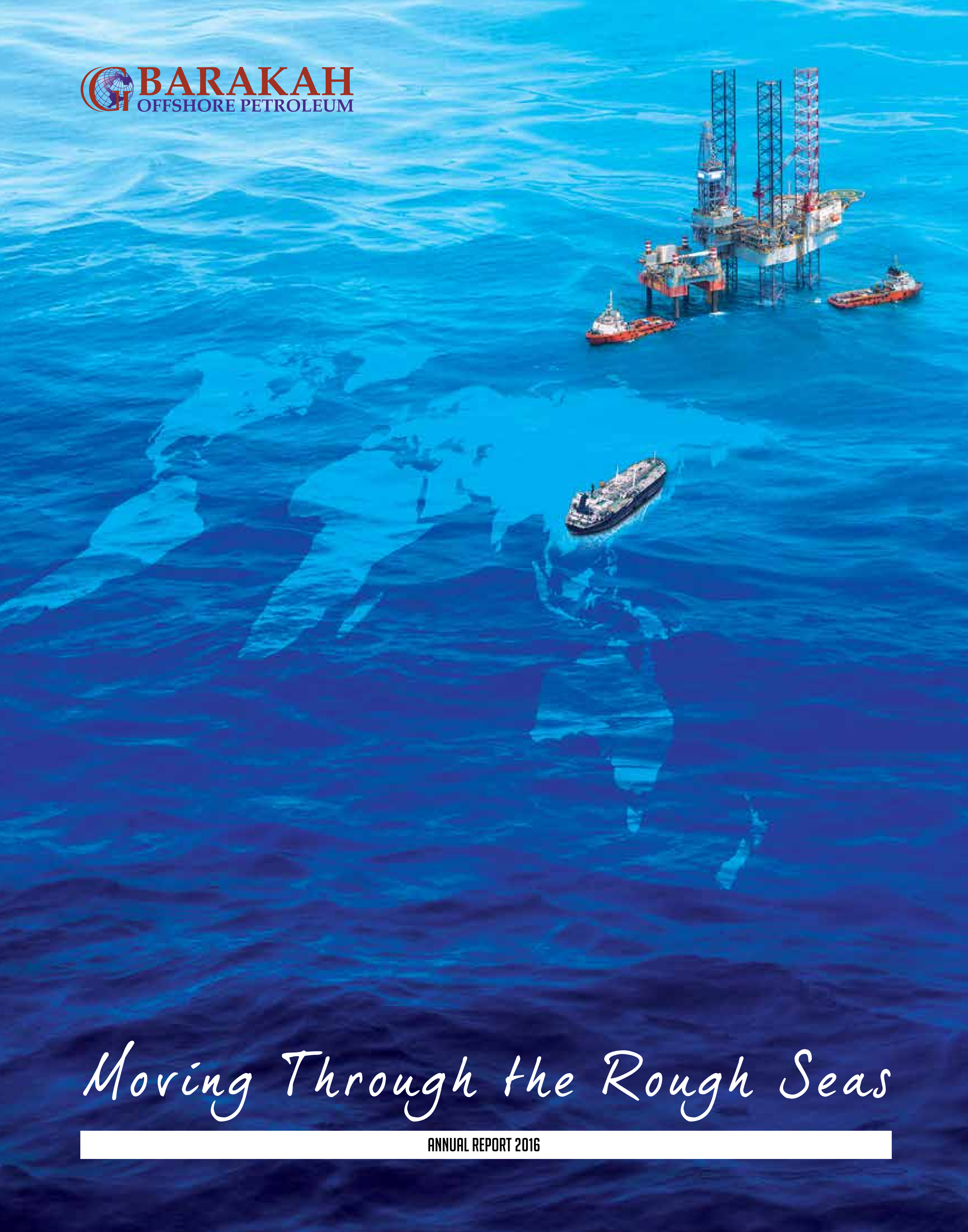
BARAKAH
OFFSHORE PETROLEUM



Moving Through the Rough Seas

ANNUAL REPORT 2016

OUR VISION

To be the premier integrated solutions provider to the oil & gas industry

OUR MISSION

Committed to ensure high quality and innovative solutions without compromising safety

OUR 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 and Painting work

EPCC Onshore Pipeline and 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

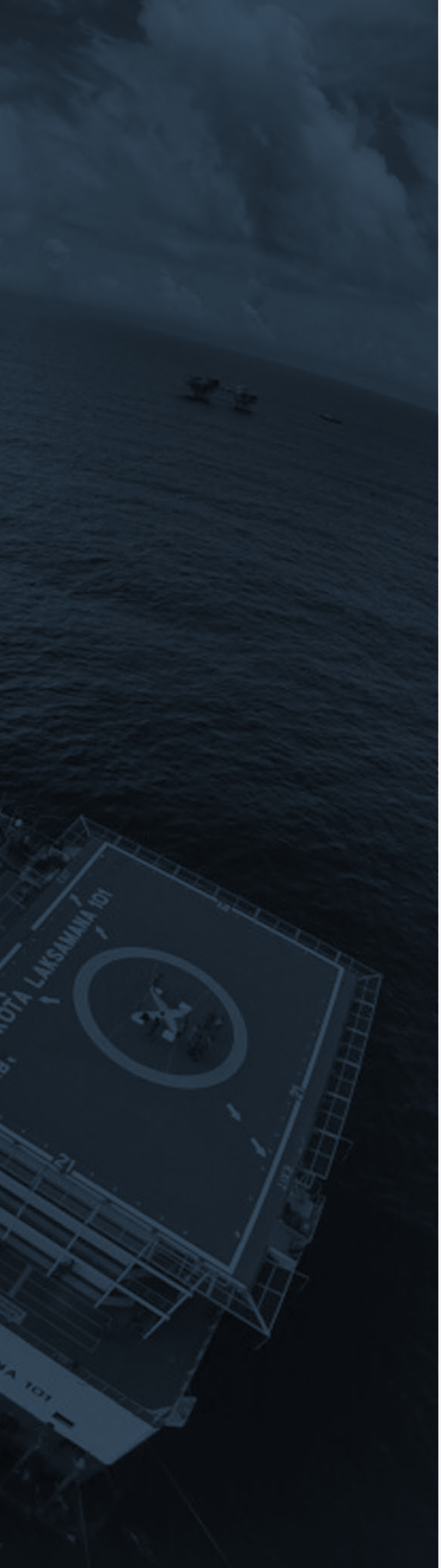
- Pipeline, Structure and Topside
- Preservation and Abandonment

Ship Management and Chartering

- Pipe Lay Barge
- Derrick Lay Barge
- Accommodation 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



IN THIS REPORT

CORPORATE PROFILE

Barakah Offshore Petroleum Berhad ("Barakah" or "Company") was incorporated in Malaysia on 1 March 2012 as an investment holding company for PBJV Group Sdn Bhd (PBJV) and its subsidiary companies (collectively referred to as "Barakah Group" or "Group").

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. In 2012, PBJV was recognised with the Outstanding Vendor Award from PETRONAS Carigali Sdn Bhd. Being focused and committed in this ever-challenging industry and consistently striving to be the best, are the key success factors of the company.

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

In 2009, as part of its expansion strategy to strengthen its offshore installation services, PBJV commissioned the construction of its 137 meter length pipe-lay accommodation barge, known as "KOTA LAKSAMANA 101". With this barge ownership, PBJV is able to undertake bigger and more challenging offshore pipeline activities. In 2016, PBJV added another business pillar, Underwater Services involving inspection, maintenance, repair, drilling support and related services for underwater facilities. Barakah Group is poised to be a "one-stop centre" as an integrated oil and gas service provider.

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

CORPORATE STRUCTURE

BARAKAH OFFSHORE PETROLEUM

PBJV GROUP SDN BHD
Oil & Gas Services
100%

PBJV ENERGY (LABUAN) LTD
Exploration, Development & Production
100%

KOTA LAKSAMANA MANAGEMENT SDN BHD
Oil & Gas Marine Service Expedition
100%

KOTA LAKSAMANA 101 LTD
Vessel Ownership
100%

PBJV INTERNATIONAL LTD
Oil & Gas Services for the International Market
100%

PBJV GULF CO LTD
Oil & Gas Services for the Middle East Region
85%

PBJV MACFEAM SDN BHD
Procurement, Construction & Commissioning of Pressurised Piping System
51%

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Mohamed Sabri Bin Mohamed Zain
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

Datuk Azizan Bin Haji Abd Rahman
Independent Non-Executive Director

Azman Shah Bin Mohd Zakaria
Non-Independent Executive Director

Rasdee Bin Abdullah
Non-Independent Executive Director

Nurhilwani Binti Mohamad Asnawi
Independent Non-Executive Director

Dato' Seri Oh Teik Chay
Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Datuk Azizan Bin Haji Abd Rahman
Chairman

Dato' Mohamed Sabri Bin Mohamed Zain

Sulaiman Bin Ibrahim

NOMINATION & REMUNERATION COMMITTEE

Sulaiman Bin Ibrahim
Chairman

Dato' Mohamed Sabri Bin Mohamed Zain

Nurhilwani Binti Mohamad Asnawi

EXECUTIVE COMMITTEE

Nik Hamdan Bin Daud
Chairman

Azman Shah Bin Mohd Zakaria

Rasdee Bin Abdullah

Firdauz Edmin Bin Mokhtar

ESOS COMMITTEE

Sulaiman Bin Ibrahim
Chairman

Rasdee Bin Abdullah

Nurhilwani Binti Mohamad Asnawi

COMPANY SECRETARIES

Ng Heng Hooi (MAICSA 7048492)

Wong Mee Kiat (MAICSA 7058813)

REGISTERED OFFICE

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

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7720 1188
Fax : 603 7720 1111

STOCK EXCHANGE

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

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

Other Securities
Stock Name : BARAKAH – LA
Stock Code : 7251LA

CORPORATE WEBSITE

www.barakahpetroleum.com

AUDITORS

Messrs. Crowe Horwath
Chartered Accountants,
Level 16, Tower C, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 603 2788 9999
Fax : 603 2788 9998

SOLICITORS

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

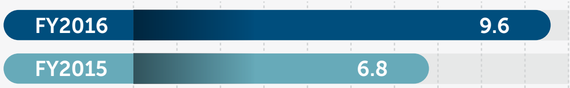
PRINCIPAL BANKERS

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

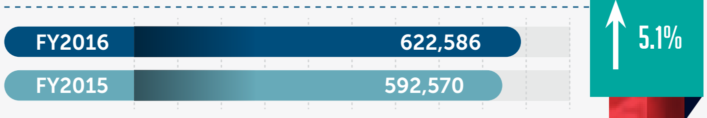
FINANCIAL PERFORMANCE

Financial Year (FY)	31 December 2015 (RM '000)	31 December 2016 (RM '000)
Revenue	592,570	**622,586**
EBITDA*	40,070	**59,648**
Profit before taxation	5,593	**16,367**
Profit after taxation attributable to shareholders (Profit after taxation)	18,849	**14,534**
Total assets	753,796#	**819,188**
Total borrowings	261,646	**256,567**
Total cash^	185,838	**220,464**
Shareholders equity	398,931#	**423,667**
Return on assets (%)	2.5	**1.8**
Return on shareholders equity (%)	4.7	**3.4**
Net gearing (%)	19.0	**8.5**
Basic EPS (sen)	2.34	**1.76**
Diluted EPS (sen)	2.29	**1.71**

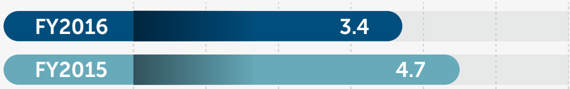
EBITDA* MARGIN (%)



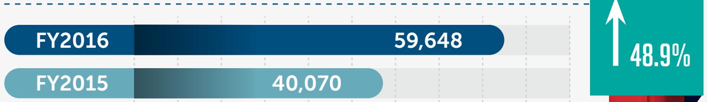
REVENUE (RM '000)



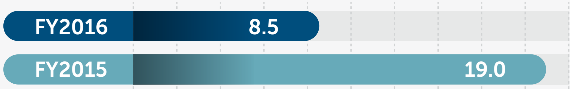
RETURN ON SHAREHOLDERS EQUITY (%)



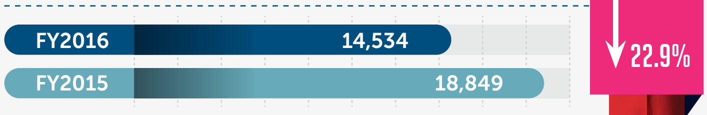
EBITDA* (RM '000)



NET GEARING (%)



PROFIT AFTER TAXATION (RM '000)



Note:

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

\# *Re-stated*

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

PROFILE OF BOARD OF DIRECTORS

DATO' MOHAMED SABRI BIN MOHAMED ZAIN

Independent
Non-Executive Chairman

Dato' Mohamed Sabri Bin Mohamed Zain, aged 61, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 7 July 2014 as an Independent Non-Executive Chairman. He has over 38 years working experience in the oil and gas business in both domestic and overseas ventures, primarily in PETRONAS Carigali Sdn Bhd (PCSB). Dato' Mohamed Sabri started his career at Petroliam Nasional Berhad (PETRONAS) in 1978 as Petroleum Engineer. From 1980 until 2008, he built his career in PCSB, starting from an engineer to General Manager in various capacities. His management roles while in PCSB were General Manager for Vietnam operations from 1996 until 2000, development division from 2000 until 2004, for Middle East and Asia operations from 2004 until April 2006 and operations in Vietnam, Indonesia, Myanmar, Pakistan, Turkmenistan, Uzbekistan, Malaysia-Thailand JDA and Sudan from 2006 until 2008. From March 2008 until October 2010, he moved on to be the President of White Nile Petroleum Operating Company (WNPOC) in Sudan and later, the Vice President of Offshore Business Unit of MISC Berhad from 2010 until 2012.

Dato' Mohamed Sabri is a director of Sona Petroleum Berhad. Dato' Mohamed Sabri is currently the CEO of Yinson Energy Sdn Bhd, an associate company of Yinson Holdings Berhad, primarily involved in providing floating production solutions for the oil and gas industry worldwide. Prior to joining Yinson in May 2014, he served as the President of Puncak Oil & Gas Sdn Bhd and also the President of GOM Resources Sdn Bhd from January 2013 until April 2014.

He graduated with Bachelor of Science in Petroleum Engineering, University of Wyoming, United States of America.

NIK HAMDAN BIN DAUD

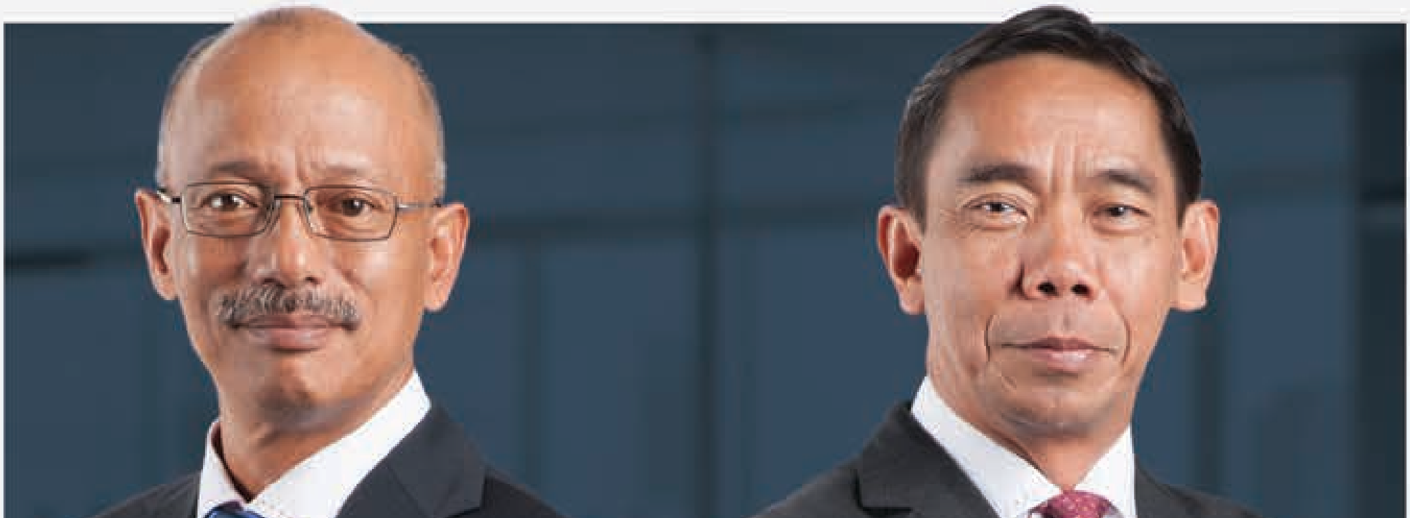
Group President & Chief Executive Officer
Non-Independent Executive Director

Nik Hamdan Bin Daud, aged 50, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 1 March 2012 as an Executive Director. He is also the founder of PBJV Group Sdn Bhd and has been the Managing Director since its incorporation on 24 August 2000. From 2011 to 2013, he was the President & Chief Executive of PBJV. On 1 July 2013, he was re-designated as the Deputy Executive Chairman of Barakah and Executive Chairman of PBJV. With effect from 1 April 2016, he has been re-designated the Group President & Chief Executive Officer.

He has over 21 years of experience in the oil and gas industry, mainly in offshore pipeline installation and related services. During these years, he served various reputable oil and gas clients such as PETRONAS Carigali, Sarawak Shell Berhad, ExxonMobil, Petrofac, Newfield, Murphy Oil, Talisman Malaysia Limited and VietsoPetro, among others. Prior to founding PBJV, Nik Hamdan was the Managing Director of Pipetronix Sdn Bhd, a German-owned offshore pipeline service company, from 1996 to 2000. He was actively involved in the technical and commercial aspects of the business. From 1991 to 1996, he served Esso Production Malaysia Inc. as a Quality Control and Corrosion Engineer. He started his career as a Test Engineer in Motorola Sdn Bhd and worked with the company from 1989 to 1991.

He has been extensively involved in upstream activities, mainly in pipeline services, facilities integrity management, platform operations and maintenance, developing standard operating procedures, the training and development of engineers and Health Safety Environment Management Systems (HSEMS). He also holds directorships in several private limited companies. Nik Hamdan 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

Sulaiman Bin Ibrahim, aged 57, 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 had vast experience in 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.

DATUK AZIZAN BIN HAJI ABD RAHMAN

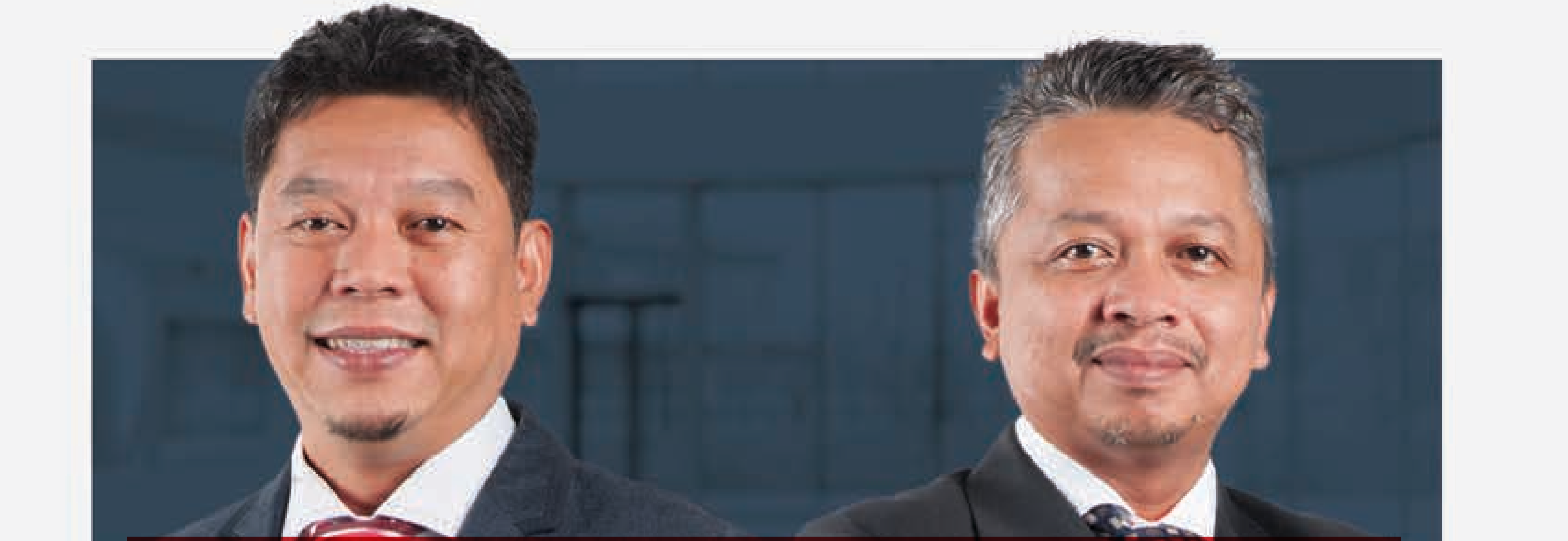
Independent Non-Executive Director

Datuk Azizan Bin Haji Abd Rahman, aged 61, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 15 April 2013 as an Independent Non-Executive Director. He has more than 31 years of experience in the financial industry. He began his career in Bank Negara Malaysia (BNM) in 1979 where he had exposure to finance, examination and supervision, and was also the Director of the Banking Supervision Department. While in BNM, Datuk Azizan was a board member of Kumpulan Wang Amanah Pencen and ERF Sdn Bhd, and also an Advisor to the Malaysian Accounting Standard Board. He was the former Director-General of Labuan Financial Services Authority (Labuan FSA) where he served for more than six years until his retirement in 2011. While serving in Labuan FSA, Datuk Azizan was a member of several boards, including Labuan Corporation and Financial Park (Labuan) Sdn Bhd, as well as an executive committee member of the Malaysian Islamic Finance Committee.

He is currently a board member of MIDF Berhad, MIDF Amanah Investment Bank Berhad, Kensington Trust Malaysia Berhad, Kensington Trust Labuan Ltd, Malaysian Rating Corporation Berhad, OCBC Al-Amin Bank Berhad, OCBC Bank (M) Berhad, City Credit Investment Bank Ltd, Cagamas Holdings Berhad and Cagamas SRP Berhad. He also holds directorships in several private limited companies.

Datuk Azizan graduated with a Bachelor's degree in Accounting from University of Malaya in 1979 and obtained his Masters in Business Administration from University of Queensland, Australia in 1994. He is a fellow member of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants.

PROFILE OF BOARD OF DIRECTORS



AZMAN SHAH BIN MOHD ZAKARIA

Non-Independent Executive Director

Azman Shah Bin Mohd Zakaria, aged 52, 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 President & Chief Executive of PBJV International Ltd. From July 2013 until November 2014, he was the President & Chief Executive of PBJV Group Sdn Bhd.

Azman has more than 17 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.

RASDEE BIN ABDULLAH

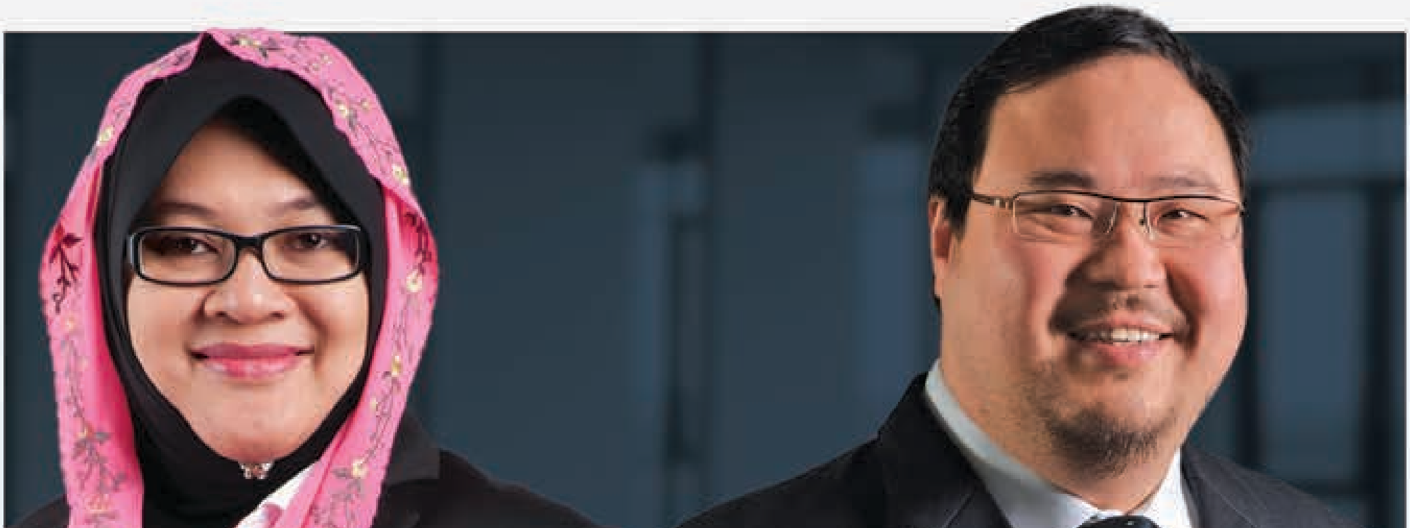
Non-Independent Executive Director

Rasdee Bin Abdullah, aged 46, 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 & Chief Executive of PBJV Group Sdn Bhd since 2014. From 2011 until 2014, he was the Vice President of Operations in PBJV Group Sdn Bhd.

He has over 19 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. Then in 2003, he joined Baxtech Resources Sdn Bhd as Operations Director prior to joining PBJV in 2011.

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

PROFILE OF BOARD OF DIRECTORS



NURHILWANI BINTI MOHAMAD ASNAWI

Independent
Non-Executive Director

Nurhilwani Binti Mohamad Asnawi, aged 42, 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 17 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.

DATO' SERI OH TEIK CHAY

Independent
Non-Executive Director

Dato' Seri Oh Teik Chay, aged 43, a Malaysian, was appointed to the Board of Barakah Offshore Petroleum Berhad on 1 September 2015 as an Independent Non-Executive Director. He has 16 years of experience in cross border mergers and acquisitions, corporate restructurings and recovery, and turnaround activities, mainly within the energy and oil and gas related industry.

Dato' Seri Oh is a Registered Representative by The Monetary Authority of Singapore, under the Securities and Futures Act and/or Financial Advisers Act. He holds directorships in several private limited companies in Malaysia, Singapore, and Hong Kong.

Dato' Seri Oh graduated with a Bachelor of Arts degree, majoring in Accounting and Finance, from Strathclyde University, Glasgow, United Kingdom.

He began his career in 1996, when he entered into the Institute of Chartered Accountant in England and Wales (ICAEW) internship programme during which he was attached with Robert Teo, Kuan & Co., an accounting firm based in Kuala Lumpur, Malaysia. In 2000, he was appointed as General Manager for a group of companies involved in structural steel fabrication and civil works. He then started an advisory company based in Hong Kong which principal activities includes, provision of consultancy services, investment holdings and trading services. In 2006, he set up a boutique investment and advisory house based in Singapore, which provide business strategy and corporate advisory services. In 2013, he established a private equity firm in Singapore for which he currently is a Director.

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

The details of the Board Committee whom the Directors belong to are on page 4 of the Annual Report.

PROFILE OF SENIOR MANAGEMENT

NIK SURIANI BINTI DAUD

Senior Vice President of Operation Support & Asset Management
PBJV Group Sdn Bhd

Nik Suriani Binti Daud, aged 46, a Malaysian, is the Senior Vice President of Operation Support & Asset Management at PBJV Group Sdn Bhd. She was appointed to this position on 1 September 2014. She is a Board member at PBJV Group Sdn Bhd. She has 21 years of experience in logistics planning, freight forwarding and business development.

She joined PBJV Group Sdn Bhd in 2010 as the Head of Operation Support & Asset Management. Her role includes centralisation of operational-asset management, coordination of asset planning and in-house operations: logistics, assets acquisition, yard management and asset maintenance and improvement.

Prior to joining PBJV Group Sdn Bhd, she was employed in various companies with exposure to freight forwarding and business development for local and overseas markets. She started her career in 1995 as a Business Development-Secretary in MSAS (M) Sdn Bhd. In 2002, she joined Dimerco Express (M) Sdn Bhd as MNC Account Manager, a company in which she moved up the rank to accounts manager until 2008.

She graduated with a Diploma in Business Management from Rima College Kuala Lumpur in 1995. She is the sister to the Group President & Chief Executive Officer, Nik Hamdan Bin Daud.

FIRDAUZ EDMIN BIN MOKHTAR

Vice President & Chief Financial Officer
Barakah Offshore Petroleum Berhad

Firdauz Edmin Bin Mokhtar, aged 44, a Malaysian, is the Vice President and Chief Financial Officer of Barakah Offshore Petroleum Berhad, appointed on 1 July 2013. He joined the Group on 4 June 2012 to oversee the management of financial risks, financial planning and other financial activities. He has 20 years of experience in audit, corporate finance and investment advisory.

He started his career as a Consultant with the Corporate Finance and Recovery Department of PricewaterhouseCoopers in 1996. In 1999, he joined Amanah Merchant Bank Berhad as an Executive with the Corporate Finance Department. In 2001, he moved to Sitt Tatt Berhad (STB) as Corporate Development Manager and was transferred in the same year to Chase Perdana Berhad, a related company of STB, as the Head of Corporate Affairs. In 2003, he joined Ranhill Berhad as Senior Manager of Corporate Finance. Two years later, his career took him to the Investment and Corporate Finance Department of PECD Berhad. He left the company in 2007 as the Head of the Investment and Corporate Finance Department and joined Tidalmarine Engineering Sdn Bhd as Director of Corporate Affairs and Finance for five years prior to joining Barakah.

Firdauz graduated with a Bachelor's degree in Accountancy (Honours) from International Islamic University Malaysia in 1997 and is a Chartered Accountant of the Malaysian Institute of Accountants.

PROFILE OF SENIOR MANAGEMENT

ABDUL RAHIM BIN AWANG

Vice President & Chief Corporate Officer
Barakah Offshore Petroleum Berhad

Abdul Rahim Bin Awang, aged 52, a Malaysian, joined Barakah Offshore Petroleum Berhad on 2 September 2013 as the Vice President and Chief Corporate Officer. He oversees corporate services division of the Group, which covers investor and media relations, corporate communication, and corporate, secretarial and legal advisory. He has over 25 years of experience in corporate finance, corporate advisory, financing and financial restructuring, including mergers and acquisition and initial public offerings.

He started his career with Ernst & Young as a Junior Audit Assistant and later as an Audit Assistant in the audit division from 1988 to 1992. He joined Bumiputra Merchant Bankers Berhad in 1992 as an officer and later assumed the position of Assistant Manager in the Corporate Finance Department. In 1995, he joined Tongkah Holdings Berhad (THB) as Corporate Finance Manager, where he was in charge of corporate finance and capital restructuring of the Company. On 9 May 2001, he was appointed to the Board of Directors of THB. In 2004, he was appointed as General Manager of Finance in HL Engineering Sdn Bhd (later renamed Kencana HL Sdn Bhd). In 2005, he was appointed as the Chief Financial Officer of Kencana Petroleum Berhad (KPB). Later in 2007, he was designated as Head of Corporate Affairs. Following the merger of KPB with SapuraCrest Petroleum Berhad in May 2012, he assumed the position of Head of Capital Management and Investor Relations until June 2013.

He graduated with a Bachelor of Arts in Accounting from St. Martin's College, USA in 1986.

ALIAS BIN ANUAR

Vice President of Group Supply Chain, Tender and Commercial
PBJV Group Sdn Bhd

Alias Bin Anuar, aged 52, a Malaysian, joined PBJV Group Sdn Bhd in 2005 as the Vice President of Group Supply Chain, Tender & Commercial. He was appointed as the Vice President on 1 September 2014. He leads the tender and proposal department and oversees procurement, contracts and cost control.

Prior to joining PBJV Group Sdn Bhd, he worked with Melbourne Metropolitan Board of Work as Graduate Mechanical Engineer in 1990. A year later, he joined Sime Sembawang Engineering Sdn Bhd as Mechanical Engineer. In 1993, he joined Shapadu Energy and Engineering Sdn Bhd, initially as Project Engineer and was subsequently promoted to Project Manager. He joined Ranhill Engineers and Constructor Sdn Bhd (RECSB) in 2000 as Senior Construction Manager. In 2003, he moved to Ramunia Fabricators Sdn Bhd as Engineering Coordinator and rejoined RECSB as Project Manager for Sudan assignment. He then joined Baxtech Resources Sdn Bhd as Project Manager and a year later moved to PBJV Group Sdn Bhd as Senior Operation Manager. He was then promoted to Technical Support Service Manager in 2008.

He graduated with a Bachelor's degree in Mechanical Engineering from Swinburne Institute of Technology (Swinburne University of Technology), Melbourne, Australia in 1990.

PROFILE OF SENIOR MANAGEMENT

KAMARUDDIN BIN ISMAIL

Vice President of Business Development
PBJV Group Sdn Bhd.

Kamaruddin Bin Ismail, aged 47, a Malaysian, is the Vice President of Business Development at PBJV Group Sdn Bhd. He was appointed to this position on 1 September 2014. His functions include business development and strategic planning for overseas markets. He has 25 years of experience in operations management project management and business development.

He joined the company in 2001 as an Operations Manager. In 2007, he was transferred to Miri office in Sarawak as Project Manager. He managed underwater maintenance and pre-commissioning, commissioning and de-commissioning activities as well as day-to-day business and operations. In 2009, Kamaruddin was promoted to International Business Development Manager. In this capacity, he is entrusted to develop new markets for the Group, specifically the Asia Pacific and the Middle East regions. He is also involved in market survey, risk management, development of strategic partnerships, ESOS sub-committee and strategic planning for tender process within the Group.

Kamaruddin graduated with a Diploma in Agriculture Engineering from University Putra Malaysia in 1991.

HANIZA BINTI JAFFAR

Vice President of Finance and Administration
PBJV Group Sdn Bhd.

Haniza Binti Jaffar, aged 42, a Malaysian, is the Vice President of Finance and Administration at PBJV Group Sdn Bhd. She was appointed to this position on 1 September 2014. She heads the Finance and Accounts, and Information Technology and Administration departments of PBJV Group Sdn Bhd. She is in charge of the treasury, working capital, financial management and reporting in compliance with Malaysia Financial Reporting Standards, policy and procedures, cashflow management and financial resources planning in support of the operations of the Group together with information technology and administration. She has over 15 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

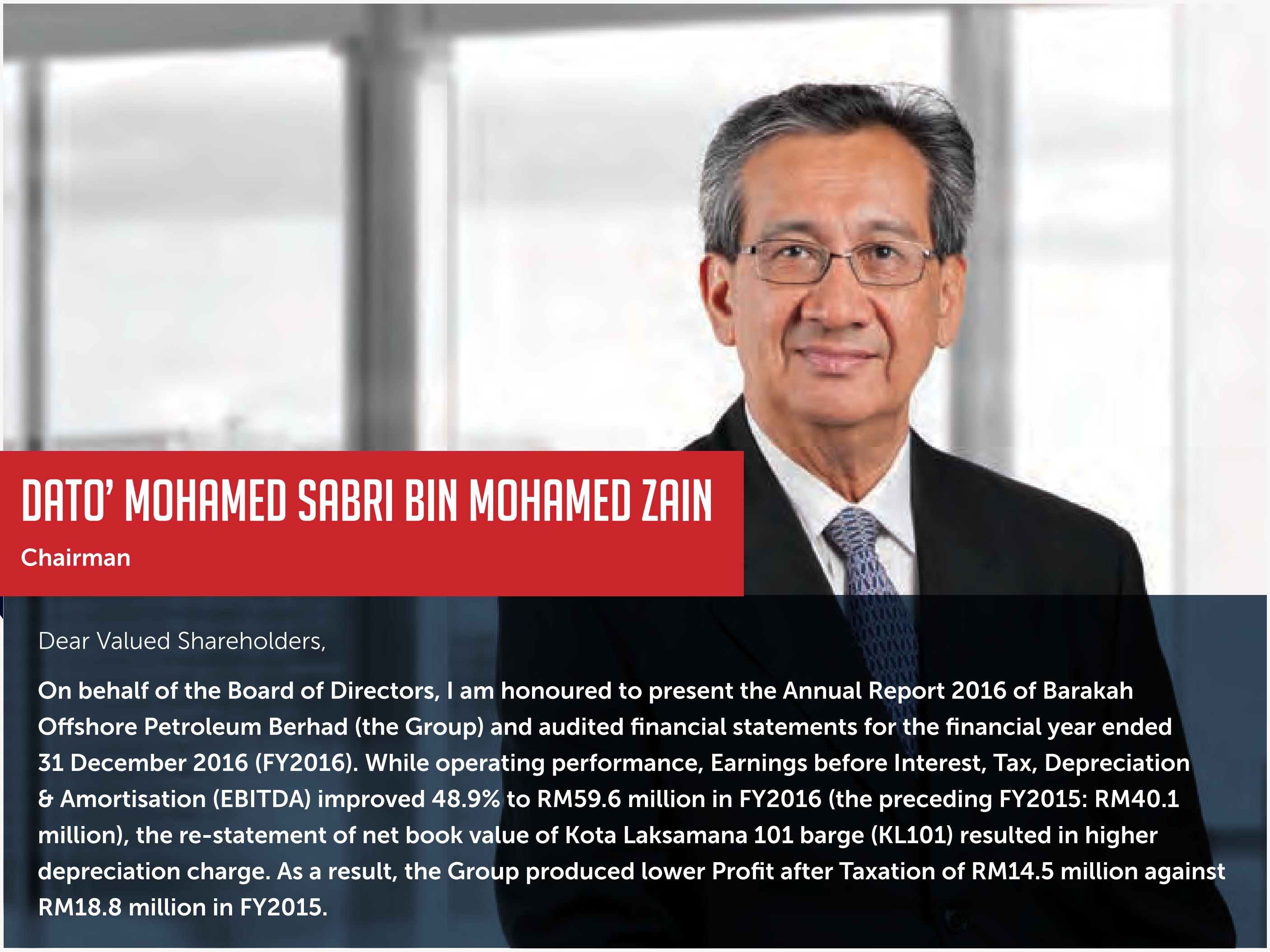
Ahmad Azrai Bin Abu Bakar, aged 54, a Malaysian, was appointed the Vice President of Operations at PBJV Group Sdn Bhd on 25 November 2014. He is in charge of project management and deliveries of the Group. He has 30 years of experience in project management, execution and deliveries.

Azrai joined PBJV Group Sdn Bhd as General Manager of Operations in 2006. He started his career as 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 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.

The above Senior Management (save for Nik Suriani Binti Daud) 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.

MESSAGE FROM THE CHAIRMAN



DATO' MOHAMED SABRI BIN MOHAMED ZAIN

Chairman

Dear Valued Shareholders,

On behalf of the Board of Directors, I am honoured to present the Annual Report 2016 of Barakah Offshore Petroleum Berhad (the Group) and audited financial statements for the financial year ended 31 December 2016 (FY2016). While operating performance, Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) improved 48.9% to RM59.6 million in FY2016 (the preceding FY2015: RM40.1 million), the re-statement of net book value of Kota Laksamana 101 barge (KL101) resulted in higher depreciation charge. As a result, the Group produced lower Profit after Taxation of RM14.5 million against RM18.8 million in FY2015.

Highlights

After a tough 2015, the Group experienced some stability in 2016. Brent crude oil price bottomed at US$28 per barrel (/bbl) in January 2016 before recovering in 2Q2016 and hovering in the range of US$40/bbl to US$50/bbl in 2H2016. The climate of the Oil and Gas (O&G) industry remained weak throughout 2016. Nonetheless, we are heartened that our jobs started to come through in December 2015 for P1 and P2 pipeline installation works under the Pan Malaysia Transportation & Installation Package A (Pan Malaysia T&I). Before completing the two jobs in 3Q2016, the Group received a further order for SKO Riser Guards Installation. These work orders were critical in keeping our strategic asset KL101 utilised in 2016. Furthermore, through the hard work, dedication and proactive approach of our management and staff, we secured an estimated RM1.0 billion of new projects and work orders. These included a long-term project for the Provision of Underwater Services Package 2, setting a new milestone for us as a main contractor in the underwater services segment.

These new contract wins in 2016 represented a marked improvement from the RM168.5 million contracts secured in FY2015.

In 2016, we implemented cost rationalisation measures that included a 10% company-wide salary cut and optimisation of our supply chain to reduce operation costs. We also worked pro-actively with clients by proposing fit-for-purpose solutions to align with their cost and performance objectives.

The key projects that contributed to our financial performance in FY2016 were Pan Malaysia T&I, Underwater Services and Engineering Procurement Construction and Commissioning (EPCC) of Pengerang Pipeline Project. These projects collectively contributed an estimated 75.2% of the Group revenue.

MESSAGE FROM THE CHAIRMAN

Corporate Social Responsibility

Our business practices are guided by Sustainability Policy that enforces Social, Environment and Economic sustainability initiatives. Corporate Social Responsibility (CSR) has remained embedded as an integral component of our Group business. We continued with our annual community development programmes through the provision of education grants and engagement activities. As for our contribution to economic sustainability, we stress on the development of our human capital, instil a strong Health and Safety culture, and are committed to transparency and timely disclosure of material development in our engagements with all our stakeholders. Our investor relations won us first place in the Best Website in the Small Market Capitalisation category in the Malaysian Investor Relations Association's 2015/2016 Survey and we ranked second in three other categories: Best Company for Investor Relations (IR), Best Chief Financial Officer for IR and Best IR Professional. Please refer to page 26 for CSR Report.

Outlook

Global efforts targeted at stabilising crude oil price have been ongoing. In late-2016, OPEC and non-OPEC members agreed to production cuts of up to 1.8 million barrels per day (bpd) for the first six months of 2017. 2017 shows signs of compliance with the production cuts between OPEC and some non-OPEC members following their meetings in end-2016. Brent crude oil price has strengthened to above US$50/bbl since November 2016, surged to a high of US$57/bbl in early-2017 before high inventory from the U.S. in early-March 2017 sparked a sell-down to around US$50-51/bbl. Prices recovered to above US$55/bbl lately amid geopolitical risks from U.S. air strikes against Syria in early April 2017.

A positive development in Malaysia regarding the PETRONAS US$27 billion Pengerang RAPID Project in southern Johor on 28 February 2017: The Saudi Arabian Oil Co (Saudi Aramco) entered into share purchase agreement with PETRONAS to equally own some selected ventures and assets of the project. In addition, Saudi Aramco will supply up to 70% of the crude feedstock requirements of the refinery, with natural gas, power and other utilities supplied by PETRONAS.

The partnership marks the beginning of a strategic and mutually beneficial relationship providing RAPID with high-impact strengths and synergies from both Saudi Aramco and PETRONAS. RAPID is part of the Pengerang Integrated Complex development undertaken by PETRONAS and is positioned to be a regional downstream oil and petrochemical industrial hub, paving a new frontier of technology and economic development in the Southeast Asia region.

The vibrant downstream sector will present opportunities for local service companies, including the Group. Currently, we are already involved in the RAPID/Pengerang development area with the ongoing EPCC of the Pengerang Pipeline project targeted for completion at the end of 2Q2017. In addition, we commenced work on the Firewater Network for Utilities, Interconnecting, and Offsite (UIO) Facilities for RAPID in 3Q2016.

Besides securing new projects, another priority is to execute our existing orderbook. A key project that will sustain the Group until 2018 is the Underwater Services Package 2. This involves the inspection, repair and maintenance of PETRONAS Carigali Sdn Bhd's underwater facilities in East Malaysia. In addition, we will be supported by two on-going projects: Effluent Discharge Pipeline Replacement for Labuan Crude Oil Terminal and Production Riser Tensioner Overhaul, Maintenance and Upgrade for MURPHY Production Operations.

In our aim to ensure the Group's long-term resilience and competitiveness, we will continue to streamline costs and optimise manpower in the next two years. With regard to our capital structure, the Group's gearing level is expected to remain low for our existing business as an O&G service provider. We are further improving our technical capability and working towards stimulating growth with new businesses that provide recurring income. Our long-term strategy will be to remain focused on our vision, our profitability and on generating value to our shareholders.

As for our goals to extend our core competencies to overseas markets (Vietnam, Brunei, Indonesia and the Arabian Gulf Region) as highlighted in the last three FYs, progress has been slower than what we set to achieve. Many O&G projects were shelved, scaled down or reviewed during the downturn in the industry from mid-2014 to 2015. Highly competitive and shrinking markets compelled us to review or re-strategise our developmental plans. Nonetheless, "when the going gets tough, the tough get going". We continue to engage and seek out projects, a strategy that we hope will produce results as the O&G industry regains stronger momentum over the next three years.

In Appreciation

We thank our clients, business partners, and the authorities for their continued trust and support. Their belief in us while we manoeuvre in an extremely challenging environment in the last two years has reinforced our determination to continue to exceed in meeting their needs and expectations. To our shareholders, we appreciate your trust in our delivery and performance. We would also like to express our appreciation to all our Board members for their advice and guidance. Finally, our heartfelt gratitude to all our staff for their dedication, hard work and commitment.

Thank you.

Dato' Mohamed Sabri Bin Mohamed Zain
Chairman
10 April 2017

MANAGEMENT DISCUSSION & ANALYSIS

NIK HAMDAN BIN DAUD

Group President & Chief Executive Officer

2016 Overview

In general, 2016 came out to be a better year as compared to 2015 for the oil and gas (O&G) industry. As the oil companies had adjusted themselves to the new low oil price environment, some projects which were held back in 2015 were reactivated in 2016. As such, the Group began seeing work orders for its long-term contracts. The Group secured approximately RM1.0 billion new projects and work orders in 2016. In addition, the Group's operating cost was reduced as a result of cost rationalisation exercises implemented from January 2016.

The Group operates an asset-light business model with our key strategic asset, Kota Laksamana 101 barge (KL101) for working on offshore O&G jobs or as an accommodation barge. Support vessels such as AHTS and supply vessels are chartered. This lean asset model has kept the Group afloat in challenging periods including FY2016.

MANAGEMENT DISCUSSION & ANALYSIS

FY2016 Financial Performance

- FY2016 revenue rose 5.1% year-on-year (yoy) to RM622.6 million from RM592.6 million in FY2015 as we completed more work orders.
- Cost rationalisation effective 1 January 2016 comprising reduction in staff costs and operating costs across all departments, and the streamlining of supply chain.
- Saved approximately RM14.6 million staff costs. This was the main contributing factor to FY2016 EBITDA* increasing 48.9% yoy to RM59.6 million.
- FY2016 income tax expense at RM1.9 million vs RM13.2 million tax credit in FY2015. The credit was mainly for over-provision in the previous FY.
- FY2016 depreciation charges rose 32.4% yoy to RM30.8 million (explanation in the Balance Sheet section (page 18)).
- Owing to tax and depreciation effect, profit after taxation@ declined 22.9% yoy to RM14.5 million in FY2016.

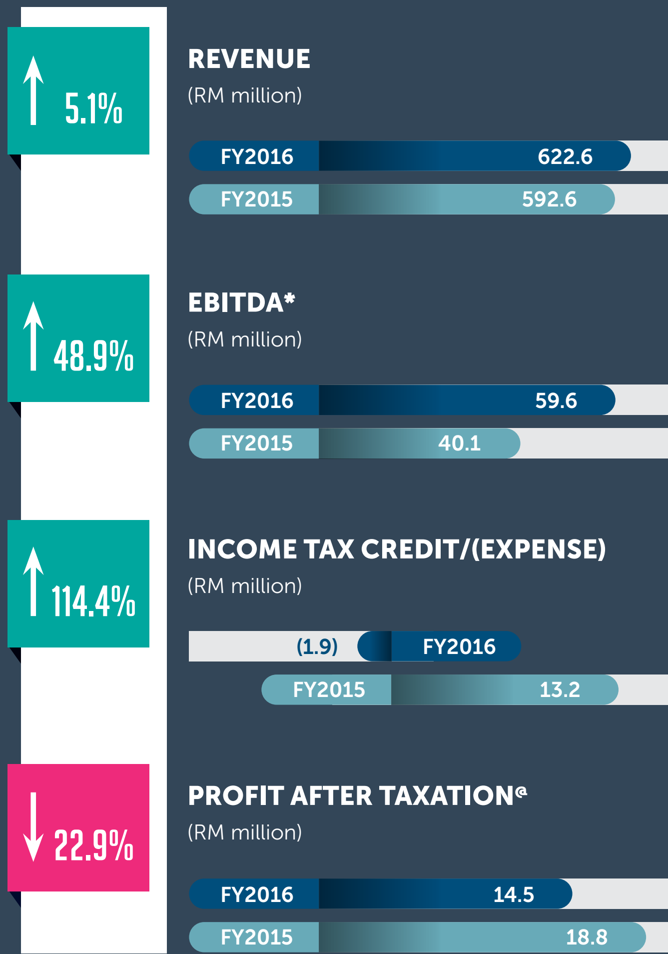
Definition:

* *Earnings before interest, tax, depreciation & amortisation*

@ *Profit after taxation attributable to shareholders*

Key contributing projects to FY2016 financial performance that generated 75.2% of total revenue were:

- Pan Malaysia T&I,
- Underwater Services,
- EPCC of Pengerang Pipeline project.



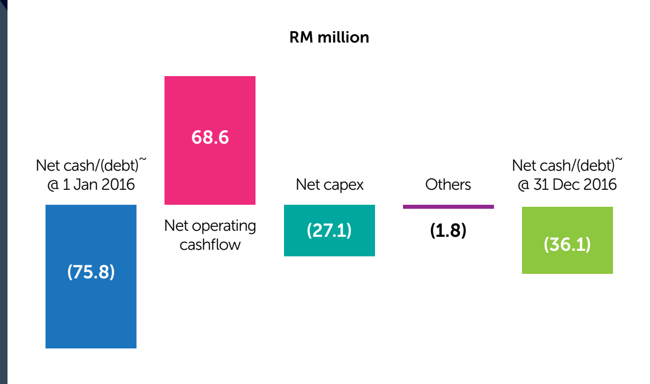
Cashflow

- Approximately 85.2% of FY2016 capital expenditure (capex) was used for the upgrade of KL101.
- The upgrade comprised improvements of key equipment to increase the barge pipe-lay speed and efficiency.
- The upgrading of KL101 was necessary to improve its competitiveness in the market.

Notes:

~ *Net cash/(debt) includes short term investments, fixed deposits with licensed banks, cash and bank balances less RCULS non-current liability portion, long-term and short-term borrowings; and bank overdraft.*

Use of Funds in FY2016



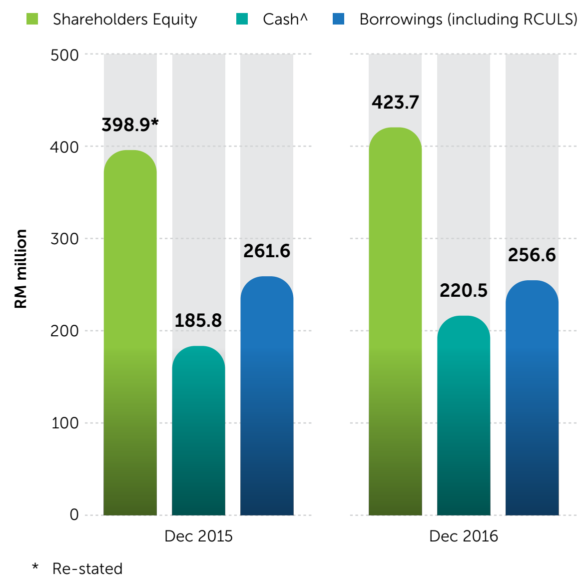
MANAGEMENT DISCUSSION & ANALYSIS

Balance Sheet

- Property, plant and equipment and shareholders equity values as at 31 December 2015 have been re-stated per MFRS 121 "The Effects of Changes in Foreign Exchange Rates". (Note 41 to the Financial Statements)
- At 31 December 2016, shareholders equity increased by RM24.7 million to RM423.7 million mainly from higher retained profits at RM244.6 million combined with foreign exchange translation reserve at RM14.6 million.
- At 31 December 2016, total cash increased by RM34.6 million to RM220.5 million. The higher cash balance was mainly due to improved operating cashflow.
- At 31 December 2016, total borrowings were RM256.6 million (31 December 2015: RM261.6 million). The marginal decrease in total borrowings was mainly due to repayment of borrowings.

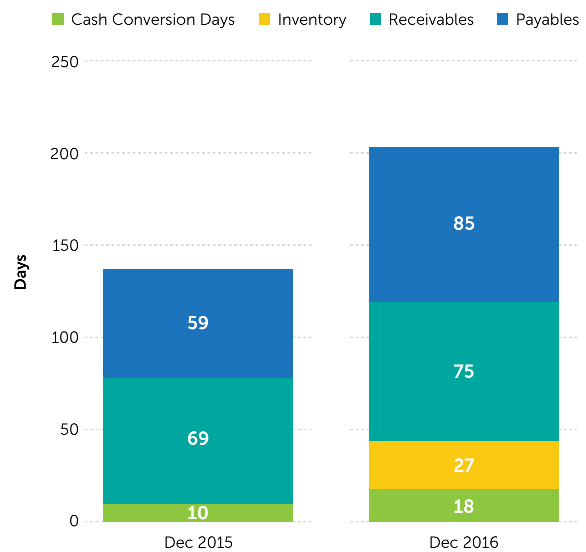
Notes:

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



Cash Conversion

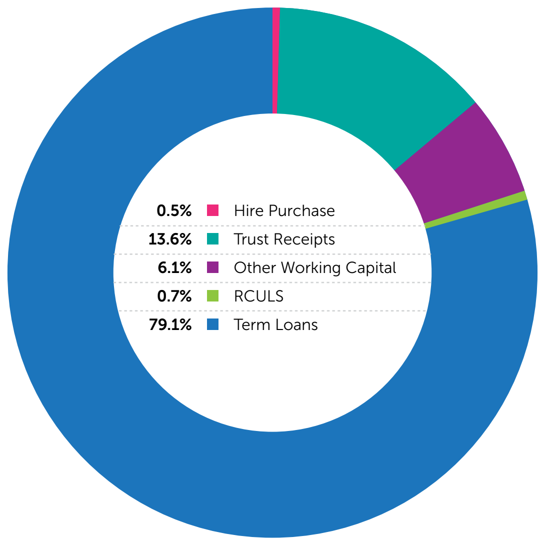
- Slower cash conversion: Conversion days increased to 18 days at 31 December 2016 (31 December 2015: 10), with inventory days of 27 days, longer receivables days at 75 (31 December 2015: 69), partially offset by longer payables days of 85 days (31 December 2015: 59).



MANAGEMENT DISCUSSION & ANALYSIS

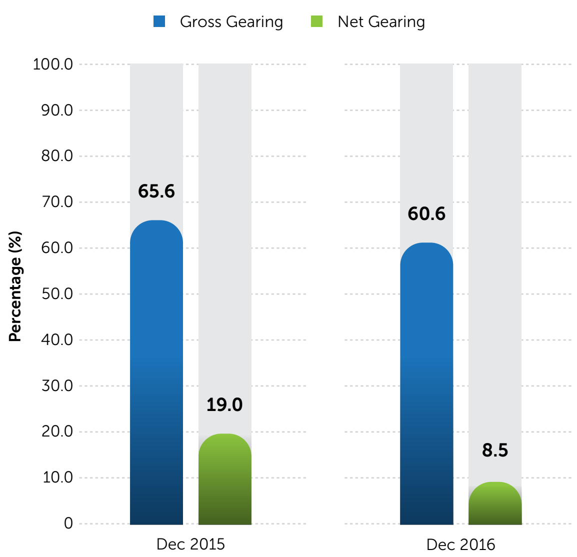
RM256.6 million Borrowings Breakdown as at 31 December 2016

- The breakdown of borrowings:
  1) 79.1% was term loans related to the financing of KL101.
  2) The remaining 19.7% was mainly for working capital requirement-trust receipts and other working capital facilities; 0.5% was hire purchase and 0.7% was RCULS.



Gearing Ratios as at 31 December 2016

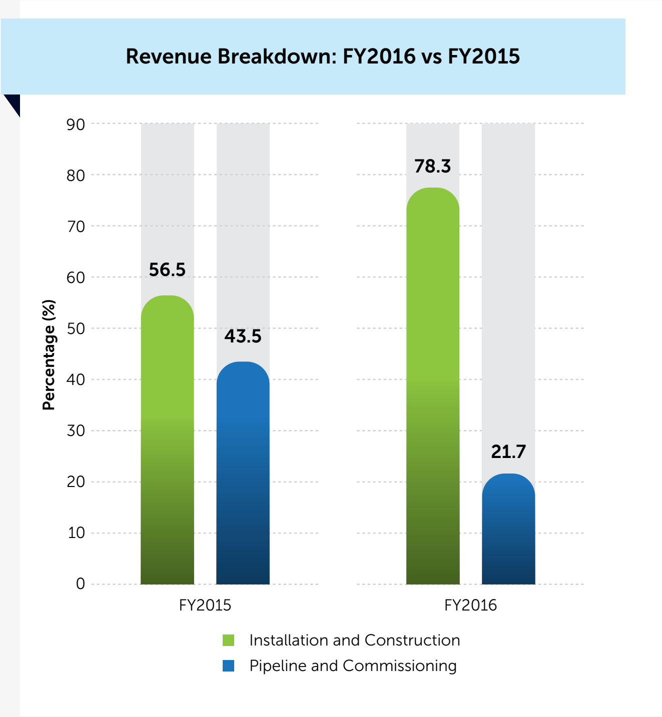
- Gross gearing ratio was lower at 60.6% as at 31 December 2016, compared to 65.6% due to lower borrowings and higher shareholders equity explained in the Balance Sheet section.
- With higher cash balance, net gearing ratio reduced to 8.5% as at 31 December 2016 against 19.0% as at 31 December 2015.



MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS DIVISION

The company's business is categorised into two divisions: Pipeline and Commissioning Services (P&C) and Installation and Construction (I&C). P&C comprises pipeline pre-commissioning, commissioning and decommissioning, and Hook-up and Commissioning (HUC) and Topside Major Maintenance (TMM). I&C encompasses offshore T&I, Underwater Services, Engineering Procurement Construction and Commissioning (EPCC) Onshore Pipeline and Construction activities.



- The Group was busier with I&C jobs compared to P&C in FY2016, both from offshore: Pan Malaysia T&I Package A and Underwater Services; and onshore: EPCC Pengerang Pipeline.
- I&C contributed 78.3% of total FY2016 revenue, while P&C's revenue contribution declined to 21.7% of total in FY2016 with reduced orderflow in HUC, TMM and pipeline services.

Pipeline and Commissioning Services (P&C)

- FY2016 revenue reduced by 47.5% yoy to RM135.3 million as much lower capex and opex for the O&G industry resulted in slow activities in the operation and maintenance of oilfield assets.
- Main contributors:
  1) Engineering, Procurement, Fabrication, Installation, Commissioning and Maintenance works for Pipe Inspection Gauges (PIG) Trap System for PETRONAS Carigali Sdn Bhd (PCSB).
  2) Pan Malaysia HUC & TMM anchor project for Petrofac, Repsol and Sapura Energy Berhad.
- PIG Trap System and Pan Malaysia HUC & TMM projects will continue until 2018.

MANAGEMENT DISCUSSION & ANALYSIS

Installation and Construction Services (I&C)

- FY2016 revenue increased by 45.6% to RM487.3 million.
- Delivered three main projects: Pan Malaysia T&I, EPCC of Pengerang and Underwater Services.
- Pan Malaysia T&I Package A: Work carried out in Sarawak waters in Bardegg and Baronia, and SKO Fields respectively. P1 involved the installation of 24' x 43 km pipeline from TTJT-A platform to BNCPP-B platform and appurtenances, namely pipeline/cable crossing, risers, sub-sea spool and pre-commissioning works whilst P2 the installation of 24' x 125 km pipeline from BNCPP to E11RC platforms.
- P1 and P2 completed in September 2016; SKO Riser Guards Installation in November 2016.

- For underwater services, we completed the following inspection and maintenance packages from September to November 2016:
  a. Subsea Development Project
  b. Pipeline Sectional Removal
  c. Caisson Clamp Installation & ROV Platform Inspection
  d. Major Platform Inspection

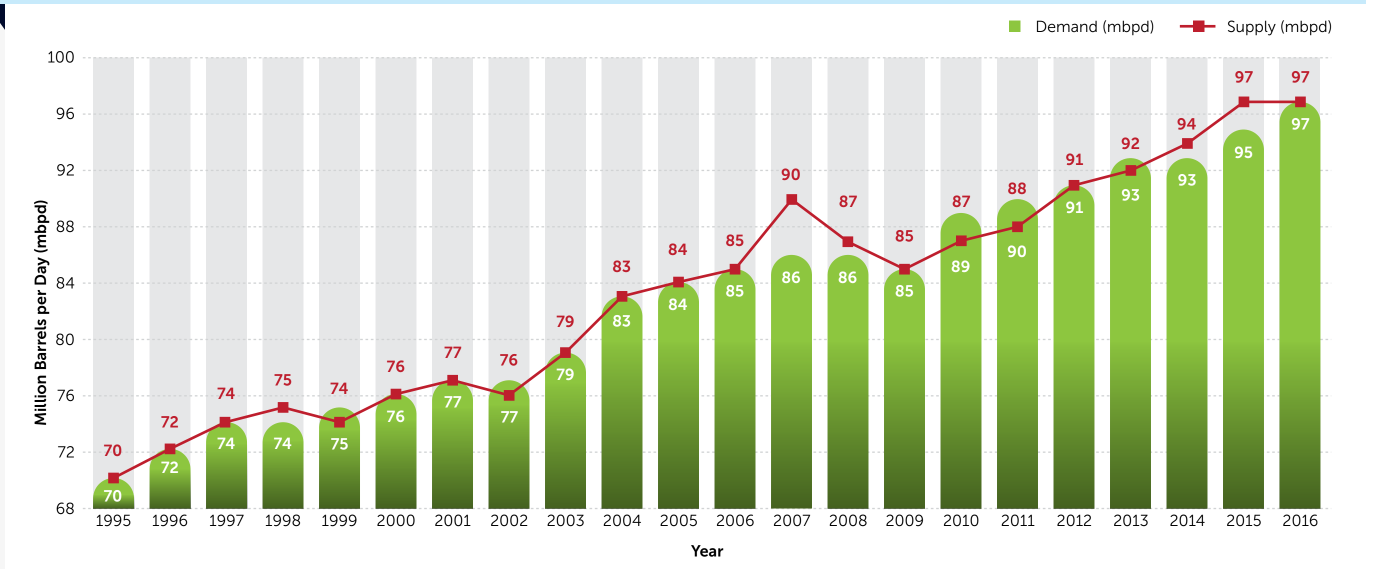
- The Pengerang Project we had been working on since 2014 is due to complete in 2Q2017.
- In 2016, the bulk of work concentrated on pipeline installation across four major river crossings: Sungai Johor, Sungai Layau, Selat Mendana and Sungai Lebam in the district of Kota Tinggi covering 13% of the total 73km of the project.

MANAGEMENT DISCUSSION & ANALYSIS

SAILING INTO 2017

A The Industry

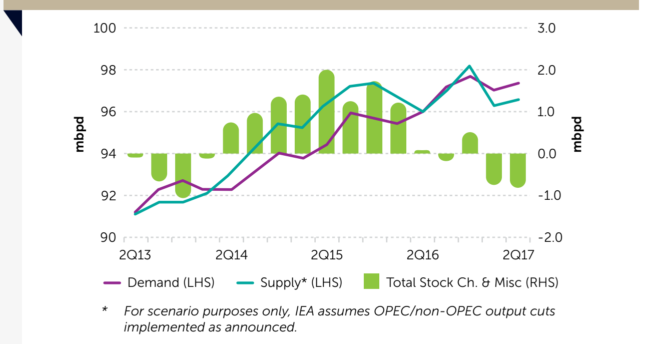
Global Supply and Demand for Crude Oil



Source: International Energy Agency (IEA), Maybank IB Research, Bloomberg

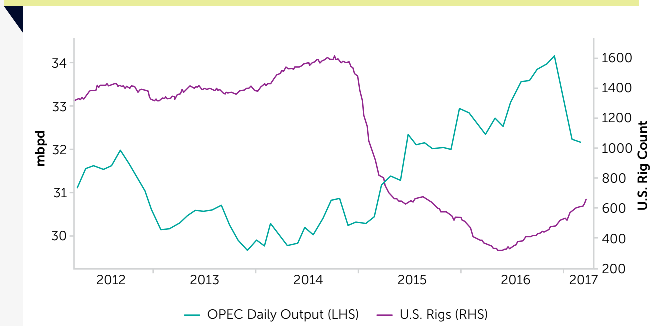
- In late-2016, two agreements concluded among OPEC and 11 non-OPEC members for crude oil production cuts for at least six months starting from January 2017.
- Total production cut of 1.8 million bpd, targeted to end a three-year surplus, comprises:
  1) OPEC members reduction of 1.2 million bpd and;
  2) 11 non-OPEC members, that represent 34% share of non-OPEC production cut of 0.6 million bpd.
- Cumulative production cuts is approximately 2% of global production.
- Positive development in rebalancing demand and supply of crude oil.
- Following the pact, PETRONAS announced on 21 December 2016 to voluntarily reduce its production by up to 20,000 bpd from 2016 estimated average production of 648,000 million bpd.
- On 26 March 2017, a joint-committee of oil ministers from OPEC and non-OPEC members met to review compliance of December 2016 pact. The committee recommended extending the supply-cut pact for another six months.

Crude Demand/Supply Balance until 2Q2017



Source: International Energy Agency (IEA)

OPEC Daily Output vs U.S. Drilling Rig Count

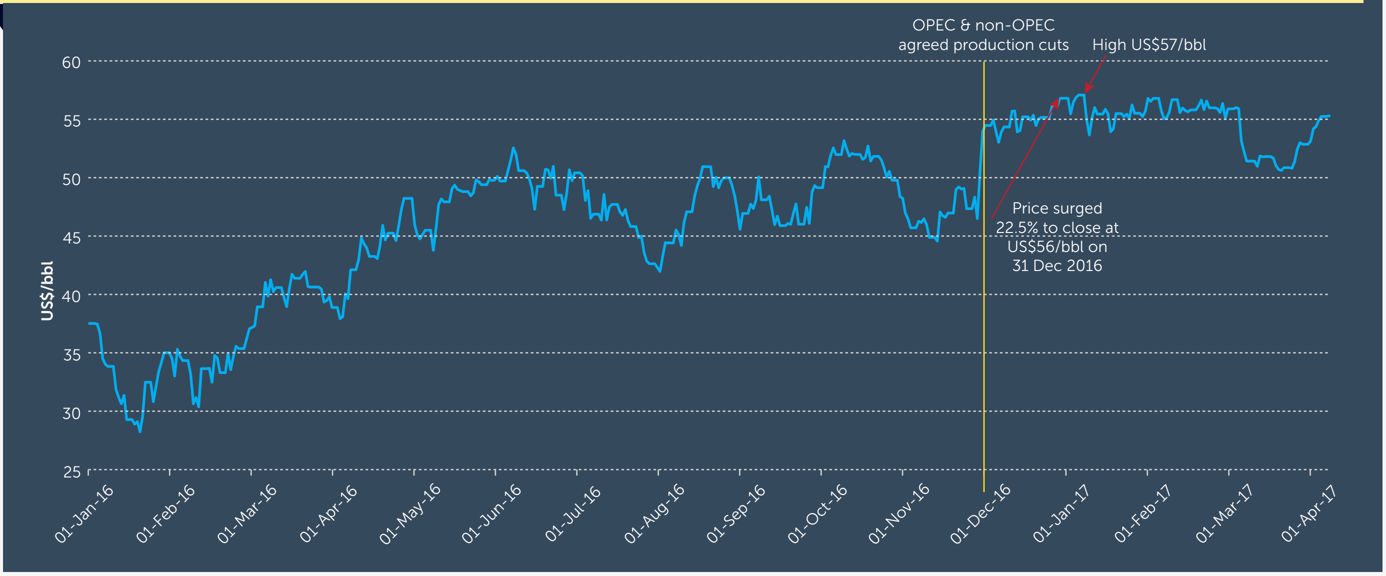


Source: Baker Hughes, Bloomberg

MANAGEMENT DISCUSSION & ANALYSIS

- On the demand side, IEA estimates 2017 demand growth at 1.4 million bpd from recent improvements in industrial activity.
- Compliance with the supply-cut deal was 94% in February 2017, among OPEC and non-OPEC producers combined. However, this was offset by U.S. high inventory of 526.3 million barrels - the highest level in 87 years - based on data from U.S. Energy Information Administration (EIA).
- Generally, IEA and EIA expect a more balanced supply and demand in 2017 with excess (if any) ranging from 0.1 million bpd to 0.3 million bpd.

Brent Crude Oil Price from 1 January 2016 to 10 April 2017



Source: Bloomberg

- After OPEC and non-OPEC formalised production cuts, oil price surged more than 20% to above US$55/bbl in late 2016 - the first time price was above US$50/bbl since mid-2014. Price stayed in tight range above US$53/bbl until early March 2017. However, U.S. crude inventory surge in early-March 2017 resulted in a sell-off. Prices have settled at above US$55/bbl as at 10 April 2017 amid rising geopolitical tension from U.S. air strikes against Syria in early April.
- EIA forecasts Brent crude oil prices to average US$55/bbl in 2017 and US$57/bbl in 2018. The increases in non-OPEC supply, particularly in the U.S., are expected to limit upward price pressure through much of 2017.

B The Group's Prospect

The following four key projects will keep the group busy until 2018:

- Underwater Services Package 2.
- Construction and installation of piping and pipe-support works and facilities for fire-fighting system in the east area of RAPID UIO Facilities (Fire System).
- Effluent Discharge Pipeline Replacement for Labuan Crude Oil Terminal (LCOT) using shore approach (LCOT Pipeline).
- Provision of Production Riser Tensioner (PRT) Overhaul, Maintenance and Upgrade for MURPHY Production Operations.

1) Project Progress

Fire System Project:

- Project team was mobilised in September 2016. Non-metallic pipes delivered from November 2016.
- Excavation of trenches together with the installation of pipeline ongoing since December 2016.
- Completed 32% of the total 37km length to date. Project targeted to complete in 3Q2017.

LCOT Pipeline:

- Secured in November 2016, the pipeline installation uses shore approach.
- Project team mobilised in March 2017. Delivery of High-Density Polyethylene pipes targeted in 2Q2017, followed by stringing of pipeline until 2018.
- The work to complete with onshore stringing at the beach area to Labuan Gas Terminal.

PRT Overhaul, Maintenance and Upgrade:

- Secured in December 2016. Project to last until 2018, with one year extension option.
- Yards for storage of equipment identified in 1Q2017.
- Mobilisation in 2Q2017.

MANAGEMENT DISCUSSION & ANALYSIS

A SUMMARY OF OUR STRATEGY

SHORT-TERM

1. **Focus on winning tenders**
2. **Supply chain optimisation continues**
3. **Cost-cutting measures continues**

MEDIUM-TERM

1. **O&M of facilities**
   - Strengthen our technical capability
   - Innovate and execute in the new ways
2. **Expansion into downstream business**

LONG-TERM

1. **Integrated solutions to O&G industry**
   - Move up value chain
   - Focus on technology-driven business to create niche through project ownership
2. **Increase recurring income**

1) EXISTING BUSINESS AS AN O&G SERVICE PROVIDER

- Bidding for local and overseas projects.
- Opportunities in offshore and downstream sectors of the local market.

December 2016-2018 Pan Malaysia T&I Project

- The anchor project, Pan Malaysia T&I from December 2016 to 2018, with an extension option of two years with one year each.
- Project orders to be executed by the successful contractors with the 12 Petroleum Arrangement Contractors (PACs) in Malaysia. They are PCSB, Sarawak Shell/Sabah Shell Petroleum Company Ltd, Sapura Energy Peninsular Malaysia Inc/Sapura Energy Sarawak Inc, Murphy Sarawak Oil Co. Ltd, JX Nippon Oil and Gas Exploration (M) Ltd, ExxonMobil Explorations and Production Malaysia Inc, Repsol Oil & Gas Malaysia Ltd (the former Talisman Malaysia Ltd), Petrofac (Malaysia-PM304) Ltd, PCPP Joint Operating Company, Kebabangan Petroleum Operationg Company Sdn Bhd, HESS Exploration and Production Malaysia B.V and Lundin Malaysia B.V.
- Work comprises the transportation and installation of platform structures and pipelines, such as the jacket, module support frame, piles, conductors, modules, deck, pump casing and the associated tie-in spools, risers, subsea cable, other platform components and appurtenances become a properly assembled facility, all field installations, include preparing, fitting, adjusting, welding and painting necessary to complete the entire facility installation.
- PBJV Group Sdn Bhd is one of the panel contractors. Having completed almost RM900 million works in the previous 2014-2016 Pan Malaysia T&I Package A, we are reasonably optimistic of securing project orders in this new cycle that will last until 2018.

2) OUR LONG-TERM PLAN

- The key ingredient to be competitive in the market: Continue with rationalisation of project and operating costs, manpower and supply chain.
- The second equation: Add value to clients and align with clients' objectives.

Adding value by:

- Working closely with clients to provide specific and fit-for-purpose solutions, a plan being executed since 2015.
- Forming strategic alliances/partnership and proposing solutions to help clients execute projects while optimising their capex. The partnership is expected to improve our technical competency and acumen, and to lift our business to higher playing level.

With our focus, dedication and persistence, we are hopeful that our current initiatives will produce results in the next three years.

Capital structure

- For existing business, gearing level expected to remain low.
- Short term borrowings mainly for working capital purposes related to projects.
- New capital requirement will be targeted for new businesses.

MANAGEMENT DISCUSSION & ANALYSIS

SUMMARY

FY2016 saw us strengthening ourselves while moving through the rough seas in the O&G industry. We take pride that there has been improvement in financial and operational performance. However, striving for greater achievement has also been work-in-progress within the Group. We look forward to harness our internal capability whilst collaborating with partners to provide value-added services to our clients.

Discussion on CSR, Corporate Governance, Audit and Risk Management, Risk Management and Internal Control, and Financial Statements are available in the ensuing sections.

Thank you.

Nik Hamdan Bin Daud
Group President & Chief Executive Officer
10 April 2017

CORPORATE SOCIAL RESPONSIBILITY

Barakah Offshore Petroleum Berhad is committed to operating in a responsible and sustainable manner that benefits our stakeholders. With this objective, our business practices are framed to positively impact and sustain the economic and social settings which we come into contact with daily while safeguarding our environment.

Barakah's business practices are guided by our Sustainability Policy, which was approved and adopted by the Board of Directors on 23 October 2013.

CULTURE & PRACTICE

Enforcing Strong HSE Practices

The O&G industry enforces very stringent Health, Safety and Environment (HSE) standards as the operations are highly technical and specialised, and entail relatively high risks. Being a service provider in the O&G industry, Barakah has a strong HSE culture in our workplace. Our HSE track record is one of our Key Performance Indices (KPI), just as important as our achievement of our other business objectives. This mindset is inherent in our HSE motto, "Think Family, Work Safely".

Barakah's Health, Safety and Environment (HSE) practice is governed by 3 pillars, starting with our Mission Let's C.A.R.E-while Implementation and Regulation are through Barakah Rules and SAFE Card. Details are available on our corporate website and in our Annual Reports from FY2013 to FY2015.

CORPORATE SOCIAL RESPONSIBILITY

Instilling HSE Awareness in the Workforce

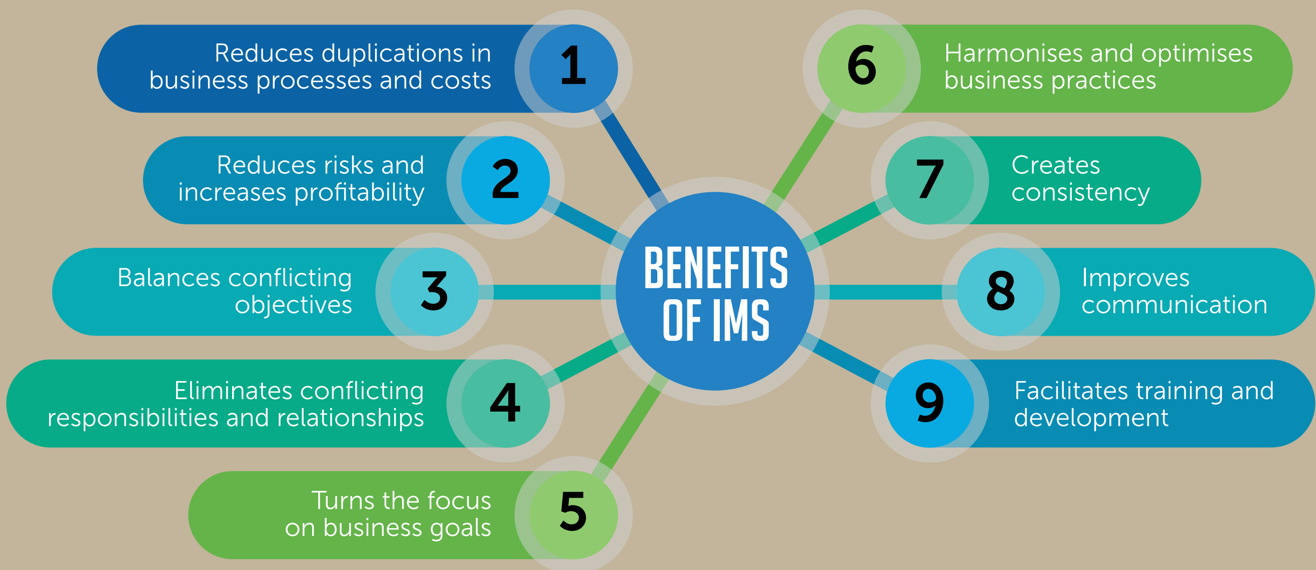
In our effort to instil caring for the environment in our workforce, we have an ongoing environmental awareness campaign at all our offices to inculcate the importance of protecting the environment, such as Go Green campaign. One of our efforts at getting our employees to do their bit for environmental sustainability is our encouraging recycling through the provision of recycling bins in all our offices.

A New Milestone - Integrated Management System (IMS)

Our Integrated Management System (IMS) ensures that our organisational, operational, commercial and technical activities are planned, managed and supervised to fulfil our clients' expectations and our contractual obligations. The IMS of PBJV carries various International Certifications (ISO 9001: 2008, OHSAS 18001: 2007, ISO 14001: 2004). Details are available on our corporate website.

WHAT IS AN INTEGRATED MANAGEMENT SYSTEM?

In FY2016, we attained a new hallmark, IMS, that integrates the Group's systems and processes into one complete framework, and enables all divisions of the Group to work as a single unit with unified objectives.



CORPORATE SOCIAL RESPONSIBILITY

Good HSE Track Record Adds Value for Clients

Our mission "Committed to Ensure High Quality and Innovative Solutions without Compromising Safety" has been the driving force of our business practices. We go beyond and above the achievement of our KPIs to exceed their expectations. This attitude has earned us various awards and certifications.

KEY AWARDS AND CERTIFICATIONS IN HSE

2.5 million Safe Man-Hours (2012 – 2014)

Booster Compression Brownfield Project (Carigali Hess)

Appreciation of HSE Engagement Programme

Prai Laterial Gas Pipeline Project (PETRONAS Gas)

500,000 Man-Hours without LTI

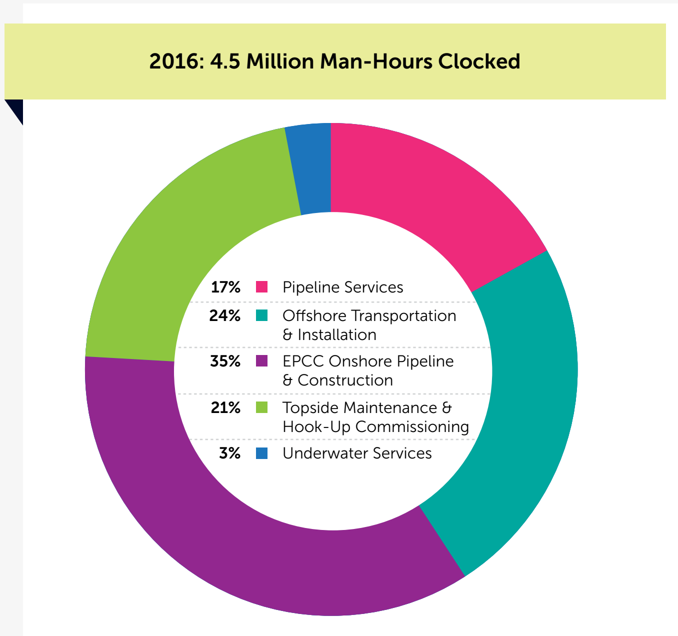
Transportation & Installation of Offshore Facilities 2014 – 2015: Dalak Pipeline (PETRONAS Carigali)

1 million Man-Hours without LTI

Pengerang Gas Pipeline Project (PETRONAS Gas)

CORPORATE SOCIAL RESPONSIBILITY

One of our significant achievements in FY2016 was the SKO Riser Guard Installation project. We completed the campaign for PETRONAS Carigali (PCSB) successfully, met contractual and client's requirement, duly delivered within budget and HSE KPI. The benefit delivered to PCSB was a total cost reduction of almost 60% as compared to its previous campaign. We accomplished this project with 100,000 man-hours without lost-time due to injury (LTI).



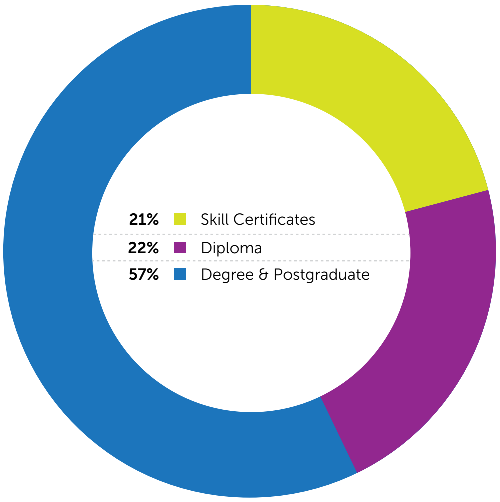
In FY2016, the Group completed 4.5 million man-hours in projects delivery. The greatest number of man-hours (35%) was clocked at the Pengerang Pipeline Project for PCSB, given that construction works were carried out onshore and were hence more labour intensive. Offshore activities are more mechanised and KL101 was specially built to execute the jobs on a turnkey basis.

CORPORATE SOCIAL RESPONSIBILITY

EMPLOYEES

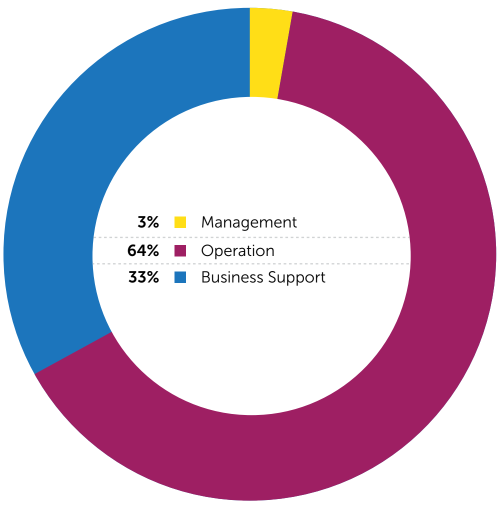
A Balanced Workforce Stimulates Diverse Thinking

2016 Workforce Breakdown by Qualification



Our employees are the foundation of our Group's growth journey. We enable national economic development through the creation of a knowledgeable workforce for the nation and the reduction of unemployment. As at end-FY2016, the Group's total workforce stood at 404. 57% of our workforce holds degree and post-graduate qualifications.

2016 Workforce Breakdown by Job Function

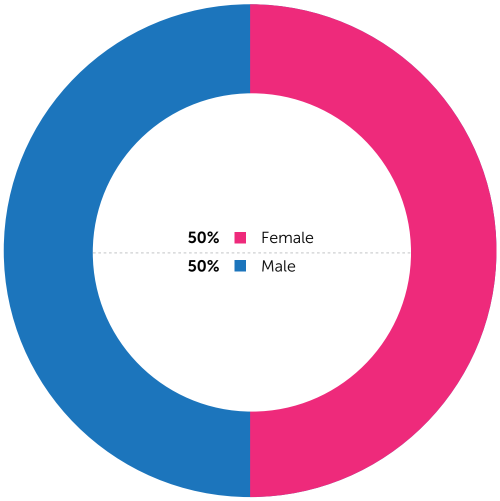


As we are an engineering-based company, the majority of our workforce (64% of 404 pax) is involved in the operations (project execution/delivery and procurement) of the business.

33% of workforce is involved in business support such as procurement, tender and commerical, finance and accounting, corporate services, human resource, information technology and building maintenance.

CORPORATE SOCIAL RESPONSIBILITY

2016 Workforce Breakdown by Gender (for Divisions excluding Operations)



We realise that diversity in our workforce stimulates minds through the analysis of situations from different perspectives, thus providing new and better solutions for our stakeholders. Operations are male-centric. For job functions other than in operations, we have a very balanced gender mix, with women making up 50% of the Group's workforce.

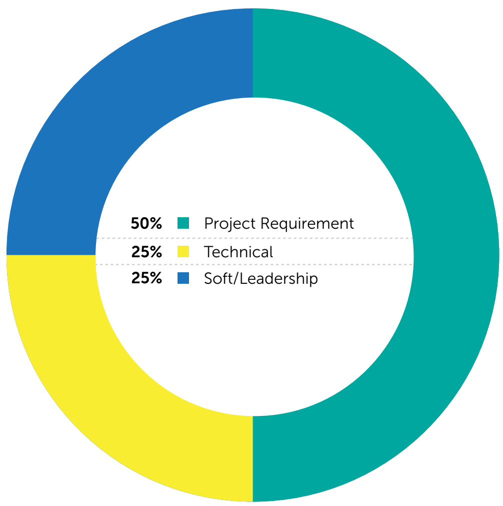
Strengthening Our Workforce

Our business sustainability is maintained through building and keeping an adequate talent pool while having second liners in place, as aligned with our Succession Policy adopted by the Board on 23 October 2013. A skilled, knowledgeable and committed workforce drives our business performance and continuity. With a shared mission and vision, we motivate and upgrade our employees by delivering training, development and engagement programmes, benefits and a culture of total well-being.

For FY2016, 50% of our training programmes had the objective of achieving good results for projects and operations of the Group. For the remainder of the training hours, we placed equal emphasis on the development of technical/specific skills and soft/leadership skills.

For FY2016, we also took in 15 internship students and practical trainees as part of our community development programme and to identify future talents.

Breakdown of 6,515 Training Hours in FY2016



CORPORATE SOCIAL RESPONSIBILITY

COMMUNITY

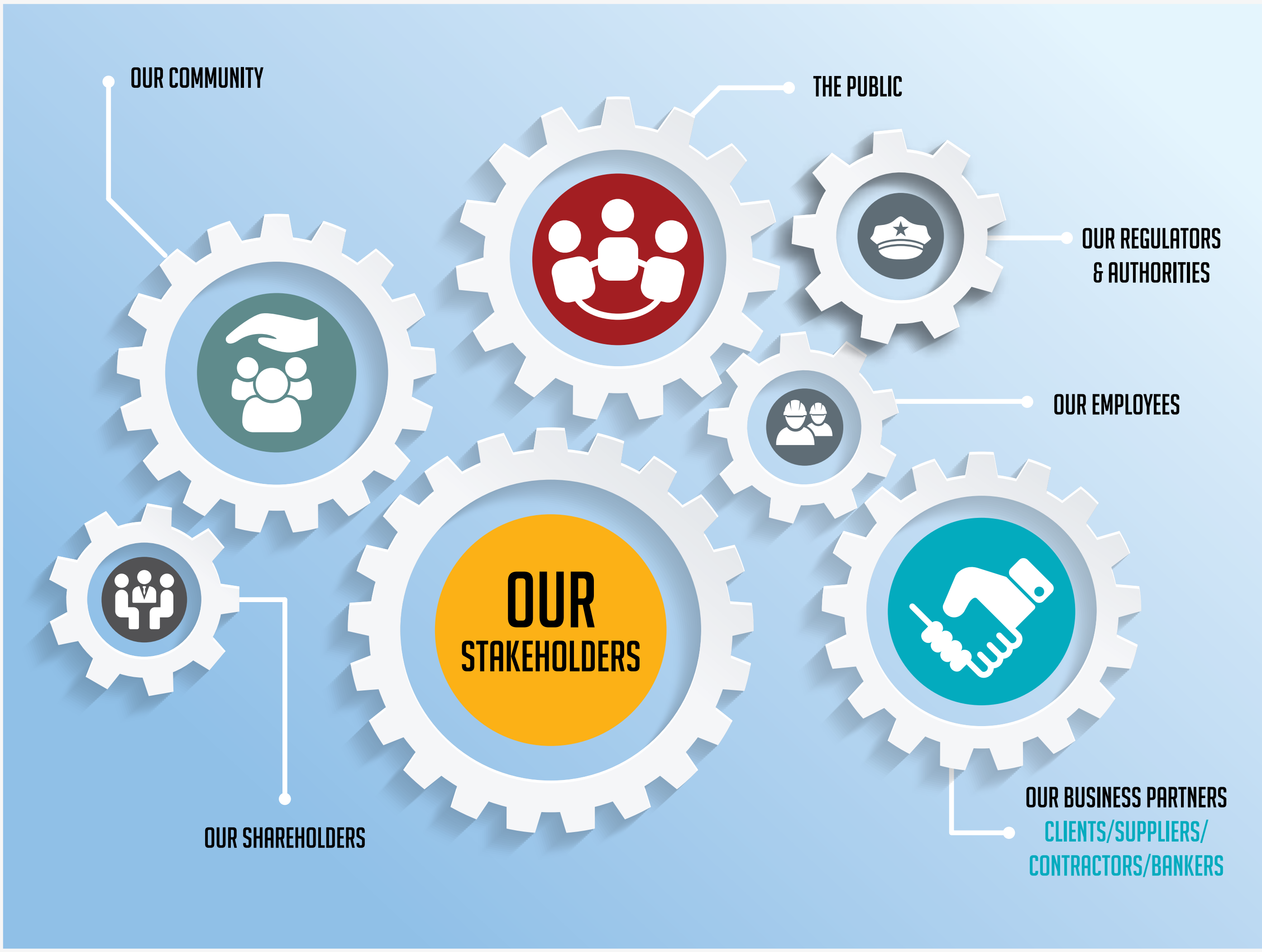
Business Promotes Spin-off to the Local Economy/Community

We generally deal more with local businesses in our procurement and contracting for services, supplies and materials. Local supplies and services are generally more price-competitive compared to those sourced from outside the country given that the Malaysian Ringgit has depreciated against most foreign currencies since 2014. However, we are mindful that the service providers that we deal with have a good track record.

Engagements with Stakeholders Promote Mutual Benefits

Our stakeholders include but are not limited to our clients, business partners, financiers, the regulators, the authorities, employees, suppliers and contractors, the general community and shareholders. A sustainable business supports the economic sustainability of our stakeholders. As we grow through the implementation of our business strategies, our stakeholders reap the benefits of our strength together with us. We thus ascertain that our engagement with them is regular, consistent and transparent.

In addition, our investment in the young generation enhances their future employability, improving their own and their families' socio-economic well-being. Our activities in this area have been ongoing since the inception of Barakah.

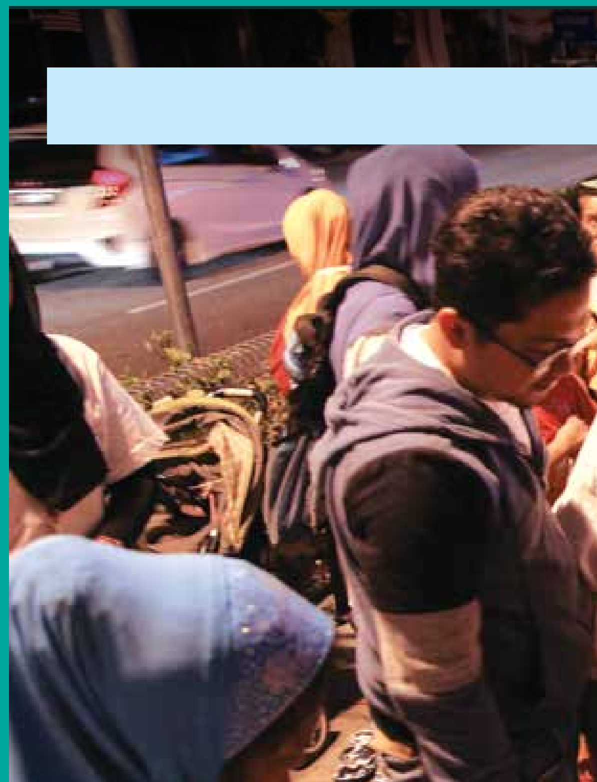


CORPORATE SOCIAL RESPONSIBILITY

Stakeholder Group	Engagement Method
Our Community	1. Ongoing CSR activities at project sites 2. Commitment to support the maintenance of Rumah Kasih Harmoni, an orphanage, together with education/tuition fees for the schoolgoing children 3. Ad-hoc sponsorships for underprivileged students at identified schools in Malaysia 4. Annual programmes: a. 'We Care'- distribution of food to the homeless in Kuala Lumpur b. 'Barakah Iftar' - Breaking of fast at Rumah Kasih Harmoni, an orphanage, during the fasting month c. 'Sentuhan Kasih Barakah'- Visiting patients at selected hospitals in Selangor/Kuala Lumpur d. Barakah Raya Open House 5. Situational (ad-hoc) programme: a. 'Tautan Kasih'- Flood relief mission in East Malaysia in 2014 and 2015 ** Details of past programmes are available in our 2013, 2014 and 2015 Annual Reports*
The Public	1. Oil & Gas Conferences/Exhibitions in Malaysia: • We participated in Offshore Technology Conference (OTC) Exhibition from 22 to 25 April 2016 • In 2017, we will be participating in two conferences: a) The 19th Asia Oil & Gas Conference 2017, from 8 to 9 May b) The 16th Asian Oil, Gas & Petrochemical Engineering Exhibition (OGA) 2017 from 11 to 13 July ** Details of past participation are available in our 2013, 2014 and 2015 Annual Reports* 2. Press releases and media briefings 3. Regular updates on our corporate website 4. Raya Open House 5. Easy access to Investor and Media Relations, and Corporate Communication divisions of the Group
Our Employees	1. Staff training 2. Corporate day once a month 3. Ongoing staff welfare programmes: a. Indoor/outdoor programmes: 2017 Staff Away Day in Janda Baik on 10 and 11 February 2017 b. 'Solat Hajat' (prayer sessions in office) c. Distribution of food items during Ramadhan (Islamic fasting month) 4. Regular talks/campaigns with specific themes such as 'Safety during Haze', 'Back-care' 5. Raya Open House
Our Shareholders	1. Easy access to Investor and Media Relations Officer and the key Management team 2. Conferences/group meetings organised by stockbrokers 3. Closed meetings 4. Annual General Meetings 5. Regular updates on our corporate website including presentation slides on discussion of quarterly financial results 6. Press Releases 7. Raya Open House
Our Regulators & Authorities	1. Meetings 2. Project CSR activities 3. Open Days organised by the regulators/authorities 4. Events/workshops conducted on the premises of the regulators/authorities
Our Business Partners - Clients/Suppliers/ Contractors/Bankers	1. Regular meetings 2. Kick-off meetings prior to the commencement of projects 3. Raya Open House

CORPORATE SOCIAL RESPONSIBILITY

Barakah 2016 Raya 'Oh! Meriahnya Raya' Open House



Offshore Technology Conference (OTC), 22 to 25 April 2016 in Kuala Lumpur Convention Centre

CORPORATE SOCIAL RESPONSIBILITY

'We Care' Homeless Programme, Shelter Home for the Homeless, Pusat Transit Gelandangan Kuala Lumpur

Effective Investor and Media Relations Bridges the Investment Marketplace and Management

Best IR Website for Small Capitalisation, 6th MIRA Award

Since listing on 6 November 2013, the Group has been engaging with the investment circle and media in a transparent and timely manner. We are honoured that our efforts produced results in 2016. Our rankings in the survey among analysts/fund managers by Malaysian Investor Relations Association (MIRA) improved significantly. The Group won the Best IR Website in the small capitalisation category in the 6th Malaysia Investor Relations Awards by MIRA and ranked 2nd in three categories as shown below:

AWARD CATEGORY	RANKING
Best IR Website (Small Capitalisation)	1st
Best Company for IR	2nd
Best CFO for IR	2nd
Best IR Professional	2nd

MOVING FORWARD

Our commitment is to remain steadfast while we perform and deliver to ensure our business stability. As we grow, we will continue to meet our social responsibility and work towards building a sustainable future for our communities, our society and the nation to grow in tandem with us for the benefit of the generations to come. We are working towards complying with Bursa Malaysia's requirement for providing Sustainability Reporting in 2018.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (Board) of Barakah Offshore Petroleum Berhad (Barakah or Company) and its subsidiary companies (Group) pledges a high standard of corporate governance and has ensured these standards are ingrained into the governance framework, policies and practices within the Group. Throughout the financial year ended 31 December 2016 (FY2016), the corporate governance practices and processes remained consistent with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (Code) and the Bursa Main Market Listing Requirement (MMLR).

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1) The Board Charter & Limits of Authority

The Board Charter (Charter) and Limits of Authority were approved by the Board on 23 October 2013. The Charter sets out the Board's roles and powers reserved for itself and those that it delegates to Management. The Limits of Authority was subsequently amended and renamed as Delegation of Authority (DOA) on 26 August 2016 and it specifies relevant matters reserved for the Board's approval and of those delegated to the Board Committees, Group President & Chief Executive Officer (GPCEO) and management. The Board reviews the Charter periodically and make the appropriate revisions from time to time. The Charter is available in the Corporate Governance section at ***www.barakahpetroleum.com.***

The Charter addresses the following pertinent matters:

- Provides guidance and reference to the Board on the overall business affairs and operations in line with the principles of good corporate governance.
- Outlines the division of powers, roles and responsibilities of the Board, its key values, the Board's authorities, processes and procedures for convening Board's meetings.

The DOA specifies relevant matters reserved for the Board's approval and of those delegated to the Board Committees, GPCEO and management.

2) Clear Roles and Responsibilities

The key roles and responsibilities of the Board are to:

- Adopt and review the strategic business plans for the Group.
- Oversee and evaluate the conduct of the Group's business including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.
- Identify principal risks and ensuring the implementation of appropriate systems to manage these risks.
- Approve and monitor the progress of major capital expenditure, fund-raising, acquisitions and divestitures.
- Review the efficiency and quality of the Group's financial reporting process and systems of accounting and internal controls.
- Establish a succession plan for senior management.
- Ensure strategies of the Group promote sustainability.
- Ascertain the independence of the external auditor 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 the GPCEO and Chief Financial Officer (CFO).

STATEMENT ON CORPORATE GOVERNANCE

An overview of the Roles of the Board

Role	Key Responsibilities
Chairman	To preside over the Board meetings and ensure the smooth functioning of the Board in the interest of good corporate governance.
Group President & Chief Executive Officer	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 judgment in making board decisions.

3) Board Committees

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

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

Access to Information and Advice

Every member of the Board has full, timely and unrestricted access to all information pertaining to the Group's business affairs to enable them to discharge their duties effectively. The Board also has access to independent professional advice if necessary in terms of legal, financial, governance and expert advice, at the Company's expense.

4) Company Secretaries

The Board is supported by suitably qualified Company Secretaries who are responsible for ensuring the effective functioning of the Board and that rules and regulations are complied with. The Company Secretaries also act as secretaries of all Board Committees except EXCO. The Company Secretaries circulate relevant guidelines and updates on statutory and regulatory requirements from time to time for the Directors' reference. They also ensure that all Board and Board Committee meetings are properly convened and that deliberations, proceedings and resolutions are properly minuted and documented.

STATEMENT ON CORPORATE GOVERNANCE

5) Policies

The Board has the following policies/framework in place:

a) Succession Planning Policy
A programme 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 adequacy and integrity of the internal control system of the Group. This policy adopted is 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 48 to 50.

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, and honesty and personal integrity in their dealings. A summary of the code and the following policies are available in ***www.barakahpetroleum.com***

- Code of Ethics and Conduct Policy;
- Whistle-blowing Policy; and
- Insider Dealing Policy.

Together with Corporate Disclosure Policy, these policies promote appropriate communication and feedback channels, including those that facilitate whistle-blowing. These policies also encourage every person in the Group to act in the best interest of the Group, safeguarding confidentiality, 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 which includes reviewing and approving the Group's sustainability strategy and ensuring transparent sustainability reporting. This policy encompasses the growing need for businesses to do their part in addressing the expectations of society with regards to Economic, Environmental and Social (EES) initiatives. Further information on the implementation of the EES can be found in the Corporate Social Responsibility Report on pages 26 to 35.

STRENGTHEN COMPOSITION

The Nomination and Remuneration Committee (NRC) comprises of three Independent Non-Executive Directors namely:

- Sulaiman Bin Ibrahim, Chairman of NRC and Senior Independent Non-Executive Director;
- Dato' Mohamed Sabri Bin Mohamed Zain, NRC member; and
- Nurhilwani Binti Mohamad Asnawi, NRC member.

The main duties of the NRC are to:

- 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. The assessment of the suitability of directors is on an ongoing basis.
- Review and determine whether a director can continue to be independent in character and judgment, 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.
- Recommend the remuneration for the directors and the top management; review and recommend the annual bonus pool for employees. Details of the Terms of Reference of NRC can be found on the Company's official website.

For FY2016, the NRC met thrice (3) and had carried out the following key activities:

- Reviewed and recommended the re-appointment and re-election of Members of the Board at the AGM for Shareholders' approval, pursuant to the Articles of Association of the Company;

STATEMENT ON CORPORATE GOVERNANCE

- Reviewed the annual assessment of the required mix of skills and experience of the individual Board Members and the Board Committees;
- Assessed 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 GPCEO;
- Assessed the performance of the CFO;
- Assessed the independence of its Independent Directors;
- Review the report of the NRC to be included in the Annual Report;
- Evaluated training needs of Directors; and
- Reviewed and recommended to the Board the remuneration packages of the Executive Directors and fee for the Non-Executive Directors.

The following salient points would be taken into consideration pertaining to recruitment of Directors and annual assessment:

- Required mix of skills, experience, independence and diversity, including gender, where appropriate;
- Character, knowledge, expertise, professionalism, integrity, competence and time availability; and
- The Independent Directors' abilities to discharge such responsibilities/functions as expected from the Independent Directors.

The NRC has established guidelines on the recruitment and appointment of a Board member which forms part of the NRC's Terms of Reference. 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.

1) Remuneration

The Executive Directors' basic salaries and benefits-in-kind/ emoluments are fixed for the duration of their employment terms. Any revision to the basic salaries and benefits-in-kind/ emoluments will be reviewed and recommended by NRC and approved by the Board, taking into consideration individual performance, Company's performance and other relevant factors. The Executive Directors are not entitled to directors' fees and meeting allowance. In addition, any bonus payment to employees including the Executive Directors is reviewed and recommended by the NRC and approved by the Board.

The Non-Executive Directors' remuneration is competitive in order to attract and retain directors of such calibre and to provide the necessary skills and experience as required. Their remuneration comprises annual fees that reflect their expected roles and responsibilities. In addition, the Non-Executive members of the Board and Board Committees are paid meeting allowances for each meeting they attended. The directors' fees will be tabled for the shareholders' approval at the upcoming Fifth AGM of the Company.

Details of Board remuneration for the FY2016 are as follows:

The Group#

	RM
Non-Executive Directors	
Fees	615,600
Other emoluments^	129,000
Benefits-in-kind	–
Executive Directors	
Salary	3,920,580
Other emoluments^	1,192,740
Benefits-in-kind*	383,777

The Company

	RM
Non-Executive Directors	
Fees	615,600
Other emoluments^	129,000
Benefits-in-kind	–
Executive Directors	
Salary	1,960,290
Other emoluments^	955,279
Benefits-in-kind*	191,467

Notes:-

^ *Other emoluments includes allowances, defined contribution plan and SOCSO.*

* *Benefits-in-kind includes none monetary value benefits and Employees' Share Option Scheme (ESOS).*

The Group includes Barakah and its subsidiaries.

The remuneration band of the Directors are as follows:

Range of remuneration band	Number of directors
Non-Executive Directors	
RM50,001 to RM100,000	2
RM100,001 to RM150,000	2
RM250,001 to RM300,000	1
Executive Directors	
RM950,001 to RM1,000,000	2
RM3,150,001 to RM3,200,000	1

STATEMENT ON CORPORATE GOVERNANCE

REINFORCE INDEPENDENCE

1) Board Independence

The Board is made up of a majority of Independent Directors which include five (5) Independent Non-Executive Directors and three (3) Executive Directors. The Chairman is also an Independent Non-Executive Director. The Board composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced Directors with relevant backgrounds from technical, financial and regulatory experience in the Oil and Gas and financial markets. The diversity of skills enables the Board to effectively lead 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 continued to exercise independent and objective judgment and acted in the interest of the Company and its stakeholders.

The tenure of Independent Non-Executive Director shall be for accumulative term of nine (9) years. The Independent Non-Executive Director may continue to serve on the Board beyond the nine (9) years tenure provided the Independent Non-Executive is re-designated as a Non-Independent Director. Where the Board is of the view that the Independent Non-Executive Director can continue beyond the nine (9) years tenure, it must justify and seek shareholders' approval. In justifying the decision, the Board is required to assess the candidate's suitability to continue as an Independent Director based on the criteria on independence as adopted by the Board. None of the existing Independent Directors of the Company has served on the Board beyond 9 years.

2) Relationship between the Chairman and GPCEO

The Board supports the principle that separate roles of the Chairman and GPCEO with a clear division of responsibilities to ensure a balance of power and authority such that no one individual has unfettered 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, directives, strategies and decisions. They report and discuss at the Board Meetings all material matters currently or potentially affecting Barakah and its performance.

FOSTERING COMMITMENT

1) Board Meetings and Procedures

The Board meetings are scheduled in advance and an annual meeting calendar that provides the scheduled dates for meetings of the Board and Board Committees, the AGM and the targeted dates of announcements of the Group's quarterly results are prepared and circulated to the directors before the beginning of FY.

The Board meets regularly and anticipates at least four (4) Board meetings during a FY. Additional meeting(s) or Special Meetings may be convened as and when deemed necessary to consider urgent proposals or matters that require Board's expeditious review or consideration.

2) Board Attendance and Meetings

The attendance of the respective directors in respect of Board and Board Committee meetings held during the FY2016 are set out below:

Board Members	Designation	BOD	ARMC	NRC	ESOS
Dato' Mohamed Sabri Bin Mohamed Zain	Independent, Non-Executive	5/5	4/5	2/3	NA
Nik Hamdan Bin Daud	Non-Independent Executive	5/5	NA	NA	NA
Sulaiman Bin Ibrahim	Senior Independent, Non-Executive	5/5	5/5	3/3	1/1
Datuk Azizan Bin Haji Abd Rahman	Independent, Non-Executive	5/5	5/5	NA	NA
Azman Shah Bin Mohd Zakaria	Non-Independent Executive	5/5	NA	NA	NA
Rasdee Bin Abdullah	Non-Independent Executive	5/5	NA	NA	1/1
Nurhilwani Binti Mohamad Asnawi	Independent, Non-Executive	5/5	NA	3/3	1/1
Dato' Seri Oh Teik Chay	Independent, Non-Executive	5/5	NA	NA	NA
Total number of meetings in the FY2016		5	5	3	1

NA - Not Applicable

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to the MMLR, all directors have complied with the requirement of at least 50% attendance at Board meetings held in the FY2016.

The Directors observe the recommendation of the Code that they are required to notify the Chairman of the Board before accepting any new directorships and to indicate the time expected to be spent on the new appointment. Generally, Directors are at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Company and do not adversely affect the Director's performance as a member of the Board.

3) Professional Development

The Board emphasises the importance of continuing education for its directors to ensure that they are equipped with the necessary skills and knowledge to meet business challenges and enjoy life-long learning. The Company provides a training budget for the continuing development of the Board members. For newly appointed director, engagement sessions with management were done to provide the relevant director with the necessary information to understand the operations of the Group, business strategies, and management structure. In addition, they were kept abreast with the development issued by Bursa through briefings from the Company Secretary from time to time.

All directors had attended and successfully completed the Mandatory Accreditation Programme (MAP) required by the MMLR. All directors had attended at least one training event in FY2016. The courses and events attended are summarised below:

(i) INSKEN SME Mergers & Acquisition
(ii) Bardegg Team Building
(iii) The 21st International Oil & Gas Industry Exhibition & Conference (OSEA 2016)
(iv) Audit Committee Leadership Training
(v) Related Party Transactions - Their Implication to the Board Of Directors, Audit Committee & Management Seminar 2016
(vi) Cost, Risk and Brand: The Director's Role in Protecting the Company Against Corruption Seminar 2016
(vii) TANK Storage Asia Exhibition & Conference 2016
(viii) Underwater Services Team Building
(ix) Corporate Governance for Developing Financial Institution
(x) BASEL II & III Training
(xi) Capital Market Directors Programme – Module 2A – Business Challenges & Regulatory Expectations – What Directors Need to Know. (Equities & Future Banking)
(xii) Responsible Finance Summit 2016
(xiii) Capital Market Directors Programme – Module 2B – Business Challenges & Regulatory Expectations – What Directors Need to Know. (Fund Management)
(xiv) Capital Market Directors Programme – Module 3 – Risk Oversight & Compliance (Action Plan for BOD)
(xv) MIDF – Afternoon talk with Dato' Sri Hj Fadillah Hj Yusof, Minister of Works
(xvi) Capital Market Directors Programme – Module 4 – Current and Emerging Regulatory Issues in the Capital Market
(xvii) International Forum on the World's Economic Outlook: Challenges & Opportunities for Malaysian Companies
(xviii) IMD Senior Leadership Development Programme – Leading Digital Business Transformation
(xix) FIDE Forum – Fin-Tech Business Opportunities or Disruptor
(xx) FIDE Forum's Directors Register – 'Identify The Right Board Talent'
(xxi) Future Finance Conference
(xxii) Capital Market Directors Programme – Module 1 – Directors as Gate Keepers of Market Participation
(xxiii) Data Cyber Security

STATEMENT ON CORPORATE GOVERNANCE

UPHOLD INTEGRITY IN FINANCIAL REPORTING

1) Financial Reporting

The Board, and assisted by the ARMC, reviews the financial statements to ensure that the Group's financial statements are prepared in accordance with the provisions of the Companies Act 1965 and the applicable approved Financial Reporting Standards. The statement of Directors' Responsibility in relation to the Financial Statements is presented in the appropriate section of this Annual Report as shown on page 51.

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 Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia, as part of the Group's annual financial reports.

2) Internal Audit and External Auditors Activities

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

ARMC has also adopted the Assessment of External Auditor Performance and Independence Checklist - Exhibit 14 of the Corporate Governance Guide, 2nd Edition for assessment of suitability and independence of an EA. This assessment was conducted in March 2017. The ARMC had two (2) private meetings with the EA without presence of Executive Directors and management in the FY2016. The EA had confirmed its independence in writing to the ARMC throughout the conduct of audit engagement in accordance to the terms of all relevant professional and regulatory requirements.

In line with Malaysian Institute of Accountants' By-Law (On Professional Ethics, Conduct and Practice) on rotation of engagement partners of Messrs. Crowe Horwath, there is a new engagement partner for FY2016 audit. The new engagement partner is Mr Ung Voon Huay, who took over from Mr Chan Kuan Chee. The ARMC is satisfied with Messrs. Crowe Horwath's performance and its independence. Details of ARMC activities are stated in ARMC Report set out on pages 44 to 47.

RECOGNISE AND MANAGE RISKS

1) Internal Controls & 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 overall internal control system to ensure as far as possible the protection of its assets and its shareholders' investments. Details of ARMC activities are stated in the ARMC report set out on pages 44 to 47.

The IA function has been established within the Group in July 2013 and is led by the Chief Internal Auditor (CIA) who reports directly to the ARMC. The CIA is guided by its Internal Audit Charter, which has been approved by the Board. The scope of IA covers review of governance, risk management and internal control. The IA function embraces the International Professional Practice Framework for Internal Auditors in the audit works. Details of IA activities are stated in the ARMC report set out on pages 46 and 47. 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 48 to 50.

STATEMENT ON CORPORATE GOVERNANCE

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Website

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 the 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 releases, 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.

STRENGTHENING THE RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board encourages direct engagement with shareholders as it provides a better appreciation of the Group's objectives, quality of its management, and challenges while making the Group aware of the expectations and concerns of the shareholders.

1) 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 the 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 and the meeting is convened in strict compliance with the laws and procedures of a general meeting. The Fifth AGM will be held on 26 May 2017 and detailed information of this meeting can be found in the Notice of Annual General Meeting.

2) 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. All resolutions set out in the Notice of AGM will be voted by way of poll. An independent scrutineer will be appointed to validate the votes cast at general meeting.

3) Investor and Media Relations

The Group communicates information on Barakah to shareholders and investing community through announcements released to Bursa Securities via Bursa LINK. Such announcement include quarterly financial results, material transactions and other development requiring disclosure under the Listing Requirement. Communication channels with shareholders are also made accessible via:

(i) Press and analysts' briefings,
(ii) Annual Reports
(iii) Media/Press Releases
(iv) Presentation slides on Discussion of Results and Analysis, made available at corporate website
(v) Corporate website at ***www.barakahpetroleum.com***

This statement is made in accordance with the resolution of the Board dated 10 April 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

A. COMPOSITION AND ATTENDANCE

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

The members are as follows:

Datuk Azizan Bin Haji Abd Rahman
ARMC Chairman
Independent Non-Executive Director

Dato' Mohamed Sabri Bin Mohamed Zain
ARMC Member
Independent Non-Executive Chairman

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

The ARMC Chairman, Datuk Azizan Bin Haji Abd Rahman, is a fellow member of the CPA Australia and 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 31 December 2016 (FY2016) and is published in Barakah's website in line with MMLR.

B. MEETINGS

The ARMC held five (5) meetings during the FY2016. Attendance record of the 5 ARMC meetings can be found on page 40 of the Annual Report.

The meetings deliberated amongst others the IA annual plan and reports, the quarterly results, related party transactions, risk reports as well as the EA reports and its Audit Planning Memorandum.

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

Two (2) private meetings with the Internal and 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 proceedings of each ARMC meeting to the Board for information and/or deliberation.

C. SUMMARY OF ACTIVITIES

The summary of activities of ARMC during FY2016:

1. Financial Reporting

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

For the fourth quarter results, the EA (Messrs. Crowe Horwath) performed a 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". As part of the ARMC review, the meeting deliberated on the comments 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.

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

2. External Audit

The new engagement partner for FY2016 audit is Mr Ung Voon Huay, who took over from Mr Chan Kuan Chee. This is based on rotation of engagement partners of Messrs. Crowe Horwath 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 FY2016 audit. ARMC deliberated the audit plan including on the scope, resources and timeline. Subsequently in February and March 2017, the EA presented its audit review memorandum to the ARMC for deliberation.

Apart from the report, the EA also shared the Independent Auditors' Report including the key audit matters to the ARMC for deliberation. Subsequently, the ARMC Chairman updated the Board on EA's audit plan, key audit matters and audit review report.

The CFO presented the audit and non-audit fees to the ARMC. The non-audit fees were related to review of the fourth quarter financial results, review of the Statement on Risk Management and Internal Control, and advisory on tax and transfer pricing.

Additionally, ARMC also assessed the EA's independence by using the checklist provided in the Corporate Governance Guide (2nd Edition), [CG Guide] issued by Bursa Securities. ARMC also received the independence statement in writing from the EA, in accordance to the International Federation of Accountants' Code of Ethics for Professional Accountants and the Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice). Based on the assessment, the ARMC is satisfied with the independence of the EA.

ARMC carried out annual assessment of the EA's performance by applying the checklist provided in the CG Guide. ARMC also sought feedback from the Finance department and IA as part of the assessment. Based on the assessment, ARMC is satisfied with the performance of EA in respect of their performance in FY2016. ARMC then updated the Board on the outcome of the assessment and recommended for their re-appointment to the Board for FY2017, subject to shareholders' approval at the Annual General Meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

3. Internal Audit

ARMC reviewed and deliberated the adequacy of scope and coverage of IA Plan for FY2016. The review of audit plan took into account the risk profile and direction of the Barakah Group as well as the IA resources.

ARMC reviewed and deliberated on improvement raised in the IA reports tabled during the year. Top management was invited to the ARMC meetings where the ARMC members would seek for explanation from the management whenever required.

ARMC reviewed and deliberated the skill of the IA team, adequacy of resources, competency and functions of the IA Division. ARMC also reviewed the key performance indicators of IA Division for FY2016.

ARMC appraised the competency and skills during the annual performance of CIA. ARMC also sought feedback from Group President & Chief Executive Officer and top management on the performance of CIA. ARMC Chairman also had private discussions with the CIA periodically to receive feedback. Overall, ARMC is satisfied with the CIA's performance.

ARMC also discussed the feedback received from the auditee satisfaction survey FY2016 of Internal Audit. The feedback received was from ARMC members, Executive Directors and Management.

4. Risk Management

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

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

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

5. Related Party Transactions and Employees' Share Option Scheme

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

ARMC also deliberated the ESOS audit report by IA to ensure the Company complies with paragraph 8.17 of MMLR.

D. INTERNAL AUDIT DIVISION

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

The IA Division is an in-house function. In order to preserve its independence, the CIA functionally reports to the ARMC Chairman and administratively to the GPCEO.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The IA Division 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 MMLR, Code and the Institute of Internal Auditors' International Professional Practices Framework.

The IA plan for FY2016 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 of IA Division, budget and key performance indicators of IA Division. Feedback from ARMC, directors and management were obtained via auditee satisfaction survey and the analysis of the result and improvement plan was presented to the ARMC.

The IA Division activities were carried out based on the approved risk based audit plan and adhoc assignment. IA Division tabled 14 audit assignments in FY2016. The key IA engagements for FY2016 were:

- Review of Project Procurement and Vendor Management;
- Review of Corporate Social Responsibilities Activities;
- Review of Yard Management;
- Review of Risk Management Process;
- Review of ESOS Management Process;
- Review of Related Parties Transactions/Recurrent Related Parties Transactions; and.
- Limited Review of Quarterly Results.

The follow-up audits were conducted by IA Division on semi annual basis to ensure the corrective actions were implemented within the agreed timeline. The results of audit conducted were presented to top management and EXCO. The reports were then reviewed by ARMC. On quarterly basis, IA Division updates its activities in relation to the approved audit plan, adhoc assignments and consulting activities performed.

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

The total cost of IA Division for FY2016 was RM487,990 (FY2015: RM663,650).

This statement is made in accordance with the resolution of the Board dated 10 April 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY AND ACCOUNTABILITY

In relation to risk management and internal control, pursuant to the requirement under the Code for companies listed on the Bursa Securities, the Board acknowledges their responsibilities under the MMLR of Bursa Securities as follows:

- Review on the risk management framework, processes and responsibilities in order to provide reasonable assurance that risks are managed within tolerable ranges and to embed risk management in all aspects of business operations and activities by identifying principal risks and implement appropriate control measures to manage those risks.
- Review on the adequacy and integrity of the risk management and internal control systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Establish the policies and procedures in the Group in ensuring the adequacy and effectiveness of the risk management and internal control systems as it oversees its roles and responsibilities towards promoting that environment within all aspects of the Group's activities.

The management of Barakah is accountable to provide assurance to the Board that the risk management and internal control systems are implemented as mentioned in this statement. The Board has received assurance from the GPCEO and 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 was established and approved by the Board on 23 October 2013. It defined the risk management policy of the Group and risk management framework including the reporting structure to the Board. On 31 March 2016, the Board has revised the policy for updates and continuous improvement.

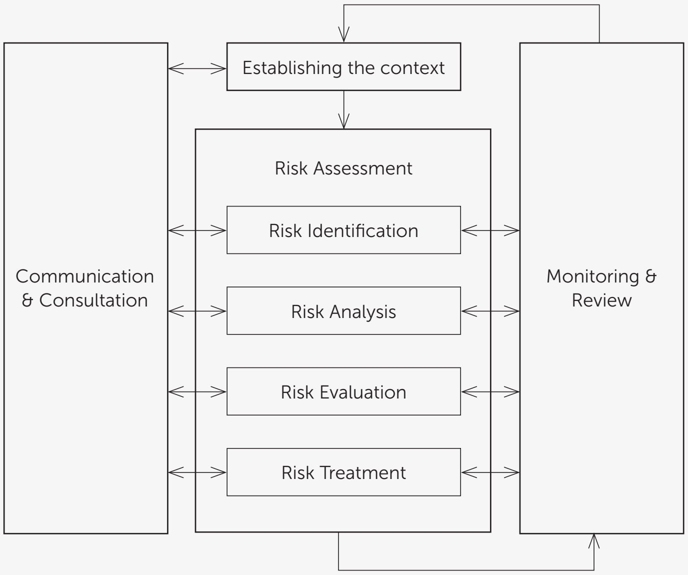
The Board has delegated the oversight role of risk management and internal control to the ARMC and supported by the EXCO and the RMSC. The primary role of RMSC is to facilitate the implementation of the risk management framework within the Group. The RMSC members comprise of an Executive Director of Barakah (cum President & Chief Executive of PBJV Group Sdn Bhd) as Chairman, Heads of Divisions and Departments whom are identified as the respective Risk Owners within their divisions/departments. The Risk Management Division (RMD), is headed by the General Manager-Risk Management, cum Risk Coordinator for the RMSC, who support, coordinate and preserve the risk management activities and administration in achieving its objectives.

Our risk management framework based on enterprise risk management (ERM) concept is incorporated in the Group on the following risk management processes and scopes of:- identifying, analysing, evaluating, treating, reporting and monitoring. The framework is facilitated by the RMD whose primary role consists of issuance of risk reports, providing risk support to the operation and administration, maintaining appropriate risk policies, procedures and providing coordination of the Group integrated risk management in a holistic approach.

During the financial year under review, improvements have been made to the existing risk management framework referring to best practices and standards (including ISO31000:2009 Risk Management – Principles and Guidelines) for effective control and mitigation of risks. The RMD provided the risk management reports to the RMSC who reports to EXCO, ARMC and Board. The Board reviewed the risk management report including assessing the extent of reasonable assurance that all identified risks are continuously being monitored and managed within the tolerable level. The risk reports include the identification of risks, potential impact, and evaluation of effectiveness of the mitigations and control procedures. The reports also include 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, defining the internal and external parameters in managing risk, defining the risk criteria in line with our policy and establish the risk management process.
2. Conduct risk assessment exercise as to remain viable and robust 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 levels 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 the risk in any way other than maintaining existing controls. And,
   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.
3. Conduct risk awareness sessions by RMD 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 as it provides the foundation for improvement in methods and tools. Report on the risks identified by the Risk Owners to the RMSC and RMD makes further deliberation of their risks analysis and management.
5. Monitoring and review on the identified risks during the RMSC of each Risk Owners and to include updates of new risks and mitigations for improvements or further controls to be implemented. At the RMSC meeting, the risk reports were tabled, reviewed and challenged. And where 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 summarising of risks to the Board through the ARMC for further deliberation where necessary.

There were four RMSC meetings held during the financial period under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY INTERNAL CONTROL PROCESSES

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

Authority and Responsibility

1. Clear responsibilities have been delegated to the Board Committees through clearly defined TOR of the relevant committees and Limits of Authority (LOA) which were approved on 23 October 2013. The LOA also encompasses delegation of authority not only to the Board Committees but also to the management. The delegation was based on the roles and responsibilities of individuals or committees. The LOA was subsequently amended and renamed as Delegation of Authority (DOA) on 26 August 2016.
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 system of internal control comprises but not limited to the following activities:-
    a. The ARMC comprises solely of Independent Non-Executive Directors with full access to both the internal and external auditors.
    b. The ARMC meetings are held separately from Board meetings.
    c. The ARMC is assisted by the company's in-house IA Division (IAD).
4. During the financial year under review, the management had made its review of the Risk Management Policy Framework to reflect the continuous improvement of control and for more effective risk management. On 31 March 2016, an update was made to the Risk Management Policy Framework by the Board.

Policies and Procedures

1. Formalised and documented internal policies are in place to ensure compliance to the MMLR and the Code. 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
2. PBJV is certified to ISO 9001:2008 Quality Management System, OHSAS 18001:2007 Occupational Health and Safety Management System since year 2009 and ISO14001:2004 Quality Management System since year 2015. The combination of the above certifications are now upgraded and recognised as "Integrated Management Systems". The Group embraces the international standards in its operations by implementing and complying with these management systems.
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.

Audit

1. Barakah has an in-house IAD reporting directly to the ARMC. The IAD provides an independent, objective assurance and consulting activity designed to add value to and improve Barakah's operations. 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 processes. Further information on the IAD is provided on pages 46 and 47 of the Annual Report.

CONCLUSION

The Board is of the view that the Group's internal control system is adequate and effective to safeguard the shareholders' interest and the Group's assets. However the Board also, is aware of the fact that the Group's 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 system and risk management framework.

This statement is made in accordance with the resolution of the Board dated 10 April 2017.

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 1965 in Malaysia and the Main Market Listing Requirements of Bursa Securities.

In preparing the financial statements for the financial year ended 31 December 2016, 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 31 December 2016.

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 31 December 2016 amounted to RM34,000 and RM235,000 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 31 December 2016 are as follows:-

	The Company RM	The Group RM
• Review of Quarterly Financial Statements and Statement on Risk Management and Internal Control	5,500	5,500
• Corporate tax and other tax services	42,050	71,559
	47,550	77,059

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 34 to the financial statements.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) after taxation for the financial year	14,462	(102)
Attributable to:-		
Owners of the Company	14,534	(102)
Non-controlling interest	(72)	–
	14,462	(102)

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the authorised share capital of the Company;

(b) the Company increased its issued and paid-up ordinary share capital from RM164,878,631 to RM165,033,371 by way of:-

  (i) an issuance of 740,700 new ordinary shares of RM0.20 each resulting from the conversion of 3.5% Redeemable Convertible Unsecured Loan Stocks ("RCULS") at the rate of one (1) RM0.20 nominal amount of RCULS into one (1) fully paid-up ordinary share of RM0.20 each in the Company;

DIRECTORS' REPORT

ISSUES OF SHARES AND DEBENTURES (CONT'D)

(b) (ii) an issuance of 7,000 new ordinary shares of RM0.20 each at RM0.65 per share pursuant to the Employees' Share Option Scheme of the Company; and

(iii) an issuance of 26,000 new ordinary shares of RM0.20 each at RM0.82 per share pursuant to the Employees' Share Option Scheme of the Company.

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 23 May 2012. The ESOS is to be in force for a period of 5 years effective from 27 September 2013.

The main features of the ESOS are disclosed in Note 16 to the financial statements.

During the financial year, the Company has granted 9,617,500 share options under the ESOS. These options will expire on 26 September 2018.

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

		Number of Options over Ordinary Shares of RM0.20 Each				
Date of Offer	**Exercise Price**	**At 1.1.2016**	**Granted**	**Exercised**	**Forfeited/ Lapsed**	**At 31.12.2016**
27.9.2013	RM0.65	5,178,460	–	(7,000)	(111,960)	5,059,500
4.2.2015	RM0.82	6,715,000	–	(26,000)	(334,500)	6,354,500
1.9.2015	RM0.76	2,775,300	–	–	(133,000)	2,642,300
24.6.2016	RM0.61	–	9,617,500	–	(240,500)	9,377,000
		14,668,760	9,617,500	(33,000)	(819,960)	23,433,300

The options which forfeited/lapsed during the financial year were due to resignations of employees.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of holders to whom options have been granted to subscribe for less than 144,000 ordinary shares of RM0.20 each. The names of option holders granted options to subscribe for 144,000 or more ordinary shares of RM0.20 each during the financial year, other than directors whose details are disclosed in the section on Directors' Interests in this report, are as follows:-

				< - Number of Share Options - >	
Name	**Grant Date**	**Expiry Date**	**Exercise Price**	**Granted**	**At 31.12.2016**
Haniza Binti Jaffar	24.6.2016	26.9.2018	RM0.61	358,500	358,500
Kamarudin Bin Ismail	24.6.2016	26.9.2018	RM0.61	337,000	337,000
Alias Bin Anuar	24.6.2016	26.9.2018	RM0.61	286,500	286,500
Ahmad Azrai Abu Bakar	24.6.2016	26.9.2018	RM0.61	240,000	240,000
DH Azizul Bin Daud	24.6.2016	26.9.2018	RM0.61	162,000	162,000
Nasiruddin Lim Bin Abdullah	24.6.2016	26.9.2018	RM0.61	162,000	162,000
Mohamad Sharil Bin Ahmad	24.6.2016	26.9.2018	RM0.61	144,000	144,000

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

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

CURRENT ASSETS

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

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 37 to the financial statements. At the date of this report, there does not exist:-

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The directors who served since the date of the last report are as follows:-

Nik Hamdan Bin Daud
Rasdee Bin Abdullah
Dato' Mohamed Sabri Bin Mohamed Zain
Datuk Azizan Bin Haji Abd. Rahman
Azman Shah Bin Mohd Zakaria
Nurhilwani Binti Mohamad Asnawi
Sulaiman Bin Ibrahim
Dato' Seri Oh Teik Chay

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.20 Each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
The Company				
Direct Interests				
Nik Hamdan Bin Daud	367,396,837	–	–	367,396,837
Azman Shah Bin Mohd Zakaria	20,611,624	–	–	20,611,624
Sulaiman Bin Ibrahim	5	–	–	5
Nurhilwani Binti Mohamad Asnawi	5	–	–	5
Dato' Seri Oh Teik Chay	6,874,917	2,736,800	–	9,611,717
Indirect Interests				
Nik Hamdan Bin Daud *	33,935,000	–	–	33,935,000
Dato' Seri Oh Teik Chay ^	1,200,000	–	(1,200,000)	–

* *Deemed interested by virtue of his direct substantial shareholding in United Power Group Holdings Limited.*

^ *Deemed interested by virtue of his direct shareholding in Energy Power Technology Limited pursuant to Section 8 of the Companies Act, 2016 held via Areca Captial Sdn. Bhd.*

	Number of Options over Ordinary Shares of RM0.20 Each			
	At 1.1.2016	**Granted**	**Exercised**	**At 31.12.2016**
Share Options of The Company				
Nik Hamdan Bin Daud	1,719,000	693,000	–	2,412,000
Azman Shah Bin Mohd Zakaria	1,432,500	577,500	–	2,010,000
Rasdee Bin Abdullah	1,074,500	446,500	–	1,521,000

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under the *Directors' Remuneration* section of our report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

	The Group RM'000	The Company RM'000
Directors' fees to the directors	616	616
Directors' emoluments other than fees to the directors	5,590	3,199
	6,206	3,815

The estimated total monetary value of benefits-in-kind provided by the Group and the Company to the executive directors amounted to RM36,250.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year. Their interests in shares in other related corporations are disclosed in Note 5 to the financial statement.

AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services rendered to the Group and to the Company amounted to RM235,000 and RM34,000 respectively.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 10 April 2017.

Nik Hamdan Bin Daud

Rasdee Bin Abdullah

STATEMENT BY DIRECTORS

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

We, Nik Hamdan Bin Daud and Rasdee Bin Abdullah, being two of the directors of Barakah Offshore Petroleum Berhad, state that, in the opinion of the directors, the financial statements set out on pages 66 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year ended on that date.

The supplementary information set out in Note 43, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 10 April 2017.

Nik Hamdan Bin Daud

Rasdee Bin Abdullah

STATUTORY DECLARATION

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

I, Firdauz Edmin Bin Mokhtar, 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 66 to 133 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
Firdauz Edmin Bin Mokhtar,
at Kuala Lumpur in the Federal Territory
on this 10 April 2017.

Before me

PESURUHJAYA SUMPAH
NO. W 668
LAI DIN
MALAYSIA

Firdauz Edmin Bin Mokhtar

Commissioner for Oaths
B-3A-4, Megan Avenue 2,
12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
(Incorporated in Malaysia) Company No: 980542-H

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Barakah Offshore Petroleum Berhad, which comprise the statements of financial position as at 31 December 2016 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 and other explanatory information, as set out on pages 66 to 133.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition Refer to Note 27 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
Given the inherent nature of the business, significant judgment is required to determine the point of revenue recognition. Furthermore, there are commercial arrangements which can be complicated, significant judgment is applied in selecting the accounting basis in each case.	Our audit procedures include, amongst others: • Conduct and understand the walkthrough tests from project tendering to financial processes; • Perform test of controls over revenue ascertaining that its key controls are effective; and • Perform transaction testing on sampling basis and revenue cut-off to support the work performed and/or goods delivered during the financial year.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
(Incorporated in Malaysia) Company No: 980542-H

Key Audit Matters (Cont'd)

Impairment of property, plant and equipment Refer to Note 6 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
We focus on this area because the determination of whether property, plant and equipment is impaired may involve complex and subjective judgment made by the Group. Furthermore, included in the property, plant and equipment, there is a barge and machinery and equipment which constituted 97% of the Group's total carrying value of the property, plant and equipment. These assets are being assigned to multi locations for its ongoing projects and may result in material misappropriation of assets if the Group failed to locate their assets in a timely manner.	Our audit procedures include, amongst others: • Identify the relevant factors and assess whether there is any indication of impairment for the Group's property, plant and equipment; and • Perform physical sighting on significant items of property, plant and equipment.

Recoverability of trade receivables Refer to Note 8 to the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
Trade receivables of the Group are mainly in the oil and gas industry and are dependent on the global oil prices. They are presented and disclosed as a major component of the financial position and the recoverability of the debts may be uncertain. Accordingly, significant judgment is applied in the Group's assessment of the recoverability of the trade receivables.	Our audit procedures include, amongst others: • Test the adequacy of the Group's allowance for impairment losses on trade receivables by assessing the Group's policy; • Circularisation of receivables for confirmation of balances; • Test the Group's recent invoices and collections during and after the financial year especially for major receivables; • Perform ageing testing; and • Review the adequacy of the Group's disclosure in this area.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
(Incorporated in Malaysia) Company No: 980542-H

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
(Incorporated in Malaysia) Company No: 980542-H

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 43 on page 134 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BARAKAH OFFSHORE PETROLEUM BERHAD
(Incorporated in Malaysia) Company No: 980542-H

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ung Voon Huay
Approval No: 03233/09/2018 J
Chartered Accountant

Kuala Lumpur

10 April 2017

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTE	The Group 31.12.2016 RM'000	The Group 31.12.2015 RM'000 (Restated)	The Group 1.1.2015 RM'000 (Restated)	The Company 31.12.2016 RM'000	The Company 31.12.2015 RM'000
ASSETS						
NON-CURRENT ASSETS						
Investments in subsidiaries	5	**–**	–	–	**103,623**	102,110
Property, plant and equipment	6	**400,649**	385,905	327,236	**1,030**	1,441
		400,649	385,905	327,236	**104,653**	103,551
CURRENT ASSETS						
Inventories	7	**10,479**	–	–	**–**	–
Trade receivables	8	**128,282**	112,062	202,319	**–**	–
Other receivables, deposits and prepayments	9	**9,721**	37,302	6,770	**157**	1,713
Current tax assets		**49,593**	32,689	1	**1,513**	–
Amount owing by subsidiaries	10	**–**	–	–	**123,795**	123,075
Short-term investments	11	**2,775**	2,451	108,667	**384**	374
Fixed deposits with licensed banks	12	**115,988**	133,408	95,370	**8,177**	7,930
Cash and bank balances		**101,701**	49,979	44,533	**2,908**	3,159
		418,539	367,891	457,660	**136,934**	136,251
TOTAL ASSETS		**819,188**	753,796	784,896	**241,587**	239,802
EQUITY AND LIABILITIES						
EQUITY						
Share capital	13	**165,033**	164,879	152,667	**165,033**	164,879
Share premium	14	**64,070**	64,014	62,684	**64,070**	64,014
Merger deficit	15	**(71,909)**	(71,909)	(71,909)	**–**	–
Employees' share option reserves	16	**6,680**	5,350	603	**6,680**	5,350
Redeemable convertible unsecured loan stocks ("RCULS")	17	**610**	653	4,145	**610**	653
Foreign exchange translation reserves	18	**14,567**	6,257	1,394	**–**	–
Retained profits		**244,616**	229,687	227,216	**1,693**	1,400
Equity attributable to owners of the Company		**423,667**	398,931	376,800	**238,086**	236,296
Non-controlling interest		**(31)**	(3)	44	**–**	–
TOTAL EQUITY		**423,636**	398,928	376,844	**238,086**	236,296

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

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2016 (CONT'D)

		The Group			The Company	
	NOTE	31.12.2016 RM'000	31.12.2015 RM'000 (Restated)	1.1.2015 RM'000 (Restated)	31.12.2016 RM'000	31.12.2015 RM'000
NON-CURRENT LIABILITIES						
Deferred tax liabilities	19	**641**	167	3,775	**109**	154
Long-term borrowings	20	**167,630**	188,250	183,203	**563**	893
RCULS	17	**1,719**	1,704	9,491	**1,719**	1,704
		169,990	190,121	196,469	**2,391**	2,751
CURRENT LIABILITIES						
Trade payables	23	**130,564**	88,867	82,719	**–**	–
Other payables and accruals	24	**7,757**	4,107	14,401	**780**	379
Current tax liabilities		**23**	81	10,216	**–**	61
Short-term borrowings	25	**86,052**	70,841	100,041	**330**	315
Bank overdrafts	26	**1,166**	851	4,206	**–**	–
		225,562	164,747	211,583	**1,110**	755
TOTAL LIABILITIES		**395,552**	354,868	408,052	**3,501**	3,506
TOTAL EQUITY AND LIABILITIES		**819,188**	753,796	784,896	**241,587**	239,802

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
		2016	**2015**	**2016**	**2015**
	NOTE	**RM'000**	**RM'000 (Restated)**	**RM'000**	**RM'000**
REVENUE	27	**622,586**	592,570	**10,833**	17,779
COST OF SALES		**(529,338)**	(500,253)	–	–
GROSS PROFIT		**93,248**	92,317	**10,833**	17,779
OTHER INCOME		**11,174**	24,303	**278**	19,403
		104,422	116,620	**11,111**	37,182
ADMINISTRATIVE EXPENSES		**(34,721)**	(56,811)	**(9,017)**	(14,601)
OTHER EXPENSES		**(37,028)**	(38,393)	**(1,122)**	(2,076)
FINANCE COSTS		**(16,306)**	(15,823)	**(524)**	(1,503)
PROFIT BEFORE TAXATION	28	**16,367**	5,593	**448**	19,002
INCOME TAX (EXPENSE)/CREDIT	29	**(1,905)**	13,204	**(550)**	(1,260)
PROFIT/(LOSS) AFTER TAXATION		**14,462**	18,797	**(102)**	17,742
OTHER COMPREHENSIVE INCOME					
FOREIGN CURRENCY TRANSLATION DIFFERENCE FOR FOREIGN OPERATIONS		**8,305**	4,868	**–**	–
TOTAL OTHER COMPREHENSIVE INCOME		**8,305**	4,868	**–**	–
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE FINANCIAL YEAR		**22,767**	23,665	**(102)**	17,742
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		**14,534**	18,849	**(102)**	17,742
Non-controlling interests		**(72)**	(52)	**–**	–
		14,462	18,797	**(102)**	17,742
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-					
Owners of the Company		**22,844**	23,712	**(102)**	17,742
Non-controlling interests		**(77)**	(47)	**–**	–
		22,767	23,665	**(102)**	17,742
EARNINGS PER SHARE (SEN)					
Basic	30(a)	**1.76**	2.34		
Diluted	30(b)	**1.71**	2.29		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Group	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Employees' Share Option Reserves RM'000	RCULS RM'000	Foreign Exchange Translation Reserves RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance at 1.1.2015, as previously reported	152,667	62,684	(71,909)	603	4,145	(23,493)	227,216	351,913	44	351,957
- Prior year adjustment (Note 41)	–	–	–	–	–	24,887	–	24,887	–	24,887
Balance at 1.1.2015, restated	152,667	62,684	(71,909)	603	4,145	1,394	227,216	376,800	44	376,844
Profit after taxation for the financial year	–	–	–	–	–	–	18,849	18,849	(52)	18,797
Other comprehensive income for the financial year:										
- Foreign currency translation differences, restated										
• As previously reported	–	–	–	–	–	(56,360)	–	(56,360)	5	(56,355)
• Prior year adjustment (Note 41)	–	–	–	–	–	61,223	–	61,223	–	61,223
• As restated	–	–	–	–	–	4,863	–	4,863	5	4,868
Total comprehensive income for the financial year, restated	–	–	–	–	–	4,863	18,849	23,712	(47)	23,665
Contributions by and distributions to owners of the Company:										
Issuance of shares pursuant to conversion of RCULS	12,160	1,083	–	–	(3,492)	–	–	9,751	–	9,751
Employees' share option:										
- Exercised	52	247	–	(100)	–	–	–	199	–	199
- Granted	–	–	–	4,847	–	–	–	4,847	–	4,847
Dividends by the Company	–	–	–	–	–	–	(16,378)	(16,378)	–	(16,378)
Total transactions with owners	12,212	1,330	–	4,747	(3,492)	–	(16,378)	(1,581)	–	(1,581)
Balance at 31.12.2015, restated	164,879	64,014	(71,909)	5,350	653	6,257	229,687	398,931	(3)	398,928

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

The Group	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Employees' Share Option Reserves RM'000	RCULS RM'000	Foreign Exchange Translation Reserves RM'000	Retained Profits RM'000	Attributable To Owners Of the Company RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Balance at 31.12.2015/1.1.2016,										
as previously reported	164,879	64,014	(71,909)	5,350	653	(79,853)	229,687	312,821	(3)	312,818
- Prior year adjustment (Note 41)	–	–	–	–	–	86,110	–	86,110	–	86,110
Balance at 31.12.2015/1.1.2016, restated	164,879	64,014	(71,909)	5,350	653	6,257	229,687	398,931	(3)	398,928
Profit after taxation for the financial year	–	–	–	–	–	–	14,534	14,534	(72)	14,462
Other comprehensive income for the financial year:										
- Foreign currency translation differences	–	–	–	–	–	8,310	–	8,310	(5)	8,305
Total comprehensive income for the financial year	–	–	–	–	–	8,310	14,534	22,844	(77)	22,767
Contributions by and distributions to owners of the Company:										
Issuance of shares pursuant to conversion of RCULS	147	23	–	–	(43)	–	–	127	–	127
Employees' share option:										
- Exercised	7	33	–	(14)	–	–	–	26	–	26
- Granted	–	–	–	1,739	–	–	–	1,739	–	1,739
- Forfeited/Lapsed	–	–	–	(395)	–	–	395	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	^	^
Issuance of share capital to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	49	49
Total transactions with owners	154	56	–	1,330	(43)	–	395	1,892	49	1,941
Balance at 31.12.2016	165,033	64,070	(71,909)	6,680	610	14,567	244,616	423,667	(31)	423,636

Note:-

^ - *Denotes RM1*

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

The Company	**Share Capital RM'000**	**Share Premium RM'000**	**Employees' Share Option Reserves RM'000**	**RCULS RM'000**	**Retained Profits RM'000**	**Total RM'000**
Balance at 1.1.2015	152,667	62,684	603	4,145	36	220,135
Profit after taxation/Total comprehensive income for the financial year	–	–	–	–	17,742	17,742
Contributions by and distributions to owners of the Company:						
Issuance of shares pursuant to conversion of RCULS	12,160	1,083	–	(3,492)	–	9,751
Employees' share option:						
- Exercised	52	247	(100)	–	–	199
- Granted	–	–	4,847	–	–	4,847
Dividends by the Company	–	–	–	–	(16,378)	(16,378)
Total transactions with owners	12,212	1,330	4,747	(3,492)	(16,378)	(1,581)
Balance at 31.12.2015/1.1.2016	**164,879**	**64,014**	**5,350**	**653**	**1,400**	**236,296**
Loss after taxation/Total comprehensive expenses for the financial year	**–**	**–**	**–**	**–**	**(102)**	**(102)**
Contributions by and distributions to owners of the Company:						
Issuance of shares pursuant to conversion of RCULS	**147**	**23**	**–**	**(43)**	**–**	**127**
Employees' share option:						
- Exercised	**7**	**33**	**(14)**	**–**	**–**	**26**
- Granted	**–**	**–**	**1,739**	**–**	**–**	**1,739**
- Forfeited/Lapsed	**–**	**–**	**(395)**	**–**	**395**	**–**
Total transactions with owners	**154**	**56**	**1,330**	**(43)**	**395**	**1,892**
Balance at 31.12.2016	**165,033**	**64,070**	**6,680**	**610**	**1,693**	**238,086**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit before taxation		**16,367**	5,593	**448**	19,002
Adjustments for:-					
Depreciation of property, plant and equipment	6	**30,805**	23,268	**411**	411
Interest expense		**16,139**	15,475	**523**	1,498
Interest income		**(3,663)**	(4,266)	**(258)**	(405)
Unrealised gain on foreign exchange		**(7,316)**	(19,404)	**–**	–
Share options to employees		**1,739**	4,847	**226**	615
Property, plant and equipment written off	6	**660**	1,414	**–**	–
Impairment loss on trade receivables	8	**–**	37	**–**	–
Dividend income		**–**	–	**–**	(18,900)
Gain on disposal of property, plant and equipment		**(2)**	–	**–**	–
Operating profit before working capital changes		**54,729**	26,964	**1,350**	2,221
Increase in inventories		**(10,479)**	–	**–**	–
Decrease/(Increase) in trade and other receivables		**11,411**	59,682	**1,633**	(1,130)
Increase in amount owing by a subsidiary		**–**	–	**(710)**	(8,226)
Increase/(Decrease) in trade and other payables		**43,673**	(4,136)	**324**	(658)
CASH FROM/(FOR) OPERATIONS		**99,334**	82,510	**2,597**	(7,793)
Interest paid		**(16,003)**	(14,314)	**(387)**	(337)
Interest received		**3,663**	4,266	**258**	405
Income tax paid		**(18,387)**	(32,424)	**(2,163)**	(4,513)
NET CASH FROM/(FOR) OPERATING ACTIVITIES/ BALANCE CARRIED FORWARD		**68,607**	40,038	**305**	(12,238)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

		The Group		The Company	
		2016	**2015**	**2016**	**2015**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
NET CASH FROM/(FOR) OPERATING ACTIVITIES/ BALANCE BROUGHT FORWARD		**68,607**	40,038	**305**	(12,238)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	6	**(27,106)**	(21,202)	**–**	–
Proceeds from disposal of property, plant and equipment		**2**	–	**–**	–
Acquisition of a subsidiary, net of cash and cash equivalents acquired	31	**^**	–	**–**	–
Increase in pledged fixed deposits with licensed banks		**(28,243)**	(9,241)	**(247)**	(245)
Dividend received		**–**	–	**–**	16,379
NET CASH (FOR)/FROM INVESTING ACTIVITIES		**(55,347)**	(30,443)	**(247)**	16,134
CASH FLOWS FOR FINANCING ACTIVITIES					
Repayment of hire purchase obligation		**(375)**	(359)	**(315)**	(302)
Repayment of term loans		**(24,774)**	(22,143)	**–**	–
Drawdown of trust receipts		**281,029**	156,647	**–**	–
Repayment of trust receipts		**(270,143)**	(199,206)	**–**	–
Proceeds from exercise of employees' share options		**26**	199	**26**	199
Issuance of share capital to non-controlling interests of a subsidiary		**49**	–	**–**	–
Dividend paid		**–**	(16,378)	**–**	(16,378)
Advances (to)/from a subsidiary		**–**	–	**(10)**	1
NET CASH FOR FINANCING ACTIVITIES		**(14,188)**	(81,240)	**(299)**	(16,480)
NET DECREASE OF CASH AND CASH EQUIVALENTS		**(928)**	(71,645)	**(241)**	(12,584)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		**6,996**	3,027	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**101,335**	169,953	**3,564**	16,148
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	32	**107,403**	101,335	**3,323**	3,564

Note:-

^ - *Denotes (RM1)*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Lot 6.08, 6th Floor, Plaza First Nationwide, No. 161 Jalan Tun H.S. Lee, 50000 Kuala Lumpur.
Principal place of business	:	No. 28, Jalan PJU 5/4, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 10 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101: Disclosure initiative
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants
Amendments to MFRS 127: Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 – Transfer of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles:	
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

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

(a) MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

(b) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of "distinct" for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

3.2 (c) The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

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

(b) Income Taxes

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

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

(d) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(e) Impairment of Available-for-sale Financial Assets

The Group reviews its available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

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

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

(g) Share-based Payments

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

(h) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

4.2 BASIS OF CONSOLIDATION

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

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

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

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

(a) Merger accounting for Common Control Business Combinations

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

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

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

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

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

In a business combination achieved in stages, previously held equity interests in the acquire are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Non-controlling Interest

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

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

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

(e) Loss of control

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

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

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

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

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been recorded to the nearest thousand, unless otherwise stated.

(b) Transactions and Balances

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to RM at the rates of exchange ruling at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates ruling at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributable to the owners of the Company and non-controlling interests, as appropriate.

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

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

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

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

4.4 FINANCIAL INSTRUMENTS

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

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

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

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

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- Financial Assets at Fair Value Through Profit or Loss

  Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

  Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

  Financial assets at fair value through profit or loss could be presented as current assets or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current assets or non-current assets based on the settlement date.

- Held-to-maturity Investments

  As at the end of the reporting period, there were no financial assets classified under this category.

- Loans and Receivables Financial Assets

  Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

  Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

- Available-for-sale Financial Assets

  As at the end of the reporting period, there were no financial assets classified under this category.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

- Financial Liabilities at Fair Value through Profit or Loss

  Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

- Other Financial Liabilities

  Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

  The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

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

- Ordinary Shares

  Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

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

- Redeemable Convertible Unsecured Loan Stocks ("RCULS")

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

(e) Financial Guarantee Contracts

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

The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

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

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

4.6 INVESTMENTS IN SUBSIDIARIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss and investments in subsidiaries), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of Non-Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 IMPAIRMENT (CONT'D)

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

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.8 FINANCE ASSETS

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

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

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

4.9 INVENTORIES

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

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

4.10 INCOME TAXES

(a) Current Tax

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(c) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense items whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4.11 CASH AND CASH EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.13 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

(c) Share-based Payment Transactions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personal defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

4.15 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 REVENUE AND OTHER INCOME (CONT'D)

(c) Interest Income

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

(d) Rental Income

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

(e) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(f) Deferred Income

Revenue invoiced in advance is deferred and recognised as revenue upon delivery of goods or services rendered and customers' acceptance.

4.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.17 EARNINGS PER ORDINARY SHARE

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

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

4.18 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 CONTINGENT LIABILITIES

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

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

4.20 FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016	**2015**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**97,878**	97,878
Share options granted to employees of a subsidiary	**5,745**	4,232
	103,623	102,110

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2016 %	2015 %	Principal Activities
Subsidiaries of the Company				
PBJV Group Sdn. Bhd. ("PBJV") *	Malaysia	**100**	100	Providing and carrying out onshore and offshore contracting works such as pipeline pre-commissioning, commissioning and de-commissioning, pipeline installation, fabrication, hook-up, topside maintenance and other related activities.
PBJV Energy (Labuan) Limited @ #	Federal Territory of Labuan, Malaysia	**100**	100	Oil and gas exploration, development and production.
Subsidiaries of PBJV				
Kota Laksamana Management Sdn. Bhd. *	Malaysia	**100**	100	Conducting service expedition relating to marine activities for the oil and gas industry.
PBJV International Limited @ * #	Federal Territory of Labuan, Malaysia	**100**	100	Ship-owning and other shipping related activities.
PBJV Gulf Co. Ltd ^ * #	Kingdom of Saudi Arabia	**85**	85	Providing offshore pipeline installation and maintenance services.
Kota Laksamana 101 Ltd @ *	Federal Territory of Labuan, Malaysia	**100**	100	Ship-owning and other shipping related activities.
PBJV Macfeam Sdn. Bhd. ("PBJV Macfeam")	Malaysia	**51**	–	Providing procurement, construction and commissioning of pressurised piping system.

@ These subsidiaries were audited by a member firm of Crowe Horwath International of which Crowe Horwath is a member.

^ This subsidiary was audited by other firm of chartered accountants.

* These subsidiaries were consolidated using the merger method of accounting.

These subsidiaries are inactive during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) During the current financial year, PBJV, a wholly-owned subsidiary of the Company acquired a 51% equity interest in PBJV Macfeam. The details of the acquisition are disclosed in Note 31 to the financial statements.

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

	Effective Equity Interest		The Group	
	2016	2015	2016	2015
	%	%	RM'000	RM'000
PBJV Gulf Co. Ltd	85	85	(66)	(3)
PBJV Macfeam	51	–	35	–
			(31)	(3)

(c) The financial information (before intra-group elimination) for a subsidiary that has non-controlling interest is not presented as it is not material to the Group.

6. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2016 RM'000 (Restated)	Additions RM'000	Writeoff RM'000	Transfer From/(To) RM'000	Depreciation Charge RM'000	Exchange Difference RM'000	At 31.12.2016 RM'000
The Group							
Net Book Value							
Leasehold land	1,666	–	–	–	(19)	–	1,647
Building	110	–	–	–	(4)	–	106
Computers	556	157	–	–	(559)	–	154
Furniture and fittings	465	58	–	–	(155)	1	369
Communication equipment	193	–	–	–	(52)	–	141
Machinery and equipment	34,415	2,393	(660)	3,026	(7,537)	664	32,301
Motor vehicles	2,982	128	–	–	(814)	–	2,296
Office equipment	533	–	–	–	(114)	–	419
Renovation	3,198	809	–	–	(582)	1	3,426
Barge and pipe laying equipment	330,720	–	–	28,670	(20,969)	18,684	357,105
Capital work-in-progress	11,067	23,561	–	(31,696)	–	(247)	2,685
	385,905	27,106	(660)	–	(30,805)	19,103	400,649

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

	At 1.1.2015 RM'000 (Restated)	Additions RM'000	Writeoff RM'000	Transfer From/(To) RM'000	Depreciation Charge RM'000	Exchange Difference RM'000 (Restated)	At 31.12.2015 RM'000 (Restated)
The Group							
Net Book Value							
Leasehold land	1,685	–	–	–	(19)	–	1,666
Building	114	–	–	–	(4)	–	110
Computers	1,459	258	–	–	(1,161)	–	556
Furniture and fittings	612	3	–	–	(156)	6	465
Communication equipment	253	–	–	–	(60)	–	193
Machinery and equipment	29,034	9,063	(1,414)	2,882	(6,380)	1,230	34,415
Motor vehicles	2,540	1,117	–	–	(675)	–	2,982
Office equipment	635	18	–	–	(120)	–	533
Renovation	3,037	325	–	327	(497)	6	3,198
Barge and pipe laying equipment	284,658	–	–	–	(14,196)	60,258	330,720
Capital work-in-progress	3,209	10,418	–	(3,209)	–	649	11,067
	327,236	21,202	(1,414)	–	(23,268)	62,149	385,905

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2016			
Leasehold land	**1,858**	**(211)**	**1,647**
Building	**440**	**(334)**	**106**
Computers	**5,291**	**(5,137)**	**154**
Furniture and fittings	**1,721**	**(1,352)**	**369**
Communication equipment	**639**	**(498)**	**141**
Machinery and equipment	**65,680**	**(33,379)**	**32,301**
Motor vehicles	**4,259**	**(1,963)**	**2,296**
Office equipment	**1,297**	**(878)**	**419**
Renovation	**6,297**	**(2,871)**	**3,426**
Barge and pipe laying equipment	**402,584**	**(45,479)**	**357,105**
Capital work-in-progress	**2,685**	**–**	**2,685**
	492,751	**(92,102)**	**400,649**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2015 (Restated)			
Leasehold land	1,858	(192)	1,666
Building	440	(330)	110
Computers	5,134	(4,578)	556
Furniture and fittings	1,661	(1,196)	465
Communication equipment	639	(446)	193
Machinery and equipment	65,125	(30,710)	34,415
Motor vehicles	4,227	(1,245)	2,982
Office equipment	1,297	(764)	533
Renovation	5,486	(2,288)	3,198
Barge and pipe laying equipment	355,492	(24,772)	330,720
Capital work-in-progress	11,067	–	11,067
	452,426	(66,521)	385,905

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The Company	At 1.1.2016 RM'000	Depreciation Charge RM'000	At 31.12.2016 RM'000
Net Book Value			
Computers	**2**	*****	**2**
Furniture and fittings	**2**	**(1)**	**1**
Motor vehicles	**1,435**	**(409)**	**1,026**
Office equipment	**2**	**(1)**	**1**
	1,441	**(411)**	**1,030**

	At 1.1.2015 RM'000	Depreciation Charge RM'000	At 31.12.2015 RM'000
Net Book Value			
Computers	2	*	2
Furniture and fittings	2	*	2
Motor vehicles	1,846	(411)	1,435
Office equipment	2	*	2
	1,852	(411)	1,441

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
2016			
Computers	**3**	**(1)**	**2**
Furniture and fittings	**2**	**(1)**	**1**
Motor vehicles	**2,051**	**(1,025)**	**1,026**
Office equipment	**2**	**(1)**	**1**
	2,058	**(1,028)**	**1,030**
2015			
Computers	3	(1)	2
Furniture and fittings	2	*	2
Motor vehicles	2,051	(616)	1,435
Office equipment	2	*	2
	2,058	(617)	1,441

Note:-

* - *Denotes less than RM400*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Leasehold land	**1,647**	1,666	**–**	–
Motor vehicles	**1,223**	1,712	**1,026**	1,435
Machinery and equipment	**1,970**	2,474	**–**	–
Barge and pipe laying equipment	**357,105**	330,720	**–**	–
	361,945	336,572	**1,026**	1,435

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.

7. INVENTORIES

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At cost:-		
Project materials	**5,446**	–
Spare parts	**4,993**	–
Personal protective equipment	**40**	–
	10,479	–

None of the inventories are carried at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. TRADE RECEIVABLES

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Trade receivables	**125,545**	57,092
Unbilled receivables	**2,774**	55,007
	128,319	112,099
Allowance for impairment losses	**(37)**	(37)
	128,282	112,062

Allowance for impairment losses:-		
At 1 January	**37**	–
Addition during the financial year (Note 28)	**–**	37
At 31 December	**37**	37

Unbilled receivables represent services provided but not yet billed at the end of the reporting period.

The Group's normal trade credit terms range from 60 to 90 (2015 – 60 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables:-				
Third parties	**27**	91	**–**	–
Goods and services tax recoverable	**1,068**	1,612	**–**	–
Advances to subcontractors	**–**	27,752	**–**	–
	1,095	29,455	**–**	–
Deposits	**4,754**	5,640	**4**	1,634
Prepayments	**3,872**	2,207	**153**	79
	9,721	37,302	**157**	1,713

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

Included in deposits of the Group at the end of the reporting period is an aggregate amount of RM1,083,570 (2015 – RM806,300) being deposits placed for the rental of machinery and equipment.

Included in deposits of the Group at the end of the reporting period is an aggregate amount of RM1,363,011 (2015 – RM1,665,930) being margin deposits placed for trust receipts facility provided by certain banks.

Included in deposits of the Company at the end of the previous reporting period is an aggregate amount of RM1,633,909 being deposit paid for the purchase of a motor vehicle.

The prepayments of the Group amounting to RM1,022,197 (2015 – RM1,860,716) is in respect of prepayments for facility charges.

The advances to subcontractors are unsecured and interest-free. The amount owing will be offset against future services rendered from the subcontractors.

10. AMOUNT OWING BY SUBSIDIARIES

	The Company	
	2016	2015
	RM'000	RM'000
Amount owing by subsidiaries:-		
Trade balance	**34,434**	33,724
Non-trade balance	**89,361**	89,351
	123,795	123,075

The trade balance is subject to the normal trade credit terms ranging from 60 to 90 (2015 – 60 to 90) days. The amount owing is to be settled in cash.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. SHORT-TERM INVESTMENTS

	The Group			
	2016		2015	
	Carrying Amount RM'000	Market Value RM'000	Carrying Amount RM'000	Market Value RM'000
Money market funds in Malaysia, at fair value	**2,775**	**2,775**	2,451	2,451

	The Company			
	2016		2015	
	Carrying Amount RM'000	Market Value RM'000	Carrying Amount RM'000	Market Value RM'000
Money market funds in Malaysia, at fair value	**384**	**384**	374	374

12. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 2.70% to 3.70% (2015 – 2.70% to 3.70%) per annum. The fixed deposits have maturity periods ranging from 7 to 365 (2015 – 7 to 365) days.

Included in the fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period were amounts of RM111,894,721 (2015 – RM83,651,785) and RM8,145,990 (2015 – RM7,898,910) respectively which have been pledged to several licensed banks as security for banking facilities granted to the Group and to the Company.

13. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

		The Group/The Company			
		2016	2015	2016	2015
	Note	Number Of Shares ('000)		RM'000	
Authorised					
Ordinary shares of RM0.20 each		**10,000,000**	10,000,000	**2,000,000**	2,000,000
Issued And Fully Paid-Up					
At 1 January		**824,393**	763,337	**164,879**	152,667
Issuance of shares pursuant to conversion of RCULS		**740**	60,800	**147**	12,160
New shares issued under the employees' share option scheme for cash	16	**33**	256	**7**	52
At 31 December		**825,166**	824,393	**165,033**	164,879

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. SHARE PREMIUM

The share premium reserve represents the premium paid on subscription of ordinary shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

15. MERGER DEFICIT

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

16. EMPLOYEES' SHARE OPTION RESERVES

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

The Employees' Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 23 May 2012. The ESOS is to be in force for a period of 5 years effective from 27 September 2013.

The main features of the ESOS are as follows:-

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

			Number Of Options Over Ordinary Shares Of RM0.20 Each				
Date of Offer	**Exercise Price**	**Remaining Contractual Life of Options Price**	**At 1.1.2016**	**Granted**	**Exercised**	**Forfeited/ Lapsed**	**At 31.12.2016**
27.9.2013	RM0.65	2 years	5,178,460	–	(7,000)	(111,960)	5,059,500
4.2.2015	RM0.82	2 years	6,715,000	–	(26,000)	(334,500)	6,354,500
1.9.2015	RM0.76	2 years	2,775,300	–	–	(133,000)	2,642,300
24.6.2016	RM0.61	2 years	–	9,617,500	–	(240,500)	9,377,000
			14,668,760	9,617,500	(33,000)	(819,960)	23,433,300

			Number Of Options Over Ordinary Shares Of RM0.20 Each				
Date of Offer	**Exercise Price**	**Remaining Contractual Life of Options Price**	**At 1.1.2015**	**Granted**	**Exercised**	**Forfeited/ Lapsed**	**At 31.12.2015**
27.9.2013	RM0.65	3 years	5,397,160	–	(76,600)	(142,100)	5,178,460
4.2.2015	RM0.82	3 years	–	7,425,500	(180,000)	(530,500)	6,715,000
1.9.2015	RM0.76	3 years	–	2,775,300	–	–	2,775,300
			5,397,160	10,200,800	(256,600)	(672,600)	14,668,760

The options which were forfeited/lapsed during the financial year were due to resignations of employees.

The number of options exercisable as at 31 December 2016 was 23,433,300 (2015 – 14,668,760) and have an exercise price in the range of RM0.61 to RM0.82 (2015 – RM0.65 to RM0.82) and a weighted average contractual life of 2 years (2015 – 3 years).

During the financial year, the Company has granted 9,617,500 share options under the ESOS. These options expire on 26 September 2018 and are exercisable from the date of grant.

In the last financial year, 256,600 share options were exercised at an exercise price in the range of RM0.65 to RM0.82 each in exchange for 256,600 new ordinary shares.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

	31.12.2016	**31.12.2015**	**30.9.2013**
Fair value of share options at the grant date (RM)			
- 27.9.2013	N/A	N/A	0.1070
- 4.2.2015	N/A	0.5289	N/A
- 1.9.2015	N/A	0.3443	N/A
- 24.6.2016	0.1944	N/A	N/A
Weighted average ordinary share price (RM)	0.65	0.88 - 0.95	–
Exercise price of share option (RM)	0.61	0.76 - 0.82	0.65
Expected volatility (%)	41.70	43.75 - 69.28	8.68
Expected life (years)	2.00	3.00	5.00
Risk free rate (%)	3.59	3.78 - 4.10	3.26
Expected dividend yield (%)	0.00	0.00	0.00

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

	The Group/The Company	
	2016	**2015**
	RM'000	**RM'000**
Equity		
At 1 January	**653**	4,145
Converted during the financial year	**(43)**	(3,492)
At 31 December	**610**	653
Non-current liabilities		
At 1 January	**1,704**	9,491
Converted during the financial year	**(121)**	(8,948)
Amortisation charge during the financial year	**136**	1,161
At 31 December	**1,719**	1,704

The salient terms of the RCULS are as follows:-

(a)	Issue size and price	<u>Issue size</u> Up to RM41,604,273 nominal value of RCULS. <u>Issue price</u> 100% of nominal value of the RCULS of RM0.20 each.
(b)	Tenure of issue	Five (5) years from and including the date of first issuance of the RCULS ("Issue Date") and shall mature on the fifth (5th) anniversary of the Issue Date ("Maturity Date"). The RCULS were issued on 25.10.2013.
(c)	Interest/Coupon rate	3.5% per annum payable semi-annually during the tenure of the RCULS prior to redemption or conversion.
(d)	Status	The RCULS constitute direct, unconditional, unsubordinated and unsecured obligations of the Company ranking pari passu without discrimination, preference or priority among themselves and at least pari passu to all present and future unsecured obligations of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") (CONT'D)

The salient terms of the RCULS are as follows (Cont'd):-

(e) Conversion rights — Each RCULS can be converted into 1 new ordinary share of RM0.20 each in the Company, on any business day after the first (1st) anniversary of the Issue Date of the RCULS until Maturity Date. Any outstanding RCULS which have not been redeemed or converted shall automatically be converted into new ordinary shares of RM0.20 each in the Company at maturity.

(f) Conversion price — Fixed at par value of RM0.20 per ordinary share of the Company and shall be satisfied by surrendering one (1) RCULS of nominal value of RM0.20 each for every one (1) new ordinary share in the Company.

(g) Status of new ordinary shares — The new ordinary shares to be issued pursuant to the conversion of the RCULS will upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares of the Company in issue except that the new ordinary shares will not be entitled to any dividends, rights, allotment or other distributions that may be declared, made or paid prior to the relevant allotment date of the said new ordinary shares.

(h) Redemption rights — Redemption shall be at the option of the Company, based on the par value of RM0.20 each. Redemption can only be made on a coupon payment date. Redemption, if made, shall be made pari passu to all holders of the RCULS.

If not redeemed, the RCULS shall automatically be converted into new ordinary shares of RM0.20 each in the Company at the Maturity Date.

18. FOREIGN EXCHANGE TRANSLATION RESERVES

The foreign exchange translation reserves arose from the translation of the financial statements of foreign subsidiaries.

19. DEFERRED TAX LIABILITIES

Presented after appropriate offsetting as follows:-

	At 1.1.2016 RM'000	(Note 29) Recognised in Profit or Loss RM'000	Conversion of RCULS RM'000	At 31.12.2016 RM'000
The Group				
2016				
Deferred Tax Liabilities				
Property, plant and equipment	1,552	1,688	–	3,240
RCULS	142	(38)	(6)	98
	1,694	1,650	(6)	3,338
Deferred Tax Assets				
Provisions	(9)	–	–	(9)
Unused tax losses	(1,518)	(1,170)	–	(2,688)
	(1,527)	(1,170)	–	(2,697)
	167	480	(6)	641

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. DEFERRED TAX LIABILITIES (CONT'D)

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

	At 1.1.2015 RM'000	(Note 29) Recognised in Profit or Loss RM'000	Issuance and Conversion of RCULS RM'000	At 31.12.2015 RM'000
The Group				
2015				
Deferred Tax Liabilities				
Property, plant and equipment	2,540	(988)	–	1,552
RCULS	1,235	(290)	(803)	142
	3,775	(1,278)	(803)	1,694
Deferred Tax Assets				
Provisions	–	(9)	–	(9)
Unused tax losses	–	(1,518)	–	(1,518)
	–	(1,527)	–	(1,527)
	3,775	(2,805)	(803)	167

	At 1.1.2016 RM'000	(Note 29) Recognised in Profit or Loss RM'000	Conversion of RCULS RM'000	At 31.12.2016 RM'000
The Company				
2016				
Deferred Tax Liabilities				
Property, plant and equipment	**12**	**(1)**	**–**	**11**
RCULS	**142**	**(38)**	**(6)**	**98**
	154	**(39)**	**(6)**	**109**

	At 1.1.2015 RM'000	(Note 29) Recognised in Profit or Loss RM'000	Issuance and Conversion of RCULS RM'000	At 31.12.2015 RM'000
2015				
Deferred Tax Liabilities				
Property, plant and equipment	4	8	–	12
RCULS	1,235	(290)	(803)	142
	1,239	(282)	(803)	154

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. DEFERRED TAX LIABILITIES (CONT'D)

At the end of the reporting period, the Group has unused tax losses and unabsorbed capital allowances (stated at gross) of approximately RMNIL (2015 – RM13,155,688) and RMNIL (2015 – RM8,316,064) respectively that are available for offset against future taxable profits of the subsidiaries in which the losses arose. No deferred tax assets are recognised in respect of this item as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unused tax losses and unabsorbed capital allowances do not expire under current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

20. LONG-TERM BORROWINGS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Hire purchase payables (Note 21)	**668**	1,061	**563**	893
Term loans (Note 22)	**166,962**	187,189	**–**	–
	167,630	188,250	**563**	893

21. HIRE PURCHASE PAYABLES (SECURED)

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Minimum hire purchase payments:				
- not later than one year	**434**	434	**365**	365
- later than one year and not later than five years	**695**	1,129	**585**	950
	1,129	1,563	**950**	1,315
Less: Future finance charges	**(68)**	(127)	**(57)**	(107)
Present value of hire purchase payables	**1,061**	1,436	**893**	1,208
Current (Note 25)				
- not later than one year	**393**	375	**330**	315
Non-current (Note 20)				
- later than one year and not later than five years	**668**	1,061	**563**	893
	1,061	1,436	**893**	1,208

The hire purchase payables of the Group and of the Company are secured by the Group's and the Company's motor vehicles under hire purchase.

The hire purchase payables of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 4.64% to 4.68% (2015 – 4.64% to 4.68%) and from 4.64% to 4.68% (2015 – 4.64% to 4.68%) per annum, respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. TERM LOANS (SECURED)

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Current portion (Note 25):		
- not later than one year	**39,817**	35,499
Non-current portion (Note 20):		
- later than one year and not later than five years	**166,962**	187,189
- later than five years	**–**	–
	166,962	187,189
	206,779	222,688

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

	Effective Interest Rates	The Group	
		2016	**2015**
	%	**RM'000**	**RM'000**
Floating rate term loan	4.01 – 7.60	**206,779**	222,688

The term loans are secured by:-

(i) a first legal charge over certain leasehold land and building as disclosed in Note 6 to the financial statements;

(ii) a guarantee from a director of the Group;

(iii) a corporate guarantee from the Company and one of its subsidiary, PBJV;

(iv) a legal debenture on equipment financed by certain banks as disclosed in Note 6 to the financial statements;

(v) mortgage over the barge known as "Kota Laksamana 101" to a licensed financial institution as disclosed in Note 6 to the financial statements;

(vi) an assignment of charter proceeds and charge over the Project Account to a licensed financial institution;

(vii) an assignment of the barge's insurance policies to a licensed financial institution;

(viii) a negative pledge from the Group not to pledge its existing asset to other bank without the licensed financial institutions' consent; and

(ix) an undertaking from the current shareholders of the Group that they will not relinquish their shareholdings without the licensed financial institution's prior written approval so long as the facility remains outstanding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. TRADE PAYABLES

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Trade payables	**92,994**	56,825
Accrued purchases	**37,570**	32,042
	130,564	88,867

The normal trade credit terms granted to the Group range from 60 to 90 (2015 – 60 to 90) days.

24. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**1,304**	1,043	**59**	78
RCULS interest payable	**77**	13	**77**	13
Accruals	**1,678**	2,762	**455**	2
Deferred income	**145**	–	**–**	–
Goods and services tax payable	**4,553**	289	**189**	286
	7,757	4,107	**780**	379

Deferred income consists of advance billings to a customer for project materials which has yet to be delivered/utilised at the end of the reporting period.

25. SHORT-TERM BORROWINGS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Hire purchase payables (Note 21)	**393**	375	**330**	315
Term loans (Note 22)	**39,817**	35,499	**–**	–
Trust receipts	**45,842**	34,967	**–**	–
	86,052	70,841	**330**	315

The trust receipts are secured by margin deposits, fixed deposits and corporate guarantees provided by the Company and one of its subsidiary, PBJV, as disclosed in Note 9, Note 12 and Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. BANK OVERDRAFTS

The bank overdrafts of the Group bore an effective interest rate of 8.10% (2015 – 8.10%) per annum at the end of the reporting period.

The bank overdrafts are secured by:-

(i) a pledge of the fixed deposits of the Group as disclosed in Note 12 to the financial statements;
(ii) a guarantee from a director of the Group;
(iii) an irrevocable letter of instruction from the Group to the main contractor and their agreement to remit payment to the bank; and
(iv) a placement of a half yearly sinking fund of RM100,000.

27. REVENUE

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Pipeline and commissioning services	**135,258**	257,850	**–**	–
Installation and construction services	**487,328**	334,720	**–**	–
Management fees	**–**	–	**10,833**	17,779
	622,586	592,570	**10,833**	17,779

28. PROFIT BEFORE TAXATION

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation is arrived at after charging/(crediting):-				
Audit fee	**235**	219	**34**	34
Depreciation of property, plant and equipment (Note 6)	**30,805**	23,268	**411**	411
Directors' emoluments:				
- directors' fee	**616**	644	**616**	644
- salaries, allowances and bonuses	**4,740**	6,528	**2,779**	3,995
- defined contribution plan	**499**	768	**264**	464
- other benefits	**41**	40	**1**	1
- share option expenses	**310**	693	**155**	347
Interest expense on financial liabilities not at fair value through profit or loss:				
- bank overdrafts	**904**	496	**–**	–
- hire purchase	**59**	75	**50**	63
- term loans	**9,152**	9,075	**–**	–
- RCULS	**277**	1,326	**277**	1,326
- bank guarantee/trust receipts	**5,747**	4,503	**196**	109

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-				
Rental expenses on:				
- equipment and machineries	**126**	403	**–**	–
- premises	**2,493**	1,206	**–**	–
- motor vehicle	**–**	93	**–**	–
Staff costs (including other key management personnel as disclosed in Note 35):				
- salaries, allowances and bonuses	**20,016**	33,164	**3,971**	6,172
- defined contribution plan	**2,426**	4,084	**477**	741
- other benefits	**494**	257	**36**	27
- share option expenses	**1,429**	4,154	**71**	268
Realised loss on foreign exchange	**393**	7,048	**^**	1
Impairment loss on trade receivables (Note 8)	**–**	37	**–**	–
Property, plant and equipment written off (Note 6)	**660**	1,414	**–**	–
Dividend income from a subsidiary	**–**	–	**–**	(18,900)
Unrealised gain on foreign exchange	**(7,316)**	(19,404)	**–**	–
Interest income on financial assets not at fair value through profit or loss:				
- fixed deposits with licensed banks	**(3,374)**	(3,246)	**(247)**	(246)
- cash and bank balances	**(289)**	(1,020)	**(11)**	(159)
Rental income	**(20)**	(24)	**(20)**	–
Gain on disposal of property, plant and equipment	**(2)**	–	**–**	–

The estimated total monetary value of benefits-in-kind provided by the Group and the Company to the executive directors were RM36,250 (2015 – NIL).

Note:

^ - *Denotes RM279*

NOTES TO THE FINANCIAL STATEMENTS

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29. INCOME TAX EXPENSE/(CREDIT)

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax:				
- for the financial year	**1,354**	995	**492**	919
- under/(over)provision in the previous financial year	**71**	(11,394)	**97**	623
	1,425	(10,399)	**589**	1,542
Deferred tax (Note 19):				
- originating and recognition of temporary differences	**487**	(3,732)	**(32)**	(282)
- (over)/underprovision in the previous financial year	**(7)**	927	**(7)**	–
	480	(2,805)	**(39)**	(282)
	1,905	(13,204)	**550**	1,260

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation	**16,367**	5,593	**448**	19,002
Tax at the statutory tax rate of 24% (2015 – 25%)	**3,928**	1,398	**107**	4,751
Tax effects of:				
Non-deductible expenses	**1,738**	2,906	**355**	651
Income not subject to tax	**(1,323)**	(5,473)	**(2)**	(4,765)
Utilisation of deferred tax assets previously not recognised	**(1,813)**	–	**–**	–
Effects of differential in tax rates of subsidiaries	**(689)**	(3,278)	**–**	–
Deferred tax assets not recognised during the financial year	**–**	1,710	**–**	–
(Over)/Underprovision of deferred tax in the previous financial year	**(7)**	927	**(7)**	–
Under/(Over)provision of income tax in the previous financial year	**71**	(11,394)	**97**	623
Income tax expense/(credit) for the financial year	**1,905**	(13,204)	**550**	1,260

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 – 25%) of the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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29. INCOME TAX EXPENSE/(CREDIT) (CONT'D)

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

	The Group	
	2016 RM'000	2015 RM'000
Accelerated capital allowances	–	(13,951)
Provisions	–	37
Unused tax losses	–	13,156
Unabsorbed capital allowances	–	8,316
	–	7,558

30. EARNINGS PER SHARE

(a) Basic

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

	The Group	
	2016	2015
Profit attributable to owners of the Company (RM'000)	**14,534**	18,849
Weighted average number of ordinary shares in issue ('000)	**824,844**	805,014
Basic earnings per share (Sen)	**1.76**	2.34

(b) Diluted

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

	The Group	
	2016	2015
Profit attributable to the owners of the Company (RM'000)	**14,534**	18,849
Weighted average number of ordinary shares in issue ('000)	**824,844**	805,014
Effects of dilution from share options granted to employees ('000)	**15,872**	6,846
Effect of conversion of RCULS ('000)	**10,620**	11,361
	851,336	823,221
Diluted earnings per share (Sen)	**1.71**	2.29

NOTES TO THE FINANCIAL STATEMENTS

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31. ACQUISITION OF A SUBSIDIARY

On 1 November 2016, PBJV, a wholly-owned subsidiary of the Company had acquired one (1) ordinary share in PBJV Macfeam for a consideration of RM1.00 ("Transfer").

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

	The Group 2016 RM'000
Cash and bank balances	*
Net identifiable assets acquired	*
Less: Non-controlling interests, measured at the proportionate share of the fair value of the net identifiable assets	(^)
Total purchase consideration, to be settled by cash	^
Less: Cash and bank balances of subsidiary acquired	(*)
Net cash outflow from the acquisition of a subsidiary	(^)

Simultaneously on 1 November 2016, PBJV had also subscribed for 50,999 new ordinary shares of RM1.00 each in PBJV Macfeam for a total cash consideration of RM50,999 ("Acquisition"). Upon the completion of the Transfer and Acquisition, PBJV holds 51% of the total issued and paid up share capital of PBJV Macfeam.

Notes:-
* - Denotes RM2
^ - Denotes RM1

32. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term investments	**2,775**	2,451	**384**	374
Fixed deposits with licensed banks	**115,988**	133,408	**8,177**	7,930
Cash and bank balances	**101,701**	49,979	**2,908**	3,159
Bank overdrafts	**(1,166)**	(851)	**–**	–
	219,298	184,987	**11,469**	11,463
Less: Fixed deposits pledged to licensed banks (Note 12)	**(111,895)**	(83,652)	**(8,146)**	(7,899)
	107,403	101,335	**3,323**	3,564

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. OPERATING SEGMENTS

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

MAJOR CUSTOMERS

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

	The Group Revenue		
	2016	**2015**	
	RM'000	**RM'000**	**Segment**
Customer #1	**393,467**	272,929	Oil and gas
Customer #2	**119,935**	133,968	Oil and gas

34. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

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

(b) Significant Related Party Transactions and Balances

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Company in which certain Directors have substantial financial interests				
Purchases paid/payable	**669**	2,690	**–**	–
Rental of premises paid/payable	**2,220**	1,330	**–**	–
Rental of yard paid/payable	**60**	60	**–**	–
Donations	**600**	600	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Company related to a Director				
Secretarial services paid/payable	**9**	–	**–**	–
Subsidiary				
Management fee received/receivable	**–**	–	**10,833**	17,779
Dividend receivable	**–**	–	**–**	18,900

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

35. 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.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
Directors of the Company				
Executive directors				
Short-term employee benefits:				
- salaries, allowances and bonuses	**2,650**	3,865	**2,650**	3,865
- other benefits	**1**	1	**1**	1
	2,651	3,866	**2,651**	3,866
Defined contribution plan	**264**	464	**264**	464
Share option expenses	**155**	347	**155**	347
Benefits-in-kind	**–**	–	**–**	–
	3,070	4,677	**3,070**	4,677
Non-executive directors				
Short-term employee benefits:				
- fees	**616**	644	**616**	644
- allowances	**129**	130	**129**	130
	745	774	**745**	774
	3,815	5,451	**3,815**	5,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors (Cont'd)				
Directors of the Subsidiaries				
Executive directors				
Short-term employee benefits:				
- salaries, allowances and bonuses	**1,961**	2,533	**–**	–
- other benefits	**3**	2	**–**	–
	1,964	2,535	**–**	–
Defined contribution plan	**235**	304	**–**	–
Share option expenses	**155**	346	**–**	–
Benefits-in-kind	**37**	37	**–**	–
	2,391	3,222	**–**	–
Total directors' remuneration (Note 28)	**6,206**	8,673	**3,815**	5,451
Other key management personnel				
Short-term employee benefits	**6,577**	8,267	**2,071**	3,347
Defined contribution plan	**820**	991	**281**	401
Share option expenses	**340**	1,028	**64**	222
Total compensation for other key management personnel	**7,737**	10,286	**2,416**	3,970

The estimated total monetary value of benefits-in-kind provided by the Group and the Company to the executive directors were RM36,250 (2015 – NIL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Group	
	2016	**2015**
	Number Of Directors	
Executive directors:-		
RM950,001 to RM1,000,000	**2**	–
RM1,400,001 to RM1,450,000	**–**	1
RM1,450,001 to RM1,500,000	**–**	1
RM3,150,001 to RM3,200,000	**1**	–
RM4,300,001 to RM4,350,000	**–**	1
Non-executive directors:-		
RM1 to RM50,000	**–**	1
RM50,001 to RM100,000	**2**	–
RM100,001 to RM150,000	**2**	1
RM150,001 to RM200,000	**–**	2
RM250,001 to RM300,000	**1**	–
RM300,001 to RM350,000	**–**	1
	8	8

36. CAPITAL COMMITMENTS

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Approved and contracted for:-		
Property, plant and equipment	**2,873**	26,891
Approved but not contracted for:-		
Property, plant and equipment	**–**	10,987

37. CONTINGENT LIABILITIES

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
Unsecured	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	**–**	–	**251,187**	256,117
Bank guarantees extended to clients	**93,846**	97,686	**9,188**	4,135

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

38.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Saudi Riyal ("SAR") and Euro ("EUR"). Foreign currency 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 (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

	SGD RM'000	USD RM'000	SAR RM'000	EUR RM'000	Ringgit Malaysia RM'000	Total RM'000
The Group						
2016						
Financial assets						
Trade receivables	–	19,479	–	–	108,803	128,282
Other receivables and deposits	–	–	20	–	5,829	5,849
Short-term investments	–	–	–	–	2,775	2,775
Fixed deposits with licensed banks	–	8,091	–	–	107,897	115,988
Cash and bank balances	3	59,346	1,196	24	41,132	101,701
	3	86,916	1,216	24	266,436	354,595
Financial liabilities						
Trade payables	520	27,787	–	–	102,257	130,564
Other payables and accruals	–	–	7	–	7,750	7,757
Term loans	–	205,002	–	–	1,777	206,779
Trust receipts	–	–	–	–	45,842	45,842
Hire purchase payables	–	–	–	–	1,061	1,061
RCULS	–	–	–	–	1,719	1,719
Bank overdrafts	–	–	–	–	1,166	1,166
	520	232,789	7	–	161,572	394,888

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

	SGD RM'000	USD RM'000	SAR RM'000	EUR RM'000	Ringgit Malaysia RM'000	Total RM'000
The Group						
2016						
Net financial (liabilities)/assets	**(517)**	**(145,873)**	**1,209**	**24**	**104,864**	**(40,293)**
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	**–**	**196,568**	**(1,209)**	**–**	**(103,718)**	**91,641**
Currency exposure	**(517)**	**50,695**	**–**	**24**	**1,146**	**51,348**

	SGD RM'000	USD RM'000	SAR RM'000	EUR RM'000	Others RM'000	Ringgit Malaysia RM'000	Total RM'000
The Group							
2015							
Financial assets							
Trade receivables	–	351	–	–	–	111,711	112,062
Other receivables and deposits	–	–	70	–	–	35,025	35,095
Short-term investments	–	–	–	–	–	2,451	2,451
Fixed deposits with licensed banks	–	–	–	–	–	133,408	133,408
Cash and bank balances	3	7,340	1,143	24	–	41,469	49,979
	3	7,691	1,213	24	–	324,064	332,995

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency exposure (Cont'd)

	SGD RM'000	USD RM'000	SAR RM'000	EUR RM'000	Others RM'000	Ringgit Malaysia RM'000	Total RM'000
The Group							
2015							
Financial liabilities							
Trade payables	117	807	–	–	31	87,912	88,867
Other payables and accruals	–	–	8	–	–	4,099	4,107
Term loans	–	220,300	–	–	–	2,388	222,688
Trust receipts	–	–	–	–	–	34,967	34,967
Hire purchase payables	–	–	–	–	–	1,436	1,436
RCULS	–	–	–	–	–	1,704	1,704
Bank overdrafts	–	–	–	–	–	851	851
	117	221,107	8	–	31	133,357	354,620
Net financial (liabilities)/ assets	(114)	(213,416)	1,205	24	(31)	190,707	(21,625)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	–	217,678	(1,205)	–	–	(190,091)	26,382
Currency exposure	(114)	4,262	–	24	(31)	616	4,757

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign currency risk sensitivity analysis

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

			The Group	
			2016	**2015**
			RM'000	**RM'000**
Effects on profit after taxation				
SGD/RM	-	strengthened by 1%	**(4)**	(1)
	-	weakened by 1%	**4**	1
USD/RM	-	strengthened by 1%	**385**	32
	-	weakened by 1%	**(385)**	(32)
EUR/RM	-	strengthened by 1%	**^**	^
	-	weakened by 1%	**(^)**	(^)
Effects on other comprehensive income				
SGD/RM	-	strengthened by 1%	**(4)**	(1)
	-	weakened by 1%	**4**	1
USD/RM	-	strengthened by 1%	**385**	32
	-	weakened by 1%	**(385)**	(32)
EUR/RM	-	strengthened by 1%	**^**	^
	-	weakened by 1%	**(^)**	(^)

Note:-

^ - Denotes less than RM200.

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

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

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

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 22, Note 25 and Note 26 to the financial statements.

Interest rate risk sensitivity analysis

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

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Effects on profit after taxation		
Increase of 100 basis points	**(1,929)**	(1,939)
Decrease of 100 basis points	**1,929**	1,939
Effects on other comprehensive income		
Increase of 100 basis points	**(1,929)**	(1,939)
Decrease of 100 basis points	**1,929**	1,939

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

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profile.

Equity Price Risk Sensitivity Analysis

Any reasonably possible change in the prices of quoted investments at the end of the reporting period does not have material impact on the profit/loss after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

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

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 1 year, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by three (3) customers which constituted approximately 87% of its trade receivables at the end of the reporting period.

(ii) Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis

The ageing analysis of trade receivables is as follows:-

The Group	**Gross Amount RM'000**	**Individual Impairment RM'000**	**Collective Impairment RM'000**	**Carrying Value RM'000**
2016				
Not past due	**126,082**	**–**	**–**	**126,082**
Past due:-				
- less than 2 months	**1,202**	**–**	**–**	**1,202**
- 2 to 6 months	**747**	**–**	**–**	**747**
- over 6 months	**288**	**(37)**	**–**	**251**
	128,319	**(37)**	**–**	**128,282**
2015				
Not past due	103,178	–	–	103,178
Past due:-				
- less than 2 months	6,013	–	–	6,013
- 2 to 6 months	627	–	–	627
- over 6 months	2,281	(37)	–	2,244
	112,099	(37)	–	112,062

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2016						
Non-derivative Financial Liabilities						
Hire purchase payables	**4.66**	**1,061**	**1,129**	**434**	**695**	**–**
Term loans	**4.40**	**206,779**	**225,769**	**48,316**	**177,453**	**–**
Trust receipts	**5.67**	**45,842**	**45,842**	**45,842**	**–**	**–**
RCULS	**15.60**	**1,719**	**2,272**	**74**	**2,198**	**–**
Trade payables	**–**	**130,564**	**130,564**	**130,564**	**–**	**–**
Other payables and accruals	**–**	**7,757**	**7,757**	**7,757**	**–**	**–**
Bank overdrafts	**8.10**	**1,166**	**1,166**	**1,166**	**–**	**–**
		394,888	**414,499**	**234,153**	**180,346**	**–**
2015						
Non-derivative Financial Liabilities						
Hire purchase payables	4.66	1,436	1,563	434	1,129	–
Term loans	4.05	222,688	246,634	44,113	202,521	–
Trust receipts	6.75	34,967	34,967	34,967	–	–
RCULS	15.60	1,704	2,511	80	2,431	–
Trade payables	–	88,867	88,867	88,867	–	–
Other payables and accruals	–	4,107	4,107	4,107	–	–
Bank overdrafts	8.10	851	851	851	–	–
		354,620	379,500	173,419	206,081	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Contractual Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 – 5 Years RM'000	Over 5 Years RM'000
2016						
Non-derivative Financial Liabilities						
Hire purchase payables	**4.66**	**893**	**950**	**365**	**585**	**–**
RCULS	**15.60**	**1,719**	**2,272**	**74**	**2,198**	**–**
Other payables and accruals	**–**	**780**	**780**	**780**	**–**	**–**
		3,392	**4,002**	**1,219**	**2,783**	**–**
2015						
Non-derivative Financial Liabilities						
Hire purchase payables	4.66	1,208	1,315	365	950	–
RCULS	15.60	1,704	2,511	80	2,431	–
Other payables and accruals	–	379	379	379	–	–
		3,291	4,205	824	3,381	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2016	**2015**
	RM'000	**RM'000**
		Restated
Hire purchase payables (Note 21)	**1,061**	1,436
Term loans (Note 22)	**206,779**	222,688
Trust receipts (Note 25)	**45,842**	34,967
RCULS (Note 17)	**1,719**	1,704
Bank overdrafts (Note 26)	**1,166**	851
	256,567	261,646
Less: Short-term investments (Note 11)	**(2,775)**	(2,451)
Less: Fixed deposits with licensed banks (Note 12)	**(115,988)**	(133,408)
Less: Cash and bank balances	**(101,701)**	(49,979)
Net debt	**36,103**	75,808
Total equity	**423,636**	398,928
Debt-to-equity ratio	**0.09**	0.19

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans and receivables financial assets				
Trade receivables (Note 8)	**128,282**	112,062	**–**	–
Other receivables and deposits (Note 9)	**5,849**	35,095	**4**	1,634
Amount owing by a subsidiary (Note 10)	**–**	–	**123,795**	123,075
Fixed deposits with licensed banks (Note 12)	**115,988**	133,408	**8,177**	7,930
Cash and bank balances	**101,701**	49,979	**2,908**	3,159
	351,820	330,544	**134,884**	135,798
Fair value through profit or loss: Held-for-trading				
Short-term investments (Note 11)	**2,775**	2,451	**384**	374
Financial liabilities				
Other financial liabilities				
Hire purchase payables (Note 21)	**1,061**	1,436	**893**	1,208
Term loans (Note 22)	**206,779**	222,688	**–**	–
Trust receipts (Note 25)	**45,842**	34,967	**–**	–
RCULS (Note 17)	**1,719**	1,704	**1,719**	1,704
Trade payables (Note 23)	**130,564**	88,867	**–**	–
Other payables and accruals (Note 24)	**7,757**	4,107	**780**	379
Bank overdrafts (Note 26)	**1,166**	851	**–**	–
	394,888	354,620	**3,392**	3,291

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group that are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair	Carrying
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Value	Amount
The Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016								
Financial Asset								
Short-term investments - money market funds	**2,775**	–	–	–	–	–	**2,775**	**2,775**
Financial Liabilities								
Hire purchase payables	–	–	–	–	**1,061**	–	**1,061**	**1,061**
Term loans	–	–	–	–	**206,779**	–	**206,779**	**206,779**
RCULS	–	–	–	–	**1,797**	–	**1,797**	**1,719**
2015								
Financial Asset								
Short-term investments - money market funds	2,451	–	–	–	–	–	2,451	2,451
Financial Liabilities								
Hire purchase payables	–	–	–	–	1,436	–	1,436	1,436
Term loans	–	–	–	–	222,688	–	222,688	222,688
RCULS	–	–	–	–	1,777	–	1,777	1,704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 FAIR VALUE INFORMATION (CONT'D)

The Company	Fair Value Of Financial Instruments Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair Value Of Financial Instruments Not Carried At Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total Fair Value RM'000	Carrying Amount RM'000
2016								
Financial Asset								
Short-term investments - money market funds	**384**	**–**	**–**	**–**	**–**	**–**	**384**	**384**
Financial Liabilities								
Hire purchase payables	**–**	**–**	**–**	**–**	**893**	**–**	**893**	**893**
RCULS	**–**	**–**	**–**	**–**	**1,797**	**–**	**1,797**	**1,719**
2015								
Financial Asset								
Short-term investments - money market funds	374	–	–	–	–	–	374	374
Financial Liabilities								
Hire purchase payables	–	–	–	–	1,208	–	1,208	1,208
RCULS	–	–	–	–	1,777	–	1,777	1,704

(a) Fair Value of Financial Instruments Carried at Fair Value

(i) The fair values above have been determined using the following basis:-

- The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.

(ii) There were no transfer between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments not Carried at Fair Value

The fair value, which are for disclosure purposes, have been determined using the following basis:-

(i) The fair values of the Group's terms loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 FAIR VALUE INFORMATION (CONT'D)

(b) Fair Value of Financial Instruments not Carried at Fair Value (Cont'd)

(ii) The fair values of hire purchase payables and RCULS that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	%	**%**	**%**	**%**
Hire purchase payables	**4.66**	4.66	**4.66**	4.66
RCULS	**12.70**	12.68	**12.70**	12.68

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as follows:-

(a) On 29 January 2016, PBJV, a wholly-owned subsidiary of the Company, received the 2016 work scope for the Transportation and Installation of Offshore Facilities for Year 2015-2016 ("Work Scope"), which comprises two (2) pipeline projects; namely Bardegg and Baronia Pipeline 24" x 43 km TTJT-A to BNCPP-B ("P1") and Bardegg and Baronia Pipeline 24" x 125 km DNCPP-B to E11RC ("P2"). The installation dates for P1 and P2 are March 2016 and May 2016, respectively.

(b) On 16 February 2016, PBJV was awarded a subcontract agreement for the provision of engineering, procurement, installation and related activities for floating liquefied natural gas located offshore Sarawak/Sabah ("Contract"). The Contract's value is approximately RM19.1 million for a duration from December 2015 to October 2016.

(c) On 25 May 2016, PBJV in a consortium with Macfeam Sdn Bhd, had received the letter of award for the procurement, construction and commissioning of underground pressurised non-metallic piping - Firewater Network for the East Side of Utilities, Interconnecting, Offsite Facilities in Petronas Refinery and Petrochemical Integrated Development Project ("Contract"). The Contract's value is estimated at RM84.1 million with a duration of twenty (20) months from April 2016.

(d) On 13 June 2016, PBJV was awarded an umbrella contract from Murphy Sarawak Oil Co Ltd, Murphy Sabah Oil Co Ltd and Murphy Peninsular Malaysia Oil Co Ltd (collectively referred to as "Murphy") for the provision of welding services required for Murphy's drilling and subsea programme for period from the date of the award to year 2018.

(e) On 24 June 2016, the Company granted 9,617,500 share options under the ESOS at an exercise price of RM0.61 per ESOS option. These options will expire on 26 September 2018.

(f) On 20 July 2016, PBJV was appointed by Petronas Chemicals Group Bhd ("Petchem") as a panel contractor for works to be performed at Petchem subsidiaries ("Contract"). The Contract is to be awarded based on bidding and involves assisting Project Engineering Centralised Services or individual plant owner in undertaking procurement, construction, installation and commissioning work for plant modification and improvement projects throughout Petchem operating units in West Malaysia/Peninsular Malaysia. The Contract is for two (2) years with an option for one (1) year extension from the date of the award.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(g) On 27 July 2016, PBJV received the 2016 work scope for the Transportation and Installation of Riser Guards in SKO Field, Sarawak ("Work Scope"), which involves transportation and installation of ten (10) riser guards to seven (7) platforms in SKO Field, Sarawak. The duration is for four (4) months to October 2016.

(h) On 25 August 2016, PBJV received the letter of award from Petronas Carigali Sdn Bhd ("PCSB") for the provision of main and support vessel, air and saturation diving, remotely operated vehicle and other related underwater services, which includes inspection, maintenance, repair, drilling support and other work to PCSB's underwater facilities as and when necessary ("Contract"). The Contract covers offshore of East Malaysia and other specified worksites of PCSB. The total value of the Contract will depend on the actual work orders to be issued by PCSB from time to time during the Contract period. The duration is two (2) years, which will be effective from August 2016 to August 2018, with an option for one (1) year extension.

(i) On 1 November 2016, PBJV acquired 51% equity interests comprising 51,000 ordinary shares of RM1.00 each in PBJV Macfeam. The principal activity of PBJV Macfeam is to provide procurement, construction and commissioning of pressurised piping system.

(j) On 10 November 2016, PBJV received the letter of award from Sabah Shell Petroleum Company Ltd for the provision of effluent discharge pipeline replacement for Labuan Crude Oil Terminal ("LCOT") ("Contract"). The Contract involves engineering, procurement, construction, installation and commissioning of a new effluent discharge pipeline in LCOT. The duration of the Contract is approximately two (2) years from October 2016 with an estimated Contract value of more than RM25 million.

(k) On 23 December 2016, PBJV received the letter of award from Murphy Sabah Oil Co Ltd and Murphy Sarawak Oil Co Ltd (collectively referred to as "Murphy") for the provision of production riser tensioner overhaul, maintenance and upgrade for Murphy production operations ("Contract"). The Contract's value is estimated at RM20 million with a duration of two (2) years with an option for extension of one (1) year from expected commencement in December 2016.

40. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The Companies Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

(a) Removal of the authorised share capital;
(b) Ordinary shares will cease to have par value; and
(c) Share premium account will become part of the share capital.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

41. PRIOR YEAR ADJUSTMENTS

A prior year adjustment has been made as a result of a misstatement in the net book value of assets owned by a foreign operation (a wholly owned Labuan subsidiary) in accordance with MFRS 121 "The Effects of Changes in Foreign Exchange Rates". Accordingly, the financial statements of the Group for the prior financial year ended 31 December 2015 have been restated to reflect these adjustments. There is no impact to the profit or loss and does not affect the basic earnings per ordinary share for the prior period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

41. PRIOR YEAR ADJUSTMENTS (CONT'D)

The financial impacts of the prior year adjustment are as follows:-

	As Previously Reported RM'000	Effect of Prior Year Adjustment RM'000	As Restated RM'000
The Group			
Statement of Financial Position (Extract):-			
As at 31 December 2015			
Non-Current Assets			
- Property, plant and equipment	299,795	86,110	385,905
Equity			
- Foreign exchange translation reserves	(79,853)	86,110	6,257
As at 1 January 2015			
Non-Current Assets			
- Property, plant and equipment	302,349	24,887	327,236
Equity			
- Foreign exchange translation reserves	(23,493)	24,887	1,394
Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 31 December 2015 (Extract):-			
Other Comprehensive Income			
-Foreign currency translation differences for foreign operations	(56,355)	61,223	4,868
Total comprehensive income for the financial year	(37,558)	61,223	23,665
Total Comprehensive Income Attributable To:			
- Owners of the Company	(37,511)	61,223	23,712

42. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-

	The Group		The Company	
	As Restated RM'000	As Previously Reported RM'000	As Restated RM'000	As Previously Reported RM'000
Statements of Financial Position (Extract):-				
Other receivables, deposits and prepayments	37,302	44,336	1,713	1,790
Other payables and accruals	4,107	11,141	379	456
Statements of Cash Flows (Extract):-				
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Decrease/(Increase) in trade and other receivables	59,682	52,648	(1,130)	(1,207)
(Decrease)/Increase in trade and other payables	(4,136)	2,898	(658)	(581)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

43. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained profits of the Company and its subsidiaries:				
- realised	**258,409**	227,946	**1,802**	1,554
- unrealised	**6,675**	19,237	**(109)**	(154)
	265,084	247,183	**1,693**	1,400
Add: Consolidation adjustments	**(20,468)**	(17,496)	**–**	–
At 31 December	**244,616**	229,687	**1,693**	1,400

LIST OF PROPERTIES

PROPERTY OWNED BY BARAKAH GROUP

No.	Name of registered owner	Approximate age of building/ Tenure/Date of expiry of leasehold interest	Title identification/ Postal address	Description and existing use	Land area/ Built up area	Restriction in Interest/ Encumbrances	Audited net book value as at 31.12.2016
1.	PBJV (registered under the previous name of PBJV. Being PTIS-Baxtech JV Sdn Bhd)	Leasehold, 99 years, expiring on 12.07.2098* Gran No: 7522	PN91735, Lot No. 17895, Mukim Dengkil, District of Sepang, Selangor Lot 9504, Jalan Meranti Permai, Meranti Permai Industrial Park, Batu 15, 47100 Puchong, Selangor	Open yard fabrication facilities Category of land use: Industrial	Land area: 44,670 square feet	The land can only be transferred, leased or charged with the consent of the State Authority of Selangor Charged to CIMB Bank Berhad (previously known as Bumiputra Commerce Bank Berhad)	RM777,374
2.	PBJV	Leasehold, 60 years, expiring on 14.08.2056	Lot 1244, Block 5 Kuala Baram Land District, in the locality of Lutong - Kuala Baram Road, Miri Sarawak (Registration Number: 04-LCLS-005-005-01244) Lot 1244, Jalan Marigold Desa Senadin 98100, Miri Sarawak	Open yard fabrication facilities Category of land use: Town land to be used as a 2-storey detached building where the ground floor is to be used for industrial purposes and the first floor to be used as office, storage cum watchmen's quarters.	Land Area: 36,425 square feet	The land can only be transferred or subleased (if subleased within 5 years from 15.08.96) with the written consent of the Director of Lands and Surveys, Miri Charged to Public Bank Berhad Date acq: 15.05.2009	RM870,833
3.	PBJV	Leasehold, 99 years, expiring on 22.01.2102 Gran No: 181276 Lot No: Lot 23	PN 14099, Lot 1949, Seksyen 13, Bandar Shah Alam, District of Petaling, Selangor No. 23, Jalan Badminton 13/29, Seksyen 13, 40100 Shah Alam, Selangor	2 Storey shop office held as investment property which is currently rented out Category of land use: Building	Built up area: 3,078 square feet	The land can only be transferred, leased or charged with the consent of the State Authority of Selangor	RM105,303

** 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

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PBJV GROUP SDN BHD (524536-A)

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ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2017

SHARE CAPITAL

Issued and Paid-Up Share Capital	:	RM165,039,891.00 comprising 825,199,455 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

ANALYSIS BY SIZE OF HOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	%
Less than 100	1,051	17.12	14,768	0.00
100 to 1,000	727	11.84	465,224	0.06
1,001 to 10,000	2,890	47.08	15,446,448	1.87
10,001 to 100,000	1,266	20.63	41,852,000	5.07
100,001 to 41,259,971(*)	201	3.27	399,324,178	48.39
(*: less than 5% of issued shares)				
41,259,972 and above (**)	3	0.05	368,096,837	44.61
(**: 5% and above of issued shares)				
TOTAL	**6,138**	**100.00**	**825,199,455**	**100.00**

SUBSTANTIAL SHAREHOLDERS

		Direct		Indirect	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Nik Hamdan Bin Daud	367,396,837	44.52	33,935,000*	4.11
2.	Felda Investment Corporation Sdn Bhd	73,500,000	8.91	–	–

DIRECTORS' SHAREHOLDINGS

		Direct		Indirect	
No.	Name	No. of Shares	%	No. of Shares	%
1.	Dato' Mohamed Sabri Bin Mohamed Zain	–	–	–	–
2.	Nik Hamdan Bin Daud	367,396,837	44.52	33,935,000*	4.11
3.	Datuk Azizan Bin Haji Abd Rahman	–	–	–	–
4.	Sulaiman Bin Ibrahim	5	0.00 ^	–	–
5.	Nurhilwani Binti Mohamad Asnawi	5	0.00 ^	–	–
6.	Azman Shah Bin Mohd Zakaria	20,611,624	2.50	–	–
7.	Rasdee Bin Abdullah	–	–	–	–
8.	Dato' Seri Oh Teik Chay	9,611,717	1.16	–	–

* *Deemed interested by virtue of his shareholding in United Power Group Holdings Limited pursuant to Section 8(4) of the Companies Act 2016.*

^ *The percentage is negligible.*

LIST OF TOP 30 SHAREHOLDERS

AS AT 30 MARCH 2017

No.	Name of Shareholders	No. of Shares	%
1.	NIK HAMDAN BIN DAUD	230,896,837	27.981
2.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK ISLAMIC BERHAD FOR FELDA INVESTMENT CORPORATION SDN BHD	73,500,000	8.907
3.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (3RD PARTY-M8837)	63,700,000	7.719
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD	40,194,900	4.871
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	38,792,000	4.701
6.	KENANGA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR UNITED POWER GROUP HOLDINGS LIMITED (001)	33,935,000	4.112
7.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NIK HAMDAN BIN DAUD (PB)	31,400,000	3.805
8.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)	29,591,200	3.586
9.	AZMAN SHAH BIN MOHD ZAKARIA	20,611,624	2.498
10.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (021)	19,000,000	2.303
11.	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)	15,097,000	1.830
12.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK JOSEPH LAU	13,619,400	1.650
13.	MAYBANK INVESTMENT BANK BERHAD IVT (10)	13,616,600	1.650
14.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (3RD PARTY-M8767)	12,400,000	1.503
15.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NIK HAMDAN BIN DAUD (MARGIN)	10,000,000	1.212
16.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OH TEIK CHAY	8,961,717	1.086
17.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	6,688,600	0.811
18.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	4,356,400	0.528
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR ARECA ENHANCED INCOME FUND (211887)	4,330,000	0.525
20.	BEH ENG PAR	4,255,000	0.516

LIST OF TOP 30 SHAREHOLDERS

AS AT 30 MARCH 2017

No.	Name of Shareholders	No. of Shares	%
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOH KIN LIP (MY0502)	4,000,000	0.485
22.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	2,879,700	0.349
23.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG FLEXI FUNDII	2,834,700	0.344
24.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	2,678,900	0.325
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (KIB)	2,643,100	0.320
26.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD CIMB-PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	2,437,000	0.295
27.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH ENG SIEW (021)	2,308,600	0.280
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK PRIVATE WEALTH MANAGEMENT FOR CHOO MUN YEE (PW-M003 69) (853059)	2,253,100	0.273
29.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS GROWTH FUND	2,177,500	0.264
30.	RAHMAH BINTI ABDUL RAHIM	2,051,000	0.249

ANALYSIS OF HOLDINGS OF REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS")

AS AT 30 MARCH 2017

Total number of RCULS issued	:	208,021,362
Total number of outstanding RCULS	:	10,586,936
Issued Price of RCULS	:	RM0.20

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of RCULS holders	% of RCULS holders	No. of RCULS held	% of Issued RCULS
Less than 100	67	12.48	2,650	0.03
100 to 1,000	91	16.95	37,408	0.35
1,001 to 10,000	241	44.88	1,374,656	12.98
10,001 to 100,000	121	22.53	3,811,053	36.00
100,001 to 529,345(*)	16	2.98	3,343,469	31.58
(*: less than 5% of issued RCULS)				
529,346 and above (**)	1	0.19	2,017,700	19.06
(**: 5% and above of issued RCULS)				
TOTAL	**537**	**100.00**	**10,586,936**	**100.00**

DIRECTORS' RCULS HOLDINGS

		Direct		Indirect	
No.	Name	No. of RCULS	%	No. of RCULS	%
1.	Dato' Mohamed Sabri Bin Mohamed Zain	–	–	–	–
2.	Nik Hamdan Bin Daud	–	–	–	–
3.	Datuk Azizan Bin Haji Abd Rahman	–	–	–	–
4.	Sulaiman Bin Ibrahim	–	–	–	–
5.	Nurhilwani Binti Mohamad Asnawi	–	–	–	–
6.	Azman Shah Bin Mohd Zakaria	–	–	–	–
7.	Rasdee Bin Abdullah	–	–	–	–
8.	Dato' Seri Oh Teik Chay	357,400	3.376	–	–

LIST OF TOP 30 HOLDERS OF RCULS

AS AT 30 MARCH 2017

No.	Name	No. of Shares	%
1.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	2,017,700	19.058
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR ARECA STEADY FIXED INCOME FUND (712166)	500,000	4.723
3.	PIONEER PEGASUS SDN BHD	427,000	4.033
4.	OH TEIK CHAY	357,400	3.376
5.	MAZLAN BIN ABDUL HAMID	300,000	2.834
6.	OH ENG CHENG	230,400	2.176
7.	TAN KONG HENG	200,000	1.889
8.	NG BOO KEAN @ NG BEH KIAN	186,600	1.763
9.	YAP CHIH MING	150,000	1.417
10.	RHB NOMINEES (TEMPATAN) SDN BHD CHER LEE KIAT	140,000	1.322
11.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEN TONG YEE	134,900	1.274
12.	U YONG DOONG @ U SUNG KWI	133,400	1.260
13.	CHEW CHONG EU	125,000	1.181
14.	AHMAD MAZLAN BIN OSMAN	116,769	1.103
15.	AHMAD RADZI BIN OTHMAN	116,000	1.096
16.	FAZIDAH BINTI ABDUL RAHMAN	116,000	1.096
17.	LIM YAW YEU	110,000	1.039
18.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEY PIOW FEE (M07)	100,000	0.945
19.	EVA AZLIN BINTI ABDULLAH SUHAIMI	100,000	0.945
20.	GOH YOKE PENG	100,000	0.945
21.	LEOW WAI MUN	100,000	0.945
22.	LIM PENG HONG	100,000	0.945
23.	PAULENE CHEE YUET FANG	100,000	0.945
24.	T C HOLDINGS SENDIRIAN BERHAD	100,000	0.945
25.	ONG LIANG KHENG	90,000	0.850
26.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEY PIOW FEE	90,000	0.850
27.	K MALATHI A/P G KESAVAN NAIR	70,000	0.661
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEW SOOK KHIM	68,000	0.642
29.	MA PIN LING	61,900	0.585
30.	HUANG PHANG LYE	60,000	0.567

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of Barakah Offshore Petroleum Berhad ("Barakah" or "the Company") will be held at Ballroom 1, Tropicana Golf & Country Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 26 May 2017 at 9.30 a.m. to transact the following businesses:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To re-elect the following Directors of the Company who are retiring in accordance with Article 86 of the Constitution of the Company:-

   (i) Encik Nik Hamdan Bin Daud **Ordinary Resolution 1**

   (ii) Puan Nurhilwani Binti Mohamad Asnawi **Ordinary Resolution 2**

   (iii) Datuk Azizan Bin Haji Abd Rahman **Ordinary Resolution 3**

3. To approve the payment of Directors' fees of RM51,300 per month for the Non-Executive Directors, from 1 January 2017 until the next Annual General Meeting of the Company. **Ordinary Resolution 4**

4. To approve the payment of Directors' benefits of up to RM240,075 for the Non-Executive Directors, from 1 January 2017 until the next Annual General Meeting of the Company. **Ordinary Resolution 5**

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

As Special Business

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

6. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016**

   "THAT, subject always to the Sections 75 and 76 of the Companies Act 2016 **("the Act"),** the Constitution of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the capital of the Company from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this Resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad;

   AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 7**

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

BY ORDER OF THE BOARD
NG HENG HOOI (MAICSA 7048492)
WONG MEE KIAT (MAICSA 7058813)
Company Secretaries

Date: 28 April 2017

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 Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 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 18 May 2017 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. 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. **Resolution 4 and Resolution 5**
   Payment of Directors' fees and benefits

   Pursuant to Section 230(1) of the Companies Act 2016 which came into force on 31 January 2017, 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 1 January 2017 up till the next Annual General Meeting of the Company in 2018. The Remuneration comprises fees, meeting allowances and benefits-in-kind payable to non-executive directors.

3. **Resolution 7**
   Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

   The proposed Resolution 7 is intended to renew the authority granted to the Directors of the Company at the Fourth Annual General Meeting of the Company held on 1 June 2016 to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 10% of the total number of issued shares of the Company for the time being.

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

   The new General Mandate will enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

PROXY FORM

BARAKAH OFFSHORE PETROLEUM

BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
(Incorporated in Malaysia)

CDS account no. of authorised nominee	No. of Shares held

I/We, ______________________ IC No./ID No./Company No. ______________________

of ______________________

being a member of BARAKAH OFFSHORE PETROLEUM BERHAD hereby appoint ______________________

IC No./ID No. ______________________ of ______________________

or failing him/her, ______________________ IC No./ID No. ______________________

of ______________________

or failing him/her, *the Chairman of the Meeting as my/our proxy to vote and act for me/us, and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Ballroom 1, Tropicana Golf & Country Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 26 May 2017 at 9.30 a.m. and at any adjournment thereof.

** Please delete the words "the Chairman of the Meeting" if you wish to appoint some other person to be your proxy.*

My/our proxy is to vote as indicated below:

	Resolutions		
	Ordinary Business	**For**	**Against**
Ordinary Resolution 1	Re-election of Encik Nik Hamdan Bin Daud as Director		
Ordinary Resolution 2	Re-election of Puan Nurhilwani Binti Mohamad Asnawi as Director		
Ordinary Resolution 3	Re-election of Datuk Azizan Bin Haji Abd Rahman as Director		
Ordinary Resolution 4	Approval of the payment of Directors' fees of RM51,300 per month for the Non-Executive Directors, from 1 January 2017 until the next Annual General Meeting of the Company		
Ordinary Resolution 5	Approval of the payment of Directors' benefits of up to RM240,075 for the Non-Executive Directors, from 1 January 2017 until the next Annual General Meeting of the Company		
Ordinary Resolution 6	Re-appointment of Messrs. Crowe Horwath as Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Ordinary Resolution 7	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 Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 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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AFFIX
STAMP

The Share Registrar of
BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
C/O Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

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BARAKAH OFFSHORE PETROLEUM BERHAD (980542-H)
No. 28, Jalan PJU 5/4, Dataran Sunway
Kota Damansara, 47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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