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

Level 15, Block 2, VSQ @ PJCC, Jalan Utara,
46200 Petaling Jaya, Selangor.

Tel : +603 7931 8524/8424/8324
Fax : +603 7931 8624
Email : ppb.corporate@perdana.my

www.perdana.my

PERDANA PETROLEUM BERHAD (Co. No. 372113-A) // Annual Report **2017**

perdana petroleum
(372113-A)

RIDING THE NEXT CHALLENGE

Annual Report 2017

VISION

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

MISSION

STAYING RESILIENT IN THE BUSINESS, UNITED WE ACHIEVE AND TOGETHER WE CREATE CORE BUSINESS VALUES TO OUR STAKEHOLDERS

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 that consist of Anchor Handling Tug Supply vessels, Accomodation Workboats and Workbarges 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.

CONTENTS

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 Bin Abdullah	Independent Non-Executive Director
Datuk Mohd Jafni Bin Mohd Alias	Independent Non-Executive Director
Datuk Selva Kumar A/L Mookiah	Independent Non-Executive Director
Dato' Gerald Hans Isaac	Independent Non-Executive Director

COMPANY SECRETARY

Leong Oi Wah (MAICSA 7023802)

AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Dr Abd Hapiz Bin Abdullah	Chairman
Datuk Mohd Jafni Bin Mohd Alias	Member
Datuk Selva Kumar A/L Mookiah	Member
Chin Chee Kong	Member

REMUNERATION COMMITTEE

Chin Chee Kong	Chairman
Datuk Ling Suk Kiong	Member
Datuk Dr Abd Hapiz Bin Abdullah	Member

NOMINATION COMMITTEE

Datuk Mohd Jafni Bin Mohd Alias	Chairman
Datuk Dr Abd Hapiz Bin Abdullah	Member
Chin Chee Kong	Member

REGISTERED OFFICE & HEADQUARTERS

Level 15, Block 2,
VSQ @ PJCC Jalan Utara,
46200 Petaling Jaya, Selangor,
Tel: 03 - 7931 8524 / 8424 / 8324
Fax: 03 - 7931 8624
E-mail : ppb.corporate@perdana.my
Web : www.perdana.my

EXTERNAL AUDITORS

KPMG PLT (LLP0010081-LCA & AF0758)
Chartered Accountants
Level 2, Lee Onn Building,
Jalan Lapangan Terbang,
93250 Kuching, Sarawak.

CORPORATE INFORMATION
(cont'd)

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

HSBC Bank Malaysia Berhad (127776-V)
Malayan Banking Berhad (3813-K)
Maybank Islamic Berhad (787435-M)
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 Wong & Partners
Level 21, The Gardens South Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.

Messrs Mohan Das & Associates
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

perdana petroleum

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

VESSELS' INFORMATION

A. ACCOMODATION WORKBARGE

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

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

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

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

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

4. Perdana Ranger
Flag: MSR
Capacity: 5,220 (BHP)
Gross/Net Tonnage:
1,706/511 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 Voyager
Flag: MISR
Capacity: 10,880 (BHP)
Gross/Net Tonnage:
2,532/759 ton
Year Built: 2009

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

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

C. WORKBOAT

1. Perdana Liberty
Flag: MSR
Capacity: 169 (Men)
Gross/Net Tonnage:
3,265/979 ton
Year Built: 2009

2. Perdana Sovereign
Flag: MSR
Capacity: 169 (Men)
Gross/Net Tonnage:
3,265/979 ton
Year Built: 2010

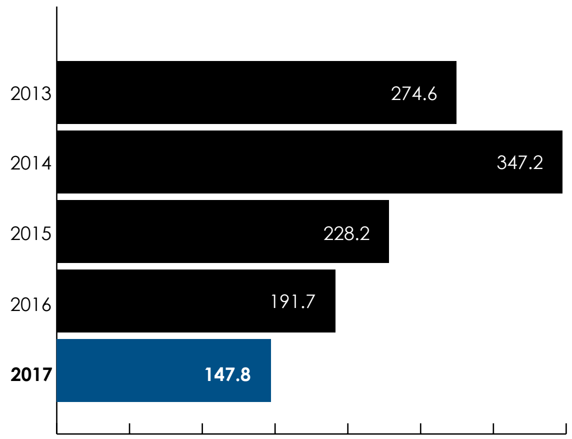
5 YEARS FINANCIAL HIGHLIGHTS

Year Ended 31 December	2013	2014	2015	2016	2017
Key Financial Information (RM'Million)					
Revenue	274.6	347.2	228.2	191.7	**147.8**
Operating Profit/(Loss)	84.0	142.8	(60.6)	24.6	**(130.3)**
Profit/(Loss) Before Taxation	65.4	92.3	(114.9)	(35.9)	**(187.6)**
Profit/(Loss) Attributable to Owners of the Company	62.0	90.8	(118.5)	(28.0)	**(186.1)**
Earnings/(Loss) Before Interest, Taxes, Depreciation and Amortization ("EBITDA / LBITDA")	136.2	226.6	23.2	112.2	**(42.1)**
Cash & Bank Balances	34.9	99.2	46.7	74.3	**77.0**
Total Assets	1,182.3	1,688.7	1,790.8	1,715.9	**1,424.1**
Total Borrowings	573.9	953.6	998.8	895.9	**734.3**
Total Liabilities	620.4	999.9	1,046.2	972.4	**929.4**
Share Capital	363.6	369.3	389.2	389.2	**411.2**
Shareholders' Funds	562.2	689.1	744.4	743.4	**494.5**
Information on Shares					
No. of Ordinary Shares ('Million)	727.2	738.6	778.5	778.5	**778.5**
Basic Earnings/(Loss) Per Share (Sen)	8.65	11.95	(15.77)*	(3.60)*	**(23.91)**
Diluted Earnings/(Loss) Per Share (Sen)	8.24	11.56	(15.77)	(3.60)	**(23.91)**
Net Assets Per Share (RM)	0.77	0.93	0.96	0.95	**0.64**
Share price as at financial year end (RM)	1.59	1.11	N/A	N/A	**0.33**
Financial Ratios					
Gearing Ratio (times)	1.02	1.38	1.34	1.21	**1.48**
Current Ratio (times)	0.80	0.96	0.26	0.41	**0.13**
EBITDA / (LBITDA) Margin (%)	50%	65%	10%	59%	**(28%)**

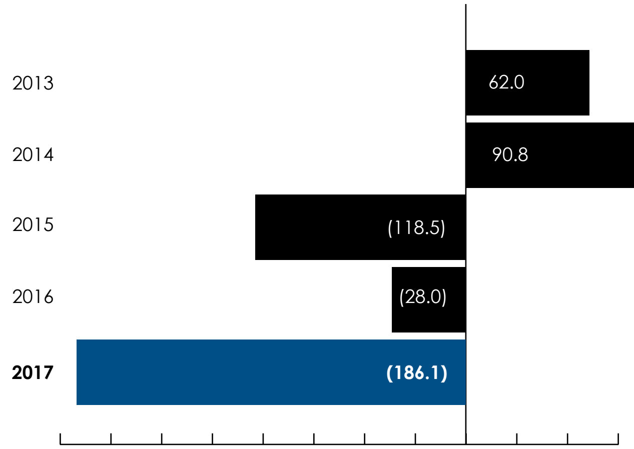
** The Company's shares were suspended from trading.*

5 YEARS FINANCIAL HIGHLIGHTS
(cont'd)

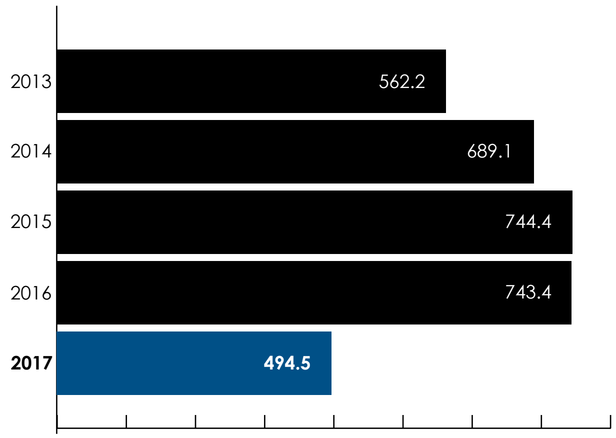
TURNOVER (RM'MILLION)



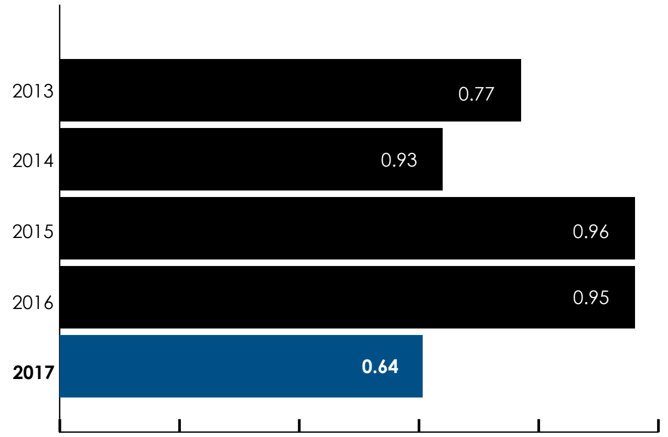
NET PROFIT/(LOSS) (RM'MILLION)



SHAREHOLDERS' FUND (RM'MILLION)



NET ASSETS PER SHARE (RM)



FINANCIAL CALENDAR

ANNOUNCEMENT OF RESULTS

First Quarter	22 May 2017
Second Quarter	21 August 2017
Third Quarter	20 November 2017
Fourth Quarter	22 February 2018

PUBLISHED ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

Annual Report 2017	30 April 2018
Notice of Annual General Meeting	30 April 2018
22nd Annual General Meeting	23 May 2018

DIRECTORS' PROFILE

DATUK LING SUK KIONG
Executive Chairman

Datuk Ling Suk Kiong, a Malaysian, aged 72, 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. Mr Joe Ling Siew Loung @ Lin Shou Long, a major shareholder of PPB, is Datuk Ling Suk Kiong's son. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 5 years.

DIRECTORS' PROFILE
(cont'd)

BAILEY KHO CHUNG SIANG
Executive Director

Bailey Kho Chung Siang, a Malaysian, aged 57, 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 she been convicted of any offence within the past 5 years.

DIRECTORS' PROFILE
(cont'd)

ALIAS BIN MAT LAZIN
Non-Independent Non-Executive Director

Alias Bin Mat Lazin, a Malaysian, aged 49, 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 5 years.

DIRECTORS' PROFILE
(cont'd)

CHIN CHEE KONG
Non-Independent Non-Executive Director

Chin Chee Kong, a Malaysian, aged 60, 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, Industrial and Commercial Bank of China (Malaysia) 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 5 years.

DIRECTORS' PROFILE
(cont'd)

WONG PING ENG
Non-Independent Non-Executive Director

Wong Ping Eng, a Malaysian, aged 44, 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 5 years.

DIRECTORS' PROFILE
(cont'd)

DATUK DR ABD HAPIZ BIN ABDULLAH
Independent Non-Executive Director

Datuk Dr Abd Hapiz bin Abdullah, a Malaysian, aged 60, 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 and a Bachelor of Science in Chemistry from University of Nevada, USA.

He had more than thirty (30) years of experience in management, marketing, business development and technical in the chemical manufacturing industry. He began his career at Dow Chemical Malaysia holding a regional role and then moved to Dupont Malaysia as the Managing Director. He took on the role of President / CEO of Petronas Checicals Group Berhad ("PCG") in 2011 and retired in 2014.

He presently sits on the boards of several Chemical companies both in Malaysia and the United States.

He is currently Chairman of the Chemical Industry Council of Malaysia and in 2017 was appointed as the Chairman of the Natural Chemical Productivity Nexus.

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 5 years.

DIRECTORS' PROFILE
(cont'd)

DATUK MOHD JAFNI BIN MOHD ALIAS
Independent Non-Executive Director

Datuk Mohd Jafni bin Mohd Alias, a Malaysian, aged 51, 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 5 years.

DIRECTORS' PROFILE
(cont'd)

DATUK SELVA KUMAR A/L MOOKIAH
Independent Non-Executive Director

Datuk Selva Kumar a/l Mookiah, a Malaysian, aged 50, 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 5 years.

DIRECTORS' PROFILE
(cont'd)

DATO GERALD HANS ISAAC
Independent Non-Executive Director

Dato' Gerald Hans Isaac, a Malaysian, aged 46, 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 PR and marketing 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 5 years.

EXECUTIVE CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

2017 remained a tough year for the oil & gas service providers as the volatile oil price continued to be a bane for national oil companies and oil majors to ramp up their capital expenditure spending significantly. Notwithstanding the challenging operating environment, there appeared to be a sustainable recovery for oil price since the end of 2017 which served as a confidence booster for the oil & gas market as crude oil price breached USD70 per barrel mark for the first time in three years in January 2018. The production cuts undertaken by OPEC and non-OPEC countries to rebalance the global supply glut have finally resulted in a meaningful upswing in oil prices.

For Perdana Petroleum in 2017, we continued to be impacted by the sluggish offshore support vessel ("OSV") market as sub-par vessel utilisation rate as well as depressed vessel charter rates were the major factors for our less-than-inspiring financial performance. The year 2017 was also the third successive year that Perdana Petroleum was in the red, reflecting a dismal operating environment for the whole OSV industry.

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

Inevitably, going into 2018, we envisaged that the worst is far from over yet as we predominantly expect a weak first quarter as a result of the monsoon season. Despite the fact that the Group had also undertaken massive restructuring and right sizing over the past two years which have helped us to weather the storm, seemingly more has to be done to improve the areas of cash flows sustainability and the high debt level, other than seeking for financial aid from Dayang. Evidently, over the last two years, Perdana Petroleum has been highly dependent on Dayang for its financial support. Presently, various concerted efforts are continuously channelled into the areas of capital raising at Perdana Petroleum to bring in the needed funds and also for Perdana Petroleum to be able to survive on her own without being overly dependent on Dayang Group. Therefore, it is imperative that the areas of marketing the unchartered vessels from the fleet to improve the vessel utilisation and also to generate more revenue, have been given top priority. Further, we remain hopeful that the on-going private placement exercise and the rigorous marketing exercise of the vessels will yield positive results in the coming months. In addition, the synergistic tie-ups with our major shareholder, Dayang Enterprise should also provide more vessel charters.

One of the major milestone for the Group in 2017 is the resumption of trading of our shares following the completion of the dividend-in-specie exercise undertaken by Dayang in December 2017. We have delivered what we promised to our loyal shareholders to formulate a strategic plan to regularise our public shareholding spread in order to maintain our listing status on Bursa Malaysia. We would like to emphasize that we remain committed to our long-term journey for continued success. Also, Perdana Petroleum will continue to look at various measures 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 with the company. We would like to stress that Perdana Petroleum always keeps the welfare and benefits of its team members 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.

EXECUTIVE CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Business Review

Similar to 2016, subdued demand for OSV in 2017 was the major drag to the Group. Therefore, we had further streamlined our operation to be as lean as possible as we focused on the areas that were within our control amidst a tough market. Thanks to our cost optimisation initiative implemented across the Group, it has resulted in positive outcome as our administrative expenses improved by approximately 20% (excluding one-off expenses) in 2017. Note that this is on top of the significant savings of close to 60% attained in 2016's financial results. We believe that Perdana Petroleum is now on a stronger footing to bid for more jobs as our cost-efficient structure may give us a competitive edge at winning contracts.

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 hardship experienced in our business as some of the contracts with Dayang are on "call-out basis". Nevertheless, we will 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 while we will also be continuously looking at longer term contracts and charter opportunities outside of Malaysia especially in the regional and international markets.

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

Operation Review

Our vessel fleet in 2017 stood at sixteen (16) OSVs, consisting of eight (8) anchor handling tug supply vessels (AHTS), six (6) accommodation work barges and two (2) workboats. We divested one accommodation work barge as it was deemed a surplus to our operational requirement to cut down operating cost and improve our cash flow position.

During financial year 2017, our vessel utilisation was lower at 52%, as compared to 58% in financial year 2016 and 63% in financial year 2015. This decline is primarily due to slower work orders/contracts awarded from oil majors. However, we believe the vessel utilisation should improve as the recovery in oil price is expected to lead to more robust vessel chartering activities. The three years umbrella contract for vessel charters with Petronas secured back in March 2017 where job orders are based on a call-out basis will likely result in more work orders/contracts in 2018.

We also received a major contract win in January 2018 from our major shareholder, Dayang for the provision of two (2) accommodation work barges and two (2) AHTS vessels for a duration of nine (9) months with an option of three (3) monthly extensions, commencing from 1 March 2018 for an estimated contract value of RM41.8 million. We are delighted to secure the charter contract from Dayang as this will contribute positively towards achieving a higher vessel utilisation rate.

Currently, we have a total job tenders worth RM505 million. We would like to assure our shareholders that we will try our utmost effort to win and secure more new jobs in order to offer better earnings visibility.

EXECUTIVE CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

Financial Review

For the financial year 2017, Perdana Petroleum recorded a net loss attributable to shareholders of RM186.1 million, compared to RM28.0 million net loss in financial year 2016. Apparently, the disappointing results were largely caused by several exceptional items amounting to RM115.2 million - RM51.1 million impairment loss on property, plant and equipment, RM10.7 million impairment loss on intangible assets and RM51.9 million net unrealised foreign exchange loss. Nevertheless, our financial results directly reflected the challenging business environment as financial year 2017 revenue dipped 23% year-on-year, in tandem with the lower vessel utilisation of 52%.

Our 2017 financial results had also been affected by the high interest payment of RM60.0 million, contributing to the losses during the financial year. As at 31 December 2017, Perdana Petroleum's net gearing stood at 1.47 times. Although the high gearing level is common across the industry for OSV owners, we are continuously exploring all options on ways to strengthen our financial position.

In terms of shareholders' fund, it has deteriorated to RM494.5 million in financial year 2017 from RM743.4 million in financial year 2016 given the huge losses recorded for the financial year in review. Meanwhile, cash flow generated from operating activities was lower at RM17.5 million, compared to RM163.8 million in the preceding year.

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

Prospects

Fellow shareholders, with the price of crude oil hovering above the USD60 per barrel mark, we believe that the business environment in 2018 will be much better. We are also expecting our vessel utilisation rate to improve as more vessels are earmarked for Dayang's offshore maintenance and hook-up commissioning contracts with various oil majors where activities are already projected to be ramping higher. Also, we are hopeful the higher crude oil prices would help boost the general sentiment for the oil majors and translate to more OSV chartering opportunities.

Perdana Petroleum could leverage on its outstanding track record to offer its relevant services to tap into the offshore oil and gas industry in Malaysia and the regional markets. We have submitted various tenders under direct and umbrella contracts with oil majors, both locally and regionally. Furthermore, Perdana Petroleum 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 Petroleum 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 continuous support and trust in Perdana Petroleum.

Last but not least, thank you very much, our valued shareholders, for your loyalty in these tough times. We will 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.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SUSTAINABILITY REPORT

EMBEDDING SUSTAINABLE PRACTICES TO ENHANCE BUSINESS VALUES

Our theme ***"Embedding Sustainable Practices to Enhance Business Values"*** highlights our efforts to continuously progress towards a sustainable future growth. With the rapid advancement of technology and globalization, we strive to constantly provide high value-added marine support services to our clients as a key drive to our sustainability goal.

Perdana Petroleum Berhad ("Perdana" or "the Group") has formalized and incorporated its sustainability reporting practice for the first time in the Annual Report 2017. The Sustainability Report ("SR") statement focuses on the economic, environmental and social ("EES") impacts of our sustainable practices on the environment and stakeholders, and weighing the risks and opportunities of the business activities as a whole. In compliance with Bursa Malaysia Securities Berhad's requirements, our SR statement has been prepared in accordance with the new Global Reporting Initiative ("GRI") Standards, prioritizing our focus on reviewing material issues and mapping out our route forward to embed sustainability throughout our business operations.

REPORTING STANDARDS

Our sustainability reporting approach is based on the framework and guidance provided by the GRI. This is the first year Perdana initiated and introduced its SR and the Group will continue to improve this report in future. This SR includes adhering to the GRI Principles for defining report content:

- Stakeholder Inclusiveness – Being responsive to stakeholder expectations and interest;
- Sustainability Context – presenting performance in the wider sustainability context;
- Materiality – focusing on issues where we can have the greatest impact and that are most important to our business stakeholders; and
- Completeness – including all information that is of significant EES impacts to enable stakeholders to assess the Group's performance.

REPORTING SCOPE AND BOUNDARIES

This SR covers material topics we have identified for the reporting period from 1 January 2017 to 31 December 2017, focusing on reviewing and assessing Perdana's major EES impacts in the business environment. Our scope and boundaries cover all our entities and operations in Malaysia. The Group has been assisted by an external consultant in preparing this Report.

ABOUT PERDANA

Vision
- To be the leading and preferred offshore marine operator for the upstream oil & gas industry in the region.

Mission
- Staying resilient in the business, united we achieve and together we create core business values to our stakeholders.

Our Core Values

Perdana's Directors are required to conduct themselves ethically and lawfully, using their power and authority judiciously and observing appropriate decorum in accordance with the standards of conduct and behaviour expected of them.

The Employees' Handbook governs the standards of conduct and behavior of the employees within the Group.

SUSTAINABILITY REPORT
(cont'd)

ABOUT PERDANA (cont'd)

WHO WE ARE

Helmed by a team of accomplished and experienced professionals in the O&G industry, Perdana is renowned as a major regional offshore marine services player in the offshore support vessel ("OSV") business.

WHAT WE DO

Perdana's core business encompasses the provision of offshore marine support services for the upstream O&G industry in the region. The Group provides offshore marine services for the upstream oil & gas ("O&G") industry via the following main operating companies:

- Intra Oil Services Berhad ("IOSB")
- Perdana Nautika Sdn Bhd ("PNSB")

The Group owns and operates a fleet of well-equipped vessels to support an array of offshore activities from exploration, development, facilities installation, Hook-Up & Commissioning, production, operation and maintenance works. The vessels are designed and fitted with modern and reliable international-standard equipment to meet the challenging requirements of the offshore O&G industry.

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

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.

Our Fleet of Vessels

i. ANCHOR HANDLING TUG AND SUPPLY VESSEL ("AHTS")

Our AHTS, listed below, are classed American Bureau of Shipping ("ABS"), in conformity with the standard requirements of Safety of Life at Sea ("SOLAS"), International Convention for the Prevention of Pollution from Ships ("MARPOL") and Malaysia Marine Department, including other international accrediting organizations.

- PERDANA MARATHON (12,240 BHP, Year 2009, Bollard Pull: 150 MT)
- PERDANA EXPEDITION (10,880 BHP, Year 2008, Bollard Pull: 132 MT)
- PERDANA HORIZON (10,880 BHP, Year 2009, Bollard Pull: 133 MT)
- PERDANA VOYAGER (10,880 BHP, Year 2009, Bollard Pull: 132 MT)
- PERDANA TRAVELLER (10,800 BHP, Year 2008, Bollard Pull: 132 MT)
- PERDANA ADVENTURER (10,800 BHP, Year 2008, Bollard Pull: 129 MT)
- PERDANA FRONTIER (5,220 BHP, Year 2008, Bollard Pull: 60 MT)
- PERDANA RANGER (5,220 BHP, Year 2008, Bollard Pull: 70 MT)

ii. ACCOMMODATION WORKBARGE

Our workbarges, listed below, are classed ABS, in conformity with the standard requirements of SOLAS, MARPOL and Malaysia Marine Department, including other international accrediting organizations.

- PERDANA EXCELSIOR (300 men, Year 2013, Crane Capacity: 300 MT)
- PERDANA ENDURANCE (300 men, Year 2013, Crane Capacity: 300 MT)
- PERDANA ODYSSEY (300 men, Year 2008, Crane Capacity: 68 MT)
- PERDANA RESOLUTE (300 men, Year 2014, Crane Capacity: 300 MT)
- PERDANA PROTECTOR (300 men, Year 2013, Crane Capacity: 300 MT)
- PERDANA EMERALD (300 men, Year 2014, Crane Capacity: 300 MT)

SUSTAINABILITY REPORT
(cont'd)

ABOUT PERDANA (cont'd)

iii. WORKBOATS

Our following workboats are classed ABS and Det Norske Veritas (DNV) respectively, in conformity with the standard requirements of SOLAS, MARPOL and Malaysia Marine Department, including other international accrediting organizations.

- PERDANA LIBERTY (169 men, Year 2009, Crane Capacity: 25MT (onboard))
- PERDANA SOVEREIGN (169 men, Year 2009, Crane Capacity: 25MT (onboard))

Registered Office & Headquarters

Level 15, Block 2
VSQ @ PJCC, Jalan Utara,
46200 Petaling Jaya,
Selangor.

Current Location of Operations

Peninsular Malaysia Operation ("PMO")
Sarawak Operation ("SKO")
Sabah Operation ("SBO")

Overview of Perdana's Performance in 2017

Perdana in 2017, continued to be impacted by the sluggish offshore support vessel ("OSV") market as sub-par vessel utilisation rate as well as depressed vessel charter rates were the major factors for our less-than-inspiring financial performance. The year 2017 was also the third successive year that Perdana was in the red, reflecting a dismal operating environment for the whole OSV industry.

The Group had also undertaken massive restructuring and right sizing over the past two years which has helped to weather the storm, seemingly more has to be done to improve the areas of cash flow sustainability and the high debt level, other than seeking for financial aid from our holding company, Dayang Enterprise Holdings Berhad ("Dayang"). Evidently, over the last two years, Perdana has been highly dependent on Dayang for its financial support.

Business review

Similar to 2016, subdued demand for OSV in 2017 was the major drag to the Group. Therefore, we had further streamlined our operation to be as lean as possible as we focused on the areas that were within our control amidst a tough market. The cost optimisation initiative implemented across the Group, has resulted in positive outcome as our administrative expenses improved by approximately 20% (excluding one-off expenses) in 2017. Note that this is on top of the significant savings of close to 60% attained in 2016's financial results. We believe that Perdana Petroleum is now on a stronger footing to bid for more jobs as our cost-efficient structure should give us a competitive edge at winning contracts.

SUSTAINABILITY REPORT
(cont'd)

ABOUT PERDANA (cont'd)

Operation review

Our vessel fleet in 2017 stood at 16 OSVs, consisting of eight (8) anchor handling tug supply vessels, six (6) accommodation workbarges and two (2) workboats. We divested one accommodation work barge as it was a surplus to our operational requirement to cut down operating cost and improve our cash flow position.

During the financial year 2017, our vessel utilisation was lower at 52%, as compared to 58% in the financial year 2016 and 63% in the financial year 2015. This decline is primarily due to slower work orders/contracts awarded from oil majors. However, we believe the vessel utilisation should improve as the recovery in oil price is expected to lead to more robust vessel chartering activities. The three years umbrella contract for vessel charters with Petronas secured back in March 2017 where job orders are based on a call-out basis will likely result in more work orders/contracts in 2018.

Currently, we have a total job tenders worth some RM505.0 million. We would like to assure our shareholders that we will try our utmost efforts to win and secure more new jobs in order to offer better earnings visibility.

Key Highlights For 2017

Market	Market Capitalization: RM 253 Million	
Business	Revenue	**RM147.8 million**
	Loss Before Tax	**RM187.6 million**
	Loss After Tax	**RM186.1 million**
	Basic Loss Per Share	**-23.91 sen**
	Net Tangible Assets Per Share	**64 sen**

OUR APPROACH TO DRIVING SUSTAINBILITY

Our approach to sustainability is based on our core values of excellence, integrity, humility and relationship building, governed by standard operating policies and procedures in the Group. The following value-added sustainability strategies form the basis of Perdana's steps to enhance the Group's business values.

SUSTAINABILITY STRATEGIES

- Create robust and regular dialogues with our key stakeholders, including employees, investors, NGOs, suppliers and consumers on opportunities available to and challenges faced by the Group.

- Formalize and enhance reporting on sustainability initiatives, goals and accomplishments.

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

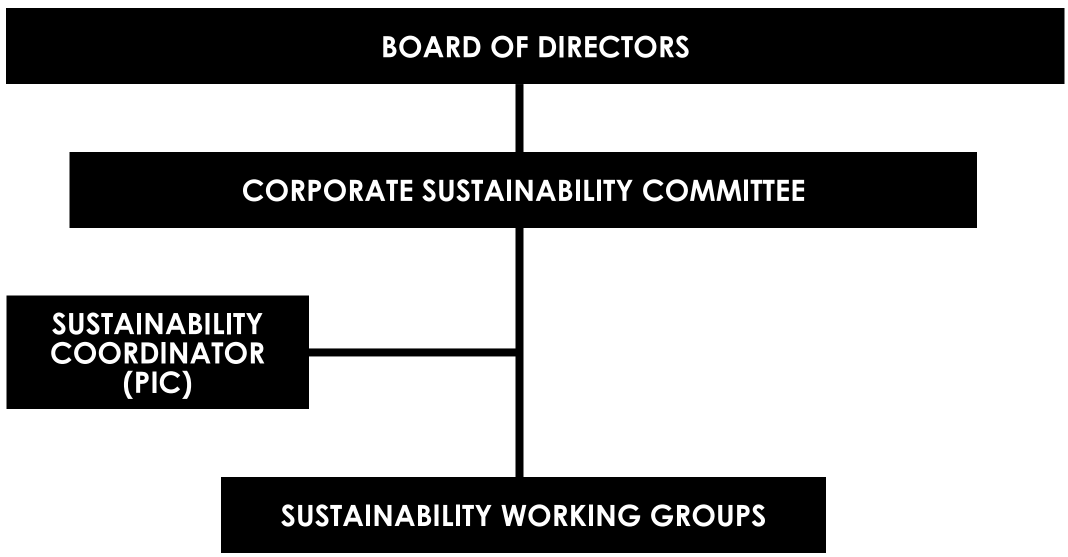
GOVERNANCE ON SUSTAINABILITY

Being a Public Listed Company, Perdana is properly guided by our Board of Directors ("the Board") and in compliance with the Corporate Governance ("CG") practices of the Malaysian Code on CG.

The Board has the ultimate responsibility to ensure that the sustainability efforts are embedded in the strategic direction of the Group. We have established a Corporate Sustainability Committee ("CSC") to oversee the formulation, implementation and effective management of our sustainability matters in line with the strategies outlined. The Executive Director will be supported by various working groups responsible for implementing the initiatives within the organization. The Executive Director will provide the Board regular updates relating to all key EES risks and opportunities (sustainability matters).

The governance of our sustainability agenda is a process that is important to the Group as it enables the business to effectively operate in a sustainable manner. Aligning good governance structures with our principles demonstrates the commitment from the top management to lead the Group's sustainability agenda.

SUSTAINABILITY GOVERNANCE STRUCTURE



SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, Perdana continues to practice prudence and stay focused on delivering quality growth, while being watchful of emerging risks. The Group is fully committed to uphold its responsibility through its prudent transformation and management of sustainability matters.

OUR MATERIALITY ASSESSMENT PROCESS

1. **Objectives & Scope**

   We undertook a materiality assessment within the top management and middle management to determine the objectives and scope of the sustainability reporting. Our scope and boundaries cover all our entities and operations in Malaysia.

2. **Identification of Relevant Sustainability Matters**

   The process is initiated with identifying sustainability matters relevant to the Group's business and its stakeholders. In generating the list of matters, the Group assessed the operating environment and emerging trends affecting the O&G service sector and conducted a study across a broad range of references. These references include Bursa Malaysia's Sustainability Reporting Guide and Toolkits, the GRI Standards as well as the International Petroleum Industry Environmental Conservation Association ("IPIECA") guidelines to sustainability reporting.

   Moving forward in 2018, we plan to undertake a review of material factors and sustainability matters in order to ensure that our understanding of both the current and future risks and opportunities facing our markets are adequately addressed, as well as to gather stakeholders' perspectives to ensure the Group responds to their needs in a timely manner. As we update our material factors, we will continue to develop our management approach to ensure that we are addressing them in a holistic and integrated manner. This may involve developing new policies and procedures, implementing various initiatives, measures and action plans, setting indicators as well as to establish a proper mechanism to capture, analyse and report sustainability data and information.

OUR MATERIAL FACTORS

As we monitor, manage and report on a wide variety of issues, the key to our approach is to focus our resources on material sustainability risks and opportunities that are associated with each material factor. Understanding our key priorities allows us to set our time, resources and investment to the best use.

Combining the views from the stakeholders and Perdana's management from the preliminary materiality assessment, the materiality table has been set out below to show the different levels of importance of the sustainability matters. The below factors will be further enhanced in the coming years.

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

The Significance of Material Factors

Materiality	Scale	Factors
Very Important	12-15	Data Reporting and Verification (15) Compliance (15) Local Environmental Impact (14) Safety Record (14) Innovation (14) Corporate Governance (15) Local Impact Assessment & Improvement (12) Customer Satisfaction (12)
Important	10-11	Business Ethics/Code (11) Business Mix (11) Energy Consumption (11) Labour Practices & Human Rights (11) Supplier Screening – Environment (11) Climate Change – Financial Impact (10) Diversity (10) GHG Emissions – Scope 1-3 (10) Risk Management (10) Anti-Corruption (11) Transportation Impacts (10)

*Note: Scale 4 – 11 - **Important** ; Scale 12 – 15 - **Very Important***

The materiality process includes:

- Identification of potential material topics by reviewing GRI aspects, benchmarking against key corporate peers and analyzing past reports, taking into account feedbacks from customers, community representatives and employees generally.

- Inventory of aspects and topics most important to external stakeholders, customers and their supply chain vendors, based upon requests, surveys and ongoing engagement during the reporting period.

3. Stakeholders Engagement

Our interaction involves a large number of different stakeholder groups and this kind of engagement is important to ensure that we can identify, prioritize and address material matters to be adopted in our business strategies. The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms. All issues raised by stakeholders are brought to the attention of the Management Committee or Management Meetings by the respective business and functional units. Ongoing engagements where applicable are carried out on a regular basis as they are integral to our business development, relationships with stakeholders and commitment to sustainability.

Our key stakeholders are outlined in the table below, along with the forms of engagement and key topics of interest that we seek to address:

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

3. Stakeholders Engagement (cont'd)

Stakeholder Group	Engagement Approach	Frequency	Engagement Focus & Objectives
Customers	1) For Health Safety & Environment ("HSE") Assurance – IOSB has been audited: • By Petronas Carigali Sdn Bhd ("PCSB") – HSE Assurance & Verification Audit in 2014 & 2016/17 • By Sarawak Shell Berhad – Category 3 HSE Assurance in 2016 & 2017	2 Yearly Annually	For verification on HSE compliance & SOPs. To address Operations & Safety issues.
	2) Quarterly engagements with PCSB 3) Quarterly engagements on HSSE Engagement & Logistic 4) Launching of HSE Campaign by PCSB • I am HSE Campaign • East Logistic Command Center ("ELCC") – PCSB's HSSE Day • Monsoon Safety Campaign	Quarterly	Cascading of HSE Incident Information & Mitigation Plan. Sharing Session on HSSE Matters & Implementation.
	5) Monthly Meeting: • Monthly Operational Meeting	Monthly	To address Operations & Safety issues.
Employees	Fleet Management: a) Top Management visit: Total of 5 Management visits done	Half yearly	Sharing & bonding with the management & employee.
	b) Superintendent Ship Visit: Total of 28 visits done by Operation/ Technical / HSE Superintendent	Monthly	Conditional vessel inspection.
Suppliers	1. Code of Ethics ongoing in line with company's policy 2. Request for proposals 3. Supplier Evaluations 4. Review of suppliers' profile	Annually/ Quarterly/ Monthly	Sound payment practices and vendor performance. Stock order & delivery. Competitive price offer.

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

3. Stakeholders Engagement (cont'd)

Stake Holder Group	Engagement Approach	Frequency	Engagement Focus & Objectives
Regulators	Compliant with Statutory Requirement of: • Malaysia Marine Department • Classification Societies • Department of Occupational, Safety & Health/ Department of Environmental, etc • Oil Major – Petronas, Shell and etc • Bursa Malaysia Securities Berhad • Securities Commissioner • Bank Negara Malaysia • Companies Act 2016 • Labuan Financial Services Act • Others	Routine and as and when is required	Compliance with all the requirements.
Community	Participation / engagement with the • Malaysia Off Shore Vessel Association ("MOSVA") • Malaysia Off Shore Safety Task force ("MOST") • Malaysia Ship Owner Association ("MASA") • Malaysia Oil n Gas Service Council ("MOGSC")	Routine engagements or on a quarterly basis	Social requirements and specific feedback on programmes.
Media	Timely Bursa announcements, analyst briefing, social media coverage	Quarterly and as and when required	Keeping stakeholders informed of new developments in the business and to create positive publicity.

4. Prioritisation

Perdana has undertaken a stakeholder prioritisation and engagement process to engage with its stakeholders. These include ongoing efforts to engage with stakeholders in the normal course of business through the day-to-day operations, as well as specific engagements carried out to seek stakeholders' feedback. The outcome of these engagements was considered in the course of the Group's materiality assessment.

As part of the process in conducting the materiality assessment of sustainability matters, the Group has conducted the specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, the Group carried out assessments to identify key stakeholders based on each stakeholder's influence to the Group; and

- Where applicable, Perdana also took into account feedbacks from other stakeholder groups, gathered through various channels and through the ongoing engagements during the course of conducting its business operation.

5. Process Review

The materiality process is undertaken as a key component of Perdana's journey towards identifying the material sustainability matters. The Executive Director has reviewed the processes and outcome of the materiality process including the Group's materiality which guides the Group in addressing and managing its material sustainability matters in its business operations.

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

WHISTLE-BLOWING POLICY AND PROCEDURES

The group aims to achieve high standard of transparency, integrity and accountability in the conduct of its business and operations. The Group takes a serious view of any misconduct / wrongdoing on the part of any of its employees, management and directors, with respect to their obligations to the Group's interests.

The Board encourages employees within the Group and parties working with the Group to report or disclose any improper conduct pertaining to the Group to the Whistle Blowing Committee. The policy also provides proper internal reporting, addresses all disclosures in a confidential and expeditious manner and provides protection to the whistleblower.

CODE OF CONDUCT AND ETHICS

The Board commits itself to ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

CORPORATE GOVERNANCE AND COMPLIANCE

Perdana is guided by the Malaysian Code on Corporate Governance and has been proactive in promoting good corporate governance to ensure all principles and best practices of good governance are applied throughout the Group. Details of our corporate governance framework and practices are set out in the Corporate Governance Report available in Bursa Malaysia Securities Berhad's website.

OUR SUPPLY CHAIN

Sustainability in supply chain has been increasingly recognized as an important aspect in corporate responsibility. In making responsible sourcing decisions, Perdana has explored putting in place an appropriate approach to consider suppliers' EES credentials in the lifecycle of the supply chain.

The Group has in place a range of sustainable practices in relation to assessing its suppliers. For new suppliers, related criteria for assessment include suppliers' business practices, workplace relations, occupational health and safety, as well as their credibility. For existing suppliers, the Group plans to put in place survey distribution to selected suppliers to compile feedback on their commitment towards EES.

Perdana is cognizant that there is still much to improve on managing sustainability in the supply chain and will continue to collaborate with its suppliers and vendors to work towards enhanced sustainable practices with respect to EES matters.

COMMITMENT TO QUALITY

Perdana has in place its standard operating policies and procedures in line with best practices guidelines to deliver quality services. Furthermore, regular reviews, process improvements and quality control assessments ensure that our processes remain in compliance with all regulations.

CUSTOMER SATISFACTION

Customer satisfaction and engagement is identified as one of the most important material issues in the marketplace dimension across all our divisions. Knowing exactly what customers expect from us improves our bottom line and strengthens our brands and reputation in the long term. We plan to conduct regular customer satisfaction surveys.

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

BUSINESS CONDUCT

The combination of ethical business conduct and sound corporate governance are fundamental to the achievement of our objectives to expand our business sustainably and enhance stakeholders' value. It is the Group's policy to conduct business in a fair, honest and transparent way.

SAFETY AND HEALTH

It is one of our key priorities to maintain a safe and healthy work environment for our employees. A strong health and safety culture would create a more productive team that enhances the Group's operations and assures our customers the peace of mind when receiving our services. Our Safety and Health Policy are in compliance with the charterers' requirements. Our operations are governed by an internally established occupational safety, health and environmental management system, which is in compliance with the oil & gas industry's requirements. We also believe in providing a comfortable and conducive working environment for our employees.

ENVIRONMENTAL

We are mindful of the environmental impacts of our activities towards the planet and the Group strives to comply with all environmental regulations. We take our responsibilities in managing our environmental impacts seriously and will continue to develop effective environmental friendly initiatives to protect the natural resources of the earth.

The industries we are in have extensive direct and indirect impacts on the environment and hence, aligning ourselves with the goals of sustainable development is crucial. Our emphasis is to grow the business without compromising the quality of the environment we live in.

Being in the industry, we ensure all our vessels are compliant to the statutory requirements related to Marine Pollutions Regulation (Marpol 73/78). We have also strictly complied with the following regulations:

- Regulations for the prevention of pollution by oil;
- Regulation for the control of pollution by noxious liquids substances;
- Regulations for the prevention of pollution by harmful substances carried by sea in packaged form;
- Regulation for the prevention of pollution by sewage from ship;
- Regulations for the prevention of pollution by garbage from vessel; and
- Regulation for the prevention of air pollution from ship.

CLEAN EMMISSION FROM OUR FLEET MARINE VESSELS

Emission from vessels and machineries is the key environmental issue in our industry. Perdana ensures that the air quality is not polluted and continues to explore strategies to improve this aspect. As a whole, all the vessels and related equipment have undergone scheduled maintenance, testing and repair works on a periodic basis as per the MARPOL convention.

The MARPOL convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes. It is a combination of two treaties adopted in 1973 and 1978 respectively and updated by amendments throughout the years.

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

WATER MANAGEMENT & CONSUMPTION

Water, being an essential resource for all lives on the planet and was once an abundant natural resource, is becoming a more valuable commodity due to droughts and wastage. Perdana encourages its employees to practice water usage optimization and water saving usage whenever possible.

ENERGY MANAGEMENT

We understand that the energy management is essential for combating climate change and for lowering an organisation's overall environmental footprint. Our electricity supply is from the local supply namely Tenaga Nasional Berhad ("TNB"), and we aim to minimize the energy usage in all our offices.

With the growing concerned of greenhouse gases ("GHG") and consumption of fossil fuels, the maritime industry's governing body, IMO has already taken positive steps by implementing Energy Efficiency Design Index ("EEDI") which monitors the amount of carbon dioxide and other greenhouse gas emissions from ships.

As the new concept of EEDI is introduced for newly built ships, IMO has developed or rather structured a special tool to measure and control GHG emission from existing shipping fleet known as Ship Energy Efficiency Management Plan ("SEEMP").

Key Features of Ship Energy Efficiency Management Plan ("SEEMP")

- Broader Corporate energy management policy
- Enhancement of ship efficiency
- Reduce in fuel consumption
- Decrease in GHG emission from ship

WASTE MANAGEMENT

We concede that the environment can be negatively impacted due to the lack of waste management. The Group's approach to waste management is to avoid unnecessary consumption and wastage of any natural resources, where possible and appropriate, in order to conserve natural resources. We have always looked at ways to reduce waste, so that less waste is generated which may be harmful to our planet. Generally, the Group practises the following on the waste management:

Garbage Management Plan

The procedures for collecting, storing, processing, and disposing of garbage generated onboard ships adhere to the regulations provided in Annex V of MARPOL.

The table below shows the types of garbage being disposed and bins are segregated based on the items:

No	Items Disposed Accordingly Based On The Segregation
1	Glass
2	Paper
3	Aluminium/Steel

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

WASTE MANAGEMENT (cont'd)

Schedule Waste Management & Discharge to Shore Management

Our vessels' crew are to ensure that all scheduled wastes (any discarded solid, liquid, gas or material that are no longer in use/ unwanted material) are stored and packed properly before being sent to shore for disposal in accordance with the MARPOL regulation.

The segregation in place determines the types of garbage/waste. All designated crew on board are guided by proper waste management procedures such as labelling, storing and managing bins of waste.

SOCIAL

Our Approach

Perdana acknowledges that living in a community that shares similarities through culture, opinions or trends can be very important for the well-being of the stakeholders. Therefore, our initiatives in the community are centred on:

a. Workplace;
b. Human Rights;
c. Labour Rights for Employees;
d. Personal Data Protecting;
e. Women Empowerment at Management Level;
f. Community; and
g. Sports and recreational activities.

a. Workplace

Perdana has been uncompromising in its Health, Safety and Environmental ("HSE") policy as this policy governs the entire workplace well-being. Throughout the Group, particularly at its main vessel operating subsidiaries, Intra Oil Services Berhad, HSE matters always top the list of operational priorities. As an experienced outfit in the offshore support vessels, we understand that HSE considerations are important to our industrial reputation and professional integrity. The followings are some of the policies that we have implemented to ensure a safe workplace for our employees and crew members:

- Safety and Environment Protection Policy;
- Stop Work Policy; and
- Drug and Alcohol Policy.

b. Human Rights

For Our Marine Crew – the Group complies with ILO Requirement on Marine Labour Convention 2006 (MLC 2006).

c. Labour Rights for Employees

The rights for employees are governed mainly (but not limited) to the below governing laws:

- Employment Act 1955
- Industrial Relation Act 1967
- Sarawak Labour Ordinance (Act A1237)
- Sabah Labour Ordinance (Act A1238/2005)
- Employees Social Security Act 1969 and Employee Provident Fund Act

SUSTAINABILITY REPORT
(cont'd)

OUR APPROACH TO DRIVING SUSTAINBILITY (cont'd)

SOCIAL (cont'd)

Our Approach (cont'd)

d. Personal Data Protection

Perdana has complied with the Personal Data Protection Act – the PDPA 2010.

e. Women Empowerment at Management Level

In Perdana, we are aware that the challenges faced by women in the workplace are not generic. Women in management face unique organizational, societal, structural and cultural hurdles. As such, it is vital for the Group to identify talent and nurture the personal and professional development of women in the new business world. The composition of our current board as well as top management is as follows:

- 1 out of 9 Directors is women
- 3 out of 8 from the top management are women

Perdana will continue to achieve a fully engaged, motivated, diverse workforce that includes women in management positions as it is fundamental to its success.

f. Community

Being sustainable encompasses an appreciation of the symbiotic relationship between ourselves and our communities. As such, playing an active role in engaging and giving back to our communities forms an integral part of the work that we do.

In 2017, 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 run event organised by Danajamin National Berhad.

g. Sports and recreational activities

The Group encourages its employees to participate in sports and recreational activities in order to cultivate a good work-life balance culture. This would lead to a more productive workforce team and develop a caring, harmonious, cohesive and vibrant team-spirit based working environment. The following Initiatives were carried out during the year:

- Staff gathering in conjunction with festive seasons;
- Sponsorship of weekly after-work-sports such as badminton and futsal; and
- Sponsorship to staffs' participation for the charity marathon events in Klang Valley.

LOOKING AHEAD

This is our first Sustainability Statement, and we have made some development towards formalising sustainability efforts within our business. However, we recognise that we have to emphasize further to enhance both in terms of initiatives undertaken and our reporting structure. As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. To achieve this, we will continuously keep abreast of developments in our industry, actively and regularly engage with our stakeholders, build up our existing sustainability framework, and seek to further embed sustainable practices within our business so as to improve our overall sustainability performance.

Moving forward, we will be adding metrics and targets to measure issues that are material to our business and move towards benchmarking our progress against international standards of reporting.

This Statement has been approved by the Board on 10 April 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Perdana Petroleum Berhad (the "Company" or "Perdana") 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.

In this Statement, the respective Boards report on the manner in which Perdana has adopted and applied the principles and practices as set out in the Malaysian Code on Corporate Governance ("MCCG") and the governance standards prescribed in the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad ("Bursa Securities") in connection with all activities conducted by Perdana throughout the year under review.

The Board is of the opinion that Perdana has, in all material aspects, complied with the principles and practices set out in the MCCG. The detailed application by Perdana for each practice as set out in the MCCG during the financial year ended 31 December 2017 ("FY 2017") is disclosed in the Corporate Governance Report ("CG Report") which is available on Perdana's website at www.perdana.my.

The key participants in good governance and the ways in which they relate to each other and contribute to the application of the effective governance policies and processes are established in the governance documents comprising the Memorandum & Articles of Association, Board Charter, Terms of Reference of Board Committees, and Enterprise Risk Management Framework.

THE BOARD OF DIRECTORS

Board Charter

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 whistleblowing 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 Board Charter, which clearly sets out the roles and responsibilities of the Board, its Committees ("Board Committees"), Chairman and CEO, is available on the corporate website of Perdana for easy access.

Size and Composition

The Board currently comprises nine (9) members of whom two (2) are Executive Directors, including the Executive Chairman, and seven (7) are Non-Executive Directors.

Four (4) 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 is consistently identifying candidates to filling up the composition required.

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 Group 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 Board is satisfied with the level of independence demonstrated by the Directors throughout the year and their ability to act in the best interest of Perdana Group.

Practice 4.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of 9 years. However, an Independent Director may continue to serve the Boards subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as independent after a cumulative term of 9 years, justifications from the Boards and shareholders' approval at a general meeting are required. An Independent Director who continues to serve the Boards after the 12^{th} year of appointment will now require shareholders' approval at a general meeting through a 2-tier voting process as prescribed under the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (cont'd)

Size and Composition (cont'd)

The Board stands guided by the principles and practices of the MCCG in adhering to the best corporate governance practices. Currently, none of the Independent Directors of Perdana Board has served more than 9 years.

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 recommendation of MCCG to have at least half of the Board comprise independent directors was met earlier when En Baharuddin bin Bahari 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 four (4) Independent Non-Executive Directors out of nine (9) Board members is sufficient to provide the necessary checks and balances on the decision making process of the Board in the mean time. 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 is evidenced on their participation as members of the committees of the Board.

The Company does not have a policy on diversity of gender, ethnicity and age. The Board always believe 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 44 to 72 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 1 week 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 Board Committees' meetings, and their resolutions passed are kept.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (cont'd)

Board Meetings and Supply of Information (cont'd)

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 2017.

During the financial year ended 31 December 2017, the Board met six (6) times and the attendance records of the present and past Board members are as follows:-

Name of Directors	Attendance
Datuk Ling Suk Kiong	6/6
Mr. Bailey Kho Chung Siang	6/6
Datuk Dr Abd Hapiz Bin Abdullah	5/6
Datuk Mohd Jafni Bin Mohd Alias	6/6
Datuk Selva Kumar A/L Mookiah	5/6
Mr. Chin Chee Kong	6/6
Dato' Gerald Hans Isaac	3/6
En. Baharudin Bin Bahari *(resigned on 01.10.2017)*	5/5
Ms. Wong Ping Eng	3/6
En. Alias Bin Mat Lazin	6/6

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 2017, the Directors have individually or collectively attended the following courses / seminar set out below:

- Implementation of Sustainability for PLC Companies in line with Bursa Requirement – Annual Report
- Company Secretaries Training Programme Significant 2.0 (Part A)
- Companies Act 2016 – Key Insights for Directors, Auditors/Accountants & Company Secretaries
- Bursa Malaysia – Sustainability Engagement Series for Directors / Chief Executive Officers
- SPRM – Forum / Sesi Dialog bersama Suruhanjaya Pencegahan Malaysia (SPRM)
- KLRCA – One Belt One Road – Legal Aspect of Doing Business in China
- Bursa Malaysia – Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- Property Market and Loans - The Financial Perspective (Simon Su, AmBank) & A Property Talk by Robert Ting, CH William

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (cont'd)

Directors' Training and Education (cont'd)

During the financial year ended 31 December 2017, the Directors have individually or collectively attended the following courses / seminar set out below (cont'd):

- Wealth Market Talk 2017 (Riding the Wave of Opportunities)
- Global Symposium on Development Financial Institutions
- Advocacy Session on Corporate Disclosure for Directors of Listed Issuers by Bursa Malaysia
- ASEAN Capital Market Conference by Securities Commission
- KPMG Tax Summit
- Walking Through Contracts the MFRS 15 Way
- Law Enforcement, AMLA, FEA and FSPB (Asian Banking School)
- Wharton University of Pennsylvania – Corruption
- NAIM Sales Conference 2017
- NAIM Winning Strategy Workshop
- Sarawak E-Commerce Forum 2017

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (cont'd)

Directors' Remuneration and Term of Reference of Remuneration Committee (cont'd)

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	Member	Member
Mr. 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
En. Baharudin Bin Bahari	-	Member *(resigned on 01.10.2017)*	Member *(resigned on 01.10.2017)*

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (cont'd)

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 2017 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)
Datuk Ling Suk Kiong	-	-	-	-	-	-
Mr Bailey Kho Chung Siang	-	-	300	-	-	300
Datuk Dr Abd Hapiz Bin Andullah	72	6	-	-	-	78
Datuk Mohd Jafni Bin Mohd Alias	72	6	-	-	-	78
Datuk Selva Kumar A/L Mookiah	72	5	-	-	-	77
Mr. Chin Chee Kong	72	7	-	-	-	79
Dato' Gerald Hans Isaac	72	2	-	-	-	74
En. Baharudin Bin Bahari *(resigned on 01.10.2017)*	54	3	-	-	-	57
Ms. Wong Ping Eng	72	3	-	-	-	75
En. Alias Bin Mat Lazin	72	4	-	-	-	76

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").

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

ACCOUNTABILITY AND AUDIT (cont'd)

Internal Control (cont'd)

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 and 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.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

ACCOUNTABILITY AND AUDIT (cont'd)

Effective Communications with Shareholders (cont'd)

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 Securities'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 2016 ("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 flows 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

as at 31 December 2017

Utilisation of Proceeds Raised From Corporate Proposal

There was no fund raising corporate proposal carried out during the financial year 2017.

Audit and Non-Audit Fees

The audit and non-audit fees paid to the external auditors, KPMG and/or its affiliates for services rendered to the Group and the Company for the financial year ended 31 December 2017 is as follows:

	Group (RM'000)	Company (RM'000)
Audit Fee	200	57
Non-Audit Fees:		
Tax Fee	110	56
Other Fees	15	15
Total	325	128

Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving the Directors' and/or major shareholders' interest for the financial year ended 31 December 2017 other than the related party transaction with Dayang Enterprise Sdn Bhd for the chartering of vessels which has been disclosed in Note 28 of the audited financial statement for the financial year ended 31 December 2017.

Variation in Results

There were no material variances between the audited results for the financial year ended 31 December 2017 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 Bin 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 2017

The Audit and Risk Management Committee held five (5) meetings during the financial year under review with the following attendance record:

Audit and Risk Management Committee Members	Attendance
Datuk Dr Abd Hapiz Bin Abdullah	4/5
Datuk Mohd Jafni Bin Mohd Alias	4/5
Chin Chee Kong	5/5
Datuk Selva Kumar A/L Mookiah	3/5

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(cont'd)

Summary of Activities during financial year ended 31 December 2017

The Audit and Risk Management Committee activities during the financial year ended 31 December 2017 ("FY 2017") encompassed the following:

- Reviewed the quarterly financial statements and the annual audited financial statements for FY 2017, 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 FY 2017 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 2017;
- Reviewed the Internal Audit Report on the Procurement and Vendor Management of the main operating subsidiary; Risk Management & IT and Cybersecurity Risk of the main operating subsidiary; Crewing Management and Group Human Resources Management; and Environmental, Health & Safety Management of the main operating subsidiary;
- 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;
- 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;
- Reviewed the External Auditors' Audit Planning Memorandum comprising their scope of work for the statutory audit for FY 2017;
- Reviewed the Budget and cash flow projections for FY 2017 to ensure Group is able to meet the repayment of loans and borrowing covenant; and
- Discussed and monitored the material litigation taken by and against the Group.

During the financial year, the Audit and Risk Management Committee met with the external auditors three times 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 2017 Internal Audit Plan which was developed using a risk-based approach and approved by the Audit and Risk Management Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(cont'd)

Internal Audit Function (cont'd)

The Internal Audit Reports were issued to the relevant Management at the conclusion of every audit engagement 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 will conduct required follow up audits to ensure that the corrective actions were implemented by the relevant Management.

There were 4 reports (including follow-up reports) issued during FY 2017 and the findings of the internal auditors on the following audit table areas were mainly graded as moderate or low risk:

- Procurement and Vendor Management of the main operating subsidiary;
- Risk Management & IT and Cybersecurity Risk of the main operating subsidiary;
- Crewing Management and Group Human Resources Management; and
- Environmental, Health & Safety Management of the main operating subsidiary.

Based on the audit conducted within the agreed scope of work, the internal auditors opined that the overall internal control system was satisfactory. The ARMC also requested Management to issue formal letters to remind the business process owners to complete the management action on occasions where the original deadlines for connection actions have exceeded.

During the FY 2017, an amount of RM66,734 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 FY 2017 were drawn up 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 2016 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 financial year ended 31 December 2018.

STATEMENT ON RISK MANAGEMENT AND 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 Practices relating to risk management and internal control system of the Group as stipulated in the Malaysian Code on Corporate Governance.

BOARD'S RESPONSIBILITY

The Board of Directors ("the Board") acknowledges its overall responsibility for the Group's risk management and internal control system, including reviewing 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 Group is currently in the process of refining the Risk Management Framework to match the Group's risk appetite to capture and prioritise key risk profiles, delegate ownership of risks and set timelines to management control and action plans that provide continuous monitoring and reporting of risks to embed best practices into the Group's risk culture.

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;
- 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 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;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

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

The key elements of the Group's system of internal controls are as follows (cont'd):

- 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 Audit and Assurance Practice Guide ("AAPG") 3: *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 2017 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.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement was approved by the Board of Directors on 10 April 2018.

NOMINATION COMMITTEE REPORT

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
Datuk Dr Abd Hapiz Bin Abdullah *(appointed on 1 October 2017)*	Member, Independent Non-Executive Director
Baharudin Bin Bahari *(resigned on 1 October 2017)*	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 2017.

NOMINATION COMMITTEE REPORT
(cont'd)

Summary of Activities during financial year ended 31 December 2017

During the financial year ended 31 December 2017, 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 2017, 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. Majority of the Directors have received training during the financial year ended 31 December 2017 that is relevant and would serve to enhance their effectiveness in the Board.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2017

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 2017.

Principal activities

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries whilst 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.

Ultimate holding company

During the financial year and until the date of this report, the Company is a subsidiary of Dayang Enterprise Holdings Bhd., which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company.

Subsidiaries

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

Results

	Group RM'000	Company RM'000
Loss for the year attributable:		
Owners of the Company	186,106	76,050
Non-controlling interest	-	-
	186,106	76,050

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, except as disclosed in Note 13 to the financial statements.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

DIRECTORS' REPORT
for the year ended 31 December 2017 (cont'd)

Directors of the Company

Directors who served during the financial year until the date of this report are:

Alias bin Mat Lazin
Bailey Kho Chung Siang
Chin Chee Kong
Dato' Gerald Hans Isaac
Datuk Dr. Abd Hapiz Bin Abdullah
Datuk Ling Suk Kiong
Datuk Mohd Jafni Bin Mohd Alias
Datuk Selva Kumar A/L Mookiah
Wong Ping Eng
Baharudin Bin Bahari (resigned on 30 September 2017)

Directors of the subsidiaries

The following is the list of directors of the subsidiaries (excluding those who are also directors of the Company as mentioned above) in office during the year and up to the date of this report:

Choi Meng Yee
Fahim Bin Rosley
Teo Swee Hong (retired on 31 May 2017)
Syed Mudzafar Razin Bin Tuan Long (resigned on 15 January 2018)

Directors' interest in shares

The interests and deemed 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			
	At 01.01.2017	Alloted	Sold	At 31.12.2017
Interests in the Company:				
Datuk Ling Suk Kiong				
- own	-	23,338,297	-	23,338,297
- others	-	12,535,513	-	12,535,513
Bailey Kho Chung Siang				
- own	-	60,400	-	60,400
- others	-	211,400	-	211,400
Alias bin Mat Lazin				
- own	-	33,159	-	33,159

	Number of ordinary shares			
	At 01.01.2017	Alloted	Dividend in-specie	At 31.12.2017
Deemed interest in the Company:				
Datuk Ling Suk Kiong				
- own	763,015,248	18,487,892	(292,229,202)	489,273,938

DIRECTORS' REPORT
for the year ended 31 December 2017 (cont'd)

Directors' interest in shares (cont'd)

	Number of ordinary shares			
	At 01.01.2017	Bought	Sold	At 31.12.2017
Interests in the Holding Company:				
Datuk Ling Suk Kiong				
- own	77,279,130	-	-	77,279,130
- others	41,508,325	-	-	41,508,325
Bailey Kho Chung Siang				
- own	327,500	500,000	(127,500)	700,000
Alias bin Mat Lazin				
- own	109,800	-	-	109,800
Deemed interests in the Holding Company:				
Datuk Ling Suk Kiong				
- own	61,218,187	-	-	61,218,187

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 those fees and other benefits included in the aggregate amount of remuneration 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 28 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 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.

DIRECTORS' REPORT
for the year ended 31 December 2017 (cont'd)

Indemnity and insurance costs

During the financial year, the total amount of insurance effected for Directors of the Group and of the Company amounted to RM20,000,000 (sum insured) and RM35,000 (premium paid).

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 Group and 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.

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, intangible assets, investments in subsidiaries and other receivables as disclosed in Note 3, 4, 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 2017 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.

DIRECTORS' REPORT
for the year ended 31 December 2017 (cont'd)

Significant events

The details of the significant events that subsisted during the year are disclosed in Note 29 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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 2018

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	1,246,621	1,529,235	318	1,914
Intangible assets	4	-	10,724	-	-
Investments in subsidiaries	5	-	-	464,060	520,893
Deposits	6	45,291	48,809	-	-
Deferred tax assets	7	23,235	15,143	46	46
Derivative asset	8	233	190	-	-
Other receivables	9	-	-	566,383	593,459
Total non-current assets		1,315,380	1,604,101	1,030,807	1,116,312
Inventories	10	2,354	1,368	-	-
Trade and other receivables	9	19,982	25,220	52,408	24,142
Deposits and prepayments	11	5,671	4,753	318	200
Current tax assets		3,665	6,205	2,625	4,294
Cash and cash equivalents	12	77,004	74,295	60,334	58,877
Total current assets		108,676	111,841	115,685	87,513
Total assets		1,424,056	1,715,942	1,146,492	1,203,825
Equity					
Share capital	13.1	411,219	389,235	411,219	389,235
Reserves	13.2	83,264	354,192	(121,451)	(23,417)
Equity attributable to owners of the Company		494,483	743,427	289,768	365,818
Non-controlling interests		136	136	-	-
Total equity		494,619	743,563	289,768	365,818
Liabilities					
Loans and borrowings	14	113,526	693,089	-	518,797
Deferred tax liabilities	7	3,331	3,202	-	-
Total non-current liabilities		116,857	696,291	-	518,797
Loans and borrowings	14	620,751	202,830	524,797	96,587
Trade and other payables	15	191,809	73,198	331,927	222,623
Current tax liabilities		20	60	-	-
Total current liabilities		812,580	276,088	856,724	319,210
Total liabilities		929,437	972,379	856,724	838,007
Total equity and liabilities		1,424,056	1,715,942	1,146,492	1,203,825

The notes on pages 67 to 131 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	16	147,787	191,711	1,976	2,333
Cost of services		(155,432)	(154,372)	-	-
Gross (loss)/profit		(7,645)	37,339	1,976	2,333
Other income	17	1,494	77,427	2,066	447
Administrative expenses		(8,198)	(15,405)	(1,774)	(3,639)
Other expenses	17	(115,983)	(74,795)	(60,348)	(99,396)
Results from operating activities	18	(130,332)	24,566	(58,080)	(100,255)
Finance income		2,989	2,203	30,702	20,173
Finance costs		(60,249)	(62,717)	(43,564)	(29,372)
Net finance costs	19	(57,260)	(60,514)	(12,862)	(9,199)
Loss before tax		(187,592)	(35,948)	(70,942)	(109,454)
Taxation	20	1,486	7,902	(5,108)	(7,577)
Loss for the year		(186,106)	(28,046)	(76,050)	(117,031)
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(62,881)	26,799	-	-
Cash flow hedge		43	267	-	-
Other comprehensive (expense)/income for the year		(62,838)	27,066	-	-
Total comprehensive expense for the year		(248,944)	(980)	(76,050)	(117,031)
Loss for the year attributable to:					
Owners of the Company		(186,106)	(28,040)	(76,050)	(117,031)
Non-controlling interest		-	(6)	-	-
Loss for the year		(186,106)	(28,046)	(76,050)	(117,031)
Total comprehensive expense for the year attributable:					
Owners of the Company		(248,944)	(973)	(76,050)	(117,031)
Non-controlling interest		-	(7)	-	-
Total comprehensive expense for the year		(248,944)	(980)	(76,050)	(117,031)
Loss per share (sen)					
- basic	22	(23.91)	(3.60)		
- diluted	22	(23.91)	(3.60)		

The notes on pages 67 to 131 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	[----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	Sub-total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group									
As 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 expense for the year	-	-	26,800	267	-	(28,040)	(973)	(7)	(980)
At 31 December 2016/1 January 2017	389,235	21,984	137,971	190	1,635	192,412	743,427	136	743,563
Foreign currency translation differences	-	-	(62,881)	-	-	-	(62,881)	-	(62,881)
Cash flows hedge	-	-	-	43	-	-	43	-	43
Total other comprehensive income for the year	-	-	(62,881)	43	-	-	(62,838)	-	(62,838)
Transfer in accordance with Section 618(2) of the Companies Act 2016	21,984	(21,984)	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(186,106)	(186,106)	-	(186,106)
Total comprehensive expense for the year	21,984	(21,984)	(62,881)	43	-	(186,106)	(248,944)	-	(248,944)
At 31 December 2017	411,219	-	75,090	233	1,635	6,306	494,483	136	494,619
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)				

The notes on pages 67 to 131 are an integral part of these statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2017

	[--Non-distributable--]		*Distributable*	
	Share capital RM'000	**Share premium RM'000**	**Retained earnings/ (Accumulated losses) RM'000**	**Total equity RM'000**
Company				
At 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/ 1 January 2017	389,235	21,984	(45,401)	365,818
Loss/Total comprehensive expense for the year	-	-	(76,050)	(76,050)
Transfer in accordance with Section 618(2) of the Companies Act 2016	21,984	(21,984)	-	-
At 31 December 2017	411,219	-	(121,451)	289,768
	(Note 13)	(Note 13)		

The notes on pages 67 to 131 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
Loss before tax		(187,592)	(35,948)	(70,942)	(109,454)
Adjustments for:					
Impairment loss on property, plant and equipment	3	51,110	5,769	-	-
Impairment loss on receivables	9	1,443	37,695	3,130	-
Impairment loss on investments in subsidiaries		-	-	56,833	69,022
Impairment loss on intangible assets	4	10,724	-	-	-
Bad debts written off	18	-	39	-	-
Depreciation of property, plant and equipment	3	88,266	87,668	233	267
Interest expense	19	60,249	62,717	43,564	29,372
Gain on disposal of property, plant and equipment	18	(1,627)	-	(904)	-
Gain on settlement of refundable deposits		-	(1,065)	-	-
Interest income	19	(2,989)	(2,203)	(30,702)	(20,173)
Unrealised loss/(gain) in foreign exchange	18	51,903	(75,615)	(1,162)	4,211
Operating profit/(loss) before changes in working capital		71,487	79,057	50	(26,755)
Changes in working capital:					
Inventories		(986)	(37)	-	-
Trade and other receivables, deposits and prepayments		3,526	17,373	24,581	(578,399)
Trade and other payables		(52,576)	77,087	(9,691)	36,630
Cash generated from/(used in) operations		21,451	173,480	14,940	(568,524)
Income tax paid		(3,930)	(9,683)	(3,439)	(11,315)
Net cash from/(used in) operating activities		17,521	163,797	11,501	(579,839)
Cash flows from investing activities					
Interest received		1,843	2,203	1,682	741
Proceeds from disposal of property, plant and equipment		12,923	-	2,350	-
Refundable deposits refunded		-	25,653	-	-
Purchase of property, plant and equipment	3	(1,023)	(352)	(83)	(65)
Withdrawal/(Placement) of fixed deposits pledged		2,233	(37,982)	1,233	(56,928)
Net cash from/(used in) investing activities		15,976	(10,478)	5,182	(56,252)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from financing activities					
Advances from a related company		116,661	18,000	116,661	13,000
Drawdown of sukuk bonds		-	635,000	-	635,000
Repayment of sukuk bonds		(90,000)	-	(90,000)	-
Repayment of term loans		(32,353)	(578,664)	-	-
Repayment of revolving credit		(12,000)	(2,000)	(12,000)	(2,000)
Repayment of finance lease liability obligations		(12,243)	(163,701)	-	-
Interest paid		(16,465)	(34,376)	(675)	(1,104)
Coupon paid		(27,967)	(14,883)	(27,967)	(14,883)
Net cash (used in)/from financing activities		(74,367)	(140,624)	(13,981)	630,013
Net (decrease)/increase in cash and cash equivalents		(40,870)	12,695	2,702	(6,078)
Effect of exchange rate movements		45,812	(23,079)	(12)	161
Cash and cash equivalents at 1 January		16,367	26,751	1,949	7,866
Cash and cash equivalents at 31 December		21,309	16,367	4,639	1,949

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 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deposits placed with licensed banks	67,328	67,548	59,695	57,929
Cash on hand and at banks	9,676	6,747	639	948
Sub-total (Note 12)	77,004	74,295	60,334	58,877
Less: Deposits pledged as security	(55,695)	(57,928)	(55,695)	(56,928)
Cash and cash equivalents	21,309	16,367	4,639	1,949

The notes on pages 67 to 131 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. On 30 September 2015, the Company's shares were suspended from trading on the said bourse pending compliance with the public spread requirement. After restoring the public spread to 20% of the Company's paid up and issued share capital and securing consent from Bursa Malaysia Securities Berhad, the trading of the Company's shares has resumed with effect from 18 December 2017.

The address of its registered office is Level 15, Block 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 2017 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 Bhd. Both the Company and its holding company are public listed companies 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 2018.

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 2016 in Malaysia.

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 / Amendments / Interpretations	**Effective date**
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 Transactions*	1 January 2018
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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRS / Amendments / Interpretations	Effective date
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*	1 January 2018
MFRS 16, *Leases*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*	1 January 2019
MFRS 17, *Insurance Contracts*	1 January 2021
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 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 1, 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 and the Company.

- from the annual period beginning on 1 January 2019, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 and Amendments to MFRS 128, which are assessed as presently not applicable to the Group and the Company.

The Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Company.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

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*.

Based on current assessment, the Group and the Company do not expect the adoption of MFRS 15 and Clarifications to MFRS 15 to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(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.

Based on current assessment, the Group and the Company do not expect the adoption of MFRS 9 to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(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 RM703.9 million and RM741.0 million respectively as at the end of the financial year. The Group and the Company recorded net losses of RM186.1 million and RM76.1 million respectively for the current financial year. In addition, the Group has significant borrowings amounted to RM734.3 million as at the end of the reporting period (see Note 14 to the financial statements), with an estimated repayment amounting to RM147.7 million (or potentially RM620.8 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

1. Basis of preparation (cont'd)

(b) Basis of measurement (cont'd)

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

In addition, the holding company will synergise its activities such as hook up and commissioning and topside structural maintenance mainly for the brownfield oil extraction and exploration market, which has been less adversely affected by the current volatile low oil landscape, with those of the Group.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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 are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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.

(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)].

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

Fair value hedge (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

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

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(ii) Other assets (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

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

(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.

(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 the following temporary differences: the initial recognition of goodwill, 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(l) Income tax (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. Significant accounting policies (cont'd)

(r) Fair value measurements (cont'd)

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 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 January 2017	1,942,038	13,470	62,923	1,860	78	807	4,010	510	-	3,805	2,029,501
Additions	-	836	104	-	-	-	3	-	-	80	1,023
Disposal	(71,438)	(148)	(7,867)	(1,860)	-	-	(16)	(98)	-	(930)	(82,357)
Effect of movements in exchange rate	(161,910)	(636)	(4,084)	-	-	-	-	-	-	-	(166,630)
At 31 December 2017	1,708,690	13,522	51,076	-	78	807	3,997	412	-	2,955	1,781,537

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 2016											
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
	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
At 31 December 2016	442,862	10,095	38,885	418	70	521	3,651	491	-	3,273	500,266

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 1 January 2017	442,862	10,095	38,885	418	70	521	3,651	491	-	3,273	500,266
Depreciation for the year (Note 18)	75,694	1,498	10,407	19	5	160	175	8	-	300	88,266
Impairment loss (Note 18)	51,110	-	-	-	-	-	-	-	-	-	51,110
Disposal (Note 3.5)	(61,610)	(127)	(7,867)	(437)	-	-	(16)	(97)	-	(907)	(71,061)
Effect of movements in exchange rate	(30,711)	(482)	(2,472)	-	-	-	-	-	-	-	(33,665)
At 31 December 2017											
Accumulated depreciation	416,069	10,984	38,953	-	75	681	3,810	402	-	2,666	473,640
Accumulated impairment loss	61,276	-	-	-	-	-	-	-	-	-	61,276
At 31 December 2017	477,345	10,984	38,953	-	75	681	3,810	402	-	2,666	534,916
Carrying amount											
At 31 December 2016	1,499,176	3,375	24,038	1,442	8	286	359	19	-	532	1,529,235
At 31 December 2017	1,231,345	2,538	12,123	-	3	126	187	10	-	289	1,246,621

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 2016		1,860	332	298	2,507	4,997
Additions		-	-	-	65	65
At 31 December 2016/ 1 January 2017		1,860	332	298	2,572	5,062
Additions		-	3	-	80	83
Disposal		(1,860)	(16)	(98)	(930)	(2,904)
At 31 December 2017		-	319	200	1,722	2,241
Accumulated depreciation						
At 1 January 2016		382	243	277	1,979	2,881
Depreciation for the year	18	38	34	6	189	267
At 31 December 2016/ 1 January 2017		420	277	283	2,168	3,148
Depreciation for the year	18	19	27	6	181	233
Disposal		(439)	(15)	(98)	(906)	(1,458)
At 31 December 2017		-	289	191	1,443	1,923
Carrying amount						
At 31 December 2016		1,440	55	15	404	1,914
At 31 December 2017		-	30	9	279	318

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

Two (2016: Two) marine vessels with a total carrying amount of RM150.1 million (2016: RM176.0 million) are under finance lease liabilities.

3.2 Security

Fourteen (2016: Fifteen) marine vessels with a total carrying amount of RM1.1 billion (2016: RM1.3 billion) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Note 14).

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

3.3 Assets under construction (cont'd)

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 29.2). The forfeited deposit had been written off to the profit or loss in the financial year ended 31 December 2015.

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 2017 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 73% to 80% (2016: 70% to 90%);
(b) Average daily charter rate ranging from RM25,000 to RM64,000 (2016: RM28,000 to RM73,000);
(c) Daily operating costs ranging from RM8,000 to RM13,000 (2016: RM8,000 to RM13,000);
(d) Growth rate of 5% (2016: 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 (2016: USD550) per tonne multiplied by the lightweight of the vessels; and
(f) Pre-tax discount rate of 10% (2016: 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 RM51.1 million (2016: RM5.8 million) (see Note 17) on seven (2016: five) 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.

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 RM34.1 million (2016: RM53.0 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM53.3 million (2016: RM61.0 million).

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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

3.5 An amount of RM61.6 million, comprising accumulated depreciation of RM37.9 million and allowance for impairment loss of RM23.7 million, was reversed from the marine vessels category upon the disposal of an asset during the year.

4. Intangible assets

Group	Goodwill RM'000
Cost	
At 1 January 2016, 31 December 2016/ 1 January 2017 and 31 December 2017	27,507
Impairment losses	
At 1 January 2016, 31 December 2016 and 1 January 2017	(16,783)
Impairment loss	(10,724)
At 31 December 2017	(27,507)
Carrying amount	
At 31 December 2016	10,724
At 31 December 2017	-

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:

	2017 RM'000	2016 RM'000
CGU 1	-	10,701
CGU 2	-	23
Total	-	10,724

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

In the current financial year under review, the Group recognised impairment losses of RM10.7 million because the recoverable amounts estimated using value-in-use calculation are lower than the carrying amounts of the respective CGUs.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

5. Investments in subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
At cost		
Unquoted shares		
- in Malaysia	668,567	668,567
- outside Malaysia	21,176	21,176
Less: impairment loss	(225,683)	(168,850)
	464,060	520,893

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
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
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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 2017 %	2016 %
Perdana Mars Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Petra Offshore Limited*	Federal Territory of Labuan, Malaysia	Dormant	100	100
Perdana Marine Offshore Pte. Ltd.**	The Republic of Singapore	Dormant	100	100
Perdana Uranus Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100
Perdana Mercury Limited**	The Republic of the Marshall Island	Dormant	100	100
Perdana Venus Limited**	The Republic of the Marshall Island	Dormant	100	100
Odin Explorer Navigation Limited**	The British Virgin Island	Dormant	100	100
Geoseas Technologies Limited**	The British Virgin Island	Dormant	51	51

*: The subsidiary was principally engaged in the provision of leasing business activities in Labuan and has subsequently ceased trading and became dormant during the financial year.

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

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 RM56.8 million (2016: RM69.0 million) (see Note 17) on two (2016: two) subsidiaries in the profit or loss, as the estimated recoverable amounts of these subsidiaries are lower than their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

6. Deposits

		Group	
	Note	2017 RM'000	2016 RM'000
Refundable deposits	(a)	44,072	47,463
Deposits in Retention Account	(b)	1,219	1,346
		45,291	48,809

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

7. Deferred tax

Recognised deferred tax assets/(liabilities)

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

Group	Assets 2017 RM'000	Assets 2016 RM'000	Liabilities 2017 RM'000	Liabilities 2016 RM'000	Net 2017 RM'000	Net 2016 RM'000
Property, plant and equipment	94	112	(3,791)	(4,071)	(3,697)	(3,959)
Capital allowances carried forward	11,655	11,396	-	-	11,655	11,396
Tax losses carried forward	10,583	3,329	-	-	10,583	3,329
Other provisions	1,363	1,175	-	-	1,363	1,175
Tax assets/(liabilities)	23,695	16,012	(3,791)	(4,071)	19,904	11,941
Set-off of tax	(460)	(869)	460	869	-	-
Net tax assets/(liabilities)	23,235	15,143	(3,331)	(3,202)	19,904	11,941

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

Group	At 1.1.2016 RM'000	Recognised in profit or loss RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss RM'000	At 31.12.2017 RM'000
Property, plant and equipment	(16,384)	12,425	(3,959)	262	(3,697)
Capital allowances carried forward	11,641	(245)	11,396	259	11,655
Tax losses carried forward	576	2,753	3,329	7,254	10,583
Other provisions	-	1,175	1,175	188	1,363
	(4,167)	16,108	11,941	7,963	19,904
		(Note 20)		(Note 20)	

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

7. Deferred tax (cont'd)

In the current financial year, a subsidiary of the Group has recognised additional deferred tax assets of RM8.1 million (2016: RM15.1 million), and cumulatively RM23.2 million (2016: RM15.1 million), as management considered it probable that future taxable profits will be available against which the deferred tax assets can be utilised.

The estimation of future taxable profits requires management to make judgements, estimates and assumptions about future events that are inherently uncertain. Accordingly, the deferred tax assets recognised are subject to estimation uncertainty and may be adjusted in subsequent periods as a result of changes in the accounting estimates.

Unrecognised deferred tax assets

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

	Group and Company	
	2017	**2016**
	RM'000	**RM'000**
Unabsorbed capital allowances	345	262
Unutilised tax losses	7,435	7,435
	7,780	7,697

Deferred tax assets of the Group and the Company of RM1.9 million (2016: 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 - Group

	Contractual/ Notional amount		Asset	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Derivative used for hedging				
Interest rate swap	32,512	53,850	233	190

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, and 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

9. Trade and other receivables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Non-trade					
Amount due from subsidiaries	9.2	-	-	569,513	593,459
Allowance for impairment losses		-	-	(3,130)	-
Sub-total		-	-	566,383	593,459
Current					
Trade					
Amount due from a related company	9.1	583	1,482	-	-
Trade receivables		16,119	17,501	-	-
Sub-total		16,702	18,983	-	-
Non-trade					
Amount due from subsidiaries	9.3	-	-	52,065	23,834
Other receivables		42,418	43,932	343	308
Allowance for impairment losses		(39,138)	(37,695)	-	-
		3,280	6,237	343	308
Sub-total		3,280	6,237	52,408	24,142
Total:					
- Non-current		-	-	566,383	593,459
- Current		19,982	25,220	52,408	24,142
		19,982	25,220	618,791	617,601

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% (2016: 4.91%) per annum and repayable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

10. Inventories

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

	Group	
	2017 RM'000	2016 RM'000
Materials and consumables - at cost	2,354	1,368
Recognised in profit or loss:		
Inventories recognised as part of cost of services	7,189	5,902

11. Deposits and prepayments

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits	(a)	2,655	2,251	150	162
Prepayments		3,016	2,502	168	38
		5,671	4,753	318	200

(a) Included in the Group's deposits is placement of fund of USD507,000 (2016: USD297,000) 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.

12. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	67,328	67,548	59,695	57,929
Cash on hand and at banks	9,676	6,747	639	948
	77,004	74,295	60,334	58,877

Group and Company
Included in the deposits placed with licensed banks of the Group is RM55.7 million (2016: RM56.9 million) of deposits pledged for the Sukuk bond. The Group may withdraw the pledged deposits upon settlement of the loan.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

13. Capital and reserves

13.1 Share capital

	Group and Company			
	2017		2016	
	Amount RM'000	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**
Ordinary shares				
Issued and fully paid:				
At 1 January	389,235	778,471	389,235	778,471
Transfer from share premium and other capital reserve in accordance with Section 618(2) of the Companies Act [Note (i)]	21,984	-	-	-
At 31 December	411,219	778,471	389,235	778,471
	[Note ii]			

Note

(i) In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

(ii) Included in share capital is share premium amounting to RM22.0 million that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

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

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of transition.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

13. Capital and reserves (cont'd)

13.2 Reserves

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-distributable:-				
Share premium [Note 13.1(i)]	-	21,984	-	21,984
Translation reserve (Note 13.3)	75,090	137,971	-	-
Cash flow hedge reserve (Note 13.4)	233	190	-	-
Other capital reserve (Note 13.5)	1,635	1,635	-	-
	76,958	161,780	-	21,984
Distributable:-				
Retained earnings/(Accumulated losses)	6,306	192,412	(121,451)	(45,401)
	83,264	354,192	(121,451)	(23,417)

13.3 Translation reserve

The foreign currency translation reserve arose from the translation of the financial statements of subsidiaries whose presentation currency differs from the presentation currency of the Group's financial statements, which is RM.

13.4 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	
	2017 RM'000	**2016 RM'000**
At 1 January	190	(77)
Movement during the year (net)	43	267
At 31 December	233	190

13.5 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

14. Loans and borrowings

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Sukuk	14.1	-	518,797	-	518,797
Secured term loans		-	34,454	-	-
Finance lease liabilities	14.5	113,526	139,838	-	-
		113,526	693,089	-	518,797
Current					
Sukuk	14.1	518,797	78,587	518,797	78,587
Secured term loans		82,830	92,734	-	-
Finance lease liabilities	14.5	13,124	13,509	-	-
Revolving credits		6,000	18,000	6,000	18,000
		620,751	202,830	524,797	96,587
Total		734,277	895,919	524,797	615,384

Changes in liabilities arising from financial activities are as below:

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	[---Non-cash changes---] Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2017 RM'000
Group					
Sukuk	597,384	(90,000)	-	11,413	518,797
Secured term loans	127,188	(32,353)	(12,005)	-	82,830
Lease liabilities	153,347	(12,243)	-	(14,454)	126,650
Revolving credits	18,000	(12,000)	-	-	6,000
Advances from a related company (Note 15)	18,000	116,661	-	-	134,661
Total liabilities from financing activities	913,919	(29,935)	(12,005)	(3,041)	868,938
Company					
Sukuk	597,384	(90,000)	-	11,413	518,797
Revolving credits	18,000	(12,000)	-	-	6,000
Advances from a related company (Note 15)	13,000	116,661	-	-	129,661
Total liabilities from financing activities	628,384	14,661	-	11,413	654,458

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

14. Loans and borrowings (cont'd)

14.1 Sukuk Murabahah

Sukuk Murabahah of RM635.0 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 RM635.0 million ("Danajamin Facility") and such amount equivalent to one (1) profit payment thereof and United Overseas Bank ("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 RM635.0 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:

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

14. Loans and borrowings (cont'd)

14.1 Sukuk Murabahah (cont'd)

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 RM635.0 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 eleven (11) (2016: twelve (12)) vessels via a third (3rd) party first (1st) priority statutory mortgage of the subsidiaries of the Company;
(iii) a charge over all money, revenue, receipts, proceeds or income in relation to the eleven (11) (2016: twelve (12)) vessels;
(iv) a charge over all policies and contracts of insurance of vessel owners of the eleven (11) (2016: twelve (12)) vessels; and
(v) a charge over the eleven (11) (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

14. Loans and borrowings (cont'd)

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 three (2016: two) term loans and the Sukuk with total carrying amount of RM601.6 million (2016: RM78.5 million). As a result, the non-current portions of these term loans of RM34.5 million (2016: RM57.0 million) and Sukuk of RM438.5 million (2016: nil) have been reclassified to current liabilities as at the reporting date. Notwithstanding which, the estimated repayment due in the next financial year according to the loan repayment schedules of respective borrowings amounts to RM147.7 million.

The Group has obtained a waiver letter from Danajamin for the breach of Sukuk's covenant and from Caterpillar Financial Services Asia Pte Ltd for the breach of a term loan, dated 18 January 2018 and 29 March 2018 respectively. Other than the breach of covenants, the Group has not defaulted any past scheduled repayments of principal and interest of the Group's borrowings.

14.5 Finance lease liabilities

Finance lease liabilities are payable as follows:

	[---2017---		]	[---2016---		]
	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	22,343	9,219	13,124	24,669	11,160	13,509
Between two and five years	119,927	6,401	113,526	157,085	17,247	139,838
	142,270	15,620	126,650	181,754	28,407	153,347

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

15. Trade and other payables

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade					
Trade payables		13,213	14,753	-	-
Non-trade					
Amount due to a related company	15.1	146,481	19,488	134,724	13,864
Amount due to subsidiaries	15.2	-	-	175,096	177,318
Other payables		240	2,384	101	535
Accrued expenses		31,875	36,573	22,006	30,906
		178,596	58,445	331,927	222,623
Total		191,809	73,198	331,927	222,623

Group and Company

15.1 Included in amount due to a related company of the Group and Company are unsecured advances of RM134.7 million (2016: RM18.0 million) and RM129.7 million (2016: RM13.0 million) respectively. They are subject to interest at 5% (2016: 5%) per annum and payable on demand.

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

16. Revenue

	2017 RM'000	2016 RM'000
Group		
Chartered vessel income	147,787	191,711
Company		
Management fees	1,800	2,157
Rental income	176	176
	1,976	2,333

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

17. Other income/(expenses)

Group
Included in other income were gain on disposal of property, plant and equipment of RM1.6 million (2016: Nil) and gain on foreign exchange of RM75.6 million in the last financial year.

Included in the other expenses are impairment loss on property, plant and equipment of RM51.1 million (2016: RM5.8 million) (see Note 3.4), impairment loss on receivables of RM1.4 million (2016: RM37.7 million), impairment loss on intangible assets of RM10.7 million (2016: Nil) and loss on foreign exchange of RM52.0 million (2016: RM19.2 million).

Company
Included in other income are gain on disposal of property, plant and equipment of RM0.9 million (2016: Nil) and gain on foreign exchange of RM1.1 million (2016: Nil).

Included in the other expenses are impairment loss on investments in subsidiaries of RM56.8 million (2016: RM69.0 million) and allowance for impairment loss on receivables of RM3.1 million (2016: Nil). While there was a loss on foreign exchange of RM30.1 million in the last financial year, there is none in the current financial year.

18. Results from operating activities

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Results from operating activities is arrived at after charging:					
Directors' remuneration:					
- fees		558	621	558	621
- other emoluments		371	371	371	371
Auditors' remuneration:					
- Audit fees					
- KPMG PLT		200	200	57	55
- others		6	30	-	-
- Non-audit fees					
- KPMG PLT		15	15	15	15
- affiliates of KPMG PLT		110	411	56	25
Bad debts written off		-	39	-	-
Depreciation of property, plant and equipment	3	88,266	87,668	233	267
Impairment loss on property, plant and equipment	3	51,110	5,769	-	-
Impairment loss on receivables		1,443	37,695	3,130	-
Impairment loss on investments in subsidiaries		-	-	56,833	69,022
Impairment loss on intangible assets	4	10,724	-	-	-
Net loss on foreign exchange					
- realised		138	19,260	152	25,898
- unrealised		51,903	-	-	4,211

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

18. Results from operating activities (cont'd)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Personnel expenses (including key management personnel):				
- contributions to the Employees Provident Fund	496	555	61	93
- wages, salaries and others	40,220	40,643	515	726
Rental of premises	345	390	314	312
And after crediting:				
Gain on disposal of property, plant and equipment	1,627	-	904	-
Net gain on foreign exchange				
- unrealised	-	75,615	1,162	-
Net gain on settlement of refundable deposits	-	1,065	-	-
Rental income from subsidiaries	-	-	176	176
Rental income from charter of marine vessels	147,787	191,711	-	-

19. Finance income/(costs)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	1,834	992	1,682	741
- accretion of refundable deposits	1,155	1,211	-	-
- subsidiaries	-	-	29,020	19,432
	2,989	2,203	30,702	20,173
Interest expense of financial liabilities:				
- sukuk (coupon)	(38,735)	(28,138)	(38,735)	(28,138)
- term loans	(5,779)	(15,560)	-	-
- finance lease liabilities	(10,656)	(17,712)	-	-
- revolving credits	(675)	(1,104)	(675)	(1,104)
- related company	(4,404)	(203)	(4,154)	(130)
	(60,249)	(62,717)	(43,564)	(29,372)
Net finance costs recognised in profit or loss	(57,260)	(60,514)	(12,862)	(9,199)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

20. Taxation

		Group		Company	
		2017 **RM'000**	**2016** **RM'000**	**2017** **RM'000**	**2016** **RM'000**
Current tax expense					
Malaysian	- current year	3,645	1,132	3,064	575
	- prior year	2,846	7,002	2,044	7,002
Foreign	- current year	-	72	-	-
	- prior year	(14)	-	-	-
		6,477	8,206	5,108	7,577
Deferred taxation (Note 7)					
- current year		(7,853)	(16,108)	-	-
- prior year		(110)	-	-	-
		(7,963)	(16,108)	-	-
Total taxation		(1,486)	(7,902)	5,108	7,577
Reconciliation of taxation					
Loss for the year		(186,106)	(28,046)	(76,050)	(117,031)
Total taxation		(1,486)	(7,902)	5,108	7,577
Loss excluding tax		(187,592)	(35,948)	(70,942)	(109,454)
Tax calculated using Malaysian tax rate of 24% (2016: 24%)		(45,022)	(8,628)	(17,026)	(26,269)
Effect of tax rates in foreign jurisdictions		-	117	-	76
Non-deductible expenses		77,077	37,366	20,566	26,768
Non-taxable income		(36,283)	(59,520)	(496)	-
Recognition of previously unrecognised deferred tax assets		-	15,761	-	-
Movement in unrecognised deferred tax assets		20	-	20	-
Under-provision in prior years**		2,722	7,002	2,044	7,002
Total taxation		(1,486)	(7,902)	5,108	7,577

** *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. The tax audit was concluded in 2016 and an agreement was reached with the Inland Revenue Board for an additional tax payable of RM10.3 million which was settled in the last financial year. See further details in Note 27.2 to the financial statements.*

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

21. Compensations to key management personnel

Compensations to key management personnel are as below:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Executive Directors:				
- non-fee emoluments	337	337	337	337
Non-Executive Directors:				
- fee	558	621	558	621
- non-fee emoluments	34	34	34	34
	592	655	592	655
Total Directors' remuneration	929	992	929	992

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 2017 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Loss attributable to ordinary shareholders	(186,106)	(28,040)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January/Weighted average number of ordinary shares at 31 December ('000)	778,471	778,471
Basic loss per share (sen)	(23.91)	(3.60)

23. Dividend

No dividend has been declared or paid for the financial year ended 31 December 2017 and 2016.

24. Operating segments

The Group has one reportable segment as described below, which is the Group's strategic business unit. Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM") 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

24. Operating segments (cont'd)

The Group's reportable segment consists solely of marine offshore support services segment, which is the 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.

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.

	Marine offshore support services	
	2017	**2016**
	RM'000	**RM'000**
Segment loss	(215,281)	(3,930)
Included in the measure of segment loss are:		
Revenue from external customers	147,787	191,711
Inter-segment revenue	309,292	326,551
Depreciation and amortisation	(88,033)	(87,401)
Finance costs	(45,705)	(53,390)
Finance income	1,307	2,075
Impairment of property, plant and equipment	(51,110)	(5,769)
Impairment of intangible assets	10,724	-
Unrealised foreign exchange (loss)/gain	(52,051)	56,355
Segment assets	1,392,170	1,738,857

Reconciliation of reportable segment revenues, profit or loss, assets and other material items

Profit or loss		
Total profit or loss for reportable segments	(215,281)	(3,930)
Other non-reportable segments	(70,942)	(109,454)
Elimination of inter-segment profits	98,631	77,436
Consolidated loss before tax	(187,592)	(35,948)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

24. Operating segments (cont'd)

2017	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000
Total reportable segments	147,787	(88,033)	(45,705)	1,307	1,392,170
Other non-reportable segments	-	(233)	(43,564)	30,702	1,146,492
Elimination of inter-segment transactions or balances	-	-	29,020	(29,020)	(1,114,606)
Consolidated total	147,787	(88,266)	(60,249)	2,989	1,424,056
2016					
Total reportable segments	191,711	(87,401)	(53,390)	2,075	1,740,267
Other non-reportable segments	-	(267)	(29,372)	20,173	1,203,825
Elimination of inter-segment transactions or balances	-	-	20,045	(20,045)	(1,228,150)
Consolidated total	191,711	(87,668)	(62,717)	2,203	1,715,942

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

24. Operating segments (cont'd)

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.

Geographical information

Group

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	147,787	191,711	1,315,380	1,604,101

Major customers

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

	Revenue		Segment
	2017 RM'000	2016 RM'000	
All common control companies of:			
- Customer A	66,795	89,870	Marine offshore support service
- Customer B	71,544	73,919	Marine offshore support service

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
2017				
Financial assets				
Group				
Deposits	6,11	47,946	47,946	-
Trade and other receivables	9	19,982	19,982	-
Cash and cash equivalents	12	77,004	77,004	-
Derivative asset	8	233	-	233

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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
2017 (cont'd)				
Financial assets (cont'd)				
Company				
Trade and other receivables	9	618,791	618,791	-
Deposits	11	150	150	-
Cash and cash equivalents	12	60,334	60,334	-
Financial liabilities				
Group				
Loans and borrowings	14	(734,277)	(734,277)	-
Trade and other payables	15	(191,809)	(191,809)	-
Company				
Loans and borrowings	14	(524,797)	(524,797)	-
Trade and other payables	15	(331,927)	(331,927)	-
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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net gains/(losses) arising on:				
Loans and receivables	3,560	77,818	30,688	20,173
Financial liabilities measured at amortised cost	(112,862)	(81,977)	(42,540)	(59,480)
	(109,302)	(4,159)	(11,852)	(39,307)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 (2016: two) counterparties amounting to RM14.0 million (2016: RM16.2 million).

Impairment losses

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

Group

	Gross RM'000	Impairment RM'000	Net RM'000
2017			
Not past due	15,690	-	15,690
Past due 0-30 days	-	-	-
Past due 30-90 days	-	-	-
Past due more than 90 days	429	-	429
	16,119	-	16,119

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Impairment losses (cont'd)

Group (cont'd)

	Gross RM'000	Impairment RM'000	Net RM'000
2016			
Not past due	16,821	-	16,821
Past due 0-30 days	15	-	15
Past due 30-90 days	-	-	-
Past due more than 90 days	665	-	665
	17,501	-	17,501

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 of RM618.4 million (2016: RM617.3 million) and third parties for the benefit of subsidiaries (Note 27.1).

Impairment losses

As at the end of the reporting period, the Company recognised an impairment loss on receivables of RM3.1 million (2016: Nil) in relation to advances given to one subsidiary, as the subsidiary is in a net total liability position and is unlikely able to meet its debt obligation.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Financial guarantees (cont'd)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM215.4 million (2016: RM287.0 million) representing the outstanding financial guarantees granted to the subsidiaries and third parties for the benefit of subsidiaries (Note 27.1) 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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:

	Note	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
Group						
2017						
Sukuk	25.3 (b)(i)	518,797	4.32 – 4.90	624,569	624,569	-
Secured term loans	25.3 (b)(i)	82,830	4.40 – 4.68	87,480	87,480	-
Finance lease liabilities		126,650	2.30 – 5.54	142,270	22,342	119,928
Unsecured revolving credits		6,000	5.72	6,008	6,008	-
Trade and other payables		57,148	-	57,148	57,148	-
Amount due to a related company		134,661	5.00	141,394	141,394	-
		926,086		1,058,869	938,941	119,928
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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Note	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
Company						
2017						
Sukuk	25.3 (b)(i)	518,797	4.32 – 4.90	624,569	624,569	-
Unsecured revolving credits		6,000	5.72	6,008	6,008	-
Trade and other payables		202,266	-	202,266	202,266	-
Amount due to a related company		129,661	5.00	136,144	136,144	-
Financial guarantees		-	-	215,412	215,412	-
		856,724		1,184,399	1,184,399	-
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

25.3(b)(i) Included in under 1 year of contractual cash flows are non-current portions of borrowings which have been reclassified to current liabilities as a result of breach of certain covenants of the term loans and Sukuk. Notwithstanding which, the estimated repayment due in the next financial year according to the loan repayment schedules of respective borrowings amounts to RM147.7 million. (See Note 14.4).

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 2017	**USD RM'000**	**SGD RM'000**	**MYR RM'000**
Financial assets			
Trade and other receivables	594	323	2
Cash and cash equivalents	267	72	-
Intra-group balances	69,775	7,817	365
	70,636	8,212	367
Financial liabilities			
Trade and other payables	(369)	(1,243)	(18)
Intra-group balances	(184,115)	(41,921)	(268,529)
	(184,484)	(43,164)	(268,547)
Net currency exposure	(113,848)	(34,952)	(268,180)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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) 2016	USD RM'000	Denominated in SGD RM'000	MYR RM'000
Financial assets			
Trade and other receivables	594	324	2
Cash and cash equivalents	544	74	46
Intra-group balances	61,509	7,977	41,607
	62,647	8,375	41,655
Financial liabilities			
Trade and other payables	(1,159)	(996)	(8)
Intra-group balances	(124,783)	(44,668)	(628,671)
	(125,942)	(45,664)	(628,679)
Net currency exposure	(63,295)	(37,289)	(587,024)

Company 2017	USD RM'000	SGD RM'000
Financial assets		
Cash and cash equivalents	35	-
Financial liabilities		
Trade and other payables	(51,850)	(21,254)
Net currency exposure	(51,815)	(21,254)
2016		
Financial assets		
Cash and cash equivalents	511	-
Financial liabilities		
Trade and other payables	(52,956)	(22,822)
Net currency exposure	(52,445)	(22,822)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. Financial instruments (cont'd)

25.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Currency risk sensitivity analysis

A 10% (2016: 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.

	2017		2016	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	11,385	11,385	6,330	6,330
SGD	3,495	3,495	3,729	3,729
RM	26,818	26,818	58,702	58,702
Company				
USD	(5,182)	(5,182)	(5,244)	(5,244)
SGD	(2,125)	(2,125)	(2,282)	(2,282)

A 10% (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	67,328	67,548	56,695	57,929
- amount due from subsidiaries	-	-	566,383	593,459
Financial liabilities				
- finance lease liabilities	(126,650)	(153,347)	-	-
- sukuk	(518,797)	(597,384)	(518,797)	(597,384)
- advances from a related company	(134,661)	(18,000)	(129,661)	(13,000)
	(712,780)	(701,183)	(25,380)	41,004
Floating rate instruments				
Financial liabilities				
- term loans	(82,830)	(127,188)	-	-
- revolving credits	(6,000)	(18,000)	(6,000)	(18,000)
	(88,830)	(145,188)	(6,000)	(18,000)

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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 (cont'd)

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.

	2017 Profit or loss		2016 Profit or loss	
	100bps increase RM'000	**100bps decrease RM'000**	**100bps increase RM'000**	**100bps decrease RM'000**
Group				
Floating rate instruments	(888)	888	(1,452)	1,452
Company				
Floating rate instruments	(60)	60	(180)	180

(iii) Equity price risk

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. Financial instruments (cont'd)

25.4 Fair value information (cont'd)

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
2017										
Group										
Financial assets										
Deposits	-	-	-	-	-	-	45,291	45,291	45,291	45,291
Derivative asset	-	233	-	233	-	-	-	-	233	233
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(107,100)	(107,100)	(107,100)	(113,526)
Company										
Financial assets										
Loans to subsidiaries	-	-	-	-	-	-	566,383	566,383	566,383	566,383
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)
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)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

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

Fair values of financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Group	
Sukuk	Discounted cash flows using a rate of 6.00% (2016: 6.00%) at the reporting date.
Term loans	Discounted cash flows using a rate of 6.00% (2016: 6.00%) at the reporting date.
Finance lease liabilities	Discounted cash flows using a rate of 6.00% (2016: 6.00%) at the reporting date.
Company	
Loans to subsidiaries	Discounted cash flows using a rate of 4.91% (2016: 4.91%) at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

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. Contingent liabilities

27.1 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Contingent liabilities not considered remote				
Corporate guarantees favouring banks for facilities granted to subsidiaries	-	-	210,612	282,180
Bank guarantee granted to third parties for benefit of subsidiaries	4,800	4,800	4,800	4,800
	4,800	4,800	215,412	286,980

27.2 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 disagrees with applying the same computation method used for the earlier tax audit exercise 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.

28. 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

28. Related parties (cont'd)

Identity of related parties (cont'd)

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:

Transactions with subsidiaries

	Company	
	2017	**2016**
	RM'000	**RM'000**
Rental income	(176)	(176)
Management fees income	(1,800)	(2,157)
Interest income	(29,020)	(19,432)

Transaction with related companies

	Group	
	2017	**2016**
	RM'000	**RM'000**
Charter income	(65,556)	(93,879)
Mobilisation income	(1,100)	(400)
Interest expenses	4,404	203

	Company	
	2017	**2016**
	RM'000	**RM'000**
Interest expenses	4,154	130

The balances related to the above transactions are disclosed in Notes 9 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

29. Significant events

29.1 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 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 RM2.8 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.

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

29. Significant events (cont'd)

29.1 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 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 was 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.

On 14 December 2017, the Federal Court had unanimously allowed both of Tengku Dato' Ibrahim bin Tengku Indra Petra and Wong Fook Heng & Tiong Young Kong's appeals ("the Appellants"), with costs in the amount of RM60,000 subject to 4% allocator for each appeal, to be paid by the Company to the Appellants. The Federal Court also held that the Court of Appeal's order dated 25 August 2015 to be set aside and that the High Court Judgement dated 21 March 2014 to be reinstated.

Subsequent to the financial year ended 31 December 2017, the Company having received an instruction letter from the Appellants' solicitor to pay a sum of approximately RM459,000, had fully settled the sum accordingly.

29.2 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 USD42.0 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

29. Significant events (cont'd)

29.2 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. Both parties have since nominated their respective arbitrators and paid the deposit for the arbitration.

On 18 July 2017, the Seller had submitted its Claimant's Statement of Claim to the Kuala Lumpur Regional Centre for Arbitration. The Group had subsequently filed its Respondent's Statement of Defence and Counterclaim on 17 August 2017.

As at the date of these financial statements, the arbitrators have yet to fix the hearing date.

29.3 On 16 May 2017, the Company made an announcement proposing to undertake a private placement of up to 10% of the total number of issued shares of the Company to improve its public shareholding spread as well as to raise funds for working capital and to partially repay bank borrowings.

On 14 December 2017, Bursa Securities had granted its approval for the listing of and quotation for up to 77,487,094 new shares on the Main Market Listing Requirements ("MMLR"), subject to the Company ensuring full compliance of all the requirements as provided under the MMLR at all times.

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

In the opinion of the Directors, the financial statements set out on pages 61 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

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

Datuk Ling Suk Kiong
Director

Bailey Kho Chung Siang
Director

Kuala Lumpur,

Date: 10 April 2018

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

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 61 to 131 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Datuk Ling Suk Kiong, at Kuala Lumpur in the Federal Territory on 10 April 2018.

Datuk Ling Suk Kiong

Before me:

Tengku Fariddudin Bin Tengku Sulaiman (No: W-533)
Pesuruhjaya Sumpah

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PERDANA PETROLEUM BERHAD

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 2017 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 61 to 131.

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 2017, 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 2016 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 ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group 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 2017 have 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 is evidenced by the consecutive losses incurred by the Group for the financial years ended 2015 to 2017. 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

TO THE MEMBERS OF PERDANA PETROLEUM BERHAD (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 RM51.1 million was recognised for the current financial year ended 31 December 2017.	ii) We involved our internal valuation specialist to evaluate the appropriateness of the discount rate used by management. In doing so, our internal valuation specialist 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. Use of going concern basis in the preparation of financial statements
Refer to Note 1(b) (basis of preparation) and Note 14 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
The Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that the Group's and Company's current liabilities exceeded the current assets by RM703.9 million and RM741.0 million respectively as at the end of the current financial year. As disclosed in Note 14 to the financial statements, the Group has breached certain covenants of three term loans and the Sukuk with total carrying amount of RM601.6 million. As a result, the non-current portions of these loans of RM34.5 million and the Sukuk of RM438.5 million have been reclassified to current liabilities as at reporting date. The Group's total borrowings amounted to RM734.3 million as at the end of the reporting period, with an estimated repayment amounting to RM147.7 million (or potentially RM620.8 million) due in the next financial year. Further, the Group and the Company recorded net losses of RM186.1 million and RM76.1 million respectively for the current financial year ended 31 December 2017. The above 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.	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 judgement exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PERDANA PETROLEUM BERHAD (cont'd)

Key Audit Matters (cont'd)

2. Use of going concern basis in the preparation of financial statements (cont'd)
Refer to Note 1(b) (basis of preparation) and Note 14 (financial disclosures) (cont'd).

Key audit matter	How our audit addressed the key audit matter
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.	

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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PERDANA PETROLEUM BERHAD (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

As 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 the 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.

- 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PERDANA PETROLEUM BERHAD (cont'd)

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

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 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 subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Matter

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: 03232/02/2020 J
Chartered Accountant

Kuching,

Date: 10 April 2018

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2018

SHARE CAPITAL

Total number of issued share and class of shares: 778,470,949 ordinary shares
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	828	9.063	30,922	0.004
100-1,000	1,838	20.118	1,033,573	0.133
1,001-10,000	4,263	46.662	17,725,762	2.277
10,001-100,000	1,921	21.027	59,899,039	7.694
100,001 to less than 5% of the issued shares	284	3.109	189,154,574	24.298
5% and above of issued shares	2	0.021	510,627,079	65.594
	9,136	100.00	778,470,949	100.00

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2018

No.	Name of Directors	Direct Interest	%	Indirect Interest	%
1.	ALIAS BIN MAT LAZIN	33,159	0.00	-	-
2.	BAILEY KHO CHUNG SIANG	60,400	0.01	211,400	0.03@
3.	CHIN CHEE KONG	-	-	-	-
4.	DATUK SELVA KUMAR A/L MOOKIAH	-	-	-	-
5.	DATUK DR ABD HAPIZ BIN ABDULLAH	-	-	-	-
6.	DATUK MOHD JAFNI BIN MOHD ALIAS	-	-	-	-
7.	DATO' GERALD HANS ISAAC	-	-	-	-
8.	DATUK LING SUK KIONG	23,338,297	3.00	502,666,615	64.57#
9.	WONG PING ENG	-	-	-	-

Notes:

@ Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016
# Deemed interested pursuant to Section 8 of the Companies Act 2016

SHARES IN RELATED CORPORATION

Shareholding in related corporation as at 31 March 2018 is the same as disclosed in the Directors' Report as at 31 December 2017.

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2018 (cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2018

No.	Name of Shareholders	No. of Shares	%
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DAYANG ENTERPRISE HOLDINGS BERHAD	470,786,650	60.475
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NAIM HOLDINGS BERHAD (PB)	39,840,429	5.117
3.	NAIM HOLDINGS BERHAD	24,915,000	3.200
4.	TENGKU YUSOF BIN TENGKU AHMAD SHAHRUDDIN	19,906,835	2.557
5.	LING SUK KIONG	14,006,497	1.799
6.	NAIM HOLDINGS BERHAD	12,231,000	1.571
7.	VOGUE EMPIRE SDN BHD	9,880,892	1.269
8.	KENANGA NOMINEES (TEMPATAN) SDN BHD LING SUK KIONG	9,331,800	1.198
9.	VOGUE EMPIRE SDN BHD	8,607,000	1.105
10.	KENANGA NOMINEES (TEMPATAN) SDN BHD JOE LING SIEW LOUNG @ LIN SHOU LONG	6,364,106	0.817
11.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	5,482,626	0.704
12.	JOE LING SIEW LOUNG @ LIN SHOU LONG	5,379,375	0.691
13.	HSBC NOMINEES (ASING) SDN BHD NTGS LDN FOR STICHING PENSIOENFONDS ING	2,959,300	0.380
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LING HENG SEEK (8120306)	1,461,046	0.187
15.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS MANAGED VOLATILITY EQUITY FUND, LLC	1,308,700	0.168
16.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIA KIE KING (E-LBG)	1,245,040	0.159
17.	LIM SZE HOCK	1,200,000	0.154
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	1,183,940	0.152

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2018 (cont'd)

THIRTY LARGEST SHAREHOLDERS AS AT 31 MARCH 2018

No.	Name of Shareholders	No. of Shares	%
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG NGA ING	1,000,000	0.128
20.	BURHANUDDIN BIN MD RADZI	940,537	0.120
21.	AFFING HWANG INVESTMENT BANK BERHAD IVT (WAE)	880,000	0.113
22.	AFFIN HWANG INVESTMENT BANK BERHAD EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	800,000	0.102
23.	RHB NOMINEES (TEMPATAN) SDN BHD MD YUSOFF BIN MD ALI	800,000	0.102
24.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BOON HOCK	783,124	0.100
25.	JOE LING SIEW LOUNG @ LIN SHOU LONG	778,593	0.100
26.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	753,577	0.096
27.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	720,333	0.092
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LI CHENG THONG @ LEE CHEN THUNG	711,380	0.091
29.	HEAN CHEW	700,000	0.089
30.	LYE HA NOOU @ LAI CHOW MOOI	700,000	0.089

SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2018

No.	Name of Shareholders	Direct Interest	%	Indirect Interest	%
1.	DAYANG ENTERPRISE HOLDINGS BERHAD	470,786,650	60.476	-	-
2.	NAIM HOLDINGS BERHAD	76,986,429	9.889	-	-
3.	DATUK LING SUK KIONG	23,338,297	2.998	502,666,615	64.571
4.	YM TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN	19,906,835	2.557	471,643,210	60.586
5.	DATUK HASMI BIN HASNAN	290,202	0.037	76,986,427	9.889
6.	JOE LING SIEW LOUNG @ LIN SHOU LONG	12,522,074	1.609	513,482,838	65.96

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Twenty-Second (22nd) 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 **23 May 2018 (Wednesday) at 11.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' Fees of RM558,000.00 for the financial year ended 31 December 2017. Resolution 1

3. To approve the payment of meeting allowance of RM500.00 per meeting for attendance of each Non-Executive Director from May 2018 until the next Annual General Meeting. Resolution 2

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

   4.1 Wong Ping Eng (Article 103) Resolution 3
   4.2 Datuk Mohd Jafni Bin Mohd Alias (Article 103) Resolution 4
   4.3 Chin Chee Kong (Article 103) Resolution 5

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

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

   6.1 Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016 Resolution 7

   "THAT pursuant to Sections 75 and 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 total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on 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."

   6.2 Proposed Renewal of Existing Shareholders' Mandate For Recurrent Related Party Transactions of a revenue or Trading Nature. Resolution 8

   "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 for recurrent related party transactions of a revenue or trading nature as specified in Section 2.3.2 of the Circular to Shareholders dated 30 April 2018 ("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");

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

6.2 Proposed Renewal of Existing 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 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
30 April 2018

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Notes:

A Member of the Company entitled to attend and vote at the above mentioned 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 15 May 2018 shall be regarded as Member of the Company entitled to attend the Twenty-Second (22nd) Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Ordinary Resolution 7

The proposed Ordinary Resolution will give powers to the Directors to issue up to a maximum ten per centum (10%) of the total number of issued shares 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 22 May 2017 ("Previous Mandate"). The Company had on 16 May 2017 announced the use of the Previous Mandate for the private placement exercise of up to 10% of the total number of issued shares of the Company. Bursa Malaysia Securities Berhad ("Bursa Securities") has vide its letter dated 14 December 2017 approved the listing of and quotation for up to 77,847,094 new Shares on the Main Market of Bursa Securities. The private placement exercise has not been completed yet as the placees have yet to be identified.

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 and repayment of borrowings.

Ordinary Resolution 8

Please refer to the Circular to Shareholders dated 30 April 2018 for further information.

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PROXY
FORM

CDS Acc No.	
No. of Shares Held	

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-Second (22nd)Annual General Meeting of the Company to be held on **Wednesday, 23 May 2018 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 the financial year ended 31 December 2017	1		
To approve the payment of meeting allowances	2		
To re-elect Wong Ping Eng	3		
To re-elect Datuk Mohd Jafni Bin Mohd Alias	4		
To re-elect Chin Chee Kong	5		
To re-appoint Auditors of the Company for the ensuing year	6		
To authorise the allotment of shares pursuant to Sections 75 and 76 of the Companies Act, 2016.	7		
Proposed Renewal of existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or Trading Nature.	8		

[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 2018

....
[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.

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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 15 May 2018 shall be regarded as Member of the Company entitled to attend the Twenty-Second (22nd) 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

FOLD HERE

Notes Date ....

Notes

Date ....