ANNUAL REPORT 2018

perdana petroleum
(372113-A)

Our Vision

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

Our Mission

Staying resilient in the business, united we achieve and together we create core business value to our stakeholders

COMPANY SNAPSHOT

Perdana Petroleum Berhad Group's ("Perdana Group" 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 vessels that consist of Anchor Handling Tug Supply vessels, Accommodation Workboat 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.

We are also a Petronas licensed holder that provides marine chartering services to Petronas Group and other oil majors in the region since 2011.

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.

ANNOUNCEMENT OF RESULTS

First Quarter	23 May 2018
Second Quarter	21 August 2018
Third Quarter	22 November 2018
Fourth Quarter	21 February 2019

PUBLISHED ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

Annual Report 2018	22 April 2019
Notice of 23rd Annual General Meeting	22 April 2019
23rd Annual General Meeting	21 May 2019

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CORPORATE *INFORMATION*

BOARD OF DIRECTORS

Datuk Ling Suk Kiong
Executive Chairman

Bailey Kho Chung Siang
Executive Director

Alias Bin Mat Lazin
Executive Director

Chin Chee Kong
Non-Independent Non-Executive Director

Datuk Hasmi Bin Hasnan
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

Dato' Gerald Hans Isaac
Independent Non-Executive Director

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

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

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*
Chin Chee Kong Member
Datuk Selva Kumar A/L Mookiah *Member*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

Malayan Banking Berhad (3813-K)
Maybank Islamic Berhad (787435-M)
OCBC Bank (Malaysia) Berhad (295400-W)
United Overseas Bank (Malaysia) Bhd (271809-K)

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector: Energy
Sub-Sector: Energy Infrastructure, Equipment & Services
Stock Code: 7108
Stock Name: PERDANA

EXTERNAL AUDITORS

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

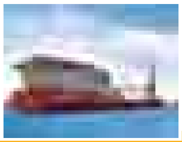
CORPORATE STRUCTURE

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 Mercury Ltd
100%	Perdana Venus Ltd
100%	Petra Offshore Limited
100%	Perdana Marine Offshore Pte Ltd
100%	Odin Explorer Navigation Ltd
51%	Geoseas Techonologies Ltd

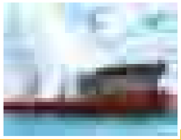
VESSEL ***FLEET***

A. ACCOMMODATION WORKBARGES



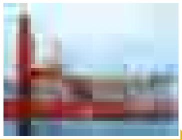
1. Perdana Odyssey

Flag: MSR
Capacity: 300 Men
Gross/Net Tonnage: 10,159/3,047 ton
Year Built: 2011



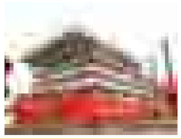
2. Perdana Excelsior

Flag: MSR
Capacity: 300 Men
Gross/Net Tonnage: 10,445/3,133 ton
Year Built: 2013



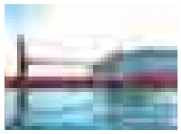
3. Perdana Endurance

Flag: MSR
Capacity: 300 Men
Gross/Net Tonnage: 10,445/3,133 ton
Year Built: 2013



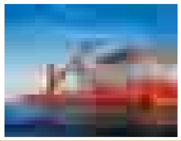
4. Perdana Protector

Flag: MSR
Capacity: 300 Men
Gross/Net Tonnage: 10,445/3,133 ton
Year Built: 2013



5. Perdana Resolute

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



6. Perdana Emerald

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

B. ANCHOR HANDLING TUG SUPPLY VESSELS

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

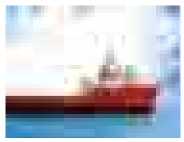
4. Perdana Frontier
Flag: MISR
Capacity: 5,220 BHP
Gross/Net Tonnage:
1,706/511 ton
Year Built: 2008

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

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

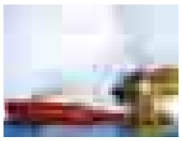
8. Perdana Marathon



Flag: MSR
Capacity: 12,240 BHP
Gross/Net Tonnage:
2,921/876 ton
Year Built: 2010

C. WORKBOATS

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



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

Abbreviation:

Malaysian Ship Registry	MSR
Malaysian International Ship Registry	MISR

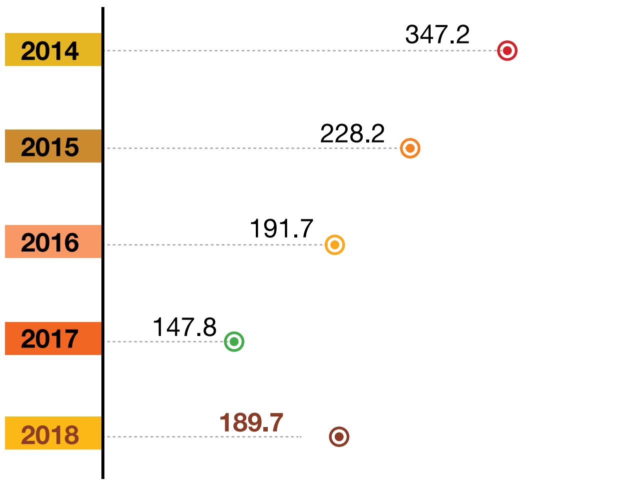
5 YEARS FINANCIAL HIGHLIGHTS

Year Ended 31 December:	2014	2015	2016	2017	2018
Key Financial Information (RM'Million)					
Revenue	347.2	228.2	191.7	147.8	**189.7**
Operating Profit/(Loss)	142.8	(60.6)	24.6	(130.3)	**15.1**
Profit/(Loss) Before Taxation	92.3	(114.9)	(35.9)	(187.6)	**(38.9)**
Profit/(Loss) Attributable to Owners of the Company	90.8	(118.5)	(28.0)	(186.1)	**(40.9)**
Earnings/(Loss) Before Interest, Taxes, Depreciation and Amortization ("EBITDA"/"LBITDA")	226.6	23.2	112.2	(42.1)	**95.34**
Cash & Bank Balances	99.2	46.7	74.3	77.0	**36.5**
Total Assets	1,688.7	1,790.8	1,715.9	1,424.1	**1,374.9**
Total Borrowings	953.6	998.8	895.9	734.3	**633.3**
Total Liabilities	999.9	1,046.2	972.4	929.4	**914.1**
Share Capital	369.3	389.2	389.2	411.2	**411.2**
Shareholders' Funds	689.1	744.4	743.4	494.5	**460.7**
Information on Shares					
No. of Ordinary Shares ('Million)	738.6	778.5	778.5	778.5	**778.5**
Basic Earnings/(Loss) Per Share (Sen)	11.95	(15.77)*	(3.60)*	(23.91)	**(5.26)**
Diluted Earnings/(Loss) Per Share (Sen)	11.56	(15.77)	(3.60)	(23.91)	**(5.26)**
Net Assets Per Share (RM)	0.93	0.96	0.95	0.64	**0.59**
Share price as at financial year end (RM)	1.11	N/A	N/A	0.33	**0.22**
Financial Ratios					
Gearing Ratio (times)	1.38	1.34	1.21	1.48	**1.37**
Current Ratio (times)	0.96	0.26	0.41	0.13	**0.10**
EBITDA/LBITDA Margin (%)	65%	10%	59%	-28%	**50%**

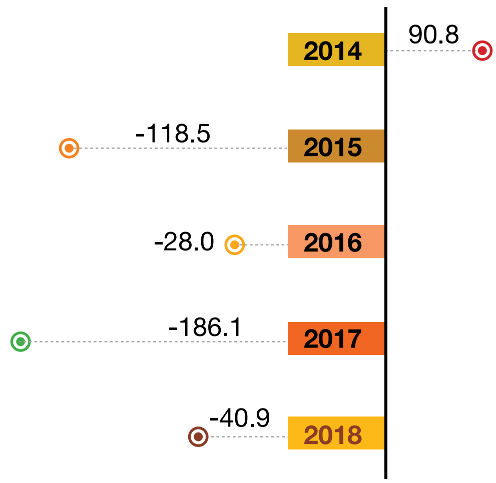
* *The Company's shares were suspended from trading*

5 YEARS FINANCIAL HIGHLIGHTS
(cont'd)

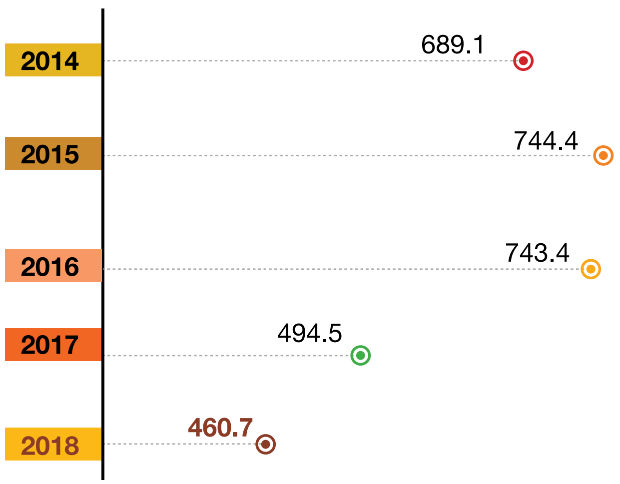
Revenue (RM'Million)



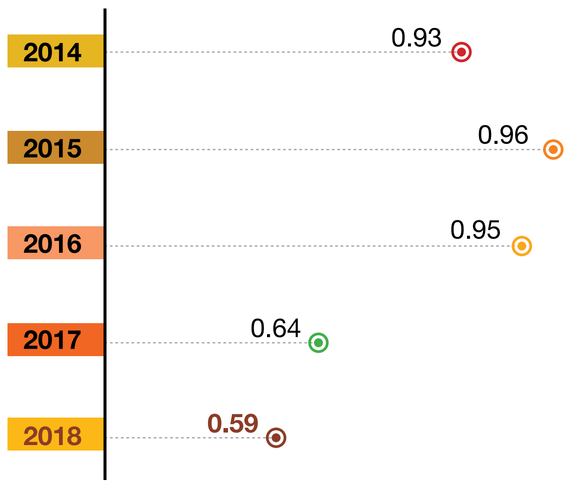
Net Profit/(Loss) (RM'Million)



Shareholders' Funds (RM'Million)



Net Assets Per Share (RM)



DIRECTORS' PROFILE

DATUK LING SUK KIONG
Executive Chairman

Datuk Ling Suk Kiong, a Malaysian, aged 73, 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.

He is the founder of Dayang Enterprise Holdings Berhad Group ("Dayang Group" or "DEHB"). 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 child. 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 58, 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.

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 Dayang Enterprise Holdings Berhad and its subsidiaries ("Dayang Group"), having assumed this position in 2008 and is responsible for overseeing the financial and secretarial aspects of Dayang Group.

He does not have any family relationships with any member of the Board or major shareholder of PPB. He does not have any conflict of interest with PPB and neither has he been convicted of any offence within the past 5 years.

DIRECTORS' PROFILE
(cont'd)

ALIAS BIN MAT LAZIN
Executive Director

Alias bin Mat Lazin, Malaysian, aged 50, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 10 September 2015 and subsequently on 1 September 2018 as the Executive Director.

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. He is also a Graduate Member of Board of Engineers Malaysia. With over 25 years of experience in the Oil and Gas industry, he has vast experience in the field of engineering, onshore and offshore construction, tender strategies, business planning and operational performance.

He began his career with a Korean international construction company in Kuala Lumpur as a Junior Field Engineer. Determined and energetic, he was subsequently given the trust to lead the Business Development of the company's Plant Division. Through the years, he has served in local and international companies in various positions. In 2009, he joined Dayang Enterprise Sdn Bhd as a Project Manager taking up the challenge of establishing the Dayang's Hook-Up and Commissioning (HUC) Division. The success of the Dayang's HUC division has spurred him to be given the responsibility to establish new areas of ventures for the Dayang which includes Engineering, Procurement, Construction and Commissioning (EPCC) and Pre Commissioning and Decommissioning Activities in the Oil and Gas sector.

He is currently responsible to lead the Dayang's Business Planning and Operational Performance overseeing all division in Peninsular Malaysia and International 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 61, 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)

DATUK HASMI BIN HASNAN

Non-Independent Non-Executive Director

Datuk Hasmi Bin Hasnan, a Malaysian, aged 66, was appointed as a Non-Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 September 2018.

He is the founder of Naim Land Sdn. Bhd., a wholly-owned subsidiary of Naim Holdings Berhad. He was appointed Managing Director of Naim Holdings Berhad on 25 July 2003. He graduated with a BSc in Estate Management from the London South Bank University, UK in 1978. He is a Senior Certified Valuer with the International Real Estate Institute, USA and a member of the International Real Estate Federation (FIABCI).

He began his career in 1979 as a valuer in the Land and Survey Department of Sarawak. Since 1982, he has been involved in a wide range of businesses including valuation, project management, property development and management, construction, timber, manufacturing, trading and publishing. In June 1993, he became the Managing Director of Naim Land Sdn. Bhd. and has since been the main driving force behind the company's growth and expansion. He was awarded the Property Man of the Year for 2008 by FIABCI in Kuala Lumpur.

He is the Managing Director of Naim Holdings Berhad, Non-Independent Non-Executive Director of Dayang Enterprise Holdings Bhd, and a Director of a non-listed company, Naim Incorporated 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)

DATUK DR ABD HAPIZ BIN ABDULLAH

Independent Non-Executive Director

Datuk Dr Abd Hapiz Abdullah, aged 61, 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 Chemicals 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 Industries Council of Malaysia and in 2017 was appointed as the Chairman of the National 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 52, 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 51, was appointed as an Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 1 October 2015.

He graduated with a Bachelor of Laws from the University of London and obtained his Certificate of Legal Practice in 1993.

He has twenty five (25) 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 organizations 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.

In addition, he is an appointed notary public and a member of the Operation Evaluation Panel ("Panel Penilaian Operasi") of the Malaysian Anti–Corruption Commission ("MACC"). He is also a Qualified Risk Director from Institute of Enterprise Risk Practitioners ("IERP").

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 47, 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 (formerly known as Tall Order Productions 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.

He was recently appointed as Chairman of the National Film Development Corporation Malaysia ("FINAS").

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,

2018 has proven to be a year of two halves for Perdana Petroleum Berhad ("Perdana" or "Perdana Group" or "Group"), notwithstanding the volatile oil price which continued to be a bane for national oil companies and oil majors to ramp up their capital expenditure. The oil price market for Brent has recovered meaningfully from the lows of USD51 per Barrel in December 2018 to a steady range of USD65-70 per Barrel in March 2019 as the production cuts undertaken by the Organization of the Petroleum Exporting Countries ("OPEC") and non-OPEC countries to rebalance oil supply have resulted in a strong recovery in oil prices.

For Perdana in 2018, we witnessed a weak start in the beginning of the year before seeing a much better operational performance in the second half of 2018, thanks to the strengthening demand of our vessels, particularly from our major shareholder, Dayang Enterprise Holdings Berhad ("Dayang' or "Dayang Group").

While the overall offshore support vessel ("OSV") market remains sluggish for a good part of 2018, we believe the worst should be over. Going by our performance in the second half of 2018, it seems to reinforce our view that the OSV segment is increasingly showing positive signs of nascent recovery. This is particularly more pertinent for accommodation work barges given the increase of work orders from Maintenance, Construction and Modifications Contract ("MCM") and Pan Hook-up and Commissioning Contracts ("Pan HUC").

We continue to focus on optimising the vessels utilisation of our fleet though the vessel charter rates remained unsatisfactory to turn around our financial performance in the financial year 2018 which was also the fourth successive year that Perdana remained in the red. We are hopeful that the operating environment for the OSV industry will improve in 2019 after years of turmoil plaguing the debt-laden OSV players. We believe Perdana is gearing up for better days going forward.

We are in the midst of finalising a debt restructuring scheme, pursuant to our application to the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for assistance to mediate between the Group and its financiers/creditors. We would like to reassure our valued shareholders that we remain committed to our long-term journey for continued success despite the difficulties over the past few years. Perdana will continue to look at various measures to improve our balance sheet which should then 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 Group. We would like to stress that Perdana 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 and Operations Review

After years of concerted efforts by the management team to streamline the Group's operation to be as lean as possible due to the tough operating environment, we are delighted that our cost-optimisation initiatives have yielded the desired results to the Group. Our improved cost efficiency, coupled with the synergistic tie-ups with our major shareholder, Dayang Group, has resulted in a stronger footing for Perdana to deliver stronger operational results.

Our chartering activities sustained a more robust activity level in the financial year 2018 as vessel utilisation improved to 64%, compared to 52% in the preceding year. It is worth highlighting that this came on the back of above-average fleet utilisation in the second half of 2018. In fact, we reported the highest quarterly revenue in the fourth quarter of 2018 since 2015 which served as a key milestone for us to attain better profitability and a faster turnaround going forward.

The strong working relationship with Dayang Group since 2015 has played a pivotal role in improving the Group's performance as seen in the financial year 2018. Most of the Group's vessels have been working for Dayang under its offshore MCM contracts with various oil majors where activities have been going full-throttle. Indeed, we are grateful that our major shareholder has always been supportive despite the hardships experienced in our business. We continue to work together and cooperate 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.

In January 2018, we received a major contract win from our major shareholder Dayang, for the provision of two accommodation work barges ("AWB") and two anchor handling tug/supply ("AHTS") vessels for a duration of nine months with an option of three-monthly extensions, commencing from 1 March 2018 for a contract value of RM41.8 million. We are delighted to secure the charter contract from Dayang and this clearly demonstrated the synergies that we have been talking about by leveraging on the core expertise of both parties have indeed started to bear fruits.

In September 2018, we received the letter of award from ROC Oil (Sarawak) Sdn Bhd for the provision of one AHTS vessel for 380 days with extension option of 30 days which were valued at RM16.2 million.

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

Business and Operations Review (cont'd)

We are hopeful to build on the momentum to win more jobs in 2019. Up to end March 2019, we have a total job tenders worth RM202 million and an orderbook of RM208 million to last us until September 2020. We would like to assure our shareholders that we will try our utmost to win and secure more new jobs in order to offer better and clearer earnings visibility.

Financial Review

For the financial year 2018, Perdana recorded a net loss attributable to shareholders of RM40.9 million, compared to RM186.1 million in financial year 2017. The markedly improved results were largely due to a reversal of impairment loss on property, plant and equipment of RM6.7 million and a net realised/unrealised foreign exchange gain of RM11.5 million in 2018. This compares to an impairment loss of RM51.1 million and a net realised/unrealised foreign exchange loss of RM52.0 million in the preceding year.

In 2018, revenue increased by 28% year-on-year to RM189.7 million from RM147.8 million in 2017, in tandem with the higher vessel utilisation of 64%. More importantly, we managed to register a positive gross profit during the financial year as operations continued to improve from the poor performance in 2017.

Nevertheless, our financial results had also been affected by the high interest payment of RM56.5 million, contributing to the net losses in the current financial year. As at December 2018, Perdana's net gearing stood at 1.4 times. The high gearing level is not uncommon across the industry for OSV owners and Perdana is not exempted during these challenging times. Currently, we are in the midst of finalising the corporate debt restructuring exercise and we are cautiously optimistic that together with improved financials, a leaner and cleaner balance sheet should emerge for Perdana Group going forward.

In terms of shareholders' fund, it has deteriorated to RM460.8 million in financial year 2018 from RM494.6 million in financial year 2017 given the losses recorded during the current financial year. Notwithstanding that, the cash flow generated from the Group's operating activities was higher at RM76.6 million as compared to RM17.5 million in the preceding year.

Prospects

Fellow shareholders, we believe that the business environment in 2019 will be better as our vessel utilisation rate is expected to improve further from the decent level in 2018. Many vessels have been earmarked for Dayang's offshore maintenance and hook-up contracts with various oil majors and also the high drilling activities for more wells would mean higher vessel utilisation for our AHTS. Moreover, we are hopeful that the higher crude oil prices would help boost the general sentiment for the oil majors and lead to more OSV chartering opportunities. Realistically, we are also likely to see improved vessel charter rates for the fleet with demand for vessels improving.

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

Prospects (cont'd)

Perdana will continue to leverage on its outstanding track record to offer its relevant services for longer term charters and contracts. We have submitted various tenders under direct and umbrella contracts with oil majors, both locally and regionally. We remain cautiously optimistic of winning some of these jobs. Furthermore, Perdana will partner with Dayang to bid for more maintenance jobs which are relatively more resilient in nature. We believe our streamlined operations will be further enhanced and this will ultimately propel us to greater heights.

Acknowledgements

On behalf of the Board of Directors, I would like to acknowledge our heartfelt appreciation for the contributions, dedications and commitment of all the management and staff of Perdana who have displayed the qualities 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 appreciated. To our bankers, financiers and investors, we thank you for your continued support and trust in Perdana Petroleum Berhad.

Last but not least, thank you very much, our valued shareholders, for your loyalty and understanding in these challenging times. Rest assured, 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 days and years ahead for us to deliver stronger financial results and better returns to all of you.

Thank you.

SUSTAINABILITY ***REPORT***

EMBEDDING SUSTAINABLE PRACTICES TO ENHANCE BUSINESS VALUES

Our theme "Embedding Sustainable Practices to Enhance Business Values" highlights our continuous efforts in progressing towards a sustainable future. 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 since 2017. Our Sustainability Report ("SR") focuses on the sustainability practices in which we focus on the economic, environmental, and social ("EES") impacts of our activities and initiatives. In compliance with the Bursa Malaysia's requirements, we are reporting in accordance with the Global Reporting Initiative ("GRI") Standards for sustainability reporting, prioritizing on reviewing material issues and mapping out strategies to embed sustainability throughout our business operations.

Also, throughout this statement, we demonstrate our full commitment to integrate sustainability practices and prepare this statement pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), a Sustainability Reporting Guide issued by the Exchange as well as guidelines issued by the GRI.

REPORTING STANDARDS

Our sustainability reporting approach is based on the framework and guidelines provided by the GRI. This report has been prepared in accordance with the Core Options of the GRI Standards. The Core Options include adherence to the GRI Principles for:

- Stakeholder Inclusiveness – being responsive to stakeholder expectations and interests;
- Sustainability Context – discussing the performance of the demands and limits placed on EES resources at sectoral, local, regional or global level;
- Materiality – focusing on issues with greater impact and are more important to stakeholders; and
- Completeness – including all information that is of significant EES impact to enable stakeholders to assess the Group's performance.

REPORTING SCOPE AND BOUNDARIES

Perdana's SR 2018 has been prepared in accordance with the GRI Standards. This SR covers the reporting period from 1 January 2018 to 31 December 2018. Our focus for this year is on material sustainability topics that covers EES and the content of this report is based on material topics identified by the Group. Our scope and boundaries cover all our entities and operations in Malaysia. The Group is being advised by an external consultant to assist on the sustainability reporting enhancement and to support comprehensive sustainability efforts across the Group.

OUR APPROACH TO DRIVING SUSTAINABILITY

Our approach to sustainability is based on our core values of excellence, unity, integrity, humility and building relationship, supported by the Company's policies and procedures. We consistently embed sustainability into the core of our business. The following value-added sustainability framework forms the basis of Perdana's steps to strengthen and enhance the Group's approach to sustainability and business value creation.

SUSTAINABILITY STRATEGY

1. As a Public Listed Company

- As a public listed Company, we are pre-emptive of the sustainability matters mainly on the economic value creation for the shareholders and stakeholders;
- We plan to elevate the sustainability practice of corporate governance through the engagement with the board's oversight and accountability over environmental and social issues, diversity and special expertise on boards, and linking executives and other employees of the sustainability goals;
- We want to hold robust regular dialogues with the Company's key stakeholders on sustainability challenges, including employees, investors, suppliers and consumers;
- We are in the progress to adopt open reporting on sustainability strategies, goals and accomplishments; and
- We are in the progress to develop systematic performance improvements to achieve environmental neutrality and other sustainability goals across the entire value chain, including operations, supply chains and products.

2. As a service provider

- We aim/commit to give quality service to all our clients as they are important valued stakeholders.

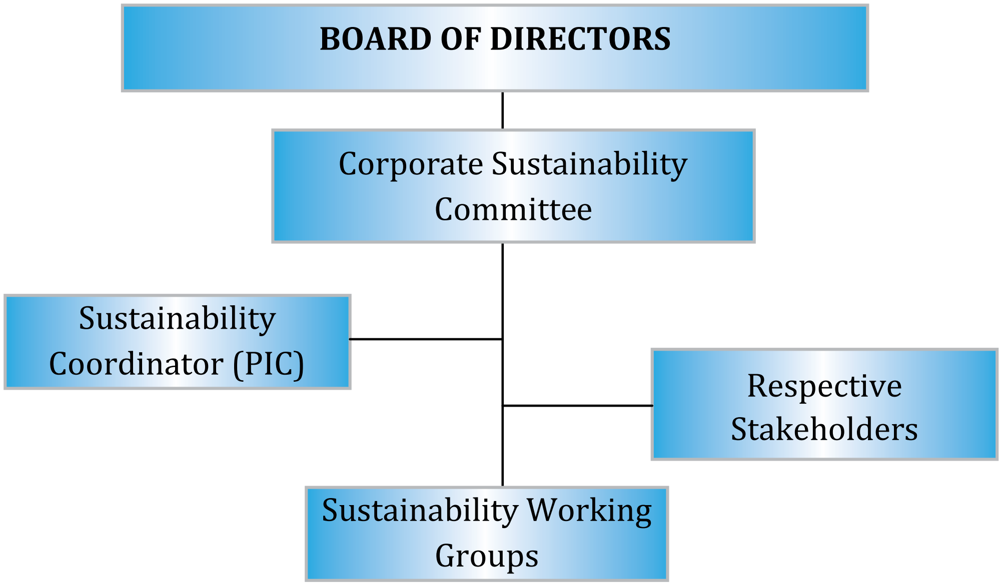
GOVERNANCE OF THE SUSTAINABILITY

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 2017.

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 Directors will be supported by various working groups responsible for implementing the initiatives within the organization. The Executive Directors 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.

ORGANIZATION STRUCTURE FOR SUSTAINABILITY



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 which is reflected through its prudent transformation and management as well as sustainability matters.

MATERIALITY ASSESSMENT PROCESS

SUSTAINABILITY REPORT
(cont'd)

MATERIALITY ASSESSMENT PROCESS (CONT'D)

1. Objectives & Scope

Perdana undertook a materiality study 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 issues relevant to the Group's business and its stakeholders. In generating the list of issues, 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 2019, we plan to undertake a review of material factors and sustainability matters in order to ensure 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 approach 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 establishing a proper mechanism to capture, analyze and report sustainability data and information.

MATERIAL FACTORS

As we monitor, manage and report on a wide variety of issues, our key 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 at the optimal level.

The materiality process involved several steps which include:

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

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

MATERIALITY ASSESSMENT PROCESS (CONT'D)

MATERIAL FACTORS (CONT'D)

The material factors are based on the priority of the Group as outlined below:

Material Factors	Description	What Are The Risk	What Are The Opportunities
Competition	Perdana is exposed to competition within the industry.	Inability to secure contracts which will impact the Company's business and performance	• Value added services and eco-friendly system could be offered to the clients as to improve on our core value • Regional partnerships and collaborations
Market Stability	A well-facilitated business, with an effective and balanced regulatory framework that provides adequate levels of client's protection while facilitating business efficiency and innovation is imperative for the continued growth and development of our business.	Any event – such as breaches in regulation, lack of effective corporate governance (CG) practices – that undermines integrity or stability will influence stakeholders' confidence, and possibly participation in the market	• Fostering a strong CG and sustainability culture will also drive long-term value, both in the market and within Bursa Malaysia • Having a robust approach to ensure the integrity and stability of the market serves to engender trust and confidence, which in turn encourages participation and growth

Combining the views of 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.

MATERIALITY ASSESSMENT PROCESS (CONT'D)

SIGNIFICANT MATERIAL FACTORS

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Optimization/ Resources	To help the company become efficient and effective.	Taking the necessary measures to ensure all our staff and resources are being optimized.
		Market Condition	Market condition affects all businesses in every industry.	Our business very much depends on the market condition where we conduct market study prior to engaging in any projects.
		Compliance	Compliance with laws and regulations is one of our main requirements.	We provide adequate training and resources to ensure we meet compliance obligations.
		Safety	Impact on safety of workforce and the primary emphasis is to avoid workplace injuries.	We support the ongoing training of operational teams to ensure understanding in recognising and improving as well as maintaining safe working conditions.
		Customer Satisfaction	It is important for us to benchmark ourselves and to collaborate closely with customers to achieve mutual success.	We conduct customer satisfaction surveys to obtain customer's feedbacks.
		Corporate Governance	To ensure that the company protects the members, officers and management.	Governance is conducted according to various regulations and sub-committees. The board oversees the governance based on quarterly review of management reporting.
		Quality	It is part of our core business value to satisfy all of our customers.	By obtaining prompt stakeholder feedback to gauge our quality.
		Reputation	To get a more realistic picture of how the business is actually being perceived by others.	We take initiatives to enhance our reputation by providing balance reporting.
		Procurement	It ensures the stable, sustainable procurement and supply of resources.	We are always on the lookout for best quality and competitive pricing.
		Customer Privacy	It is important to build customer trust and loyalty.	We take necessary measures to protect customer's privacy by having our staff trained on this matter.
		Business Model	Business model plays a vital role in challenging market condition of the market and business.	The management regularly reviews the business model and react to the updates.
		Networking – Stakeholder	It is important to have new opportunities and positive influence.	Our nature of business requires networking with all parties in order to reconcile the process.
		Business Ethics/Code	Maintaining business ethics is our core values.	We proactively promote and positively reinforce good behaviours to employees.
		Anti-Corruption	This reduces risks of economic imbalance and compliance with laws, international charters and conventions.	On-going monitoring, briefing and review of compliance throughout the Group is carried out to make sure that the company's policies and procedures as well as system of internal controls are being properly implemented.
		Local Environment Impact	It is important to safeguard the environment.	We monitor and review the environmental compliance strategy and performance.
	Important	Business Mix	Diversification is part of our business model to stay sustainable.	We are always on the lookout for synergistic businesses which creates better value to our core business.
		Political Stability	It has a wide impact on the economy.	We ensure compliance with all government regulations.
		Climate Change	Climate change would have a significant impact on business.	We managed this by creating a good project management team which looks into all the scenarios.
		Capital Injection – Funds	Business growth and expansion.	Lookout for potential partners, joint ventures and funding to expand our business.

MATERIALITY ASSESSMENT PROCESS (CONT'D)

3. Stakeholders Engagement

Our interaction involves a large number of different stakeholder groups and such engagement is important to ensure 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 through 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, relationship with stakeholders and commitment to sustainability.

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

Stake-Holder Group	Engagement Approach	Engagement Focus & Objectives
Customers	• For Health Safety & Environment ("HSE") Assurance – we have been audited by: • Petronas Carigali Sdn Bhd ("PCSB") – HSE Assurance & Verification Audit in year 2014, 2016 & 2017 • Sarawak Shell Berhad – Category 3HSE Assurance in 2016 & 2017 • Sarawak Shell Berhad – OVMSA (Level 1) in 2018 • Dayang Enterprise Sdn Bhd – HSSE audit in 2018	For verification on HSE compliance and Standard perating Procedures.
	• Quarterly engagements with PCSB for updates and improvement on operational issues and also the HSSE engagement & Logistic	To address the Operations and Safety issues.
	• Launching of HSE Campaign by PCSB • I am HSE Campaign • ELCC Hand & Fingers Injury Safety Campaign • East Logistic Command Centre – PCSB's HSSE Day • Monsoon Safety Campaign	Cascading of HSE Incident Information & Mitigation Plan. Sharing Session on HSSE Matters & Implementation.
	• Monthly Meetings: • Monthly Operation Meetings	To address operations & safety issues.

MATERIALITY ASSESSMENT PROCESS (CONT'D)

3. Stakeholders Engagement (Cont'd)

Stake-Holder Group	Engagement Approach	Engagement Focus & Objectives
Employees	Fleet Management: 1. Top Management visit: Total of 5 Management visits done 2. Superintendent Ship Visit: Total of 36 visits done by Operation/ Technical / HSE Superintendent 3. Launching of Safety Campaign by HSE: • Hand & Fingers Injury safety Campaign • Monsoon Safety Campaign 4. Announcement of accumulated 10 million hours without LTI achievement.	Sharing & bonding with the management & employees. Conditional vessels inspection. Cascading of HSE Incident lesson learnt & Mitigation Plan
Suppliers	1. Code of Ethics 2. Request for proposals 3. Supplier Evaluations 4. Review of suppliers' profile	Sound payment practices and vendor performance. Stock order & delivery. Competitive price offer.
Regulators	Compliant with Statutory Requirement of: • Malaysia Marine Department • Classification Societies • Department of Occupational, Safety &Health/ Department of Environmental • Oil Major – Petronas, Shell and etc • Bursa Malaysia Securities Berhad • Securities Commission • Bank Negara Malaysia • Companies Act 2016 • Labuan Financial Services Act • Others	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")	Social requirements and specific feedback on programmes.
Media	Timely Bursa announcements, analyst briefing, social media coverage	Keeping stakeholders informed of new developments in the business and to create positive publicity.

MATERIALITY ASSESSMENT PROCESS (CONT'D)

4. Prioritization of Material Sustainability Matters

Perdana has undertaken a stakeholder prioritization 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 is 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 a specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, assessments are carried out to identify key stakeholders based on each stakeholder's influence and dependence to the Group;
- To gain insights into these key stakeholders' concerns, interests and expectations, the Group conducted discussions including on-going sessions throughout the year to gauge stakeholders' concerns pertaining to the list of sustainability matters identified; and
- Where applicable, Perdana also took into 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 Executives Directors have reviewed and approved the processes and outcome of the Group's materiality by addressing and managing its material sustainability matters in its business operations.

ECONOMIC

Economic scenario remains as our core glitches based on the market condition of the global influence. The Group has taken a great level of measure to identify the critical risk which influence the strategy of the Group. By taking necessary steps together with the senior management and the Board's input, we have been able to mitigate the risk elements.

The following policies and procedures have been illustrated in the Company's website.

WHISTLE-BLOWER 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 views any misconduct or wrongdoing by its employees, management and directors very seriously to ensure their obligations are aligned 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, confidential and expeditious disclosure with protection to the whistle-blower.

SUSTAINABILITY REPORT
(cont'd)

ECONOMIC (CONT'D)

CODE OF CONDUCT AND ETHICS

The Group is committed to conduct its businesses and operations with integrity, openness, accountability and also conduct its affairs in an ethical, responsible and transparent manner. The Group has a Code of Ethics and Conduct that sets out the standards and ethical conduct expected of all employees and Directors of the Group.

The Code of Ethics outlines commitment to ethical values through key requirements relating to conflict of interest, confidential information, insider information, protection of the Group's assets and compliance with the laws and regulations.

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 elaborated in the Corporate Governance Overview Statement available in our website.

RISK MANAGEMENT FRAMEWORK

An integral part of good corporate governance, a comprehensive Risk Management Framework enables Perdana to proactively identify, communicate and manage risks and exposures in an integrated, systematic and consistent manner. In driving risk awareness, decision-making and business processes are put through prudent risk assessments. Fraud and corruption risk have been identified as one of the material risks to ensure our sustainability.

SUPPLY CHAIN

Sustainability in supply chain has been increasingly recognized as an important aspect in corporate responsibility. In making responsible sourcing decisions, Perdana has put in place appropriate approach to consider suppliers' EES credentials in the lifecycle of their 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 sustainability practices with respect to EES matters.

ECONOMIC (CONT'D)

COMMITMENT TO QUALITY

Perdana has in place its standard operating policies and procedures in line with the 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 was identified as one of the most important material issues in the marketplace dimension across all our divisions. Knowing exactly our customers' expectation will assist us in improving our bottom line and strengthening our reputation for the long term. We conduct half yearly customer satisfaction surveys and these feedbacks provide insights in customer expectations that enable us to develop and deliver better products and services.

BUSINESS CONDUCT

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

SAFETY AND HEALTH

It is one of our key priorities to maintain a safe and healthy working environment for our employees. A strong health and safety culture would create work productivity that enhances the Group's operations and assures our customers a peace of mind. 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

Towards a Greater Planet

We are mindful of the environmental impacts of our activities and consistently ensure compliance with all the environmental regulations are met. Perdana continues to develop effective environment initiatives to protect the environment.

The industry 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.

SUSTAINABILITY REPORT
(cont'd)

ENVIRONMENTAL (CONT'D)

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

CLEAN EMMISSION FROM OUR FLEET MARINE VESSELS

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

Emission from vessels and machineries is the key environmental issue in our industry. Perdana ensures that the quality of air is not compromised 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.

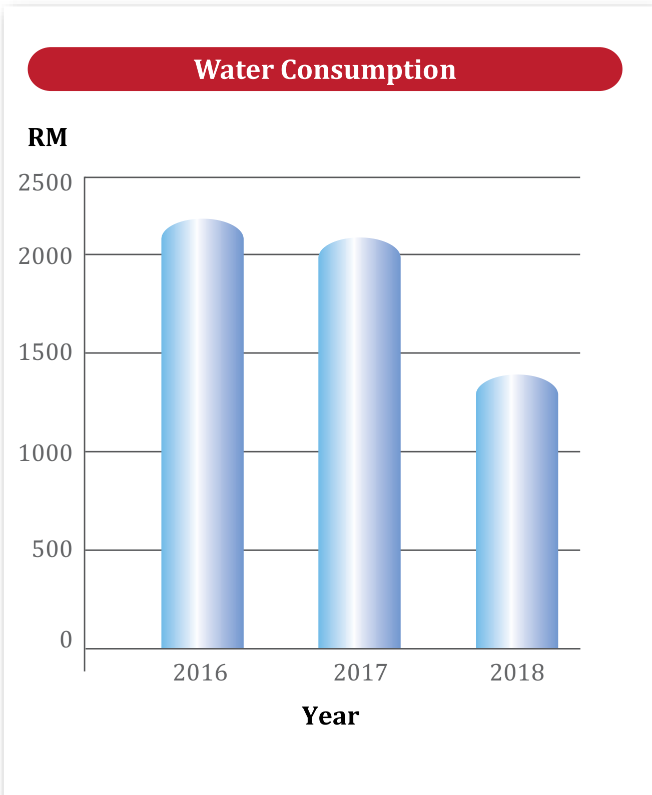
WATER MANAGEMENT & CONSUMPTION

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 droughts and wastage. Perdana encourages its employees to practice water usage optimization and water saving usage.

We promote water saving practices among employees and adopt water-efficient technologies and equipments wherever possible. The water consumed at our head office is obtained from the municipal water supply. We have taken small steps to control the water usage to be in line with the sustainability efforts, namely:

- Slow the flow. Adjusting water pressure/outflow toilets, wash basins, pantry and throughout our head office building.
- Seek the Leak. Conducting checks and fixing leaks immediately, where possible.

The water usage below is presented for the offices of Perdana. The below bar chart represents Perdana's offices' water consumption from 2016 to 2018. We have reduced the water usage in 2018 as compared to the previous years.



ENVIRONMENTAL (CONT'D)

ENERGY MANAGEMENT

We understand that energy management is essential for combating climate change and the need 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 concern 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 waste management:

Paper Usage Management

The following practices are applied in paper usage management:

- Reduce – by emphasising on paperless and electronic mode for documentation. In addition, practice of double-sided printing or reducing the paper size demonstrates economical initiatives
- Reuse – reusing printed or used papers for other purposes
- Recycle – recycling of used papers in the recycling bins provided

SUSTAINABILITY REPORT
(cont'd)

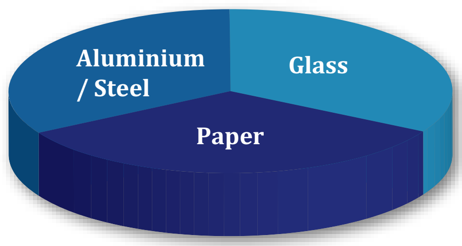
ENVIRONMENTAL (CONT'D)

WASTE MANAGEMENT (CONT'D)

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



Scheduled 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.

STORAGE AND COLLECTION OF RECYCLABLES

Perdana has also set out initiatives for storage and collection of wastages and recyclables. The objectives of such initiatives include:

- To provide dedicated area and storage for collection of non-hazardous material for recycling;
- To facilitate the reduction of scheduled waste generated that is hauled and disposed to licensed disposal companies; and
- To designate a dedicated area where on-site sorted waste materials can be stored in separate skids for collection facilities.

SOCIAL

The Importance of Community

The Group is committed to promote social responsibilities as an integral part of the Group's vision whilst pursuing business growth to enhance shareholders and stakeholders' value. Management recognises that for long term sustainability, its strategic orientation will need to cater beyond the financial parameters.

As we look back on 2018, we are proud that the values for safety, quality, integrity, diversity, innovation and sustainability have shaped our ongoing commitment to corporate social responsibility and have challenged us to improve our responsibilities as a corporate citizen, employer of choice, and a positive contributor to the economy.

A strong commitment to social responsibility programs can protect and enhance a company's brand. As the word gets out about a company's good works, it helps create positive working environment and attract desirable employees with a strong commitment to corporate social responsibility programs.

The Group manages to organise several activities to sustain its CSR responsibilities to the environment, employees and community.

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.

SUSTAINABILITY REPORT
(cont'd)

SOCIAL (CONT'D)

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

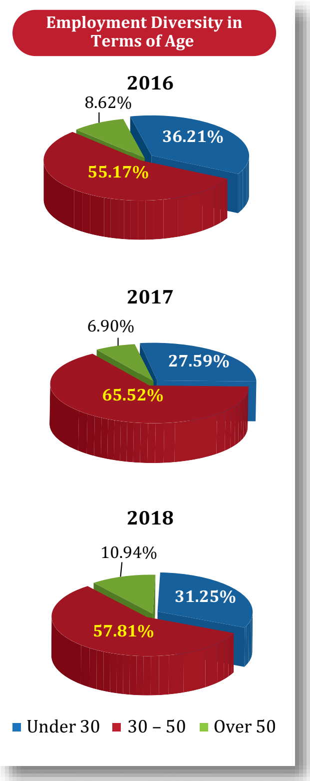
d. Personal Data Protection

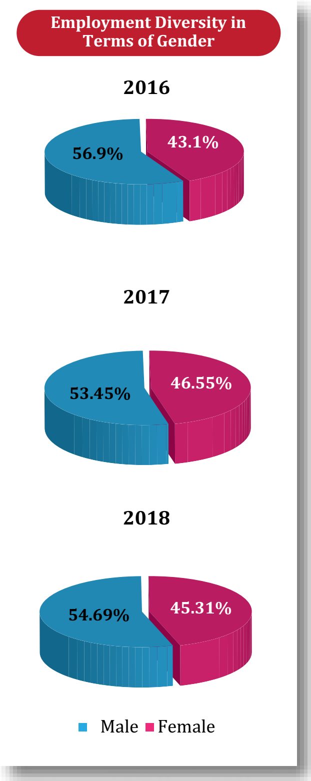
Perdana has complied with the Personal Data Protection Act 2010 – the PDPA 2010.

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 top management is 3 out of 8 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.





SOCIAL (CONT'D)

f. Community

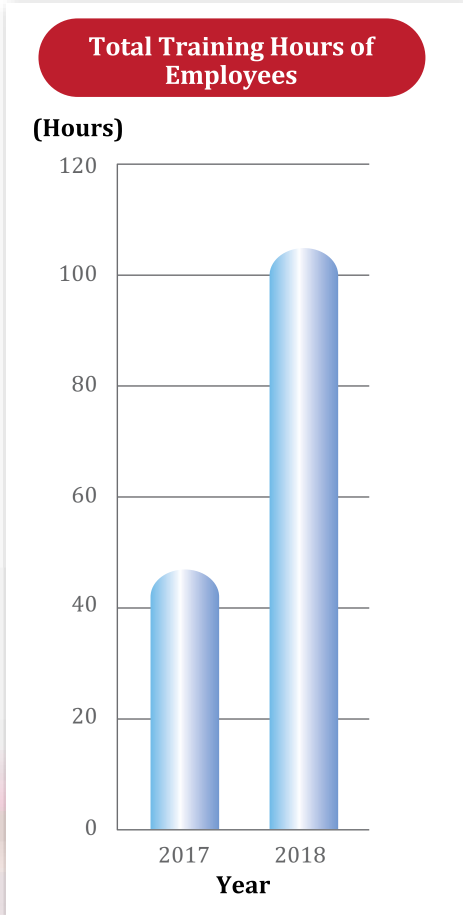
Being sustainable encompasses an appreciation of the symbiotic relationship between ourselves and our communities. As such, playing an active role in engaging and giving back to our communities forms an integral part of the work that we do.

In 2018, the Group had contributed towards the community in support of the National Autism Society of Malaysia (NASOM), an NGO through the participation of our 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

To meet an ambitious year ahead, we will step up many of our existing activities. That means bringing more cost efficiency measures and to enhance the value. As for the financial year of 2018 we believe financial resilience is vital if we are to play a successful role in our business.

We continuously improve the sustainability approach towards formalizing sustainability within our business; we recognize that we still have room for enhancement, 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 continually keep abreast of developments in our industry, actively and regularly engage our stakeholders, build upon our existing sustainability framework, and seek to further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

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

As we look to the future, it is our hope that we will continue to introduce new and exciting quality for our customers, enrich our local communities, create value for our stakeholders, and be an organisation that people will be proud to associate with.

This Statement has been approved by the Board on 9 April 2019.

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 Comittees 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 2018 (“FY 2018”) 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 Executive Director, is available on the corporate website of the Company for easy access.

Size and Composition

The Board currently comprises nine (9) members of whom three (3) are Executive Directors, including the Executive Chairman, and six (6) 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 facilitate 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (CONT'D)

Size and Composition (Cont'd)

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 Board 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 Board and shareholders' approval at a general meeting are required. An Independent Director who continues to serve the Boards after the 12th year of appointment will now require shareholders' approval at a general meeting through a 2-tier voting process as prescribed under the MCCG.

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.

One of the recommendations of MCCG is to have at least half of the Board comprise independent directors. The Board is consistently identifying candidates 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 has on 23 August 2018 adopted a gender diversity policy for both the Board and its Senior Management and the same is available on the Company's website. The Diversity Policy recognises the inclusion of different perspectives and ideas, mitigates against group think and ensures that the PPB Group has the opportunity to benefit from all available talent. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance. For the financial year 2018, Ms Wong Ping Eng held position on the Board till 1 September 2018 as her nominator, NAIM Holdings Berhad had decided to change their representative on the Board of PPB from Ms Wong Ping Eng to Datuk Hasmi bin Hasnan. Although at the present moment, the Board only has male directors, there is diversity in terms gender, ethnicity and age at the Senior Management level as follows:

Diversity in:				
		%		**%**
GENDER	MALE	67	FEMALE	33
RACE/ETHNICITY	MALAY	67	INDIAN	33
NATIONALITY	MALAYSIAN	100	NON-MALAYSIAN	0
AGE GROUP	30 TO 50 YEARS	67	BELOW 50 YEARS	33

The age of the Directors ranges from 47 to 73 as the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (CONT'D)

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 one (1) week in advance of the date of the Board meeting. Board meeting papers are 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 the 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.

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 2018.

During the financial year ended 31 December 2018, 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	3/6
Mr. Bailey Kho Chung Siang	6/6
Datuk Dr Abd Hapiz bin Abdullah	5/6
Datuk Mohd Jafni bin Mohd Alias	5/6
Datuk Selva Kumar A/L Mookiah	4/6
Mr. Chin Chee Kong	6/6
Dato' Gerald Hans Isaac	5/6
En. Alias bin Mat Lazin	6/6
Datuk Hasmi bin Hasnan (appointed on 01.09.2018)	2/2
Ms. Wong Ping Eng (resigned on 01.09.2018)	4/4

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (CONT'D)

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 2018, the Directors have individually or collectively attended the following courses / seminars set out below:

- Financial Institution Directors' Education Programme
- Judicial Management & Anti Money Laundering Act updates
- MFRS 16 Leases
- KPMG Tax Seminar
- LHAG Corporate Counsel Day 2018
- Breakfast series: "Companies of the Future - The Role for Boards"
- Pengarah Akademi Pencegahan Rasuah Malaysia
- Companies Act 2016
- SSM National Conference
- Company Secretary Training Programme Signature 2.0

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.

The Remuneration Committee comprise only of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

THE BOARD OF DIRECTORS (CONT'D)

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

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 procurement 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	–	Member

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 2018 are as follows:

GROUP	Fees (RM'000)	Meeting Allowances (RM'000)	Salaries (RM'000)	Total (RM'000)
Datuk Ling Suk Kiong	44	–	–	44
Mr. Bailey Kho Chung Siang	18	–	282	300
En. Alias bin Mat Lazin	84	3	–	87
Datuk Dr Abd Hapiz bin Abdullah	72	8	–	80
Datuk Mohd Jafni bin Mohd Alias	72	6	–	78
Datuk Selva Kumar A/L Mookiah	72	5	–	77
Mr. Chin Chee Kong	72	9	–	81
Dato' Gerald Hans Isaac	72	3	–	75
Ms. Wong Ping Eng (resigned on 01.09.2018)	48	3	–	51
Datuk Hasmi bin Hasnan (appointed on 01.09.2018)	24	1	–	25

There is no bonus or benefit-in-kind declared for any of the Directors.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(cont'd)

ACCOUNTABILITY AND AUDIT (CONT'D)

Effective Communications with Shareholders (Cont'd)

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

The quarterly financial results announcements and annual report of the Company are 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 2018

Utilisation of Proceeds Raised From Corporate Proposal

There was no fund-raising corporate proposal carried out during the financial year 2018.

Audit and Non-Audit Fees

The audit and non-audit fee 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 2018 is as follows:

	Group (RM'000)	Company (RM'000)
Audit Fee	220	62
Non-Audit Fees:		
Tax Fee	45	18
Other Fees	15	15
Total	**280**	**95**

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 2018 other than the related party transaction with Dayang Enterprise Sdn Bhd for the chartering of vessels which has been disclosed in Note 29 of the audited financial statement for financial year ended 31 December 2018.

Variation in Results

There was no material variances between the audited results for the financial year ended 31 December 2018 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)
Mr. 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 2018

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

Audit and Risk Management Committee Members	Attendance
Datuk Dr Abd Hapiz Bin Abdullah	6/6
Datuk Mohd Jafni Bin Mohd Alias	5/6
Mr. Chin Chee Kong	6/6
Datuk Selva Kumar A/L Mookiah	4/6

Audit and Risk Management Committee Report
(cont'd)

Summary of Activities during financial year ended 31 December 2018

The Audit and Risk Management Committee activities during the financial year ended 31 December 2018 ("FY 2018") encompassed the following:

- Reviewed the quarterly financial statements and the annual audited financial statements for FY 2018, 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 2018 Internal Audit Plan and received the Outsourced Internal Auditor's presentation of the Group's internal audit reports on the status and progress of its internal audit assignments including the summary of audit reports issued, audit recommendations and Management's response to the recommendations;
- Reviewed the Statement on Risk Management and Internal Control as well as the Audit and Risk Management Committee Report and recommended them for inclusion in the Annual Report;
- Reviewed the Internal Audit Report issued by the Internal Auditors; of the main operating subsidiary;
- Reviewed the Internal Audit follow-up reports issued by the Internal Auditors to ensure key findings raised in the report are addressed accordingly;
- Reviewed the Recurrent Related Party Transactions ("RRPT") procedure and the Audit and Risk Management Committee Statement and thereafter recommended the same 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 2018;
- Reviewed the Budget and cash flow projections to ensure the Group is able to meet the repayment of loans and borrowing covenants; and
- Discussed and monitored material litigations taken by and against the Group.

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

Audit and Risk Management Committee Report
(cont'd)

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 2018 Internal Audit Plan which was developed using a risk-based approach and approved by the Audit and Risk Management Committee.

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

The following audits were carried out during the FY 2018 and reported by the Outsourced Internal Auditor:

– Chartering and Accounts Receivable Management of the main operating subsidiary;
– Corporate Governance Compliance;
– Group Finance Management and General Accounting Controls; And
– Procurement and Vendor 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.

During the FY 2018, an amount of RM70,446 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 2018 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 ending 31 December 2019.

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 Best Practices relating to risk management and internal control system of the Group as stipulated in the Malaysian Code on Corporate Governance 2017.

BOARD'S RESPONSIBILITY

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

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

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

FRAMEWORK OF THE SYSTEM ON RISK MANAGEMENT

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

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

The Group is currently in the process of refining the Risk Management Framework to match with the Group's risk appetite to capture and prioritise key risk profiles, delegate ownership of risks, setting timelines to management control and action plans that provides continuous monitoring and reporting of risks to embed best practices into the Company'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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

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

REVIEW BY THE 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 2018 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 9 April 2019.

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)
Datuk Dr Abd Hapiz bin Abdullah	Member	(Independent Non-Executive Director)
Mr. Chin Chee Kong	Member	(Non-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 <u>met twice</u> during the financial year ended 31 December 2018.

NOMINATION COMMITTEE REPORT
(cont'd)

Summary of Activities during financial year ended 31 December 2018

During the financial year ended 31 December 2018, 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 2018, was satisfied that:

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

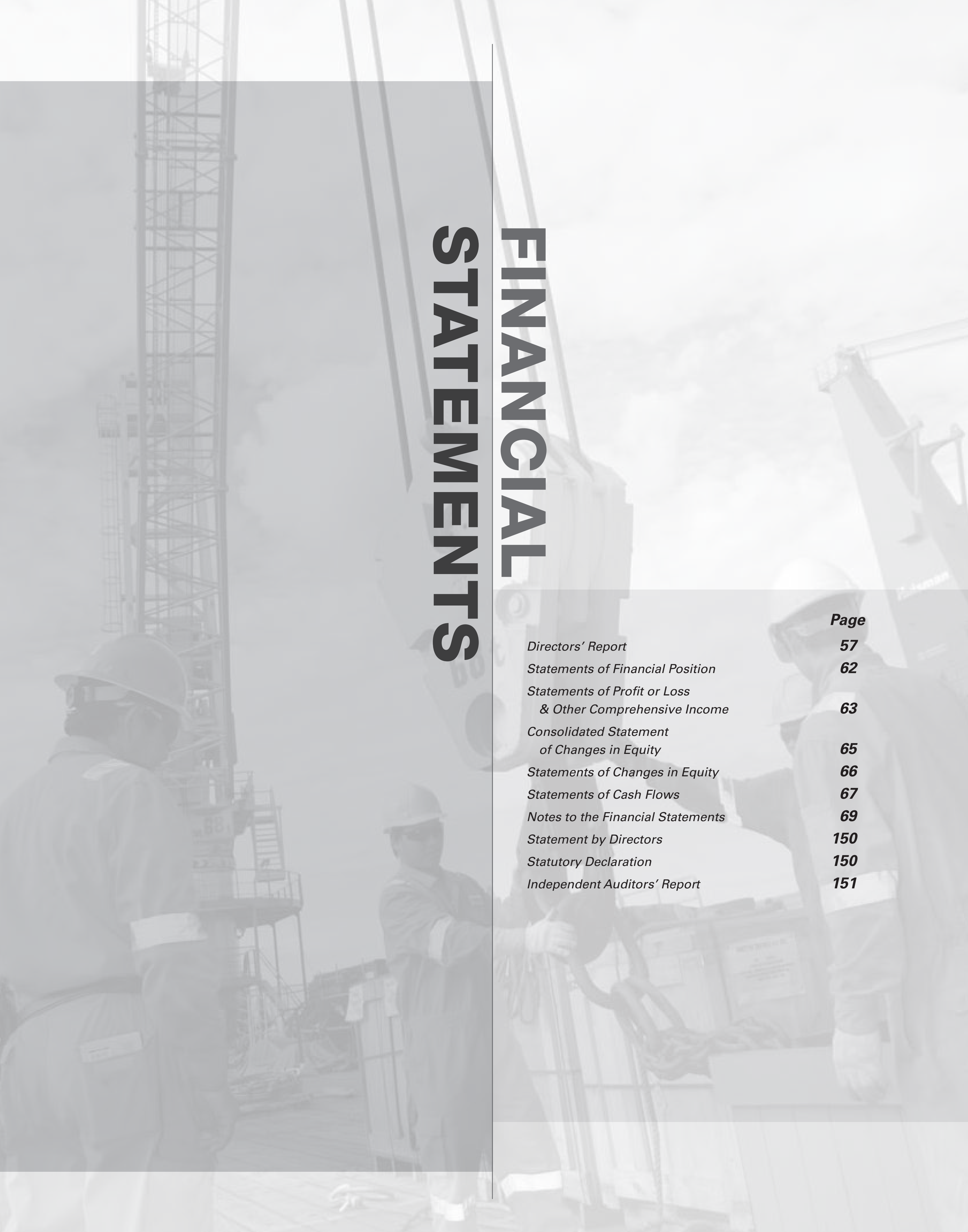
b. The Board has been able to discharge its duties professionally and effectively;

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 2018 that is relevant and would serve to enhance their effectiveness in the Board.



FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 31 December 2018

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 2018.

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 4 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 4 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable:		
Owners of the Company	40,910	22,095
Non-controlling interest	-	–
	40,910	22,095

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

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 2018 (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
Datuk Hasmi bin Hasnan (appointed on 1 September 2018)
Wong Ping Eng (resigned on 1 September 2018)

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

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 01.01.2018/ Date of appointment	**Bought**	**Sold**	**At 31.12.2018**
Interests in the Company:				
Datuk Ling Suk Kiong				
- own	23,338,297	–	–	23,338,297
- others	12,535,513	–	–	12,535,513
Datuk Hasmi bin Hasnan				
- own	290,202	–	–	290,202
Bailey Kho Chung Siang				
- own	60,400	–	–	60,400
- others	211,400	–	–	211,400
Alias bin Mat Lazin				
- own	33,159	–	–	33,159

DIRECTORS' REPORT
for the year ended 31 December 2018 (cont'd)

DIRECTORS' INTEREST IN SHARES (CONT'D)

	Number of ordinary shares			
	At 01.01.2018/ Date of appointment	**Bought**	**Sold**	**At 31.12.2018**
Deemed interests in the Company:				
Datuk Ling Suk Kiong				
- own	489,273,938	–	–	489,273,938
Datuk Hasmi bin Hasnan				
- own	547,772,475	–	–	547,772,475
Interests in the holding company:				
Datuk Ling Suk Kiong				
- own	77,279,130	–	–	77,279,130
- others	41,508,325	–	–	41,508,325
Datuk Hasmi bin Hasnan				
- own	960,937	–	–	960,937
Bailey Kho Chung Siang				
- others	700,000	–	–	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
Datuk Hasmi bin Hasnan				
- own	254,921,952	–	–	254,921,952

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 27 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.

DIRECTORS' REPORT
for the year ended 31 December 2018 (cont'd)

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.

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.

DIRECTORS' REPORT
for the year ended 31 December 2018 (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

In the opinion of the Directors, other than the effect of the reversal of impairment loss on property, plant and equipment, impairment loss on investments in subsidiaries and other receivables as disclosed in Note 3, 4 and 8 respectively to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

The details of the significant events that subsisted during the year are disclosed in Note 28 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 17 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: 9 April 2019

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	1,208,043	1,246,621	246	318
Investments in subsidiaries	4	–	–	1,110,104	464,060
Deposits	5	46,043	45,291	–	–
Deferred tax assets	6	25,559	23,235	46	46
Derivative asset	7	78	233	–	–
Other receivables	8	–	–	–	566,383
Total non-current assets		1,279,723	1,315,380	1,110,396	1,030,807
Inventories	9	2,408	2,354	–	–
Trade and other receivables	8	50,066	19,982	884	52,408
Deposits and prepayments	10	3,424	5,671	127	318
Current tax assets		2,771	3,665	2,335	2,625
Cash and cash equivalents	11	36,545	77,004	7,591	60,334
Total current assets		95,214	108,676	10,937	115,685
Total assets		1,374,937	1,424,056	1,121,333	1,146,492
Equity					
Share capital	12.1	411,219	411,219	411,219	411,219
Reserves	12.2	49,486	83,264	(143,546)	(121,451)
Equity attributable to owners of the Company		460,705	494,483	267,673	289,768
Non-controlling interests		136	136	–	–
Total equity		460,841	494,619	267,673	289,768
Liabilities					
Loans and borrowings	13	–	113,526	–	–
Deferred tax liabilities	6	3,437	3,331	–	–
Total non-current liabilities		3,437	116,857	–	–
Loans and borrowings	13	633,252	620,751	440,528	524,797
Trade and other payables	14	277,407	191,809	413,132	331,927
Current tax liabilities		–	20	–	–
Total current liabilities		910,659	812,580	853,660	856,724
Total liabilities		914,096	929,437	853,660	856,724
Total equity and liabilities		1,374,937	1,424,056	1,121,333	1,146,492

The notes on pages 69 to 149 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	15	189,653	147,787	1,612	1,976
Cost of services		(180,444)	(155,432)	–	–
Gross profit/(loss)		9,209	(7,645)	1,612	1,976
Other income	16	25,226	1,494	3,130	2,066
Administrative expenses		(12,822)	(8,198)	(5,089)	(1,774)
Other expenses	16	(6,551)	(115,983)	(5,505)	(60,348)
Results from operating activities	17	15,062	(130,332)	(5,852)	(58,080)
Finance income		2,526	2,989	29,739	30,702
Finance costs		(56,509)	(60,249)	(43,024)	(43,564)
Net finance costs	18	(53,983)	(57,260)	(13,285)	(12,862)
Loss before tax		(38,921)	(187,592)	(19,137)	(70,942)
Taxation	19	(1,989)	1,486	(2,958)	(5,108)
Loss for the year		(40,910)	(186,106)	(22,095)	(76,050)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		7,287	(62,881)	–	–
Cash flow hedge		(155)	43	–	–
Other comprehensive income/ (expense) for the year		7,132	(62,838)	–	–
Total comprehensive expense for the year		(33,778)	(248,944)	(22,095)	(76,050)
Loss for the year attributable to:					
Owners of the Company		(40,910)	(186,106)	(22,095)	(76,050)
Non-controlling interests		–	–	–	–
Loss for the year		(40,910)	(186,106)	(22,095)	(76,050)
Total comprehensive expense for the year attributable to:					
Owners of the Company		(33,778)	(248,944)	(22,095)	(76,050)
Non-controlling interests		–	–	–	–
Total comprehensive expense for the year		(33,778)	(248,944)	(22,095)	(76,050)
Loss per share (sen)					
- basic	21	(5.26)	(23.91)		
- diluted	21	(5.26)	(23.91)		

The notes on pages 69 to 149 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	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/ (Accumulated losses) RM' 000	Sub-total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group									
As at 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/ 1 January 2018	411,219	–	75,090	233	1,635	6,306	494,483	136	494,619
Foreign currency translation differences	–	–	7,287	–	–	–	7,287	–	7,287
Cash flows hedge	–	–	–	(155)	–	–	(155)	-	(155)
Total other comprehensive income for the year	–	–	7,287	(155)	–	–	7,132	–	7,132
Loss for the year	–	–	–	–	–	(40,910)	(40,910)	–	(40,910)
Total comprehensive expense for the year	–	–	7,287	(155)	–	(40,910)	(33,778)	–	(33,778)
At 31 December 2018	411,219	–	82,377	78	1,635	(34,604)	460,705	136	460,841
	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)				

The notes on pages 69 to 149 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2018

	← Non-distributable	*→*	*Distributable*	
	Share capital RM'000	**Share premium RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
Company				
At 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/ 1 January 2018	411,219	–	(121,451)	289,768
Loss/Total comprehensive expense for the year	–	–	(22,095)	(22,095)
At 31 December 2018	411,219	–	(143,546)	267,673
	(Note 12)	(Note 12)		

The notes on pages 69 to 149 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Loss before tax		(38,921)	(187,592)	(19,137)	(70,942)
Adjustments for:					
(Reversal)/Impairment loss on property, plant and equipment	3	(6,705)	51,110	–	–
Impairment loss/(Reversal) on receivables	8	297	1,443	(3,130)	3,130
Impairment loss on investments in subsidiaries		–	–	4,965	56,833
Impairment loss on intangible assets	17	–	10,724	–	–
Depreciation of property, plant and equipment	3	80,282	88,266	172	233
Interest expense	18	56,509	60,249	43,024	43,564
Gain on disposal of property, plant and equipment	17	–	(1,627)	-	(904)
Interest income	18	(2,526)	(2,989)	(29,739)	(30,702)
Unrealised loss/(gain) in foreign exchange	17	5,828	51,903	533	(1,162)
Operating profit/(loss) before changes in working capital		94,764	71,487	(3,312)	50
Changes in working capital:					
Inventories		(54)	(986)	–	–
Trade and other receivables, deposits and prepayments		(25,787)	3,526	649,863	24,581
Trade and other payables		11,020	(52,576)	10,333	(9,691)
Cash generated from operations		79,943	21,451	656,884	14,940
Income tax paid		(3,333)	(3,930)	(2,668)	(3,439)
Net cash from operating activities		76,610	17,521	654,216	11,501
Cash flows from investing activities					
Additional investments in subsidiaries		–	–	(651,009)	–
Interest received		1,418	1,843	1,104	1,682
Proceeds from disposal of property, plant and equipment		–	12,923	–	2,350
Purchase of property, plant and equipment	3	(14,063)	(1,023)	(100)	(83)
Withdrawal of fixed deposits pledged		49,612	2,233	49,612	1,233
Net cash from/(used in) investing activities		36,967	15,976	(600,393)	5,182

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2018
(cont'd)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from financing activities				
Net advances from a related company	56,000	116,661	61,000	116,661
Repayment of sukuk bonds	(90,000)	(90,000)	(90,000)	(90,000)
Repayment of term loans	(16,389)	(32,353)	–	–
Repayment of revolving credit	(4,000)	(12,000)	(4,000)	(12,000)
Repayment of finance lease liability obligations	(4,335)	(12,243)	–	–
Interest paid	(12,825)	(16,465)	(160)	(675)
Coupon paid	(23,794)	(27,967)	(23,794)	(27,967)
Net cash used in financing activities	(95,343)	(74,367)	(56,954)	(13,981)
Net increase/(decrease) in cash and cash equivalents	18,234	(40,870)	(3,131)	2,702
Effect of exchange rate movements	(9,081)	45,812	–	(12)
Cash and cash equivalents at 1 January	21,309	16,367	4,639	1,949
Cash and cash equivalents at 31 December	30,462	21,309	1,508	4,639

Note

Cash and cash equivalents

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	33,769	67,328	7,183	59,695
Cash on hand and at banks	2,776	9,676	408	639
Sub-total (Note 11)	36,545	77,004	7,591	60,334
Less: Deposits pledged as security (Note 11)	(6,083)	(55,695)	(6,083)	(55,695)
Cash and cash equivalents	30,462	21,309	1,508	4,639

The notes on pages 69 to 149 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Perdana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The 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 2018 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 4 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 companies incorporated in Malaysia and are listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 9 April 2019.

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 of the MFRSs 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 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 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*	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 3, *Business Combinations - Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRS / Amendments / Interpretations	Effective date
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 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.

- from the annual period beginning on 1 January 2020, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020.

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

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:

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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

Based on the current assessment, the Group and the Company do not expect the adoption of MFRS 16, *Leases* to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

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

The Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that the Group's and the Company's current liabilities exceeded the current assets by RM815.4 million and RM842.7 million respectively as at the end of the financial year. The Group and the Company recorded net losses of RM40.9 million and RM22.1 million respectively for the current financial year. In addition, the Group has significant borrowings amounting to RM633.3 million as at the end of the reporting period (see Note 13 to the financial statements). 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.

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.

On 2 July 2018, Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia has granted approval on the Company's application for assistance to mediate between the Company and some of its subsidiaries ("Applicant Companies") and their lenders. This debt restructuring exercise is consistent with the Group's strategy to streamline its operations and optimise its financial resources to focus on and proactively enchance its offshore marine support services segment. It is a follow-on from the Group's previous successful cost rationalisation initiative which has had a positive impact on the Group's financials.

CDRC, which is under the purview of Bank Negara Malaysia, will mediate between the Applicant Companies and their respective lenders to renegotiate their respective financing facilities that can be sustained in the face of this challenging period for the oil and gas industry. As at the date of these financial statements were authorised for issue, the debt restructuring exercise is ongoing and is expected to be completed in the financial year ending 31 December 2019. See Note 28.4 for details.

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 3.3 - impairment testing of property, plant and equipment;
- Note 4 - impairment testing of investment in subsidiaries; and
- Note 6 - 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.

Arising from the adoption of MFRS 15, *Revenue from contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) impairment losses of financial assets; and
iii) revenue recognition

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 29.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(i) Foreign currency transactions (Cont'd)

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 where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at 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 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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(i) Recognition and initial measurement (Cont'd)

Current financial year

A financial asset (unless it is a trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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 policy applicable to the nature of the host contract.

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

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 assets (Cont'd)

Current financial year (Cont'd)

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(k)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments*: *Recognition and Measurement* as follows:

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

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

Financial assets categorised as fair value through profit or loss were 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 comprised debt instruments that were quoted in an active market and the Group or the Company had the positive intention and ability to hold them to maturity.

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

(c) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market.

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

(d) Available-for-sale financial assets

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

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) 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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

Current financial year (Cont'd)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iv) 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

Current financial year

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

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) Hedge accounting (Cont'd)

(a) Fair value hedge (Cont'd)

Current financial year (Cont'd)

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

Previous financial year

In the previous financial year, 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 was 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 was 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 was recognised in profit or loss. Fair value hedge accounting was discontinued prospectively when the hedging instrument expired or was sold, terminated or exercised, the hedge was no longer highly effective or the hedge designation was revoked.

(b) Cash flow hedge

Current financial year

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, 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 accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

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 immediately.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) Hedge accounting (Cont'd)

(b) Cash flow hedge (Cont'd)

Current financial year (Cont'd)

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

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 hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Previous financial year

In the previous financial year, cost of hedging was expensed to profit or loss.

(c) 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.

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.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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(o)]. 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

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

Dry docking expenditures are capitalised.

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment from the date that it is 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(i) Finance lease (Cont'd)

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

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

(ii) Operating lease

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

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

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

(f) Goodwill

Goodwill arising 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) Contract asset/liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Costs to fulfill a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(j) 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.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Current financial year (Cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Previous financial year (Cont'd)

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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 was not reversed through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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.

(l) 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.

(m) Revenue and other income

(i) Vessels charter income

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Revenue and other income (Cont'd)

(i) Vessels charter income (Cont'd)

The Group or the Company transfers control of a service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Management services 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.

(iii) 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.

(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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income tax (Cont'd)

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

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

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

(o) 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.

(p) 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.

(q) 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)

(r) 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.

(s) 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.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Others RM'000	Total RM'000
Cost										
At 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 January 2018	1,708,690	13,522	51,076	–	78	807	3,997	412	2,955	1,781,537
Additions	–	1,720	12,199	–	–	–	62	–	82	14,063
Disposal	–	–	–	–	–	–	–	–	–	–
Effect of movements in exchange rate	28,654	114	796	–	–	–	–	–	–	29,564
At 31 December 2018	1,737,344	15,356	64,071	–	78	807	4,059	412	3,037	1,825,164

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	Others RM'000	Total RM'000
Depreciation and impairment loss										
At 1 January 2017										
Accumulated depreciation	409,028	10,095	38,885	418	70	521	3,651	491	3,273	466,432
Accumulated impairment loss	33,834	–	–	–	–	–	–	–	–	33,834
	442,862	10,095	38,885	418	70	521	3,651	491	3,273	500,266
Depreciation for the year (Note 17)	75,694	1,498	10,407	19	5	160	175	8	300	88,266
Impairment loss (Note 17)	51,110	–	–	–	–	–	–	–	–	51,110
Disposal (Note 3.4)	(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

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	Others RM'000	Total RM'000
Depreciation and impairment loss (Cont'd)										
1 January 2018										
Accumulated depreciation	416,069	10,984	38,953	–	75	681	3,810	402	2,666	473,640
Accumulated impairment loss	61,276	–	–	–	–	–	–	–	–	61,276
	477,345	10,984	38,953	–	75	681	3,810	402	2,666	534,916
Depreciation for the year (Note 17)	69,794	1,428	8,635	–	3	123	135	10	154	80,282
Reversal of impairment loss (Note 17)	(6,705)	–	–	–	–	–	–	–	–	(6,705)
Effect of movements in exchange rate	7,848	118	662	–	–	–	–	–	–	8,628
At 31 December 2018										
Accumulated depreciation	493,711	12,530	48,250	–	78	804	3,945	412	2,820	562,550
Accumulated impairment loss	54,571	–	–	–	–	–	–	–	–	54,571
At 31 December 2018	548,282	12,530	48,250	–	78	804	3,945	412	2,820	617,121
Carrying amount										
At 31 December 2017	1,231,345	2,538	12,123	–	3	126	187	10	289	1,246,621
At 31 December 2018	1,189,062	2,826	15,821	–	–	3	114	-	217	1,208,043

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 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/ 1 January 2018		–	319	200	1,722	2,241
Additions		–	–	18	82	100
At 31 December 2018		–	319	218	1,804	2,341
Accumulated depreciation						
At 1 January 2017		420	277	283	2,168	3,148
Depreciation for the year	17	19	27	6	181	233
Disposal		(439)	(15)	(98)	(906)	(1,458)
At 31 December 2017/ 1 January 2018		–	289	191	1,443	1,923
Depreciation for the year	17	–	16	8	148	172
At 31 December 2018		–	305	199	1,591	2,095
Carrying amount						
At 31 December 2017		–	30	9	279	318
At 31 December 2018		–	14	19	213	246

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

Two (2017: Two) marine vessels with a total carrying amount of RM145.0 million (2017: RM150.1 million) are under finance lease liabilities.

3.2 Security

Fourteen (2017: Fourteen) marine vessels with a total carrying amount of RM1.1 billion (2017: RM1.1 billion) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Note 13).

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

3.3 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 2018 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 67% to 80% (2017: 73% to 80%);
(b) Average daily charter rate ranging from RM24,000 to RM63,635 (2017: RM25,000 to RM64,000);
(c) Daily operating costs ranging from RM8,000 to RM13,000 (2017: RM8,000 to RM13,000);
(d) Average growth rate of 6.5% for years 2019 - 2023 (2017: 4.3% for years 2018 - 2022) and subsequently a growth rate of 5% (2017: 5%) in every five years;
(e) Salvage value based on market value of scrap steel plates at USD550 (2017: USD550) per tonne multiplied by the lightweight of the vessels; and
(f) Pre-tax discount rate of 10% (2017: 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 has made a net reversal of impairment losses of RM6.7 million (2017: net impairment losses of RM51.1 million) (see Note 16) on seven (2017: seven) vessels in the profit or loss, as the estimated recoverable amounts of these vessels are higher (2017: 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 RM31.5 million (2017: RM34.1 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM53.3 million (2017: RM53.3 million).

3.4 In the previous financial year, 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM'000	2017 RM'000
At cost		
Unquoted shares		
- in Malaysia	1,319,576	668,567
- outside Malaysia	21,176	21,176
Less: impairment loss	(230,648)	(225,683)
	1,110,104	464,060

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
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

4. 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 2018 %	2017 %
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

**: 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 3.3.

Following the assessment, the Group recognised impairment loss of RM5.0 million (2017: RM56.8 million) (see Note 17) on one (2017: two) subsidiary(ies) in the profit or loss, as the estimated recoverable amounts of the subsidiary(ies) are lower than their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

5. DEPOSITS

		Group	
	Note	2018 RM'000	2017 RM'000
Refundable deposits	(a)	46,043	44,072
Deposits in Retention Account	(b)	–	1,219
		46,043	45,291

(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 placed with a financier and will be released upon the settlement of the loan owed to the financier. During the year, the Group received a letter from the financier to set-off the said deposits against part of the outstanding loan.

6. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2018 RM'000	Assets 2017 RM'000	Liabilities 2018 RM'000	Liabilities 2017 RM'000	Net 2018 RM'000	Net 2017 RM'000
Property, plant and equipment	-	94	(3,463)	(3,791)	(3,463)	(3,697)
Capital allowances carried forward	11,927	11,655	–	–	11,927	11,655
Tax losses carried forward	11,370	10,583	–	–	11,370	10,583
Other provision	2,288	1,363	–	–	2,288	1,363
Tax assets/(liabilities)	25,585	23,695	(3,463)	(3,791)	22,122	19,904
Set-off of tax	(26)	(460)	26	460	–	–
Net tax assets/(liabilities)	25,559	23,235	(3,437)	(3,331)	22,122	19,904

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

Group	At 1.1.2017 RM'000	Recognised in profit or loss RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss RM'000	At 31.12.2018 RM'000
Property, plant and equipment	(3,959)	262	(3,697)	234	(3,463)
Capital allowances carried forward	11,396	259	11,655	272	11,927
Tax losses carried forward	3,329	7,254	10,583	787	11,370
Other provision	1,175	188	1,363	925	2,288
	11,941	7,963	19,904	2,218	22,122
		(Note 19)		(Note 19)	

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

6. DEFERRED TAX (CONT'D)

In the current financial year, a subsidiary of the Group has recognised additional deferred tax assets of RM2.3 million (2017: RM8.1 million), and cumulatively RM25.6 million (2017: RM23.2 million), as management considered it probable that future taxable profits will be available against which the deferred tax assets can be utilised. The management has applied the following key assumptions in arriving at the projected future taxable profits:

(i) Revenue based on average utilisation rate ranging from 67% to 80% (2017: average utilisation rate of 76%) and increase by 5% in every subsequent year;
(ii) Vessel operating costs for 2019 based on actual costs incurred for 2018 with an increase of 2% in every subsequent year;
(iii) Charter hire costs from other subsidiaries of the Group based on actual costs incurred with a decrease of 2% in every subsequent year; and
(iv) Administrative expenses based on actual costs incurred in the current year with an increase of 5% in every subsequent year.

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	
	2018 RM'000	**2017 RM'000**
Unabsorbed capital allowances	345	345
Unutilised tax losses	7,435	7,435
	7,780	7,780

Deferred tax assets of the Group and the Company of RM1.9 million (2017: RM1.9 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 do not expire under the current 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 change of 50% or more in the shareholdings thereof.

Pursuant to changes in the tax legislations, unutilised tax losses from a year of assessment can only be carried forward up to 7 consecutive years of assessments ("YAs"). The unutilised tax losses up to YA 2018 can be carried forward up to YA 2025.

7. DERIVATIVE ASSET - GROUP

	Contractual/ Notional amount		Asset	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Derivative used for hedging				
Interest rate swap	24,846	32,512	78	233

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.

8. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current					
Non-trade					
Amount due from subsidiaries	8.3	–	–	–	569,513
Allowance for impairment losses		–	–	–	(3,130)
Sub-total		–	–	–	566,383

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

8. TRADE AND OTHER RECEIVABLES (CONT'D)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade					
Amount due from related companies	8.1	22,973	583	–	–
Trade receivables		24,901	16,119	–	–
Allowance for impairment loss		(297)	–	–	–
		24,604	16,119	–	–
Sub-total		47,577	16,702	–	–
Non-trade					
Amount due from subsidiaries	8.4	–	–	787	52,065
Other receivables		3,932	42,418	97	343
Allowance for impairment losses	8.2	(1,443)	(39,138)	–	–
		2,489	3,280	97	343
Sub-total		2,489	3,280	884	52,408
Total:					
- Non-current		–	–	–	566,383
- Current		50,066	19,982	884	52,408
		50,066	19,982	884	618,791

Group

8.1 Amount due from a related companies is unsecured, interest free and repayable on demand.

8.2 Impairment losses brought forward from the previous financial year in other receivables of RM37.7 million has been written off during the year.

Company

8.3 Amount due from subsidiaries was unsecured and subject to interest at 4.91% per annum and repayable on demand in the previous financial year end.

During the year, the amount due from subsidiaries has been capitalised as investments in subsidiaries.

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

9. INVENTORIES

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

	Group	
	2018 RM'000	**2017 RM'000**
Materials and consumables - at cost	2,408	2,354
Recognised in profit or loss:		
Inventories recognised as part of cost of services	11,888	7,189

10. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deposits	2,256	2,655	37	150
Prepayments	1,168	3,016	90	168
	3,424	5,671	127	318

Included in the Group's deposits is placement of fund of USD293,000 (2017: USD507,000) 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.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deposits placed with licensed banks	33,769	67,328	7,183	59,695
Cash on hand and at banks	2,776	9,676	408	639
	36,545	77,004	7,591	60,334

Group and Company

Included in the deposits placed with licensed banks of the Group and the Company is RM6.1 million (2017: RM55.7 million) of deposits pledged for Sukuk. The Group and the Company may withdraw the pledged deposits upon settlement of Sukuk.

12. CAPITAL AND RESERVES

12.1 Share capital

	Group and Company			
	2018		2017	
	Amount RM'000	**Number of shares '000**	**Amount RM'000**	**Number of shares '000**
Ordinary shares				
Issued and fully paid:				
At 1 January	411,219	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	411,219	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 has not been utilised within the period for utilisation which expired on 30 January 2019.

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.

12.2 Reserves

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-distributable:-				
Translation reserve (Note 12.3)	82,377	75,090	–	–
Cash flow hedge reserve (Note 12.4)	78	233	–	–
Other capital reserve (Note 12.5)	1,635	1,635	–	–
	84,090	76,958	–	–
Distributable:-				
(Accumulated losses)/Retained earnings	(34,604)	6,306	(143,546)	(121,451)
	49,486	83,264	(143,546)	(121,451)

12. CAPITAL AND RESERVES (CONT'D)

12.3 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.

12.4 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	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	233	190
Net movement during the year	(155)	43
At 31 December	78	233

12.5 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.

13. LOANS AND BORROWINGS

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-current					
Finance lease liabilities	13.5	–	113,526	–	–
Current					
Sukuk	13.1	438,528	518,797	438,528	518,797
Secured term loans		68,011	82,830	–	–
Finance lease liabilities	13.5	124,713	13,124	–	–
Revolving credits		2,000	6,000	2,000	6,000
		633,252	620,751	440,528	524,797
Total		633,252	734,277	440,528	524,797

13. LOANS AND BORROWINGS (CONT'D)

Changes in liabilities arising from financing activities are as follows:

	At 1.1.2017 RM'000	Net changes from financing cash flows RM'000	Non-cash changes: Foreign exchange movement RM'000	Non-cash changes: Other changes RM'000	At 31.12.2017/ 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Non-cash changes: Foreign exchange movement RM'000	Non-cash changes: Other changes RM'000	At 31.12.2018 RM'000
Group									
Sukuk	597,384	(90,000)	–	11,413	518,797	(90,000)	–	9,731	438,528
Secured term loans	127,188	(32,353)	(12,005)	–	82,830	(16,389)	1,570	–	68,011
Finance lease liabilities	153,347	(12,243)	–	(14,454)	126,650	(4,335)	–	2,398	124,713
Revolving credits	18,000	(12,000)	–	–	6,000	(4,000)	–	–	2,000
Advances from a related company (Note 14)	18,000	116,661	–	–	134,661	56,000	–	–	190,661
Total liabilities from financing activities	913,919	(29,935)	(12,005)	(3,041)	868,938	(58,724)	1,570	12,129	823,913
Company									
Sukuk	597,384	(90,000)	–	11,413	518,797	(90,000)	–	9,731	438,528
Revolving credits	18,000	(12,000)	–	–	6,000	(4,000)	–	–	2,000
Advances from a related company (Note 14)	13,000	116,661	–	–	129,661	61,000	–	–	190,661
Total liabilities from financing activities	628,384	14,661	–	11,413	654,458	(33,000)	–	9,731	631,189

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

13. LOANS AND BORROWINGS (CONT'D)

13.1 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)

13. LOANS AND BORROWINGS (CONT'D)

13.1 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) 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) vessels;
(iv) a charge over all policies and contracts of insurance of vessel owners of the eleven (11) vessels; and
(v) a charge over the eleven (11) 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.

13.2 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 7 to the financial statements.

13. LOANS AND BORROWINGS (CONT'D)

13.3 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.

13.4 Significant covenants on loans and borrowings

In addition to loan covenants mentioned in 13.1, the Group is also subject to the following significant loan covenants on other loans and borrowings:

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

As at the reporting date, the Group has breached certain covenants of two (2017: three) term loans. As a result, the non-current portions of these term loans of RM5.5 million (2017: RM34.5 million) have been reclassified to current liabilities as at the reporting date. The Group has not obtained any waiver letters from the lenders for the breach of covenants as at the reporting date. In addition, during the year, the Group received notices of default from a lender whereby the balance owing to this lender was RM16.8 million as at the end of the reporting period and has been classified as current in view that the balance owing is also due for full repayment within 12 months from the end of the reporting period. Notwithstanding which, the lender has been in negotiations with the Group to sell out its loan to a third party. A party interested in taking over the loan has been identified and the principal terms of the take over have been agreed among all parties concerned. The take over of the loan by the third party is expected to be completed in 2019.

The non-current portion of the Sukuk of RM356.6 million (2017: RM438.5 million) has also been reclassified to current liabilities due to non-compliance with certain terms and taking into consideration a potential early redemption of the total outstanding amount stemming from the debt restructuring exercise under CDRC.

Effective 2 July 2018, upon the issuance of the Standstill Letter by CDRC (Note 28.4), the Group has not made any principal and interest repayments that has fallen due up to 31 December 2018 for all loans and borrowings except for Sukuk. However, any interest due but not yet paid, has been accrued for as at the current reporting date. Please refer to Note 28.4 for details of the debt restructuring exercise under CDRC.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

13. LOANS AND BORROWINGS (CONT'D)

13.5 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	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	137,091	12,378	124,713	22,343	9,219	13,124
Between two and five years	–	–	–	119,927	6,401	113,526
	137,091	12,378	124,713	142,270	15,620	126,650

14. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables		34,982	13,213	–	–
Non-trade					
Amount due to a related company	14.1	206,713	146,481	205,045	134,724
Amount due to subsidiaries	14.2	–	–-	193,611	175,096
Other payables		6,101	240	101	101
Accrued expenses		29,611	31,875	14,375	22,006
		242,425	178,596	413,132	331,927
Total		277,407	191,809	413,132	331,927

Group and Company

14.1 Included in amount due to a related company of the Group and Company are unsecured advances of RM190.7 million (2017: RM134.7 million) and RM190.7 million (2017: RM129.7 million) respectively. They are subject to interest at 5.66% (2017: 5.00%) per annum and payable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

15. REVENUE

	2018 RM'000	2017 RM'000
Group		
Revenue from contracts with customers	189,653	147,787
Company		
Revenue from contracts with customers	1,524	1,800
Rental income	88	176
	1,612	1,976

15.1 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by service line and timing of revenue recognition.

	2018 RM'000	2017 RM'000
Group		
Major service line		
Vessel charter income	187,084	146,371
Others	2,569	1,416
	189,653	147,787
Timing of recognition		
Over time	187,084	146,371
At a point in time	2,569	1,416
	189,653	147,787

The Group's revenue from contracts with customers is derived from the marine support services segment, which is the sole reportable operating segment of the Group.

	2018 RM'000	2017 RM'
Company		
Major service line		
Management services	1,524	1,800
Timing and recognition		
Over time	1,524	1,800

15. REVENUE (CONT'D)

15.2 Nature of services

The following information reflects the typical transactions as follows::

Group

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Charter of vessels	Revenue is recognised over time as and when the charter services are performed using the cost incurred method.	Credit periods of 30 to 45 days from invoice date.

Company

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Management services	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.	Credit periods of 30 to 45 days from invoice date.

15.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Vessel charter income	11,785	–	–	11,785

The Group applies the following practical expedient for exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

16. OTHER INCOME/(EXPENSES)

Group
Included in other income are gain on foreign exchange of RM17.3 million (2017: Nil) and reversal of impairment losses on property, plant and equipment (Note 3.3) of RM6.7 million (2017: Nil) during the year, whereas a gain on disposal of property, plant and equipment of RM1.6 million was accounted for in the previous financial year.

Included in the other expenses are loss on foreign exchange of RM5.8 million (2017: RM52.0 million) and impairment loss on receivables of RM0.3 million (RM1.4 million), whereas an impairment loss on property, plant and equipment of RM51.1 million (Note 3.3) and impairment loss on intangible assets of RM10.7 million were accounted for in the previous financial year.

Company
Included in other income are reversal of impairment loss on receivables of RM3.1 million during the year (2017: Nil), whereas a gain on disposal of property, plant and equipment of RM0.9 million and gain on foreign exchange of RM1.1 million were accounted for in the previous financial year.

Included in the other expenses are impairment loss on investments in subsidiaries of RM5.0 million (2017: RM56.8 million) and loss on foreign exchange of RM0.5 million (2017: RM30.1 million), whereas an allowance for impairment loss on receivables of RM3.1 million was accounted for in the previous financial year.

17. RESULTS FROM OPERATING ACTIVITIES

	Group		**Company**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Results from operating activities is arrived at after charging:				
Directors' remuneration:				
- fees	456	558	456	558
- other emoluments	485	371	485	371
Auditors' remuneration:				
- Audit fees				
- KPMG PLT	220	200	62	57
- others	5	6	–	–
- Non-audit fees				
- KPMG PLT	15	15	15	15
- affiliates of KPMG PLT	45	110	18	56

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

17. RESULTS FROM OPERATING ACTIVITIES (CONT'D)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Depreciation of property, plant and equipment	3	80,282	88,266	172	233
Impairment loss on property, plant and equipment	3	–	51,110	–	–
Impairment loss on receivables		297	1,443	–	3,130
Impairment loss on investments in subsidiaries		–	–	4,965	56,833
Impairment loss on intangible assets		–	10,724	–	–
Net loss on foreign exchange					
- realised		-	138	7	152
- unrealised		5,828	51,903	533	–
Personnel expenses (including key management personnel):					
- contributions to the Employees Provident Fund		562	496	68	61
- wages, salaries and others		46,229	40,220	583	515
Rental of premises		416	345	247	314
And after crediting:					
Gain on disposal of property, plant and equipment		–	1,627	–	904
Net gain on foreign exchange					
- realised		17,305	–	–	–
- unrealised		–	–	–	1,162
Reversal of impairment loss on property, plant and equipment	3	6,705	–	–	–
Rental income from subsidiaries		–	–	88	176
Reversal of impairment loss on receivable		–	–	3,130	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

18. FINANCE INCOME/(COSTS)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	1,418	1,834	1,104	1,682
- accretion of refundable deposits	1,108	1,155	–	–
- subsidiaries	–	–	28,635	29,020
	2,526	2,989	29,739	30,702
Interest/coupon expense of financial liabilities:				
- Sukuk (coupon)	(32,856)	(38,735)	(32,856)	(38,735)
- term loans	(4,179)	(5,779)	–	–
- finance lease liabilities	(9,155)	(10,656)	–	–
- revolving credits	(160)	(675)	(160)	(675)
- related company	(10,159)	(4,404)	(10,008)	(4,154)
	(56,509)	(60,249)	(43,024)	(43,564)
Net finance costs recognised in profit or loss	(53,983)	(57,260)	(13,285)	(12,862)

19. TAXATION

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
Malaysian - current year	3,920	3,645	2,676	3,064
- prior year	276	2,846	282	2,044
Foreign - prior year	11	(14)	–	–
	4,207	6,477	2,958	5,108

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. TAXATION (CONT'D)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred taxation (Note 6)				
- current year	(2,153)	(7,853)	–	–
- prior year	(65)	(110)	–	–
	(2,218)	(7,963)	–	–
Total taxation	1,989	(1,486)	2,958	5,108

Reconciliation of taxation

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Loss for the year	(40,910)	(186,106)	(22,095)	(76,050)
Total taxation	1,989	(1,486)	2,958	5,108
Loss excluding tax	(38,921)	(187,592)	(19,137)	(70,942)
Tax calculated using Malaysian tax rate of 24% (2017: 24%)	(9,341)	(45,022)	(4,593)	(17,026)
Tax effect under Labuan Business Activity Act 1990	1,632	19,308	–	–
Non-deductible expenses	9,652	23,612	7,269	20,566
Non-taxable income	(176)	(2,126)	–	(496)
Movement in unrecognised deferred tax assets	–	20	–	20
Under-provision in prior years	222	2,722	282	2,044
Total taxation	1,989	(1,486)	2,958	5,108

20. COMPENSATIONS TO KEY MANAGEMENT PERSONNEL

Compensations to key management personnel are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Executive Directors:				
- non-fee emoluments	449	337	449	337
Non-Executive Directors:				
- fee	456	558	456	558
- non-fee emoluments	36	34	36	34
	492	592	492	592
Total Directors' remuneration	941	929	941	929

21. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2018 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Loss attributable to ordinary shareholders	(40,910)	(186,106)
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)	(5.26)	(23.91)

22. DIVIDEND

No dividend has been declared or paid for the financial year ended 31 December 2018 and 2017.

23. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

23. OPERATING SEGMENTS (CONT'D)

Group

	Marine offshore support services	
	2018	**2017**
	RM'000	**RM'000**
Segment loss	(22,642)	(215,281)
Included in the measure of segment loss are:		
Revenue from external customers	189,653	147,787
Inter-segment revenue	302,678	309,292
Depreciation and amortisation	(80,110)	(88,033)
Finance costs	(42,120)	(45,705)
Finance income	1,422	1,307
Reversal/(Impairment losses) on property, plant and equipment	6,705	(51,110)
Impairment of intangible assets	–	(10,724)
Unrealised foreign exchange loss	(6,251)	(52,051)
Segment assets	1,328,501	1,392,170

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

	Marine offshore support services	
	2018	**2017**
	RM'000	**RM'000**
Profit or loss		
Total profit or loss for reportable segments	(22,642)	(215,281)
Other non-reportable segments	(19,136)	(70,942)
Elimination of inter-segment profits	2,857	98,631
Consolidated loss before tax	(38,921)	(187,592)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

23. OPERATING SEGMENTS (CONT'D)

2018	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000
Total reportable segments	189,653	(80,110)	(42,120)	1,422	1,328,501
Other non-reportable segments	–	(172)	(43,024)	29,740	927,722
Elimination of inter-segment transactions or balances	–	–	28,635	(28,636)	(881,286)
Consolidated total	189,653	(80,282)	(56,509)	2,526	1,374,937
2017					
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

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	189,653	147,787	1,279,723	1,315,380

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

23. OPERATING SEGMENTS (CONT'D)

Major customers

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

	Revenue		Segment
	2018 RM'000	2017 RM'000	
All common control companies of:			
- Customer A	89,819	66,795	Marine offshore support service
- Customer B	54,207	71,544	Marine offshore support service
- Customer C	23,186	–	Marine offshore support service

24. FINANCIAL INSTRUMENTS

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Fair value through profit or loss ("FVTPL"); and
(b) Amortised cost ("AC").

	Note	Carrying amount RM'000	FVTPL RM'000	AC RM'000
2018				
Financial assets				
Group				
Deposits	5,10	48,299	–	48,299
Trade and other receivables	8	50,066	–	50,066
Cash and cash equivalents	11	36,545	–	36,545
Derivative asset	7	78	78	–
Company				
Deposits	10	37	–	37
Trade and other receivables	8	884	–	884
Cash and cash equivalents	11	7,591	–	7,591
Financial liabilities				
Group				
Loans and borrowings	13	(633,252)	–	(633,252)
Trade and other payables	14	(277,407)	–	(277,407)
Company				
Loans and borrowings	13	(440,528)	–	(440,528)
Trade and other payables	14	(413,132)	–	(413,132)

24. FINANCIAL INSTRUMENTS (CONT'D)

24.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 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	5, 10	47,946	47,946	–
Trade and other receivables	8	19,982	19,982	–
Cash and cash equivalents	11	77,004	77,004	–
Derivative asset	7	233	–	233
Company				
Deposits	10	150	150	–
Trade and other receivables	8	618,791	618,791	–
Cash and cash equivalents	11	60,334	60,334	–
Financial liabilities				
Group				
Loans and borrowings	13	(734,277)	(734,277)	–
Trade and other payables	14	(191,809)	(191,809)	–
Company				
Loans and borrowings	13	(524,797)	(524,797)	–
Trade and other payables	14	(331,927)	(331,927)	–

24. FINANCIAL INSTRUMENTS (CONT'D)

24.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net gains/(losses) on:				
Loans and receivables	5,117	3,560	29,738	30,688
Financial liabilities at amortised cost	(47,623)	(112,862)	(43,563)	(42,540)
	(42,507)	(109,302)	13,825	(11,852)

24.3 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 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. There are no significant charges as compared to prior periods.

(i) 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.

At each reporting date, the Group and the Company assess whether any of the trade receivables are credit impaired.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables whereby invoices which are past due one (1) year will be considered as credit impaired. The Group assumes the increase in credit risk on a financial asset based on past due of one (1) year by considering the industry that the Group is operating in and that the customers are major players in the oil and gas industry, which demonstrates a more lagging default .The gross carrying amounts of credit impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the trade receivable does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous financial year.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

(i) Receivables from external parties (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the 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 receivables due from two (2017: two) counterparties amounting to RM21.9 million (2017: RM14.0 million).

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group monitors the aging of its trade receivables and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due one (1) year will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group

	Gross carrying amount RM'000	**Lifetime ECL RM'000**	**Net balance RM'000**
2018			
Current (not past due)	20,747	–	20,747
1-30 days past due	–	–	–
31-90 days past due	3,677	–	3,677
91-365 days past due	180	–	180
More than 365 days past due	297	(297)	–
	24,901	(297)	24,604

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

(i) Receivables from external parties (Cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

	Gross carrying amount RM'000	Lifetime ECL RM'000	Net balance RM'000
2017			
Not past due	15,690	–	15,690
Past due 0-30 days	–	–	–
Past due 30-90 days	–	–	–
Past due 91-365 days	–	–	–
Past due more than 365 days	429	–	429
	16,119	–	16,119

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

(ii) Deposits and cash and cash equivalents

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

These licensed banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

(iii) Inter-company loans and advances

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 RM0.8 million (2017: RM618.4 million) and third parties for the benefit of subsidiaries (Note 26.1).

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries as having low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers loans and advances to be in default when the subsidiaries are not able to pay when demanded.

The Company considers a subsidiary's loan or advance to be credit impaired when:

- the subsidiary is unlikely to repay its loan or advance to the Company in full;
- the subsidiary's loan or advance is overdue for more than 365 days; or
- the subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

(iii) Inter-company loans and advances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

Company

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2018			
Low credit risk	787	–	787

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The movements in the allowance for impairment losses of inter-company loans and advances in the previous financial year were:

Company	**2017 RM'000**
At 1 January	–
Impairment loss recognised	3,130
At 31 December	3,130

(iv) Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM193.2 million (2017: RM215.4 million) representing the outstanding financial guarantees granted to the subsidiaries and third parties for the benefit of subsidiaries (Note 26.1) as at the end of the reporting period.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

Recognition and measurement of impairment loss

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

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

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

(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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 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						
2018						
Sukuk		438,528	4.32 - 4.90	506,106	506,106	–
Secured term loans	24.3 (b)(i)	68,011	3.80 - 8.10	71,720	71,720	–
Finance lease liabilities		124,713	7.24 - 7.32	137,091	137,091	–
Unsecured revolving credits		2,000	4.66	2,002	2,002	–
Trade and other payables		86,746	–	86,746	86,746	–
Amount due to a related company		190,661	5.66	201,452	201,452	–
		910,659		1,005,117	1,005,117	–
2017						
Sukuk		518,797	4.32 - 4.90	624,569	624,569	–
Secured term loans		82,830	4.40 - 4.68	87,480	87,480	–
Finance lease liabilities		126,650	2.30 - 7.32	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

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 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						
2018						
Sukuk		438,528	4.32 - 4.90	506,106	506,106	–
Unsecured revolving credits		2,000	4.86	2,002	2,002	–
Trade and other payables		222,471	–	222,471	222,471	–
Amount due to a related company		190,661	5.66	201,452	201,452	–
Financial guarantees		–	–	193	193	–
		853,660		932,224	932,224	–
2017						
Sukuk		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	–

24.3 (b)(i) Included in contractual cash flows of under 1 year are non current portions of borrowings which have been reclassified to current liabilities as a result of breach of certain covenants and clause as stipulated in the agreement of the term loans and Sukuk repectively. As stated in Note 1(b), the Group is in the the midst of a debt restructuring exercise. See Note 28.4 for details.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(c) Market risk

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

(i) Currency risk

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

Exposure to foreign currency risk

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

		Denominated in	
Group	USD RM'000	SGD RM'000	MYR RM'000
2018			
Financial assets			
Trade and other receivables	594	324	1
Cash and cash equivalents	242	70	–
Intra-group balances	80,355	5,930	44,707
	81,191	6,324	44,708
Financial liabilities			
Trade and other payables	(1,269)	(5,626)	(5)
Intra-group balances	(239,548)	(40,485)	(39,505)
	(240,817)	(46,111)	(39,510)
Net currency exposure	(159,626)	(39,787)	5,198

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Exposure to foreign currency risk **(Cont'd)**

		Denominated in	
Group	**USD RM'000**	**SGD RM'000**	**MYR RM'000**
2017			
Financial assets			
Trade and other receivables	594	323	2
Cash and cash equivalents	267	72	–
Intra-group balances	69,775	7,817	34,024
	70,636	8,212	34,026
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)	(234,521)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

	USD RM'000	SGD RM'000
Company		
2018		
Financial assets		
Cash and cash equivalents	11	–
Financial liabilities		
Trade and other payables	(51,589)	(21,657)
Net currency exposure	(51,578)	(21,657)
2017		
Financial assets		
Cash and cash equivalents	35	–
Financial liabilities		
Trade and other payables	(51,850)	(21,254)
Net currency exposure	(51,815)	(21,254)

Currency risk sensitivity analysis

A 10% (2017: 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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Currency risk sensitivity analysis (Cont'd)

	2018		2017	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	15,963	15,963	11,385	11,385
SGD	3,979	3,979	3,495	3,495
RM	(520)	(520)	23,452	23,452
Company				
USD	5,158	5,158	5,182	5,182
SGD	2,166	2,166	2,125	2,125

A 10% (2017: 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)

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	33,769	67,328	7,183	59,695
- amount due from subsidiaries	–	–	–	566,383
Financial liabilities				
- finance lease liabilities	(124,713)	(126,650)	–	–
- sukuk	(438,528)	(518,797)	(438,528)	(518,797)
- advances from a related company	(190,661)	(134,661)	(185,661)	(129,661)
	(720,133)	(712,780)	(617,006)	(22,380)
Floating rate instruments				
Financial liabilities				
- term loans	(68,011)	(82,830)	–	–
- revolving credits	(2,000)	(6,000)	(2,000)	(6,000)
	(70,011)	(88,830)	(2,000)	(6,000)

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.

24. FINANCIAL INSTRUMENTS (CONT'D)

24.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Interest rate risk (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.

	2018 Profit or loss		**2017 Profit or loss**	
	100bps increase RM'000	**100bps decrease RM'000**	**100bps increase RM'000**	**100bps decrease RM'000**
Group				
Floating rate instruments	(700)	700	(888)	888
Company				
Floating rate instruments	(20)	20	(60)	60

(iii) Equity price risk

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

24. FINANCIAL INSTRUMENTS (CONT'D)

24.4 Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Deposits	–	–	–	–	–	–	46,043	46,043	46,043	46,043
Derivative asset	–	78	–	78	–	–	–	–	78	78
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

24. FINANCIAL INSTRUMENTS (CONT'D)

24.4 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 (2017: 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	
Deposits	Discounted cash flows using a rate of 1.51% (2017: 1.51%) at the reporting date.
Finance lease liabilities	Discounted cash flows using a rate of 6.00% at the previous reporting date.
Company	
Loans to subsidiaries	Discounted cash flows using a rate of 4.91% at the previous reporting date.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. 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.

26. CONTINGENT LIABILITIES

26.1 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Contingent liabilities not considered remote				
Corporate guarantees favouring banks for facilities granted to subsidiaries	–	–	193,202	210,612
Bank guarantee granted to third parties for benefit of subsidiaries	–	4,800	–	4,800
	–	4,800	193,202	215,412

26.2 Further to the conclusion of a tax audit conducted for year of assessment ("YA") 2007 to YA 2010, the Inland Revenue Board ("IRB") has requested the Group to revise its tax computations for YA 2011 and subsequent years. The Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Group responded to the IRB that it disagreed with applying the same computation method used for the earlier tax audit 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.

27. 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.

27. 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 20) and those disclosed elsewhere in the financial statement, are as follows:

Transactions with subsidiaries

	Company	
	2018 RM'000	**2017 RM'000**
Rental income	(88)	(176)
Management fees income	(1,524)	(1,800)
Interest income	(28,636)	(29,020)

Transaction with related companies

	Group	
	2018 RM'000	**2017 RM'000**
Charter income	(111,250)	(65,556)
Mobilisation income	(2,240)	(1,100)
Interest expenses	10,159	4,404
Rental expenses	170	–

	Company	
	2018 RM'000	**2017 RM'000**
Rental expenses	31	–
Interest expenses	10,008	4,154

The balances related to the above transactions are disclosed in Notes 8 and 14 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)

28. SIGNIFICANT EVENTS

28.1 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 Petra 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.

28. SIGNIFICANT EVENTS (CONT'D)

28.1 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 Petra 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.

On 6 February 2018, the Company received an instruction letter from the Appellants' solicitor to pay a sum of approximately RM459,000. The Company had fully settled the sum accordingly.

On 8 March 2018, the Company received another instruction letter from the solicitor of Wong Fook Heng and Tiong Young Kong to pay a sum of approximately RM112,400. The Company had fully settled the sum accordingly.

On 3 September 2018, the Industrial Court via a deed of release and settlement informed Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra and the Company, of a sum of RM500,000 to be paid by the latter to the former to resolve and fully settle out of court, all matters in connection to the Claim.

Subsequent to the final settlement of the suit, Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong filed a claim for indemnification of legal fees they have incurred in defending the prior suits (and the appeals emanated therefrom) brought by the Company against them. The hearing was partically heard by the High Court on 29 March 2019. As at the date of these financial statements, the High Court has yet to fix the continued hearing date.

28.2 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 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.

28. SIGNIFICANT EVENTS (CONT'D)

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

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

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

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

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

The arbitrators then fixed the hearing date from 27 August 2018 to 30 August 2018.

On 28 August 2018, the Group received an order of termination of the arbitration from the arbitral tribunal as a result of an amicable settlement between the Group and the Seller with regard to each other's claim and counterclaims arising from the termination of MOA.

Both parties have mutually agreed that the Seller and the Group shall have no claims against each other in respect of any or all matters, with both parties bearing their respective legal costs and equally share the costs of the arbitration including AIAC's administrative fees and the Arbitral Tribunal's fees and expenses.

The deposits paid for the acquisition of the two vessels had been written off or impaired in earlier financial years. The settlement reached with the Seller consequently has no financial impact on the Group.

28. SIGNIFICANT EVENTS (CONT'D)

28.3 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.

On 13 June 2018, the Company announced that Bursa Securities had vide their letter dated 12 June 2018 granted the Company an extension of time of six months from 14 June 2018 until 13 December 2018 to complete the implementation of the proposed private placement.

On 13 December 2018, the Company decided not to proceed with the proposed private placement after taking into consideration the ongoing corporate debt restructuring exercise coupled with the prevailing weak market conditions in second half of the financial year.

28.4 On 4 July 2018, the Company announced that the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia has granted approval on the Company's application for assistance to mediate between the Company and some of its subsidiaries (the "Applicant Company/Companies") with their financial institutions and Sukukholders (the "Lenders").

This admission to CDRC is consistent with the Company's strategy to streamline its operations and optimise its financial resources to focus on and proactively enhance its offshore marine support services segment. It is a follow-on from the Company's previous successful cost rationalisation initiative which has had a positive impact on the Company's financials.

The Company received approval from CDRC on 2 July 2018 ("CDRC Approval Letter") subject to the following conditions:

a) The Company is required to submit a Proposed Debt Restructuring Scheme ("PDRS") within sixty (60) days from the date of the CDRC Approval Letter;

b) The Company's admission is limited to twelve (12) months or upon signing of a debt restructuring agreement, whichever is earlier; and

c) The PDRS must comply with the CDRC's restructuring principles for the Company to continue to remain under the Standstill arrangement with the Lenders.

The Standstill Letter was issued by CDRC to the Lenders of the Applicant Companies on 2 July 2018.

CDRC, which is under the purview of Bank Negara Malaysia, will mediate between Applicant Companies and their respective Financiers to renegotiate their respective financing facilities that can be sustained in the face of this challenging period for the oil and gas industry, in line with the above conditions. This successful mediation would enable Applicant Companies to be better positioned to raise new financing and capital in the future and sustain their operations and underlying viability going forward.

The Company is exploring various options for the PDRS, including but not limited to extension of tenure of borrowings, disposal of assets, special issue or placement of shares and rights issue.

28. SIGNIFICANT EVENTS (CONT'D)

28.4 On 30 August 2018, the Company has sought an extension of time of thirty (30) days to submit the PDRS on or before 30 September 2018.

On 10 October 2018, the Company has conducted its first CDRC meeting and presented a draft PDRS to the Lenders. Subsequently, on 15 November 2018, a second CDRC meeting has taken place to provide further updates and details of the debt restructuring scheme. On 28 January 2019, a third CDRC meeting was held to provide milestone updates and proposed scheme enhancement to all Lenders.

Barring any unforeseen circumstances, the CDRC program is expected to complete within 18 months from the date of admission, i.e. 2 July 2018.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

29.1 Impacts on financial statements

The adoption of MFRS 15 and MFRS 9 did not have a significant impact on the Group's and Company's financial statements.

29.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

29.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018		
			Reclassification to new MFRS 9 category	
Category under MFRS 139	**31 December 2017 RM'000**	**Remeasurement RM'000**	**AC RM'000**	**FVTPL RM'000**
Group				
Financial assets				
Loan and receivables				
Deposits	47,946	–	47,946	–
Trade and other receivables	19,982	–	19,982	–
Cash and cash equivalents	77,004	–	77,004	–
	144,932	–	144,932	–
Fair value through profit or loss				
Derivative asset	233	–	–	233
	233	–	–	233
Company				
Financial assets				
Loan and receivables				
Deposits	150	–	150	–
Trade and other receivables	618,791	–	618,791	–
Cash and cash equivalents	60,334	–	60,334	–
	679,275	–	679,275	–

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

29.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

		1 January 2018		
			Reclassification to new MFRS 9 category	
Category under MFRS 139	**31 December 2017 RM'000**	**Remeasurement RM'000**	**AC RM'000**	**FVTPL RM'000**
Group				
Financial liabilities				
Other financial liabilities measured at amortised cost				
Loans and borrowings	734,277	–	734,277	–
Trade and other payables	191,809	–	191,809	–
	926,086	–	926,086	–
Company				
Financial liabilities				
Other financial liabilities measured at amortised cost				
Loans and borrowings	524,797	–	524,797	–
Trade and other payables	331,927	–	331,927	–
	856,724	–	856,724	–

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

29.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. No allowance for impairment was recognised in opening retained earnings of the Group and the Company at 1 January 2018 respectively on transition to MFRS 9.

(ii) Reclassification from FVTPL designated upon initial recognition to mandatorily recognition FVTPL

Derivative asset is an interest rate swap the Group entered into to hedge the variability in cash flows arising from interest rate risk in relation to the floating interest rate of a term loan. There is no change in the carrying amount as going forward the derivative asset is mandatorily recognised as FVTPL.

29.3 Accounting for revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) for completed contracts, the Group and the Company do not restate, any contracts that:

(i) begin and end within the same annual reporting period; or
(ii) are completed contracts at the beginning of the earliest period presented.

(b) for comparatives, the Group and the Company do not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group and the Company expects to recognise revenue.

The following are the changes in revenue recognition from the adoption of MFRS 15:

Group

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Charter of vessels	The Group recognised revenue when the services were performed based on the daily charter services.	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Company

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Management services	Revenue was recognised as the service was provided.	Revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

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 62 to 149 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 2018 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: 9 April 2019

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 62 to 149 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 9 April 2019.

Datuk Ling Suk Kiong

Before me:

Kapt (B) Jasni Bin Yusoff (No: W-465)
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 2018 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 62 to 149.

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 2018, 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.

INDEPENDENT AUDITORS' REPORT
to the members of Perdana Petroleum Berhad
(cont'd)

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. Use of going concern basis in the preparation of financial statements
   Refer to Note 1(b) (basis of preparation) and Note 13 (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 RM815.4 million and RM842.7 million respectively as at the end of the current financial year. As disclosed in Note 13 to the financial statements, the Group has breached certain covenants of two term loans, received notices of default from a lender of a term loan and has not complied with certain terms of the Sukuk. As a result, the non-current portions of these term loans of RM22.3 million and Sukuk of RM 356.6 million have been classified to current liabilities as at reporting date. The Group's total borrowings amounted to RM633.3 million as at the end of the reporting period. Furthermore, the Group and the Company recorded net losses of RM40.9 million and RM22.1 million respectively for the current financial year ended 31 December 2018. 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. As disclosed in Note 1(b) to the financial statements, the above conditions were mitigated by the holding company agreeing to provide continuous financial backing to support the Group and the Company to meet their obligations when due. Accordingly, the Directors believe that there is no material uncertainty that exists and the preparation of the financial statements of the Group and the Company on the going concern basis is appropriate.	Our audit procedures included, amongst others: i) We considered the ability of the Group and of the Company to continue as going concern and meet their obligations for the next twelve months from the date of financial statements based on the budgeted cash flows prepared by management for the said period. ii) We also considered the adequacy of disclosures made by management regarding the significant judgement exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.

Key Audit Matters (Cont'd)

2. Valuation of marine vessels
Refer to Note 2(d) (accounting policy) and Note 3.3 (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. The volatility in crude oil prices in 2018 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 2018. This gives rise to the risk that the carrying amounts of the Group's marine vessels might be stated above their recoverable amounts, and therefore had to be impaired. As disclosed in Note 3.3 to the financial statements, the estimation of recoverable amounts 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 the marine vessels could result in material adjustments to the carrying amounts of marine vessels, which can either be positive or negative. As a result of this assessment, a reversal of impairment loss of RM6.7 million was recognised for the current financial year ended 31 December 2018.	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. 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.

INDEPENDENT AUDITORS' REPORT
to the members of Perdana Petroleum Berhad
(cont'd)

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.

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)

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 4 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: 9 April 2019

ANALYSIS OF **SHAREHOLDINGS**
as at 12 March 2019

SHARE CAPITAL

Total number of issued shares 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	1,130	10.960	42,190	0.005
100 - 1,000	1,774	17.206	979,662	0.125
1,001 - 10,000	4,404	42.715	20,297,089	2.607
10,001 - 100,000	2,653	25.732	89,322,664	11.474
100,001 to less than 5% of the issued shares	374	3.365	157,202,265	20.193
5% and above of issued shares	2	0.019	510,627,079	65.593
	10,310	100.00	778,470,949	100.00

DIRECTORS’ SHAREHOLDINGS AS PER REGISTER OF DIRECTORS’ SHAREHOLDINGS

No.	Directors	Direct Interest	%	Deemed 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	97	0.00	476,179,556	61.17#
9.	DATUK HASMI BIN HASNAN	290,202	0.04	547,773,079	70.37#

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

By virtue of Datuk Ling Suk Kiong and Datuk Hasmi bin Hasnan’s interest in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016, they are deemed to have an interest in the ordinary shares of the related corporations that are wholly owned by the Company.

ANALYSIS OF SHAREHOLDINGS
as at 12 March 2019
(cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

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 YUSUF BIN TENGKU AHMAD SHAHRUDDIN	19,906,835	2.557
5.	NAIM HOLDINGS BERHAD	12,231,000	1.571
6.	JOE LING SIEW LOUNG @ LIN SHOU LONG	5,379,375	0.691
7.	HII KING CHIONG	2,066,849	0.265
8.	KIING CHIEW MING	2,050,600	0.263
9.	ONG KEK CHUN	1,746,600	0.224
10.	NG AH SENG	1,347,800	0.173
11.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MICHAEL YONG*	1,104,422	0.141
12.	THEN ACK TIAM `	1,100,000	0.141
13.	LAU HONG SENG	1,000,000	0.128
14.	LIM CHIN KIONG	1,000,000	0.128
15.	TAN CHUN LAM	1,000,000	0.128
16.	TEE YONG	1,000,000	0.128
17.	WONG CHOON KEIT	1,000,000	0.128
18.	BURHANUDDIN BIN MD RADZI	940,537	0.120
19.	AFFING HWANG NOMINEES (ASING) SDN BHD *EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD*	830,000	0.106
20.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR YEONG MING LUNG (LANGKAP)*	800,000	0.102

ANALYSIS OF SHAREHOLDINGS
as at 12 March 2019
(cont'd)

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
21.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FOONG HON BENG (E-PTS)*	800,000	0.102
22.	LEE KOH MENG	769,700	0.098
23.	GOH CHEOW TEE	750,000	0.096
24.	MOHD AZMAN BIN YAACOB	730,000	0.093
25.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NG BOON WAY*	700,000	0.089
26.	ONG LEI IM	687,000	0.088
27.	TEO CHIN SIONG	660,000	0.084
28.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAY CHOON WEI*	650,000	0.083
29.	NG KIM LEE	600,000	0.077
30.	OOI KIM SAN	600,000	0.077

SUBSTANTIAL SHAREHOLDERS

	Name of Shareholders	Direct Interest	%	Deemed Interest	%
1.	DAYANG ENTERPRISE HOLDINGS BERHAD	470,786,650	60.48	–	–
2.	NAIM HOLDINGS BERHAD	76,986,429	9.89	–	–
3.	DATUK LING SUK KIONG	97	0.00	476,179,556	61.17
4.	YM TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN	19,906,835	2.56	471,643,210	60.59
5.	DATUK HASMI BIN HASNAN	290,202	0.04	547,773,079	70.37
6.	JOE LING SIEW LOUNG @ LIN SHOU LONG	5,379,375	0.69	470,800,278	60.48

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third (23rd) Annual General Meeting of the Company will be held at Olive and Orchid Room (Level C) One World Hotel, First Avenue, Bandar Utama City Centre, 47800 Petaling Jaya, Selangor on **21 May 2019 (Tuesday) at 11.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.

2. To approve the payment of Directors' Fees of RM578,000.00 for the financial year ended 31 December 2018. ***Resolution 1***

3. To approve the payment of meeting allowance of RM500.00 per meeting for attendance of each Non-Executive Director from May 2019 until the next Annual General Meeting. ***Resolution 2***

4. To re-elect the following Directors who are retiring pursuant to Article 103 of the Company's Articles of Association:

   4.1 Datuk Ling Suk Kiong ***Resolution 3***
   4.2 Dato' Gerald Hans Isaac ***Resolution 4***

   Note :
   Datuk Selva Kumar A/L Mookiah is retiring at the 23rd Annual General meeting and has indicated he is not seeking re-election.

5. To re-elect Datuk Hasmi bin Hasnan who is retiring pursuant to Article 109 of the Company's Articles of Association. ***Resolution 5***

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

SPECIAL BUSINESS

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

   Special Resolution
   Proposed Adoption of new Constitution of the Company to replace the existing Memorandum and Articles of Association ***Resolution 7***

   "THAT the existing Memorandum and Articles of Association of the Company be replaced in its entirely with a new Constitution as set out in Appendix II of the Company's Circular to Shareholders dated 22 April 2019."

   Ordinary Resolutions:

   7.1 Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016 ***Resolution 8***

   "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."

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

7.2 Proposed Renewal of Existing Shareholders' Mandate For Recurrent Related Party Transactions of a revenue or Trading Nature. ***Resolution 9***

"THAT approval be and is hereby given to the Company and/or its subsidiaries ("PPB Group" or "the Group") to enter into and to give effect to renew the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature as specified in Section 2.3.2 of the Circular to Shareholders dated 22 April 2019 ("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");

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
22 April 2019

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Notes:

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

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

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

Depositors who appear in the Record of Depositors as at 14 May 2019 shall be regarded as Member of the Company entitled to attend the Twenty-Third (23rd) Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Resolutions 7 & 9

Please refer to the Circular to Shareholders dated 22 April 2019 for further information.

Resolution 8

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

The general mandate sought for issue of securities is a renewal of the mandate that was approved by the shareholders on 23 May 2018 ("Previous Mandate"). The Company had on 16 May 2017 announced the proposed 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") had 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 Company had on 13 December 2018 announced that it has decided not to proceed with the Private Placement.

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 capital expenditures.

PROXY FORM

CDS Acc No.	
No. of Shares Held	
Tel No.	

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-Third Annual General Meeting** of the Company to be held on **Tuesday, 21 May 2019 at 11.00 a.m.** and at any adjournment thereof.

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

Agenda	Resolution	For	Against
To approve payment of Directors' fees and benefits for financial year ended 31 December 2018	1		
To approve the payment of meeting allowance	2		
To re-elect Datuk Ling Suk Kiong	3		
To re-elect Dato' Gerald Hans Isaac	4		
To re-elect Datuk Hasmi bin Hasnan	5		
To re-appoint Auditors of the Company for the ensuing year	6		
To approve the adoption of the new Constitution of the Company	7		
To authorise the allotment of shares pursuant to Sections 75 and 76 of the Companies Act 2016	8		
Proposed Renewal of existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or Trading Nature	9		

[Please indicate with (X) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion].

Dated this ______________ day of ______________ 2019

	No. of Ordinary Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

____

[Signature/Common Seal of Shareholder(s)]
[*Delete if not applicable]

Notes:

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Depositors who appear in the Record of Depositors as at 14 May 2019 shall be regarded as Member of the Company entitled to attend the Twenty-Third Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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AFFIX
STAMP

PERDANA PETROLEUM BERHAD
c/o Tricor Investors & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan

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www.perdana.my

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