Alam Maritim Resources Berhad

Company No. : 20050108734 (700849 - K)
(Incorporated in Malaysia)

Reports and Financial Statements
For The Financial Year Ended 31 December 2019

Company No: 20050108734 (700849 - K)

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

Board of Directors	:	Fina Norhizah Binti Haji Baharu Zaman Dato' Haji Ab Wahab Bin Haji Ibrahim Datuk Azmi Bin Ahmad Shaharuddin Bin Warno@ Rahmad Ahmad Hassanudin Bin Ahmad Kamaluddin Mohammad Suhaimi Bin Mohd Yasin
Company Secretary	:	Nuranisma Binti Ahmad (MAICSA 7067610) Nur Aznita Binti Taip (MAICSA 7067607)
Registered Office/ Principal Place of Business	:	38F, Level 3, Jalan Radin Anum Bandar Baru Sri Petaling 57000 Kuala Lumpur
Auditors	:	Al Jafree Salihin Kuzaimi PLT (LLP0006652-LCA) (AF1522) NO. 555, Jalan Samudra Utara 1 Taman Samudra 68100 Batu Caves Selangor Darul Ehsan
Principal Bankers	:	Malayan Banking Berhad OCBC Al-Amin Bank Berhad Standard Chartered Bank Berhad

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other information relating to the subsidiaries, associates and joint ventures are disclosed in Notes 16, 17 and 18 to the financial statement respectively.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year	**(80,280,833)**	**(35,393,781)**
Attributable to:		
Equity holders of the Company	**(79,479,150)**	**(35,393,781)**
Non-controlling interests	**(801,683)**	**-**
	(80,280,833)	**(35,393,781)**

DIVIDENDS

No dividend was paid or declared by the Company since the date of the last report. The Directors do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES AND DEBENTURES

During the financial year, the total number of issued ordinary shares of the Company was increased from 924,460,921 to 1,035,019,974 by way of conversion of Redeemable Convertible Notes comprising 110,559,053 new ordinary shares issued at the price of RM0.09 per shares.

The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company. There were no other issuance of shares during the financial year.

There were no issuance of debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

The Company has an Employees' Share Option Scheme ("ESOS"), which was approved at the Extraordinary General Meeting on 10 January 2019 by its members, for all the eligible employees of the Company.

The details of the ESOS are contained in the By-Laws and the salient features of the ESOS are disclosed in Note 34 to the financial statements.

The number and class of shares in respect of which the option has granted during the financial year are as follows:

Expiry date	Exercise price (RM)	Number of shares
2 April 2024	RM0.105	22,082,149

Details of options granted to Directors are disclosed in the section on Director's interests in this report.

DIRECTORS

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

Fina Norhizah Binti Haji Baharu Zaman
Dato' Haji Ab Wahab Bin Haji Ibrahim
Datuk Azmi Bin Ahmad**
Shaharuddin Bin Warno @ Rahmad**
Ahmad Hassanudin Bin Ahmad Kamaluddin**
Mohammad Suhaimi Bin Mohd Yasin

** These Directors are also Directors of the Company's subsidiaries.

DIRECTORS (CONTINUED)

The Directors of the Company's subsidiaries in office during the financial year and during the period from the end of the financial year up to the date of this report (not including those directors listed above) are:

Samuel Bernard Sassoon
Ho Swee Peng

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Group and Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Group and Company) by reason of a contract made by the Group and 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.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are disclosed in Note 10 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There is no indemnities coverage and insurance premiums paid for the Directors, officers and auditors of the Group and the Company during the financial year.

HOLDING COMPANY

The Directors regard SAR Venture Holdings (M) Sdn. Bhd., a company incorporated and domiciled in Malaysia, as the Company's immediate holding company.

SIGNIFICANT AND SUBSEQUENT EVENTS

Details of significant and subsequent events are disclosed in Note 42 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 9 to the financial statements

DIRECTORS' INTERESTS

According to the register of Directors' shareholding under section 59 of the Companies Act, 2016, the interests of Directors in office at the end of the financial year in the ordinary shares of the Company and its related corporations during the financial year are as follows:

	Number of Ordinary Shares			
	As at 1.1.2019	During the year Bought	Sold	As at 31.12.2019
Direct Interest				
Dato' Haji Ab Wahab Bin Haji Ibrahim	1,500	-	-	1,500
Datuk Azmi Bin Ahmad	2,292,748	-	-	2,292,748
Shaharuddin Bin Warno @ Rahmad	9,900	-	-	9,900
Ahmad Hassanudin Bin Ahmad Kamaluddin	1,875	-	-	1,875
Fina Norhizah Binti Haji Baharu Zaman	34,000	-	-	34,000
Indirect Interest				
Datuk Azmi Bin Ahmad*	330,581,061	-	-	330,581,061
Shaharuddin Bin Warno @ Rahmad	330,415,436	-	-	330,415,436
Ahmad Hassanudin Bin Ahmad Kamaluddin**	123,750	-	-	123,750

* Include interest by virtue of 165,625 shares held by spouse
** Interest by virtue of shares held by spouse

	Number of options over ordinary shares				
	As at 1.1.2019	Expired	Granted	Exercised	As at 31.12.2019
Datuk Azmi Bin Ahmad	924,000	(924,000)	2,773,383	-	2,773,383
Shaharuddin Bin Warno @ Rahmad	900,000	(900,000)	2,773,383	-	2,773,383
Ahmad Hassanudin Bin Ahmad Kamaluddin	900,000	(900,000)	2,773,383	-	2,773,383

By virtue of the abovementioned Directors' interest in the Company, these Directors are also deemed to have interests in the subsidiaries of the Company to the extent of the Company's interest in the subsidiaries.

None of the other Directors in office at the end of the financial year have interest in shares of the Company or its related corporations during the financial year ended 31 December 2019.

OTHER STATUTORY INFORMATIONS

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

a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:-

a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Group and the Company; or

b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate; or

d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

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

a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year and secures the liability of any other person; or

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

No contingent or other liability 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 the Company to meet its obligations as and when they fall due.

The directors state that:

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

b) No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

The Auditors, Messrs. AL JAFREE SALIHIN KUZAIMI PLT, have indicated their willingness to be re-appointed.

Approved by the Board and signed on behalf of the Directors,

DATO' HAJI AB WAHAB BIN HAJI IBRAHIM
Director

DATUK AZMI BIN AHMAD
Director

Selangor, Malaysia

Dated: 26 June 2020

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT, 2016

We, Dato' Haji Ab Wahab bin Haji Ibrahim and Datuk Azmi bin Ahmad, being two of the Directors of ALAM MARITIM RESOURCES BERHAD state that, in the opinion of the Directors, the financial statements of the Group and the Company set out on pages 17 to 117 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and financial performance of the Group and the Company for the financial year ended 31 December 2019.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 26 June 2020,

DATO' HAJI AB WAHAB BIN HAJI IBRAHIM
Director

DATUK AZMI BIN AHMAD
Director

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

I, MD NASIR BIN NOH, the Officer primarily responsible for the financial management of ALAM MARITIM RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 17 to 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	}	
the above-named MD NASIR BIN NOH	}	
at Selangor, Malaysia	}	
this day of 26 June 2020	}	MD NASIR BIN NOH

Before me:

Commissioner for Oaths

Kuala Lumpur, Malaysia

26 June 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Alam Maritim Resources Berhad ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position as at 31 December 2019 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 117 .

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and their 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, 2016 in Malaysia.

Basis of 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 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 judgement, were of most significance in our audit of the financial statements of the Group for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>

1. Impairment of Group's property, vessels and equipment

As at 31 December 2019, the carrying value of vessels is RM225,304,671, representing 80% of the Group's property, vessels and equipment and 40% of the Group's total assets.

The prolonged periods of certain vessels being idle were impairment indicators assessed by management.

An assessment was performed in accordance with the requirements of MFRS 136: *Impairment of assets*.

The recoverable amounts for vessels that are laid up are determined based on fair value less costs to sell ("FVLCTS"), and for assets identified for continuing use, these are determined based on value-in-use ("VIU"). An impairment loss of RM39. 4 million for the vessels was recognised during the financial year.

We focused on this area as significant estimates and judgements were applied in arriving at the fair value and VIU calculations.

</td><td>

- Evaluated and validated management's assessments for impairment indicators for the vessels based on the financial results during the year;
- For vessels with impairment indicators, we have performed the following procedures:

In relation to the FVLCTS for vessels that are laid up:

- We discussed with management on the basis of the expected selling price and checked the estimated selling price with valuation performed by independent valuers and offers received from potential buyers, where available;
- We compared the selling price of recent disposals of vessels against the preliminary offer prices to assess the average loss/gain rates on disposal;
- For laid up vessels, we have compared the conditions of these vessels by corroborating to operational and lay up reports from third parties; and

In relation to the VIU for vessels identified for continuing use:

- We evaluated the reasonableness of key assumptions used by management in arriving at the projected cash flows (i.e. likelihood of award of tender) by comparing to historical and market data;

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALAM MARITIM RESOURCES BERHAD (CONT'D)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
1. Impairment of Group's property, vessels and equipment (continued) Refer to Note 3(b)(iii) on critical accounting estimates and assumptions, Note 2(g) and Note 2(j) on summary of significant accounting policies and Note 13 to the financial statements.	• We held discussions with management on future prospects of the Group's business in its surrounding region; • Understood the likelihood of awards of future prospects and checked the information with bidding document, correspondences with potential customers and scope of work of similar projects performed by the Group; • Compared management's discount rates against the industry's weighted average cost of capital; and • Tested the mathematical accuracy of the VIU calculations prepared by management. Based on the procedures performed above, we did not find any material exceptions.
2. Revenue and costs recognition – offshore construction contract The Group recognises revenue from an offshore construction contract over time in the Consolidated Statement of Comprehensive Income. Progress of completion is measured using input method which is based on the contract costs incurred up to the end of the reporting period as a percentage of estimated total costs of the project.	We tested the operating effectiveness of the key controls in respect of the review and approval of project budget to assess the reliability of the budget. We identified and assessed the significant estimates and judgements made by management in the recognition of revenue and costs arising from construction contract. This was performed by corroborating the stage of completion and extent of costs incurred to date on the project by agreeing to internal or external quantity surveyors' latest valuations.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
2. Revenue and costs recognition – offshore construction contract (continued) The Group recognised revenue from offshore construction contract of RM151,067,516 million. The revenue recognised from the offshore construction contract represent 49% of total Revenue of the Group for the financial year ended 31 December 2019. Revenue recognition of a construction contract is inherently complex and we focused on this area because there are significant management estimates and judgements involved in determining the: • Stage of completion; • Extent of the construction costs incurred to date; • Estimated total construction costs; and • Need to estimate liquidated ascertained damages ("LAD") on the project where the estimated completion date is beyond the contractual completion date. Refer to Note 3 (b) (v) on critical accounting estimates and judgements, Notes 2(r) and 2(n) on summary of significant accounting policies and Note 21 to the financial statements.	We have also agreed, on a sample basis, costs incurred to the supporting documentation such as subcontractor claim certificates and invoices from vendors. We assessed the reasonableness of the estimated total construction costs of the project by agreeing to supporting documentation such as approved budgets, quotations, correspondences, contracts and variation orders with sub-contractors. With regards to potential delays, we assessed the potential cause of any delay by inspecting correspondences with project owner and corroborated key judgment applied by management in assessing any requirements for considerations of LAD to determine the transaction price of the project. Based on the procedures performed, we noted no material exceptions.

There are no key audit matters in relation to the financial statements of the Company.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report and other sections of the 2019 Annual Report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 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 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.

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements of the Group and 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 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and 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.

- 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 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 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 the Company, including the disclosures, and whether the financial statements of the Group and 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 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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 the Company for the current 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 2016 in Malaysia, we report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Group and the Company have been properly kept in accordance with the provisions of the Act;

(b) we are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and

(c) the auditors' reports on the financial statements of the subsidiaries were not subjected to any qualification and did not include any adverse comments made under Sub-section (3) of Section 266 of the Act. The subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALAM MARITIM RESOURCES BERHAD (CONT'D)
(Incorporated in Malaysia)

OTHER MATTERS

The financial statements of the Group and the Company for the year ended 31 December 2018 were audited by another auditor whom has expressed an unmodified opinion on these statements on 19 April 2019.

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.

AL JAFREE SALIHIN KUZAIMI PLT
AF 1522
Chartered Accountants

SIRI BIN SANYUT
No. 03078/07/2021J
Chartered Accountant

Dated : 26 June 2020

Selangor, Malaysia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**RM**	RM	**RM**	RM
Revenue	4	**306,669,474**	95,367,199	**-**	-
Cost of sales	5	**(292,505,574)**	(90,313,012)	**-**	-
Gross profit		**14,163,900**	5,054,187	**-**	-
Other income	6	**7,179,197**	5,908,031	**5,025,454**	6,402,829
Employee benefits expenses	7	**(18,151,637)**	(20,147,404)	**(301,806)**	(195,387)
Other expenses		**(68,099,179)**	(107,288,755)	**(37,132,216)**	(846,245)
Operating (loss)/profit		**(64,907,719)**	(116,473,941)	**(32,408,568)**	5,361,197
Finance costs	8	**(5,237,685)**	(11,435,530)	**(2,985,213)**	(6,296,182)
Share of results of associates		**-**	21,450,497	**-**	-
Share of results of joint ventures		**(10,607,967)**	(61,664,930)	**-**	-
Loss before tax	9	**(80,753,371)**	(168,123,904)	**(35,393,781)**	(934,985)
Taxation	11	**472,538**	509,841	**-**	(308,608)
Net loss for the financial year		**(80,280,833)**	(167,614,063)	**(35,393,781)**	(1,243,593)
Other comprehensive loss:					
Other comprehensive loss to be classified to profit or loss in subsequent period (net of tax):					
Foreign currency translation, representing other comprehensive loss for the year, net of tax		**(893,550)**	(1,754,756)	**-**	-
Total comprehensive loss for the year		**(81,174,383)**	(169,368,819)	**(35,393,781)**	(1,243,593)
Loss attributable to:					
Equity holders of the Company		**(79,479,150)**	(170,940,589)	**(35,393,781)**	(1,243,593)
Non-controlling interests		**(801,683)**	3,326,526	**-**	-
		(80,280,833)	(167,614,063)	**(35,393,781)**	(1,243,593)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Group		Company	
		2019	2018	**2019**	2018
	Note	**RM**	RM	**RM**	RM
Total comprehensive loss attributable to:					
Owners of the parent		**(80,555,934)**	(171,970,326)	**(35,393,781)**	(1,243,593)
Non-controlling interests		**(618,449)**	2,601,507	**-**	-
		(81,174,383)	(169,368,819)	**(35,393,781)**	(1,243,593)
Loss per share attributable to owners of the parent:					
Basic (sen)	12(a)	**(8.40)**	(18.50)		
Diluted (sen)	12(b)	**(8.40)**	(18.50)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**RM**	RM	**RM**	RM
Assets					
Non-current asset					
Property, vessels and equipment	13	**281,165,438**	334,404,744	**-**	-
Investment properties	14	**-**	-	**-**	-
Intangible assets	15	**-**	-	**-**	-
Investments in subsidiaries	16	**-**	-	**66,558,440**	100,303,120
Investments in associates	17	**-**	-	**-**	-
Interest in joint ventures	18	**55,798,939**	70,064,964	**-**	-
Deferred tax assets	19	**9,785,947**	5,537,612	**-**	-
		346,750,324	410,007,320	**66,558,440**	100,303,120
Current assets					
Inventories	20	**770,697**	1,109,355	**-**	-
Amount due from subsidiaries	31	**-**	-	**414,005,155**	358,427,080
Contract asset	21	**28,945,359**	-	**-**	-
Trade receivables	22	**96,465,893**	35,163,393	**-**	-
Other receivables	23	**101,888,210**	79,260,433	**5,279,508**	5,007,679
Tax recoverable		**2,655,839**	6,132,041	**-**	-
Cash and bank balances	24	**71,554,013**	81,775,922	**29,795,917**	28,738,327
		302,280,011	203,441,144	**449,080,580**	392,173,086
Non-current asset held for sale	25	**-**	10,978,265	**-**	-
		302,280,011	214,419,409	**449,080,580**	392,173,086
Total assets		**649,030,335**	624,426,729	**515,639,020**	492,476,206
Equity and Liabilities					
Equity					
Share capital	26	**406,265,386**	396,314,966	**406,265,386**	396,314,966
Other reserves	27	**(2,530,165)**	654,855	**-**	2,108,236
(Accumulated losses)/ Retained earnings	28	**(72,430,956)**	4,939,958	**(32,897,778)**	2,496,003
		331,304,265	401,909,779	**373,367,608**	400,919,205
Non-controlling interests		**(4,103,665)**	(3,485,216)	**-**	-
Total equity		**327,200,600**	398,424,563	**373,367,608**	400,919,205

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

		Group		Company	
	Note	**2019 RM**	2018 RM	**2019 RM**	2018 RM
Non-current liabilities					
Borrowings	29	**75,317,251**	87,100,822	**65,000,000**	66,000,000
Other payables	33	**-**	-	**-**	6,400,000
Deferred tax liabilities	19	**14,996,678**	11,068,345	**-**	-
		90,313,929	98,169,167	**65,000,000**	72,400,000
Current liabilities					
Borrowings	29	**47,566,781**	35,325,028	**9,000,000**	9,000,000
Trade payables	32	**117,225,520**	41,658,147	**-**	12,018
Other payables	33	**65,056,767**	50,704,068	**67,983,992**	9,999,227
Tax payable		**1,666,738**	145,756	**287,420**	145,756
		231,515,806	127,832,999	**77,271,412**	19,157,001
Total liabilities		**321,829,735**	226,002,166	**142,271,412**	91,557,001
Total equity and liabilities		**649,030,335**	624,426,729	**515,639,020**	492,476,206

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	← Attributable to owners of the parent →					
	Non-distributable		Distributable			
	Share capital (Note 26)	Other reserves (Note 27)	Retained earnings/ (Accumulated losses)	Total	Non-controlling interest	Total equity
	RM	RM	RM	RM	RM	RM
As at 1 January 2018	396,314,966	1,684,592	175,880,547	573,880,105	(3,483,877)	570,396,228
Loss for the financial year	-	-	(170,940,589)	(170,940,589)	3,326,526	(167,614,063)
Other comprehensive loss	-	(1,029,737)	-	(1,029,737)	(725,019)	(1,754,756)
Dividend	-	-	-	-	(2,602,846)	(2,602,846)
As at 31 December 2018	396,314,966	654,855	4,939,958	401,909,779	(3,485,216)	398,424,563
As at 1 January 2019	**396,314,966**	**654,855**	**4,939,958**	**401,909,779**	**(3,485,216)**	**398,424,563**
Loss for the financial year	**-**	**-**	**(79,479,150)**	**(79,479,150)**	**(801,683)**	**(80,280,833)**
Other comprehensive loss	**-**	**(1,076,784)**	**-**	**(1,076,784)**	**183,234**	**(893,550)**
Expiry of employee share options	**-**	**(2,108,236)**	**2,108,236**	**-**	**-**	**-**
Ordinary shares issued pursuant to the Redeemable Convertible Notes ("RCN")	**9,950,420**	**-**	**-**	**9,950,420**	**-**	**9,950,420**
As at 31 December 2019	**406,265,386**	**(2,530,165)**	**(72,430,956)**	**331,304,265**	**(4,103,665)**	**327,200,600**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Company	**Non-distributable**		**Distributable**	
	Share capital (Note 26) RM	**Other reserves (Note 27) RM**	**Retained earnings/ (Accumulated losses) (Note 28) RM**	**Total equity RM**
As at 1 January 2018	396,314,966	2,108,236	3,739,596	402,162,798
Total comprehensive loss for the financial year	-	-	(1,243,593)	(1,243,593)
As at 31 December 2018	396,314,966	2,108,236	2,496,003	400,919,205
As at 1 January 2019	**396,314,966**	**2,108,236**	**2,496,003**	**400,919,205**
Ordinary shares issued pursuant to the RCN	**9,950,420**	**-**	**-**	**9,950,420**
Expiry of employee share options	**-**	**(2,108,236)**	**-**	**(2,108,236)**
Total comprehensive loss for the financial year	**-**	**-**	**(35,393,781)**	**(35,393,781)**
As at 31 December 2019	**406,265,386**	**-**	**(32,897,778)**	**373,367,608**

Company No: 200501018734 (700849 - K)

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Loss before taxation	**(80,753,371)**	(168,123,904)	**(35,393,781)**	(934,985)
Interest income	**(1,783,787)**	(1,322,095)	**-**	(106,263)
Interest recharged to subsidiaries	**-**	-	**-**	(6,296,175)
Property, vessels and equipment:				
- Depreciation	**31,516,018**	38,410,382	**-**	-
- Loss on disposal	**1,492,525**	(2,169,528)	**-**	-
- Impairment	**39,439,339**	13,573,736	**-**	-
Finance costs	**5,237,685**	11,435,530	**-**	6,296,182
Trade receivables				
- Impairment loss	**-**	251,062	**-**	-
Net unrealised foreign exchange loss/(gain)	**209,947**	(1,121,644)	**(856,394)**	166,660
Share of results of associates	**-**	(21,450,497)	**-**	-
Share of results of joint ventures	**10,607,967**	61,664,930	**-**	-
Impairment loss on investment in associates	**-**	60,463,501	**-**	-
Impairment loss on interest in joint ventures	**4,935,914**	17,864,178	**-**	-
Impairment loss on interest in subsidiaries	**-**	-	**33,744,680**	-
Operating profit/(loss)before working capital exchange	**10,902,237**	9,475,651	**(2,505,495)**	(874,581)
Changes in working capital:				
Inventories	**338,658**	403,898	**-**	-
Contract asset	**(28,945,359)**	-	**-**	**-**
Trade and other receivables	**(78,266,701)**	88,898,100	**3,896,184**	**(184,303)**
Trade and other payables	**87,272,857**	(29,065,335)	**3,446,949**	5,137,575
Cash flows (used in)/ generated from operations	**(8,698,308)**	69,712,314	**4,837,638**	4,078,691
Interest paid	**(5,237,685)**	(11,435,530)	**-**	(6,296,182)
Taxation paid	**(408,586)**	(631,656)	**-**	-
Net cash flows (used in)/ generated from operating activities	**(14,344,579)**	57,645,128	**4,837,638**	(2,217,491)

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Cash flows (used in)/ generated from investing activities				
Purchase of property, vessels and equipment	**(9,213,553)**	(2,854,245)	**-**	-
Proceed from disposal of property, vessel and equipment	**1,410,334**	1,673,885	**-**	-
Proceed investment in joint ventures	**-**	(499,587)	**-**	-
Decrease in amounts due from subsidiaries	**-**	-	**(12,730,468)**	(3,279,554)
Interest received	**1,783,787**	1,322,095	**-**	6,402,438
Net cash flows (used in)/ generated from investing activities	**(6,019,432)**	(357,852)	**(12,730,468)**	3,122,884
Cash flows generated from/(used in) financing activities				
Proceed from issuance of RCN	**9,950,420**	-	**9,950,420**	-
Repayment of:				
- Term loans	**(1,100,774)**	(8,912,072)	**(1,000,000)**	-
- MTN	**(1,000,000)**	(15,721,360)	**-**	-
- Hire purchase and finance lease liabilities	**(294,385)**	(505,876)	**-**	-
Dividend paid to non-controlling interest	**-**	(2,602,846)	**-**	-
Cash set aside for marginal deposit	**-**	(493,248)	**-**	-
Movement in sinking fund	**994,765**	(860,210)	**1,818,566**	(925,415)
Net cash flows generated from/(used in) financing activities	**8,550,026**	(29,095,612)	**10,768,986**	(925,415)

ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Net (decrease)/increase in cash and cash equivalents	**(11,813,985)**	28,191,664	**2,876,156**	(20,022)
Net foreign exchange difference	**-**	171,001	**-**	-
Cash and cash equivalents at beginning of the financial year	**33,841,377**	5,478,712	**216,898**	236,920
Cash and cash equivalents at the end of the financial year (Note 24)	**22,027,392**	33,841,377	**3,093,054**	216,898

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

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

The immediate holding company is SAR Venture Holdings (M) Sdn. Bhd., which is incorporated in Malaysia and is an investment holding company.

The registered office and principal place of business is located at 38F, Level 3, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities and other information relating to the subsidiaries, associates and joint ventures are disclosed in Notes 16, 17 and 18 to the financial statement respectively.

There have been no significant changes in the nature of principal activities of the Company and of its subsidiaries, associates and joint ventures during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards (‘MFRS’), International Financial Reporting Standards and the provisions of the Companies Act, 2016.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with MFRS required the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report amounts of the revenues and expenses during the reported financial year. It also requires the Directors to exercise their judgment in the process of applying the Group and the Company accounting policies.

Adoption of new and revised standards

The following are accounting standards, interpretations and amendments of the MFRS that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRS, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- The conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Amendments to MFRS 3: Definition of Business Combination

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation of financial statements (continued)

Adoption of new and revised standards (continued)

MFRS, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRS, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

Other than adoption of MFRS 16, the adoption of other pronouncements did not have significant impact on the financial statements of the Group and Company. The details of the adoption of MFRS 16 are disclosed in Note 40.

b) Basis of consolidation

(i) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisitions date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation (continued)

(i) Business combination (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquire either at fair value or at the appropriate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS Goodwill arising from acquisitions before 1 January 2011 has been carried forward from previous FRS framework as at the date of transition.

(ii) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). The cost of investments includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation (continued)

(iii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the statements of comprehensive income.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's shares of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation (continued)

(v) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associates at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is summarized in the profit or loss.

When the Group's interest in an associates decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation (continued)

(vi) Joint arrangements (continued)

Joint arrangements are classified and accounted for as follows (continued):

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company.

Non-controlling interest in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Company.

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue

Revenue from contracts with customers is recognised by reference to each distinct promise of goods and services (a performance obligation) in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. When the standalone selling prices are not directly observable, they are estimated based on expected cost-plus margin. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Charter hire of vessels, ship catering and other shipping related income

The Group provides vessels and associated services to customers at the request of the customer. Provision of vessels and associated services is single performance obligation. Revenue from chartering and hiring of vessels is recognised over the period based on time lapsed method, determined based on the actual time lapsed relative to the total services period. There is no element of financing contained in the revenue as sales are generally made with a standard credit terms which is consistent with market practices unless otherwise as applicable and disclosed in the financial statements. Accrued income is recognised within trade receivables when the services have been rendered but pending billings to be made.

For income from the hire of third party vessels, it is assessed whether the Group is acting as a principal or an agent. Where it has been assessed that the Group is acting as an agent, income is recognised net of charter costs.

(ii) Revenue from offshore installation and construction

Revenue relating to offshore installation and construction are recognised in accordance with the policy set out in Note 2(n).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Revenue (continued)

(iii) Diving and sub-sea services

The above revenue is recognised on accrual basis when the services are rendered.

(iv) Rental of equipment

Rental of equipment is recognised on straight-line basis over the term of the lease.

(v) Vessel's management fees

Management fees are recognised on accrual basis based on predetermined rate.

(vi) Sales of diving equipment

Revenue from the sales of diving equipment is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

(vii) Interest income

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

(viii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

d) Employee benefits

(i) *Short term employee benefits*

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Employee benefits (continued)

(i) Short term employee benefits (continued)

Profit-sharing and bonus plans are recognised when the Group and the Company has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group and the Company has no realistic alternative but to make the payments.

(ii) Defined contribution plan

Contributions to the statutory pension scheme are recognised as an expense in profit or loss in the financial year to which they relate.

(iii) Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognised the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset when the expenditures for the asset and borrowing costs are being incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended during any extended periods in which active development is interrupted and ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in profit or loss in the financial year in which they are incurred.

f) Income tax

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are charged or credited to other comprehensive income or equity if the tax relates to items that are credited or charged directly to other comprehensive income or equity.

Current tax liabilities are measured based on the amounts expected to be paid, using the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences which are the differences between the carrying amount in the financial statements and the corresponding tax base of an asset or liability at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities and assets are not recognised if the temporary differences arise from goodwill and for initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit. Deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amounts of its assets and liabilities and are measured using the tax rates that have been enacted or substantially enacted by the reporting date.

The carrying amount of the deferred tax assets are reviewed at each reporting date, and the carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. The reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, vessels and equipment

All items of property, vessels and equipment are initially recorded at cost. The cost of an item of property, vessels and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, vessels and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, vessels and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives ad depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the vessels and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Vessels are depreciated in equal annual basis to reduce the cost of vessels to its residual value over their estimated useful lives of 25 years.

Drydocking costs are capitalised and amortised over the period of the vessel’s next drydocking cycle which range approximately between 2.5 to 5 years.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of property and other equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

	Rate
Long term leasehold land	99 years
Leasehold building	2% to 3%
Vessels	4%
Drydocking	20% to 40%
Diving equipment	10%
Equipment on vessel	10%
Motor vehicles	20%
Computers	33.3%
Office equipment	10%
Furniture and fittings	10%
Renovations	10%

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, vessels and equipment (continued)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, vessels and equipment.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

h) Investment properties

Investment properties, that are held to earn rentals or for capital appreciation or both, are stated at fair value. Gains or losses arising from a change in the fair value of investment properties are recognised in profit or loss during the financial year in which they arise.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses in accordance with Note 2(j).

The residual values, useful lives and depreciation methods are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the investment properties.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Intangible assets

(i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group’s cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwills forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Costs directly attributable to the development of design for deep sea remotely operated subsea vehicles and peripherals are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group’s intention to complete, its ability to use or sell the asset, how the asset will generate future economic benefits, and the costs can be measured reliably. Such costs include payroll-related costs of employees directly involved in the project and other costs directly related to the project. Research costs are expensed as incurred.

Deferred development costs are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to the profit or loss account using the straight-line method over their estimated useful lives of five years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Impairment of non-financial assets

At each reporting date, the Group and the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated. Irrespective of whether there is any indication of impairment, the Group and the Company tests an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually.

When it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

An impairment loss recognised in prior periods for an asset, other than goodwill, is reversed if there has been a change in the estimate used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised, and is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation increase.

k) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Non-current assets held for sale (continued)

On initial classification as held for sale, non-current assets or disposal groups are measured at the lower of the carrying amounts and fair value less costs to sell. Immediately before the initial classification as held for sale, the carrying amounts of non-current assets or disposal groups are measured in accordance with applicable MFRS.

An impairment loss shall be recognised for any initial or subsequent write-down of the assets or disposal groups to fair value less costs to sell. Subsequent increase in fair value less costs to sell shall be recognised as a gain in profit or loss, to the extent of the cumulative impairment loss that has been recognised.

l) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are initially translated at the exchange rate at the dates of the transactions.

At the reporting date, foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at the exchange rate ruling at that date. Exchange differences arising on the settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates at the date of the transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

(ii) Net investment in a foreign operation

Exchange differences arising on the monetary items that, in substance, forms part of the Group and the Company's net investment in a foreign operation are recognised in the Group's and the Company's profit or loss. In the consolidated financial statements, such exchange differences are reclassified to equity only if the monetary items are denominated in either the functional currency of the Group and the Company or the foreign operation. Deferred exchange differences are recognised in profit or loss on disposal of the investment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Foreign currency (continued)

(iii) Presentation currency

The financial statements of the Group and the Company are presented in Ringgit Malaysia as the shareholders of the Group and the Company are primarily residing in Malaysia. Assets and liabilities are translated from the functional currency, Singapore Dollar, into Ringgit Malaysia using the exchange rate ruling at the reporting date. Income and expenses are translated using exchange rate approximates to those ruling at the date of the transactions. Equity items other than current year's results are translated using the historical rate. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of translation reserves.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

n) Construction contract

When the outcome of a construction contract activity can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Stage of completion is determined based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue are recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the financial year in which they are incurred.

Contract revenue also includes variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably.

An expected loss on the construction contract is recognised as an expense immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ('FVTOCI'):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss ('FVTPL').

(ii) Amortised cost and effective interest method

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial assets (continued)

(ii) Amortised cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "investment income" line item.

(iii) Debt instruments classified as at FVTOCI

Subsequent measurement of debt instruments depends on the Group and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classifies its debt instruments:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial assets (continued)

(iii) Debt instruments classified as at FVTOCI (continued)

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ('OCI'), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss. Interest revenue and foreign exchange gains or losses which are recognised in profit or loss. OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains or losses are presented in other gains or losses and impairment expenses in other expenses.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

(iv) Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group and the Company management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment. Dividends from such investments continue to be summarised in profit or loss as other income when the Group and the Company right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial assets (continued)

(v) Financial assets at fair value through profit or loss ('FVTPL')

This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group and the Company do not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(vi) Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income ("FVTOCI"), lease receivables, amounts due from customers under construction contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognises lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial assets (continued)

(vi) Impairment of financial assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(vii) Derecognition of financial assets

The Group and the Company derecognise a financial asset when the contractual right to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group and the Company neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group and the Company enter into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value.

q) Provisions

A provision is recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are recognised based on a reliable estimate of the amount of the obligation.

r) Contract assets

Contract asset is the right to consideration for goods or services transferred to the customers. The Group’s contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset’s carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Contract assets (continued)

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

s) Lease

On 1 January 2019, the Group have adopted MFRS 16 Leases ("MFRS 16") which replaces the previous leasing guidance under MFRS 117 Leases. The newly adopted MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet) and requires a lessee to recognise a "right-of-use" asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The Group's activities as lessor are not material to-date.

As allowed by the transitional provision of MFRS 16, the Group have elected to apply the simplified transition approach and not to restate the comparative amounts for the year prior to first adoption. Right-of-use assets and corresponding lease liabilities on right-of-use assets will be measured on transition as if the new rules had always been applied.

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified assets for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution rights, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Lease (continued)

Definition of a lease (continued)

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified assets for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether: (continued)

- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either the lessee has the right to operate the asset; or the lessee designed the asset in a way that predetermines how and for what purpose it will be used.

Contract may contain both lease and non-lease components. The Group allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group are lessee, they have elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) As lessee

Lease term

In determining the lease term, the Group consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group re-assess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group are reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term. A revision in lease term results in re-measurements of the lease liabilities. See accounting policy on re-assessment of lease liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Lease (continued)

(i) As lessee (continued)

Right-of-use assets ("ROU")

ROU assets are initially measured at cost, which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

ROU assets that are not investment properties are subsequently measured at costs, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group are reasonably certain to exercise a purchase option, the ROU asset shall be depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurements of the lease liabilities. The ROU asset presented as a separate line item in the statement of financial position.

For existing leasehold properties with no corresponding lease liabilities due to full settlement upfront, at initial date of adoption of MFRS 16, these leasehold properties shall continue to be presented as part of property, plant and equipment.

ROU assets that meet the definition of investment property in accordance with MFRS 140 are presented in the statement of financial position as investment property. Subsequent measurement of the ROU asset is consistent with those investment properties owned by the Group (refer to accounting policy Note 2(h) on investment properties).

Lease liabilities

Lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Lease (continued)

(i) As lessee (continued)

Lease liabilities (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- penalties payments for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group present the lease liabilities within the borrowings line item in the statements of financial position. Interest expense on the lease liabilities is presented within the finance cost in the statements of comprehensive income.

Re-assessment of lease liabilities

Lease liability is re-measured when there is a change in the future variable lease payments arising from a change in an index or rate, or if there is a revision of in-substance fixed lease payments, or a revision in the lease term, or if there is a change in the Group and the Company estimate of the amount expected to be payable under a residual value guarantee, which are not included in the lease liability until they take effect. When these adjustments to the lease payments take effect, the lease liability is re-measured and adjusted against the ROU assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Lease (continued)

Short term leases and leases of low value assets

The Group have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. Payments associated with short-term leases of tools and equipment for oilfield activities, tools and equipment and chartering of vessels for project based activities of short tenure and leases of low value assets are recognised on a straight-line basis over the lease term as expense in profit or loss.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

(i) **As lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are summarized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Lease (continued)

Accounting policies applied until 31 December 2018 (continued)

(ii) **A lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for rental income set out in Notes 2 (i) and 2 (iv).

t) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(i) Financial liabilities at FVTPL

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Group and the Company do not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group and the Company do not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Financial liabilities (continued)

(ii) Other financial liabilities

Other financial liabilities include the following items:

- bank borrowings and the Group and the Company perpetual preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- liability components of convertible loan notes are measured as described further below.

- trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(iii) Derecognition of financial liabilities

The Group and the Company derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group and the Company also derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Fair value measurement

Fair value of an asset or a liability is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability 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 participants that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date.

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

Level 3 : Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

w) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Segment reporting (continued)

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

a) Judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group and the Company accounting policies that have a significant effect on the amounts recognised in the financial statements.

(i) Financial guarantee contracts

Financial guarantee contracts relate to a corporate guarantee provided by the Company for the financing facilities granted to a subsidiary and joint ventures.

The Company assumes that there is a significant increase in credit risk when a subsidiar and joint ventures' financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary and joint ventures are unlikely to repay its credit obligation to the bank in full; or
- The subsidiary and joint ventures are continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loan individually using internal information available.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation of vessels and equipment on vessel

The cost of vessels and equipment on vessel are depreciated on a straight-line basis over the assets' useful life. Management estimates the useful lives of the Group's vessels to be 25 years and equipment on vessel to be 10 years. These are common life expectancies applied in the shipping industry. Charges in the expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of vessels and equipment on vessel is disclosed in Note 13.

(ii) Impairment of receivables

As at 31 December 2019, the Group's trade receivables are grouped based on shared credit risk characteristics and days past due, with expected loss rates assessed based on the Group's historical credit loss experience.

The Group further evaluates the expected credit loss ('ECL') on customers on case-by-case basis, which may be assessed based on indicators such as changes in financial capability of the debtor, and default or significant delay in payments.

The Group's credit risk exposure for trade receivables are set out in Note 39.

(iii) Impairment review of vessels' carrying value

The Group assesses at each reporting date whether there is any indication that the asset may be impaired. To determine whether there is objective evidence of impairment, the Group considers external and internal factors such as the current economic outlook, average utilisation rate as well as ability of the entity to secure long term contract. Where there is objective evidence of impairment, the amount of impairment loss is measured at the difference between the asset's carrying amount and the recoverable amount. The recoverable amount of an asset is a higher of the fair value less cost to sell and its value in use.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

b) Key sources of estimation uncertainty (Continued)

(iii) Impairment review of vessels' carrying value (continued)

To determine fair value less cost to sell requires an estimation on price at which an orderly transaction to sell the asset would take place between market participants under current market condition. While to determine value in use requires estimation on the future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows. The amount of impairment on vessels, if any, is as disclosed in Note 13.

<u>Sensitivity to changes in assumptions</u>

The sensitivity tests indicated that with a decrease in the vessels' utilisation rate or daily charter rate by 10%, the recoverable amount will be varied by approximately 18%.

(iv) Impairment of investments in associates and joint ventures

The Group assesses whether there is any indication that an investment in associates and joint ventures may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts and estimated recoverable amounts of the investments.

Judgements made by management in the process of applying the Group's accounting policies in respect of investments in associates and joint venture are as follows:

(i) The Group determines whether its investments are impaired following certain indications of impairment such as amongst others shortfall between Group's cost of investment and share of net assets, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

b) Key sources of estimation uncertainty (Continued)

(iv) Impairment of investments in associates and joint ventures (continued)

(ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or revised net assets value.

Once a suitable method of valuation is selected, management makes certain key assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

(v) Construction contracts

The Group recognises contract revenue based on input method. The stage of completion is measured by reference to the contract costs incurred up to reporting date as a percentage of total estimated costs for each contract. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract costs, the profitability of the contract, including the foreseeable losses, potential claims (variation orders) to owner of the project and counter claims from subcontractors and liquidated ascertained damages ("LAD") based on expected completion dates of the contract. In making this judgement, the Directors took into consideration the current circumstances and relied on input from the Group's project manager, external consultants, where appropriate, and past experience. In addition, in determining the provision for LAD to be recorded, the Directors also assessed the ability of the Group to recover from the subcontractors, the potential LAD imposed on the Group by the project owners for delays in projects caused directly by the subcontractors.

4. REVENUE

	Group	
	2019	2018
	RM	RM
Charter hire	**76,615,732**	43,833,025
Offshore installation and construction	**152,858,267**	5,412,726
Diving and sub-sea services	**59,879,646**	25,867,115
Rental of equipment	**2,636,634**	5,719,923
Other shipping related income	**4,609,206**	3,369,626
Vessel's management fees	**7,194,938**	7,969,000
Ship catering	**2,875,051**	3,195,784
	306,669,474	95,367,199

5. COST OF SALES

Cost of sales represents cost of services provided, labour cost related overheads, development cost, cost of goods sold, and cost of operation.

The following employee benefit expenses have been included in arriving at cost of sales:

	Group	
	2019	2018
	RM	RM
Wages and allowances	**12,996,427**	17,193,518
Contributions to defined contribution plan – EPF	**962,530**	800,258
Social security contributions	**66,378**	77,762
	14,025,335	18,071,538

6. OTHER INCOME

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Interest income	**1,783,787**	1,322,095	**1,184,865**	106,263
Interest income on MTN	**-**	-	**2,985,213**	-
Interest recharged to subsidiaries				6,296,175
Gain of foreign exchange:				
- Realised	**1,161,894**	117,007	**-**	391
- Unrealised	**2,437,269**	248,606	**855,376**	-
Rental of premises	**198,223**	330,820	**-**	-
Gain on disposal of property, vessels and equipment	**-**	2,169,528	**-**	-
Other income	**1,598,024**	1,719,975	**-**	-
	7,179,197	5,908,031	**5,025,454**	6,402,829

7. EMPLOYEES BENEFITS EXPENSES

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Salaries, bonuses and allowances	**14,788,789**	16,129,160	**280,922**	119,136
Contribution to defined contribution plan	**1,512,100**	1,611,086	**-**	-
Social security contributions	**109,453**	101,302	**-**	-
Other staff related expenses	**1,741,295**	2,305,856	**20,884**	76,251
	18,151,637	20,147,404	**301,806**	195,387
Cost of sale (Note 5)	**14,025,335**	18,071,538	**-**	-
	32,176,972	38,218,942	**301,806**	195,387

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM3,091,121 (2018: RM3,238,101) as further disclosed in Note 10.

8. FINANCE COSTS

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Interest expense on:				
Term loans	**318,972**	1,864,083	**-**	-
Hire purchase and finance lease liabilities	**46,738**	77,295	**-**	-
Sukuk Ijarah MTN	**2,985,213**	6,296,175	**2,985,213**	6,296,182
Revolving credit	**1,629,548**	2,913,380	**-**	-
Other borrowings	**257,214**	284,597	**-**	-
	5,237,685	11,435,530	**2,985,213**	6,296,182

9. LOSS BEFORE TAX

Loss before tax is arrived after charging/(credited) the following items:

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Non-executive directors' Remuneration (Note 10)	**335,321**	277,883	**335,321**	277,883
Auditors' remuneration:				
- Statutory audits	**188,762**	196,400	**47,700**	45,000
- Other auditors	**-**	59,956	**-**	-
Operating leases payment:				
- premises	**900,114**	1,208,256	**-**	-
Property, vessel and equipment:				
- Depreciation (Note 13)	**31,516,018**	38,410,382	**-**	-
- Impairment loss (Note 13)	**39,439,339**	13,573,736	**-**	-
- Loss/(Gain) on disposal	**1,492,525**	(2,169,528)	**-**	-
Impairment loss on trade receivables (Note 22)	**-**	251,062	**-**	-
Impairment loss amount due from joint ventures (Note 23)	**-**	9,778,418	**-**	**-**
Net unrealised foreign exchange (loss)/gain	**(2,647,216)**	(1,121,644)	**(1,018)**	166,660
Impairment loss on interest in associates (Note 17)	**-**	60,463,501	**-**	-
Impairment loss on interest in joint venture (Note 18)	**4,935,914**	17,864,178	**-**	-
Inventories:	**-**	11,435,530	**-**	6,296,182
- Impairment loss (Note 20)	**806,074**	464,720	**-**	-
Impairment loss on interest in subsidiaries	**-**	-	**33,744,680**	-

10. DIRECTORS' REMUNERATION

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Executive:				
Salaries and other emoluments	**2,844,089**	2,847,069	**-**	-
Defined contribution plan	**247,032**	247,032	**-**	-
Estimated money value of benefits-in-kind	**-**	144,000	**-**	-
Total executive directors' remuneration	**3,091,121**	3,238,101	**-**	-
Non-executive:				
Fees and other emoluments	**335,321**	277,883	**335,321**	277,883
Total non-executive directors' remuneration	**335,321**	277,883	**335,321**	277,883
Total directors' remuneration	**3,426,442**	3,515,984	**335,321**	277,883

11. INCOME TAX EXPENSE

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Current tax expense				
Current financial year - Malaysia	**(4,783,161)**	158,948	**-**	-
Under provision in prior financial years - Malaysia	**-**	460,273	**-**	308,608
	(4,783,161)	619,221		308,608
Deferred tax expense				
Temporary differences	**4,326,304**	(5,715,830)	**-**	-
(Over)/Under provision in prior financial years	**(15,681)**	4,586,768	**-**	-
	4,310,623	(1,129,062)	**-**	-
Total income tax expense	**(472,538)**	(509,841)	**-**	308,608

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense is reconciled to the accounting loss at the applicable tax rate as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Loss before tax	**(80,753,371)**	(168,123,904)	**(35,393,781)**	(934,985)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**(19,380,809)**	(40,349,737)	**(8,494,507)**	(224,396)
Different tax rates in other countries	**212,089**	(82,917)	**-**	-
Different tax rate in other tax jurisdiction	**12,273,566**	19,861,344	**-**	-
Effect of share of result of joint ventures and associates	**132,882**	9,651,466	**-**	-
Expenses non-deductible for tax purposes	**930,822**	5,049,811	**8,494,507**	224,396
Deferred tax assets not recognised	**5,374,773**	313,151	**-**	-
Under provision of income tax in prior years	**-**	460,273	**-**	308,608
Under provision of deferred tax in prior years	**(15,861)**	4,586,768	**-**	-
Income tax (credit)/expense for the year	**(472,538)**	(509,841)	**-**	308,608

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Unutilised tax losses	**32,463,036**	21,960,445	**-**	**-**
Unabsorbed capital allowances	**8,311,739**	2,227,884	**-**	**-**
Other deductible temporary differences	**-**	35,036,136	**-**	**-**
	40,774,775	59,224,465	**-**	-

11. INCOME TAX EXPENSE (CONTINUED)

Deferred tax assets are not recognised for the above temporary differences as it is not probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised by the Company as the future profit streams are unpredictable. However, the unused tax losses may be carried forward indefinitely.

12. EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing loss for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	2019 **RM**	2018 RM
Loss attributable to owners of the parent of the Company	**(79,479,150)**	(170,940,589)
Weighted average number of ordinary shares in issue	**944,404,757**	924,460,921
Basic loss per share (sen)	**(8.4)**	(18.5)

b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the loss for the year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares such as share options granted to employees.

	2019 **RM**	2018 RM
Loss attributable to owners of the parent of the Company	**(79,479,150)**	(170,940,589)
Weighted average number of ordinary shares in issue	**944,404,757**	924,460,921
Adjusted weighted average number of ordinary shares in issue and issuable	**944,404,757**	924,460,921
Diluted loss earnings per share (sen)	**(8.4)**	(18.5)

13. PROPERTY, VESSELS AND EQUIPMENT

Group	Long term leasehold RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving equipment and equipment on vessels RM	Motor vehicle RM	Computers, office equipment, and furniture and fittings RM	Renovations RM	Asset under construction RM	Total RM
Cost										
At 1 January 2018	-	11,639,363	610,194,549	49,105,852	128,897,982	5,023,917	8,513,455	5,050,232	6,684,574	825,109,924
Additions	-	-	-	1,912,961	941,284	-	-	-	-	2,854,245
Transfer from investment properties (Note 14)	-	1,944,859	-	-	-	-	-	-	-	1,944,859
Disposals	-	(1,451,055)	(6,435,000)	(496,491)	(2,387,775)	-	(944,620)	-	(6,684,574)	(18,399,515)
Exchange differences	-	-	-	-	(636,614)	-	(11,556)	-	-	(648,170)
At 31 December 2018	**-**	**12,133,167**	**603,759,549**	**50,522,322**	**126,814,877**	**5,023,917**	**7,557,279**	**5,050,232**	**-**	**810,861,343**
Additions	**-**	**-**	**3,324,590**	**5,880,848**	**-**	**-**	**8,115**	**-**	**-**	**9,213,553**
Transfer from non-current assets held for sale (Note 25)	**12,039,510**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,039,510**
Disposals	**-**	**-**	**(7,197,162)**	**-**	**(495,669)**	**-**	**-**	**-**	**-**	**(7,692,831)**
Transfer to subsidiaries	**-**	**-**	**(74,918,131)**	**(12,485,059)**	**(3,050,211)**	**-**	**-**	**-**	**-**	**(90,453,401)**
At 31 December 2019	**12,039,510**	**12,133,167**	**524,968,846**	**43,918,111**	**123,268,997**	**5,023,917**	**7,565,394**	**5,050,232**	**-**	**733,968,174**

13. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Group	Long term leasehold RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving equipment and equipment on vessels RM	Motor vehicle RM	Computers, office equipment, and furniture and fittings RM	Renovations RM	Asset under construction RM	Total RM
Accumulated depreciation										
At 1 January 2018	-	2,549,345	288,534,713	39,075,796	89,273,245	3,913,782	7,186,051	3,493,809	-	434,026,741
Charge for the year	-	331,180	23,798,332	4,301,237	8,281,221	492,434	626,839	579,139	-	38,410,382
Transfer from investment properties (Note 14)	-	295,286	-	-	-	-	-	-	-	295,286
Disposals	-	-	(5,634,612)	(579,240)	(2,350,958)	-	(941,011)	-	-	(9,505,821)
Impairment	-	-	13,573,736	-	-	-	-	-	-	13,573,736
Exchange differences	-	-	-	-	(332,434)	-	(11,291)	-	-	(343,725)
At 31 December 2018	**-**	**3,175,811**	**320,272,169**	**42,797,793**	**94,871,074**	**4,406,216**	**6,860,588**	**4,072,948**	**-**	**476,456,599**
Charge for the year	**20,269**	**102,304**	**19,559,911**	**2,372,299**	**8,168,440**	**428,512**	**636,054**	**228,229**	**-**	**31,516,018**
Transfer from non-current assets held for sale (Note 25)	**1,061,245**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,061,245**
Disposals	**-**	**-**	**(4,662,500)**	**-**	**(127,472)**	**-**	**-**	**-**	**-**	**(4,789,972)**
Impairment	**-**	**-**	**39,439,339**	**-**	**-**	**-**	**-**	**-**	**-**	**39,439,339**
Transfer to subsidiaries	**-**	**-**	**(74,944,744)**	**(12,532,403)**	**(3,046,288)**	**-**	**-**	**-**	**-**	**(90,523,435)**
Exchange differences		**-**	**-**	**-**	**(357,058)**	**-**	**-**	**-**	**-**	**(357,058)**
At 31 December 2019	**1,081,514**	**3,278,115**	**299,664,175**	**32,637,689**	**99,508,696**	**4,834,728**	**7,496,642**	**4,301,177**	**-**	**452,802,736**
Net book value										
At 1 January 2018	**-**	**9,090,018**	**321,659,836**	**10,030,056**	**39,624,737**	**1,110,135**	**1,327,404**	**1,556,423**	**6,684,574**	**391,083,183**
At 31 December 2018	**-**	**8,957,356**	**283,487,380**	**7,724,529**	**31,943,803**	**617,701**	**696,691**	**977,284**	**-**	**334,404,744**
At 31 December 2019	**10,957,996**	**8,855,052**	**225,304,671**	**11,280,422**	**23,760,301**	**189,189**	**68,752**	**749,055**	**-**	**281,165,438**

13. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

The carrying amounts of the property, plant and equipment under finance lease of the Group and the Company are as follows:

	Group	
	2019	2018
	RM	RM
Motor vehicles	**189,189**	617,701

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 30.

The Group has pledged the following property, vessels and equipment to licensed banks to secure banking facilities granted to the Group as disclosed in Note 29 are as follows:

	Group	
	2019	2018
	RM	RM
Leasehold buildings	**8,855,052**	8,957,356
Vessels	**225,304,671**	283,487,380

The Group has performed a review of the recoverable amount of the Group's vessels. Impairment assessment review for each vessels were performed as those assets are able to generate its own identifiable cash inflows. The review led to the recognition of impairment losses of the Group's vessels amounting to RM39,439,339 (2018: RM13,573,736). The impairment recognised in the current financial year was based on the recoverable amount of approximately RM255,519,058 (2018: RM297,965,613). The recoverable amount of the vessels were based on the higher of the assets' fair value less costs to sell and its value in use.

Value in use ("VIU") calculations

Estimating the VIU of the vessels involves estimates made by the directors relating to the future cash inflows and outflows that will be derived from the vessels, and discounting them at an appropriate rate.

13. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Value in use ("VIU") calculations (continued)

VIU was determined by discounting the future cash flows expected to be generated from the continuing use of the vessels and ROV. The following describes each key assumption used:

(i) Revenue

Revenue are estimated based on existing order book and anticipated contracts, which affect the vessels' utilisation rate and daily charter rate.

(ii) Budgeted gross margins

Gross margins are estimated based on forecast margins for order book, management's expectation and past experience

(iii) Discount rate

The discount rate reflects specific risk relating to the assets. The discount rate used is 10% (2018: 10%).

Valuation judgement by an independent professional valuer

External valuer were engaged to issue valuation reports on 9 group of vessels, which was classified based on similar specification and characteristics. Further assessment performed to estimate the fair value of each vessel in reference to the valuation reports, taking into consideration of significant factors (amongst others vessels' classification, age, year built and engine capacity).

The valuations were carried out by an independent professional valuer, Maphilindo-Insight Sdn. Bhd.

The valuation judgement by the independent professional valuer was derived using the following assumptions:

(i) The type, size, main and auxiliary machinery fitted on board and other specification of the vessels.

(ii) The age of the vessels and its future economic life expectancy.

(iii) The condition of the vessels' hull, machinery and equipment are consistent with its age as noted with the normal wear and tear.

(iv) The current supply and demand for vessels of this type and size in the sales and purchase market.

13. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Sensitivity to changes in assumptions

The sensitivity tests indicated that with a decrease in the vessels' utilisation rate or daily charter rate by 10%, the recoverable amount will be varied by approximately 18%.

14. INVESTMENT PROPERTIES

	Group	
	2019	2018
	RM	RM
Cost		
At 1 January	**-**	1,944,859
Transfer to property, vessels and equipment	**-**	(1,944,859)
At 31 December	**-**	-
Accumulated depreciation		
At 1 January	**-**	295,286
Transfer to property, vessels and equipment	**-**	(295,286)
At 31 December	**-**	-
Net book value		
At 31 December	**-**	-

15. INTANGIBLE ASSETS

	Goodwill on consolidation RM	Deferred development costs RM	Total RM
Group			
Cost			
At 1 January 2018	1,738,224	912,275	2,650,499
Exchange differences	7,592	3,985	11,577
At 31 December 2018	1,745,816	916,260	2,662,076
At 1 January 2019	**1,738,224**	**912,275**	**2,650,499**
Exchange differences	**7,592**	**3,985**	**11,577**
At 31 December 2019	**1,745,816**	**916,260**	**2,662,076**
Accumulated amortisation and impairment			
At 1 January 2018	1,738,224	912,275	2,650,499
Exchange differences	7,592	3,985	11,577
At 31 December 2018	1,745,816	916,260	2,662,076
At 1 January 2019	**1,738,224**	**912,275**	**2,650,499**
Exchange differences	**7,592**	**3,985**	**11,577**
At 31 December 2019	**1,745,816**	**916,260**	**2,662,076**
Net book value			
At 31 December 2018	-	-	-
At 31 December 2019	**-**	**-**	**-**

Deferred development costs represent costs incurred to develop remotely operated vehicles and peripherals.

Allocation of goodwill

The carrying amount of goodwill is allocated to the Group's cash-generating unit ("CGU") that the goodwill relates to, which is the sub-sea service business.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	2018
	RM	RM
Unquoted shares, at cost	**100,303,120**	100,303,120
Impairment allowance	**(33,744,330)**	-
Written off during the year	**(350)**	-
	66,558,440	100,303,120

The subsidiaries, which were incorporated in Malaysia, are as follows:

	Name of subsidiaries	Country of Incorporation	Principal activities	Group's effective 2019 %	Group's effective 2018 %
(i)	**Held by the Company:**				
	Alam Maritim (M) Sdn. Bhd. ("AMSB")	Malaysia	Ship owning, chartering and managing and other shipping related activities	100	100
	Alam Maritim (L) Inc. ("AMLI")	Federal Territory of Labuan, Malaysia	Investment holding and ship owning	100	100
	Alam Maritim Investment^ Holdings (L) Inc. ("AMIH")	Federal Territory of Labuan, Malaysia	Investment holding and ship owning	100	100
	Alam JV Holding (L) Inc. ("ALAM JV") **	Federal Territory of Labuan, Malaysia	Investment holding and ship owning	100	100
	Alam Maritim Global I Ltd. ("AMG") **	British Virgin Islands	Investment holding	100	100
(ii)	**Held through AMSB:**				
	Alam Hidro (M) Sdn Bhd. ("AHSB")	Malaysia	Offshore facilities construction and installation and sub-sea services	100	100
	Alam Offshore Services & Logistics Sdn. Bhd. ("AOLSB") **	Malaysia	Transportation, ship forwarding and Agent, ship chandelling and other related activities	100	100
	Alam Food Industries (M) Sdn. Bhd. ("AFI") **	Malaysia	Catering and messing services	100	100
	Alam Maritim Properties (M) Sdn. Bhd. ("AMP")	Malaysia	Property owner and management	100	100
(iii)	**Held through AHSB:**				
	Alam Hidro (L) Inc. ("AHLI") **	Federal Territory of Labuan, Malaysia	Offshore facilities construction and installation and sub-sea services	100	100
(iv)	**Held through AMLI:**				
	Eastar Offshore Pte Ltd. ("EASTAR") **	Singapore	Designing manufacturing and operating of remotely operated Vehicles ("ROVs")	75	75

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries, which were incorporated in Malaysia, are as follows: (continued)

Name of subsidiaries	Country of Incorporation	Principal activities	Group's effective 2019 %	Group's effective 2018 %
(v) Held through EASTAR:				
Alam Subsea Pte. Ltd ("ASPL") **	Singapore	Rental of ROV and providing ROV services	75	75
(vi) Held through AMIH				
Alam Maritim Investment I (L) Inc. ("AMI I")^	Federal Territory of Labuan, Malaysia	Ship owning	100	100
Alam Maritim Investment II (L) Inc. ("AMI II")^	Federal Territory of Labuan, Malaysia	Ship owning	100	100
Alam Maritim Investment III (L) Inc. ("AMI III")^	Federal Territory of Labuan, Malaysia	Ship owning	100	100
Alam Maritim Investment IV (L) Inc. ("AMI IV")^	Federal Territory of Labuan, Malaysia	Ship owning	100	100
Alam Maritim Investment V (L) Inc. ("AMI V")^	Federal Territory of Labuan, Malaysia	Ship owning	100	100

** Audited by firms other than Al Jafree Salihin Kuzaimi PLT (2018: AFTAAS).

^ Companies struck off on 6 December 2019.

The subsidiaries do not have non-controlling interests that are material to the Group. Therefore, the summarised statements of financial position, statements of comprehensive income and statements of cash flows of the subsidiaries with non-controlling interests are not disclosed.

17. INVESTMENTS IN ASSOCIATES

	Group	
	2019	2018
	RM	RM
Unquoted shares, at cost	**61,699,516**	61,699,516
Share of post-acquisition reserves	**-**	-
	61,699,516	61,699,516
Less: Impairment loss	**(61,699,516)**	(61,699,516)
	-	-

Summarised financial information in respect of each of the Group material associated company is set out below. The summarised financial information represents the amounts in the consolidated MFRS financial statements of the associates and not the Group share of those amounts.

(i) Summarised consolidated statements of financial position

	TH-Alam Holdings (L) Inc.	
	2019	2018
	RM	RM
Assets and liabilities		
Non-current assets	**203,655,648**	228,063,044
Current assets	**29,621,016**	14,858,677
Total assets	**233,276,664**	242,921,721
Non-current liabilities	**189,280,210**	149,366,812
Current liabilities	**33,093,691**	78,937,682
Total liabilities	**222,373,901**	228,304,494
Net assets	**10,902,763**	14,617,227

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

(ii) Summarised consolidated statements of comprehensive income

	TH-Alam Holdings (L) Inc.	
	2019	2018
	RM	RM
Revenue for the year	**32,611,867**	33,887,064
Depreciation of property, vessel and equipment	**(30,151,193)**	(19,540,389)
Impairment on property, vessel and equipment	**(10,336,312)**	(50,722,867)
Interest income	**79,929**	6,897
Interest expense	**(9,944,453)**	(10,034,316)
Income tax expense	**-**	(40,000)
Loss for the year, representing total comprehensive income	**(18,734,340)**	(64,786,857)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's investments in associates:

	TH-Alam Holdings (L) Inc.	
	2019	2018
	RM	RM
Net assets as at 31 December	**10,902,763**	14,617,227
Loss for the year, representing total comprehensive income	**(18,734,340)**	(64,786,857)
Investment in associates	**49%**	49%
Carrying value of Group's investment in associates	**5,342,354**	7,162,441
Group's share of results of associates	**(9,179,827)**	(31,745,560)

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the associates are as follows: (continued)

	Name of associates	Country of Incorporation	Principal activities	Group's effective 2019 %	Group's effective 2018 %
(i)	**Held through AMLI:**				
	TH-Alam Holdings (L) Inc. ("THAH") **	Federal Territory of Labuan, Malaysia	Investment holding	49	49
(ii)	**Held through THAH:**				
	Alam-JV DP1 (L) Inc. ("AJVDP1") **	Federal Territory of Labuan, Malaysia	Ship owning	49	49
	Alam-JV DP2 (L) Inc. ("AJVDP2") **	Federal Territory of Labuan, Malaysia	Ship owning	49	49

** Audited by firms other than Al Jafree Salihin Kuzaimi PLT (2018: AFTAAS).

18. INTEREST IN JOINT VENTURES

The Group has 50% of the voting rights of its joint arrangements. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities.

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

	Group 2019 RM	Group 2018 RM
Unquoted shares, at cost	**93,134,378**	93,134,378
Share of post-acquisition reserves	**1,618,980**	10,949,091
	94,753,358	104,083,469
Redeemable preference shares	**6,000,000**	6,000,000
Less: Impairment loss	**(44,954,419)**	(40,018,505)
	55,798,939	70,064,964

18. INTEREST IN JOINT VENTURES (CONTINUED)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts.

(i) Summarised statements of financial position

	ALAM-PE (H) Group RM	ARLI RM
2019		
Assets and liabilities		
Non-current assets	**103,934,848**	**85,884,525**
Cash and cash equivalent	**1,500,729**	**164,897**
Other current assets	**32,433,212**	**35,197,301**
Total assets	**137,868,789**	**121,246,723**
Trade and other payables	**7,889,809**	**20,540,385**
Other current liabilities	**100,000**	**118,737,103**
Total liabilities	**7,989,809**	**139,277,488**
Net assets/(liabilities)	**129,878,971**	**(18,030,765)**

	ALAM-PE (H) Group RM	ARLI RM
2018		
Assets and liabilities		
Non-current assets	148,015,218	-
Cash and cash equivalent	4,021,254	112,147
Other current assets	30,501,500	119,716,593
Total assets	182,537,972	119,828,740
Trade and other payables	4,608,661	26,116,406
Other current liabilities	5,118,640	76,575,028
Total liabilities	9,727,301	102,691,432
Net assets	172,810,671	17,137,308

18. INTEREST IN JOINT VENTURES (CONTINUED)

(ii) Summarised statements of comprehensive income

	ALAM-PE (H) Group RM	ARLI RM
2019		
Revenue	**14,698,237**	**10,678,244**
Depreciation of property, vessels and equipment	**(11,066,255)**	**(8,745,666)**
Impairment on property, vessels and equipment	**(44,115,273)**	**(24,385,756)**
Interest expense	**-**	**(3,923,485)**
Loss before tax	**(45,145,021)**	**(35,042,728)**
Income tax expense	**(46,719)**	**-**
Total comprehensive loss for the financial year	**(45,191,740)**	**(35,042,728)**

	ALAM-PE (H) Group RM	ARLI RM
2018		
Revenue	18,328,888	5,550,080
Depreciation of property, vessels and equipment	(11,495,745)	(8,680,432)
Impairment on property, vessels and equipment	(24,445,563)	(20,638,992)
Interest expense	-	(9,602,129)
Loss before tax	(33,922,138)	(41,268,468)
Income tax expense	(101,948)	(20,000)
Total comprehensive loss for the financial year	(34,024,086)	(41,288,468)

18. INTEREST IN JOINT VENTURES (CONTINUED)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures:

	ALAM-PE (H) Group RM	ARLI RM
2019		
Net assets as at 31 December	**129,878,980**	**6,354,991**
Total comprehensive loss for the financial year	**(45,191,740)**	**(35,042,728)**
Interest in joint venture	**51%**	**51%**
Carrying value of Group's interest in joint ventures	**66,238,280**	**3,241,045**
Group's share of joint ventures	**(23,047,787)**	**(17,871,791)**

	ALAM-PE (H) Group RM	ARLI RM
2018		
Net assets as at 31 December	172,810,671	17,137,308
Total comprehensive loss for the financial year	(34,024,086)	(41,288,468)
Interest in joint venture	51%	51%
Carrying value of Group's interest in joint ventures	88,133,442	8,740,027
Group's share of joint ventures	(17,352,284)	(21,057,119)

18. INTEREST IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows:

Name of joint ventures	Country of Incorporation	Principal activities	Group's effective 2019 %	Group's effective 2018 %
(i) Held through AMSB:				
Alam Eksplorasi (M) Sdn. Bhd. ("AESB") **	Malaysia	Ship owning, operating and chartering	60	60
Alam Synergy I (L) Inc. ("AS I") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Synergy II (L) Inc. ("AS II") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Synergy III (L) Inc. ("AS III") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Radiance (M) Sdn. Bhd. ("ARMSB") **	Malaysia	Ship owning, ship management, ship operation, maintenance and consultancy	50	50
YSS Alam Energy (M) Sdn. Bhd. ("YSS Alam") **	Malaysia	Ship owning, ship management, ship operation, maintenance and consultancy	50	50
(ii) Held through AMLI:				
Workboat International DMCCO ("WBI") **	United Arab Emirates	Ship owning, ship management ship operation, maintenance and consultancy	60	60
Alam Brompton (L) Inc. ("ABLI") **	Federal Territory of Labuan, Malaysia	Ship owning, ship management, ship operation, maintenance and consultancy	51	51
Alam Fast Boats (L) Inc. ("AFBLI") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Swiber DLB 1 (L) Inc. ("ASDLB1") **	Federal Territory of Labuan, Malaysia	Ship owning and chartering	51	51
Alam Radiance (L) Inc. ("ARLI") **	Federal Territory of Labuan, Malaysia	Ship owning and chartering chartering	51	51
TH Alam Management (M) Sdn. Bhd. ("THAM") **	Malaysia	Ship management and consultancy	50	50
Alam-PE Holdings (L) Inc. ("ALAM-PE(H)") **	Federal Territory of Labuan, Malaysia	Ship owning, ship management ship operation, maintenance and marine consultancy	51	51
Globe Alam Marine Offshore Services Co. ("Globe Alam") **	Saudi Arabia	Offshore facilities construction and installation services	40	40

18. INTEREST IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

Name of joint ventures	Country of Incorporation	Principal activities	Group's effective 2019 %	Group's effective 2018 %
(iii) Held through ALAM-PE(H):				
Alam-PE I (L) Inc. ("ALAM-PE I") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
Alam-PE II (L) Inc. ("ALAM-PE II") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
Alam-PE III (L) Inc. ("ALAM-PE III") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
Alam-PE IV (L) Inc. ("ALAM-PE IV") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
Alam-PE V (L) Inc. ("ALAM-PE V") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
Alam-PE Holdings Sdn. Bhd. ("ALAM-PE(H)SB") **	Malaysia	Ship management	51	51
(iv) Held through AMIH:				
Deepsea Leader Venture (L) **Inc.** ("DLV") **	Federal Territory of Labuan, Malaysia	Ship owning, ship management ship operation, maintenance and marine consultancy	51	51
(v) Held through DLV:				
MDSV 1 (L) Inc. ("MDSV") **	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
OLV Offshore Services (M) Sdn. Bhd. ("OLV") **	Malaysia	Ship owning, ship management ship operation, maintenance and marine consultancy	51	51
(vi) Held through Alam JV:				
Wide Global (L) Inc. ("WG") **	Federal Territory of Labuan, Malaysia	Investment holding and ship owning	50	50
(vii) Held through AHSB:				
Subsea Worldwide Solutions Sdn. Bhd. ("SWS") **	Malaysia	Providing offshore under water and subsea services	50	50

** Audited by firms other than Al Jafree Salihin Kuzaimi PLT (2018:AFTAAS).

These joint ventures have the same reporting period as the Group and accounted for by using equity method.

19. DEFERRED TAXATION

	Group	
	2019	2018
	RM	RM
At 1 January	**5,530,733**	3,896,169
Recognised in profit or loss (Note 11)	**4,310,623**	(1,129,062)
Exchange differences	**(4,630,625)**	2,763,626
At 31 December	**5,210,731**	5,530,733

Presented after appropriate offsetting as follows:

Deferred tax assets	**(9,785,947)**	(5,537,612)
Deferred tax liabilities	**14,996,678**	11,068,345
	5,210,731	5,530,733

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

Deferred tax liabilities of the Group:

	Accelerated allowances RM
At 1 January 2019	**11,068,345**
Recognised in profit or loss	**8,558,958**
Exchange differences	**(4,630,625)**
At 31 December 2019	**14,996,678**
At 1 January 2018	4,853,365
Recognised in profit or loss	3,451,354
Exchange differences	2,763,626
At 31 December 2018	11,068,345

19. DEFERRED TAXATION (CONTINUED)

Deferred tax assets of the Group:

	Allowance for doubtful debts RM	Unutilised tax losses and unabsorbed capital allowances RM	Total RM
At 1 January 2019	**-**	**(5,537,612)**	**(5,537,612)**
Recognised in profit or loss	**-**	**(4,248,335)**	**(4,248,335)**
At 31 December 2019	**-**	**(9,785,947)**	**(9,785,947)**
At 1 January 2018	-	(957,196)	(957,196)
Recognised in profit or loss	-	(4,580,416)	(4,580,416)
At 31 December 2018	-	(5,537,612)	(5,537,612)

20. INVENTORIES

	Group	
	2019	2018
	RM	RM
At cost:		
Raw materials	**1,248,356**	1,246,221
Spare parts	**328,415**	327,854
Less: Impairment loss	**(806,074)**	(464,720)
	770,697	1,109,355

21. CONTRACT ASSET

	Group	
	2019	2018
	RM	RM
Current		
Contract assets		
Construction contracts	**28,045,359**	-
	28,045,359	-

The contract assets primarily relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its construction activities. The contract assets will be transferred to trade receivables when the rights become unconditional.

22. TRADE RECEIVABLES

	Group	
	2019	2018
	RM	RM
Current		
Third parties	**92,516,764**	60,124,521
Accrued charter hire income	**38,162,681**	9,252,425
Less: Allowance for impairment	**(34,213,553)**	(34,213,553)
	96,465,892	35,163,393
Non-current		
Third parties	**54,263,341**	54,263,341
Less: Allowance for impairment	**(54,263,341)**	(54,263,341)
	-	-
Trade receivables, net	**96,465,892**	35,163,393

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other information on financial risks of trade receivables is disclosed in Note 39.

22. TRADE RECEIVABLES (CONTINUED)

Ageing analysis of trade receivables

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

	Group	
	2019	2018
	RM	RM
Neither past due nor impaired	**14,505,993**	14,424,613
1 to 30 days past due not impaired	**10,356,153**	10,655,198
31 to 60 days past due not impaired	**11,542,114**	2,803,328
61 to 90 days past due not impaired	**10,564,798**	504,806
91 to 120 days past due not impaired	**11,395,649**	3,452,715
More than 121 days past due not impaired	**38,101,186**	3,322,733
	81,959,900	20,738,780
Impaired	**88,476,894**	88,476,894
	184,942,787	123,640,287

<u>Trade receivables that are neither past due nor impaired</u>

As at 31 December 2019, the Group has trade receivables amounting to RM14,505,993 (2018: RM14,424,613) that were neither past due nor impaired.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

22. TRADE RECEIVABLES (CONTINUED)

Trade receivables that are past due but not impaired

As at 31 December 2019, the Group has trade receivables amounting to RM81,959,900 (2018: RM20,738,780) that are past due at the reporting date but not impaired.

At the reporting date, 65 % (2018: 58%) of trade receivables that are past due but not impaired are amounts due from established creditworthy major oil companies with minimum collection risk. The balance of receivables that are past due but not impaired are unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

Trade receivables that are impaired

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The reconciliation of movement in the impairment loss of trade receivables is as follows:

	Group	
	2019	2018
	RM	RM
At 1 January	**88,476,894**	88,225,832
Charge for the year (Note 9)	**-**	251,062
At 31 December	**88,476,894**	88,476,894

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Amount due from related parties:				
- Joint ventures	**130,776,253**	113,418,022	**4,936,168**	4,923,722
- Associates	**47,321**	37,179	**45,870**	37,179
	130,823,574	113,455,201	**4,982,038**	4,960,901
Less: Impairment loss	**(61,043,414)**	(61,043,414)	**-**	-
	69,780,160	52,411,787	**4,982,038**	4,960,901
Deposits	**231,049**	1,234,503	**-**	-
Prepayments	**13,901,654**	12,983,300	**-**	-
Sundry receivables	**17,975,347**	12,630,843	**297,470**	46,778
Total other receivables	**101,888,210**	79,260,433	**5,279,508**	5,007,679

Amount due from related parties are unsecured, non-interest bearing and repayable on demand.

The reconciliation movement in the impairment loss of other receivables is as follows:

	Group	
	2019	2018
	RM	RM
At 1 January	**61,043,414**	51,264,996
Charge for the year (Note 9)	**-**	9,778,418
At 31 December	**61,043,414**	61,043,414

Other information of financial risks of other receivables are disclosed in Note 39.

24. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Cash on hand and at bank	**24,399,417**	34,260,415	**3,093,054**	216,898
Deposits with licensed bank (a)	**47,154,596**	47,515,507	**26,702,863**	28,521,429
Cash and bank balances	**71,554,013**	81,775,922	**29,795,917**	28,738,327
Less: Bank overdrafts (Note 29)	**(3,232,912)**	(646,073)	**-**	-
Amount set aside as sinking fund (b)	**(38,279,046)**	(39,273,809)	**(26,702,863)**	(28,521,429)
Amount set aside as margin deposits for bank guarantee facilities (c)	**(8,014,663)**	(8,014,663)	**-**	-
Total cash and cash equivalents	**22,027,392**	33,841,377	**3,093,054**	216,898

(a) The weighted average effective interest rate per annum and the remaining maturity of deposits of the Group as at 31 December 2019 are 2.4% (2018:2.4%) and 36 days (2018:36 days) respectively.

(b) Amounts set aside as sinking fund are pledged to secure the borrowings as disclosed in Note 29.

(c) Guarantee to third parties for the performance obligations by the subsidiaries. No liability is expected to arise.

Other information on financial risks of cash and bank balances are disclosed in Note 39.

The currency exposure profile of cash and bank balances as at end of the reporting period is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Ringgit Malaysia	**70,558,068**	79,766,862	**29,795,917**	28,738,327
United State Dollar	**1,722**	453,257	-	-
Singapore Dollar	**994,223**	1,555,803	-	-
	71,554,013	81,775,922	**29,795,917**	28,738,327

25. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2019	2018
	RM	RM
At 1 January	**10,978,265**	10,978,265
Transfer to property, vessels and equipment:		
Cost (Note 13)	**(12,039,510)**	-
Accumulated depreciation (Note 13)	**1,061,245**	-
At 31 December	**-**	10,978,265

26. SHARE CAPITAL

	Number of ordinary shares	← Amount →		
	Share capital (issued and fully paid)	Share capital (issued and fully paid) RM	Share premium RM	Total RM
At 1 January 2019	**924,460,921**	**396,314,966**	**-**	**396,314,966**
Addition	**110,559,053**	**9,950,420**	**-**	**9,950,420**
At 31 December 2019	**1,035,019,974**	**406,265,386**	**-**	**406,265,386**
At 1 January 2018/ 31 December 2018	924,460,921	396,314,966	-	396,314,966

27. OTHER RESERVES

	Premium paid on acquisition of non-controlling interest RM	Foreign currency translation reserve RM	Employee share option reserve RM	Total RM
Group				
At 1 January 2019	**(4,639,834)**	**3,186,453**	**2,108,236**	**654,855**
Foreign currency translation	**-**	**(1,076,784)**	**-**	**(1,076,784)**
Expiry of employees share options	**-**	**-**	**(2,108,236)**	**(2,108,236)**
At 31 December 2019	**(4,639,834)**	**2,109,669**	**-**	**(2,530,165)**
At 1 January 2018	(4,639,834)	4,216,190	2,108,236	1,684,592
Foreign currency translation	-	(1,029,737)	-	(1,029,737)
At 31 December 2018	(4,639,834)	3,186,453	2,108,236	654,855

	Employee share option reserve RM	Total RM
Company		
At 1 January 2019	**2,108,236**	**2,108,236**
Expiry of employees share options	**(2,108,236)**	**(2,108,236)**
At 31 December 2019	**-**	**-**
At 1 January 2018/ 31 December 2018	2,108,236	2,108,236

27. OTHER RESERVES (CONTINUED)

The nature and purpose of each category are as follows:

(i) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(ii) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees as disclosed in Note 34. 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.

28. RETAINED EARNINGS

During the financial year, the Company is under single-tier tax system, tax on the Company's chargeable income is a final tax and any dividend distributed will be exempted from tax in the hands of shareholders.

29. BORROWINGS

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 24)	**3,232,912**	646,073	**-**	-
Term loans	**2,225,779**	2,459,823	**-**	-
Sukuk Ijarah MTN	**9,000,000**	9,000,000	**9,000,000**	9,000,000
Hire purchase and finance lease liabilities (Note 30)	**517,131**	369,205	**-**	-
	14,975,822	12,475,101	**9,000,000**	9,000,000
Unsecured:				
Revolving credits	**32,590,959**	22,849,927	**-**	-
	47,566,781	35,325,028	**9,000,000**	9,000,000
Long term borrowings				
Secured:				
Term loans	**9,971,390**	10,838,120	**-**	-
Sukuk Ijarah MTN	**65,000,000**	66,000,000	**65,000,000**	66,000,000
Hire purchase and finance lease liabilities (Note 30)	**345,861**	788,171	**-**	-
	75,317,251	77,626,291	**65,000,000**	66,000,000
Unsecured:				
Revolving credits	**-**	9,474,531	**-**	-
	75,317,251	87,100,822	**65,000,000**	66,000,000
Total borrowings				
Bank overdrafts (Note 24)	**3,232,912**	646,073	**-**	-
Revolving credits	**32,590,959**	32,324,458	**-**	-
Term loans	**12,197,169**	13,297,943	**-**	-
Sukuk Ijarah MTN	**74,000,000**	75,000,000	**74,000,000**	75,000,000
Hire purchase and finance lease liabilities (Note 30)	**862,992**	1,157,376	**-**	-
	122,884,032	122,425,850	**74,000,000**	75,000,000

29. BORROWINGS (CONTINUED)

Maturity of borrowings (excluding hire purchase and finance lease liabilities):

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Not later than 1 year	**47,049,650**	34,955,824	**9,000,000**	9,000,000
Later than 1 year not later than 2 years	**17,044,845**	26,117,756	**14,400,000**	14,400,000
Later than 2 years not later than 5 years	**57,926,545**	57,850,279	**50,600,000**	51,600,00
Later than 5 years	**-**	2,344,615	**-**	-
	122,021,040	121,268,474	**74,000,000**	75,000,000

The weighted average effective interest rates at the reporting date for borrowings, excluding hire purchase and finance lease liabilities of the Group, are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	%	%	**%**	%
Bank overdrafts	**6.60**	6.60	**-**	-
Term loans	**5.00**	5.00	**-**	-
Sukuk Ijarah MTN	**5.00**	5.00	**5.00**	5.00
Revolving credits	**3.80**	3.80	**-**	-

30. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group	
	2019	2018
	RM	RM
Future minimum lease payments:		
Not later than 1 year	**565,321**	409,869
Later than 1 year and not later than 2 years	**234,876**	621,602
Later than 2 year and not later than 5 years	**123,508**	195,040
Later than 5 years	**-**	29,788
Total future minimum lease payments	**923,705**	1,256,299
Less: Future finance charges	**(60,713)**	(98,923)
Present value of finance lease liabilities (Note 29)	**862,992**	1,157,376
Analysis of present value:		
Not later than 1 year	**517,131**	369,205
Later than 1 year and not later than 2 years	**224,823**	582,642
Later than 2 year and not later than 5 years	**121,038**	178,500
Later than 5 years	**-**	27,029
	862,992	1,157,376
Less: Amount due within 12 months (Note 29)	**(517,131)**	(369,205)
Amount due after 12 months (Note 29)	**345,861**	788,171

The Group's hire purchase and finance lease liabilities bear flat interest rates of 2.77% (2018:2.77%) per annum.

Other information on financial risks of hire purchase and finance lease liabilities is disclosed in Note 39.

31. AMOUNT DUE FROM SUBSIDIARIES

Amount due from subsidiaries are non-trade in nature, unsecured and repayable on demand except for an amount of RM74,000,000 (2018: RM75,000,000) which bears interest rate between 5.2% per annum and 5.6% per annum (2018: between 5.2% per annum and 5.6% per annum).

Included in amount due from subsidiaries are an amount related to financial guarantee given by the Company to its subsidiaries for banking facilities amounting to RM10 million.

Further details on related party transactions are disclosed in Note 37.

32. TRADE PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Third parties	**117,225,520**	41,658,147	**-**	12,018

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 60 days (2018: 30 to 60 days).

Other information on financial risks of trade payables is disclosed in Note 39.

33. OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Current:				
Amounts due to related parties:				
- Joint ventures	**38,973,223**	14,872,902	**58,127,834**	-
- Associates	**3,782,072**	4,031,355	**-**	-
	42,755,295	18,904,257	**58,127,834**	-
Financial guarantee contract	**-**	-	**3,600,000**	3,600,000
Accrued expenses	**21,149,629**	27,302,762	**5,949,098**	6,277,296
Sundry payables	**1,151,843**	4,497,049	**307,060**	121,931
	65,056,767	50,704,068	**67,983,992**	9,999,227
Non-current:				
Financial guarantee contract	**-**	-	**-**	6,400,000

Amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

Financial guarantee is a guarantee given by the Company to its subsidiaries for banking facilities.

Other information on financial risks of other payables is disclosed in Note 39.

34. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

Company has implemented the New ESOS with effect from 2 April 2019 ("Effective Date of New ESOS"), being the date on which the Company is in full compliance with Paragraph 6.43(1) of the Main Market Listing Requirements of Bursa Securities.

Pursuant to the above, the Existing ESOS shall be terminated on 2 April 2019 ("Termination Date of Existing ESOS") and replaced by the New ESOS. As at the Termination Date of the Existing ESOS, the Company has a total of 80,549,000 Outstanding Options, including 36,247,050 Exercisable ESOS Options, all of which shall no longer be exercised into new AMRB Shares.

The maximum number of new AMRB Shares which may be issued and allotted pursuant to the exercise of the New ESOS Options shall not in aggregate exceed 15.0% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the duration of the New ESOS.

Subject to any adjustments which may be made under the New ESOS By-Laws, the aggregate number of new AMRB Shares that may be offered and allotted to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the job grading, length of service, performance appraisal and past and future contributions of the Eligible Person and such other factors that the ESOS Committee may deem relevant subject to the following:

- that the executive directors, non-executive directors and senior management do not participate in the deliberation or discussion of their own allocation;

- not more than ten per cent (10.0%) of the new AMRB Shares available under the Proposed New ESOS shall be allocated to any Eligible Person who, either singly or collectively through Person Connected with the Eligible Person, holds 20.0% or more in the issued share capital of the Company; and

- the AMRB Shares available under the ESOS allocated for the executive directors, non- executive directors and senior management personnel of the Company collectively shall not exceed 50.0% of the total new AMRB Shares available under the Proposed New ESOS.

Subject to any adjustments made under these New ESOS ByLaws and pursuant to the Listing Requirements, the Subscription Price shall be determined by the ESOS Committee and shall be based on the five(5)-day VWAMP of AMRB Shares immediately preceding the date of offer, with a discount, if any, PROVIDED ALWAYS THAT such discount is not more than ten per cent (10.0%), if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the option period. The Subscription Price as determined by the ESOS Committee shall be conclusive and binding on the grantee.

34. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS") (CONTINUED)

The Proposed New ESOS, when implemented, shall be in force for a period of five (5) years from the effective date of implementation of the Proposed New ESOS. The Company may, if the Board deems fit and upon the recommendation of the ESOS Committee, extend the New ESOS for a period of up to a maximum of five (5) years, commencing from the day after the date of expiration of the original five (5) years period.

The ESOS Committee may terminate the ESOS at any time before the Date of Expiry without obtaining the approvals from the Grantees who have yet to exercise their Options or the Company's shareholders provided that the Company releases an announcement to Bursa Securities on the following:

- the effective date of termination ("Termination Date")
- the number of Options exercised or shares vested; and
- the reasons and justification for termination.

	Price	**Number**
Outstanding as at 1 January		36,247,050
Expired		(36,247,050)
Granted during the year	RM0.105	22,082,149
Outstanding as at 31 December		22,082,149

35. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of vessels and office premise. Leases of the vessels and office premise have an average life of between 1 and 5 years. These leases have renewal but no purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	2019 RM	2018 RM
Future rental payments:		
Not later than 1 year	**1,298,000**	18,228,000

The lease payments recognised in profit or loss during the financial year are disclosed in Note 9.

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its vessels. These leases have remaining non-cancellable lease terms of between 0.5 to 4 years.

The future lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2019 RM	2018 RM
Not later than 1 year	**36,793,628**	40,141,240
Later than 1 year and not later than 5 years	**80,343,046**	83,756,176
	117,136,674	123,897,416

Charter hire revenue earned from chartering the Group's vessels are recognised as revenue during the financial year as disclosed in Note 4.

36. FINANCIAL GUARANTEE CONTRACTS

At the reporting date, the Company has extended its corporate guarantees given to bank facilities granted to various subsidiaries to RM92.5 million (2018: RM92.5 million) and USD1.9 million (2018: USD1.9 million).

The Group also has provided a corporate guarantee on proportionate basis for the credit facilities amounting to USD69.6 million (2018: USD69.6 million) to its joint ventures.

The directors are of the opinion that the financial guarantee need not be recognised as a liability as the probability of default by the relevant subsidiaries is remote except for an amount of RM10 million during the financial year.

37. RELATED PARTY DISCLOSURES

(a) Sales and purchase of goods and services

In addition to the transactions disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

	Note	**2019 RM**	2018 RM
Group			
Joint ventures:			
Vessel's management fees	(i)	**7,194,938**	6,469,000
Charter hire vessel		**34,625,804**	29,458,308
Associates:			
Vessel's management fees	(i)	**1,260,000**	1,260,000
Charter hire vessel		**63,301,555**	70,156,722
Company			
Subsidiaries:			
Interest recharged to subsidiaries	(ii)	**2,985,213**	6,296,182

37. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Sales and purchase of goods and services (Continued)

(i) The vessel's management fees received from joint ventures and associates were made according to the published prices and conditions offered by these related parties to their major customers, except that a longer credit period of up to six months is normally granted.

(ii) The interest recharged to subsidiaries on Sukuk Ijarah MTN by the Company were based on the issuance rate at respective date.

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 and 31 December 2018 are disclosed in Notes 23, 31 and 33.

The directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Short term employee benefits	**5,441,720**	5,728,126	**335,321**	277,883
Contributions to defined contribution plan	**483,444**	508,888	**-**	-

Included in the total key management personnel compensation are:

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Directors' remuneration (Note 10)	**3,426,442**	3,515,984	**335,321**	**277,883**

37. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel (Continued)

In aggregate, executive directors of the Group and of the Company and other members of key management have been granted a number of options under the ESOS as follows:

	Group and Company	
	2019	2018
	RM	RM
At 1 January/31 December	**42,109,000**	42,109,000

38. FAIR VALUE MEASUREMENT

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Group	
	Carrying amount	**Fair value**
	RM	**RM**
2019		
Financial liabilities:		
Loans and borrowings (non-current)		
- Term loans	**9,971,390**	**8,457,195**
- Hire purchase and finance lease liabilities	**578,202**	**684,362**
2018		
Financial liabilities:		
Loans and borrowings (non-current)		
- Term loans	10,838,120	9,534,160
- Hire purchase and finance lease liabilities	788,171	722,228

The fair value of loans and borrowings is determined by discounting the expected future cash flows based on current rates for similar types of borrowing and leasing arrangement.

38. FAIR VALUE MEASUREMENT (CONTINUED)

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Contract asset	21
Trade receivables (current)	22
Other receivables	23
Cash and cash equivalents	24
Borrowings (current)	29
Trade payables	32
Other payables	33

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

Determination of fair value

The fair value measurement hierarchies used to measure assets and liabilities disclosed in the financial statements as at 31 December 2019 are as follows:

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using inputs that are not based on observable market data.

38. FAIR VALUE MEASUREMENT (CONTINUED)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2019 are as below:

	Date of valuation	Level 2 RM	Level 3 RM	Total RM
Group				
2019				
Property, vessels and equipment (Note 13)				
- Vessels	31 Dec 2019	-	255,519,058	255,519,058
2018				
Property, vessels and equipment (Note 13)				
- Vessels	31 Dec 2018	-	297,965,613	297,965,613

Level 2 fair value

Level 2 fair values of the investment properties have been generally derived using the comparison method as described in Note 14.

Level 3 fair value

Level 3 fair values of the vessels have been generally derived using the method as described in Note 3(b)(iii) and 13.

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the various process owners. The Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

It is the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification and evaluation procedures. In addition, trade receivable balances are monitored on an ongoing basis in view of reducing the Group's exposure to bad debts.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

At the reporting date, approximately:

- 48% (2018: 48%) of the Group's trade receivables were due from 10 (2018: 10) major customers who are located in Malaysia; and

- 46% (2018: 46%) of the Group's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 22. Deposits with banks and other financial institutions that are neither past due or impaired are placed with reputable financial institutions with high credit ratings.

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

Financial guarantee contracts

The Company provides financial guarantees to licensed banks and financial institutions in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries and joint ventures to service their loans on an individual basis.

Exposure to credit risk

The maximum exposure to credit risk amounts to RM44.8 million and RM19.4 million representing the outstanding banking facilities of the subsidiaries and joint ventures respectively as at the end of the reporting period.

The financial guarantee contracts are provided as credit enhancements to the subsidiaries' and joint ventures' secured loans.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that not more than 60% of borrowings (including overdrafts) should mature in the next one "1" year period, and to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the reporting date, approximately 29% (2018: 29%) of the Group's borrowings as disclosed in Note 29 will mature in less than one year based on the carrying amount reflected in the financial statements. About 12% (2018: 12%) of the Company's borrowings will mature in less than one year at the reporting date.

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

	Carrying amount RM	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2019					
Financial liabilities:					
Group					
Trade and other payables	**182,282,287**	**182,282,287**	**-**	**-**	**182,282,287**
Borrowings	**122,884,032**	**47,614,971**	**17,279,721**	**57,989,340**	**122,884,032**
Total undiscounted financial liabilities	**305,166,319**	**229,897,258**	**17,279,721**	**57,989,340**	**305,166,319**
Company					
Trade and other payables	**67,983,992**	**67,983,992**	**-**	**-**	**67,983,992**
Borrowings	**74,000,000**	**9,000,000**	**14,400,000**	**50,600 000**	**74,000,000**
Total undiscounted financial liabilities	**141,983,992**	**76,983,992**	**14,400,000**	**50,600,000**	**141,983,992**

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	Carrying amount RM	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2018					
Financial liabilities:					
Group					
Trade and other payables	92,362,215	92,362,215	-	-	92,362,215
Borrowings	122,425,850	35,325,029	84,729,177	2,371,644	122,425,850
Total undiscounted financial liabilities	214,788,065	127,687,244	84,729,177	2,371,644	214,788,065
Company					
Trade and other payables	16,411,245	10,011,245	6,400,000	-	16,411,245
Borrowings	75,000,000	9,000,000	14,400,000	51,600,000	75,000,000
Total undiscounted financial liabilities	91,411,245	19,011,245	20,800,000	51,600,000	91,411,245

* Subject to PRS term

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings. The Group does not hedge its interest rate but ensures that it has obtained borrowings at competitive interest rates under the most favourable terms and conditions.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. At the reporting date, approximately 70% (2018: 69%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss before tax would have been RM35,510 (2018: RM39,720) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Sources of interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statements of financial position on the borrowings.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective currencies of Group's entities, primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

Approximately nil (2018: nil) of the Group's sales are denominated in foreign currencies whilst almost 1% (2018: 5%) of cost are denominated in the respective functional currencies of the Group's entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposure.

39. FINANCIAL INSTRUMENT AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (CONTINUED)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		Loss before tax	
		2019	2018
		RM	RM
Financial liabilities			
USD/RM	- strengthened 3% (2018: 3%)	**(424,716)**	(491,000)
	- weakened 3% (2018: 3%)	**424,716**	491,000
SGD/RM	- strengthened 3% (2018: 3%)	**(367,471)**	(419,000)
	- weakened 3% (2018: 3%)	**367,471**	419,000

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximises shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio not exceeding 75%. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve, if any.

	Group		Company	
	2019	2018	**2019**	2018
	RM	RM	**RM**	RM
Borrowings	**122,884,032**	122,425,850	**74,000,000**	75,000,000
Trade and other payables	**182,282,287**	92,362,215	**67,983,992**	16,411,245
Less: Cash and bank balances	**(71,554,013)**	(81,775,922)	**(29,795,917)**	(28,738,327)
Net debt	**233,612,306**	133,012,143	**112,188,075**	62,672,918
Equity attributable to the owners of the parent, representing total capital	**331,304,265**	401,909,779	**373,367,608**	400,919,205
Capital and net debt	**564,916,571**	534,921,922	**485,555,683**	463,592,123
Gearing ratio	**41.4%**	24.9%	**23.1%**	13.5%

41. SEGMENTAL INFORMATION

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group comprises the following two main business segments:

- ***Offshore support vessels and services***

  Provision of vessels for charter hire, assisting seismic operators in seismic survey related activities, transportation of crew and supplies, towing and mooring of rigs offshore, anchor-handling services and other support, repair and maintenance services for the oil and gas industry.

- ***Sub-sea services***

  Provision of offshore facilities construction and installation services such as marine construction related services, sub-sea engineering services and offshore pipeline construction related services and designing, manufacturing and operating of remotely operated vehicles.

(b) Business segments

Other business segments include investment holding and provision of transportation, ship forwarding and agent and ship chandelling to the subsidiaries, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) Geographical segments

Segmental reporting by geographical segments has not been prepared as the Group's operations are carried out predominantly in Malaysia.

41. SEGMENTAL INFORMATION (CONTINUED)

(d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

41. SEGMENTAL INFORMATION (CONTINUED)

	Offshore support vessels and services RM	Sub-sea services RM	Others RM	Adjustments RM	Total RM
31 December 2019					
Revenue					
Sales to external customers	**93,070,234**	**213,599,240**	**-**	**-**	**306,669,474**
Inter segment sales	**5,553,311**	**-**	**-**	**(5,553,311)**	**-**
Total revenue	**98,623,545**	**213,599,240**	**-**	**(5,553,311)**	**306,669,474**
Results					
Segment results	**(60,418,299)**	**(4,800,437)**	**(1,509,239)**	**1,820,256**	**(64,907,719)**
Finance costs	**(5,107,915)**	**(104,662)**	**(25,108)**	**-**	**(5,237,685)**
Share of results of associates	**-**	**-**	**-**	**-**	**-**
Share of results of joint ventures	**(10,607,967)**	**-**	**-**	**-**	**(10,607,967)**
Loss before tax	**(76,134,181)**	**(4,905,099)**	**(1,534,347)**	**1,820,256**	**(80,753,371)**
Income tax expenses					**472,538**
Loss for the year					**(80,280,833)**
Assets					
Segment assets	**248,221,612**	**22,073,654**	**7,748,819**	**3,121,353**	**281,165,438**
Investments in associates	**-**	**-**	**-**	**-**	**-**
Interests in joint ventures	**67,158,656**	**499,587**	**-**	**(11,859,304)**	**55,798,939**
Unallocated assets	**240,781,776**	**12,046,094**	**418,194,508**	**(358,956,421)**	**312,065,958**
Total assets	**556,162,044**	**34,619,335**	**425,943,327**	**(367,694,372)**	**649,030,335**
Total liabilities	**475,225,176**	**37,225,108**	**144,600,144**	**(335,220,693)**	**321,829,735**

41. SEGMENTAL INFORMATION (CONTINUED)

31 December 2019 (continued)	Offshore support vessels and services RM	Sub-sea services RM	Others RM	Adjustments RM	Total RM
Other segment information:					
Capital expenditure	**2,853,203**	**-**	**-**	**-**	**2,853,203**
Depreciation:					
- property, vessels and equipment	**25,004,986**	**6,483,008**	**28,024**	**-**	**31,516,018**
Other significant non-cash expenses:					
Impairment loss on:					
- trade receivables	**-**	**-**	**-**	**-**	**-**
- interests in joint ventures	**4,935,914**	**-**	**-**	**-**	**4,935,914**
- interests in associates	**-**	**-**	**-**	**-**	**-**
Impairment of property, vessels and equipment	**39,098,781**	**340,558**	**-**	**-**	**39,439,339**

41. SEGMENTAL INFORMATION (CONTINUED)

	Offshore support vessels and services RM	Sub-sea services RM	Others RM	Adjustments RM	Total RM
31 December 2018					
Revenue					
Sales to external customers	66,394,129	28,973,070	-	-	95,367,199
Inter segment sales	46,043,122	5,937,438	887,579	(52,868,139)	-
Total revenue	112,437,251	34,910,508	887,579	(52,868,139)	95,367,199
Results					
Segment results	(102,873,474)	1,330,855	(396,475)	(14,534,847)	(116,473,941)
Finance costs	(10,855,905)	(274,671)	(304,954)	-	(11,435,530)
Share of results of associates	21,450,497	-	-	-	21,450,497
Share of results of joint ventures	(61,664,930)	-	-	-	(61,664,930)
Loss before tax	(153,943,812)	1,056,184	(701,429)	(14,534,847)	(168,123,904)
Income tax expenses					509,841
Loss for the year					(167,614,063)
Assets					
Segment assets	306,276,926	28,198,563	7,786,167	3,121,353	345,383,009
Investments in associates	-	-	-	-	-
Interests in joint ventures	58,858,273	499,587	-	10,707,104	70,064,964
Unallocated assets	229,052,032	20,230,724	421,709,146	(462,013,146)	208,978,756
Total assets	594,187,231	48,928,874	429,495,313	(448,184,689)	624,426,729
Total liabilities	467,077,522	48,205,321	146,837,036	(436,117,713)	226,002,166

41. SEGMENTAL INFORMATION (CONTINUED)

	Offshore support vessels and services RM	Sub-sea services RM	Others RM	Adjustments RM	Total RM
31 December 2018 (continued)					
Other segment information:					
Capital expenditure	2,853,203	-	-	-	2,853,203
Depreciation:					
- property, vessels and equipment	29,424,440	8,735,616	250,326	-	38,410,382
Other significant non-cash expenses:					
Impairment loss on:					
- trade receivables	251,062	-	-	-	251,062
- interests in joint ventures	17,864,178	-	-	-	17,864,178
- interests in associates	60,463,501	-	-	-	60,463,501
Impairment of property, vessels and equipment	13,295,850	277,885	-	-	13,573,735

42. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) There were new ordinary shares issued following the conversion of Redeemable Convertible Notes comprising 11,111,111 ordinary shares on 6 January 2020 at the price of RM 0.09 per share, 22,222,222 ordinary shares on 29 January 2020 at the price of RM0.09 per share, 31,678,986 ordinary shares on 30 January 2020 at the price of RM 0.0947 per share, and 31,678,986 ordinary shares on 21 February 2020 at the price of RM 0.0947 per share.

(b) On 23 January 2020, the Group had announced to undertake the following: -

(i) a private placement of up to 10% of the total number of issued shares of AMRB to third party investor(s) to be identified later at an issue price to be determined later in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act") ("Proposed Private Placement I"); and

(ii) the Board had on 12 May 2020 resolved to fix the issue price for the Private Placement I at RM0.066 per Placement Share I. The issue price of RM0.066 per Placement Share I represents a discount of approximately 9.59% to the 5-day VWAP of AMRB Shares up to and including 8 May 2020, being the last traded day of AMRB Shares immediately preceding the price-fixing date of RM0.073 per AMRB Share.

(iii) the Board had on 18 May 2020 resolved to fix the issue price for the Private Placement I at RM0.070 per Placement Share I. The issue price of RM0.070 per Placement Share I represents a discount of approximately 9.09% to the 5-day VWAP of AMRB Shares up to and including 15 May 2020, being the last traded day of AMRB Shares immediately preceding the price-fixing date of RM0.077 per AMRB Share.

(iv) The private placement I was fully subscribed.

(c) a private placement of up to 20% of the total number of issued shares of AMRB to independent third party investor(s) to be identified later at an issue price to be determined and announced later ("Proposed Private Placement II").

42. SIGNIFICANT AND SUBSEQUENT EVENTS (CONTINUED)

(d) Due to a significant worsening of the macroeconomic outlook as a result of Covid-19 and sharp decline in crude oil prices, both domestically and globally, the Group, based on preliminary assessment, expect that the current situation if prolonged, will have adverse financial impact to the Group's results for the financial year ending 31 December 2020. This is mainly due to:

- Decrease in sales in the near term due to reduced economic activities and delayed fulfilment;
- Some impairment of non-current assets due to idle capacity and negative market outlook

The Group expect that they have sufficient funds from operations for the next 12 months.

The Group are formulating and implementing various strategies and measures including but not limited to drastic cost reduction and rationalization programmes to counter the adverse financial impact arising from the extremely challenging economic and business environment. The Directors believe such measures will enable the Group to weather through this turbulent time.

The Directors are monitoring the situation closely and will continue to assess the impact on the Group's operations and performance as the situation develops and take appropriate action to mitigate the impact as much as possible.

43. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 June 2020.