduction mainly on its existing Topside Maintenance and Hook-up 5 year contracts which runs until year 2023. This has resulted in improvements of profit margins and ensures business sustainability in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS

Once the pandemic is contained or eliminated, the **demand for oil and gas will rise** due to unrestricted travelling, opening of borders and increased business activities which will result in the **increase in oil price.**

The Group also continues to explore opportunities in international markets and also into non-oil and gas related industries by leveraging on the Group's capability and track record as part of its expansion strategy.

Meanwhile, the Group is embarking on a debt restructuring exercise and exploring several proposals in order to add more value to its assets as required to regularise its financial conditions.

DEBT RESTRUCTURING EXERCISE AND PN17 STATUS.

The Group and its wholly-owned subsidiary, PBJV Group Sdn. Bhd. ("PBJV") had been granted several orders and extensions since October 2018 pursuant to Section 366 and 368 of the Companies Act 2016 by the High Court of Malaya at Kuala Lumpur restraining all proceedings and actions brought against the Company and PBJV ('Restraining Order").

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

In May 2019, the Group had been classified as a PN17 Company under Bursa Malaysia, thus requiring the Group to submit a regularisation plan for approval within twelve (12) months to Bursa Malaysia.

On 8 July 2019, the Group announced that a Court Convened Meeting ("CCM") will be held on 31 July 2019 to seek approval from the scheme creditors of Barakah and PBJV for the approval of a regularisation plan, including a debt restructuring plan for Barakah and PBJV ("Proposed Regularisation Plan"). On the same day, PBJV had received a letter dated 8 July 2019 from PETRONAS in relation to the suspension of PBJV's license for a period of three (3) years with effect from the date of the letter ("PETRONAS Suspension").

At the CCM on 31 July 2019, the Group announced that in view of the PETRONAS Suspension, it was unable to fulfil the commitment under the Proposed Regularisation Plan. Accordingly, the Proposed Regularisation Plan was not put to vote by the Scheme Creditors of Barakah and PBJV in their respective CCMs ("Proposed 2019 Scheme").

Meanwhile, pursuant to Bursa Malaysia Berhad's letter to company secretaries of Main Market Listed Issuers dated 26 March 2020, affected PN17 listed issuers which trigger and announce the Criteria (as defined in the letter) under paragraph 4.1(a) in PN17 ("First Announcement") from 2 January 2019 to 31 December 2020, will be allowed to submit their regularisation plans to Securities Commission Malaysia or Bursa Securities within 24 months (instead of the existing 12 months) from the date of the First Announcement of which the new submission deadline will be 17 May 2021.

On 19 May 2020, a fresh Restraining Order application was granted by the Court for a period of three (3) months and was extended further by another three (3) months to expire on 18 November 2020.

At the date of this report, the Group is still in the midst of formulating a plan to regularise its financial condition which includes the debt settlement scheme with its lenders and creditors. The Group will make the necessary announcement on any material development on the scheme in accordance to the Listing Requirement.

MANAGEMENT DISCUSSION AND ANALYSIS

ONGOING PROJECTS

Despite the three (3) year PETRONAS Suspension, the Group is allowed to continue its ongoing project through its operating subsidiary, PBJV Group Sdn Bhd ("PBJV"), mainly the five (5) year contract for the **Provision of Pan Malaysia Maintenance, Construction and Modification ("PM-MCM") Contract for year 2018 – 2023 Package A from Enquest Petroleum Production Malaysia Ltd ("ENQUEST"), Sapura Energy Berhad ("SEB"), HESS Exploration and Production Malaysia B.V ("HESS"), Petrofac (Malaysia-PM304) Limited ("PETROFAC") and IPC Malaysia B.V ("IPC").**

Meanwhile, there are projects that have been successfully completed during the FY2020 mainly the Provision of Repair and Maintenance of Sabah Sarawak Gas Pipeline ("SSGP"), Provision of Basic and Detailed Engineering, Procurement, Construction and Commissioning Package ("DABAI") and Provision of Production Riser Tensioner Overhaul, Maintenance and Upgrade for MURPHY Production Operations.

FINANCIAL PERFORMANCE

The Group has returned to the black with profit after tax of RM25.01 million for FY2020 (from 1 July 2019 to 30 June 2020) due to the various initiatives undertaken to improve the profit margin which includes refining operational efficiency, continuous cost optimisation, maximising value of existing contract and strengthening legal and contractual position with clients and sub-contractors.

CASH FLOW

The cash balance at the end of FY2020 was higher by RM6 million at RM96 million as compared to RM90 million as at end FP2019 (restated). The increase in cash balance are mainly from net cash generated from operating activities.

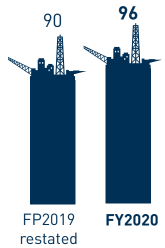
BALANCE SHEET

FY2020 Net Assets improved to negative RM159 million, an improvement of RM18 million from FP2019 (restated) Net Assets of negative RM177 million. This was mainly due to the profit generated during FY2020.

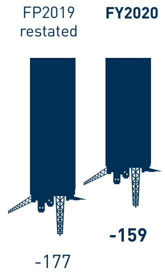
The Group's property, plant and equipment reduced to RM81 million for FY2020 from RM98 million for FP2019 (restated), mainly due to impairment of its pipe lay barge, other machinery and equipment of RM11 million. The net book value of the pipe lay barge was restated from USD19 million to USD17 million after taking into consideration the valuation carried out by a professional marine vessel valuation company.

FY2020 total borrowings increased to RM189 million from RM186 million in FP2019 (restated) mainly due non-payment of term loan.

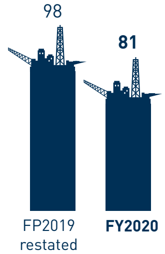
Cash Balance
('million)



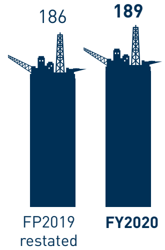
Net Assets
('million)



Property, Plant and Equipment
('million)



Total Borrowings
('million)



MANAGEMENT DISCUSSION AND ANALYSIS

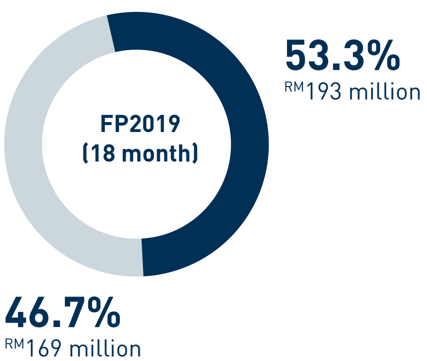
FY2020 saw an **increase in the contribution** from our **pipeline and commissioning services division** as a percentage of the Group's revenue from 53.3% in FP2019 (restated) to 91.4% in FY2020.

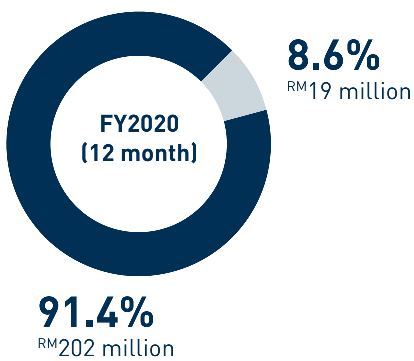
OPERATIONS

The Group reported a total revenue of RM221 million (12 month) or average RM18.4 million per month during the current FY2020 as compared to RM361 million (18 month) or average RM20.1 million for FP2019 (restated). The reduction of average revenue is due to successfully completed projects during the FY2020 mainly from the Provision of Repair and Maintenance of Sabah Sarawak Gas Pipeline ("SSGP"), Provision of Basic and Detailed Engineering, Procurement, Construction and Commissioning Package ("DABAI") and Provision of Production Riser Tensioner Overhaul, Maintenance and Upgrade for MURPHY Production Operations.

Nevertheless, FY2020 saw an increase in the contribution from our pipeline and commissioning services division as a percentage of the Group's revenue from 53.3% in 2019 (restated) to 91.4% in FY2020, whereas the installation and construction services division recorded a reduction in activities as compared to FP2019.

The breakdown of revenue for FP2019 (restated) and FY2020 by division is as follows:





■ Pipeline and commissioning services ■ Installation and construction services

PIPELINE AND COMMISSIONING SERVICES ("PCS")

FY2020 revenue for PCS was RM202 million. Main contributors for pipeline and commissioning in FY2020 were:

- Sabah-Sarawak Gas Pipeline maintenance contract which contributed to about 54% of FY2020 total revenue.
- 5 year Pan Malaysian Maintenance, Construction and Modification ("PM-MCM") contracts, which contributed to about 37% of FY2020 total revenue. This contract provides services to 5 oilfield operators, which generally covers the scope of repair and maintenance work for their offshore platforms. The main resources required for this contract was manpower, equipment, supply of materials, fabrication, testing and commissioning including assistance of offshore support vessel where required.

MANAGEMENT DISCUSSION AND ANALYSIS

INSTALLATION AND CONSTRUCTION SERVICES ("ICS")

FY2020 revenue for ICS was RM19 million mainly contributed from contract closure and final account. There are no new projects secured during the financial period.

Total operation man-hours for FY2020: 1,325,230

OUTLOOK FY2021

The recovery of oil and gas sectors will mainly depend on the successful containment of the COVID-19 pandemic, the timing of which is currently uncertain. Once the pandemic is contained or eliminated, the demand for oil and gas will rise due to unrestricted travelling, opening of borders and increased business activities which will result in the increase in oil price.

Nevertheless there are still project opportunities deployed by project owners and main contractors around this region. Hence with the Group capabilities and proven track record will offer its services or submit its bid and have good prospects in securing the available oppotunites.

Profit After Tax

RM25.01 million

Total Revenue

RM221 million

Total Operation Man-Hours

1,325,230

MANAGEMENT DISCUSSION AND ANALYSIS

Hence with the Group capabilities and **proven track record** will offer its services or submit its bid and have **good prospects in securing** the available opportunities.

IMMEDIATE ACTION PLAN

From the improved bottom line and the challenging outlook for FY2021, the Group still needs to address the balance sheet i.e. negative shareholders fund and sustainability plan moving forward. Notable initiatives that require us to focus and take immediate action are as follows:

1. Formulating a plan to regularise financial conditions including debt settlement scheme for lenders and creditors and hence uplift the Group from PN17 status.

2. Continue focusing on efficiency and performance including cost rationalisation in executing the existing Pan Malaysia Maintenance, Construction and Modification ("PM-MCM") Contract to sustain operations and cashflow.

3. Marketing the pipelay barge Kota Laksamana 101 for better contract opportunities, including exploring for potential buyer or refinancier of the barge.

4. Strengthening legal and contractual positions to maximise value of existing contracts in hand.

5. Utilising capabilities and assets in non-oil and gas sectors such as renewable energy and power generation to avoid over-reliance on the challenging oil and gas industries. This can be done through collaboration with local and international partners to strengthen bidding success rate and improve project delivery capability.

6. Continuously exploring new international business ventures through collaboration with international service providers to mitigate the PETRONAS suspension and exposure to the local market.

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 July 2019 to 30 June 2020.

Barakah is committed in 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:

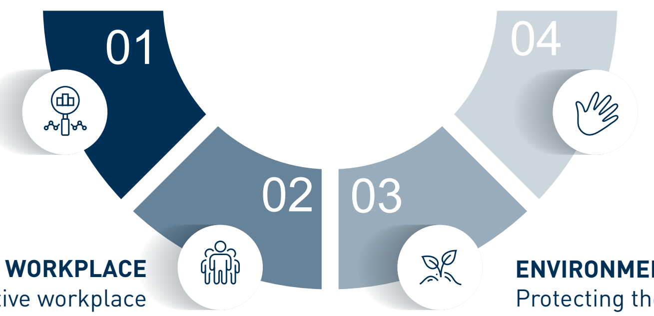
- Pipeline Services;
- Offshore Transportation and Installation;
- Topside Major Maintenance and Hook-up Commissioning;
- EPCC Onshore Pipeline and Construction;
- Underwater Services;
- Ship Management and Chartering; and
- Technology, Mineral Operation and Services.

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.



MARKET PLACE
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.

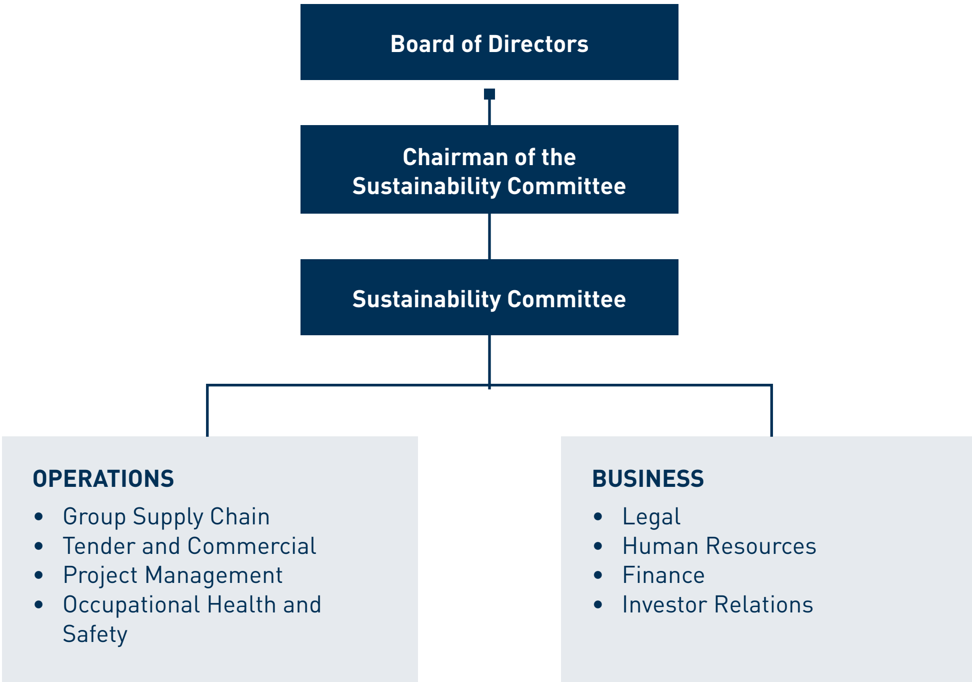
COMMUNITY
Interacting with the communities and contributing to the underprivileged.

SUSTAINABILITY STATEMENT

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 sustainability within the Company.

To ensure continuous improvement in sustainability performance, at the foundation of the structure is the Sustainability Committee 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 Sustainability Committee members comprise of an Executive Director (cum President & Chief Executive ("PCE"), PBJV Group Sdn Bhd) as Chairman and representatives for the respective division or department.

The roles and responsibilities of the Sustainability Committee are defined as below:

Board of Director	Chairman of the Sustainability Committee	Sustainability Committee
• 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	• Oversees the progress of the Sustainability Committee • Reports to the Board of Directors	• 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 endeavour to maintain good ethics, integrity and conduct in our business practices to foster positive relations with our stakeholders.

SUSTAINABILITY STATEMENT

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 • Annual Report • Financial report and Investor Briefing	• Regularly • Annually • Annually • Quarterly
Bankers	• Business growth and stability • Sustainable cashflow • Compliance to facilities condition	• Meetings and continuous correspondence • Annual review	• Regularly • Annually

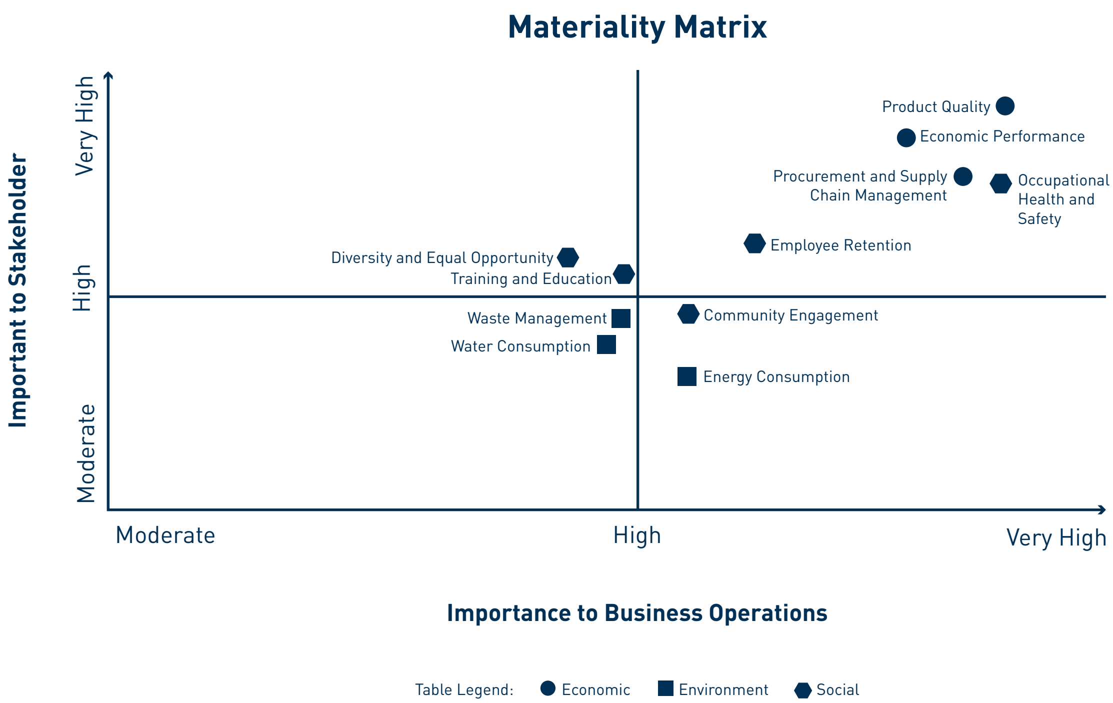
SUSTAINABILITY STATEMENT

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 matter 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 material sustainability matters that are unique to our business operations. The matrix below presents the results of the materiality assessment for the Company.



SUSTAINABILITY STATEMENT

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

SUSTAINABILITY STATEMENT

OUR MARKETPLACE

Despite the vagaries of the global oil and gas industry and COVID 19 pandemic, 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 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.

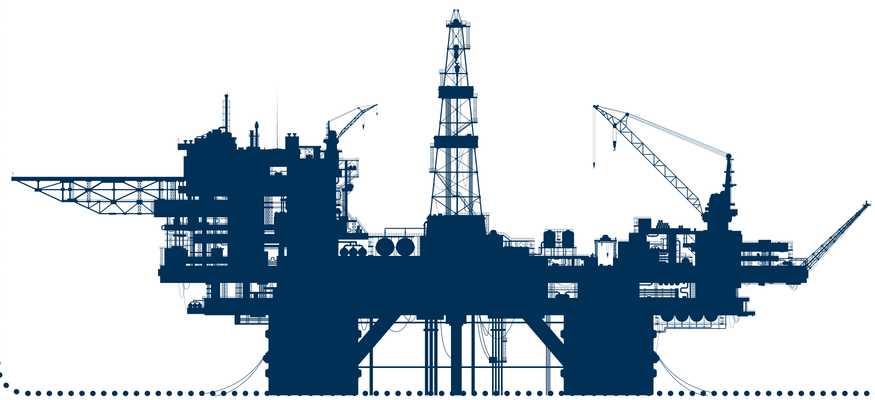
Our Procurement Practices

The Company seeks to conduct 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 schedule waste.

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

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

Operation Efficiency
We use selected approved vessels for our operations

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 and region 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

SUSTAINABILITY STATEMENT

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 is committed to health, safety and environmental ("HSE") objectives in the execution and implementation of its operations and will do its utmost to provide a safe and healthy working environment at all times, to provide proper safety equipment required for the job, to safeguard the natural environment by taking into account any statutory requirement.

The Company has established management HSE performances standards which are spelled out in the HSE-MS Manual and the HSE Implementation Plan, while the site performance standards are mainly detailed out in the Operations HSE Manual and work procedures. The specific responsibilities for implementing the HSE policy and the HSE Plan are captured in the Company HSE-MS Manual.

Yearly HSE Implementation plan involves the senior management to lead and promote HSE values and culture via site visits, planned inspections, employee engagements, counselling sessions and various HSE meetings. Key project management personnel including those from marine operations, construction services, and line supervisory staff have conducted various time out sessions, campaigns and on-the-job trainings.

Senior management carries out review of the HSE activities and its performance, to ensure its continuing suitability and effectiveness. The review is carried out quarterly and during monthly project HSE meetings to evaluate the performance of the Company and projects. The key performance indices include incident statistics, surveillance trending, programme feedback, and incentives performance. All statistics are compiled and shared with all operating units for the purpose of performance trending.

Towards FY2020, the Company was promoting the HSE Implementation Plan through HSE programmes, HSE trainings, HSE Campaign, HSE Leaderships programmes, HSE meeting and HSE audit & inspections. The result of the yearly HSE Implementation Plan was measured above 98% achievement for actual vs plan.

FY2020: 1,325,230 man hours without Lost Time Injury ("LTI")

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.

SUSTAINABILITY STATEMENT

Recognition for Good Safety Practices

Barakah is proud to announce that we have been presented a total of 2 awards for the year 2020 in recognition of the Company's commitment to operational excellence and quality.

List of Awards

1. **19 November 2019 – EnQuest Petroleum Production Malaysia Ltd ("EnQuest")**

   In November 2019, Barakah received a Certificate of Appreciation from EnQuest in recognition of Outstanding and Excellent HSE Performance contributing to the safe result in year 2019.

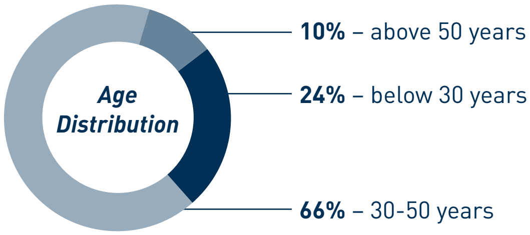
2. **20 November 2019 – IPC Malaysia B.V**

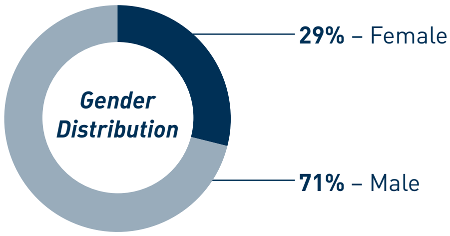
   In November 2019, Barakah also received the Certificate of Recognition from IPC in recognition of Outstanding HSE Reporting Performance and Zero Recordable Incidents for year 2019.

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.

Barakah is also proud to announce the achievement of 8,000,000 Man-Hours without Lost Time Injuries ("LTI") from 26 October 2016 to January 2020.





Employee Distribution	Below 30 years		30-50 years		Above 50 years		Total
Non-Executive	2	4	7	4	0	0	**17**
Executive	16	8	37	13	3	0	**77**
Management	0	0	11	6	4	0	**21**
Senior Management	0	0	3	1	5	0	**9**
Total	**18**	**12**	**58**	**24**	**12**	**0**	**124**

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 584 hours, with an average of 4.71 hours per employee. Our aim is to further increase these learning activities to support the development of our people.

SUSTAINABILITY STATEMENT

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

Total Training hours

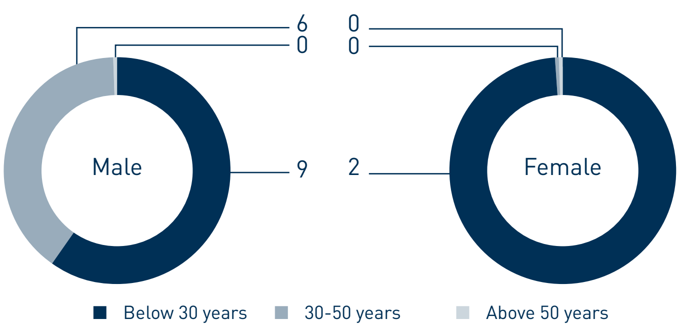
Moving forward, the Company realises that all our employees need to be equipped with the right skills and capabilities to facilitate continuous business growth and success. Thus, we attach great importance in ensuring that sufficient training and skill enhancement programmes are provided to our employees.

List of Training

Course			
1.	Precision Drafting for Legal Clauses in Commercial Including Cross Border Contracts	5.	Offshore Safety Induction & Emergency Training (BOSIET 5906)
2.	ISO 9001:2015 Internal Auditor Training – Virtual Training	6.	Termination Without Violating The Law
3.	ISO 14001:2015 Internal Auditor Training – Virtual Training	7.	Microsoft Excel (Intermediate)
4.	MACC Corporate Liability Act – Defence Mechanism for Management & The Company	8.	BGAS-CSWIP Painting Inspector – Grade 2

New Employee Hires and Employee Turnover

Barakah's new employee hires for the reporting year are as shown in the chart 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 was 24.2%, 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, as it has had a challenging economic environment and has shown a decrease in operation.

SUSTAINABILITY STATEMENT

OUR COMMUNITY

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

List of events/programmes conducted:

1. Staff welfare: providing pre-packed lunch
2. Court Convened Meeting: session with the creditors in updating the debt restructuring scheme
3. Annual General Meeting: session with shareholders to present and discuss the annual performance
4. Monthly contribution to an orphanage home: managed by Persatuan Kebajikan Pusat Jagaan Rumah Kasih Harmoni known as Rumah Kasih Harmoni, which is located in Paya Jaras, Selangor and currently have 120 children from preschool to secondary school.

Due to COVID-19 issues, some of our events and programmes for the year have been postponed until the situation is under control.

CONCLUSION

To remain relevant and competitive in the industry, 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 on how to overcome any challenges that may come our way. Guided by our four pillars of marketplace, workplace, environment and community, we seek to steadfastly realise the sustainability for our Economic, Environment and Social initiatives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Barakah Offshore Petroleum Berhad ("Barakah" or "the 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 Leaders

Position	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 plan 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, acquisition 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. Ascertain the independence 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").

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 their respective Term of Reference ("TOR").

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 approved and adopted by the Board on 23 October 2013. 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. The Board reviews the Charter and DOA periodically and makes appropriate revisions from time to time.

Board Committees

Four (4) Board Committees were 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 report and its processes before presenting to Board for deliberation and approval. The ARMC also reviews the internal audit and external audit plans 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 Committee and key management position. Evaluates the performance and effectiveness of the Board, 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 43 to 46.**

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
- Insider Dealing Policy and
- Anti-Corruption Policy and Procedure

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 20 to 31.**

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, at least 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 separates roles of the Chairman and GPCEO with a clear division of responsibilities to ensure a balance of power and authority such that 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 training attended by the Board is Corporate Liability Act – Defence Mechanism for Company for Directors of public listed companies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Meeting

During the financial year ended 30 June 2020, below are the total number of meeting attended by all the Board:

Name	Board Meeting
Datuk Mohd Zaid bin Ibrahim	4/5
Nik Hamdan bin Daud	6/6
Sulaiman bin Ibrahim	6/7
Nurhilwani Mohamad binti Asnawi	7/7
Dr. Rosli bin Azad Khan	5/5
Azman Shah bin Mohd Zakaria	7/7
Rasdee bin Abdullah	7/7

3. REMUNERATION

The remuneration of the employees of the Group was structured based on the study conducted by professional human resource 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 Eighth 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 43 to 46.**

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 47.

The ARMC reviewed all financial reports prepared by the management prior to submission to the Board for deliberation and approval. The External Auditor ("EA") and the CFO provide assurance to the ARMC that 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 Malaysian 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) have 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 Eighth AGM will be held on 22 December 2020 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

Encik Sulaiman bin Ibrahim
ARMC Member
Senior Independent Non-Executive Director

Dr. Rosli bin Azad Khan
ARMC Member
Independent Non-Executive Director

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 year ended 30 June 2020 ("FY2020") and is published in Barakah's website in line with MMLR.

B. MEETINGS

The ARMC held five (5) meetings during the FY2020. Attendance record of the ARMC meetings can be found on page 9 and 10 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.

Four (4) private meetings with the Internal Auditor and two (2) private meeting 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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

C. SUMMARY OF ACTIVITIES

The summary of activities of ARMC during FY2020:

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 fourth quarter results, the EA (Messrs. Morison AAC 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 and 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 FY2020 audit is Ms Tang Yan Yu as partners of Messrs Morison AAC PLT and in line with Malaysian Institute of Accountants' By-Law (On Professional Ethics, Conduct and Practice).

The EA presented their audit plan to ARMC before embarking on the FY2020 audit. ARMC deliberated the audit plan including on the scope, resources and timeline. On 27 August 2020, the EA presented its audit review memorandum to the ARMC for deliberation. Subsequently, the ARMC Chairman updated the Board on Morison AAC PLT's audit plan.

ARMC reviewed the scope of audit and the performance, their independence and objectivity, and their services rendered including non-audit services. The non-audit services were related to review of the fourth 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 of the view that 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 considering 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 FY2020. 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 audits functions.

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

Detail activities of IA function are in page 41 of the Annual Report.

4. Risk Management

ARMC reviewed the risk reports by Risk Management Steering Committee ("RMSC") for FY2020 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 RMSC;
- 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 Reports on various areas during the year;
- Follow-up audit reports conducted by IA; and
- The assurance letter from GPCEO and CFO 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.

There is no ESOS recommendation to ARMC for deliberation during the financial year period.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 outsourced function, which report directly to ARMC Chairman and administratively to GPCEO until 20 October 2020.

During the FY2020, a total approximately RM190,800 was incurred as part of resources allocation for 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"), Malaysia Code on Corporate Governance and the Institute of Internal Auditors' International Professional Practices Framework.

The IA plan for FY2020 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 FY2020 were:

- Limited Review of Quarterly Results;
- Review of Related Parties Transactions/Recurrent Related Parties Transactions;
- Review on Month End Account Closing
- Review on Group Supply Chain Process ;
- Review on Asset Management/Year End Stock Take

The results of audit conducted were presented to top management and Executive Committee for management response to the audit findings. The reports were then reviewed by ARMC. On quarterly basis, IA updates its activities in relation to the execution of the approved audit plan, ad-hoc 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 22 October 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Company acknowledges that Board's 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 2020 which prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors and Listed Issuers".

BOARD'S 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 system 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 system 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 Chief Financial Officer ("CFO"), 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 unchanged.

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 to the Risk Management Steering Committee ("RMSC"). The primary role of RMSC is to facilitate the implementation of the risk management framework within the Group. The RMSC members comprise of an Executive Director (cum President & Chief Executive ("PCE"), PBJV Group Sdn Bhd) as Chairman and Heads of Divisions and Departments whom are identified as the respective Risk Owners within their divisions/departments.

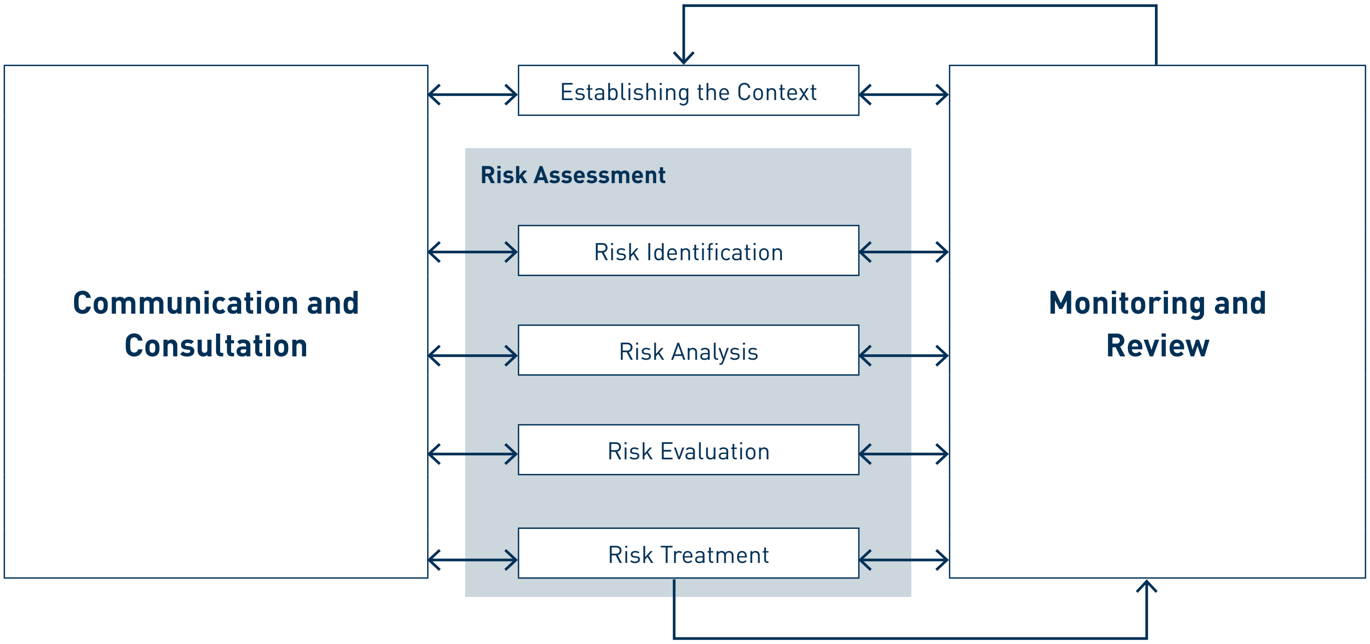
The coordination and reporting of risk management activities are managed by the PCE of PBJV Group Sdn Bhd and assisted by Quality Health Safety and Environment ("QHSE") Department.

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 includes recommendation for further controls or indicators where necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 and assessing the effectiveness of that treatment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 report summarizing of risks to the Board through the ARMC for further deliberation where necessary.
7. Review by the Internal Audit on the implementation of risk control measures to check for compliance.

Since there were lockdown due to COVID-19 pandemic, there were only one (1) RMSC meeting held during the financial period under review.

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 four (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 outsourced Internal Audit.
4. During the financial year 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 organisation.
   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
   k. Anti-Corruption Policy and Procedure

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2. The Group through its main operating subsidiary, PBJV Group Sdn Bhd 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 outsourced IA reporting directly to ARMC. 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 41 and 42 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 is also 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, nor is the statement factually inaccurate.

This Statement of Risk Management and Internal Control is made in accordance with the resolution of the Board dated 22 October 2020.

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 year ended 30 June 2020, 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 year ended 30 June 2020.

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 year ended 30 June 2020 amounted to RM90,000 and RM192,000 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 year ended 30 June 2020 are as follows:

	The Company RM	**The Group RM**
• Review of Statements on Risk Management and Internal Control	5,000	5,000
• Review on Opening Balance	20,000	20,000
	25,000	**25,000**

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 year 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 year ended 30 June 2020 are disclosed in Note 37 to the financial statements.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

Principal Activities

The principal activities of the Company are investment holding.

The principal activities of its subsidiary companies are disclosed in Note 4 to the financial statements.

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

Financial Results

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	25,025	(4,355)
- Non-controlling interests	(12)	-
	25,013	(4,355)

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial period. The Board of Directors does not recommend any dividend to be paid for the financial year under review.

Reserves and Provisions

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

Issue of Shares and Debentures

There were no issuances of shares and debentures during the financial year.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year under review.

DIRECTORS' REPORT

Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Sulaiman Bin Ibrahim	
Nurhilwani Binti Mohamad Asnawi	
Azman Shah Bin Mohd Zakaria	
Rasdee Bin Abdullah	
Nik Hamdan Bin Daud	(Appointed on 19 July 2019)
Dr Rosli Bin Azad Khan	(Appointed on 14 October 2019)
Datuk Mohd Zaid Bin Ibrahim	(Appointed on 14 October 2019)
Abdul Rahim Bin Awang	(Resigned on 19 July 2019)
Dato' Mohamed Sabri Bin Mohamed Zain	(Resigned on 8 August 2019)

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	At 1.7.2019 Date of appointment	**Acquired**	**Disposed**	**At 30.6.2020**
Interest in the Company:				
Barakah Offshore Petroleum Berhad				
Direct interest				
Nik Hamdan Bin Daud	131,229,237	-	(66,356,400)	64,872,837
Azman Shah Bin Mohd Zakaria	20,611,624	-	-	20,611,624
Sulaiman Bin Ibrahim	5	-	-	5
Nurhilwani Binti Mohamad Asnawi	5	-	-	5
Datuk Mohd Zaid Bin Ibrahim	1,200,000	-	-	1,200,000
Dr Rosli Bin Azad Khan	310,300	240,900	-	551,200
Indirect interest				
Nik Hamdan Bin Daud [1]	2,390,000	8,501,800	-	10,891,800
Abdul Rahim Bin Awang [2]	100,000	-	-	100,000

Notes:

[1] *Deemed interested by virtue of his child's shareholding in the Company.*

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

Directors' Interests in Shares or Debentures

By virtue of their interests in the shares of the Company, Azman Shah Bin Mohd Zakaria, Sulaiman Bin Ibrahim, Nurhilwani Binti Mohamad Asnawi, Nik Hamdan Bin Daud, Dr Rosli Bin Azad Khan and Datuk Mohd Zaid Bin Ibrahim are deemed to have interests in the shares of all the subsidiary companies to the extent the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

DIRECTORS' REPORT

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Remuneration

Details of Directors' remuneration are disclosed in Note 21 to the financial statements.

Subsidiary Companies

Details of the subsidiary companies are disclosed in Note 4 to the financial statements.

Auditors' Remuneration

Details of auditors' remuneration are disclosed in Note 20 to the financial statements.

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company and of the Group amounting to Nil (2019: RM10,000,000) and Nil (2019: RM18,000) respectively. No indemnity was given to or insurance effected for auditors of the Company and of the Group.

Other Statutory Information

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

Other Statutory Information (continued)

No contingent or other liability of any company in the Group has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

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

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

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

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

Significant Events

Details of the significant events are disclosed in Note 29 to the financial statements.

Subsequent Events

Details of the subsequent events are disclosed in Note 30 to the financial statements.

Auditors

The auditors, Messrs. Morison AAC PLT (LLP0022843-LCA & AF001977), have expressed their willingness to accept re-appointment.

Morison AAC PLT (LLP0022843-LCA & AF001977) was registered on 8 January 2020 and with effect from that date, Morison AAC (AF001977) which was formerly known as Morison Anuarul Azizan Chew (AF001977), a conventional partnership was converted to a limited liability partnership.

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

AZMAN SHAH BIN MOHD ZAKARIA **RASDEE BIN ABDULLAH**

PUCHONG, SELANGOR
22 October 2020

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, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 58 to 117 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 2020 and of their financial performance and cash flows for the financial year then ended.

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

AZMAN SHAH BIN MOHD ZAKARIA

RASDEE BIN ABDULLAH

PUCHONG, SELANGOR
22 October 2020

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

I, MEGAT KHAIRULAZHAR BIN KHAIRODIN, 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 58 to 117 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **MEGAT KHAIRULAZHAR BIN KHAIRODIN**)
at PUCHONG, SELANGOR)
on this date of 22 October 2020)

MEGAT KHAIRULAZHAR BIN KHAIRODIN

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD

REGISTRATION NO.: 201201007022 (980542-H)

(INCORPORATED IN MALAYSIA)

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 2020 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 117.

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 2.1 to the financial statements, the financial statements of the Group and of the Company have been prepared on a going concern basis, notwithstanding that:

    a. As at 30 June 2020, the Group's current liabilities exceeded its current assets by RM240.82 million and it has a deficit in shareholders' fund amounting to RM158.45 million;

    b. As disclosed in Note 14 to the financial statements, an indirect wholly-owned subsidiary of the Group, Kota Laksamana 101 Ltd ("KL101 Ltd") had received first and second notice of demand of its term loan facilities from a licensed bank on an event of default in payment of loan instalment on 17 May 2019 and 16 August 2019 respectively. On 22 October 2019, KL101 Ltd received a notice of termination, recall and demand of the facilities for an outstanding amount of USD43,589,776;

    c. On 17 May 2019, the Group has become an Affected Listed Issuer pursuant to Paragraph 2.1(f) of Practice Note 17 ("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 Group was unable to provide a solvency declaration to Bursa Malaysia. As an Affected Listed Issuer, the Group is required to submit a regularisation plan to address its financial situation to Bursa Malaysia. As at the date of this report, the Group is in the process of formulating a regularisation plan, which is due for submission on 17 May 2021;

    d. On 8 July 2019, a wholly-owned subsidiary of the Group, PBJV Group Sdn. Bhd. ("PBJV Group") received a notice of suspension of its license from a major customer, Petroliam Nasional Berhad ("PETRONAS") for a period of three years with effect from the date of the letter. The implications of the suspension letter are as follow:

        i. During the suspension period, PETRONAS, including its subsidiaries and any Petroleum Arrangement Contractors ("PACs") will not award any new contracts to PBJV Group;

        ii. PBJV Group will not be allowed to bid for new projects undertaken by PETRONAS, including its subsidiaries and any PACs during the suspension period; and

        iii. PBJV Group is still allowed to continue and complete its existing and on-going contracts with PETRONAS and its subsidiaries and PACs in accordance to the terms and conditions of the existing and on-going contracts.

    e. As disclosed in Note 29(d) and Note 29(h) to the financial statements, the Group and the Company is involved in several pending material litigations.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
REGISTRATION NO.: 201201007022 (980542-H)
(INCORPORATED IN MALAYSIA)

Basis for Disclaimer of Opinion (continued)

1. As disclosed in Note 2.1 to the financial statements, the financial statements of the Group and of the Company have been prepared on a going concern basis, notwithstanding that: (continued)

   The ability of the Group and of the Company to continue as going concerns is dependent on approval of the regularisation plan by Bursa Malaysia, successful and timely implementation of the plan to regularise the Group's operations to achieve sustainable and viable operations and generate adequate cash flows which remains uncertain at this stage. Accordingly, we are unable to obtain sufficient appropriate audit evidence to ascertain the ability of the Group and of the Company to continue as going concerns.

2. Because we were appointed as auditors of the Group in 2020 and that a modified opinion on the existence and valuation of inventories as at 30 June 2019 was issued in the auditors' report for the financial year ended 30 June 2019, we were not able to observe the counting of the physical inventories at the beginning of the financial year or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and retained earnings might be necessary for the opening balances as at 1 July 2019.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of 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 for Disclaimer of Opinion* section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Independence and Other Ethical Responsibilities

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
REGISTRATION NO.: 201201007022 (980542-H)
(INCORPORATED IN MALAYSIA)

Report on Other Legal and Regulatory Requirements

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

(a) The accounting and other records for the matters as described in the Basis for *Disclaimer of Opinion* section have not been properly kept in accordance with the provisions of the Companies Act, 2016 in Malaysia;

(b) We have not obtained all the information and explanation that we required; and

(c) The subsidiaries of which we have not acted as auditors, are disclosed in Note 4 to the financial statements.

Other Matters

1. The financial statements of the Group and of the Company for the financial period ended 30 June 2019 were audited by another firm of chartered accountants whose report dated 17 October 2019 expressed a Disclaimer of Opinion on those statements.

2. 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 person for the content of this report.

MORISON AAC PLT
(LLP0022843-LCA & AF001977)
Chartered Accountants

KUALA LUMPUR

TANG YAN YU
Approved Number: 03452/10/2021 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30.6.2020 RM'000	Group 30.6.2019 RM'000 Restated	1.1.2018 RM'000 Restated
ASSETS				
Non-Current Assets				
Property, plant and equipment	3	80,521	98,214	297,447
Right-of-use assets	5	5,527	-	-
		86,048	98,214	297,447
Current Assets				
Inventories	7	4,291	5,611	5,154
Trade receivables	8	76,527	28,771	38,179
Contract assets	9	23,303	20,891	26,459
Other receivables	10	1,530	2,873	10,520
Tax recoverable		15,920	26,736	42,966
Cash and cash equivalents	11	96,085	89,676	132,050
		217,656	174,558	255,328
TOTAL ASSETS		303,704	272,772	552,775
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	12	231,889	231,889	165,329
Reserves	13	(390,342)	(408,641)	36,810
Equity attributable to owners of the Company		(158,453)	(176,752)	202,139
Non-controlling interests		(128)	(112)	(72)
TOTAL EQUITY		(158,581)	(176,864)	202,067
Non-Current Liabilities				
Borrowings	14	-	141,264	169,442
Lease liabilities	15	3,809	-	-
Deferred tax liabilities	16	-	22	50
Redeemable convertible unsecured loan stock ("RCULS")		-	-	1,763
		3,809	141,286	171,255
Current Liabilities				
Trade payables	17	257,174	258,058	122,293
Other payables	18	10,170	4,637	2,970
Borrowings	14	189,293	45,095	54,190
Lease liabilities	15	1,839	-	-
Tax payable		-	560	-
		458,476	308,350	179,453
TOTAL LIABILITIES		462,285	449,636	350,708
TOTAL EQUITY AND LIABILITIES		303,704	272,772	552,775

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Company 2020 RM'000	Company 2019 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	2	3
Investment in subsidiary companies	4	1	1
Amount owing by subsidiary companies	6	85,555	-
		85,558	4
Current Assets			
Other receivables	10	1	15
Amount owing by subsidiary companies	6	-	79,806
Tax recoverable		550	-
Cash and cash equivalents	11	9,815	20,830
		10,366	100,651
TOTAL ASSETS		95,924	100,655
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	231,889	231,889
Reserves	13	(136,479)	(132,124)
TOTAL EQUITY		95,410	99,765
Non-Current Liability			
Deferred tax liabilities	16	-	8
		-	8
Current Liabilities			
Other payables	18	514	295
Borrowings	14	-	27
Tax payable		-	560
		514	882
TOTAL LIABILITIES		514	890
TOTAL EQUITY AND LIABILITIES		95,924	100,655

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.1.2018 to 30.6.2019 RM'000 Restated	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.1.2018 to 30.6.2019 RM'000
Revenue	19	221,036	361,371	4,987	10,528
Cost of sales		(154,940)	(480,112)	-	-
Gross profit/(loss)		66,096	(118,741)	4,987	10,528
Other income		4,724	5,378	323	409
Administrative expenses		(21,497)	(27,492)	(7,062)	(8,661)
Other operating expenses		(19,465)	(208,166)	(2,141)	(86,263)
Net impairment losses on financial assets and contract assets		(161)	5,202	(1,360)	3,874
Profit/(Loss) from operations		29,697	(343,819)	(5,253)	(80,113)
Finance costs		(5,306)	(20,738)	(1)	(281)
Profit/(Loss) before taxation	20	24,391	(364,557)	(5,254)	(80,394)
Taxation	22	622	(12,535)	899	(1,274)
Profit/(Loss) after taxation		25,013	(377,092)	(4,355)	(81,668)
Other Comprehensive Expenses:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(6,730)	(3,790)	-	-
Total comprehensive income/(expenses) for the financial year/period		18,283	(380,882)	(4,355)	(81,668)
Profit/(Loss) for the financial year/period attributable to:					
Owners of the Company		25,025	(377,054)	(4,355)	(81,668)
Non-controlling interests		(12)	(38)	-	-
		25,013	(377,092)	(4,355)	(81,668)
Total comprehensive income/(expenses) for the financial year/period attributable to:					
Owners of the Company		18,299	(380,842)	(4,355)	(81,668)
Non-controlling interests		(16)	(40)	-	-
		18,283	(380,882)	(4,355)	(81,668)
Earnings/(Loss) per share					
Basic and diluted (sen)	23	2.99	(45.40)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Attributable to owners of the Company									
		Non-distributable						Distributable			
Group	Note	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Employee Share Option Reserve RM'000	RCULS RM'000	Translation Reserve RM'000	Retained Profits/ (Accumulated Loss) RM'000	Sub-Total RM'000	Non-Controlling Interests RM'000	Total RM'000
At 1 January 2018											
- As previously stated		165,329	64,070	(71,909)	6,407	539	10,694	21,230	196,360	(72)	196,288
- Prior year adjustment	31	-	-	-	-	-	-	5,779	5,779	-	5,779
- As restated		165,329	64,070	(71,909)	6,407	539	10,694	27,009	202,139	(72)	202,067
Loss for the financial period		-	-	-	-	-	-	(377,054)	(377,054)	(38)	(377,092)
Other comprehensive expenses:											
- Foreign currency translation differences		-	-	-	-	-	(3,788)	-	(3,788)	(2)	(3,790)
Total comprehensive expenses for the financial year		-	-	-	-	-	(3,788)	(377,054)	(380,842)	(40)	(380,882)
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		64,070	(64,070)	-	-	-	-	-	-	-	-
Employee share option lapsed		-	-	-	(6,407)	-	-	6,407	-	-	-
Total transaction with owners		66,560	(64,070)	-	(6,407)	(539)	-	6,407	1,951	-	1,951
At 30 June 2019		231,889	-	(71,909)	-	-	6,906	(343,638)	(176,752)	(112)	(176,864)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Group	Share Capital RM'000	Merger Deficit RM'000	Translation Reserve RM'000	Accumulated Losses RM'000	Sub-Total RM'000	Non-Controlling Interests RM'000	Total RM'000
	Attributable to owners of the Company						
	Non-distributable			Distributable			
At 1 July 2019							
- As previously stated	231,889	(71,909)	6,906	(355,537)	(188,651)	(112)	(188,763)
- Prior year adjustment	-	-	-	11,899	11,899	-	11,899
- As restated	231,889	(71,909)	6,906	(343,638)	(176,752)	(112)	(176,864)
Profit for the financial year	-	-	-	25,025	25,025	(12)	25,013
Other comprehensive expenses:							
- Foreign currency translation differences	-	-	(6,726)	-	(6,726)	(4)	(6,730)
Total comprehensive income for the financial year	-	-	(6,726)	25,025	18,299	(16)	18,283
At 30 June 2020	231,889	(71,909)	180	(318,613)	(158,453)	(128)	(158,581)

Company	Share Capital RM'000	Share Premium RM'000	Employee Share Option Reserve RM'000	RCULS RM'000	Accumulated Losses RM'000	Total RM'000
At 1 July 2018	165,329	64,070	6,407	539	(56,863)	179,482
Loss/Total comprehensive expenses for the financial year	-	-	-	-	(81,668)	(81,668)
Issuance of shares pursuant to conversion of RCULS	2,490	-	-	(539)	-	1,951
Transfer to share capital upon implementation of Companies Act 2016	64,070	(64,070)	-	-	-	-
Employee share option lapsed	-	-	(6,407)	-	6,407	-
Total transaction with owner	66,560	(64,070)	(6,407)	(539)	6,407	1,951
At 30 June 2019	231,889	-	-	-	(132,124)	99,765
At 1 July 2019	231,889	-	-	-	(132,124)	99,765
Loss/Total comprehensive expenses for the financial year	-	-	-	-	(4,355)	(4,355)
At 30 June 2020	231,889	-	-	-	(136,479)	95,410

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Cash Flows from Operating Activities					
Profit/(Loss) before taxation		24,391	(364,557)	(5,254)	(80,394)
Adjustments for:					
Depreciation of property, plant and equipment		7,992	32,320	1	413
Depreciation of right-of-use assets		1,881	-	-	-
Impairment loss on investment in subsidiary companies		-	-	-	83,455
Impairment loss on property, plant and equipment		10,483	163,898	-	-
Finance costs		5,306	20,526	1	262
Gain on disposal of property, plant and equipment		(150)	(1,752)	-	-
Interest income		(452)	(3,707)	(280)	(385)
Property, plant and equipment written off		1,891	2,941	-	-
Bad debt written off		-	353	-	-
Unrealised gain on foreign exchange		-	(2,083)	-	-
Net (reversal)/provision of expected credit loss on:					
- Trade receivables		(140)	(5,072)	-	-
- Other receivables		307	(114)	-	-
- Contract assets		(6)	(16)	-	-
- Amount owing by subsidiary companies		-	-	1,360	(3,874)
Operating profit/(loss) before changes in working capital		51,503	(157,263)	(4,172)	(523)
Changes in working capital:					
Trade and other receivables		(46,580)	21,914	15	69
Contract assets		(2,406)	3,055	-	-
Inventories		1,320	(457)	-	-
Amount owing by subsidiary companies		-	-	(7,109)	9,251
Trade and other payables		4,649	146,914	217	(280)
Cash generated from/(used in) operations		8,486	14,163	(11,049)	8,517
Interest paid		(507)	(15,323)	-	(81)
Interest received		452	3,707	280	385
Tax refund		12,588	2,072	-	1,509
Tax paid		(1,732)	(2,717)	(219)	(290)
Net cash generated from operating activities		19,287	1,902	(10,988)	10,040
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(77)	(958)	-	-
Proceeds from disposal of property, plant and equipment		150	2,400	-	-
Increase in cash and bank pledged to a licensed bank		-	(4,517)	-	-
Decrease in fixed deposits pledged to licensed banks		18,246	45,336	4,046	4,344
Net cash generated from investing activities		18,319	42,261	4,046	4,344

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.1.2018 to 30.6.2019 RM'000 Restated	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.1.2018 to 30.6.2019 RM'000
Cash Flows from Financing Activities					
Repayment of term loan	24	-	(4,552)	-	-
Repayment of hire purchases liabilities	24	(27)	(457)	(27)	(351)
Repayment of lease liabilities	24	(1,760)	-	-	-
Repayment of trust receipts	24	-	(33,991)	-	-
Net cash used in financing activities		(1,787)	(39,000)	(27)	(351)
Net increase/(decrease) in cash and cash equivalents		35,819	5,163	(6,969)	14,033
Effect of exchange rate changes		(3,446)	2	-	-
Cash and cash equivalents at the beginning of the financial year		22,640	17,475	16,784	2,751
Cash and cash equivalents at the end of the financial year		55,013	22,640	9,815	16,784
Cash and cash equivalents at the end of the financial year comprises:					
Fixed deposit with licensed banks	11	49,981	53,777	4,203	4,079
Short-term investment	11	5,344	5,222	5,320	5,199
Cash and bank balances	11	40,760	30,677	292	11,552
Bank overdraft	14	(1,223)	(8,941)	-	-
		94,862	80,735	9,815	20,830
Less: Fixed deposit pledged to licensed banks		(35,332)	(53,578)	-	(4,046)
Cash and bank balances pledged to a licensed bank		(4,517)	(4,517)	-	-
		55,013	22,640	9,815	16,784

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The principal activities of the Company are investment holding.

The principal activities of its subsidiary companies are disclosed in Note 4 to the financial statements.

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

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 6.08, 6th Floor, Plaza First Nationwide, No. 161, Jalan Tun H.S. Lee, 50000 Kuala Lumpur.

The principal place of business of the Company is located at No. 3, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding that:

(a) As at 30 June 2020, the Group's current liabilities exceeded its current assets by RM240.82 million and it has a deficit in shareholders' fund amounting to RM158.45 million;

(b) As disclosed in Note 14 to the financial statements, an indirect wholly-owned subsidiary of the Group, Kota Laksamana 101 Ltd ("KL101 Ltd") had received first and second notice of demand of its term loan facilities from a licensed bank on an event of default in payment of loan instalment on 17 May 2019 and 16 August 2019 respectively. On 22 October 2019, KL101 Ltd received a notice of termination, recall and demand of the facilities for an outstanding amount of USD43,589,776.

(c) On 17 May 2019, the Group has become an Affected Listed Issuer pursuant to Paragraph 2.1(f) of Practice Note 17 ("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 Group was unable to provide a solvency declaration to Bursa Malaysia. As an Affected Listed Issuer, the Group is required to submit a regularisation plan to address its financial situation to Bursa Malaysia. As at the date of this report, the Group is in the process of formulating a regularisation plan, which is due for submission on 17 May 2021.

(d) On 8 July 2019, a wholly-owned subsidiary of the Group, PBJV Group Sdn. Bhd. ("PBJV Group") received a notice of suspension of its license from a major customer, Petroliam Nasional Berhad ("PETRONAS") for a period of three years with effect from the date of the letter. The implications of the suspension letter are as follow:

   i. During the suspension period, PETRONAS, including its subsidiaries and any Petroleum Arrangement Contractors ("PACs") will not award any new contracts to PBJV Group;

   ii. PBJV Group will not be allowed to bid for new projects undertaken by PETRONAS, including its subsidiaries and any PACs during the suspension period; and

   iii. PBJV Group is still allowed to continue and complete its existing and on-going contracts with PETRONAS and its subsidiaries and PACs in accordance to the terms and conditions of the existing and on-going contracts.

NOTES TO THE FINANCIAL STATEMENTS

2. **Basis of Preparation and Significant Accounting Policies (continued)**

2.1 Basis of preparation (continued)

(e) As disclosed in Note 29(d) and Note 29(h) to the financial statements, the Group and the Company is involved in several pending material litigations.

These factors indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The ability of the Group and of the Company to continue as going concerns is dependent on approval of the regularisation plan by Bursa Malaysia, successful and timely implementation of the plan to regularise the Group's operations to achieve sustainable and viable operations and generate adequate cash flows.

As at the date of this report, the Directors are exploring plans to regularize the Group's and the Company's operations to achieve sustainable and viable operations and generate adequate cash flows to continue as going concerns.

Should the going concern basis of preparing the financial statements be inappropriate, adjustments would have to be made to reduce the value of all assets to their estimated realisable values, and to provide further estimated liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and non-current liabilities respectively.

Accounting standards, amendments to accounting standards and IC interpretation that are effective for the Group's and the Company's financial year beginning on or after 1 July 2019 are as follows:
- MFRS 16, "Leases"
- Amendments to MFRS 3, "Business Combination" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 112, "Income taxes" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 119, "Employee Benefits" (Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, "Borrowing Costs" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

The above accounting standards, amendments to accounting standards and IC interpretation effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company, except as follows:

<u>Adoption of MFRS 16 "Leases"</u>

The Group and the Company has adopted MFRS 16 for the first time in the 2020 financial statements with the date of initial application ("DIA") of 1 July 2019. The Group and the Company elected to apply the simplified retrospective transition method under Appendix C, paragraph 5(b) of MFRS 16. Accordingly, the 2019 comparative information was not restated.

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Company is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 "Leases" and IC Interpretation 4 "Determining whether an Arrangement Contains a Lease".

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the present value of future lease payments, discounted using the lessee's incremental borrowing rate, as of the DIA.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Adoption of MFRS 16 "Leases" (continued)

The impact of changes of the Group resulting from the adoption of MFRS 16 Leases as at 1 July 2019 is as follows:

Group	Balance as at 30 June 2019 (Based on MFRS 117) RM'000	Effect of adoption of MFRS 16 RM'000	Balance as at 1 July 2019 (After adoption of MFRS 16) RM'000
Right-of-use assets	-	7,408	7,408
Lease liabilities	-	(7,408)	(7,408)

Accounting standards, amendments to accounting standards, IC Interpretations and amendments to IC Interpretations that are applicable for the Group and the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards:
  - Amendments to MFRS 2, "Share Based Payments"
  - Amendments to MFRS 3, "Business Combinations"
  - Amendments to MFRS 6, "Exploration for and Evaluation of Mineral Resources"
  - Amendments to MFRS 14, "Regulatory Deferral Accounts"
  - Amendments to MFRS 101, "Presentation of Financial Statements"
  - Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors
  - Amendments to MFRS 134, "Interim Financial Reporting"
  - Amendments to MFRS 137, "Provisions, Contingent Liabilities and Contingent Assets"
  - Amendments to MFRS 138, "Intangible Assets"
  - Amendments to IC Interpretation 12, "Service Concession Arrangements"
  - Amendments to IC Interpretation 19, "Extinguishing Financial Liabilities with Equity Instruments"
  - Amendments to IC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine"
  - Amendments to IC Interpretation 22, "Foreign Currency Transactions and Advance Considerations"
  - Amendments to IC Interpretation 132, "Intangible Assets- Web Site Costs"
- Amendments to MFRS 3, "Business Combinations" (Definition of a Business)
- Amendments to MFRS Standards arising from Definition of Material:
  - Amendments to MFRS 101, "Presentation of Financial Statements"
  - Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
  - Amendments to MFRS 7, "Financial Instruments: Disclosures"
  - Amendments to MFRS 9, "Financial Instruments"
  - Amendments to MFRS 139, "Financial Instruments: Recognition and Measurement"

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Annual periods beginning on/after 1 January 2021

- MFRS 17, "Insurance Contracts"

Effective date yet to be determined by the Malaysian Accounting Standards Board

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

The impact of the above is still being assessed. Aside from the abovementioned, the adoption of the accounting standards, amendments to accounting standards, IC Interpretations and amendments to IC interpretation are not expected to have any significant impact to the financial statements of the Group and of the Company.

2.2 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or 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 are discussed below:

(i) Revenue recognition from pipeline commissioning and construction contracts

The Group recognises revenue from pipeline commissioning and construction contracts over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation using the output method. The output method recognises revenue based on contract work certified to date which depicts the basis of direct measurements of value to the customer for the work performed to date relative to the remaining pipeline commissioning and construction work promised under the contract.

Significant judgement is required in estimating the progress towards complete satisfaction of performance obligations, the estimated total contract revenue and costs, as well as the recoverability of the cost incurred to fulfill the contract with the customer. In making the judgement, the Group evaluates by relying on past experience, industry practices and the work of specialists.

(ii) Measurement of expected credit loss allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2. **Basis of Preparation and Significant Accounting Policies (continued)**

2.2 Significant accounting estimates and judgements (continued)

(iii) Impairment of barge pipelaying equipment

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 during the financial year. The recoverable amount was determined based on fair value less cost to sell approach. Significant judgement is required in determining fair value which may be derived based on different valuation methods. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists. The Group engaged an independent valuation specialist to determine fair value as at the end of the financial year.

2.3 Basis of consolidation

(i) Subsidiary companies

Subsidiaries are entities, including structured entities, 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.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.3 Basis of consolidation (continued)

(i) Subsidiary companies (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

2.4 Summary of significant accounting policies

(a) Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investment are recognised in profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised as net in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. **Basis of Preparation and Significant Accounting Policies (continued)**

2.4 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(ii) Depreciation and impairment

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended to use. Other property, plant and equipment are depreciated on the straight line method to their residual values over their estimated useful lives as follows:

Leasehold land	99 years
Building	50 years
Computers	2 years
Furniture and fittings	10 years
Communication equipment	10 years
Motor vehicles	5 years
Machinery and equipment	10 years
Office equipment	10 years
Renovation	10 years
Barge and pipe laying equipment	10 - 25 years

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with accounting policy Note 2.4(c).

(c) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(d) Inventories

Inventories are valued at the lower of cost and estimated selling price less costs to complete and sell.

Cost is determined using the first in, first out method.

Inventories are assessed for impairment at the end of each reporting period by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(f) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit and loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

2. **Basis of Preparation and Significant Accounting Policies (continued)**

2.4 Summary of significant accounting policies (continued)

(f) Foreign currencies (continued)

(iii) Foreign operations (continued)

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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

(g) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, and amount owing by subsidiary companies.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

- FVTPL

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's and the Company's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Impairment

The Group and the Company assesses expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

The Group and the Company defines a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- The debtor is in breach of financial covenants
- Concessions have been made by the Group and the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Group and the Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(h) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Finance liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value though profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(j) Leases

(A) Accounting policies applied until 31 May 2019

(i) Accounting by lessee

<u>Finance leases</u>

Leases of property, plant and equipment where the Group and the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group and the Company in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

<u>Operating leases</u>

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(j) Leases (continued)

(B) Accounting policies applied from 1 June 2019

(i) Accounting by lessee

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Group and the Company.

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(k) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at 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 finance cost.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

NOTES TO THE FINANCIAL STATEMENTS

2. **Basis of Preparation and Significant Accounting Policies (continued)**

2.4 Summary of significant accounting policies (continued)

(m) Revenue from contracts with customers (continued)

(i) Construction activities

Revenue from construction activities is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's and the Company's performance creates and enhances an asset that the customer controls as the Group and the Group and the Company performs.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on direct measurements of the value transferred by the Group and the Company to the customer (e.g. surveys or appraisals of performance completed to date).

Incremental costs of obtaining a contract, if recoverable, are capitalised as contract assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

(ii) Other revenue and income

Interest income

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

(n) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Differences between initial recognised amount and the redemption value are recognised in profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies (continued)

(p) Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(q) Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group President and Chief Executive Officer that makes strategic decisions.

3. Property, Plant and Equipment

	Balance as at 1.7.2019 RM'000	Additions RM'000	Disposal RM'000	Write off RM'000	Exchange difference RM'000	Balance as at 30.6.2020 RM'000
Group						
Cost						
Leasehold land	1,858	-	-	-	-	1,858
Computers	3,597	-	-	-	-	3,597
Furniture and fittings	84	-	-	-	-	84
Communication equipment	1	-	-	-	-	1
Motor vehicles	3,767	-	(395)	(5)	-	3,367
Machinery and equipment	60,225	-	-	(16,522)	434	44,137
Office equipment	684	-	-	-	-	684
Renovation	3,299	-	-	(9)	-	3,290
Barge and pipe laying equipment	372,200	-	-	-	13,221	385,421
Capital work-in-progress	1,076	77	-	-	18	1,171
	446,791	77	(395)	(16,536)	13,673	443,610

	Balance as at 1.7.2019 RM'000	Charge for the year RM'000	Disposal RM'000	Write off RM'000	Exchange difference RM'000	Balance as at 30.6.2020 RM'000
Group						
Accumulated depreciation						
Leasehold land	320	19	-	-	-	339
Computers	3,471	84	-	-	-	3,555
Furniture and fittings	50	8	-	-	-	58
Communication equipment	-	-	-	-	-	-
Motor vehicles	3,349	272	(395)	(4)	-	3,222
Machinery and equipment	44,675	1,453	-	(14,632)	348	31,844
Office equipment	442	68	-	-	-	510
Renovation	531	329	-	(9)	-	851
Barge and pipe laying equipment	83,764	5,759	-	-	3,037	92,560
Capital work-in-progress	-	-	-	-	-	-
	136,602	7,992	(395)	(14,645)	3,385	132,939

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment (continued)

	Balance as at 1.7.2019 RM'000	Impairment loss during the year RM'000	Exchange difference RM'000	Balance as at 30.6.2020 RM'000
Group				
Allowance for impairment losses				
Leasehold land	-	-	-	-
Computers	-	-	-	-
Furniture and fittings	-	-	-	-
Communication equipment	-	-	-	-
Motor vehicles	-	-	-	-
Machinery and equipment	8,720	68	68	8,856
Office equipment	-	-	-	-
Renovation	-	-	-	-
Barge and pipe laying equipment	202,904	10,396	7,611	220,911
Capital work-in-progress	351	19	13	383
	211,975	10,483	7,692	230,150

	Balance as at 1.1.2018 RM'000	Additions RM'000	Disposal RM'000	Write off RM'000	Transfer from/ (to) RM'000	Exchange difference RM'000	Balance as at 30.6.2019 RM'000
Group							
Cost							
Leasehold land	1,858	-	-	-	-	-	1,858
Building	440	-	(440)	-	-	-	-
Computers	5,576	141	-	(2,120)	-	-	3,597
Furniture and fittings	527	-	-	(443)	-	-	84
Communication equipment	306	-	-	(305)	-	-	1
Motor vehicles	3,560	42	-	(4)	169	-	3,767
Machinery and equipment	63,806	39	(3,872)	-	-	252	60,225
Office equipment	759	26	-	(101)	-	-	684
Renovation	8,106	-	-	(5,077)	270	-	3,299
Barge and pipe laying equipment	364,534	-	-	-	-	7,666	372,200
Capital work-in-progress	1,102	710	-	(307)	(439)	10	1,076
	450,574	958	(4,312)	(8,357)	-	7,928	446,791

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment (continued)

Group **Accumulated depreciation**	Balance as at 1.1.2018 RM'000	Changes for the period RM'000	Disposal RM'000	Write off RM'000	Exchange difference RM'000	Balance as at 30.6.2020 RM'000
Leasehold land	230	90	-	-	-	320
Building	338	2	(340)	-	-	-
Computers	5,350	241	-	(2,120)	-	3,471
Furniture and fittings	273	76	-	(299)	-	50
Communication equipment	181	43	-	(224)	-	-
Motor vehicles	2,286	1,067	-	(4)	-	3,349
Machinery and equipment	38,896	6,803	(1,224)	-	200	44,675
Office equipment	437	106	-	(101)	-	442
Renovation	2,137	1,062	-	(2,668)	-	531
Barge and pipe laying equipment	59,237	22,830	-	-	1,697	83,764
Capital work-in-progress	-	-	-	-	-	-
	109,365	32,320	(1,564)	(5,416)	1,897	136,602

Group **Allowance for impairment losses**	Balance as at 1.1.2018 RM'000	Impairment loss during the period RM'000	Exchange difference RM'000	Balance as at 30.6.2019 RM'000
Leasehold land	-	-	-	-
Building	-	-	-	-
Computers	-	-	-	-
Furniture and fittings	-	-	-	-
Communication equipment	-	-	-	-
Motor vehicles	-	-	-	-
Machinery and equipment	598	8,083	39	8,720
Office equipment	-	-	-	-
Renovation	-	-	-	-
Barge and pipe laying equipment	43,091	155,544	4,269	202,904
Capital work-in-progress	73	271	7	351
	43,762	163,898	4,315	211,975

Group **Carrying amount**	2020 RM'000	2019 RM'000
Leasehold land	1,519	1,538
Computers	42	126
Furniture and fittings	26	34
Communication equipment	1	1
Motor vehicles	145	418
Machinery and equipment	3,437	6,830
Office equipment	174	242
Renovation	2,439	2,768
Barge and pipe laying equipment	71,950	85,532
Capital work-in-progress	788	725
	80,521	98,214

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment (continued)

	Computers RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Company					
Cost					
At 1.7.2019/30.6.2020	3	2	1,372	2	1,379
Accumulated depreciation					
At 1.7.2019	2	1	1,372	1	1,376
Charge for the financial year	*	*	-	1	1
At 30.6.2020	2	1	1,372	2	1,377
Carrying amount					
At 30.6.2020	1	1	-	*	2
Cost					
At 1.1.2018/30.6.2019	3	2	1,372	2	1,379
Accumulated depreciation					
At 1.1.2018	1	1	960	1	963
Charge for the financial period	1	*	412	*	413
At 30.6.2019	2	1	1,372	1	1,376
Carrying amount					
At 30.6.2019	1	1	-	1	3

Notes:
* - Denotes less than RM500

(a) Included in the property, plant and equipment of the Group are the following assets acquired under term loans and hire purchase financing. These assets have been pledged as security for the facilities granted to the Group as disclosed in Noted 14 to the financial statements of the Group:

	Group	
	2020 RM'000	2019 RM'000
Leasehold land	-	1,538
Machinery and equipment	-	1,164
Barge and pipe laying equipment	71,950	85,532
	71,950	88,234

NOTES TO THE FINANCIAL STATEMENTS

3. Property, Plant and Equipment (continued)

(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 year/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 year. An impairment loss of RM10.483 million (2019: RM156.945 million), representing the write-down of the property, plant and equipment to the recoverable amount was recognised in "Other operating expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 20 to the financial statements. The recoverable amount was determined based on fair value less cost to sell approach.

(d) 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.

(e) During the prior 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 million, representing the write-down of the machinery and equipment to the recoverable amount was recognised in "Other operating expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 20 to the financial statements.

4. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	97,878	97,878
Share options granted to employees of a subsidiary	5,745	5,745
	103,623	103,623
Less: Impairment loss	(103,622)	(103,622)
	1	1

Movement on the provision of impairment loss on investment in subsidiary companies is as follows:

	Company	
	2020 RM'000	2019 RM'000
At beginning of the financial year/period	103,622	20,167
Add: Impairment loss during the financial year/period	-	83,455
At end of the financial year/period	103,622	103,622

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (continued)

(b) The subsidiary companies and shareholding therein are as follows:

Name of company	Country of incorporation and principal place of business	Effective ownership and voting interest 2020 %	2019 %	Principal activities
Direct holding:				
PBJV Group Sdn. Bhd.#&	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. *@	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.
Indirect holding: Subsidiary of PBJV Group Sdn. Bhd.				
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.

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (continued)

(b) The subsidiary companies and shareholding therein are as follows: (continued)

Name of company	Country of incorporation and principal place of business	Effective ownership and voting interest 2020 %	2019 %	Principal activities
Indirect holding: Subsidiary of PBJV Group Sdn. Bhd.				
Kota Laksamana 101 Ltd*&	Malaysia	100	100	Ship-owning and other shipping related activities.
PBJV Macfeam Sdn. Bhd.@	Malaysia	51	51	Providing procurement, construction and commissioning of pressurised piping system.
Indirect holding: Subsidiary of Barakah Offshore Energy Sdn. Bhd.				
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.

* Subsidiary company audited by other firm of chartered accountants.
^ This subsidiary is under Members' Voluntary liquidation.
\# These subsidiaries were consolidated using the merger method of accounting.
& The auditors' report on the financial statements of these subsidiaries contained a disclaimer of opinion.
@ The auditors' report on the financial statements of these subsidiaries contained material uncertainty related to going concern.

NOTES TO THE FINANCIAL STATEMENTS

4. Investment in Subsidiary Companies (continued)

(c) Non-controlling interests ("NCI") in subsidiary companies:

	PBJV Macfeam Sdn. Bhd. 2020 RM'000	PBJV Macfeam Sdn. Bhd. 2019 RM'000	PBJV Gulf Co. Ltd 2020 RM'000	PBJV Gulf Co. Ltd 2019 RM'000
Current assets	81	85	1,141	1,150
Current liabilities	(71)	(64)	(2,032)	(1,967)
Net assets/(liabilities)	10	21	(891)	(817)
Carrying amount of NCI as at 30 June	5	10	(133)	(122)
Loss/Total comprehensive expenses for the financial year	(10)	(30)	(73)	(136)
Loss/Total comprehensive expenses allocated to NCI during the financial year	(5)	(15)	(11)	(18)
Cash (used in)/generated from operating activities/Net (decrease)/ increase in cash and cash equivalents	(6)	1	-	-
Ownership interest and voting rights percentage held by NCI	49%	49%	15%	15%

5. Right-of-use Assets

	Office and yard RM'000	Office equipment RM'000	Total RM'000
Group			
Cost			
At 1.1.2018/1.7.2019 (As previously stated)	-	-	-
Effect of adoption of MFRS 16 (Note 2.1)	7,250	158	7,408
At 1.7.2019 (Restated)/30.6.2020	7,250	158	7,408
Accumulated depreciation			
At 1.1.2018/1.7.2019	-	-	-
Charge for the financial year	1,840	41	1,881
At 30.6.2020	1,840	41	1,881
Carrying amount			
At 30.6.2020	5,410	117	5,527

NOTES TO THE FINANCIAL STATEMENTS

6. Amount owing by Subsidiary Companies

	Company 2020 RM'000	Company 2019 RM'000
Amount owing by subsidiary companies		
- Trade	55,046	22,698
- Non-trade	67,136	92,375
	122,182	115,073
Less: Expected credit loss allowances	(36,627)	(35,267)
	85,555	79,806
Analysed as:		
Non-current assets		
Amount owing by subsidiary companies	85,555	-
Current assets		
Amount owing by subsidiary companies	-	79,806

The trade balances are subject to credit term ranges from 30 days to 90 days (2019: 30 days to 90 days).

The non-trade balances are unsecured, interest-free and are repayable on demand.

Movement on the provision of expected credit loss allowances on amount owing by subsidiary companies is as follows:

	Company 2020 RM'000	Company 2019 RM'000
At beginning of the financial year/period	35,267	39,141
Add: Expected credit loss allowances	1,360	-
Less: Reversal during the financial period	-	(3,874)
At end of the financial year/period	36,627	35,267

Following the issuance of Financial Reporting Standards Implementation Committee ("FRSIC"), FRSIC Consensus 31 – Classification of Amount Due from subsidiaries and Amount Due to Holding Company that is Repayable on Demand by the Malaysian Institute of Accountants on 4 July 2018, the Directors of the Company had reviewed the expected repayments from subsidiaries and hence had classified the amount owing by subsidiaries as non-current.

7. Inventories

	Group 2020 RM'000	Group 2019 RM'000
At cost:		
- Project materials	4,282	1,071
- Spare parts	-	4,508
- Personal protective equipment	9	32
	4,291	5,611

NOTES TO THE FINANCIAL STATEMENTS

8. Trade Receivables

	Group 2020 RM'000	Group 2019 RM'000
Trade receivables	76,723	29,107
Less: Expected credit loss allowances	(196)	(336)
	76,527	28,771

The Group's normal trade credit terms range from 30 to 120 days (2019: 30 to 120 days).

The ageing analysis of the Group's trade receivables is as follows:

	Group 2020 RM'000	Group 2019 RM'000
Neither past due nor individually impaired	71,631	22,446
Past due but not individually impaired		
- Past due 1 - 60 days	49	5,000
- Past due 61 - 365 days	4,956	1,510
- Past due more than 365 days	87	151
	5,092	6,661
	76,723	29,107

The Group's trade receivables of RM5.092 million (2019: RM6.661 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Movement on the provision of expected credit loss allowances on trade receivables is as follows:

	Group 2020 RM'000	Group 2019 RM'000
At beginning of the financial year/period	336	5,408
Add: Expected credit loss allowances	195	-
Less: Reversal during the financial year/period	(335)	(5,072)
At end of the financial year/period	196	336

At the reporting date, the Group's concentration of the top 1 (2019: 3) trade customer of the Group represents 91% (2019: 82%) of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

9. Contract Assets

The breakdown of contract assets are as follows:

	Note	Group 30.6.2020 RM'000	30.6.2019 RM'000 Restated	1.1.2018 RM'000 Restated
Accrued billing	(a)	11,282	15,246	18,204
Less: Expected credit loss allowances	(b)	(4)	(10)	(26)
		11,278	15,236	18,178
Amount due from contract customers	(c)	12,025	5,655	8,281
		23,303	20,891	26,459

(a) Accrued billing represents work done which the Group has fully satisfied the performance obligation but not yet billed.

(b) The movement of expected credit loss allowances on accrued billing as follows:

	Group 2020 RM'000	2019 RM'000
At beginning of financial year/period	10	26
Add: Expected credit loss allowances	4	-
Less: Reversal of impairment	(10)	(16)
At end of the financial year/period	4	10

(c) Amount due from contract customers represents construction costs incurred on work done which the Group has not fully satisfied the performance obligations. The amount is subsequently recognised as cost of sales consistently with the revenue for the related work done.

10. Other Receivables

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Other receivables	415	44	1	15
Prepayments	812	54	-	-
Deposits	610	4,182	-	-
	1,837	4,280	1	15
Less: Expected credit loss allowances	(307)	(1,407)	-	-
	1,530	2,873	1	15

NOTES TO THE FINANCIAL STATEMENTS

10. Other Receivables (continued)

Movement on the expected credit loss allowances during the financial year/period as follows:

	Group	
	2020 RM'000	2019 RM'000
At beginning of the financial year/period	1,407	1,521
Add: Expected credit loss allowances	307	-
Less: Reversal during the year/period	-	(114)
Less: Write off during the year	(1,407)	-
At end of the financial year/period	307	1,407

11. Cash and Cash Equivalents

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short-term investment	5,344	5,222	5,320	5,199
Fixed deposit with licensed banks	49,981	53,777	4,203	4,079
Cash and bank balances	40,760	30,677	292	11,552
	96,085	89,676	9,815	20,830

The short-term investment represents the Group's and the Company's investments in AmCash Management which are designed to provide investors with a stream of income. 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.

The interest rates per annum of the fixed deposits with licensed banks that were effective as at the reporting date are as follows:

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Fixed deposit with licensed banks	2.85 - 3.80	2.80 - 4.05	2.85 - 3.80	2.80 - 4.05

Included in the fixed deposits with licensed banks of the Group and the Company at the end of the financial year/period were amounts of RM35.332 million (2019: RM53.578 million) and Nil (2019: RM4,046 million) respectively which have been pledged to several licensed banks as security for banking facilities granted to the Group and the Company.

Included in the cash and banks balances of the Group at the end of the financial year/period were amounts of RM4.517 million (2019: RM4.517 million) which have been pledged to a licensed bank as security for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

12. Share Capital

	Group/Company			
	Number of shares		Amount	
	2020 Units'000	2019 Units'000	2020 RM'000	2019 RM'000
Issued and fully paid				
At beginning of the financial year/period	835,786	826,405	231,889	165,329
Issuance of shares pursuant to conversion of RCULS	-	9,381	-	2,490
Transfer from share premium	-	-	-	64,070
At end of the financial year/period	835,786	835,786	231,889	231,889

13. Reserves

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000
Non-Distributable:				
Merger deficit	(71,909)	(71,909)	-	-
Foreign exchange translation reserve	180	6,906	-	-
Distributable:				
Accumulated losses	(318,613)	(343,638)	(136,479)	(132,124)
	(390,342)	(408,641)	(136,479)	(132,124)

(a) Merger deficit

The merger deficit of RM71.909 million 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 principles.

(b) Foreign exchange translation reserve

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.

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Secured:				
Term loans	188,070	36,127	-	-
Hire purchase liabilities	-	27	-	27
Bank overdraft	1,223	8,941	-	-
	189,293	45,095	-	27
Non-current				
Secured:				
Term loans	-	141,264	-	-
	189,293	186,359	-	27
Secured:				
Term loans	188,070	177,391	-	-
Hire purchase liabilities	-	27	-	27
Bank overdraft	1,223	8,941	-	-
	189,293	186,359	-	27

The above term loans obtained from a licensed bank are secured by the following:

(a) a corporate guarantee from the Company and one of its subsidiaries, PBJV Group Sdn. Bhd.;

(b) mortgage over the barge and pipe laying equipment known as "Kota Laksamana 101" as disclosed in Note 3 to the financial statements;

(c) an assignment of charter proceeds and charge over the Project Account; and

(d) an assignment of the barge's insurance policies.

An indirect wholly-owned subsidiary of the Group, Kota Laksamana 101 Ltd ("KL101 Ltd") had received first and second notice of demand of its term loan facilities from a licensed bank on an event of default in payment of loan instalment on 17 May 2019 and 16 August 2019 respectively. On 22 October 2019, KL101 Ltd received a notice of termination, recall and demand of the facilities for an outstanding amount of USD43.590 million. Accordingly, the total outstanding term loans of RM188.070 million has been classified as a current liability.

Should the term loans be repaid based on its repayment schedule, the term loans are analysed as follows:

	Group 2020 RM'000
Within 1 year	29,759
Less than 1 year and not later than 5 years	158,311
Later than 5 years	-
	188,070

NOTES TO THE FINANCIAL STATEMENTS

14. Borrowings (continued)

The bank overdrafts are secured by:

(a) a pledge of the fixed deposits of the Group as disclosed in Note 11 to the financial statements; and

(b) a guarantee from a Director of the Company.

Hire purchases liabilities are effectively secured as right to the leased asset will be returned to the lessor in the event of default. Hire purchases liabilities are as follows:

	Group/Company	
	2020 RM'000	**2019 RM'000**
Gross minimum lease payments		
Payable within one year	-	27
Payable between one to five years	-	-
	-	27
Less: Future finance charges	-	-
	-	27
Present value of hire purchase liabilities		
Repayable within one year	-	27
Repayable between one and five years	-	-
	-	27

The range of effective interest/profit rates are as follows:

	Group		Company	
	2020 %	**2019 %**	**2020 %**	**2019 %**
Term loans	5.00	4.01 - 7.60	-	-
Hire purchase liabilities	-	4.64 - 4.68	-	4.64 - 4.68
Bank overdraft	8.19	8.19	-	-

15. Lease Liabilities

	Group	
	2020 RM'000	**2019 RM'000**
Repayable within twelve months	1,839	-
Repayable after twelve months	3,809	-
	5,648	-

NOTES TO THE FINANCIAL STATEMENTS

16. Deferred Tax Liabilities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax liabilities	-	22	-	8

The analysis of deferred tax liabilities are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At beginning of the financial year/period	22	50	8	36
Recognised in profit or loss (Note 22):				
- RCULS	-	(21)	-	(21)
- property, plant and equipment	(3,022)	-	(8)	-
- unutilised tax losses	3,000	-	-	-
Conversion of RCULS	-	(7)	-	(7)
At end of the financial year/period	-	22	-	8

The components of deferred tax liabilities of the Group during the financial year prior to offsetting are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax liabilities:				
- property, plant and equipment	-	3,022	-	8
Offsetting	-	(3,000)	-	-
	-	22	-	8
Deferred tax assets:				
- unutilised tax losses	-	3,000	-	-
Offsetting	-	(3,000)	-	-
	-	-	-	-

The deductible temporary difference and unutilised tax losses of the Group for which no deferred tax assets were recognised in the statements of financial position are as follows:

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	(215,171)	(323,814)
Unabsorbed capital allowances	-	(7,511)
	(215,171)	(331,325)
Deferred tax assets not recognised at 24% (2019: 24%)	(51,641)	(79,518)

NOTES TO THE FINANCIAL STATEMENTS

17. Trade Payables

	Group 30.6.2020 RM'000	30.6.2019 RM'000	1.1.2018 RM'000 Restated
Trade payables	121,558	149,879	108,657
Accrued purchases	135,616	108,179	13,636
	257,174	258,058	122,293

The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2019: 30 to 90 days).

Included in trade payables is an amount of RM2.928 million (2019: RM2.928 million) payable to common shareholder.

Included in accrued purchases are provisions amounting to RM87.223 million (2019: RM108.492 million) arising from litigations as disclosed in Note 29 to the financial statements.

18. Other Payables

	Group 30.6.2020 RM'000	30.6.2019 RM'000 Restated	1.1.2018 RM'000
Other payables	9,483	2,030	798
Accrual	687	2,605	2,172
Amount owing to a Director	-	2	-
	10,170	4,637	2,970

	Company 2020 RM'000	2019 RM'000
Other payables	206	138
Accrual	308	157
	514	295

The amount owing to a Director is non-trade in nature, unsecured, interest-free and is repayable on demand.

19. Revenue

During the financial year, the Group's and the Company's revenue derived from the transfer of goods and services as following:

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Pipeline and commissioning	202,463	192,778	-	-
Installation and construction	18,573	168,593	-	-
Management fees	-	-	4,987	10,528
	221,036	361,371	4,987	10,528

NOTES TO THE FINANCIAL STATEMENTS

19. Revenue (continued)

Breakdown of revenue recognised from contracts with customers is as follows:

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Geographical market				
Malaysia	221,036	361,371	4,987	10,528
Timing of revenue recognition				
Over time	221,036	361,371	4,987	10,528

20. Profit/(Loss) before Taxation

Included in profit/(loss) before taxation are the following charges/(credits):

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Auditors' remuneration				
- current year	192	276	75	34
- (over)/under provision in prior year	(1)	6	-	-
Impairment loss on:				
- investment in subsidiary companies	-	-	-	83,455
- property, plant and equipment	10,483	163,898	-	-
Depreciation of property, plant and equipment	7,992	32,320	1	413
Depreciation of right-of-use assets				
- cost of sales	396	-	-	-
- administrative expenses	1,485	-	-	-
Interest expense:				
- bank overdraft	257	1,602	-	-
- hire purchase	-	19	1	15
- term loans	4,799	16,278	-	-
- RCULS	-	236	-	236
- bank guarantee	21	2,391	-	11
- Right-of-use assets	229	-	-	-
Rental expense on:				
- equipment and machinery	-	78	-	-
- premises	-	2,411	-	-
Staff cost:				
- salaries, allowances and bonuses	6,998	13,550	3,054	3,331
- defined contribution benefits	872	1,660	-	401
- other benefits	142	354	22	29

NOTES TO THE FINANCIAL STATEMENTS

20. Profit/(Loss) before Taxation (continued)

Included in profit/(loss) before taxation are the following charges/(credits): (continued)

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Net (reversal)/provision of expected credit loss allowances on:				
- trade receivables	(140)	(5,072)	-	-
- other receivables	307	(114)	-	-
- contract assets	(6)	(16)	-	-
- amount owing by subsidiary companies	-	-	1,360	(3,874)
Property, plant and equipment written off	1,891	2,941	-	-
Realised loss/(gain) on foreign exchange	13	(132)	-	-
Unrealised gain on foreign exchange	-	(2,083)	-	-
Bad debts written off	-	353	-	-
Interest income:				
- fixed deposit with licensed banks	(331)	(3,576)	(159)	(322)
- cash and bank balances	(121)	(131)	(121)	(63)
Rental income	-	(118)	-	-
Gain on disposal of property, plant and equipment	(150)	(1,752)	-	-
Short term lease of:				
- equipment and machinery	7	-	-	-
- premises	130	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

21. 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 year/period are as follows:

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Directors				
Directors of the Company				
Executive Directors:				
- salary and other emoluments	4,059	5,777	2,151	3,040
- defined contribution plan	481	712	252	386
- other benefit	5	6	2	3
	4,545	6,495	2,405	3,429
Non-executive directors:				
- fees	451	792	451	792
- allowances	71	207	71	207
	522	999	522	999
	5,067	7,494	2,927	4,428
Directors of the subsidiary companies				
Executive Directors				
- fees	120	180	-	-
- salary and other emoluments	166	748	-	-
- other benefits	-	2	-	-
- defined contribution plan	20	90	-	-
	306	1,020	-	-
Total Directors' remuneration	5,373	8,514	2,927	4,428
Other key management personnel				
Salary and other emoluments	1,704	1,531	776	1,531
Defined contribution plan	207	184	94	184
Total compensation for other key management personnel	1,911	1,715	870	1,715

NOTES TO THE FINANCIAL STATEMENTS

22. Taxation

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Current taxation:				
- Current year provision	778	2,575	-	1,418
- (Over)/Under provision in prior period/year	(1,378)	9,981	(891)	(123)
	(600)	12,556	(891)	1,295
Deferred taxation:				
- Original and recognition of temporary differences	-	(21)	-	(21)
- Overprovision in prior period	(22)	-	(8)	-
Taxation for the financial year/period	(622)	12,535	(899)	1,274

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit/(loss) for the financial year/period. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

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

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Profit/(Loss) before taxation	24,391	(364,557)	(5,254)	(80,394)
Taxation at statutory tax rate of 24% (2019: 24%)	5,854	(87,494)	(1,261)	(19,295)
Expenses not deductible for tax purposes	3,845	43,177	810	20,707
Income not subject to tax	(39)	(754)	(40)	(15)
Effect in differential in tax rates of subsidiaries	-	26	-	-
Utilisation of previously unrecognised deferred tax assets	(8,882)	-	-	-
Deferred tax assets not recognised	-	47,599	491	-
(Over)/Under provision of current taxation in prior period/year	(1,378)	9,981	(891)	(123)
Over provision of deferred taxation in prior period	(22)	-	(8)	-
Taxation for the financial year/period	(622)	12,535	(899)	1,274

NOTES TO THE FINANCIAL STATEMENTS

23. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the consolidated profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial year.

	Group	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated
Profit/(Loss) for the financial year attributable to the owners of the Company	25,025	(377,054)
Weighted average number of ordinary shares issued	835,786	830,684
Basic earnings/(loss) per share (sen)	2.99	(45.40)

(b) Diluted earnings/(loss) per share

There is no diluted earnings/(loss) per share as the Group does not have any dilutive potential ordinary of shares during the financial year.

24. Cash Flow Information

Reconciliation of liabilities arising from financing activities:

	Term loans RM'000	Hire purchase liabilities RM'000	Lease liabilities RM'000	Total RM'000
Group				
At 1.7.2019 (As previously stated)	177,391	27	-	177,418
Effect of adoption of MFRS 16 (Note 2.1)	-	-	7,408	7,408
At 1.7.2019 (Restated)	177,391	27	7,408	184,826
Cash flow				
Repayment of principal	-	(27)	(1,760)	(1,787)
Repayment of interests	-	-	(229)	(229)
	-	(27)	(1,989)	(2,016)
Total non-cash changes				
Finance charges recognised in profit or loss	4,799	-	229	5,028
Foreign exchange adjustments	5,880	-	-	5,880
	10,679	-	229	10,908
At 30.6.2020	188,070	-	5,648	193,718

NOTES TO THE FINANCIAL STATEMENTS

24. Cash Flow Information (continued)

Reconciliation of liabilities arising from financing activities: (continued)

	Term loans RM'000	RCULS RM'000	Trust receipts RM'000	Hire purchase liabilities RM'000	Total RM'000
Group					
At 1.1.2018	173,496	1,763	33,991	484	209,734
Cash flow					
Proceed from drawdown	-	-	75,412	-	75,412
Repayment of principal	(4,552)	-	(109,403)	(457)	(114,412)
Repayment of interests	(11,256)	(66)	(2,391)	(19)	(13,732)
	(15,808)	(66)	(36,382)	(476)	(52,732)
Total non-cash changes					
Finance charges recognised in profit or loss	16,278	236	2,391	19	18,924
Foreign exchange adjustments	3,425	-	-	-	3,425
Reclassification of interest payables	-	11	-	-	11
Conversion of RCULS	-	(1,944)	-	-	(1,944)
	19,703	(1,697)	2,391	19	20,416
At 30.6.2019	177,391	-	-	27	177,418

	RCULS RM'000	Hire purchase liabilities RM'000	Total RM'000
Company			
At 1.7.2019	-	27	27
Cash flow			
Repayment of principal	-	(27)	(27)
At 30.6.2020	-	-	-
At 1.1.2018	1,763	378	2,141
Cash flow			
Repayment of principal	-	(351)	(351)
Repayment of interests	(66)	(15)	(81)
	(66)	(366)	(432)
Total non-cash changes			
Finance charges recognised in profit or loss	236	15	251
Reclassification of interest payables	11	-	11
Conversion of RCULS	(1,944)	-	(1,944)
	(1,697)	15	(1,682)
At 30.6.2019	-	27	27

NOTES TO THE FINANCIAL STATEMENTS

25. Segmental Information

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.

(a) Information about major customers

The following are the major customers individually accounting for 10% or more of the Group's revenue:

	Group	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated
Customer A	49	100,746
Customer B	126,894	86,636
Customer C	36,010	55,828
	162,953	243,210

26. Capital Management

The primary objective of the Group's capital management is to maintain an adequate capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

The Group monitors capital using gearing ratio, which is net borrowings divided by equity attributable to owners at the company. The Group's policy is to keep the gearing ratio within reasonable levels.

	Group	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000 Restated
Borrowings	189,293	186,359
Less: Cash and cash equivalents	(96,085)	(89,676)
Net liquidity	93,208	96,683
Equity attributable to owners of the Company	(158,453)	(176,752)
Gearing ratio (%)	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

27. Financial Instruments

The table below provides an analysis of financial instruments and their categories:

	Financial assets and liabilities at amortised cost RM'000	Total RM'000
2020		
Group		
Financial assets		
Trade receivables	76,527	76,527
Other receivables	718	718
Cash and cash equivalents	96,085	96,085
	173,330	173,330
Financial liabilities		
Trade payables	257,174	257,174
Other payables	10,170	10,170
Borrowings	189,293	189,293
Lease liabilities	5,648	5,648
	462,285	462,285
2019		
Financial assets (restated)		
Trade receivables	28,771	28,771
Other receivables	2,819	2,819
Cash and cash equivalents	89,676	89,676
	121,266	121,266
Financial liabilities (restated)		
Trade payables	258,058	258,058
Other payables	4,637	4,637
Borrowings	186,359	186,359
	449,054	449,054

NOTES TO THE FINANCIAL STATEMENTS

27. Financial Instruments (continued)

The table below provides an analysis of financial instruments and their categories: (continued)

	Financial assets and liabilities at amortised cost RM'000	Total RM'000
2020		
Company		
Financial assets		
Other receivables	1	1
Amount owing by subsidiary companies	85,555	85,555
Cash and cash equivalents	9,815	9,815
	95,371	95,371
Financial liabilities		
Other payables	514	514
2019		
Financial assets		
Other receivables	15	15
Amount owing by subsidiary companies	79,806	79,806
Cash and cash equivalents	20,830	20,830
	100,651	100,651
Financial liabilities		
Other payables	295	295
Borrowings	27	27
	322	322

Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade and other receivables, and intercompany receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of receivables ageing. At reporting date, there were no significant concentrations of credit risk other than as disclosed in Note 8. The Group monitors the results of the related parties regularly to safeguard credit risk on balances from intercompany receivables.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statements of financial position.

27. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables and borrowings.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flow RM'000	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000
2020						
Group						
Trade payables	257,174	-	257,174	257,174	-	-
Other payables	10,170	-	10,170	10,170	-	-
Borrowings	189,293	5.00 - 8.19	189,293	189,293	-	-
Lease liabilities	5,648	-	5,852	1,865	3,987	-
	462,285		462,489	458,502	3,987	-
Company						
Other payables	514	-	514	514	-	-
2019						
Group (restated)						
Trade payables	258,058	-	258,058	258,058	-	-
Other payables	4,637	-	4,637	4,637	-	-
Borrowings	186,359	4.07-8.19	217,319	46,019	171,300	-
	449,054		480,014	308,714	171,300	-
Company						
Borrowings	27	4.66	28	28	-	-
Other payables	295	-	295	295	-	-
	322		323	323	-	-

NOTES TO THE FINANCIAL STATEMENTS

27. Financial Instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows.

(a) Interest rate risk

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's and the Company's deposits and borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the financial year are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Short-term deposits with licensed banks	49,981	53,777	4,203	4,079
Borrowings	-	(27)	-	(27)
	49,981	53,750	4,203	4,052
Floating rate instruments				
Borrowings	(189,293)	(186,332)	-	-

Since the Group and the Company's fixed rate financial assets and liabilities are measured at amortised cost, possible changes in interest rates are not expected to have a significant impact on the Group and the Company's profit or loss.

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) profit or loss net of tax by the amounts shown below, assuming all other variables remain constant.

	Group Increase/(Decrease) Profit or loss net of tax	
	2019 RM'000	2018 RM'000
Floating rate instruments		
Increase 100 basis points	(1,439)	(1,416)
Decrease 100 basis points	1,439	1,416

NOTES TO THE FINANCIAL STATEMENTS

27. Financial Instruments (continued)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of long term borrowings carried on the statement of financial position reasonably approximate fair value as it is a floating rate instrument that is re-priced to market interest rates on or near the reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that is not based on observable market data.

The following table analyses the fair values of financial instruments not carried at fair value, together with their carrying amounts in the statement of financial position:

	2020		2019	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Group				
Financial liabilities				
Lease liabilities	5,648	5,648	-	-

NOTES TO THE FINANCIAL STATEMENTS

27. Financial Instruments (continued)

Foreign currency exchange 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 give rise to this risk is primarily United States Dollar ("USD"), Saudi Riyal ("SAR") and Singapore Dollar ("SGD"). Foreign currencies risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Functional Currency	**USD RM'000**	**SAR RM'000**	**SGD RM'000**	**Total RM'000**
2020				
Cash and bank balances	208	1,141	3	1,352
Trade and other payables	(1,980)	(25)	-	(2,005)
Bank borrowings	(188,070)	-	-	(188,070)
	(189,842)	1,116	3	188,723
2019 (Restated)				
Other receivables	-	29	-	29
Cash and bank balances	506	1,104	3	1,613
Trade and other payables	(1,334)	(24)	(409)	(1,767)
Borrowings	(177,391)	-	-	(177,391)
	(178,219)	1,109	(406)	(177,516)

The following shows the sensitivity of the Group's and of the Company's equity and profit/(loss) net of tax to a reasonably possible change in the USD, SAR and SGD exchange rates against the functional currency of the affected Group of Companies ("RM"), with all other variables remain constant.

	Group	
	2020 RM'000	**2019 RM'000**
Decrease in profit or loss		
USD/RM - weakening 1%	(12)	(9)
SGD/RM - weakening 1%	*	*
Decrease in other comprehensive income		
USD/RM - weakening 1%	(1,431)	(1,345)
SAR/RM - weakening 1%	(8)	(8)

* - Denotes less than RM500

NOTES TO THE FINANCIAL STATEMENTS

28. Significant Related Party Transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transaction of the Company, other than key management personnel compensation are as follows:

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.1.2018 to 30.6.2019 RM'000
Company in which certain Directors have substantial financial interests				
Services paid/payable	-	29,458	-	-
Rental of premises paid/payable	1,600	2,080	-	-
Rental of yard paid/payable	88	80	-	-
Donations	240	360	-	-
Subsidiary				
Management fee received/receivable	-	-	4,987	10,528

The remuneration of Directors and other member of key management during the financial year is disclosed in Note 21 to the financial statements.

29. Significant Events

(a) On 16 October 2018, the Company and its wholly-owned subsidiary, PBJV Group Sdn. Bhd. ("PBJV Group") 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 Group ("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. 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. On 29 May 2019, the Court had granted PBJV Group a fresh Restraining Order commencing from 29 May 2019 for a period of 55 days up to 22 July 2019.

(b) On 21 May 2019, the Company announced that the Company had triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(f) of Practice Note 17 ("PN17") of the Listing Requirements of Bursa Malaysia as the Company's indirect wholly-owned subsidiary, KL101 Ltd had received a notice of demand on 17 May 2019 from EXIM Bank due to breach of terms in its facility agreement for failing to make instalment payments pursuant to Paragraph 9.19A of the Listing Requirements and the Company is unable to provide a solvency declaration to Bursa Malaysia. In accordance with PN17, the Company is required to submit a regularisation plan within twelve (12) months to Bursa Malaysia.

On 26 March 2020, Bursa Securities had provided extension of time for submission of regularisation plan by listed issuers for another twelve (12) months i.e. 17 May 2021 for those who had triggered the PN17 criteria between 2 January 2019 to 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

29. Significant Events (continued)

(c) On 8 July 2019, PBJV Group received a notification of suspension of PBJV Group's license 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 Group 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 Group's license 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 Group during the suspension period. PBJV Group will not be allowed to bid for new projects undertaken by PETRONAS including its subsidiaries and any PACs during the suspension period. Nevertheless, PBJV Group is still allowed to continue and complete its existing and on-going contracts with PETRONAS including its subsidiaries and PACs in accordance to the term and conditions of the respective existing and on-going contracts.

In response to this, on 5 August 2019, the Company and PBJV Group has 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 has 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 Group has demanded an amount of RM1.02 billion against PETRONAS and PCSB, among others, based on the loss of future profits, reputation and market shares prices.

On 25 September 2019, the Company and PBJV Group 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.

On 27 November 2019, PBJV Group through its firm of advocates and solicitors, Messrs. Ram Reza & Muhammad issued a Statutory Notice pursuant to Section 465 and 466 of the Companies Act 2016 against PCSB to claim the amount RM477,467.37. This claim has remained outstanding despite PCSB having issued the procedural confirmation and acknowledgement to pay the said sum.

On 16 January 2020, PBJV Group filed a 2nd Statutory Winding up Notice pursuant to Section 465 and 466 of the Companies Act 2016 against PCSB, the claim amount of RM118,193.52 which is viewed as the debt without legal dispute. PCSB has given 21 days from the receipt of the Statutory Notice to fully settle the said sum.

PCSB has settled in full the amount of RM477,467.37 and RM118,193.52 in favour of PBJV Group respectively.

On 21 July 2020 the scheduled hearing for the RM1.02 billion demand was granted postponement by the Court due to PETRONAS' Solicitors engagement in other higher priority case. Hearing was later fixed on 21 September 2020 which was part-heard and adjourned to next date on 27 October 2020.

NOTES TO THE FINANCIAL STATEMENTS

29. Significant Events (continued)

(d) On 9 August 2019, the Company and PBJV Group 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 Group 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 Pressurised Non-Metallic Piping Firewater Network East Side" ("P14 Contract").

In relation to this, on 22 August 2019, the Company and PBJV Group have both issued a Notice of Reply to PRPC to dispute the claim. Concurrent to the Notice of Reply, PBJV Group has further issued a Notice of Demand dated 22 August 2019 to PRPC for the amount of RM6,579,806.74.

PBJV Group has, through its firm of advocates and solicitors, , Messrs. Ram Reza & Muhammad, commenced a legal proceeding by filing a Writ of Summons on 12 September 2019 in the Kuala Lumpur High Court against PRPC. Macfeam Sdn Bhd has also been named as the Second Plaintiff in the said legal action.

On 12 February 2020, the Company has been served with Writ of Summons and Statement of Claim dated 7 February 2020 for the amount of RM85,203,274.96 by PRPC. It has been served to Company being the Parent Guarantor provided under a Contract referred to as "Utilities, Interconnecting, Offsite (UIO) Facilities: Procurement, construction & Commissioning (PCC) of Underground Pressurised Non-Metallic Piping Firewater Network East Side" ("P14 Contract")

The Company has, through its firm of advocates and solicitors, Messrs. Ram Reza & Muhammad filed a Statement of Defence and Counter Claim to PRPC on 13 March 2020 and 24 April 2020 resting on the fact that any delay which has been alleged by PRPC, was triggered by PRPC's failure to pay PBJV Group's progress claim. The Court has fixed a hearing date on 27 October 2020 (Consolidation Application by Defendants) and 16 November 2020 (Striking Out Application by Plaintiff). Trials and further direction pending disposal of the interlocutory application. In view of the legal advice, the Board of Directors of the Company has assessed the probability of the outcome and recognised a provision amounting RM70.23 million in trade payables as disclosed in Note 17 to the financial statements.

(e) 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 Messrs. Zain Megat & Murad, acting as solicitors for Export-Import Bank of Malaysia Berhad ("EXIM Bank"). The notice of demand was issued to notify that an event of default has occurred due to a breach of terms in its facility agreement for failing to make instalment payments.

On 22 August 2019, KL101 Ltd had received a second 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.

On 22 October 2019, KL101 had received a notice of termination, recall and demand dated 22 October 2019 from Exim Bank. Exim Bank is now exercising its right to recall and /or terminate the Facility Agreements. An amount of USD43,589,775.92 as at 15 October 2019 has been stated in the notice being total amount due and owing by KL101 to Exim bank.

On 18 May 2020, the Company and its wholly-owned subsidiary, PBJV Group and KL101 Ltd, wholly owned subsidiary of PBJV Group been served a Writ of Summons and Statement of claim dated 17 April 2020 for an amount of USD43,789,997.91 by Bank as disclosed in Note 14 to the financial statements. Next date for Case Management is now fixed on 30 November 2020 for Plaintiff to update Court on their stand/position whether or not to oppose Defendants' stay application.

NOTES TO THE FINANCIAL STATEMENTS

29. Significant Events (continued)

(f) On 2 October 2019, PBJV Group has through its firm of Advocates and Solicitors, Messrs Dinesh Praveen Nair, served a Notice of Demand to Petronas Gas Berhad ("PGB") for a sum of approximately RM179.8 million ("the NOD") for the Procurement, Construction and Commissioning (PCC) of Pengerang Gas Pipeline Project (formerly known as Procurement, Construction and Commissioning of RGT2 Pipeline Project ("the Project").

On 28 November 2019, PBJV Group served a Notice of Arbitration to Petronas Gas Berhad (PGB) to claim for a sum of RM179,843,379.10. On 12 May 2020 both PBJV Group and PGB paid the Arbitration Advance Deposit and the Arbitration Proceeding is pending appointment of a new The Asian International Arbitration Centre Director.

The matter may only proceed upon appointment of a new The Asian International Arbitration Centre Director and upon further instruction from The Asian International Arbitration Centre.

(g) On 14 October 2019, the Company and Lecca Group Pte Ltd ("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.

(h) On 7 November 2019, PBJV Group had received a Petition for Winding Up dated 25 October 2019 from Eureka Efektif Sdn. Bhd. ("Eureka") one of its creditors. An amount of RM1,706,471.40 as at 25 October 2019 has been stated in the said Petition being alleged total amount due and owing by PBJV Group to Eureka. The Company has sought preliminary legal advice and will negotiate with the Petitioner towards proposal for settlement and/or opposing and challenging the petition.

On 18 May 2020, under Case Management in Court, the Company and the Petitioner are negotiating for amicable settlement. Court has fixed next date on 25 November 2020 as Case Management. Parties are expected to finalise the settlement and matter to be closed. As at 30 June 2020, the Group has recognised liabilities for the payables as disclosed in Note 17 to the financial statements.

(i) On 26 November 2019, PBJV Group served a Notice of Arbitration to Mersing Construction & Engineering Sdn. Bhd. to claim a sum of RM56,811,917.49 in connection with subcontract dated 4 April 2016.

On 7 February 2020, the parties have signed a settlement agreement whereupon, among the terms and condition of the Agreement, PBJV Group has agreed to withdraw all claims, proceedings against Mersing and Mersing among other things has agreed to withdraw the Garnishee Order and all other claims against PBJV Group.

(j) On 9 March 2020, PBJV Group received notification from its appointed solicitors that a Notice of Adjudication has been served on Petronas Gas Berhad ("PGB") on 28 February 2020 to claim the sum of RM6,848,129.48 on pre-commissioning works to replace the damage pipeline crossing at Sungai Layau under Global Settlement Agreement dated 12 April 2018 and Main Contract dated 21 April 2014 title "Procurement, Construction and Commissioning (PCC) of Pengerang Gas Pipeline Project. The said Notice of Adjudication was withdrawn on 15 June 2020 as PBJV Group decided to proceed with Winding Up proceeding.

On 30 June 2020 PBJV Group through its Advocates and Solicitors, Messrs Dinesh Praveen Nair served a Winding-up Notice against PGB to claim the said sum of RM6,848,129.48 for PGB to pay the said sum to PBJV Group by 30 December 2020.

Upon being served with the Winding-up Notice on 30 June 2020 by PBJV Group, PGB filed Originating summons in Kuala Lumpur High Court (OS) against PBJV Group to seek leave from Court to file Fortuna Injunction application against PBJV Group. Hearing is fixed on 23 November 2020.

NOTES TO THE FINANCIAL STATEMENTS

29. Significant Events (continued)

(k) On 19 May 2020, the Company announced that its wholly-owned subsidiary PBJV Group Sdn. Bhd. ("PBJV Group") had applied to the High Court of Malaya at Kuala Lumpur pursuant to Sections 366 and 368 of the Companies Act 2016 ("the Act") and the Court had granted PBJV Group a fresh Restraining Order commencing from 19 May 2020 for a period of 3 months from the date of the order.

On 17 August 2020, the Court has granted an extension of the Restraining Order for a further period of three (3) months.

The Order was applied for as part of proactive measure by PBJV Group to manage the debt levels of PBJV Group and its related companies and the Order allows the Group to negotiate terms with its lenders and creditors without having the threat of any proceedings and actions being brought against PBJV Group.

(l) With the development from COVID-19 outbreak, the Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 and subsequently implemented the Conditional Movement Control Order ("CMCO") from 4 May 2020, and the Recovery Movement Control Order ("RMCO") from 10 June 2020 to 31 December 2020 to curb the spread of the COVID-19 outbreak in Malaysia.

The continuous spread of the COVID-19 may continue to affect the Group's and the Company's operation and those of third parties of which they rely. The ultimate impact of the COVID-19 is highly uncertain and subject to change. The Group and the Company will continuously monitor the impact of COVID-19 on their operation and financial performances.

30. Subsequent Events

(a) On 22 September 2020, the Company with its wholly owned subsidiary, PBJV Group Sdn. Bhd. ("PBJV Group") and Nik Hamdan Bin Daud ("NHD") (collectively referred to as Plaintiffs) have filed a Writ of Summons and Statement of Claim in the High Court of Kuala Lumpur against Samling Energy Sdn. Bhd., United Power Group Holdings Limited, Yaw Holding Sdn. Bhd., Samling Resources Sdn. Bhd., Chew Theam Hock, Yaw Teck Seng, Magnadrive Sdn. Bhd. ("Magnadrive") and Syarikat Samling Timber Sdn. Bhd. (collectively referred to as "Defendants").

The Writ of Summons and Statement of Claim have been filed by its firms of advocates and solicitors, Messrs. Ram Reza & Muhammad, based on summarily on the following reasons:

(i) Breach of fiduciary duties due to the internal information obtained by being part of the Board member of Barakah; and

(ii) One of the Defendants breach of contract under the Consortium Agreement dated 29 November 2017 entered with one of the Plaintiffs.

PBJV Group has claimed the following payments:

(i) Specific damages in the sum of RM45,000,000.00 as a result of claims by Kenanga Investment Bank Berhad against NHD;

(ii) Specific damages in the sum of RM22,500,000.00 which is to account for 15% from source of income from five years ago totaling to RM150,000,000.00 suffered by the Plaintiffs as a result of the Defendants breach of the Consortium Agreement dated 29 November 2007;

(iii) Specific damages in the sum of RM220,038,028.00 as a result of share-selling by Magnadrive;

(iv) General damages as a result of the Defendants breach of fiduciary duties; and

(v) Such further and other relief as the Court deems fit.

NOTES TO THE FINANCIAL STATEMENTS

31. Prior Year Adjustments

The Group had identified some errors in the previous financial period/year, hence retrospective adjustments had been made for the followings:

(a) The Group has not recognised any contract assets in relation to contract costs incurred for work done pending approval by customers during the previous financial period/year. This has resulted in overstatement of cost of sales and understatement of contract assets by RM5.779 million and RM5.654 million as at 31 December 2017 and 30 June 2019 respectively.

(b) The management had under recognised trade payables and contract assets by RM2.502 million as at 31 December 2017 for contract costs incurred during the previous year.

(c) The management had identified work done approved during the financial period ended 30 June 2019 with no corresponding revenue recognised. This resulted in understatement of revenue and contract assets by RM5.834 million respectively.

(d) During the financial year, the management had received invoices in relation to professional service rendered for the financial period ended 30 June 2019. This has resulted in understatement of other payables and other expenses amounting to RM0.360 million respectively.

(e) The management had identified a wrong consolidation adjustment for the financial period ended 30 June 2019 which resulted in understatement of taxation and overstatement of other payables by RM0.771 million respectively.

(f) The management had identified omission of disclosure of cash and bank balances pledged to a licensed bank in prior year amounting to RM4.517 million. Retrospective adjustment had been made accordingly.

The effects of prior year adjustments in the Group's financial statements are as follows:

	Note	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Group				
Consolidated statement of financial position (extract)				
As at 1 January 2018				
Current assets				
Contract assets	31(a),(b)	18,178	8,281	26,459
Current liabilities				
Trade payables	31(b)	(119,791)	(2,502)	(122,293)
Equity				
Reserves	31(a)	(31,031)	(5,779)	(36,810)
As at 30 June 2019				
Current assets				
Contract assets	31(a),(c)	9,403	11,488	20,891
Current liabilities				
Other payables	31(d),(e)	(5,048)	411	(4,637)
Equity				
Reserves	31(a),(c),(d),(e)	420,540	(11,899)	408,641

NOTES TO THE FINANCIAL STATEMENTS

31. Prior Year Adjustments (continued)

The effects of prior year adjustments in the Group's financial statements are as follows: (continued)

	Note	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Group				
Consolidated statement of profit or loss and other comprehensive income (extract)				
As at 30 June 2019				
Revenue	31(c)	(355,537)	(5,834)	(361,371)
Cost of sales	31(a)	479,987	125	480,112
Other expenses	31(d)	207,806	360	208,166
Taxation	31(e)	13,306	(771)	12,535
Consolidated statement of cash flows (extract)				
As at 30 June 2019				
Net cash generated from/(used in) operating activities		1,900	2	1,902
Net cash used in investing activities		46,778	(4,517)	42,261
Net cash used in financing activities		(38,998)	(2)	(39,000)
Cash and bank balances pledged to a licensed bank		-	(4,517)	(4,517)

32. Capital Commitments

	Group	
	2020 RM'000	2019 RM'000
Purchase of property, plant and equipment	586	625

33. Contingent Liabilities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unsecured:				
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	-	-	188,070	177,352
Bank guarantees extended to clients	5,767	20,377	-	2,633

The Company has given a Parent Company Guarantee dated 6 April 2016 to guarantee the performance of PBJV Group as the contractor.

As disclosed in Note 29(d) to the financial statements, the Company and PBJV Group have both received demand notices from PRPC amounting to RM85.203 million.

NOTES TO THE FINANCIAL STATEMENTS

34. Comparative Figures

The comparative figures are for the period from 1 January 2018 to 30 June 2019 as compared to the current financial period from 1 July 2019 to 30 June 2020. Consequently, the comparative figures are not comparable to the current financial year in respect of the statements of profit or loss and other comprehensive income, changes in equity, cash flows and their related notes.

35. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors dated 22 October 2020.

LIST OF PROPERTIES

No.	Name of 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 30.06.2020
1	PBJV Group (registered under the previous name of PBJV Group. 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	RM714,908.09
2.	PBJV Group	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 used 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	RM805,400.76

* 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 201201007022 (980542-H)
PBJV GROUP SDN BHD 200001021929 (524536-A)
No. 3, Jalan Teknologi,
Taman Sains Selangor 1
Kota Damansara PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 6143 0000
Fax : +603 6143 0003/02/01

PBJV Group 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
Paka Yard
Lot 198, Jalan Kuala Terengganu-Kuantan
Kampung Nyior, Paka
23100 Terengganu
Tel : +609 827 6172
Fax : +609 827 6172

Teluk Kalung Yard
Lot 4019, Kawasan Perindustrian Teluk Kalung
24007 Kemaman Terengganu
Tel : +609 863 3588

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 16 OCTOBER 2020

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	1,047	11.824	14,484	0.002
100 – 1,000	978	11.045	556,371	0.067
1,001 – 10,000	2,996	33.834	17,120,043	2.048
10,001 – 100,000	2,944	33.247	122,714,257	14.682
100,001 – 41,789,319 (*)	890	10.051	695,381,236	83.201
41,789,320 and above (**)	0	0.000	0	0.000
Total	**8,855**	**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	64,872,837	7.762	10,891,800	1.303

DIRECTORS' SHAREHOLDINGS

		Direct		Indirect	
No	Name	No. of shares	%	No. of shares	%
1	Nik Hamdan bin Daud^	64,872,837	7.762	10,891,800	1.303
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*	1,200,000**	0.144	0	0
7	Dr. Rosli bin Azad Khan*	851,200	0.102	0	0

^ Appointed on 19 July 2019.
* Appointed as Director on 14 October 2019.
** Acquired on 11 October 2019.

LIST OF TOP 30 SHAREHOLDINGS
AS AT 16 OCTOBER 2020

NO	NAME	HOLDINGS	%
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	MUHAMMAD YUSRI BIN ABDUL RASHID	27,265,000	3.262
5	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (MARGIN)	21,696,500	2.596
6	AZMAN SHAH BIN MOHD ZAKARIA	20,611,624	2.466
7	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	13,635,000	1.631
8	NIK AZRI SYAZWI BIN NIK HAMDAN	10,891,800	1.303
9	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (021)	10,800,000	1.292
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUA SIN MO	10,306,200	1.233
11	CHAI CHAT LEONG	10,205,700	1.221
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PHUA SIN MO	10,000,000	1.196
13	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR SIEW JUN KIT	9,500,000	1.137
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD LING SOON HING	8,686,700	1.039
15	KAVEH WONG TZ TOE	8,110,000	0.970
16	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RUSLAN BIN AHMAD @ MOHD YUSOFF (A)	7,000,000	0.838
17	SYED AHMAD BIN SYED ALWI	7,000,000	0.838
18	ZULKIFLI BIN OSMAN	5,500,000	0.658
19	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	5,120,000	0.613
20	ANG LAY ENG	5,001,000	0.598

LIST OF TOP 30 SHAREHOLDINGS AS AT 16 OCTOBER 2020

NO	NAME	HOLDINGS	%
21	EUREKA EFEKTIF SDN BHD	5,000,000	0.598
22	PHUA SIN MO	5,000,000	0.598
23	PHUA SIN MO	4,974,800	0.595
24	ANAS BIN ALAM FAIZLI	4,535,400	0.543
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RHISDY BIN HASHIM	4,300,000	0.514
26	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL (MARGIN)	4,100,000	0.491
27	KOH PEE BOON	4,000,000	0.479
28	PAMELA PHUA JO LYN	3,250,000	0.389
29	ZAINAL ARIFFIN BIN OSMAN	3,100,000	0.371
30	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	3,045,100	0.364

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth 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 Tuesday, 22 December 2020 at 2.30 p.m. to transact the following businesses:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To re-elect En Sulaiman Bin Ibrahim who is retiring in accordance with Rule 131 of the Constitution of the Company. **Ordinary Resolution 1**

3. To re-elect Pn Nurhilwani Binti Mohamad Asnawi who is retiring under Rule 131 of the Constitution of the Company. **Ordinary Resolution 2**

4. To approve the payment of Directors' fees of RM58,600 per month for the Non-Executive Directors, from 23 December 2020 until the next Annual General Meeting of the Company. **Ordinary Resolution 3**

5. To approve the payment of Directors' benefits of up to RM240,000 for the Non-Executive Directors, from 23 December 2020 until the next Annual General Meeting of the Company. **Ordinary Resolution 4**

6. To re-appoint Messrs. Morison AAC PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

As Special Business

To consider and, if thought fit, to pass the following Ordinary and Special Resolution:

7. **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 twenty percent (20%) 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 6**

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD
NG HENG HOOI (MAICSA 7048492) (PC No. 202008002923)
WONG MEE KIAT (MAICSA 7058813) (PC No. 202008001958)
Company Secretaries

Date: 30 October 2020

NOTICE OF ANNUAL GENERAL MEETING

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 14 December 2020 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 3 and Ordinary Resolution 4
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 23 December 2020 up till the next Annual General Meeting of the Company in 2021. The Remuneration comprises fees, meeting allowances and benefits-in-kind payable to non-executive directors.

3. Ordinary Resolution 6
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 Seventh Annual General Meeting of the Company held on 30 December 2019 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting.

In view of the Corona Virus Disease 2019 ("COVID-19") pandemic outbreak, the Government of Malaysia had on 18 March 2020 implemented the Movement Control Order ("MCO") nationwide to curb the spread of the COVID-19 infection in Malaysia. Bursa Malaysia Securities Berhad recognised the needs for listed issuers to raise funds quickly and efficiently during the challenging time to ensure the long-term sustainability and interest of the listed issuers and their shareholders. Therefore, an additional relief measure has been granted by Bursa Malaysia Securities Berhad vide its letter dated 16 April 2020 which allows a listed issuer to seek its shareholders' approval at a general meeting to issue new securities for a higher general mandate under Paragraph 6.03 of the Listing Requirements of not more than 20% of the total number of issued shares (excluding treasury shares) ("20% General Mandate").

The Company proposes to seek new shareholders' mandate to enable the Directors to issue and allot up to a maximum of 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being pursuant to the 20% General Mandate under Ordinary Resolution 6.

The Board of Directors is of the view that the Ordinary Resolution 6 is in the best interest of the Company and the 20% 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. This 20% General Mandate may be utilised by the Company to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

The General Mandate granted by the shareholders at the Seventh Annual General Meeting of the Company had not been utilised and hence no proceeds were raised therefrom.

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PROXY FORM

BARAKAH OFFSHORE PETROLEUM

BARAKAH OFFSHORE PETROLEUM BERHAD 201201007022 (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 Eighth 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 Tuesday, 22 December 2020 at 2.30 p.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 Encik Sulaiman Bin Ibrahim as Director		
Ordinary Resolution 2	Re-election of Puan Nurhilwani Binti Mohamad Asnawi as Director		
Ordinary Resolution 3	Approval of the payment of Directors' fees of RM58,600 per month for the Non-Executive Directors, from 23 December 2020 until the next Annual General Meeting of the Company		
Ordinary Resolution 4	Approval of the payment of Directors' benefits of up to RM240,000 for the Non-Executive Directors, from 23 December 2020 until the next Annual General Meeting of the Company		
Ordinary Resolution 5	Re-appointment of re-appoint Messrs. Morison AAC PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Ordinary Resolution 6	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		

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.
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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.
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AFFIX
STAMP

The Share Registrar of

BARAKAH OFFSHORE PETROLEUM BERHAD 201201007022 (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

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BARAKAH OFFSHORE PETROLEUM BERHAD **201201007022 (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