www.perdana.my

PERDANA PETROLEUM BERHAD (Co. No. 372113-A)

Unit 2-18-02, Tower 2, VSQ@PJCC, Jalan Utara,
46200 Petaling Jaya, Selangor, Malaysia.

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PERDANA PETROLEUM BERHAD (Co. No. 372113-A) // Annual Report **2016**

perdana petroleum
(372113-A)

2016 ANNUAL REPORT

STAYING RESILIENT

VISION

TO BE THE LEADING AND PREFERRED OFFSHORE MARINE OPERATOR FOR THE UPSTREAM OIL & GAS INDUSTRY IN THE REGION

OUR BUSINESS & OPERATIONS

Perdana Petroleum Berhad's ("Perdana" or the "Company") core businesses encompass the provision of offshore marine support services for the upstream oil and gas industry in the domestic and regional markets.

The Company owns and operates a fleet of new-build vessels to support an array of offshore activities from exploration, development, facilities installation, Hook-Up & Commissioning, production, operation and maintenance. Perdana Group's vessels are designed and fitted with modern and reliable international-standard equipment to meet the challenging requirements of the offshore oil and gas industry.

Perdana Group has built a reputation for excellent service in its core activities of providing offshore support to a host of clients. The services rendered include:

(a) workbarges and workboats for on-board accommodation and work facilities for offshore personnel;

(b) towing, mooring and anchoring of non-self-propelled barges and rigs; and

(c) transportation of drilling, production and project materials and chemicals.

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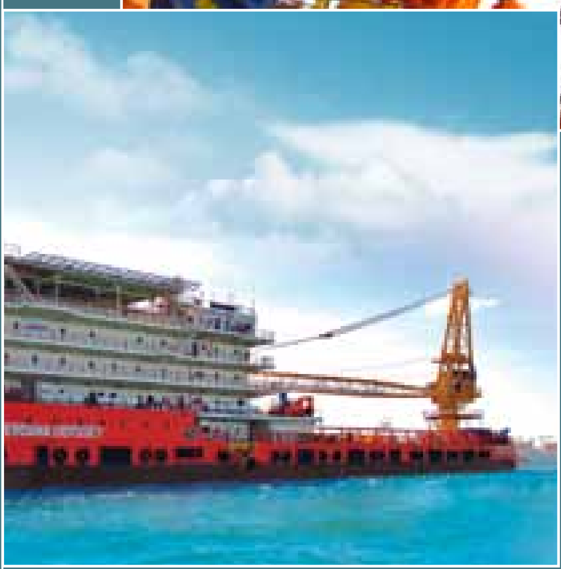
CORPORATE INFORMATION



BOARD OF DIRECTORS

Datuk Ling Suk Kiong
Executive Chairman

Bailey Kho Chung Siang
Executive Director

Alias Bin Mat Lazin
Non-Independent
Non-Executive Director

Chin Chee Kong
Non-Independent
Non-Executive Director

Wong Ping Eng
Non-Independent
Non-Executive Director

Datuk Dr Abd Hapiz Abdullah
Independent
Non-Executive Director

Datuk Mohd Jafni Bin Mohd Alias
Independent
Non-Executive Director

Dato' Gerald Hans Isaac
Independent
Non-Executive Director

Datuk Selva Kumar A/L Mookiah
Independent
Non-Executive Director

Baharudin Bin Bahari
Independent
Non-Executive Director

COMPANY SECRETARY

Leong Oi Wah
(MAICSA 7023802)

AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Dr Abd Hapiz Abdullah
Chairman

Datuk Mohd Jafni Bin Mohd Alias
Member

Chin Chee Kong
Member

Datuk Selva Kumar A/L Mookiah
Member

REMUNERATION COMMITTEE

Chin Chee Kong
Chairman

Datuk Ling Suk Kiong
Member

Baharudin Bin Bahari
Member

NOMINATION COMMITTEE

Datuk Mohd Jafni Bin Mohd Alias
Chairman

Chin Chee Kong
Member

Baharudin Bin Bahari
Member

REGISTERED OFFICE & HEADQUARTERS

Unit 2-18-02, Tower 2
VSQ @ PJCC, Jalan Utara
46200 Petaling Jaya, Selangor

Tel : +603 - 7931 8524/ 8424/8324
Fax : +603 - 7931 8624
E-mail : ppb.corporate@perdana.my
Web : www.perdana.my

AUDITORS

KPMG PLT (LLP0010081- LCA & AF 0758)
Chartered Accountants
Level 2, Lee Onn Building
Jalan Lapangan Terbang
93250 Kuching, Sarawak

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel : 03-2783 9299
Fax : 03-2783 9222

PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
United Overseas Bank (Malaysia) Bhd (271809-K)

PRINCIPAL SOLICITORS

Messrs Chris Lim Su Heng
T109, 3rd Floor
Centrepoint Bandar Utama
No. 3, Lebuh Bandar Utama
47800 Petaling Jaya, Selangor

Messrs Adnan Sundra & Low
Level 11, Menara Olympia
No. 8 Jalan Raja Chulan
50200 Kuala Lumpur

Messrs Wong & Partners
Level 21, The Gardens
South Tower
Mid Valley City, Lingkaran
Syed Putra
59200 Kuala Lumpur

Messrs Nadia & Rafiqah
D-3A-2, Jalan Selaman 1
Dataran Palma
68000 Ampang, Selangor

STOCK EXCHANGE LISTING

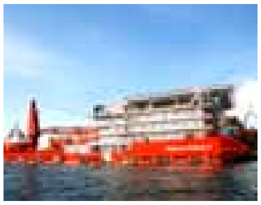
Main Market of Bursa Malaysia Securities Berhad
Sector : Trading/Services
Stock Code : 7108
Stock Name : PERDANA

CORPORATE STRUCTURE

- **100%** Intra Oil Services Berhad
- **100%** Perdana Nautika Sdn Bhd
- **100%** Ampangship Marine Sdn Bhd
- **100%** Petra Offshore Ltd
- **100%** Perdana Neptune Ltd
- **100%** Perdana Saturn Ltd
- **100%** Perdana Pluto Ltd
- **100%** Perdana Earth Ltd
- **100%** Perdana Jupiter Ltd
- **100%** Perdana Uranus Ltd
- **100%** Perdana Venus Ltd
- **100%** Perdana Mercury Ltd
- **100%** Perdana Marine Offshore Pte Ltd
- **100%** Odin Explorer Navigation Ltd
- **51%** Geoseas Technologies Ltd

VESSELS' INFORMATION

A. Accommodation workbarge



1. Perdana Emerald
Flag: MSR
Capacity: 300 (Men)
Gross/Net Tonnage:
10,445/3,133 ton
Year Built: 2014

2. Perdana Odyssey
Flag: MSR
Capacity: 300 (Men)
Gross/Net Tonnage:
10,159/3,047 ton
Year Built: 2011

3. Perdana Excelsior
Flag: MSR
Capacity: 300 (Men)
Gross/Net Tonnage:
10,445/3,133 ton
Year Built: 2013

4. Perdana Endurance
Flag: MSR
Capacity: 300 (Men)
Gross/Net Tonnage:
10,445/3,133 ton
Year Built: 2013

5. Perdana Protector
Flag: MSR
Capacity: 300 (Men)
Gross/Net Tonnage:
10,445/3,133 ton
Year Built: 2013

6. Perdana Resolute
Flag: MSR
Capacity: 300 (Men)
Gross/Net Tonnage:
10,445/3,133 ton
Year Built: 2014

7. Perdana Enterprise
Flag: MSR
Capacity: 241 (Men)
Gross/Net Tonnage:
7,378/2,213 ton
Year Built: 2001

Abbreviations:

MSR- Malaysian Ship Registry
MISR- Malaysian International Ship Registry

B. Anchor Handling Tug Supply

1. Perdana Adventurer
Flag: MSR
Capacity: 10,800 (BHP)
Gross/Net Tonnage:
2,310/693 ton
Year Built: 2008

2. Perdana Traveller
Flag: MSR
Capacity: 10,800 (BHP)
Gross/Net Tonnage:
2,310/693 ton
Year Built: 2008

3. Perdana Voyager
Flag: MISR
Capacity: 10,880 (BHP)
Gross/Net Tonnage:
2,532/759 ton
Year Built: 2009

4. Perdana Expedition
Flag: MISR
Capacity: 10,880 (BHP)
Gross/Net Tonnage:
2,532/759 ton
Year Built: 2009

5. Perdana Horizon
Flag: MSR
Capacity: 10,880 (BHP)
Gross/Net Tonnage:
2,532/759 ton
Year Built: 2008

6. Perdana Marathon
Flag: MSR
Capacity: 12,240 (BHP)
Gross/Net Tonnage:
2,921/876 ton
Year Built: 2010

7. Perdana Frontier
Flag: MISR
Capacity: 5,220 (BHP)
Gross/Net Tonnage:
1,706/511 ton
Year Built: 2008

8. Perdana Ranger
Flag: MSR
Capacity: 5,220 (BHP)
Gross/Net Tonnage:
1,706/511 ton
Year Built: 2009

C. Workboat

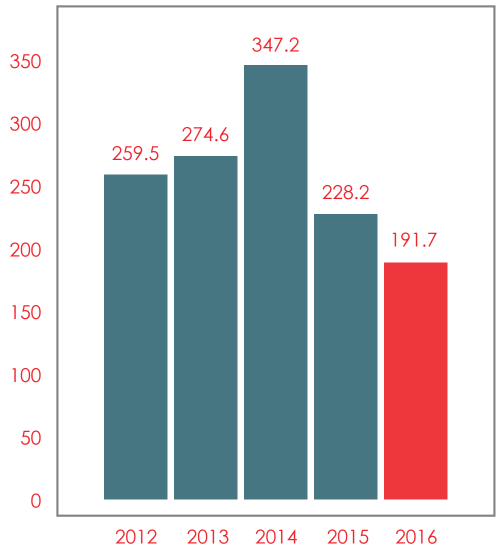
1. Perdana Liberty
Flag: MSR
Capacity: 170 (Men)
Gross/Net Tonnage:
3,265/979 ton
Year Built: 2009

2. Perdana Sovereign
Flag: MSR
Capacity: 170 (Men)
Gross/Net Tonnage:
3,265/979 ton
Year Built: 2010

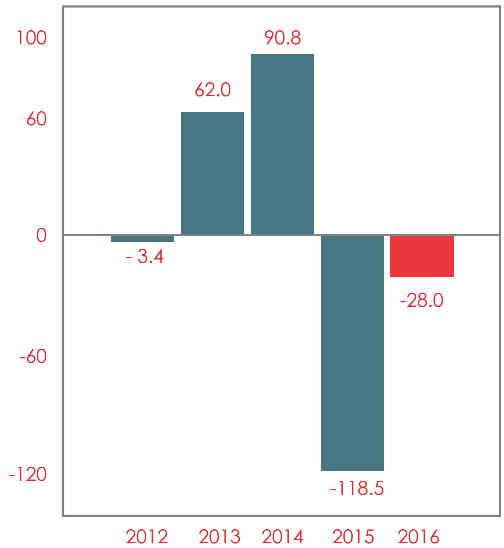
5 YEARS FINANCIAL HIGHLIGHTS

Year Ended 31 December	2012	2013	2014	2015	2016
Operating Results (RM'Million)					
Revenue	259.5	274.6	347.2	228.2	191.7
(Loss) / Profit before taxation	(2.3)	65.4	92.3	(114.9)	(35.9)
(Loss) / Profit after taxation	(3.4)	62.0	90.8	(118.5)	(28.0)
(Loss) / Profit Attributable to Equity Holders of the Company	(3.7)	61.7	90.8	(118.9)	(28.0)
Key Financial Position (RM'Million)					
Shareholders' Funds	459.2	562.2	689.1	744.4	743.4
Total Assets	757.9	1,182.3	1,688.7	1,790.8	1,715.9
Total Liabilities	298.9	620.4	999.9	1,046.2	972.4
Net Assets Per Share (RM)	0.93	0.77	0.93	0.96	0.96

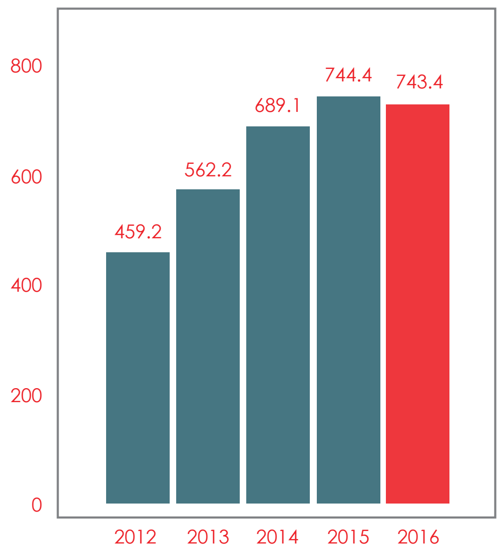
Turnover (RM' Million)



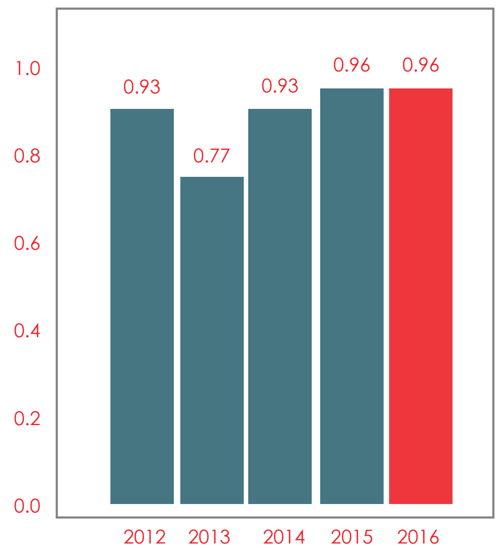
Net Profit/(Loss) (RM' Million)



Shareholders' Fund (RM' Million)



Net Assets Per Share (RM)



DATUK LING SUK KIONG
Executive Chairman

Datuk Ling Suk Kiong, a Malaysian, aged 71, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 12 December 2012 and subsequently became the Executive Chairman of PPB on 24 August 2015 following the controlling stake obtained via the mandatory general offer by Dayang Enterprise Holdings Berhad ("DEHB" or "Dayang Group").

He is the founder of Dayang Group. He established Dayang Enterprise Sdn Bhd in 1980 and has been instrumental in the growth and development of Dayang Group. He brings with him more than thirty (30) years of experience in the oil and gas industry and is mainly responsible for the overall strategic business direction of Dayang Group.

His career started in 1968 when he joined Kong Thai Sawmill (M) Sdn Bhd as Officer in Charge of the Miri office. He was subsequently promoted to Assistant Manager in 1969 and in 1977, he was again promoted to Manager at Kong Thai Sawmill (M) Sdn Bhd. He subsequently went on to establish Dayang Group in 1980 and is presently the Executive Deputy Chairman of DEHB.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

BAILEY KHO CHUNG SIANG
Executive Director

Bailey Kho Chung Siang, a Malaysian, aged 56, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 12 December 2012. On 24 August 2015 he was re-designated as the Executive Director of PPB following the mandatory general offer by Dayang Enterprise Holdings Berhad ("DEHB" or "Dayang Group").

He graduated in 1984 from the University of Canterbury, New Zealand with a Bachelor of Commerce degree. He began his career in 1985 when he joined Hanafiah Raslan Mohammad as an Audit Semi-Senior Officer. Subsequently in 1986, he took up the position as manager with Tan Jin Kok & Co. (now known as Crowe Horwath) and was appointed as Director with TJK Taxation and Management Services Sdn Bhd in 1989.

In 1991, he joined Bumi Armada Navigation Sdn Bhd as Finance Manager and as Company Secretary of Bumi Armada Berhad. In 1997, he left and joined Oleander Enterprise Sdn Bhd as Personal Assistant to the Chairman. In 1999, he left and took up the position as Associate Consultant with TJK Taxation and Management Services Sdn Bhd before joining Dayang Enterprise Sdn Bhd as the Financial Controller in 2000.

He brings with him many years of experience in the field of finance and accounting. He is currently the Head of Corporate Affairs and Joint Company Secretary of DEHB and its subsidiaries, having assumed this position in 2008 and is responsible for overseeing the financial and secretarial aspects of Dayang Group.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

ALIAS BIN MAT LAZIN

Non-Independent Non-Executive Director

Alias bin Mat Lazin, a Malaysian, aged 48, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 10 September 2015.

He graduated in 1994 from the Hanyang University of South Korea with a Bachelor Degree of Mechanical Engineering. In 2014, he obtained his Master in Project Management from the University of Technology Malaysia and became a Graduate Member of Board of Engineers Malaysia.

He began his career with Hyundai Engineering & Construction Co. Ltd in Kerteh and was responsible for the company's business development of the plant division project. In 1996, he joined Projass Enecorp Sdn Bhd as Project Engineer. He was later re-designated as Quantity Surveyor cum Project Coordinator. In 2001, he joined OGP Technical Services Sdn Bhd as Project/Field Engineer and in 2002, he joined Haven Engineering Sdn Bhd as Work Pack Team Leader cum Assistant Project Manager. He later joined Ramunia Fabricators Sdn Bhd as Project Manager from 2004 to 2008. He is currently the Senior Project Manager of Dayang Enterprise Sdn Bhd overseeing all operational activities in the upstream and downstream contracts for Peninsular Malaysia operations.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has she been convicted of any offence within the past 10 years.

CHIN CHEE KONG

Non-Independent Non-Executive Director

Chin Chee Kong, a Malaysian, aged 59, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 October 2015.

He joined Peat Marwick Mitchell & Co. (now known as KPMG) in Kuala Lumpur, Malaysia on 2 February 1979 as an audit junior. KPMG registered him as an articled student with The Malaysian Association of Certified Public Accountants (now known as The Malaysian Institute of Certified Public Accountants or "MICPA") in the second half of 1979. After having passed the Foundation and Professional examinations set by MICPA and in the process won all the five (5) gold medals on offer for the Professional I and Professional II examinations, he was seconded to the tax division of KPMG Melbourne, Australia from October 1984 to March 1985. In August 1985, he was transferred to take charge of the Kuching Office of the firm and on 1 October 1990, he was promoted to be a partner of KPMG Malaysia.

During his tenure with the firm, he was principally involved in the provision of audit, taxation, financial advisory and corporate advisory services to corporate clients, both public listed and privately held. He retired from KPMG on 31 December 2013. He is also a director of Naim Holdings Berhad and Kebajikan Dayang Fatimah Berhad.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

WONG PING ENG

Non-Independent Non-Executive Director

Wong Ping Eng, a Malaysian, aged 43, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 10 September 2015.

She holds a Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College, Kuala Lumpur. She is a Certified Accountant with the Malaysian Institute of Accountants ("MIA") and Association of Chartered and Certified Accountants ("ACCA"). She has more than fifteen (15) years of experience in the financial and accounting field. She started her career as an Audit Assistant at KPMG Kuching from September 1997 until December 2000.

Later, she joined Naim Holdings Berhad ("Naim") as an Accountant overseeing the Accounts Department in Miri until June 2004. In July 2004 to July 2008, she was appointed as the Operations Manager for Naim's Bandar Baru Permyjaya project in Miri where she was responsible for managing the entire Miri operations. In July 2008, she was promoted to Vice President - Finance and Accounts to oversee Naim's Finance and Accounts Division. She was subsequently promoted to Deputy Director, Finance and IT Division, and in August 2012, she was again promoted, to Senior Director for the Group Support Division comprising of Finance & Accounts, Administration, Human Resource and Information Technology. She was appointed as Executive Director of Naim on 29 November 2012 and on 9 January 2013, she was re-designated to Deputy Managing Director.

She does not have any family relationships with any member of the Board or major shareholder of PPB. She does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

DATUK DR ABD HAPIZ BIN ABDULLAH

Independent Non-Executive Director

Datuk Dr Abd Hapiz Abdullah, a Malaysian, aged 58, was appointed as a Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 10 September 2015.

He graduated with a Doctor of Philosophy in Organic Chemistry from Utah State University, USA Bachelor of Science in Chemistry from University of Nevada, USA. He also obtained the Associate Fellow Engineers by the Institution of Chemical Engineers in March 2012.

He had more than thirty (30) years of technical, marketing, business development and management in the chemical manufacturing industry. In 1985, he joined Dow Chemical Malaysia and held several positions including Regional Asia Pacific Technical Manager and Regional Asia Pacific Marketing Manager for Dow Chemical Polyolefin Asia Pacific. From 1995 to March 2011, he was with Dupont Malaysia Sdn Bhd ("Dupont"). During that period, he held several senior positions including General Manager for Malaysia, and in 1999, he was the Managing Director of Dupont and Regional Manager, Asia Pacific Packaging & Industrial Polymer. His last position in Dupont was as Managing Director and Regional Director, Asia Pacific Glass Laminating Solution, a position he held since 2007. He joined Petronas Chemicals Group Berhad ("PCG") as President/CEO in May 2011. He is a member of the Board of Directors of several companies within PCG's group of companies. He retired in May 2014, however, he continues to sit on the board of PCG's subsidiary companies. He also sits on the board of Malaysian Bioeconomy Development Corporation Sdn Bhd and is the Chairman of the Chemical Industry Council of Malaysia.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

DATUK MOHD JAFNI BIN MOHD ALIAS

Independent Non-Executive Director

Datuk Mohd Jafni bin Mohd Alias, a Malaysian, aged 50, was appointed as an Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 October 2015.

He is a graduate of the Chartered Institute of Management Accountants ("CIMA").

He is the shareholder and co-founder of Vida Partners Sdn Bhd ("Vida Partners"). Vida Partners is a private equity and venture capital management company registered with the Securities Commission Vida Partners currently manages funds for institutions, corporations and high net worth individuals. He was previously the Director of Commerce Asset Ventures Sdn Bhd ("Commerce-Ventures") and a senior member of its Management Committee during which he served as Director for numerous portfolio companies under Commerce-Ventures and has twenty-three (23) years of experience in investment, capital market, corporate finance and portfolio management. Before joining Commerce-Ventures, he worked with Commerce International Merchant Bankers Berhad (now known as CIMB Group).

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

DATUK SELVA KUMAR A/L MOOKIAH

Independent Non-Executive Director

Datuk Selva Kumar A/L Mookiah, a Malaysian, aged 49, was appointed as an Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 October 2015.

He graduated with a Bachelor of Law from the University of London.

He has twenty (20) years of experience in providing a comprehensive range of legal services and solutions to domestic and international clients. International and cross-border work forms an important part of his practice.

His clients are private and public listed companies from Malaysia and non-government organisations in all sectors of the economy. He advises on cross border corporate and commercial transactions, civil and corporate litigation, legal forensic audit and due diligence services, international joint ventures, corporate restructuring, conveyancing, banking practices, company regulatory compliance, company secretarial requirements and listing requirements of Bursa Malaysia. He represents clients in litigation and provides dispute resolution advice in all these areas.

He also represents his clients in their dealings with the government regulatory authorities, such as the Attorney General's Chambers, the Malaysian Anti-Corruption Agency, the Malaysian Communications and Multimedia Commission, the Company Commission of Malaysia, the SC, Bursa Malaysia, and the Commercial Crime Police Department.

In addition, he is also an appointed notary public.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

DATO' GERALD HANS ISAAC
Independent Non-Executive Director

Dato' Gerald Hans Isaac, a Malaysian, aged 45, was appointed as an Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 October 2015.

He graduated with a Bachelor of Business Management in Singapore from the Institute of Commerce. He also obtained a Bachelor of Hotel Management from Stamford College.

He is the founder and Managing Director of Tall Order Sdn Bhd, a company currently providing funding for creative projects and mentorship programs. He is also a Managing Director of Social 360 Sdn Bhd, a company involved in security and insurance for both social media and telecommunication companies, and a Director of HIP Intergrasi Sdn Bhd, a property management company.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

BAHARUDIN BIN BAHARI
Independent Non-Executive Director

Baharudin bin Bahari, a Malaysian, aged 44, was appointed as an Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 October 2015.

He graduated with a Bachelor of Science in Chemistry from University of Dundee, Scotland, United Kingdom.

He started his career as an Analytical Chemist with Consolidated Laboratory Sdn Bhd in year 1997. He then joined Nalco Chemical (Malaysia) Sdn Bhd with the last position held as Senior Manager in year 2003. He joined Sure Plus Technology Sdn Bhd as the Chief Executive Officer ("CEO") from 2003 to 2007. He is currently the CEO of Doite Malaysia Sdn Bhd.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 10 years.

DATUK LING SUK KIONG
Executive Chairman

DEAR VALUED SHAREHOLDERS,

2016 has been a rather challenging year for offshore marine support services providers as the persistently depressed oil prices continue to be a major deterrent for national oil companies and oil majors to ramp up their capital expenditure spending. For Perdana Petroleum Berhad ("Perdana"), we have not been spared from the oversupply of offshore support vessels ("OSV") in the South East Asian market, resulting in weak vessel utilisation levels as well as low charter rates. Also, the high number of cold-stacked vessels and subdued demand for OSV further exacerbate the situation for OSV owners like us.

EXECUTIVE CHAIRMAN'S STATEMENT WITH MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

The prevailing weak environment has directly affected our financial performance as our business remained in the red for the second successive year, no thanks to the uninspiring oil prices. While there is little sign of improvement for the OSV market, we, at Perdana, remains steadfast in our pursuit for better operational performance despite the tough outlook for our business.

Notwithstanding the weak sentiment for the OSV market, we believe the worst should be over for Perdana, although we are not exactly out of the woods yet. Perdana Group has also undertaken massive restructuring and right-sizing over the past two years which have helped us to weather the storm. In addition, the synergistic tie-ups with our major shareholder, Dayang Enterprise Holdings Berhad ("Dayang") have enabled us to charter about half of Perdana Group's fleet, allowing the Group to plan ahead on a more sustainable basis.

With the support of Dayang, we have formulated a strategic plan to regularise our public shareholding spread to maintain our listing status on Bursa Malaysia. We would like to emphasize that we remain committed to our long-term journey for continuous success. Also, Perdana will be looking into the possibility of a fund-raising exercise via equities to improve our balance sheet which will set a stronger platform for our future growth.

At this juncture, we would like to take this opportunity to express our heartfelt appreciation to all our dedicated Board of Directors, management team and employees who continue to place their faith in the Group. We would like to stress that Perdana always keep the welfare and benefits of its employees at the top of its priority as it is the human capital that is critical to help the Group emerge stronger amidst the rough turbulence.

Business review

Admittedly, the prevailing business operating environment has not been kind to us as the weak demand for OSV continue to affect OSV owners. However, the right-sizing and restructuring implemented across the Group has yielded positive results in 2016 with significant savings of close to 60% in our administrative expenses. This has not been an easy process but we have to ensure the Group remains as a lean and progressive organisation that is not only vigilant during difficult times but also ever ready and prepared to seize on any opportunities when they emerge. We believe that we have already laid a strong foundation to ride through the tough times.

Since 2015, we had fostered strong working relationships with Dayang, as evident in the number of vessels chartered to Dayang. Indeed, we are grateful that our major shareholder has always been supportive despite the hardships experienced in our business. We continue to work together with Dayang for our business strategic planning as we look to create and enhance synergistic value by leveraging on the niche expertise of both parties.

Operation review

Perdana maintains its vessel fleet of seventeen (17) OSVs in 2016, consisting of eight (8) anchor handling tug supply vessels ("AHTS"), seven (7) accommodation work barges ("AWB") and two (2) workboats ("WB"). During financial year

2016, our vessel utilisation stood at 58%, as compared to 63% in financial year 2015, due to slower work orders/ contracts awarded from oil majors. We are cautiously optimistic that we will be able to further improve our vessel utilisation this year in view of the healthy oil price recovery which has risen to about double from a 13-year low of USD27 per barrel. This may lead to more jobs for Perdana coupled with the fact that we have been awarded the umbrella contract for vessel charters with PETRONAS in March 2017. This effectively means that our fleet of vessels are technically qualified and would be included in a pool of vessel resources for PETRONAS to call upon to work as and when required.

We are also proud to have secured a contract in September 2016 from PETRONAS for the supply of one (1) unit of floating accommodation vessel. The RM67.0 million contract will run for three (3) years from on-hire date, 17 September 2016 with extension options for two years. This is a significant milestone for us as it was tremendously difficult for OSV suppliers to secure long-term jobs last year given the bleak outlook for the upstream oil and gas industry. We hope to build on the momentum to win more jobs in 2017. Currently, we have a total job tenders worth RM265.9 million. We would like to assure our shareholders that we will try our utmost to win and secure more new jobs in order to offer clear earnings visibility.

Financial review

For the financial year 2016, Perdana recorded a net loss of RM28.0 million, compared to RM118.5 million net loss in the financial year 2015. This has taken into account exceptional items such as RM75.6 million unrealised foreign exchange gain and RM37.7 million impairment loss on receivables. The less-than-stellar financial results directly reflected the tough operating environment for Perdana as vessel utilisation of 58% in the financial year 2016 was even lower than that of the financial year 2015. Similarly, financial year 2016 revenue dropped 16% year-on-year with the reduced work orders.

Our financial results had also been affected by the high interest expense of RM62.7 million, contributing to the losses during the financial year 2016. As at 31 December 2016, Perdana's net gearing stood at 1.2 times. The seemingly high gearing level is common across the

industry for OSV owners, and we had looked at various ways to improve our financial position. We would like to highlight that one of the major decisions made was to convert the bulk of foreign currency loans mainly, United States Dollar ("USD") loans into Islamic borrowings via the issuance of Sukuk Murabahah bonds of RM635.0 million. This has resulted in unrealised foreign exchange gain of RM75.6 million. Also, on hindsight, this has proven to be a right move for us to convert our foreign currency borrowings into Malaysian Ringgit ("MYR") debt as USD has continued to appreciate against MYR.

In terms of shareholders' fund, it has fallen slightly to RM743.0 million in the financial year 2016 from RM744.0 million in the financial year 2015, despite the net loss of RM28.0 million recorded in the financial year 2016, due to a RM26.8 million foreign currency translation gain recognised in the financial statements. Meanwhile, cash flow generated from operating activities remained high at RM181.7 million, compared to RM106.4 million in the preceding year.

Prospects

Fellow shareholders, we believe that the business environment will continue to be challenging for this year as the chronic situation of vessel oversupply remains unresolved. Oil majors continue to maintain their low operating expenditure as well as capital expenditure which could

EXECUTIVE CHAIRMAN'S STATEMENT WITH MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

lead to slow contract awards to marine service providers and contractors. Nevertheless, we are hopeful that the higher crude oil prices would help boost the general sentiment for the oil majors and lead to more OSV chartering opportunities.

Perdana could leverage on its outstanding track record to offer its relevant services to tap into the offshore oil and gas industry in Malaysia. We have submitted various tenders under direct and umbrella contracts with oil majors, both locally and regionally. Furthermore, Perdana will partner with Dayang to bid for more maintenance jobs which are relatively more resilient in nature. We believe our streamlined operations will help us to prevail through this challenging time.

Acknowledgements

On behalf of the board of directors, I would like to acknowledge our heartfelt appreciation for the contributions, dedications and commitment of all the

management and staff of Perdana who have displayed the quality of perseverance and tenacity, especially in the face of current adverse business environment.

The cooperation and understanding from our valued clients and business associates who have also been a strong pillar of support for us is greatly acknowledged. To our bankers, financiers and investors, we thank you for your continued support and trust in Perdana.

Last but not least, thank you very much, our valued shareholders, for your loyalty in these tough times. We would continue to soldier on and never give up on our mission of maximising shareholders' value at all times. We look forward to better years ahead for us to deliver stronger financial results.

Thank you.

DATUK LING SUK KIONG
Executive Chairman

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The Group firmly believes responsible corporate practices are essential to the sustainability and long-term growth of its business. We remain committed to undertaking exemplary corporate conduct in the creation of sustainable value for all our stakeholders. Our Framework for Sustainability, covering the dimensions of the Workplace, Environment, Community and Marketplace, is subsumed in our corporate culture, as an integral part of our organisational strategy. Priorities in our corporate responsibility ("CR") initiatives are guided by exigencies that are bound by the sustainability framework and available resources.

Health, Safety & Environmental ("HSE") practices

During the financial year ended 31 December 2016 ("FY2016"), our CR efforts have primarily been to actively promote and prioritise safe working practices and initiatives onboard vessels and office premises. Health, Safety & Environmental ("HSE") practices were placed with utmost importance given the high-risk and hazardous work environment in which we operate. We worked to strengthen the skill set and expertise of our workforce so that they in turn could help us deliver on our CR commitment to our stakeholders. Being the Malaysian leader in our segment of the offshore support vessel business and a respected brand name in our regional market, we have the added responsibility of ensuring we maintain stringent compliance with international HSE standards.

Some of the HSE activities of the Group in FY2016 included:

- Training on permit to work, risk assessment, job safety/hazard analysis coaching and incident investigation for crews;
- Safety induction, introduction and familiarisation on International Safety Management ("ISM") and International Ship and Port Facility Security ("ISPS") for marine crews prior to mobilisation;
- Onshore safety familiarisation for pre-joining crew;
- Conducting a Charterer's Assessment for Top 4;
- Conducting a Ship to Shore drill (table top drill);
- Conducting an emergency drill;
- Safety campaign on Safety Work Place and Monsoon Season for crews onboard vessels and employees;
- Producing HSE Alert and Lesson learnt;
- Organised Top Management & Management visits to vessels;
- Join Client's Management HSE visit to vessels;
- Conducting ISM & ISPS Internal Audits on vessels;
- Audit by clients;
- Half yearly random drug and alcohol test on crews;
- Continuous updating of the Group's Safety Management Manual and HSE procedures; and
- Risk Management Survey by Hull and Machinery Assurance.

Our emphasis on safety and the environment will not only help strengthen the Perdana Petroleum brand but also Malaysia's international standing in the oil and gas industry. All these will remain priority areas for us as we work towards turning around and moving up to the next level of growth.

Community

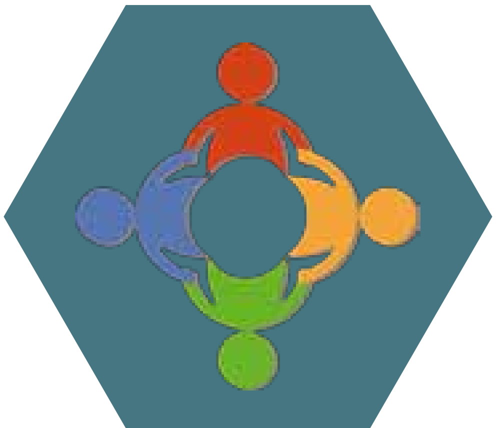
Although the HSE practices have been our emphasis, the Group has not neglected its social responsibility towards the community.

During the FY2016, the Group had contributed towards the community in support of the National Autism Society of Malaysia (NASOM), an NGO through the participation of staff in the charity running event organised by Danajamin National Berhad.

Workplace

The Group appreciates and recognizes its employees who form the backbone and the pillar of success in the Group. Believing in the strength of its employees who will continue to propel the Group forward towards its journey of success, the Group continues to embark on activities in support of its social objectives towards its employees.

The Group does not have a policy on diversity of gender, ethnicity and age. However, the Group is committed to cultivate a climate of diversity and inclusiveness via our non discriminatory recruitment processes. The Group subscribes to the principle in providing equal opportunity in recruitment, career development, promotion, training and remuneration for all employees across the board regardless of gender, age and ethnicity.



(a) Employee welfare, training and development

The Group continues to invest in its employees via trainings and development initiatives to maintain and improve its employees' skills in meeting long term organisational goals. In this regard, the Group encourages and provides trainings opportunities in support of personal employee lifelong learning and continuous personal development to meet the growing challenges of dynamic and changing workplace expectations.

Throughout the year, employees requiring training were enrolled for courses / seminars / workshops to enhance their competencies and improve their respective field of expertise such as:

- Basic Hydrogen Sulphide (H2S)Training;
- Ringing and Slinging;
- Helicopter Deck Assistant Training;
- Opito Tropical Bosiet with EBS & Travel Safely by Boat;
- Helideck Radio Operator Course;
- Rigger Training (API Approved);
- Basic Food Handling Course;
- T-FOET (Tropical Further Offshore Emergency Training);
- Permit to work;
- CPA Congress in Kuala Lumpur 2016;
- MFRS/FRS Update 2016/2017 Seminar;
- Asia Works Basic-Advanced Training; and
- Offshore Pedestal Crane Operator Training.

(b) Sports and recreational activities

Throughout the year, some of these initiatives for employees included:

- Annual Dinner held at Hotel Holiday Inn Glenmarie, Shah Alam;
- Staff gathering in conjunction with the festive season;
- Sponsorship of weekly after work sports like badminton and futsal ; and
- Sponsorship to staffs' participation for the charity marathon events in Klang Valley.

The Board of Directors firmly believes that good corporate governance is the key to the improved long-term performance of the Group and that a sound governance structure is fundamental to safeguard the interests of all its stakeholders.

THE BOARD OF DIRECTORS

Size and Composition

The Board currently comprises ten (10) members of whom two (2) are Executive Directors, including the Executive Chairman, and eight (8) are Non-Executive Directors.

Five (5) of the Non-Executive Directors are independent and meets the Independent Director criteria as set out in the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

The Board has assessed and found that the Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company which could materially affect the exercise of their independent judgment. The Independent Non-Executive Directors facilitates the Board to exercise objective judgment independently in particular from the Management.

The current composition is well balanced and caters effectively to the scope and complexity of the Group's operations as a leading and preferred offshore marine operator for the upstream oil and gas industry in the region. The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") states that "there should be a clearly accepted division of responsibilities at the head of the company which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision".

The position of Chairman of the Board is currently held by the Executive Director, Datuk Ling Suk Kiong. The Board is aware that this may not be in compliance with the best practices of the MCCG 2012 requiring the roles of Chairman to be held by Independent Non-Executive Director. However, members of the Board are satisfied with the dual role being held by the Executive Chairman in view of his extensive experience, skills, knowledge of proper board procedures and familiarity with the Group's business, industry and services which are invaluable to the Group. The recommendation of MCCG 2012 to have a majority of independent directors where the Chairman is not an Independent Director was met earlier when En Nor Azman bin Abdullah was still on the Board. The Board will look into filling his vacancy in order to comply with the recommendation.

The Board viewed that with the existing Board structure of having five (5) Independent Non-Executive Directors out of ten (10) Board members is sufficient to provide the necessary checks and balances on the decision making process of the Board in the meantime. The Independent Directors provide independent and objective judgement as well as impartial opinion on Board deliberations and decision making and significant contributions of the Independent Directors are evidenced on their participation as members of the committees of the Board.

The Board's main duties include regular oversight of the Group's business operations and financial performance and ensuring that the infrastructure, internal controls, and risk management processes are firmly in place to assess and manage business risks, inter-alia, operational, credit, market and liquidity risks. The Board has formalised these duties into a Board Charter and have a Code of Conduct to ensure the implementation of appropriate internal systems to support, promote and ensure its compliance. A whistle blowing policy was also adopted as part of the Company's commitment to the highest standards of professional integrity, ethical behavior, transparency and fair dealing in the conduct of its business.

The Directors discharge their duties as effective Board members with personal dedication of time and ability to bring new and different perspectives to the Board.

The Company does not have a policy on diversity of gender, ethnicity and age. The Board always believes in equality and equal opportunity and does not practice gender discrimination. This is evidenced by the appointment of Ms Wong Ping Eng since 1 October 2015 which reflects that the Board recognises the value of a lady member of the Board. The age of the Directors range from 43 to 71 as the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board.

Board Meetings and Supply of Information

The Board meets regularly, at least once every quarter to review the business and financial performance of the Group.

Members of the Board deliberate and in the process evaluate the potential risks and viability of business propositions and corporate proposals that have significant impact on the Group's business or on its financial position.

The Chairman of the Board Committees will inform the Directors at Board meetings, matters and recommendations which the Board Committees' view ought to be highlighted to the Board.

Board meetings are governed by a structured formal agenda and the agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors for their perusal in advance of the date of the Board meeting. Board meeting papers circulated to Directors include details of business propositions and corporate proposals including where relevant, supporting documents such as professional advice from solicitors or advisers. The Directors are thus able to peruse the Board papers and appraise the issues to be deliberated at the Board meeting well before the date of the meeting.

The Board has direct access to Senior Management and has complete and unimpeded access to information relating to the Company in the discharge of their duties. The Directors may require to be provided with further details or clarifications on matters tabled at Board meetings. Senior Management Officers are invited to attend the Board meetings to update the Board on their respective portfolios and to brief the Directors on proposals submitted for the Board's consideration. Professional advisers, accountants and solicitors appointed by the Company to advise on corporate proposals to be undertaken by the Company would be invited to attend Board meetings to render their advice and opinion, and also to clarify any issues raised by the Directors relating to the corporate proposals tabled for the Board's consideration. The Directors have the liberty to seek external professional advice at the Company's expense, if they so require.

The Directors are also regularly updated and advised by the Company Secretary on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities, including amendments to the Listing Requirements by Bursa Securities. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretary. The Company Secretary attends all Board and other Board Committees' meetings and ensures that accurate and proper records of the proceedings of Board and other Board Committees' meetings, and their resolutions passed are kept.

The Board is satisfied with the time commitment provided by the Directors in ensuring effective discharge of their duties and responsibilities as reflected by the high number of Board meetings held during the financial year ended 31 December 2016.

During the financial year ended 31 December 2016, the Board met five (5) times and the attendance records of the present and past Board members are as follows:-

Name of Directors	Attendance
Datuk Ling Suk Kiong	5/5
Bailey Kho Chung Siang	5/5
Datuk Dr Abd Hapiz bin Abdullah	4/5
Datuk Mohd Jafni bin Mohd Alias	5/5
Datuk Selva Kumar A/L Mookiah	5/5
Chin Chee Kong	5/5
Dato' Gerald Hans Isaac	5/5
Baharudin bin Bahari	5/5
Ms Wong Ping Eng	5/5
Alias bin Mat Lazin	5/5
Nor Azman bin Abdullah (resigned on 15.08.2016)	2/2

Directors' Training and Education

The Group acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances and regulatory updates. The Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. All Directors have completed the Mandatory Accreditation Programme pursuant to the Listing Requirements of Bursa Securities and have been briefed by the Management on the operations and policies of the Company to familiarise themselves with the Company's business. During the financial year ended 31 December 2016, the following Directors attended the trainings as set out below:

Director	Mode of Training	Title of Training	Duration of Training
Datuk Ling Suk Kiong	Seminar	• The Annual General Meeting – A Practical Insight and Managing Shareholders' Expections by Bursatra Sdn Bhd	1 day
Mr Bailey Kho Chung Siang	Seminar	• MFRS/FRS Update 2016/2017: Gain an understanding of the latest issues in financial accounting and reporting by KPMG	1 day
	Seminar	• KPMG in Malaysia Tax Summit	1 day
Ms Wong Ping Eng	Seminar	• 2017 Budget Seminar by Chartered Tax Institute Of Malaysia	1 day
	Seminar	• Qlassic Day 2016 - Accodate Of Excellence In Construction Quality by CIDB	1 day
Datuk Selva Kumar A/L Mookiah	Talk	• KPMG - Audit Committee Institute Breakfast Roundtable 2016	0.5 day
	Seminar	• Critical issues on International and Domestic Arbitration: Judge's Perspective	0.5 day
	Forum	• Forum ke Arah Negara Bebas Rasuah: Isu dan Cabaran	0.5 day
Mr Chin Chee Kong	Seminar	• MFRS/IFRS Update 2016/2017	1 day
	Seminar	• KPMG in Malaysia Tax Summit	1 day
	Seminar	• Tax Update by KPMG	0.5 day
	Talk	• Updates on selected MFRS/IFRS Standards	1 hour
	Seminar	• GST Briefing for Naim	1 day

Appointment of Board Members

The proposed appointment of a new member of the Board other than those nominated by shareholders for appointment at the Annual General Meeting and the proposed re-election of existing Directors who are seeking re-appointment or re-election at the Annual General Meeting of the Company will be reviewed and assessed by the Nomination Committee. The Nomination Committee will, upon its review and assessment, submit its recommendation on the proposed appointment or re-election of Directors to the Board for approval.

The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors. All the assessments and evaluations carried out during the year were properly documented and minuted by the Company Secretary.

Directors' Remuneration and Term of Reference of Remuneration Committee

The Remuneration Committee carries out the review of the overall remuneration policy for Executive Directors whereupon recommendations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Company's remuneration policy remains supportive of the Company's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Executive Directors are sufficiently attractive to draw in and to retain persons of high caliber.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The Non-Executive Directors are paid annual fees and attendance allowance for each Board meeting that they attend.

A majority of the Remuneration Committee are Non-Executive Directors.

The responsibilities of the Remuneration Committee are as follows:

a. To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary;

b. To recommend to the Board any performance related pay schemes for Executive Directors;

c. To review Executive Directors' scope of service contracts; and

d. To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.

Meetings of the Remuneration Committee are held as and when necessary.

Re-appointment and Re-election of Director

The Articles of Association of the Company provide that at every Annual General Meeting, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election. The Articles of Association further provide that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Board Committees

The Board has established Board Committees to assist the Board in the running of the Company. The functions and terms of reference of Board Committees as well as the authority delegated by the Board to these Committees are clearly defined by the Board.

The Board Committees are as follows:

- Audit and Risk Management Committee
- Nomination Committee
- Remuneration Committee

The composition of the current Board Committees is reflected as follows:

	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Datuk Dr Abd Hapiz bin Abdullah	Chairman	-	-
Chin Chee Kong	Member	Member	Chairman
Datuk Mohd Jafni bin Mohd Alias	Member	Chairman	-
Datuk Selva Kumar A/L Mookiah	Member	-	-
Datuk Ling Suk Kiong	-	-	Member
Baharudin bin Bahari	-	Member	Member
Nor Azman bin Abdullah	-	Member (resigned on 15.08.2016)	Member (resigned on 15.08.2016)

Directors' Remuneration

The Remuneration Committee has been delegated the responsibility to review and recommend to the Board the remuneration packages and other terms of employment for the Executive Directors.

The details of the remuneration of the Directors of the Company for the financial year ended 31 December 2016 are as follows:

Group	Fees (RM'000)	Meeting Allowances (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Executive Directors	-	-	337	-	-	337
Non-Executive Directors	621	34	-	-	-	655

The number of Directors whose total remuneration falls within the respective bands is as follows:

	Number of Directors Executive	Non-Executive
Below RM45,000	-	1
RM45,001 – RM50,000	-	1
RM50,001 – RM100,000	-	8
RM300,001 – RM350,000	1	-
Total	**1**	**10**

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the Regulatory Authorities.

The Board is assisted by the Audit and Risk Management Committee to oversee the financial reporting processes and the quality of the financial reporting of the Group. The Audit and Risk Management Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Group is set out below.

Internal Control

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines. The Group's Internal Audit Function is outsourced to an independent professional firm ("Outsourced Internal Auditor").

The size and complexity of the operations of the Group involves the acceptance and management of a wide variety of risks. The nature of these risks means that events may occur and which would give rise to unanticipated or unavoidable losses. The Group's system of internal controls is designed to provide reasonable and not absolute assurance against the risk of material errors, fraud or losses occurring. The Management meets regularly to ensure that the accountability for managing the significant risks confronting the Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit and Risk Management Committee during its quarterly meetings. The review covers the financial, operational and compliance controls as well as the risk management functions. The Outsourced Internal Auditor also reviews compliance with policies and standards and the effectiveness of internal control systems across the Group's different business cycles based on the approved internal audit plan.

The Statement on Risk Management & Internal Control, which provides an overview of the state of internal controls within the Group, is set out in this Annual Report.

Audit and Risk Management Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit and Risk Management Committee also acts as a forum for discussion of internal control and risk management issues and it contributes to the Board's review of the effectiveness of the internal control and risk management systems of the Group.

The minutes of the Audit and Risk Management Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

The activities carried out by the Audit and Risk Management Committee during the year are set out under the Audit and Risk Management Committee Report in this Annual Report.

Relationship with External Auditors

It is the policy of the Audit and Risk Management Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Group's financial statements. Besides, the Audit and Risk Management Committee is accessible to the external auditors without the presence of the Management and Executive Director to discuss key auditing concerns and obtain feedback relating to the Company's affairs. The Audit and Risk Management Committee also meets with the external auditors whenever it deems necessary.

The services provided by the external auditors include statutory audits and non-audit services. Terms of engagement for these services are reviewed by the Audit and Risk Management Committee and approved by the Board. The Audit and Risk Management Committee approves all other non-audit services on a case by case basis. In approving such cases, the Audit and Risk Management Committee reviews the independence and objectivity of the external auditors to ensure that these will not be compromised.

Effective Communications with Shareholders

A key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the transparency and accountability objectives is the provision of clear, relevant and comprehensive information which is timely and readily accessible to all stakeholders.

Effective Communications with Shareholders (cont'd)

Taking cognizance of this, the Group maintains a high level of disclosure to and communication with its stakeholders with the provision of clear, comprehensive and timely information, particularly to shareholders and investors, for informed investment decision making, through a number of readily accessible channels.

The quarterly financial results announcement and annual report of the Company is a key channel of communication with shareholders and investors.

An important forum for communication and dialogue with shareholders is the general meetings of the Company where shareholders are given both the opportunity and the time to raise questions on the agenda items of the general meetings and where Directors of the Company would provide the answers and appropriate clarification where required.

The Company conducts separate media and analyst briefing with the release of its quarterly and annual results announcements when deemed necessary. The media briefings are intended not only to facilitate a wider dissemination of the announcement of the financial results of the Group to as wide an audience of investors and shareholders as possible but also to keep the investing public and shareholders updated on the progress and development of the business of the Group as well as any strategic developments within the Group.

To promote wider dissemination of corporate and financial information that is made public, the annual reports of the Company, the quarterly announcements of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements of the Bursa Securities Listing Requirements are available on Bursa Securitie's website at **www.bursamalaysia.com** and other corporate information are also made available on the Company's website, **www.perdana.my**.

Prompt and timely availability of information is also important for shareholders and investors to make informed investments decisions. Information that is out of date, albeit comprehensive and accurate, would be of less value to shareholders and investors. As such, the Group places a high priority on ensuring that information is made available and disseminated as early as possible.

Investor Relations

Another important channel of communication with shareholders, investors and the investment community generally, both in Malaysia and internationally, is the Group's investor relations activities. The Group has a strong following amongst domestic and international institutional investors, fund managers and equity analysts, and a direct channel to them exists in the investor relations function of the Group. Management personnel responsible for the Group's investor relations function are of very senior levels, thereby providing views and information on the Group that is appropriate and substantive to investors and research analysts.

Statement of Responsibility by Directors in the Preparation of Financial Statements

The Directors are required by the Companies Act 1965 ("the Act") to prepare financial statements in accordance with approved accounting standards so as to give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and of the results and cash flow of the Company and the Group for the financial year.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Company and the Group in compliance with the provisions of the Act and approved accounting standards in Malaysia.

In addition, the Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds Raised From Corporate Proposal

There was no fund raising corporate proposal carried out during the financial year 2016.

Share Buy-Back

The Company did not undertake any share buy-back exercise during the financial year under review.

Options, Warrants or Convertible Securities

During the financial year ended 31 December 2016, the Company has not issued any options, warrants or convertible securities.

American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programme.

Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by any regulatory bodies.

Non-Audit Fees

The amount of RM403,000 non-audit fees incurred for service rendered to the Company and/or its subsidiaries for the financial year ended 31 December 2016 by the Company's auditors, or a firm or corporation affiliated to the auditors' firm.

Profit Guarantee

The Company did not receive any profit guarantee during the financial year ended 31 December 2016.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving the Directors' and/or major shareholders' interest for the financial year ended 31 December 2016 other than the related party transaction with Dayang Enterprise Sdn Bhd for the chartering of vessels which has been disclosed in Note 29 of the audited financial statement for financial year ended 31 December 2016.

Variation in Results

There was no material variances between the audited results for the financial year ended 31 December 2016 and the unaudited results previously announced.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Members

The current members of the Audit and Risk Management Committee are as follows:

Datuk Dr Abd Hapiz Abdullah	Chairman (Independent Non-Executive Director)
Datuk Mohd Jafni Bin Mohd Alias	Member (Independent Non-Executive Director)
Datuk Selva Kumar A/L Mookiah	Member (Independent Non-Executive Director)
Chin Chee Kong	Member (Non-Independent Non-Executive Director)

Responsibilities

The Audit and Risk Management Committee is responsible for the following:

- To examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- To examine and review the adequacy and effectiveness of management and operations;
- To review the statutory accounts and other published financial statements and information;
- To monitor relationships with external auditors, to ensure that there are no restrictions on the scope of the statutory audit; to make recommendations on the auditors' appointment, remuneration and dismissal; and to review the activities, findings, conclusions and recommendations of the external auditors;
- To review arrangements established by management for compliance with regulatory and financial reporting requirements;
- To approve the appointment or termination of the Internal Auditor who shall report directly to the Committee and have a right of direct access to the Chair of the Committee at all times; to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; to receive and review reports from the Internal Auditor; and on occasion to commission audit engagements to be conducted on the Committee's behalf; and
- To perform any other duties as required by Bursa Malaysia Securities Berhad or any other regulatory bodies.

The purview of the Audit and Risk Management Committee extends to all the operations within the Company and the Group.

Meetings held during the financial year 2016

The Audit and Risk Management Committee held six (6) meetings during the financial year under review with the following attendance record:

Audit and Risk Management Committee Members	Attendance
Datuk Dr Abd Hapiz Abdullah	5/6
Datuk Mohd Jafni Bin Mohd Alias	5/6
Chin Chee Kong	6/6
Datuk Selva Kumar A/L Mookiah	5/6

Summary of Activities during financial year ended 31 December 2016

The Audit and Risk Management Committee activities during the financial year ended 31 December 2016 ("FY2016") encompassed the following:

- reviewed the quarterly financial statements and the annual audited financial statements for FY2016, before recommending the same for the Board's approval;

- deliberation on the external auditors' report on the observations made in the course of the audit;

- approved the 2016 Internal Audit Plan and received the Outsourced Internal Auditor's presentation of the Group's internal audit reports on the status and progress of its internal audit assignments including the summary of audit reports issued, audit recommendations and Management's response to the recommendations;

- reviewed the Statement on Risk Management and Internal Control as well as the Audit and Risk Management Committee Report and recommended them for inclusion in the Annual Report;

- reviewed the Risk Assessment Report on a major subsidiary and noted the mitigating actions taken by Management to address the risk;

- reviewed the Internal Audit Report on Corporate Governance Compliance; the Procurement and Supply Contract Management; Chartering and Customer Contract Management; Crewing Management; and Technical Management;

- reviewed the Recurrent Related Party Transaction ("RRPT") procedures and the Audit and Risk Management Committee Statement and thereafter recommended for inclusion in the draft Circular to Shareholders for the renewal of the Shareholders' Mandate for Recurrent RRPT;

- reviewed the RRPT procedures and the Audit and Risk Management Committee Statement and thereafter recommended for inclusion in the draft Circular to Shareholders for the renewal of the Shareholders' Mandate for Recurrent RRPT's;

- evaluated the External Auditors' independence, objectivity and terms of engagement and recommended the re-appointment or changes of Auditors as well as the payment of proposed audit fees; and

- reviewed the External Auditors' Audit Planning Memorandum comprising their scope of work for the statutory audit for FY2016.

During the financial year, the Audit and Risk Management Committee met with the external auditors twice without the presence of the Management and Executive Directors to discuss key auditing concerns and obtain feedback relating to the Company's affairs. Nothing has come to the attention of the Audit and Risk Management Committee that causes them to believe that the financial reporting is inconsistent with the accounting standards and other legal requirements.

Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm ("Outsourced Internal Auditor"). The Board obtains sufficient assurance of the effectiveness of risk management, internal control and governance processes in the Group, through regular reviews and appraisals conducted by the Outsourced Internal Auditor, which reports directly to the Audit and Risk Management Committee. The Audit and Risk Management Committee determines the adequacy of the scope, function and resources of the internal audit function as well as the competency of the Outsourced Internal Auditor.

In its endeavour to provide reasonable assurance on the state of internal control in the Group, the Outsourced Internal Auditor carried out its reviews based on the 2016 Internal Audit Plan which was develop using a risk-based approach and approved by the Audit and Risk Management Committee.

The Internal Audit Reports were issued to the relevant Management at the conclusion of every audit engagements and reviewed by the Audit and Risk Management Committee. Audit findings that require corrective actions were highlighted to the Audit and Risk Management Committee and the relevant Management. The relevant Management were made responsible to implement corrective actions for the reported weaknesses within the required timeframe. In addition, the Outsourced Internal Auditor conducted follow up audits to ensure that the corrective actions were implemented by the relevant Management.

During the FY2016, an amount of RM62,658 was incurred by the Group for audit activities carried out by the Outsourced Internal Auditor.

External Audit Function

Besides performing the planned statutory audit, the external auditors also provided non-audit services where such engagements do not impair the independence or objectivity of the external auditors.

Based on the external auditors' report prepared, in accordance with applicable Approved Standards on Auditing in Malaysia, the financial statements for FY2016 were drawn to give a true and fair view of the financial position and financial performance of the Group in accordance with the applicable approved accounting standards and the requirements of Companies Act 1965 in Malaysia. The performance of the external audit function has been reviewed and assessed based on agreed performance criteria as set out in the External Auditors' Audit Planning Memorandum, timelines and adequacy of resources to achieve the agreed scope of the external audit. The Audit and Risk Management Committee recommends their reappointment for FY2017.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

This statement is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices relating to risk management and internal control system of the Group as stipulated in the Malaysian Code on Corporate Governance 2012.

BOARD'S RESPONSIBILITY

The Board of Directors ("the Board") acknowledges its overall responsibility for the Group's risk management and internal control system, including review the adequacy and effectiveness of the system and its alignment with business objectives.

The Audit and Risk Management Committee of the Board were tasked by the Board with the responsibility to ensure the establishment of appropriate framework and controls as well as reviewing the functional system of the Group would provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations of the Group throughout the financial year under review and regularly appraised by the Board.

The Board recognised that the system is designed to manage the Group's risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve Group's policies and business objectives. Therefore the internal controls implemented can only provide reasonable but not absolute assurance against the occurrence of any material misstatement, losses or fraud. This process has been in place for the year under review and up to the date of approval of this statement.

FRAMEWORK OF THE SYSTEM ON RISK MANAGEMENT

The Audit and Risk Management Committee with its own terms of reference ("TOR") was established in line with good practice, to enable the Board to closely monitor areas of risk exposure. There is ongoing risk management process to identify, evaluate, and manage significant risks that may affect the achievement of the Group's business objectives.

The said process is regularly reviewed by the Board and accords with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

The processes in place for the financial year under review involved conducting risk assessment and subsequent development of Risk Management Schedule to capture and prioritise key risk profiles, delegate ownership of risks, attach timelines to management control and action plans that provides continuous monitoring and reporting of risks.

The Board, working together with the management, has taken necessary actions to remedy any significant weaknesses identified and continues to take measures to further enhance and strengthen the Group's risk management and internal control system as one of the means to achieve the Group's business objectives.

FRAMEWORK OF THE SYSTEM ON INTERNAL CONTROLS

The key elements of the Group's system of internal controls are as follows:

- Clear organisational structures with defined lines of responsibility and delegation of authority;
- Centralised control of key functions such as corporate affairs, finance, tax, human resources and risk management;

FRAMEWORK OF THE SYSTEM ON INTERNAL CONTROLS (cont'd)

- Participation of management in the identification and evaluation of significant risks relevant to their business areas, and the design and operation of suitable internal controls in managing these risks;
- The Audit and Risk Management Committee, through the Group's Internal Audit function which is outsourced to Messrs Baker Tilly Monterio Heng Governance Sdn Bhd, examines the adequacy and effectiveness of the Group's system of internal control. The Internal Audit functions adopt a risk-based approach in identifying areas of priority for assurance engagements to ensure that the internal control system is viable and robust;
- The financial performance of the Group for every quarter is subject to review by the Audit and Risk Management Committee and the annual financial statements by the external auditors. The Audit and Risk Management Committee then reports and makes recommendations to the Board of Directors; and
- The Standard Operating Procedures relating to procurement, technical, crewing, chartering, operation, health, safety and environment for the operating units within the Group have been established. Regular reviews are performed to ensure that the policies and procedures remain current and relevant.

REVIEW BY BOARD

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. During the financial year, the Board was not aware of any issues which would result in any material losses, deficiencies or errors arising from any inadequacy or failure of the internal controls system that would require disclosure in the Annual Report. The internal controls and risk management will continue to be reviewed in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investment.

ASSURANCE TO THE BOARD

The Board has received assurance from the Executive Directors that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practise Guide ("RPG") 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2016 and reported to the Board of Directors that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosure required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or

(b) is factually inaccurate.

RPG 5 (revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement was approved by the Board of Directors on 10 April 2017.

Members

The Nomination Committee currently comprises three (3) members, which consist of one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors as follows:-

Datuk Mohd Jafni Bin Mohd Alias	Chairman (Independent Non-Executive Director)
Chin Chee Kong	Member (Non-Independent Non-Executive Director)
Baharudin Bin Bahari	Member (Independent Non-Executive Director)

Responsibilities

The responsibilities of the Nomination Committee are as follows:

a. To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

b. To recommend for appointment to the Board of Directors, candidates for all directorships to be filled by the shareholders or the Board, taking into consideration the candidates':

   i. skills, knowledge, expertise and experience;
   ii. professionalism;
   iii. integrity; and
   iv. in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;

c. To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director;

d. To recommend to the Board, Directors to fill the seats on Board Committees;

e. To review annually the Board's mix of skills and experiences and other qualities including core competencies which Non-Executive Directors should bring to the Board;

f. To recommend to the Board for continuation (or not) in service of Executive Director(s) and Directors who are due for retirement by rotation; and

g. To orientate and educate new Directors as the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

The Nomination Committee met once during the financial year ended 31 December 2016.

Summary of Activities During Financial Year End 31 December 2016

During the financial year ended 31 December 2016, the Nomination Committee, in discharging its functions and duties, carried out the following activities:-

a. Reviewed the size and composition of the Board and Board Committees;

b. Discussed and recommended the changes in composition of the Audit & Risk Management Committee, Nomination Committee and Remuneration Committee;

c. Reviewed the mix of skill and experience and other qualities of the Board;

d. Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;

e. Discussed and recommended the re-election of retiring Directors; and

f. Assessed and confirmed the independence of the Independent Directors.

The Nomination Committee upon its annual assessment carried out for financial year 2016, was satisfied that:

a. The size and composition of the Company Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;

b. The Board has been able to discharge its duties professionally and effectively;

c. All the Directors continues to uphold the highest governance standards in discharging their duties and responsibilities;

d. All the members of the Board are well qualified to hold their positions as Directors of the Company in view of their respective working experience, academic and professional qualifications, depth of knowledge, skills and experience and their personal qualities;

e. The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and

f. All the Directors have received training during the financial year ended 31 December 2016 that is relevant and would serve to enhance their effectiveness in the Board.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

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

Principal activities

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Loss for the year attributable:		
Owners of the Company	(28,040)	(117,031)
Non-controlling interest	(6)	-
	(28,046)	(117,031)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, other than as disclosed in Note 18 to the financial statements.

Dividends

The Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Alias bin Mat Lazin
Baharudin Bin Bahari
Bailey Kho Chung Siang
Chin Chee Kong
Dato' Gerald Hans Isaac
Datuk Dr. Hapiz Bin Abdullah
Datuk Ling Suk Kiong
Datuk Mohd Jafni Bin Mohd Alias
Datuk Selva Kumar A/L Mookiah
Wong Ping Eng
Nor Azman Bin Abdullah (resigned on 15 August 2016)

Directors' interest in shares

The interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company, in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Interests in the holding company				
Datuk Ling Suk Kiong				
- own	77,279,130	-	-	77,279,130
- others	102,726,512	-	-	102,726,512
Bailey Kho Chung Siang				
- own	327,500	-	-	327,500
Alias bin Mat Lazin				
- own	89,800	20,000	-	109,800

The other Directors had no interests in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object 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.

Issue of shares and debentures

There were neither changes in the authorised, issued and paid-up capitals of the Company, nor issuances of debentures by the Company during the financial year.

Options granted over unissued shares

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

Other statutory information

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

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent; or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

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

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

Other statutory information (cont'd)

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, other than the effect of the impairment loss on property, plant and equipment, investments in subsidiaries and other receivables as disclosed in Note 3, 5 and 9 respectively to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The details of the significant events are disclosed in Note 30 to the financial statements.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

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

Datuk Ling Suk Kiong
Director

Bailey Kho Chung Siang
Director

Kuala Lumpur,

Date: 10 April 2017

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 54 to 134 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 135 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Ling Suk Kiong
Director

Bailey Kho Chung Siang
Director

Kuala Lumpur,

Date: 10 April 2017

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **Datuk Ling Suk Kiong**, the Director primarily responsible for the financial management of Perdana Petroleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 135 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Datuk Ling Suk Kiong**, at Kuala Lumpur in the Federal Territory on 10 April 2017.

Datuk Ling Suk Kiong

Before me:

Rosliza Bt Ariffin (No: A-W262)
Pesuruhjaya Sumpah

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Perdana Petroleum Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 134.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("MIA") 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 and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of marine vessels
   Refer to Note 2(d) (accounting policy) and Note 3.4 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
The Group's main customers are from oil and gas companies involved in upstream exploration activities. Crude oil prices in 2016 continued to affect the business activities of the industry in which the Group operates. As a result, the Group has been facing challenges in achieving high charter hires for the Group's marine vessels for the current financial year ended. This gives rise to the risk that the carrying amount of the Group's marine vessels might be stated above their recoverable amount, and therefore had to be impaired.	Our audit procedures included, amongst others: i) We evaluated the key assumptions (i.e. vessel utilisation rates and daily charter rates) used by management by considering the accuracy of the Group's past forecasts and future business plans, including any long term charter hires already contracted by the Group.

INDEPENDENT AUDITORS' REPORT
(cont'd)

Key Audit Matters (cont'd)

1. Valuation of marine vessels (cont'd)
Refer to Note 2(d) (accounting policy) and Note 3.4 (financial disclosures) (cont'd).

Key audit matter	How our audit addressed the key audit matter
As disclosed in Note 3.4 to the financial statements, the estimation of recoverable amount involved forecasting and discounting future cash flows to be generated by the respective marine vessels. This was a key audit matter due to the degree of management judgement involved and assumptions of future events that are inherently uncertain. Changes in judgements and the related estimates throughout the useful lives of marine vessels could result in material adjustments to the carrying amount of marine vessels, which can be either positive or negative. As a result of this assessment, an impairment loss of RM5.8 million was recognised for the financial year ended 31 December 2016.	ii) We also evaluated the appropriateness of the discount rate used by management. In doing so, we have compared the discount rate used by management with the market rate of return for other similar entities in the same industry. iii) We also considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment was most sensitive.

2. Marine vessels under construction
Refer to Note 3.3 and 30.3 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
The Group had entered into two separate memorandums of agreement ("MOA") with a third party ("Seller") in June 2014 to purchase two units of work barges amounting to USD42 million each. Pursuant to the terms of the MOA, the Group had paid 20% of the purchase price of each work barge amounting to USD16.8 million as upfront deposits. On 28 March 2016, the Group formally informed the Seller that it had terminated the MOA for Vessel Hull No. SK316 that was due for delivery on 28 February 2016. Pursuant to the terms of the MOA, the Seller had a right of forfeiture of the upfront deposit paid, and accordingly, the Group had written off the deposit of USD8.4 million, equivalent to RM36.1 million in the financial statements for the previous year ended 31 December 2015. The Group received a notification dated 5 April 2016 from the Seller viewing the termination of the contract by the Group as wrongful and to forfeit the deposits paid, in addition to reserving all its rights under the MOA. Refer to Note 30.3 for details of the termination.	Our audit procedures focused on assessing the Group's assessment of potential financial implication of the respective termination and cancellation of the two work barges. In doing so: i) We read the correspondences between the Group and the Seller to understand the status of the dispute. ii) We interviewed the management on their assessment of the potential financial implication. iii) We read the legal opinion rendered by the solicitors, and we interviewed the solicitors to confirm our understanding of the potential financial implication.

Key Audit Matters (cont'd)

2. Marine vessels under construction (cont'd)
Refer to Note 3.3 and 30.3 (financial disclosures) (cont'd).

Key audit matter	How our audit addressed the key audit matter
The second unit of work barge was due for delivery on 31 July 2016, and the date of cancellation was on 30 November 2016. On 1 December 2016, the Group served a notice of cancellation and was seeking the immediate return of the USD8.4 million deposit paid to the Seller. Refer to Note 30.3 for details of the cancellation. On 22 December 2016, the Group has received notice of arbitration from the Seller, and the Group responded with a similar notice on 18 January 2017. Refer to Note 30.3 for details of the arbitration. This was a key audit matter due to the uncertainty of the above matter between the Group and the Seller, and its financial impact, if any, to the Group.	

3. Taxation
Refer to Note 2(l) (accounting policy) and Notes 20 and 28.2 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
In October 2015, the Group received a letter from the Inland Revenue Board ("IRB") in relation to a tax audit conducted for year of assessment ("YA") 2007 to YA 2010. The Group responded to the queries raised by the IRB in December 2015 and February 2016. Following the conclusion of the tax audit during the current financial year, an agreement was reached with the IRB for an additional tax payable of RM10.3 million for the past years of assessment covered by the said tax audit. The IRB has requested the Group to revise its tax computations for YA 2011 and subsequent years. The Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Group responded to the IRB that it disagreed with applying the same computation method used for the earlier tax audit exercise based on reasonable technical grounds. Evaluation of the above tax matter involved uncertainties and required significant judgement by the management given the complexities involved. Accordingly, this was a key audit matter.	Our audit procedures included, amongst others: i) We requested and read the relevant underlying source documents and correspondence letters relating to the matter. ii) We also considered the appropriateness and adequacy of the related disclosures made in Note 28.2 to the financial statements.

Key Audit Matters (cont'd)

4. Use of going concern basis in the preparation of financial statements
Refer to Note 1(b) (basis of preparation).

Key audit matter	How our audit addressed the key audit matter
The Group and the Company have prepared its financial statements on a going concern basis, notwithstanding that the current liabilities exceeded its current assets by RM164 million and RM232 million respectively as at the end of the financial year. The Group and the Company recorded net losses of RM28 million and RM117 million respectively for the current financial year ended 31 December 2016. In addition, the Group has significant borrowings amounting to RM896 million as at the end of the reporting period (see Note 14 to the financial statements), with an estimated repayment amounting to RM228 million due in the next financial year. This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period. As disclosed in Note 1(b) to the financial statements, the above conditions were mitigated by the holding company agreeing to provide continuous financial backing to support the Group and the Company to meet their obligations when due. Accordingly, the Directors believe that there is no material uncertainty that exists and the preparation of the financial statements of the Group and the Company on the going concern basis is appropriate.	Our audit procedures included, amongst others: i) We considered the ability of the Group and of the Company to continue as going concern and meet their obligations for the next twelve months from the date of financial statements based on the budgeted cash flows prepared by management for the said period. ii) We also considered the adequacy of disclosures made by management regarding the significant judgment exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, 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 financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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.

Auditor Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' 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 the subsidiary of which we have not acted as auditors is disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 31 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 3232/02/18 (J)
Chartered Accountant

10 April 2017

Kuching

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	1,529,235	1,596,247	1,914	2,116
Intangible assets	4	10,724	10,724	-	-
Investments in subsidiaries	5	-	-	520,893	589,915
Deposits	6	48,809	75,358	-	-
Deferred tax assets	7	15,143	46	46	46
Derivative asset	8	190	-	-	-
Other receivables	9	-	-	593,459	-
Total non-current assets		1,604,101	1,682,375	1,116,312	592,077
Inventories	10	1,368	1,331	-	-
Trade and other receivables	9	25,220	47,745	24,142	39,277
Deposits and prepayments	11	4,753	11,304	200	518
Current tax assets		6,205	1,328	4,294	-
Cash and cash equivalents	12	74,295	46,697	58,877	7,866
Total current assets		111,841	108,405	87,513	47,661
Total assets		1,715,942	1,790,780	1,203,825	639,738
Equity					
Share capital	13.1	389,235	389,235	389,235	389,235
Reserves	13.2	354,192	355,165	(23,417)	93,614
Equity attributable to owners of the Company		743,427	744,400	365,818	482,849
Non-controlling interests		136	143	-	-
Total equity		743,563	744,543	365,818	482,849

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Liabilities					
Loans and borrowings	14	693,089	625,295	518,797	-
Deferred tax liabilities	7	3,202	4,213	-	-
Derivative liability	8	-	77	-	-
Total non-current liabilities		696,291	629,585	518,797	-
Loans and borrowings	14	202,830	373,509	96,587	20,000
Trade and other payables	15	73,198	42,817	222,623	136,607
Current tax liabilities		60	326	-	282
Total current liabilities		276,088	416,652	319,210	156,889
Total liabilities		972,379	1,046,237	838,007	156,889
Total equity and liabilities		1,715,942	1,790,780	1,203,825	639,738

The notes on pages 64 to 135 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	16	191,711	228,194	2,333	12,358
Cost of services		(154,372)	(168,294)	-	-
Gross profit		37,339	59,900	2,333	12,358
Other income	17	77,427	3,593	447	649
Selling and distribution costs		-	(3,283)	-	-
Administrative expenses		(15,405)	(37,896)	(3,639)	(18,942)
Other expenses	17	(74,795)	(82,956)	(99,396)	(188)
Results from operating activities	18	24,566	(60,642)	(100,255)	(6,123)
Finance income		2,203	2,273	20,173	444
Finance costs		(62,717)	(56,558)	(29,372)	(1,180)
Net finance costs	19	(60,514)	(54,285)	(9,199)	(736)
Loss before tax		(35,948)	(114,927)	(109,454)	(6,859)
Taxation	20	7,902	(3,541)	(7,577)	(3,348)
Loss for the year		(28,046)	(118,468)	(117,031)	(10,207)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		26,799	145,512	-	-
Cash flow hedge		267	385	-	-
Other comprehensive income for the year		27,066	145,897	-	-
Total comprehensive (expense)/ income for the year		(980)	27,429	(117,031)	(10,207)
Loss attributable to:-					
Owners of the Company		(28,040)	(118,917)	(117,031)	(10,207)
Non-controlling interest		(6)	449	-	-
Loss for the year		(28,046)	(118,468)	(117,031)	(10,207)
Total comprehensive (expense)/ income attributable:-					
Owners of the Company		(973)	27,009	(117,031)	(10,207)
Non-controlling interest		(7)	420	-	-
Total comprehensive (expense)/ income for the year		(980)	27,429	(117,031)	(10,207)
Earnings per share (sen)					
- basic	22	(3.60)	(15.77)		
- diluted	22	(3.60)	(15.77)		

The notes on pages 64 to 135 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Attributable to owners of the Company										
	Non-distributable							*Distributable*			
	Share capital RM'000	Share premium RM'000	Share application monies RM'000	Warrant reserve RM'000	Translation reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group											
At 1 January 2015	369,285	8,404	10	5,213	(34,370)	(462)	1,635	339,369	689,084	(277)	688,807
Foreign currency translation differences	-	-	-	-	145,541	-	-	-	145,541	(29)	145,512
Cash flows hedge	-	-	-	-	-	385	-	-	385	-	385
Total other comprehensive income for the year	-	-	-	-	145,541	385	-	-	145,926	(29)	145,897
Loss for the year	-	-	-	-	-	-	-	(118,917)	(118,917)	449	(118,468)
Total comprehensive income for the year	-	-	-	-	145,541	385	-	(118,917)	27,009	420	27,429
Contributions by and distributions to owners of the Company											
- Warrants exercised	19,950	13,580	-	(5,213)	-	-	-	-	28,317	-	28,317
- Share application	-	-	(10)	-	-	-	-	-	(10)	-	(10)
Total transactions with owners of the Company	19,950	13,580	(10)	(5,213)	-	-	-	-	28,307	-	28,307
At 31 December 2015	389,235	21,984	-	-	111,171	(77)	1,635	220,452	744,400	143	744,543
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016 (cont'd)

	[---Attributable to owners of the Company---								
	[---*Non-distributable*---				]	*Distributable*	]		
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group									
At 1 January 2016	389,235	21,984	111,171	(77)	1,635	220,452	744,400	143	744,543
Foreign currency translation differences	-	-	26,800	-	-	-	26,800	(1)	26,799
Cash flows hedge	-	-	-	267	-	-	267	-	267
Total other comprehensive income for the year	-	-	26,800	267	-	-	27,067	(1)	27,066
Loss for the year	-	-	-	-	-	(28,040)	(28,040)	(6)	(28,046)
Total comprehensive income for the year	-	-	26,800	267	-	(28,040)	(973)	(7)	(980)
At 31 December 2016	389,235	21,984	137,971	190	1,635	192,412	743,427	136	743,563
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)				

The notes on pages 64 to 135 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Company	Share capital RM'000	Share premium RM'000	Share application monies RM'000	Treasury shares RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
	[------Non-distributable			*------]*	*Distributable*	
At 1 January 2015	369,285	8,404	10	5,213	81,837	464,749
Loss/Total comprehensive expense for the year	-	-	-	-	(10,207)	(10,207)
Contributions by and distributions to owners of the Company						
- Warrants exercised	19,950	13,580	-	(5,213)	-	28,317
- Share application	-	-	(10)	-	-	(10)
Total transactions with owners of the Company	19,950	13,580	(10)	(5,213)	-	28,307
At 31 December 2015/1 January 2016	389,235	21,984	-	-	71,630	482,849
Loss/Total comprehensive expense for the year	-	-	-	-	(117,031)	(117,031)
At 31 December 2016	389,235	21,984	-	-	(45,401)	365,818
	(Note 13)	(Note 13)	(Note 13)	(Note 13)		

The notes on pages 64 to 135 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Loss before tax		(35,948)	(114,927)	(109,454)	(6,859)
Adjustments for:					
Impairment loss on property, plant and equipment	3	5,769	28,065	-	-
Impairment loss on receivables	9	37,695	-	-	-
Impairment loss on investments in subsidiaries		-	-	69,022	-
Bad debts written off	18	39	2	-	-
Depreciation of property, plant and equipment	3	87,668	83,801	267	188
Interest expense	19	62,717	56,558	29,372	1,180
Property, plant and equipment written off	3	-	36,554	-	-
Gain on disposal of property, plant and equipment	18	-	(39)	-	-
Gain on settlement of refundable deposits		(1,065)	-	-	-
Interest income		(2,203)	(2,273)	(20,173)	(444)
Unrealised (gain)/loss on foreign exchange	18	(75,615)	1,142	4,211	(649)
Operating profit/(loss) before changes in working capital		79,057	88,883	(26,755)	(6,584)
Changes in working capital:					
Inventories		(37)	457	-	-
Trade and other receivables, deposits and prepayments		17,373	18,564	(578,399)	(14,751)
Trade and other payables		95,087	378	49,630	(9,271)
Cash generated from/(used in) operations		191,480	108,282	(555,524)	(30,606)
Income tax paid		(9,683)	(1,906)	(11,315)	(18)
Net cash from/(used in) operating activities		181,797	106,376	(566,839)	(30,624)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016 (cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from investing activities					
Interest received		2,203	900	741	444
Additional investments in subsidiaries		-	-	-	(10,950)
Proceeds from disposal of property, plant and equipment		-	198	-	-
Refundable deposits refunded		25,653	-	-	-
Purchase of property, plant and equipment	3	(352)	(21,904)	(65)	(514)
Placement of fixed deposits pledged		(37,982)	(3,714)	-	-
Net cash (used in)/from investing activities		(10,478)	(24,520)	676	(11,020)
Cash flows from financing activities					
Drawdown of sukuk bonds		635,000	-	635,000	-
Proceeds from issuance of shares through warrant exercise		-	28,307	-	28,307
Repayment of term loans		(578,664)	(124,170)	-	-
Repayment of revolving credit		(2,000)	(15,000)	(2,000)	-
Repayment of finance lease liability obligations		(163,701)	(23,425)	-	-
Interest paid		(34,376)	(56,558)	(1,104)	(1,180)
Coupon paid		(14,883)	-	(14,883)	-
Net cash (used in)/from financing activities		(158,624)	(190,846)	617,013	27,127
Net increase/(decrease) in cash and cash equivalents		12,695	(108,990)	50,850	(14,517)
Effect of exchange rate movements		(23,079)	52,769	161	649
Cash and cash equivalents at 1 January		26,751	82,972	7,866	21,734
Cash and cash equivalents at 31 December		16,367	26,751	58,877	7,866

Note

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits placed with licensed banks	67,548	22,266	57,929	750
Cash on hand and at banks	6,747	24,431	948	7,116
Sub-total (Note 12)	74,295	46,697	58,877	7,866
Less: Deposits pledged as security	(57,928)	(19,946)	-	-
Cash and cash equivalents	16,367	26,751	58,877	7,866

The notes on pages 64 to 135 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Perdana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The Company's shares have been suspended from trading on the said bourse pending compliance with the public spread requirement. The address of its registered office is Unit 2-18-01, Tower 2, VSQ @ PJCC, Jalan Utara, 46200 Petaling Jaya, Selangor.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "group entities").

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The holding company as well as the ultimate holding company is Dayang Enterprise Holdings Berhad. The company is a public listed company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 10 April 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are the accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company:

MFRS / Amendment / Interpretation	**Effective date**
Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2017
Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*	1 January 2017
Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
MFRS 9, *Financial Instruments (2014)*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Share-based payment- Classification and Measurement of Share-based Payment Translation*	1 January 2018

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRS / Amendment / Interpretation	Effective date
Amendments to MFRS 4, *Insurance Contracts-Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Venture (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property – Transfers of Investment property*	1 January 2018
MFRS 16, *Leases*	1 January 2019
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 Associate or Joint Venture*	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2017, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017, except for Amendments to MFRS 12, which is assessed as presently not applicable to the Group.
- from the annual period beginning on 1 January 2018, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are assessed as presently not applicable to the Group.
- from the annual period beginning on 1 January 2019 Amendments to MFRS 16 which is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers and Clarifications to MFRS 15, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue Barter Transactions Involving Advertising Services*.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15 and Clarifications to MFRS 15.

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 will result in change in accounting policy. The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

The Group and the Company have prepared its financial statements on a going concern basis, notwithstanding that the current liabilities exceeded its current assets by RM164 million and RM232 million respectively as at the end of the financial year. The Group and the Company recorded net losses of RM28 million and RM117 million respectively for the current financial year ended. In addition, the Group has significant borrowings amounting to RM896 million as at the end of the reporting period (see Note 14 to the financial statements), with an estimated repayment amounting to RM228 million due in the next financial year. This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period.

The validity of the going concern assumption is dependent on the ultimate holding company to provide continuous financial backing to support the Group and the Company to meet their obligations when due.

In addition, the ultimate holding company will synergise its activities such as hook up and commissioning and topside structural maintenance mainly for the brownfield market, which have been less adversely affected by the current volatile low oil landscape.

As at the end of the reporting period and as at the date these financial statements were authorised for issue, the Directors believe that there is no material uncertainty that exists over the ability of the Group and the Company to continue on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

1. Basis of preparation (cont'd)

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3.4 – impairment testing of property, plant and equipment;
- Note 4 – impairment testing of intangible assets;
- Note 5 – impairment testing of investment in subsidiaries; and
- Note 7 – recognition of deferred tax assets.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries 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.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations

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.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate 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.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. 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 an available-for-sale financial asset depending on the level of influence retained.

(v) 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 interests 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 or expense for the year between non-controlling interests and owners of the Company.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Non-controlling interests (cont'd)

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

(vi) 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.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except that those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (cont'd)

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(i)(i)].

Financial liabilities

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

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

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

(iii) Financial guarantee contracts

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iii) Financial guarantee contracts (cont'd)

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

(vi) Derecognition

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

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

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs [see Note 2(m)]. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Dry docking expenditures are capitalised.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

The depreciation rates of the other assets for the current and comparative periods are as follows:

Marine vessels	4%
Vessel equipment	4% - 10%
Dry docking	20%
Leasehold buildings	2%
Cabin, field and workshop equipment	10% - 20%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Others	10% - 50%

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. Significant accounting policies (cont'd)

(f) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories is measured based on first-in-first out basis, and includes expenditure incurred in acquiring the inventories, production or in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of financial asset is estimated.

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (cont'd)

(j) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(k) Revenue and other income

(i) Chartered vessel income

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

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Management fees income

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

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

2. Significant accounting policies (cont'd)

(k) Revenue and other income (cont'd)

(v) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method, except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(m) Borrowing costs

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

2. Significant accounting policies (cont'd)

(m) Borrowing costs (cont'd)

Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, 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 or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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 dilutive potential ordinary shares arising from warrants issued.

(p) Operating segments

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

(q) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

2. Significant accounting policies (cont'd)

(q) Equity instruments (cont'd)

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Warrants

Proceeds, net of issue costs, from the issuance of warrants are allocated between the new ordinary shares issued and the warrants based on their relative fair values at the date of issue in accordance with FRSIC Consensus 9 – Accounting for Rights Issue with Free Warrants. The warrant reserve is non-distributable. The warrant reserve is transferred to the share premium reserve upon the exercise or lapse of the warrants.

(r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, 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 participant 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 are 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 or 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.

3. Property, plant and equipment

Group	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Cost											
At 1 January 2015	1,540,990	10,634	36,200	1,860	78	950	3,989	916	58,825	4,069	1,658,511
Additions	4,206	836	16,216	-	-	-	113	16	-	517	21,904
Disposals	-	-	-	-	-	(166)	(12)	(212)	-	(95)	(485)
Write-offs	-	-	-	-	-	-	(127)	(271)	(36,070)	(1,123)	(37,591)
Effect of movements in exchange rate	331,216	1,965	9,360	-	-	23	16	60	13,314	150	356,104
At 31 December 2015/ 1 January 2016	1,876,412	13,435	61,776	1,860	78	807	3,979	509	36,069	3,518	1,998,443
Additions	-	-	33	-	-	-	31	1	-	287	352
Reclassification (Note 3.3)	-	-	-	-	-	-	-	-	(37,695)	-	(37,695)
Effect of movements in exchange rate	65,626	35	1,114	-	-	-	-	-	1,626	-	68,401
At 31 December 2016	1,942,038	13,470	62,923	1,860	78	807	4,010	510	-	3,805	2,029,501

3. Property, plant and equipment (cont'd)

Group (cont'd)	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Depreciation and impairment loss											
At 1 January 2015	210,418	5,850	12,402	344	60	344	3,282	652	-	3,407	236,759
Depreciation for the year (Note 18)	70,599	1,439	10,960	37	5	159	236	71	-	295	83,801
Impairment loss (Note 18)	28,065	-	-	-	-	-	-	-	-	-	28,065
Disposals	-	-	-	-	-	(165)	(2)	(96)	-	(63)	(326)
Write-offs	-	-	-	-	-	-	(67)	(174)	-	(796)	(1,037)
Effect of movements in exchange rate	49,902	1,258	3,617	-	-	23	6	30	-	98	54,934
At 31 December 2015											
Accumulated depreciation	330,919	8,547	26,979	381	65	361	3,455	483	-	2,941	374,131
Accumulated impairment loss	28,065	-	-	-	-	-	-	-	-	-	28,065

3. Property, plant and equipment (cont'd)

Group (cont'd)	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Depreciation and impairment loss (cont'd)											
At 31 December 2015/ 1 January 2016	358,984	8,547	26,979	381	65	361	3,455	483	-	2,941	402,196
Depreciation for the year (Note 18)	73,990	1,572	11,368	37	5	160	196	8	-	332	87,668
Impairment loss (Note 18)	5,769	-	-	-	-	-	-	-	-	-	5,769
Effect of movements in exchange rate	4,119	(24)	538	-	-	-	-	-	-	-	4,633
At 31 December 2016											
Accumulated depreciation	409,028	10,095	38,885	418	70	521	3,651	491	-	3,273	466,432
Accumulated impairment loss	33,834	-	-	-	-	-	-	-	-	-	33,834
	442,862	10,095	38,885	418	70	521	3,651	491	-	3,273	500,266
Carrying amount											
At 31 December 2015	1,517,428	4,888	34,797	1,479	13	446	524	26	36,069	577	1,596,247
At 31 December 2016	1,499,176	3,375	24,038	1,442	8	286	359	19	-	532	1,529,235

3. Property, plant and equipment (cont'd)

Company	Note	Leasehold buildings RM'000	Office equipment RM'000	Furniture and fittings RM'000	Others RM'000	Total RM'000
Cost						
At 1 January 2015		1,860	301	284	2,048	4,493
Additions		-	31	14	469	514
Disposal		-	-	-	(10)	(10)
At 31 December 2015/ 1 January 2016		1,860	332	298	2,507	4,997
Additions		-	-	-	65	65
At 31 December 2016		1,860	332	298	2,572	5,062
Accumulated depreciation						
At 1 January 2015		344	209	270	1,880	2,703
Depreciation for the year	18	38	34	7	109	188
Disposal		-	-	-	(10)	(10)
At 31 December 2015/ 1 January 2016		382	243	277	1,979	2,881
Depreciation for the year	18	38	34	6	189	267
At 31 December 2016		420	277	283	2,168	3,148
Carrying amount						
At 31 December 2015		1,478	89	21	528	2,116
At 31 December 2016		1,440	55	15	404	1,914

3.1 Carrying amount of property, plant and equipment under finance lease liabilities

Two (2015: Four) marine vessels with a total carrying amount of RM176 million (2015: RM344 million) are under finance lease liabilities.

3.2 Security - Group

Fifteen (2015: Thirteen) marine vessels with a total carrying amount of RM1.3 billion (2015: RM1.2 billion) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Note 14).

3. Property, plant and equipment (cont'd)

3.3 Assets under construction

The Group had entered into two memoranda of agreement with a third party on 23 June 2014 to purchase two units of work barge amounting to USD42 million each. The Group had paid 20% of the purchase price of each work barge amounting to USD8.4 million each as deposit.

On 28 March 2016, the Group formally informed the third party that it decided not to take delivery of one of the two units of work barge which resulted in the forfeiture of the deposits placed of USD8.4 million, equivalent to RM36.1 million (see Note 30.3). The forfeited deposit has been written off to the profit or loss in the financial year ended 31 December 2015 (see Note 17).

On 1 December 2016, the Group cancelled the second Memorandum of Agreement ("MOA") on the purchase of the second work barge as the third party had not fulfilled the condition of delivery of the vessel in accordance with the terms and conditions of the MOA. Accordingly, the Group had sought for the immediate return of the deposit paid of USD8.4 million and reclassified the said deposit to other receivables due to the change in nature of the deposit paid.

3.4 Impairment testing of property, plant and equipment

The Group's main customers are from oil and gas companies involved in upstream exploration activities. Crude oil prices in 2016 continued to affect the business activities of the industry in which the Group operates.

In the current financial year, the Group has evaluated whether the property, plant and equipment, i.e. marine vessels and dry docking used in the operations are stated in excess of their recoverable amounts. The Group has applied the value-in-use approach on the basis that the vessels will continue to be in use up to the expected useful lives of the respective vessels. The value-in-use has been calculated by forecasting and discounting future cash flows to be generated by the respective marine vessels based on the following key assumptions:

(a) Average utilisation rate ranging from 70% to 90% (2015: 70% to 95%);
(b) Average daily charter rate ranging from RM28,000 to RM73,000 (2015: RM28,000 to RM73,000);
(c) Daily operating costs ranging from RM8,000 to RM13,000 (2015: RM8,000 to RM13,000);
(d) Growth rate of 5% (2015: 5%) in both daily charter rate and cost in every five years;
(e) Salvage value based on market value of scrap steel plates at USD550 per tonne multiplied by the lightweight of the vessels; and
(f) Pre-tax discount rate of 10% (2015: 10%).

The values assigned to the key assumptions are based on historical data from both external sources and internal sources as well as management's assessment of future trends in the industry.

Following the assessment, the Group recognised impairment losses of RM5.8 million (2015: RM28.1 million) (see Note 17) on five (2015: four) vessels in the profit or loss, as the estimated recoverable amounts of these vessels are lower than their carrying amounts.

Impairment loss sensitivity analysis

This analysis is based on utilisation rate and discount rate variances that the Group considered to be reasonably possible at the end of the reporting period.

3. Property, plant and equipment (cont'd)

3.4 Impairment testing of property, plant and equipment (cont'd)

Impairment loss sensitivity analysis (cont'd)

The value-in-use estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM53 million (2015: RM47 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM61 million (2015: RM54 million).

4. Intangible assets

Group	Goodwill RM'000
Cost	
At 1 January 2015, 31 December 2015/ 1 January 2016 and 31 December 2016	27,507
Impairment losses	
At 1 January 2015, 31 December 2015/ 1 January 2016 and 31 December 2016	(16,783)
Carrying amount	
At 1 January 2015, 31 December 2015/ 1 January 2016 and 31 December 2016	10,724

In the previous financial years, the Group recognised impairment losses of RM16.8 million based on the estimated recoverable amount of the goodwill. The recoverable amounts are estimated using value-in-use calculation. In the current financial year under review, the Group has reassessed the goodwill on a similar basis and concluded there is no further impairment to the goodwill.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the CGUs acquired at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to the CGUs are as follows:

	2016 RM'000	2015 RM'000
CGU 1	10,701	10,701
CGU 2	23	23
Total	10,724	10,724

4. Intangible assets (cont'd)

CGU 1

The recoverable amount of CGU 1 was estimated using the value-in-use calculation. The value-in-use calculation was based on the key assumptions as detailed in Note 3.4.

CGU 2

No impairment testing is performed on CGU 2, in view of the immaterial carrying amount to the Group.

5. Investments in subsidiaries

	Company 2016 RM'000	Company 2015 RM'000
At cost		
Unquoted shares		
- in Malaysia	668,567	668,567
- outside Malaysia	21,176	21,176
Less: impairment loss	(168,850)	(99,828)
	520,893	589,915

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Intra Oil Services Berhad	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Ampangship Marine Sdn Bhd	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Perdana Nautika Sdn Bhd	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Petra Offshore Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100

5. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Perdana Jupiter Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Neptune Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Pluto Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Saturn Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Earth Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Mars Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Odin Explorer Navigation Limited	The British Virgin Island	Dormant	100	100
Geoseas Technologies Limited	The British Virgin Island	Dormant	51	51
Perdana Marine Offshore Pte. Ltd.**	The Republic of Singapore	Provision of marine support services for the oil and gas industry	100	100
Perdana Mercury Limited	The Republic of the Marshall Island	Provision of marine support services for the oil and gas industry	100	100
Perdana Venus Limited	The Republic of the Marshall Island	Provision of marine support services for the oil and gas industry	100	100
Perdana Uranus Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100

**: Not audited by member firms of KPMG International.

5. Investments in subsidiaries (cont'd)

As the Group does not have material non-controlling interest, the financial information of non-controlling interest is not disclosed in these financial statements.

Impairment testing for investments in subsidiaries

The recoverable amounts of respective subsidiaries were estimated using the value-in-use calculation. This calculation uses pre-tax cash flow projections based on the financial budgets approved by management and cash flows expected from the continuing use of assets. The value-in-use calculation was based on the key assumptions as detailed in Note 3.4.

Following the assessment, the Group recognised impairment loss of RM69 million (2015: Nil) (see Note 17) on two (2015: Nil) subsidiaries in the profit or loss, as the estimated recoverable amounts of these subsidiaries are lower than their carrying amounts.

6. Deposits

		Group	
	Note	2016 RM'000	2015 RM'000
Refundable deposits	(a)	47,463	71,177
Deposits in Retention Account	(b)	1,346	4,181
		48,809	75,358

(a) Refundable deposits are deposits held by lessors of marine vessels of a subsidiary which is refundable to the Group upon expiry of the respective leases. During the year, the Group settled two of the leases whereby RM24 million has been refunded by the lessor.

(b) Deposits in Retention Account represents a cash amount of USD300,000 per vessel placed with a financier and will be released upon the settlement of the respective loans owed to the financier. During the year, certain deposits in the Retention Account have been so released.

7. Deferred tax

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:-

Group	Assets 2016 RM'000	Assets 2015 RM'000	Liabilities 2016 RM'000	Liabilities 2015 RM'000	Net 2016 RM'000	Net 2015 RM'000
Property, plant and equipment	112	-	(4,071)	(16,384)	(3,959)	(16,384)
Capital allowances carried forward	11,396	11,641	-	-	11,396	11,641
Tax losses carried forward	3,329	576	-	-	3,329	576
Other provisions	1,175	-	-	-	1,175	-
Tax assets/(liabilities)	16,012	12,217	(4,071)	(16,384)	11,941	(4,167)
Set off of tax	(869)	(12,171)	869	12,171	-	-
Net tax assets/(liabilities)	15,143	46	(3,202)	(4,213)	11,941	(4,167)

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1.1.2015 RM'000	Recognised in profit or loss RM'000	At 31.12.2015/ 1.1.2016 RM'000	Recognised in profit or loss RM'000	At 31.12.2016 RM'000
Property, plant and equipment	(17,093)	709	(16,384)	12,425	(3,959)
Capital allowances carried forward	11,470	171	11,641	(245)	11,396
Tax losses carried forward	975	(399)	576	2,753	3,329
Other provisions	116	(116)	-	1,175	1,175
	(4,532)	365	(4,167)	16,108	11,941
		(Note 20)		(Note 20)	

7. Deferred tax (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group and Company	
	2016 RM'000	2015 RM'000
Unabsorbed capital allowances	262	139
Unutilised tax losses	7,435	7,435
	7,697	7,574

Deferred tax assets of the Group and the Company of RM1.8 million (2015: RM1.8 million) have not been recognised in respect of the above temporary differences because it is not certain if sufficient future taxable profits will be available against which the affected group entities can utilise the benefits therefrom.

Unabsorbed capital allowances carried forward and unutilised tax losses carried forward of group entities incorporated in Malaysia do not expire under the current Malaysian tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

8. Derivative asset/liability

	Contractual/ Notional amount		Group	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Derivative used for hedging				
Interest rate swap	53,850	68,704	190	(77)

On 21 October 2014, the Group entered into an interest rate swap to hedge the variability in cash flows arising from interest rate risk in relation to the floating interest rate of a term loan. The interest rate swap has been designated as the hedging instrument of a cash flow hedge.

The swap entitles the Group to receive a floating interest equal to 3-month USD-LIBOR + 3.10% per annum, pays a fixed rate of 4.18% per annum (if LIBOR is less than or equals to 2.00%) or a 3-month USD-LIBOR + 2.35% per annum (if LIBOR is more than 2.00%).

The swap has the same maturity date as that of the term loan.

9. Trade and other receivables

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-Current					
Non-trade					
Amount due from subsidiaries	9.2	-	-	593,459	-
Sub-total		-	-	593,459	-
Current					
Trade					
Amount due from a related company	9.1	1,482	9,624	-	-
Trade receivables		17,501	28,206	-	-
Sub-total		18,983	37,830	-	-
Non-trade					
Amount due from subsidiaries	9.3	-	-	23,834	39,257
Other receivables		43,932	10,235	308	20
Allowance for impairment losses		(37,695)	(320)	-	-
		6,237	9,915	308	20
Sub-total		6,237	9,915	24,142	39,277
Total		25,220	47,745	617,601	39,277

Group

9.1 Amount due from a related company is unsecured, interest free and repayable on demand.

Company

9.2 Amount due from subsidiaries are unsecured and subject to interest at 4.91% (2015: Nil) per annum and repayable on demand.

9.3 Amount due from subsidiaries are unsecured, interest free and repayable on demand.

10. Inventories

Inventories represent fuel, various oils and lubricants and spare parts. None of the inventories are carried at net realisable value.

	Group 2016 RM'000	Group 2015 RM'000
Materials and consumables - at cost	1,368	1,331
Recognised in profit or loss:		
Inventories recognised as part of cost of services	5,902	5,874

11. Deposits and prepayments

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits	(a)	2,251	4,548	162	244
Prepayments	(b)	2,502	6,756	38	274
		4,753	11,304	200	518

(a) Included in the Group's deposits is placement of fund of USD297,000 (2015: USD824,000) in a Sinking Fund Account. This Sinking Fund Account is established with a financial institution and is held by a subsidiary during the tenure of a loan as security deposits. During the year, certain deposits placed in the Sinking Fund Account have been released upon full settlement of certain loans.

(b) In the last financial year, included in the Group's prepayments were advance vessels hire payments of USD998,000 made to a financial institution. These payments were netted off against the future gross hire payable. During the year, the Group has settled the associated leases and there was no advance vessel hire payment as at the end of the financial year.

12. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	67,548	22,266	57,929	750
Cash on hand and at banks	6,747	24,431	948	7,116
	74,295	46,697	58,877	7,866

12. Cash and cash equivalents (cont'd)

Group

Included in the deposits placed with licensed banks of the Group is RM57.9 million (2015: RM19.9 million) of deposits pledged for loans granted to certain subsidiaries. The Group may withdraw the pledged deposits upon settlement of the respective loans.

Company

Included in the deposits placed with licensed bank of the Company is RM57.9 million (2015: Nil) of deposits placed for a sukuk loan. The Company may withdraw the pledged deposits upon settlement of the loan.

13. Capital and reserves

13.1 Share capital

	Group and Company			
	2016		2015	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM0.50 each				
Authorised:				
Opening and closing balances	500,000	1,000,000	500,000	1,000,000
Issued and fully paid:				
At 1 January	389,235	778,471	369,285	738,570
Warrants exercised	-	-	19,950	39,901
At 31 December	389,235	778,471	389,235	778,471

13.2 Reserves

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:-				
Share premium	21,984	21,984	21,984	21,984
Translation reserve	137,971	111,171	-	-
Cash flow hedge reserve	190	(77)	-	-
Other capital reserve	1,635	1,635	-	-
	161,780	134,713	21,984	21,984

13. Capital and reserves (cont'd)

13.2 Reserves (cont'd)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Distributable:-				
Retained earnings/ (Accumulated losses)	192,412	220,452	(45,401)	71,630
	354,192	355,165	(23,417)	93,614

13.3 Share premium

The movements in the share premium of the Group and the Company are as follows:

	Group and Company 2016 RM'000	Group and Company 2015 RM'000
At 1 January	21,984	8,404
- Conversion premium	-	8,367
- Transferred from warrant reserve upon warrants exercised or lapsed (Note 13.4)	-	5,213
	-	13,580
At 31 December	21,984	21,984

The share premium is not distributable by way of cash dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

13.4 Warrant reserve

	Group and Company RM'000
At 1 January 2015	5,213
- Transferred to share premium upon exercising or lapsing of warrants (Note 13.3)	(5,213)
At 31 December 2015	-

13. Capital and reserves (cont'd)

13.4 Warrant reserve (cont'd)

On 27 October 2010, the Company issued 61,379,785 free warrants in conjunction with the Company's renounceable rights issue of 122,760,000 new ordinary shares of RM0.50 each with free detachable warrants on the basis of three (3) rights shares for every eight (8) existing ordinary shares of RM0.50 each held in the Company. The warrants were listed and quoted in the Main Market of Bursa Malaysia Securities Berhad on 1 November 2010.

On 6 December 2013, an additional 14,828,798 warrants, arising from the adjustments made as a result of a bonus issue, were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad. The exercise price for the warrants was revised from RM1.00 to RM0.71 per warrant following the bonus issue. The adjustments to the number of outstanding warrants and the exercise price for the warrants were made in accordance with the provisions of the Deed Poll.

The salient terms of the warrants are as follows:

(a) Each warrant entitled the recognised holder to subscribe for one (1) new ordinary share of RM0.50 each in the Company at any time on or before the maturity date on 26 October 2015, falling five (5) years from the date of issue of the warrants. Unexercised warrants after the exercise period would thereafter lapse and cease to be valid; and

(b) The new ordinary shares to be issued upon the exercise of the warrants would rank pari passu in all respects with the existing ordinary shares of the Company.

Pursuant to FRSIC Consensus 9 – Accounting for Rights Issue with free Warrants, the proceeds from the Rights Issues (net of issue costs) were allocated between the new ordinary shares issued and the warrants based on their relative fair values at the date of issue.

The warrants expired on 26 October 2015.

The movements of the warrants in the previous year were as follows:

Number of unexercised warrants

	Entitlement for ordinary shares of RM0.50 each
At 1 January 2015	40,546,023
Less: Warrants exercised	(39,900,874)
Warrants expired	(645,149)
At 31 December 2015	-

13. Capital and reserves (cont'd)

13.5 Translation reserve

The foreign currency translation reserve arose from the translation of the financial statements of foreign subsidiaries.

13.6 Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative gains and losses on the hedging instrument deemed effective in a cash flows hedge.

	Group	
	2016 RM'000	**2015 RM'000**
At 1 January	(77)	(462)
Movement during the year (net)	267	385
At 31 December	190	(77)

13.7 Other capital reserve

This reserve relates to the redemption of redeemable non-cumulative non-voting preference shares by a subsidiary incorporated in the Federal Territory of Labuan, Malaysia.

Following the amendment to the Labuan Companies Act 1990 in year 2010 whereby there is no requirement for par value of shares and no requirement for minimum share capital, this reserve has been reclassified from share capital to other capital reserves.

14. Loans and borrowings

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-current				
Sukuk	518,797	-	518,797	-
Secured term loans	34,454	349,759	-	-
Finance lease liabilities	139,838	275,536	-	-
	693,089	625,295	518,797	-

14. Loans and borrowings (cont'd)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Sukuk	78,587	-	78,587	-
Secured term loans	92,734	325,656	-	-
Finance lease liabilities	13,509	27,853	-	-
Revolving credits	18,000	20,000	18,000	20,000
	202,830	373,509	96,587	20,000
Total	895,919	998,804	615,384	20,000

14.1 Sukuk Murabahah

Sukuk Murabahah of RM635 million was issued by the Company on 28 April 2016, and is constituted by a Trust Deed dated 8 April 2016 entered into by the Company and the Trustee for the holders of the Sukuk Murabahah. The tenure of the Sukuk Murabahah Programme shall be twelve (12) years from the date of the first issuance of the Sukuk Murabahah. The first tranche was issued for a period of five (5) years with a claim period of thirty (30) days thereafter from the date of issuance.

In relation thereto, Danajamin has granted and made available an Al-Kafalah Facility of up to the aggregate amount of the nominal value of the Sukuk Murabahah of RM635 million ("Danajamin Facility") and such amount equivalent to one (1) profit payment thereof and UOB has agreed to indemnify and counter guarantee the Danajamin Facility for the nominal value of the Sukuk Murabahah of up to RM317.5 million and one (1) profit payment thereof to guarantee the Company's payment obligations to the holders of the Sukuk Murabahah.

In connection therewith, Danajamin, UOB and the Company have entered into an Al-Kafalah Facility Agreement dated 13 April 2016 and Danajamin has issued a Kafalah policy dated 25 April 2016 in favour of the Trustee for the holders of the Sukuk Murabahah to guarantee the payment obligations of the Company under the Sukuk Murabahah for up to the nominal value of the Sukuk Murabahah of RM635 million and one (1) profit payment thereof. The Sukuk Murabahah is:

(i) transferable and tradable;
(ii) not listed;
(iii) not underwritten; and
(iv) rated AAA by RAM Rating Services Berhad.

a) Primary bonds' repayment terms under the Sukuk Murabahah contract

Pursuant to the Islamic financing documents in relation to the Sukuk Murabahah, the Company shall be liable to pay the Deferred Sale Price (being the aggregate of (i) the nominal value of the Sukuk Murabahah and (ii) the profit margin of the relevant Sukuk Murabahah, payable on a deferred payment basis). The Sukuk Murabahah issued by the Company shall evidence, amongst others, the entitlement of the holders of the Sukuk Murabahah to receive the Deferred Sale Price. The Company shall repay the nominal value of the relevant Sukuk Murabahah for respective tenures based on the maturity dates as follows:

14. Loans and borrowings (cont'd)

14.1 Sukuk Murabahah (cont'd)

a) Primary bonds' repayment terms under the Sukuk Murabahah contract (cont'd)

Tranche	Nominal Value (RM)	Maturity Date
1	90,000,000	28 April 2017
2	90,000,000	27 April 2018
3	90,000,000	26 April 2019
4	90,000,000	28 April 2020
5	275,000,000	28 April 2021
Total	**635,000,000**	

Any non payment of the nominal value on the maturity date would constitute a default under the Trust Deed.

b) Secondary bonds/profit payment terms under the Sukuk Murabahah contract

The secondary bonds/profit payment is the amount calculated on the relevant outstanding Sukuk Murabahah based on the profit rates as follows:

Tranche	Profit Rate per annum (%)
1	4.30
2	4.45
3	4.60
4	4.75
5	4.90

In relation to each tranche of the Sukuk Murabahah, the date for payment of the periodic profit payments, shall be each date falling at the end of consecutive six (6) months' period commencing from the issue date until the maturity date of that tranche of Sukuk Murabahah.

Any non payment would constitute a default under the Trust Deed.

c) Securities

The payment by the Company for up to the nominal value of the Sukuk Murabahah of RM635 million and one (1) profit payment thereof, in respect of the first issuance of the Sukuk Murabahah, is guaranteed by the Kafalah policy dated 25 April 2016 issued by Danajamin in favour of the Trustee.

The Al-Kafalah Facility Agreement granted by Danajamin is secured by:

(i) a charge over the Securities Accounts;
(ii) a charge over mortgages of the twelve (12) vessels via a third (3rd) party first (1st) priority statutory mortgage of the subsidiaries of the Company;

14. Loans and borrowings (cont'd)

14.1 Sukuk Murabahah (cont'd)

c) Securities (cont'd)

(iii) a charge over all money, revenue, receipts, proceeds or income in relation to the twelve (12) vessels;
(iv) a charge over all policies and contracts of insurance of vessel owners of the twelve (12) vessels; and
(v) a charge over the twelve (12) vessels of a third (3rd) party deeds of covenant prescribed by the Trustee and executed by the vessel owners and the relevant corresponding mortgages as security for the payment and repayment of the Sukuk Murabahah.

d) Guarantee fee

Guarantee fee shall be payable to Danajamin at the rate of 1.55% per annum calculated on the guaranteed amount commencing the date of first (1st) issuance of the Sukuk Murabahah, paid annually in advance.

14.2 Commodity Murabahah Financing - I

On 8 October 2014, a subsidiary accepted a term loan facility denominated in United States Dollar (USD) with a nominal value of USD20,000,000 (equivalent to RM70,030,000).

This term loan is subject to floating interest rate and is being hedged by an interest rate swap as disclosed in Note 8 to the financial statements.

14.3 Term loans

The term loans are secured by:

(i) fixed charge over certain vessels of the Group;
(ii) fixed charge over the shares of a subsidiary;
(iii) assignment and charges over insurance proceeds and revenue of certain vessels of the Group; and
(iv) security deposits placed in Retention Accounts.

14.4 Significant covenants on loans and borrowings

In addition to loan covenants mentioned in 14.1, the Group is also subject to the following significant loan covenants on other loans and borrowings:

(i) book equity not less than USD40 million;
(ii) debt service coverage ratio of at least 1.5 times;
(iii) debt to net worth ratio of not greater than 3 times;
(iv) tangible net worth equal to or more than RM500 million; and
(v) unencumbered cash not less than USD7 million or the equivalent in any other currency.

As at the reporting date, the Group has breached certain covenants of two (2015: two) term loans with total carrying amount of RM78.5 million (2015: RM172.3 million).

As a result, the non-current portions of these term loans of RM57.0 million (2015: RM133.4 million) have been reclassified to current liabilities as at the reporting date.

14. Loans and borrowings (cont'd)

14.5 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2016			2015		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	24,669	11,160	13,509	53,874	26,021	27,853
Between two and five years	157,085	17,247	139,838	318,511	42,975	275,536
	181,754	28,407	153,347	372,385	68,996	303,389

15. Trade and other payables

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade payables		14,753	15,817	-	-
Non-trade					
Amount due to a related company	15.1	19,488	607	13,864	478
Amount due to subsidiaries	15.2	-	-	177,318	133,220
Other payables		2,384	2,384	535	1,101
Accrued expenses		36,573	24,009	30,906	1,808
		58,445	27,000	222,623	136,607
Total		73,198	42,817	222,623	136,607

15.1 Included in amount due to a related company is advances of RM18 million which is unsecured, subject to interest at 5% (2015: Nil) per annum and payable on demand.

15.2 Amount due to subsidiaries are unsecured, interest free and repayable on demand.

16. Revenue

	2016 RM'000	2015 RM'000
Group		
Chartered vessel income	191,711	228,194
Company		
Management fees	2,157	11,992
Rental income	176	366
	2,333	12,358

17. Other income/(expenses)

Group

Included in other income is gain in unrealised foreign exchange of RM75.6 million (2015: Nil).

Included in the other expenses are property, plant and equipment written off of RM Nil million (2015: RM36.1 million), impairment loss on property, plant and equipment of RM5.8 million (2015: RM28.1 million) (see Note 3.4) and impairment loss on receivables of RM37.7 million (2015: Nil).

Company

Included in the other expenses are impairment loss on investments in subsidiaries of RM69 million and loss in realised foreign exchange of RM25.9 million.

18. Results from operating activities

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Results from operating activities is arrived at after charging:					
Directors' remuneration:					
- fees		621	557	621	557
- other emoluments		371	6,554	371	6,345
- benefits		-	204	-	204

18. Results from operating activities (cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Auditors' remuneration:					
- Audit fees					
- KPMG PLT		200	243	55	104
- others		25	20	-	-
- Non-audit fees					
- KPMG PLT		15	15	15	15
- affiliates of KPMG PLT		388	37	14	14
Bad debts written off		39	2	-	-
Depreciation of property, plant and equipment	3	87,668	83,801	267	188
Impairment loss on property, plant and equipment	3	5,769	28,065	-	-
Impairment loss on receivables		37,695	-	-	-
Impairment loss on investments in subsidiaries		-	-	69,022	-
Net loss on foreign exchange					
- realised		19,260	16,113	25,898	-
- unrealised		-	1,142	4,211	-
Personnel expenses (including key management personnel):					
- contributions to the Employees Provident Fund		555	1,615	93	504
- wages, salaries and others		40,643	71,159	726	6,543
Property, plant and equipment written off	3	-	36,554	-	-
Rental of premises		390	1,736	312	327
And after crediting:					
Gain on disposal of property, plant and equipment		-	39	-	-
Gain on foreign exchange					
- unrealised		75,615	-	-	649
Net gain on settlement of refundable deposits		1,065	-	-	-
Rental income from subsidiaries		-	-	176	366
Rental income from charter of marine vessels		191,711	228,194	-	-

19. Finance income/(costs)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	992	900	741	444
- accretion of refundable deposits	1,211	1,373	-	-
- subsidiaries	-	-	19,432	-
	2,203	2,273	20,173	444
Recognised in profit or loss				
Interest expense of financial liabilities:				
- sukuk	(28,138)	-	(28,138)	-
- term loans	(15,560)	(31,252)	-	-
- finance lease liabilities	(17,712)	(23,917)	-	-
- revolving credits	(1,104)	(1,389)	(1,104)	(1,180)
- related company	(203)	-	(130)	-
	(62,717)	(56,558)	(29,372)	(1,180)
Net finance costs recognised in profit or loss	(60,514)	(54,285)	(9,199)	(736)

20. Taxation

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax expense				
Malaysian - current year	(1,132)	(3,387)	(575)	(3,348)
- prior year	(7,002)	11	(7,002)	-
Foreign - current year	(72)	(530)	-	-
	(8,206)	(3,906)	(7,577)	(3,348)
Deferred taxation (Note 7)				
- current year	16,108	365	-	-
Total taxation	7,902	(3,541)	(7,577)	(3,348)

20. Taxation (cont'd)

Reconciliation of taxation

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Loss for the year	(28,046)	(118,468)	(117,031)	(10,207)
Total taxation	(7,902)	3,541	7,577	3,348
Loss excluding tax	(35,948)	(114,927)	(109,454)	(6,859)
Tax calculated using Malaysian tax rate of 24% (2015: 25%)*	(8,628)	(28,732)	(26,269)	(1,715)
Effect of tax rates in foreign jurisdictions	117	173	76	-
Non-deductible expenses	37,366	79,295	26,768	5,225
Non-taxable income	(59,520)	(48,483)	-	(162)
Recognition of previously unrecognised deferred tax assets	15,761	-	-	-
Movements in unrecognised deferred tax assets	-	1,293		
Deferred tax not recognised	-	6	-	-
Under/(Over)-provision in prior years**	7,002	(11)	7,002	-
Total taxation	(7,902)	3,541	7,577	3,348

* *With the effect from 1 January 2016, the tax rate of the Malaysian entities has been reduced from 25% to 24% as announced during the Malaysian Budget 2014.*

** *In October 2015, the Group received a letter from the Inland Revenue Board ("IRB") in relation to a tax audit conducted for year of assessment ("YA") 2007 to YA 2010. The Group has responded to the queries raised by the IRB in December 2015 and February 2016. The tax audit was concluded in the current year and an agreement was reached with the Inland Revenue Board for an additional tax payable of RM10.3 million, of which RM3.3 million was provided for in the previous year, for the years of assessment covered by the said audit. See further details in Note 28.2 to the financial statements.*

21. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive Directors:				
- non-fee emoluments	337	6,485	337	6,276
Estimated money value of benefits-in-kind	-	204	-	204
	337	6,689	337	6,480
Non-Executive Directors:				
- fee	621	557	621	557
- non-fee emoluments	34	69	34	69
	655	626	655	626
Total Directors' remuneration	992	7,315	992	7,106

22. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2016 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2016 RM'000	2015 RM'000
Loss attributable to ordinary shareholders	(28,040)	(118,917)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January ('000)	778,471	738,570
Effect of warrant exercise ('000)	-	15,268
Weighted average number of ordinary shares at 31 December ('000)	778,471	753,838
Basic earnings per share (sen)	(3.60)	(15.77)

22. Earnings per ordinary share (cont'd)

Basic and diluted earnings per ordinary share (cont'd)

The Group has no dilution in its earnings per ordinary shares at 31 December 2016 and 31 December 2015 as the warrants have expired on 26 October 2015 and thus, any unsold/unexercised warrants have lapsed.

23. Dividends

No dividend has been declared or paid for the financial year ended 31 December 2016 and 2015.

24. Operating segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their services provided.

The Group is organised into two (2) main business segments:

(i) Marine offshore support services segment – provision of vessels for the upstream oil and gas industry, ranging from towing, mooring and anchoring of non-self propelled marine vessels; transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities onboard.

(ii) Investment holding and others segment – provide group-level corporate services and treasury functions and investments in equities.

The chief operating decision maker assesses the performance of the operating segments based on operating results which are measured in the same manner as those disclosed in the consolidated financial statements.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items.

Transfers between operating segments are at terms mutually agreed between the parties.

24. Operating segments (cont'd)

2016	Marine offshore support services RM'000	Investment holding and others RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	191,711	-	-	191,711
Inter-segment revenue	326,551	2,333	(328,884)	-
Total segment revenue	518,262	2,333	(328,884)	191,711
Results				
Segment results	47,385	(100,255)	77,436	24,566
Finance income	2,075	20,173	(20,045)	2,203
Finance costs	(53,390)	(29,372)	20,045	(62,717)
Income tax expense	15,479	(7,577)	-	7,902
Loss for the year	11,549	(117,031)	77,436	(28,046)
Segment assets	1,721,848	1,022,167	(1,049,421)	1,694,594
Deferred tax asset	15,097	46	-	15,143
Current tax assets	1,911	4,294	-	6,205
Total assets	1,738,856	1,026,507	(1,049,421)	1,715,942

24. Operating segments (cont'd)

2016 (cont'd)	Marine offshore support services RM'000	Investment holding and others RM'000	Elimination RM'000	Group RM'000
Segment liabilities	849,899	660,689	(541,471)	969,117
Deferred tax liabilities	3,202	-	-	3,202
Current tax liabilities	60	-	-	60
Total liabilities	853,161	660,689	(541,471)	972,379
Additions to non-current assets other than financial instruments and deferred tax assets	287	65	-	352
Included in the segment profit or loss:				
- Depreciation of property, plant and equipment	87,401	267	-	87,668
- Impairment of property, plant and equipment	5,769	-	-	5,769

24. Operating segments (cont'd)

2015	Marine offshore support services RM'000	Investment holding and others RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	228,194	-	-	228,194
Inter-segment revenue	381,339	12,358	(393,697)	-
Total segment revenue	609,533	12,358	(393,697)	228,194
Results				
Segment results	(47,529)	(6,123)	(6,990)	(60,642)
Finance income	3,895	444	(2,066)	2,273
Finance costs	(57,444)	(1,180)	2,066	(56,558)
Income tax expense	(193)	(3,348)	-	(3,541)
Loss for the year	(101,271)	(10,207)	(6,990)	(118,468)
Segment assets	1,768,898	506,474	(485,966)	1,789,406
Deferred tax asset	-	46	-	46
Current tax assets	1,328	-	-	1,328
Total assets	1,770,226	506,520	(485,966)	1,790,780

24. Operating segments (cont'd)

2015 (cont'd)	Marine offshore support services RM'000	Investment holding and others RM'000	Elimination RM'000	Group RM'000
Segment liabilities	916,816	26,389	98,493	1,041,698
Deferred tax liabilities	4,213	-	-	4,213
Current tax liabilities	44	282	-	326
Total liabilities	921,073	26,671	98,493	1,046,237
Additions to non-current assets other than financial instruments and deferred tax assets	21,390	514	-	21,904
Included in the segment profit or loss:				
- Depreciation of property, plant and equipment	83,613	188	-	83,801
- Impairment of property, plant and equipment	28,065	-	-	28,065
- Write-off of property, plant and equipment	36,554	-	-	36,554

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

24. Operating segments (cont'd)

Geographical segments (cont'd)

Geographical information

Group

	Revenue		Non-current assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	191,711	228,194	1,602,709	1,682,375

Major customers

Revenue from two (2015: two) major customers, with each revenue equal to or more than 10% of Group revenue amounted to RM164 million (2015: RM175 million) arising from the marine offshore support services segment.

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2016				
Financial assets				
Group				
Deposits	6,11	51,060	51,060	-
Trade and other receivables	9	25,220	25,220	-
Cash and cash equivalents	12	74,295	74,295	-
Derivative asset	8	190	-	190

25. Financial instruments (cont'd)

25.1 Categories of financial instruments (cont'd)

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2016 (cont'd)				
Financial assets (cont'd)				
Company				
Trade and other receivables	9	617,601	617,601	-
Deposits	11	162	162	-
Cash and cash equivalents	12	58,877	58,877	-
Financial liabilities				
Group				
Loans and borrowings	14	(895,919)	(895,919)	-
Trade and other payables	15	(73,198)	(73,198)	-
Company				
Loans and borrowings	14	(615,384)	(615,384)	-
Trade and other payables	15	(222,623)	(222,623)	-
2015				
Financial assets				
Group				
Deposits	6,11	79,906	79,906	-
Trade and other receivables	9	47,745	47,745	-
Cash and cash equivalents	12	46,697	46,697	-

25. Financial instruments (cont'd)

25.1 Categories of financial instruments (cont'd)

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
2015 (cont'd)				
Financial assets (cont'd)				
Company				
Trade and other receivables	9	39,277	39,277	-
Deposits	11	244	244	-
Cash and cash equivalents	12	7,866	7,866	-
Financial liabilities				
Group				
Loans and borrowings	14	(998,804)	(998,804)	-
Trade and other payables	15	(42,817)	(42,817)	-
Derivative liability	8	(77)	-	(77)
Company				
Loans and borrowings	14	(20,000)	(20,000)	-
Trade and other payables	15	(136,607)	(136,607)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) arising on:				
Loans and receivables	77,818	2,422	20,173	1,093
Financial liabilities measured at amortised cost	(81,977)	(73,962)	(59,480)	(1,180)
	(4,159)	(71,540)	(39,307)	(87)

25. Financial instruments (cont'd)

25.3 Financial risk management

The Group and the Company are exposed to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its advances to subsidiaries.

Receivables from external parties

Risk management objectives, policies and processes for managing the risk

The principal customers of the Group are major oil and gas companies based in Malaysia. Management reviews the credit worthiness of all major counterparties prior to entering into any contract or transaction with them, to ensure the Group is not exposed to undue credit risk.

Deposits and cash and cash equivalents are placed with licensed banks and financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by their carrying amounts in the statement of financial position.

There are no significant concentrations of credit risk as at the end of the reporting period other than trade receivable due from two (2015: three) counterparties amounting to RM16.2 million (2015: RM24.7 million).

Impairment losses

The ageing of trade receivables as at the end of reporting period is as follows:

Group

2016	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
Not past due	16,680	-	16,680
Past due 0-30 days	15	-	15
Past due 30-90 days	141	-	141
Past due more than 90 days	665	-	665
	17,501	-	17,501

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Receivables from external parties (cont'd)

Impairment losses (cont'd)

Group (cont'd)

2015	Gross RM'000	Impairment RM'000	Net RM'000
Not past due	27,284	-	27,284
Past due 0-30 days	625	-	625
Past due 30-90 days	202	-	202
Past due more than 90 days	95	-	95
	28,206	-	28,206

There is no impairment loss recognised for trade receivables as at the end of the reporting period.

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries and monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Credit risk of the Company as at the end of the reporting period arose solely from the amount due from subsidiaries and third parties for the benefit of subsidiaries (Note 28.1) of RM602.4 million (2015: RM39.2 million).

Impairment losses

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable in full and as such no impairment loss has been recognised.

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made thereby to ensure that they are able to meet their obligations as they fall due.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM287.0 million (2015: RM985.7 million) representing the outstanding financial guarantees granted to the subsidiaries and third parties for the benefit of subsidiaries (Note 28.1) as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings as well as financial guarantees given to banks for credit facilities granted to subsidiaries.

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group						
2016						
Sukuk	597,384	4.32 – 4.90	753,611	126,585	627,026	
Secured term loans	127,188	3.73 – 6.85	136,890	100,396	36,494	-
Finance lease liabilities	153,347	2.30 – 5.54	181,755	24,669	157,086	-
Unsecured revolving credits	18,000	6.04 – 6.14	18,015	18,015	-	-
Trade and other payables	55,198	-	55,198	55,198	-	-
Amount due to a related company	18,000	5.00	18,900	18,900	-	-
	969,117		1,164,369	343,763	820,606	-
2015						
Secured term loans	675,415	3.46 - 4.27	734,876	358,587	338,463	37,826
Finance lease liabilities	303,389	7.24 - 8.69	372,385	53,874	318,511	-
Unsecured revolving credits	20,000	5.90	20,013	20,013	-	-
Trade and other payables	42,817	-	42,817	42,817	-	-
Derivative liability	77	-	77	77	-	-
	1,041,698		1,170,168	475,368	656,974	37,826

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Company						
2016						
Sukuk	597,384	4.32 – 4.90	753,611	126,585	627,026	-
Unsecured revolving credits	18,000	6.04 – 6.14	18,015	18,015	-	-
Trade and other payables	209,623	-	209,623	209,623	-	-
Amount due to a related company	13,000	5.00	13,650	13,650	-	-
Financial guarantees	-		286,980	286,980	-	-
	838,007		1,281,879	654,853	627,026	-
2015						
Unsecured revolving credits	20,000	5.90	20,013	20,013	-	-
Trade and other payables	136,607	-	136,607	136,607	-	-
Financial guarantees	-	-	985,743	985,743	-	-
	156,607		1,142,363	1,142,363	-	-

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of group entities. The currencies giving rise to this risk are primarily United States Dollar (USD), Singapore Dollar (SGD) and Ringgit Malaysia (MYR).

Exposure to foreign currency risk

The Group's exposure to foreign currency risk attributable to currencies other than the functional currencies of group entities, based on the carrying amounts as at the end of the reporting period was:

		Denominated in	
Group	**USD**	**SGD**	**MYR**
2016	**RM'000**	**RM'000**	**RM'000**
Financial assets			
Trade and other receivables	242	324	-
Cash and cash equivalents	511	-	46
Intra-group balances	52,492	-	41,607
	53,245	324	41,653
Financial liabilities			
Trade and other payables	(1,074)	(953,670)	(8)
Intra-group balances	(126,993)	(135,227)	(628,670)
	(128,067)	(1,088,897)	(628,678)
Net currency exposure	(74,822)	(1,088,573)	(587,025)

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

Group (cont'd) 2015	USD RM'000	Denominated in SGD RM'000	MYR RM'000
Financial assets			
Trade and other receivables	246	350	-
Cash and cash equivalents	4,557	71	-
Intra-group balances	-	-	60,674
	4,803	421	60,674
Financial liabilities			
Trade and other payables	(535)	(4,982)	-
Intra-group balances	(42,118)	(69,307)	-
	(42,653)	(74,289)	-
Net currency exposure	(37,850)	(73,868)	60,674

Company	2016 USD RM'000	2015 USD RM'000
Financial assets		
Cash and cash equivalents	511	4,490
Currency exposure	511	4,490

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Currency risk sensivity analysis

A 10% (2015: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. The analysis assumes that all other variable, in particular interest rates, remained constant.

	2016		2015	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	7,482	7,482	3,785	3,785
SGD	108,857	108,857	7,387	7,387
RM	58,703	58,703	(6,067)	(6,067)
Company				
USD	(51)	(51)	(449)	(449)

A 10% (2015: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

The Group's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group monitors its exposure to changes in interest rates on a regular basis.

Borrowings are negotiated with a view to securing the best possible terms, including interest rates, to the Group.

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Exposure to interest rate risk

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	67,548	22,266	57,929	750
- amount due from subsidiaries	-	-	593,459	-
Financial liabilities				
- finance lease liabilities	(153,347)	(303,389)	-	-
- sukuk	(597,384)	-	(597,384)	-
- advances from a related company	(18,000)	-	(13,000)	-
	(701,183)	(281,123)	41,004	750
Floating rate instruments				
Financial liabilities				
- term loans	(127,188)	(675,415)	-	-
- revolving credits	(18,000)	(20,000)	(18,000)	(20,000)
	(145,188)	(695,415)	(18,000)	(20,000)

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bps) in interest rates at the end of the reporting period would have (decreased)/increased pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2016 Profit or loss		2015 Profit or loss	
	100bps increase RM'000	100bps decrease RM'000	100bps increase RM'000	100bps decrease RM'000
Group				
Floating rate instruments	(1,452)	1,452	(6,954)	6,954
Company				
Floating rate instruments	(180)	180	(200)	200

(iii) Equity price risk

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

25. Financial instruments (cont'd)

25.4 Fair value information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments [--------------carried at fair value--------------]				Fair value of financial instruments [------------not carried at fair value------------]					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2016										
Group										
Financial assets										
Deposits	-	-	-	-	-	-	48,809	48,809	48,809	48,809
Derivative asset	-	190	-	190	-	-	-	-	190	190
Financial liabilities										
Sukuk	-	-	-	-	-	-	(518,797)	(518,797)	(518,797)	(518,797)
Term loans – secured	-	-	-	-	-	-	(31,125)	(31,125)	(31,125)	(34,454)
Finance lease liabilities	-	-	-	-	-	-	(125,229)	(125,229)	(125,229)	(139,838)
2016										
Company										
Financial assets										
Loans to subsidiaries	-	-	-	-	-	-	593,459	593,459	593,459	593,459
Financial liabilities										
Sukuk	-	-	-	-	-	-	(518,797)	(518,797)	(518,797)	(518,797)

25. Financial instruments (cont'd)

25.4 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	fair value RM'000	amount RM'000
2015										
Group										
Financial assets										
Deposits	-	-	-	-	-	-	75,358	75,358	75,358	75,358
Financial liabilities										
Term loans – secured	-	-	-	-	-	-	(302,874)	(302,874)	(302,874)	(349,759)
Finance lease liabilities	-	-	-	-	-	-	(240,651)	(240,651)	(240,651)	(275,536)
Derivative liability	-	(77)	-	(77)	-	-	-	-	(77)	(77)

25. Financial instruments (cont'd)

25.4 Fair value information (cont'd)

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

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

Derivative

The fair value of interest rate swap is estimated by discounting the net cash flows between the floating interest payable and the fixed interest receivable over the tenure of the swap using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

25. Financial instruments (cont'd)

25.4 Fair value information (cont'd)

Level 3 fair value (cont'd)

Fair values of financial instruments not carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Group			
Term loans	Discounted cash flows	Interest rate of 6.00% (2015: 6.00%)	The estimated fair value would increase/(decrease) if the interest rate were (lower)/higher.
Finance lease liabilities	Discounted cash flows	Interest rate of 6.00% (2015: 6.00%)	The estimated fair value would increase/(decrease) if the interest rate were (lower)/higher.

26. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and other stakeholders in the Group and to sustain the future development of its businesses.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

There were no changes in the Group's approach to capital management during the financial year.

27. Capital expenditure commitments

	Group	
	2016 RM'000	**2015 RM'000**
Property, plant and equipment		
Authorised and contracted for	-	144,278

28. Contingent liabilities

28.1 The Directors are of the opinion that provision is not required in respect of the following corporate guarantees as it is not probable as at the end of the reporting period that a future sacrifice of economic benefits will be required:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Contingent liabilities not considered remote				
Corporate guarantees favouring banks for facilities granted to subsidiaries	-	-	282,180	980,943
Bank guarantee granted to third parties for benefit of subsidiaries	4,800	4,800	4,800	4,800
	4,800	4,800	286,980	985,743

28.2 Further to the conclusion of the tax audit as disclosed in Note 20, the Inland Revenue Board ("IRB") has requested the Group to revise its tax computations for YA 2011 and subsequent years. The Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Group responded to the IRB that it disagreed with applying the same computation method used for the earlier tax audit excercise based on reasonable technical grounds. The Group may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA 2011 and subsequent years, the outcome of which cannot be ascertained at this present stage.

29. Related parties

Identity of related parties

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

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

Significant related party transactions, other than compensations to key management personnel (see Note 21) and those disclosed elsewhere in the financial statement, are as follows:

29. Related parties (cont'd)

Identity of related parties (cont'd)

Transactions with subsidiaries

	Company 2016 RM'000	Company 2015 RM'000
Rental income	176	366
Management fees income	2,157	11,992
Interest income	19,432	-

Transaction with related companies

	Group 2016 RM'000	Group 2015 RM'000
Charter income	93,879	90,142
Interest expenses	203	-

	Company 2016 RM'000	Company 2015 RM'000
Interest expenses	130	-

The balances related to the above transactions are disclosed in Notes 10 and 15 to the financial statements.

Related party transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to settle in cash.

30. Significant events

30.1 On 22 June 2011, the Company filed a suit in the High Court against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng, Tiong Young Kong, Lee Mee Jiong, TA Securities Holdings Berhad ("TASB"), Yap Hock Heng and TA First Credit Sdn Bhd ("TAFC") to claim for losses and damages suffered by the Company in respect of, inter alia, the divestment of 10,500,000 ordinary shares of RM0.50 each in Petra Energy Berhad ("PEB") by the Company on 10 September 2009 and the divestment of 48,800,000 ordinary shares of RM0.50 each in PEB by the Company as conducted by the TA Securities Holdings Berhad and Yap Hock Heng on 11 December 2009.

This suit was mounted on several causes of action, including breaches of fiduciary and statutory duties, accessory liability and conspiracy and the Company was seeking from the High Court, various declaratory reliefs, damages (general and/or fiduciary and/or aggravated) to be assessed, interest, account and disgorgement and costs.

On 7 September 2012, the Company filed notices of discontinuance pursuant to a negotiated settlement with TASB, Yap Hock Heng and TAFC, with no admission of liability and with no liberty to file afresh. In this connection, TASB had also agreed to discontinue their suit against the Company in relation to a claim of approximately RM2.796 million as placement fees due to them ("TASB Suit") with no admission of liability and with no liberty to file afresh. With the discontinuance of the TASB Suit, the Company had reversed the provisions made earlier.

The trial at the High Court ended on 26 April 2013 and oral submissions by respective counsels were made on 21 November 2013 and 28 November 2013. On 21 March 2014, the Company announced that the High Court gave its decision that the Company was unsuccessful in the Suit. On 17 April 2014, the Company filed a Notice of Appeal to the Court of Appeal on the decision of the Suit.

On 9 September 2014, the High Court made a decision on costs and ordered the Company to pay the Defendant Parties, a total cost of RM841,731. The High Court also ordered Tengku Dato' Ibrahim Petra bin Tengku Indra Petra to pay the Company the sum of RM192,780 with post judgement interest calculated at 5% per annum starting from 22 March 2014 ("Judgement Sum"). The earnings of the Group for the year ended 31 December 2014 was reduced by the differential sum of the total cost payable and the judgement sum receivable.

On 2 December 2014, the Court of Appeal fixed the hearing of the Appeal. This was subsequently adjourned and fixed to be heard on 11 March 2015.

The Appeal was heard on 11 March 2015 and 25 March 2015.

On 25 August 2015, the Company announced that the Court of Appeal had made the following judgements:-

(i) the Company's appeal was allowed with costs against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong;

(ii) the Company's appeal was dismissed with costs against Lee Mee Jiong; and

(iii) Tengku Dato' Ibrahim Petra bin Tengku Indra Petra's cross appeal was dismissed with costs.

On 23 September 2015, the Company received the Notices of Motion from the solicitors of Tengku Dato' Ibrahim bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong respectively, to apply for leave to appeal to the Federal Court against the decision of the Court of Appeal on 25 August 2015.

30. Significant event (cont'd)

30.1 The Federal Court had on 1 March 2016 allowed the leave applications by the Applicants and the Applicants would proceed with the filing of the appeal papers for Case Management.

On 10 October 2016, Tengku Dato' Ibrahim Petra bin Tengku Indra Petra's, Wong Fook Heng's and Tiong Young Kong's appeals against the Company were partially heard by the Federal Court. The Federal Court had fixed 18 October 2016 for the continued hearing which however did not take place on the said date. The Federal Court subsequently fixed 16 November 2016 as the continued hearing date.

However, on 8 November 2016, the Federal Court via a letter informed all the parties that the continued hearing scheduled on 16 November 2016 has been converted to a Case Management and the new continued hearing date was fixed on 2 February 2017.

On 2 February 2017, the Federal Court had heard all of the parties for the continued hearing and deferred the decision to a later date which is yet to be determined.

30.2 On 11 March 2016, United Overseas Bank (Malaysia) Bhd ("UOB") as the Principal Adviser/Lead Arranger/ Lead Manager for a Proposed Sukuk Issue, on behalf of the Company, had made the lodgement in respect of the Proposed Sukuk Issue with the Securities Commission Malaysia.

The first issuance under the Proposed Sukuk Issue was guaranteed by Danajamin Nasional Berhad pursuant to an Al-Kafalah Facility. The tenure of the Sukuk Murabahah Programme is twelve (12) years from the date of the first issue of the Sukuk Murabahah.

The proceeds of the first issuance of the Sukuk Murabahah were to be utilised for the following Shariah-compliant purposes:

(i) first, an amount of up to RM630 million to be utilised for refinancing of outstanding borrowings undertaken by the Company and/or its subsidiaries for purchase of the certain charged vessels;

(ii) second, an amount of up to RM20 million to defray any fees and expenses for the Proposed Sukuk Issue and the Al-Kafalah Facility and to prefund the finance service reserve account to be opened and maintained under the Al-Kafalah Facility; and

(iii) third, any unutilised balance after meeting purposes in items (i) and (ii) above was to be utilised for the Company's working capital requirements subject to a maximum amount of RM40 million.

The proceeds of subsequent issuances of the Sukuk Murabahah shall be utilised for the Company's working capital requirements (including refinancing) which includes advances to the Issuer's subsidiaries via Shariah-compliant mode and general corporate purposes which shall be Shariah-compliant.

On 28 April 2016, the first issuance of the Sukuk Murabahah was completed for the revised total amount of RM635,000,000, and utilised as follows:

(a) first, an amount of RM615,000,000 for refinancing of outstanding borrowings identified by the Company and undertaken by the Company and/or its subsidiaries for the purchase of certain charged vessels; and

(b) second, an amount of RM20,000,000 to defray any fees and expenses for the Sukuk Murabahah Programme and the Al-Kafalah Facility and to prefund the finance service reserve account to be opened and maintained under the Al-Kafalah Facility.

30. Significant event (cont'd)

30.3 The Group had entered into two separate memorandums of agreement ("MOA") with a third party ("Seller") in June 2014 to purchase two units of work barges, identified as Vessel Hull No. SK316 and SK317 amounting to USD42 million each. Pursuant to the terms of the MOA, the Group had paid 20% of the purchase price of each work barge amounting to USD16.8 million as upfront deposits.

On 28 March 2016, the Group formally informed the Seller that it had terminated the MOA for Vessel Hull No. SK316 that was due for delivery on 28 February 2016. Pursuant to the terms of the MOA, the Seller had a right of forfeiture of the upfront deposit paid, and accordingly, the Group had written off the deposit of USD8.4 million, equivalent to RM36.1 million (see Note 3) in the financial statements for the year ended 31 December 2015.

The Group received a notification dated 5 April 2016 from the Seller viewing the termination of the contract by the Group as wrongful and to forfeit the deposits paid, in addition to reserving all its rights under the MOA.

As at the date these financial statements were authorised for issue, the Group has not become aware of any formal legal proceedings in relation to Vessel Hull No. SK316 by the Seller.

The second unit of work barge was due for delivery on 31 July 2016. On 1 December 2016, the Group sent a notification to the Seller of the cancellation of the MOA on the purchase of Vessel Hull No. SK317 ("Vessel") as the Seller had not fulfilled the conditions of delivery for the Vessel in accordance with the terms and conditions of the MOA. Accordingly, the Group had sought for the immediate return of the deposits paid of USD8.4 million ("Deposit").

On 5 December 2016, the Group received a letter from the Seller stating that the Group had no right to cancel the MOA and in view thereof had breached the terms of the MOA. The Seller had consequently treated the MOA as terminated and had forfeited the Deposit. Notwithstanding the claims by the Seller, the Group had on 9 December 2016 through its solicitors issued a letter of demand to the Seller for the return of the Deposit.

On 22 December 2016, the Group received from the solicitors of the Seller a Notice of Arbitration dated 22 December 2016 that the Seller had filed with the Kuala Lumpur Regional Centre for Arbitrations as Claimant against the Group as the Respondent in respect of disputes arising out of the MOA for the sale and purchase of one unit 500-men accommodation work barge (Hull No. SK317) dated 23 June 2014 as amended by the Addendum No. 1 dated 27 May 2015.

The Seller is seeking, inter alia, the relief that the Group's purported termination of the MOA on 1 December 2016 was wrongful and unwarranted and the forfeiture of the 20% deposit amounting to USD8.4 million together with damages arising from failure and/or refusal and/or neglect of the Group to take delivery of the Vessel.

On 18 January 2017, the Group had via its solicitors issued a Response to Notice of Arbitration to the Seller. The Group's Response to Notice of Arbitration counterclaimed that the Seller's claim against the Group was misconceived and erroneous as the Vessel was not in every respect physically ready for delivery and therefore the relief or remedy sought by the Seller did not arise and the cancellation of the MOA by the Group was valid. Hence, the Group continues to seek the immediate return of the Deposit paid.

31. Supplementary financial information on the breakdown of realised and unrealised profit or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Recruitments, are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries				
- realised	(34,085)	151,513	(41,237)	71,584
- unrealised	77,069	(973)	(4,164)	46
	42,984	150,540	(45,401)	71,630
Add: Consolidation adjustments	149,428	69,912	-	-
Total retained earnings	192,412	220,452	(45,401)	71,630

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017

SHARE CAPITAL

Authorised share capital:	RM500,000,000
Issued and fully paid-up capital:	RM389,235,474.50 divided into 778,470,949
Class of shares:	Ordinary shares of RM0.50 each
Voting rights:	One vote per ordinary share

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of Shareholders	Percentage of Shareholders	No. of shares Held	Percentage of Issued capital
1-99	210	10.948	8,345	0.001
100-1,000	270	14.077	125,438	0.016
1,001-10,000	1,096	57.142	4,670,202	0.599
10,001-100,000	323	16.840	7,620,462	0.978
100,001 to less than 5% of the issued shares	18	0.938	3,031,254	0.389
5% and above of issued shares	1	0.052	763,015,248	98.014
	1,918	100.00	778,470,949	100.00

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

Name of Directors	Direct Interest	%	Indirect Interest	%
1. Alias bin Mat Lazin	-	-	-	-
2. Baharudin bin Bahari	-	-	-	-
3. Bailey Kho Chung Siang	-	-	-	-
4. Chin Chee Kong	-	-	-	-
5. Datuk Selva Kumar A/L Mookiah	-	-	-	-
6. Datuk Dr Abd Hapiz bin Abdullah	-	-	-	-
7. Datuk Mohd Jafni bin Mohd Alias	-	-	-	-
8. Dato' Gerald Hans Isaac	-	-	-	-
9. Datuk Ling Suk Kiong	-	-	-	-
10. Wong Ping Eng	-	-	-	-

Notes:

Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016

Shares in related corporation
Shareholdings in related corporation as at 31 March 2017 is the same as disclosed in the Directors' Report as at 31 December 2016.

THIRTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2017

No.	Name of Shareholders	No. of Shares	%
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAYANG ENTERPRISE HOLDINGS BERHAD	763,015,248	98.014
2.	LEONG KHEY SIANG @ KESON LEE	384,000	0.049
3.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR GEH SOK LAN @ GOAY SOOK LAN	356,125	0.045
4.	TAILAMI A/P PALANIANDY	280,000	0.035
5.	CITIGROUP NOMINEES (ASING) SDN BHD LEGAL AND GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED ASIA EMERGING MARKET EQUITY INDEX FUND	199,900	0.025
6.	CIMB ISLAMIC TRUSTEE BERHAD AMANAH SAHAM DARUL IMAN	165,880	0.021
7.	CIMB ISLAMIC TRUSTEE BERHAD AMANAH SAHAM DARUL IMAN	163,800	0.021
8.	TEH CHIN CHING	160,000	0.020
9.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA ENG WAN	150,000	0.019
10.	SITI SUHAILA BINTI MOHD NAWI	141,864	0.018
11.	TIO SEIN FOW	140,000	0.017
12.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR THAM JOOI LOON	123,700	0.015
13.	CITIGROUP NOMINEES (ASING) SDN BHD	111,189	0.014
14.	CIMB ISLAMIC TRUSTEE BERHAD AMANAH SAHAM DARUL IMAN	108,500	0.013
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI YEOW PENG	108,000	0.013
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOW LEI MING	105,420	0.013

THIRTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2017

No.	Name of Shareholders	No. of Shares	%
17.	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUNG VUI KONG	103,836	0.013
18.	TAN CHWEE LYE	102,620	0.013
19.	NG TENG YAU	100,000	0.012
20.	NG SING HEONG	92,200	0.011
21.	PANG CHOK HIN	88,800	0.011
22.	CHING ENG KWANG	84,000	0.010
23.	SHAHRUL SAZALI BIN AHMAD SOFIAN	84,000	0.010
24.	KHERN YENG KAR	78,400	0.010
25.	CHUAH CHONG BOON	76,000	0.009
26.	CARBON SUPPLIES (SARAWAK) SDN BHD	74,664	0.009
27.	POINT ONE ENGINEERING SDN BHD	74,664	0.009
28.	SMAS TRAVELS SDN BHD	74,664	0.009
29.	LEE HAN LENG	72,000	0.009
30.	WONG YIN LING	72,000	0.009

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

Name of Directors		Direct Interest	%	Indirect Interest	%
1.	Dayang Enterprise Holdings Berhad	763,015,248	98.014	-	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-First Annual General Meeting of the Company will be held at Jasmine Room (Level C), One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on 22 May 2017 at 11.00 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' fees and benefits for financial year ended 31 December 2016. — Resolution 1

3. To approve the payment of meeting allowance of RM500.00 per meeting for attendance of each Non-Executive Director with effect from February 2017 until otherwise resolved. — Resolution 2

4. To re-elect the following Directors retiring pursuant to the Company's Articles of Association :

   4.1 Bailey Kho Chung Siang (Article 103) — Resolution 3
   4.2 Datuk Dr Abd Hapiz bin Abdullah (Article 103) — Resolution 4
   4.3 Alias bin Mat Lazin (Article 103) — Resolution 5

5. To re-appoint Datuk Ling Suk Kiong as Director of the Company. — Resolution 6

6. To re-appoint Messrs KPMG PLT as Auditors and to authorise the Board of Directors to fix their remuneration. — Resolution 7

7. To consider and if thought fit, pass the following Ordinary Resolutions:

   7.1 Authority to allot shares pursuant to 76 of the Companies Act, 2016 — Resolution 8

   "THAT pursuant to Section 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   7.2 Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or Trading Nature. — Resolution 9

   "THAT approval be and is hereby given to the Company and/or its subsidiaries ("PPB Group" or "the Group") to enter into and to give effect to renew the existing shareholders' mandate and to grant new shareholders' mandate for recurrent related party transactions of a revenue or trading nature as specified in Section 2.3.2 and Section 2.3.3 of the Circular to Shareholders dated 28 April 2017 ("the Circular"), provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Shareholders' Mandate");

7.2 Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or Trading Nature (cont'd).

THAT the Proposed Shareholders' Mandate shall only continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340 of the Companies Act, 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340 of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

THAT, the estimates given on the recurrent related party transactions specified in Section 2.3.2 and Section 2.3.3 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.4 of the Circular and the aggregate value of the Recurrent Related Party Transactions be disclosed in the Annual Report of the Company.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate.

By Order of the Board

LEONG OI WAH (MAICSA 7023802)
Company Secretary
28 April 2017

Notes:

A Member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend and vote his stead. Where there are two (2) or more proxies, the member shall specify the proportion of his shareholdings to be represented by each proxy.

The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Depositors who appear in the Record of Depositors as at 11 May 2017 shall be regarded as Member of the Company entitled to attend the Twenty-First Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Ordinary Resolution 8

The proposed Ordinary Resolution will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 23 May 2016 ("Previous Mandate"). The Company did not utilise the Previous Mandate. The renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding of working capital, repayment of borrowings, payment of refundable deposits in respect of sale and leaseback of vessels and/or investments.

Ordinary Resolution 9

Please refer to the Circular to Shareholders dated 28 April 2017 for further information.

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PROXY
FORM

CDS Acc No.	
No. of Shares Held	

PROXY FORM

I/We,..
*NRIC No./Company No./Passport No. ....of..
being a Member of PERDANA PETROLEUM BERHAD hereby appoint..
*NRIC No./Company No./Passport No. ....of..
and/or failing him/her..
*NRIC No./Company No./Passport No. ....of...

or *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the Twenty-First Annual General Meeting of the Company to be held on Monday, 22 May 2017 at 11.00 a.m. and at any adjournment thereof.

*My/*Our proxy(ies) is/are to vote as indicated below:-

Agenda	Resolution	For	Against
To approve payment of Directors' fees and benefits for financial year ended December 2016	1		
To approve the payment of meeting allowance of RM500.00 per meeting for attendance of each Non-Executive Director	2		
To re-elect Bailey Kho Chung Siang	3		
To re-elect Datuk Dr Abd Hapiz bin Abdullah	4		
To re-elect Alias bin Mat Lazin	5		
To re-appoint Auditors of the Company for the ensuing year	6		
To re-appoint Datuk Ling Suk Kiong	7		
To authorise the allotment of shares pursuant to Section 76 of the Companies Act, 2016.	8		
Proposed Renewal of existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or Trading Nature.	9		

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion].

Dated this...................... day of 2017

....
[Signature/Common Seal of Shareholder(s)]
[*Delete if not applicable]

Notes:
A Member of the Company entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend and vote his stead. Where there are two (2) or more proxies, the Member shall specify the proportion of his shareholdings to be represented by each proxy.

The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at Tricor Investor & Issuing House Services Sdn Bhd , Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200, Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Depositors who appear in the Record of Depositors as at 11 May 2017 shall be regarded as Member of the Company entitled to attend the Twentieth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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STAMP

PERDANA PETROLEUM BERHAD
c/o Tricor Investors & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan

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