perdana petroleum

Registration No.199501042909 (372113-A)

Energy For A Better Tomorrow

ANNUAL REPORT 2020

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 values to our stakeholders

CONTENTS

CORPORATE INFORMATION

Board of Directors

Datuk Dr Abd Hapiz Bin Abdullah
Independent Non-Executive Chairman

Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin
Managing Director

Alias Bin Mat Lazin
Executive Director

Datuk Mohd Jafni Bin Mohd Alias
Independent Non-Executive Director

Chin Chee Kong
Non-Independent Non-Executive Director

Datuk Hasmi Bin Hasnan
Non-Independent Non-Executive Director

Emily Hii San San
Alternate Director to Datuk Hasmi Bin Hasnan

Audit & Risk Management Committee

Datuk Mohd Jafni Bin Mohd Alias
Chairman

Datuk Dr Abd Hapiz Bin Abdullah
Member

Chin Chee Kong
Member

Remuneration Committee

Chin Chee Kong
Chairman

Datuk Mohd Jafni Bin Mohd Alias
Member

Nomination Committee

Datuk Mohd Jafni Bin Mohd Alias
Chairman

Chin Chee Kong
Member

Datuk Dr Abd Hapiz Bin Abdullah
Member

Company Secretary

Leong Oi Wah
(MAICSA 7023802)
SSM PC No.: 201908000717

Registered Office & Headquarters

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

Tel No. : +603-7931 8524 / 8424 / 8324
Fax No. : +603-7931 8624
E-mail : ppb.corporate@perdana.my
Web : www.perdana.my

CORPORATE INFORMATION

(CONTINUED)

External Auditors

KPMG PLT **(LLP0010081-LCA & AF 0758)**
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor, Malaysia

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. No. : +603-2783 9299
Fax No. : +603-2783 9222

Stock Exchange Listing

Main Market of
Bursa Malaysia Securities Berhad

Sector : Energy
Sub-Sector : Energy Infrastructure Equipment & Services
Listing Date : 16 August 2000

Ordinary Share

Stock Code : 7108
Stock Name : PERDANA

Preference Share

Stock Code : 7108PA
Stock Name : PERDANA-PA

Principal Bankers

Malayan Banking Berhad
196001000142 (3813-K)

Maybank Islamic Berhad
199401009721 (295400-W)

OCBC Bank (Malaysia) Berhad
199401009721 (295400-W)

United Overseas Bank (Malaysia) Bhd
199301017069 (271809-K)

2020 FINANCIAL RESULTS ANNOUNCEMENTS

First Quarter	**23rd June 2020**
Second Quarter	18th August 2020
Third Quarter	**20th November 2020**
Fourth Quarter	23rd February 2021

Published Annual Report and Notice of Annual General Meeting

Annual Report 2020 & Notice of 25th Annual General Meeting	**28th April 2021**
25th Annual General Meeting	31st May 2021

CORPORATE STRUCTURE

AS AT 31 DECEMBER 2020

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% Mount Santubong Ltd
- 100% Perdana Mars Ltd
- 100% Perdana Neptune Limited
- 100% Perdana Pluto Limited
- 100% Perdana Saturn Limited
- 100% Perdana Uranus Limited
- 100% Petra Offshore Limited
- 100% Perdana Marine Offshore Pte Ltd

VESSEL FLEET

A. ACCOMMODATION WORKBARGES

1. **Perdana Odyssey**
   Gross/Net Tonnage:
   10,159/3,047 ton

2. **Perdana Excelsior**
   Gross/Net Tonnage:
   10,445/3,133 ton

3. **Perdana Endurance**
   Gross/Net Tonnage:
   10,445/3,133 ton

4. **Perdana Protector**
   Gross/Net Tonnage:
   10,445/3,133 ton

5. **Perdana Resolute**
   Gross/Net Tonnage:
   10,445/3,133 ton

6. **Perdana Emerald**
   Gross/Net Tonnage:
   10,445/3,133 ton

B. ANCHOR HANDLING TUG SUPPLY VESSELS

1. **Perdana Adventurer**
   Gross/Net Tonnage:
   2,310/693 ton
2. **Perdana Traveller**
   Gross/Net Tonnage:
   2,310/693 ton
3. **Perdana Horizon**
   Gross/Net Tonnage:
   2,532/759 ton
4. **Perdana Frontier**
   Gross/Net Tonnage:
   1,706/511 ton
5. **Perdana Ranger**
   Gross/Net Tonnage:
   1,706/511 ton
6. **Perdana Voyager**
   Gross/Net Tonnage:
   2,532/759 ton
7. **Perdana Expedition**
   Gross/Net Tonnage:
   2,532/759 ton
8. **Perdana Marathon**
   Gross/Net Tonnage:
   2,921/876 ton

C. WORKBOATS

1. **Perdana Liberty**
   Gross/Net Tonnage:
   3,265/979 ton

2. **Perdana Sovereign**
   Gross/Net Tonnage:
   3,265/979 ton

5 YEARS
FINANCIAL HIGHLIGHTS

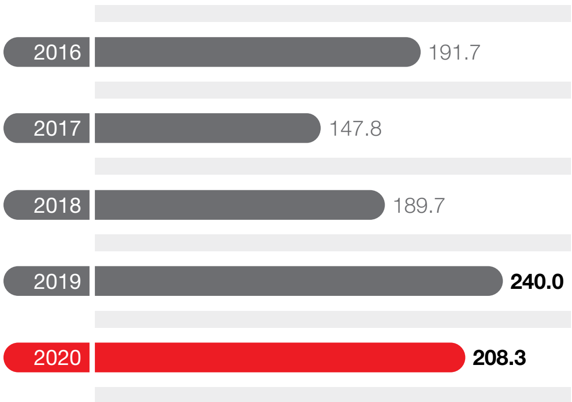
Year Ended 31 December	2016	2017	2018	2019	2020
Key Financial Information (RM'Million)					
Revenue	191.7	147.8	189.7	240.0	**208.3**
Operating Profit/(Loss)	24.6	(130.3)	15.1	20.3	**(42.7)**
Loss Before Taxation	(35.9)	(187.6)	(38.9)	(12.4)	**(53.9)**
Loss Attributable to Owners of the Company	(28.0)	(186.1)	(40.9)	(23.0)	**(65.8)**
Earnings/(Loss) Before Interest, Taxes, Depreciation and Amortization ("EBITDA"/"LBITDA")	112.2	(42.1)	95.3	101.1	**38.7**
Cash & Bank Balances	74.3	77.0	36.5	37.6	**46.5**
Total Assets	1,715.9	1,424.1	1,374.9	1,295.5	**1,155.6**
Total Loans & Borrowings	895.9	734.3	633.3	125.7	**102.0**
Total Liabilities	972.4	929.4	914.1	395.7	**340.3**
Share Capital	389.2	411.2	411.2	885.2	**885.2**
Shareholders' Funds	743.4	494.5	460.7	899.7	**815.3**
Information on Shares					
No. of Total Shares ('Million)	778.5	778.5	778.5	2,242.0	**2,242.1**
Basic Earnings/(Loss) Per Share (Sen)	(3.60)*	(23.91)	(5.26)	(2.95)	**(3.20)**
Diluted Earnings/(Loss) Per Share (Sen)	(3.60)	(23.91)	(5.26)	(2.95)	**(3.20)**
Net Assets Per Share (RM)	0.95	0.64	0.59	0.40	**0.36**
Share price as at financial year end (RM)	N/A*	0.33	0.22	0.40	**0.17**
Financial Ratios					
Gearing Ratio (times)	1.21	1.48	1.37	0.14	**0.13**
Current Ratio (times)	0.41	0.13	0.10	0.43	**0.66**
EBITDA/LBITDA Margin (%)	59%	-28%	50%	42%	**19%**

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

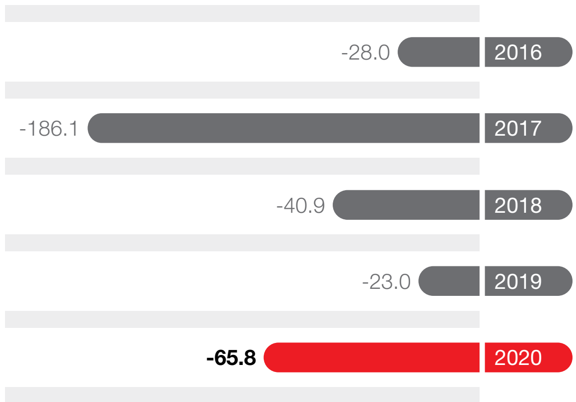
5 YEARS FINANCIAL HIGHLIGHTS

(CONTINUED)

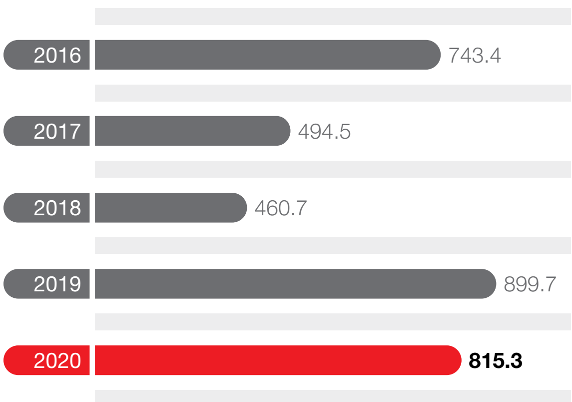
REVENUE
(RM'MILLION)



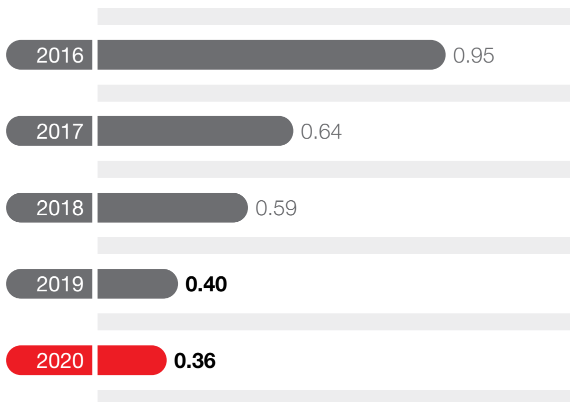
NET LOSS
(RM'MILLION)



SHAREHOLDERS' FUNDS
(RM'MILLION)



NET ASSETS PER SHARE
(RM)



DIRECTORS' PROFILE

Datuk Dr Abd Hapiz bin Abdullah
Independent Non-Executive Chairman
Audit and Risk Management Committee, Member
Nomination Committee, Member

Age : 63
Nationality : Malaysian
Date of Appointment : 10 September 2015
Date of Re-designation : 23 June 2020
Length of Service (as at 31 March 2021) : 5 years 7 months

Datuk Dr Abd Hapiz Abdullah was appointed as an Independent Non-Executive Director of Perdana Petroleum Berhad ("PPB") on 10 September 2015 and subsequently on 23 June 2020 he was re-designated as the Independent Non-Executive Chairman.

Datuk Dr Abd Hapiz Abdullah graduated with a Doctor of Philosophy in Organic Chemistry from Utah State University, United States ("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 / Chief Executive Officer of Petronas Chemicals Group Berhad in 2011 and retired in 2014.

He presently sits on the boards of MSM Malaysia Holdings Berhad and Ancom Berhad as well as several chemical companies both in Malaysia and the USA. He is the Chairman of the Chemical Industries Council of Malaysia which has membership of more than 100 companies and also currently a Council member of the National Science Council of Malaysia.

Family Relationship with any Director and/or major shareholder

None

Conviction of Offences within the past 5 years

None

Conflict of Interest

None

DIRECTORS' PROFILE

(CONTINUED)

Tengku Dato' Yusof bin Tengku Ahmad Shahruddin
Managing Director

Age : 58
Nationality : Malaysian
Date of Appointment : 18 August 2020
Length of Service (as at 31 March 2021) : 7 months

Tengku Dato' Yusof bin Tengku Ahmad Shahruddin was appointed as Managing Director of Perdana Petroleum Berhad on 18 August 2020.

He graduated in 1984 from the University of Toledo in the United States of America with a Bachelor of Science Degree majoring in Civil Engineering. Upon his graduation he joined Modal Bina Sdn Bhd as a Project Engineer. Subsequently in 1988, he took up the position as Sales Engineer with Mobil Oil Malaysia Sdn Bhd. In 1991, he established Hexamas Sdn Bhd. He was appointed as Director of Dayang Enterprise Sdn Bhd in 1993.

He also holds directorship in Dayang Enterprise Holdings Bhd and several other private limited companies in Malaysia.

Family Relationship with any Director and/or major shareholder

None

Conviction of Offences within the past 5 years

None

Conflict of Interest

None

DIRECTORS' PROFILE

(CONTINUED)

Alias bin Mat Lazin
Executive Director

Age : 52
Nationality : Malaysian
Date of Appointment : 10 September 2015
Date of Re-designation : 1 September 2018
Length of Service (as at 31 March 2021) : 5 years 7 months

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

He graduated in 1994 from the Hanyang University of South Korea with a Bachelor's Degree in Mechanical Engineering. In 2014, he obtained his Master in Project Management from the University of Technology Malaysia. He is a member of the Board of Engineers Malaysia. With over 25 years of experience in the Oil and Gas industry, he has vast knowledge in the field of engineering, onshore and offshore construction, tender strategies, business planning and operational performance.

He began his career with Hyundai Engineering and Construction Co. Ltd. ("Hyundai") as a Junior Field Engineer upon graduation. Determined and energetic, he was subsequently given the trust to lead the Business Development of the Hyundai'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 ("Dayang") as a Project Manager tasked with the responsibility of establishing Dayang's Hook-Up and Commissioning ("HUC") Division. With the success of Dayang's HUC division, he has since then, led the team to venture into new segments which includes Engineering, Procurement, Construction and Commissioning ("EPCC") and Pre-Commissioning and Decommissioning activities in the Oil and Gas sector.

He is currently responsible in leading PPB's fleet operations and chartering division as well as leading Dayang's business planning and operational performance overseeing all contracts for Peninsular Malaysia and international operations.

Family Relationship with any Director and/or major shareholder

None

Conflict of Interest

None

Conviction of Offences within the past 5 years

None

DIRECTORS' PROFILE

(CONTINUED)

Datuk Mohd Jafni bin Mohd Alias
Independent Non-Executive Director
Audit and Risk Management Committee, Chairman
Nomination Committee, Chairman
Remuneration Committee, Member

Age : 55
Nationality : Malaysian
Date of Appointment : 1 October 2015
Length of Service (as at 31 March 2021) : 5 years 6 months

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

Datuk Mohd Jafni bin Mohd Alias is a graduate of the Chartered Institute of Management Accountants ("CIMA"), United Kingdom.

He is the co-founder of Vida Partners Sdn Bhd, 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 since 2000. 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 more than twenty 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) from 1991 to 2000.

Family Relationship with any Director and/or major shareholder

None

Conflict of Interest

None

Conviction of Offences within the past 5 years

None

DIRECTORS' PROFILE

(CONTINUED)

Chin Chee Kong
Non-Independent Non-Executive Director
Remuneration Committee, Chairman
Audit and Risk Management Committee, Member
Nomination Committee, Member

Age : 63
Nationality : Malaysian
Date of Appointment : 1 October 2015
Length of Service (as at 31 March 2021) : 5 years 6 months

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

Mr Chin Chee Kong joined Peat Marwick Mitchell & Co (now known as KPMG) in Kuala Lumpur, Malaysia on 2 February 1979 as an audit junior. KPMG registered him as an articled student with The Malaysian Association of Certified Public Accountants (now known as The Malaysian Institute of Certified Public Accountants or "MICPA") in the second half of 1979. After having passed the Foundation and Professional examinations set by MICPA and in the process won all the five (5) gold medals on offer for the Professional I and Professional II examinations, he was seconded to the tax division of KPMG Melbourne, Australia from October 1984 to March 1985. In August 1985, he was transferred to take charge of the Kuching Office of the firm and on 1 October 1990, he was promoted to be a partner of KPMG Malaysia. During his tenure with the firm, he was principally involved in the provision of audit, taxation, financial advisory and corporate advisory services to corporate clients, both public listed and privately held. He retired from KPMG on 31 December 2013.

He is also a director of Naim Holdings Berhad and a Director of non-listed companies, Industrial and Commercial Bank of China (Malaysia) Berhad and Kebajikan Dayang Fatimah Berhad.

Family Relationship with any Director and/or major shareholder

None

Conflict of Interest

None

Conviction of Offences within the past 5 years

None

DIRECTORS' PROFILE

(CONTINUED)

Datuk Hasmi bin Hasnan
Non-Independent Non-Executive Director

Age : 68
Nationality : Malaysian
Date of Appointment : 1 September 2018
Length of Service (as at 31 March 2021) : 2 years 7 months

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

Datuk Hasmi bin Hasnan 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 Bachelor of Science in Estate Management from the London South Bank University, United Kingdom in 1978. He is a Senior Certified Valuer with the International Real Estate Institute, United State and a member of the Federation Internationale des Administrateurs de Bien-Conselis Immobiliers ("FIABCI"), translates as the International Real Estate Federation.

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 presently the Managing Director of Naim Holdings Berhad, Executive Chairman of Dayang Enterprise Holdings Bhd, a Director of non-listed company, Naim Incorporated Berhad and Kebajikan Dayang Fatimah Berhad.

Family Relationship with any Director and/or major shareholder

None

Conviction of Offences within the past 5 years

None

Conflict of Interest

None

DIRECTORS' PROFILE

(CONTINUED)

Emily Hii San San
(Alternate Director to Datuk Hasmi Bin Hasnan)

Age : 44
Nationality : Malaysian
Date of Appointment : 2 January 2020
Length of Service (as at 31 March 2021) : 1 year 2 months

Ms Emily Hii San San was appointed as an Alternate Director to Datuk Hasmi bin Hasnan of Perdana Petroleum Berhad ("PPB") on 2 January 2020.

Ms Emily Hii San San holds a Bachelor of Commerce Degree, major in Accountancy and Diploma for Grates, University of Otago, New Zealand. She is a Chartered Accountant of Chartered Accountants Australia and New Zealand and a member of Malaysia Institute of Accountants.

She joined Naim Holdings Berhad on 1 June 2010 as Finance Manager and was then promoted to Deputy Director – Finance in August 2012. On 1 February 2019, she was promoted to Senior Vice President cum Chief Financial Officer handling finance, corporate planning, information technology and administration activities of Naim Holdings Berhad Group of Companies ("Naim Group"). Prior to joining the Naim Group, she has more than 15 years of working experience in accounting and tax related matters in various industry during her employment at KPMG.

She presently sits on the boards of Samalaju Properties Sdn Bhd (a subsidiary to Cahya Mata Sarawak Berhad) as Alternate Director and as Director for Naim Land Sdn Bhd and Kempas Sentosa Sdn Bhd (subsidiaries of Naim Group).

Family Relationship with any Director and/or major shareholder

None

Conflict of Interest

None

Conviction of Offences within the past 5 years

None

CHAIRMAN'S **STATEMENT**

Dear Valued Shareholders,

On behalf of the Board of Directors of Perdana Petroleum Berhad ("the Group"), it is my honour to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 December 2020 ("FY2020"). I am also very pleased to make my first statement as Chairman of the Group since my appointment to this position on 23 June 2020.

The Group faced a challenging year afflicted by the Coronavirus ("Covid-19") pandemic and weakened crude oil prices. Nonetheless, stronger Balance Sheet fundamentals and improved liquidity have buffered the Group from the adverse operating climate.

INDUSTRY DEVELOPMENTS

Two principal events plagued the 2020 calendar: the Covid-19 pandemic which disrupted supply chains and economic activities worldwide, and depressed crude oil prices stemming from weak global demand due to government-imposed lockdowns and travel restrictions. The oil market only started recovering at year-end, boosted by fresh optimism over the global rollout of multiple Covid-19 vaccines.

Oil and gas majors in Malaysia were seen to revise their planned capital expenditure and exploration activities especially in the upstream segment, leading to a few project postponements down the pipeline. Muted sentiment in the marine offshore support vessels ("OSV") sector in which the Group operates was marked by scarce work orders, depressed charter rates and overcapacity of vessels, besides frequent operational delays during the year.

CHAIRMAN'S STATEMENT

(CONTINUED)

GROUP PERFORMANCE

Against this challenging backdrop, Group Management dug deep into their resolve and exercised stringent financial controls and cost containment measures to mitigate the financial impact. Total group revenue, derived wholly from Malaysian operations, stood at RM208.3 million, a decline from RM240.0 million in the financial year ended 31 December 2019 ("FY2019") attributable to a lower vessel utilisation rate of 53% and softer charter rates. Net loss after taxation was approximately RM65.8 million, down from RM23.0 million in FY2019, arising from a large impairment loss on property, plant and equipment and a decrease in other income.

On the plus side, the successful completion of the Group-wide debt restructuring exercise in 2019 under auspices of the Corporate Debt Restructuring Committee of Bank Negara Malaysia has enabled the Group to regain a stronger financial position and higher liquidity in 2020.

Net finance costs stood at RM11.2 million, a vast reduction of 66% over the previous year largely due to extensive repayment of total external borrowings. As such, the Group's gearing ratio improved to 12.5% against 14.0% in FY2019. The Group also recorded higher cash and cash equivalents totalling RM46.5 million due to cash flow conservation management.

Basic loss per share stood at 3.20 sen and net assets per share at 36 sen. The Board of Directors ("the Board") does not recommend declaration of any dividend for the FY2020.

The majority of Group contracts are on short-term basis, given the lower level of oil and gas activities. Group efforts to replenish the order book through active participation in tender exercises were impeded for most of the year as the open tenders suffered cancellations or deferments in light of market uncertainty. Further details on business operations can be found in the Management Discussion and Analysis section of this Annual Report.

During the year, the Group moved to dissolve four wholly-owned dormant subsidiaries in the British Virgin Islands and the Marshall Islands to reduce subsidiary maintenance costs.

GROUP PROSPECTS IN 2021

The PETRONAS Activity Outlook 2021-2023 maps out regular demand for marine vessels providing logistical support for production operations over their three-year forecast. Taking a cue from there, the Group is cautiously optimistic about the demand for anchor handling tug supply vessels and accommodation work barges, its core business vessels used for exploration, development, production and abandonment activities.

CHAIRMAN'S STATEMENT

(CONTINUED)

GROUP PROSPECTS IN 2021 (CONT'D)

The Group is exploring a fleet replacement programme for its ageing vessels, albeit this depends on budgetary provisions and the market scenario. In addition, there are plans to restructure the Group's vessel asset portfolio through the disposal of non-income producing assets as part of a strategic review to increase operating cost efficiency and sharpen the Group's competitive edge.

The Malaysian market continues to be the centre of focus for the Group, given its resilient financial position and synergistic alliance with major shareholder Dayang Enterprise Holdings Berhad. Nonetheless, the Group remains keen to broaden its market horizons in Asia, should attractive opportunities arise.

APPRECIATION

At this point, I extend my gratitude to our Management team and employees for their dedication to duty despite periodic work disruptions from the Movement Control Order and business challenges amidst the Covid-19 pandemic and volatile oil industry. It is my fervent hope that the Group will acclimatise to the 'new normal' and persevere with sustained support from our workforce.

I wish to thank all members of the Board for drawing upon their individual competencies and leadership to guide the Group. My warm wishes and appreciation go to my fellow Board members, Datuk Ling Suk Kiong, former Group Executive Chairman, Mr Bailey Kho Chung Siang, former Executive Director, Dato' Hans Isaac and Pn Sitinur Binti Mokhtar, former Independent Non-Executive Directors for their dedicated service to the Group; they resigned from the Board in June and October 2020 and March 2021 respectively. Mr Bailey was instrumental in the success of the Group's debt restructuring exercise. I also take this opportunity to welcome aboard the Managing Director, YM Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin who joined the Group on 18 August 2020.

A note of thanks is due to the Group's bankers, financiers and investors as well as clients and business associates for their continued support and trust in the Group's ability to create value through innovation, improvement initiatives and synergistic business collaborations.

The Group remains ardent in its mission to stay resilient in the business and to be united in achieving core business values for its stakeholders. The Board and I are grateful to our valued shareholders for their faith and confidence in Perdana Petroleum Berhad, particularly during this period of uncertainty. Together, we will sail to calmer seas ahead.

Thank you.

Datuk Dr Abd Hapiz bin Abdullah
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

A combination of the Coronavirus ("Covid-19") pandemic outbreak and weak crude oil prices had cast a shadow over the Malaysian offshore support vessels ("OSV") industry in 2020. The sector witnessed frequent operational delays and a number of project postponements among oil majors. These adverse conditions set the scene for Perdana Petroleum Berhad and its subsidiaries ("the Group") which conducted its operations wholly in the Malaysian market for the financial year ended 31 December 2020 ("FY2020").

OVERVIEW OF THE GROUP'S BUSINESS

The Group provides marine offshore support services for upstream activities in the oil and gas ("O&G") industry in the domestic market through its main operating subsidiaries, Intra Oil Services Berhad and Perdana Nautika Sdn Bhd ("PNSB").

Principal activities of the Group since 2004 have been:

- the chartering and leasing of vessels such as work barges and workboats for on-board accommodation and work facilities for offshore personnel;
- related offshore support services involving towing, mooring and anchoring of non-self-propelled barges and rigs; and
- the transportation of drilling, production and project materials and chemicals.

The Group owns and operates a fleet of sixteen (16) vessels – eight (8) Anchor Handling Tug Supply vessels ("AHTS"), six (6) Accommodation Work Barges ("AWB") and two (2) Accommodation Workboats – catering to greenfield and brownfield O&G activities in Malaysia. For FY2020, the Group concentrated its business on the Malaysian sector due to prevailing environmental conditions and soft sentiment in the global O&G industry.

In 2011, the Group's subsidiary, PNSB was awarded a licence by Petroliam Nasional Berhad ("PETRONAS") to provide marine vessel chartering services to the PETRONAS Group and its Petroleum Arrangement contractors.

Through its corporate vision, the Group aspires to be the leading and preferred offshore marine operator for the upstream O&G industry in the region. The mission of the Group is, *"Staying resilient in the business, united we achieve and together we create core business values to our stakeholders."*

Business Strategy

Strategic business alliance since 2015 between the Group and its major shareholder, Dayang Enterprise Holdings Berhad and subsidiaries ("the Dayang Group"), a leading offshore topside maintenance contractor in Malaysia, has helped to promote strategic focus and operating cost efficiency, i.e. the Group focuses on vessel chartering services while the Dayang Group centres on bids for offshore maintenance works from the oil majors. Approximately one-third of the Group's revenue is derived from the chartering of vessels to the Dayang Group. The Group enjoys right of first refusal to charter its vessels to the Dayang Group for the latter's secured topside maintenance work orders. Such synergistic collaboration sharpens the Group's competitive edge over industry peers.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

BUSINESS AND OPERATIONS REVIEW

BUSINESS REVIEW

The Group's revenue was derived solely from Malaysian operations in 2020 amidst a backdrop of curbed sentiment in the OSV sector depicted by a scarcity of work orders, low charter rates and vessel overcapacity. The industry suffered a backlash from low oil prices and spread of the Covid-19 pandemic for most of the year.

Vessel Charter Contracts

The Group persisted in bidding for new contracts to replenish the order book in 2020 despite the challenging business environment. However, efforts by the Group to actively participate in various tender exercises and available market surveys were hindered as the contracts open for tender were either cancelled or deferred due to market uncertainty. In light of this, the Group operations focused on charter contracts secured from time to time.

Fleet Utilisation Levels

Within the fleet, AHTS vessels recorded the highest utilisation rate at 60%, contributing 37% to total Group revenue while AWB followed closely at 52% utilisation and 35% revenue contribution.

Category of Vessels	Utilisation (%)	Revenue Contribution (%)
Anchor Handling Tug Supply vessel (AHTS)	60	37
Accommodation Work Barge (AWB)	52	35
Accommodation Workboat	26	5
Others	N/A	23

Table: *Fleet utilisation rates and percentage revenue contribution (Source: Internal)*

Daily vessel charter rates had yet to recover from the 2015 plunge in charter rates and this weakness was felt in 2020.

Annual vessel utilisation dropped to 53% after registering an uptrend for the past two years. The lower utilisation rate was a reflection of prevailing weak sentiment in the crowded Malaysian OSV segment as a result of slower work orders or contracts awarded from oil majors in the second half of 2020.

2016	2017	2018	2019	2020
58 %	52 %	64 %	70 %	53 %

Table: *Five-year annual vessel utilisation rates (Source: Internal)*

Quarterly vessel utilisation for the Group showed a declining trend, vastly different from the surging comparative rates observed in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

BUSINESS AND OPERATIONS REVIEW (CONT'D)

Fleet Utilisation Levels (Cont'd)

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2020	62 %	58 %	50 %	41 %
2019	36 %	79 %	91 %	74 %

Table: *Quarterly vessel utilisation rates for 2020 and 2019 (Source: Internal)*

Highest vessel utilisation of 62% was recorded in the first quarter of 2020 when busy vessel chartering activities overflowed from 2019 into the aforesaid quarter, resulting in encouraging results whereby quarterly revenue surged by 132% year-on-year.

OPERATIONS REVIEW

Assuredly, the Group was better-prepared to confront the Covid-19 pandemic operations-wise after gaining a stronger capital structure and financial foothold upon completion of the 2019 debt restructuring exercise, as reflected by considerably lower interest costs and higher cash flow balances.

Four (4) dormant, wholly-owned subsidiaries commenced dissolution in early July of FY2020 – Geoseas Technologies Limited, Odin Explorer Navigation Limited, Perdana Mercury Limited and Perdana Venus Limited – under the BVI Business Companies Act, 2004 and Marshall Islands Business Corporations Act in a push to curtail subsidiary maintenance costs since no future business plans were earmarked for these entities.

The Group continued to control costs by deploying manpower at the minimum for maintenance work on idle vessels, in compliance with industry rules and regulations. Meanwhile, staff headcount at the office was minimised in conformance with Movement Control Order ("MCO") guidelines; duty rotation and work-from-home policies were implemented.

Pandemic-Related Expenditure

Certain extraordinary operating expenses were incurred as a consequence of the pandemic. These involved costs from supply chain and logistic disruptions throughout the MCO period, medical-related expenses such as compulsory Covid-19 swab tests for employees and quarantine costs for crews covered by the Group, and expenditure for regular sanitisation and disinfection of workplaces to ensure a safe working environment.

Turnaround time for change of crews was extended from 2 months under a pre-pandemic scenario to 3 months and longer during the pandemic due to quarantine requirement, medical health checks and prescribed swab testing for staff. The crew-changing process was interrupted as some crews were signed-off but unable to return onshore due to border restrictions and stringent rules and regulations set by the relevant authorities. This led to longer-than-usual man-hours offshore and crew operating cost over-run.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

FINANCIAL PERFORMANCE REVIEW

The table below summarises results from operations for FY2020 against the preceding year ended 31 December 2019 ("FY2019"), based on the audited financial statements.

	FY2020 RM'000	FY2019 RM'000	Change RM'000
Revenue	208,348	239,997	(31,649)
Cost of services	(211,126)	(213,345)	2,219
Gross (loss)/ profit	(2,778)	26,652	(29,430)
Other income	5,725	14,392	(8,667)
Administrative and operating expenses	(45,652)	(20,789)	(24,863)
(Loss)/Profit before interest and taxation	(42,705)	20,255	(62,960)
Finance income	895	22,564	(21,669)
Finance costs	(12,075)	(55,200)	43,125
Net finance costs	(11,180)	(32,636)	21,456
Profit/ (loss) before taxation	(53,885)	(12,381)	(41,504)
Taxation	(11,949)	(10,623)	(1,326)
Profit/ (loss) after taxation	**(65,834)**	**(23,004)**	**(42,830)**
Loss per share (sen)			
Basic	(3.20)	(2.95)	

Group total revenue stood at RM208.3 million, a decline of RM31.6 million or 13% against RM240.0 million in FY2019, attributable to a lower vessel utilisation rate of 53% for the year against 70% in FY2019.

Administrative and operating expenses at RM45.6 million more than doubled that of FY2019 at RM20.8 million, primarily stemming from a substantial impairment loss on property, plant and equipment ("PPE") of RM33.7 million. A reduction in legal fees and expenditure related to the debt restructuring exercise undertaken in FY2019 trimmed administrative expenses by 50% to RM10.1 million.

Net finance costs were substantially reduced, falling by 66% to RM11.2 million over the previous year's RM32.6 million, thus putting the Group in better financial health as a result of repayment of external borrowings comprising Islamic term loan, secured term loans and revolving credits as well as repayment to a related company.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Loss After Taxation

The Group incurred a higher loss before taxation of RM53.9 million after accounting for the aforesaid RM33.7 million impairment loss on PPE in FY2020. In FY2019, there was a reversal of impairment loss on PPE of RM11.9 million and a gain from extinguishment of financial liabilities of RM18.8 million arising from the acquisition of a new subsidiary. Meanwhile, the loss after taxation of RM65.8 million took into account tax expenses at approximately RM1.4 million and a deferred tax expense of RM10.6 million.

Basic loss per share in FY2020 was 3.20 sen (FY2019: 2.95 sen). Given the Group's financial performance, no dividend is to be declared for FY2020.

Group Financial Position

	FY2020 RM'000	FY2019 RM'000	Change RM'000
Total non-current assets	1,043,632	1,169,786	(126,154)
Total current assets	111,961	125,736	(13,775)
Total Assets	1,155,593	1,295,522	(139,929)
Total non-current liabilties	169,562	106,567	62,995
Total current liabilities	170,766	289,152	(118,386)
Total Liabilities	340,328	395,719	(55,391)
Total Equity	815,265	899,803	(84,538)
Net Assets per share (RM)	0.36	0.40	

As at FY2020, the Group's net assets position was stronger with total assets to total liabilities at 3.39 times (FY2019: 3.27 times), despite a drop in total assets and total liabilities by RM139.9 million and RM55.4 million respectively. The softer total assets position was due to lower trade receivables, and other receivables, deposits and prepayments. Stringent cash flow management was implemented to manage the Group's financial position, leading to an increase in cash and cash equivalents by approximately RM9.0 million against FY2019.

The firmer net assets position is also attributed to a reduction of RM118.4 million in total current liabilities, offset by an increase in payables to a related company of RM140.7 million under non-current liabilities.

Overall, total liabilities of the Group decreased by 14% to RM340.3 million as a result of the successful debt restructuring exercise completed in December 2019 coupled with a reduction of 19% in total outstanding borrowings from RM125.7 million as at 31 December 2019 to RM102.0 million as at 31 December 2020. Consequently, loans and borrowings to total equities or the gearing ratio dropped to 12.5% in FY2020 (FY2019: 14.0%).

Net assets per share dipped marginally to 36 sen in FY2020 from 40 sen in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Group Cash Flow

The Group recorded a positive cash flow of RM81.5 million from operating activities (FY2019: RM54.4 million). Net working capital improved due to lower trade and other receivables, deposits and prepayments and a decline in trade and other payables. Likewise, liquidity improved with cash and cash equivalents totalling RM46.5 million, a rise from RM37.6 million in FY2019. There was an outflow of RM52.7 million under financing activities as the Group repaid secured term loans and advances from a related company during the year.

MATERIAL RISK EXPOSURE

Several risk areas which could cause a material impact on the Group's operations and/or financial position are identified below. The measures taken to mitigate or avoid those risks during the year are set out below:

Risk Type	Description of Risk	Risk Mitigation/Avoidance Measures
Stop-work order risk associated with the Covid-19 pandemic	Should a lack of compliance to Covid-19 standard operating procedures ("SOP") arise, the relevant authorities will issue a stop work order on vessel operations until the crews and work processes are certified to comply with prescribed health rules and regulations. Any interruption to business operations will delay or hinder the execution of charter contracts. This affects revenue earning capacity and the reputation of the Group.	1. Promote greater employee awareness of health-related risks and the need for adherence to Covid-19 SOPs through Group-wide information programmes such as health talks and briefings. 2. Senior management or Heads of Department to visit crews on board vessels to seek an understanding of issues and difficulties faced by crews in complying with health SOPs, and to work out solutions and compliance to agreed SOPs.
Competition risk vis-à-vis daily charter rates ("DCR")	Due to competition in the OSV industry, a potential client may occasionally request a DCR lower than the current market DCR. The application of a lower DCR than the market rate translates into lower charter revenue for the Group.	1. During the bidding process, the Group's proposed DCR and its rationale will be justified to the potential client in efforts to achieve a win-win outcome. 2. In cases where a steep reduction of DCR is demanded by the potential client, Group personnel will consult senior management at Executive Director level to seek their views and approval on the acceptable level of DCR.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

MATERIAL RISK EXPOSURE (CONT'D)

Risk Type	Description of Risk	Risk Mitigation/Avoidance Measures
Bribery and corruption risk in relation to Section 17A (or any other sections) of the MACC Act 2009	Amendments to the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") came into effect on 1 June 2020 and introduced, amongst others, corporate liability provisions for bribery and corruption under Section 17A of the said Act. Should non-compliance to the MACC Act occur, the Group and/or its employees involved would be liable to penalties of heavy fines and/or imprisonment, besides incurring long-drawn, legal expenses to defend the Group. This would render a significant impact on the Group's financial position and reputation in the industry.	The Group has set up appropriate systems to prevent offences of such nature from occurring, besides constantly monitoring and assessing situations that may arise. Some of these systems (non-exhaustive list) are: - 1. Basic Code of Conduct, including gift and entertainment policies, are included in the Group Employee Handbook and Letter of Employment. This code has been updated to include the "Guidelines on Adequate Procedures" issued pursuant to Section 17A(5) of the MACC Act. 2. Anti-corruption awareness briefings are given to Heads of Departments and the Executive Directors. 3. Anti-corruption policies have been developed to inform all stakeholders on the Group's position on anti-corruption. 4. The current general practice of no-gifts and/or hospitality to the Group's major clients remains in force.
Cancellation risk or early termination risk for contracts	The risk that existing vessel contracts could be cancelled or suffer early termination by clients (under the standard agreement clause which allows clients to exercise termination rights). In such an event, the Group would experience a shortfall in projected revenue for the financial year, depending on the size of the contract.	1. Group operations personnel will coordinate with charterers to ensure satisfactory performance is rendered at all times for the vessel on-hire, and to establish good rapport with end users. 2. Group chartering personnel maintain regular communication with the client, and also extend support to other departments of the client to build good relations.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

FORWARD-LOOKING STATEMENT

Guarded optimism about upward trending oil prices in 2021 prevailed at the tail-end of 2020, fuelled by OPEC and its allies' commitment to voluntary, restrained oil production and the promising restart of economic activities around the world after Covid-19 vaccination programmes were rolled out in the first quarter of 2021.

Closer to shore, the PETRONAS Activity Outlook 2021-2023 portrays consistent demand over the three-year period for marine vessels that support production operations in Malaysian waters. The 2021 outlook for Malaysian OSV players in the upstream segment – specifically the demand for AHTS vessels and AWBs for exploration, development, production and abandonment activities – is thus expected to be positive.

The Group has not established any dividend policy at this juncture, given its financial performance and adoption of a prudent stance towards cash conservation management. Dividend distribution will be considered once the market turns for the better.

Contracts and Tenders

The Group had approximately RM88.0 million in total outstanding contract value secured in the first quarter for the financial year ending 31 December 2021. Work order awards are sluggish in the first quarter as a norm but the Group is confident of replenishing its order book later in the year by concentrating on the Malaysian market.

MANAGEMENT DISCUSSION AND ANALYSIS

(CONTINUED)

FORWARD-LOOKING STATEMENT (CONT'D)

Contracts and Tenders (Cont'd)

As at 31 March 2021, the Group has approximately RM131.8 million contracts in tender. The maximisation of vessel utilisation rates and broadening of the market portfolio through participation in regional tenders remain focal points for the Group. Given that tendering activity for OSVs in Asia appears robust and competitive, the Group is looking at prospective tenders from Dubai, Myanmar, Thailand and Vietnam that feature highly-competitive and more stringent contract requirements.

Fleet Operations

The Group's fleet average age as at 31 December 2020 is about 10 years old. The fluctuation of charter rates in 2021 could start to take their toll on older vessels that are more expensive to operate. In light of this, a fleet replacement programme for ageing vessels is anticipated to be launched for cost efficiency optimisation although the extent of this project will be subject to market developments and funding considerations.

The fleet replacement programme is a component of the Group's business sustainability plans to bolster utilisation rates for its main business AHTS and AWB fleet categories. The fleet replacement programme will be part of Group strategy to drive operating cost efficiency in 2021.

It has been more than a year after the Covid-19 outbreak and the Group continues to centre on sustained earnings and grow its order book despite the fragile climate in the OSV sector. The Group is confident of steering through the storm by drawing upon stronger Balance Sheet fundamentals, along with extended support from the Dayang Group and a forecast of clearer skies with the gradual resumption of global economic activity.

ACKNOWLEDGEMENTS

My appreciation goes to the Board of Directors for using all of their experience, skills and knowledge to move the Group forward. On a personal note, I thank them for entrusting me with this important portfolio in August 2020 and giving me the resources to serve our clients, lead the Group and impact change in the business.

A big thank you to the regulatory authorities and all our business associates, shareholders and banking and financial institutions, for their commitment and overwhelming support to the Group throughout this financial year.

I wish to recognise our frontliners: the crews and all offshore employees who spent longer months at sea due to the pandemic – your responsibility and discipline are critical at this time to maintain business continuity. To the Management team and entire workforce, let us rise to the challenge to keep going. Thank you for your contributions to the Group.

YM Tengku Dato' Yusof bin Tengku Ahmad Shahruddin
Managing Director

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 globalisation, we strive to constantly provide high value-added marine support services to our clients as a key drive to our sustainability goal. The theme has been consistent over the years and we have been working towards services enhancements in our business to provide quality services.

Perdana Petroleum Berhad ("Perdana" or "the Group") has formalised and incorporated its sustainability reporting practice since 2017. We trust that sustainability is vital to our organisation in order for us to operate and compete effectively in this challenging industry. Sustainability efforts will also create greater value for the overall stakeholders of the Group.

REPORTING STANDARDS – REPORTING SCOPE AND BOUNDARIES

Throughout this statement, we demonstrate our full commitment to integrate sustainability practices and prepare this statement on pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("MMLR"), Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits issued by the Exchange as well as guidelines issued by the Global Reporting Initiative (GRI). The contents of this Statement encompass the Group's key business operations, which comprise our core services. This Statement emphasises the Group's commitment towards ensuring that its business operations are carried out sustainably and responsibly, taking cognisance of the economic, environmental and social ("EES") implications it is exposed to. Our scope and boundaries cover all our entities and operations in Malaysia.

We are committed to enhance and refine our sustainability strategies and initiatives to strive towards a more comprehensive disclosure going forward.

Reporting Period	1 January 2020 to 31 December 2020
Reporting Cycle	Annually
Principal Guidelines	• Main Market Listing Requirements • Sustainability Reporting Guide – 2nd Edition • Global Reporting Initiative (GRI)

Vision

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

Mission

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

Our Core Values

- Perdana's Directors are required to conduct themselves ethically and lawfully, using their power and authority judiciously and observing appropriate decorum in accordance with the standards of conduct and behaviour expected of them.
- The Employees' Handbook governs the standards of conduct and behaviour of the employees within the Group.

SUSTAINABILITY REPORT

(CONTINUED)

OUR APPROACH TO DRIVE SUSTAINABILITY

Our approach to sustainability is based on our core values of excellence, unity, integrity, humility and building relationship which are 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.

BUSINESS AND OPERATIONS REVIEW

The Group's operations are illustrated in the Management Discussion & Analysis section in page 18 to 26 of the annual report 2020.

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 our shareholders and stakeholders;
- We plan to elevate the sustainability practice of corporate governance through the engagement with the board's direction and guidance 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 our key stakeholders on sustainability challenges, including employees, investors, suppliers and customers;
- 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 services.

2. As a service provider

We commit to provide quality services to all our clients as they are our valued stakeholders.

OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

Seventeen (17) Sustainable Development Goals (SDGs) were set by the United Nations General Assembly in 2015 to counter major global issues such as urbanisation, climate change, resource scarcity, demographic and social change and global economic condition by year 2030 entails contributions from governments, civil society and businesses. All the countries and stakeholders, acting in collaboration, will strive to implement this plan. The 2030 Agenda for Sustainable Development shapes the journey and sustainable enhancement in Malaysia. Aligning to the aspiration of our government, we will enhance our strategies and efforts to adopt these goals progressively as part of our sustainability journey.

SUSTAINABILITY REPORT

(CONTINUED)

OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT (CONT'D)

Our Sustainable Development Goals

Aligning ourselves to the aspirations of the Malaysian Government, we have adopted these goals as part of our sustainability journey. We identified seven (7) SDGs that the Group commits to support directly and/or indirectly i.e. SDG No 3, 4, 7, 8, 12, 13 and 16.

SDG ADOPTION

SDG No 3	We are committed to create a safe workplace and promoting healthy living amongst our employees
SDG No 4	We provide highly intensive training and retraining to our staff due to the nature of our business
SDG No 8	We aim to create a workplace that is conducive to productivity and growth by providing job opportunities and equipping our employees with various training and development programmes
SDG No 16	We place ethics and integrity at the centre of our business operations and have policies in place towards embedding such values throughout our organisation
SDG No 8 & 12	Compliance - Waste Management
SDG No 7 & 13	Energy Conservation

SUSTAINABILITY REPORT

(CONTINUED)

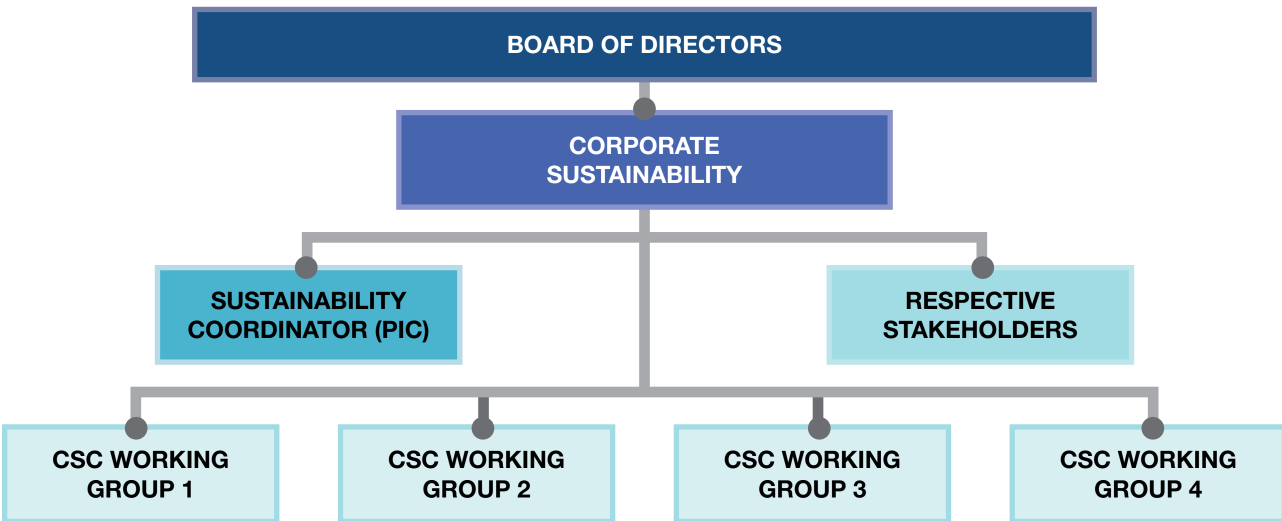
GOVERNANCE OF THE SUSTAINABILITY

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 our 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 Managing Director and Executive Director are supported by various working groups responsible for the implementation of the initiatives within the Group. The Executive Directors provides 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. Due to the lean organisation structure of the Group, the governance structure is designed around the various key departments as the working groups.

ORGANISATION STRUCTURE FOR SUSTAINBAILITY



RESPONSIBILITIES OF CORPORATE SUSTAINABILITY COMMITTEE

- Advise / suggest the Board on sustainable strategies;
- Monitor the implementation of sustainability strategies as approved by the Board;
- Oversee stakeholder engagements to ensure all issues, grievances and suggestions raised are taken into consideration in managing sustainability matters;
- Make recommendations to the Board for their approval of the sustainability-related policies and goals;
- Monitor the implementations of policies and initiatives of sustainability management;
- Oversee the management of sustainability matters by focusing on the matters material to the Group; and
- Oversee the preparation of the Sustainability Statement and make recommendations to the Board.

SUSTAINABILITY REPORT

(CONTINUED)

STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, Perdana continues to practice prudence and stay focused on delivering quality growth, while being watchful of the 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.

OUR MATERIALITY ASSESSMENT PROCESS

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 the 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 oil and gas service sector and conduct 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 2021, 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, analyse and report sustainability data and information.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS

As we monitor, manage and report on a wide variety of issues, our key approach is to focus on our resources addressing the 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.

- **Materiality Matrix**

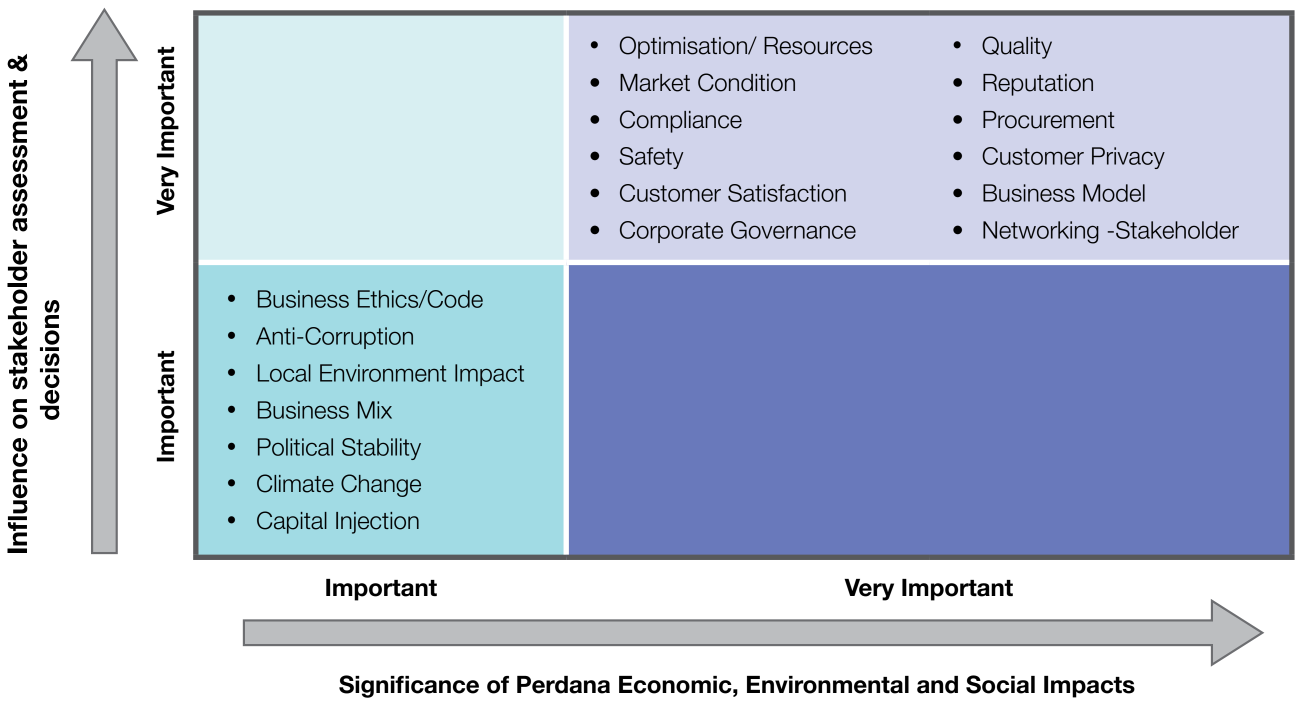
  Materiality assessment is an important tool to identify the most relevant EES priorities that are consistent with our business strategy. We identified, assessed and prioritised 19 material sustainability initiatives during the monthly management meeting involving the sustainability working committee. The output of the assessment was plotted on a matrix which illustrates the impact of each material factor on the Company's business as well as the stakeholders.

  The materiality process involved several steps which include:

  - Identification of potential material topics by reviewing the GRI aspects, benchmarking against key corporate peers and analysing past reports, considering the feedback 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.

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



SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

A: Business – Key Materiality

Material Factors	Description	What Are The Risk	What Are The Opportunities	Initiatives
Competition	Perdana is exposed to the competition within the upstream oil and gas's offshore marine industry in the region.	Inability to secure contracts due to the quality of asset, competitiveness of price and services, stringent contract requirements which will impact the Company's business and performance.	• Provide value added services which are solutions driven and innovative. • Be competitive with improvement on our core value. • Keeping the asset with approved quality standard. • Potential regional partnerships and collaborations.	• Participation in the tenders/market survey conducted by potential customers/ clients. • Maintain good relationship with the existing/potential customers. • Provide competitive pricing. • Provide quality services and product safety. • Seek potential regional partnerships and collaborations (if any).
Market Stability	A well-facilitated business, supported together 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 practices 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.	• Susceptible to global economic changes and business environment changes. • Quarterly updates of new ruling / standards by the company secretary to the Board of Directors. • Constant updates from the courses attended by the Directors and senior management of the changes in the current market and implementing new strategies to address the current market. • Obtain valuable advice from the industry experts, regulators and professionals to address market related challenges.

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.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

B: Significant Material Factors (E1-Economic, E2-Environment, S-Social)

		Factors	Why Material	Managing Materiality	Frequency	Initiatives
MATERIALITY	Very Important	Optimisation/ Resources (E1,E2)	To help the company become efficient and effective	Taking the necessary measures to ensure all our staff and resources are being optimized	Daily / monthly	• Multitasking job assignment. • Training & Development for employees' work and self-development. • Upgrade of the company's technological platform and software to enhance the operations and productivity.
		Market Condition (E1)	Market condition affects all businesses in every industry	Our business very much depending on the market condition where we participate in the market survey available	Daily	• Participation in the market surveys / tenders received. • Meet up with the relevant shipping or oil and gas associations on latest update of the market. • Crisis Management Implementation, Business Continuity Plan, Leadership participation.
		Compliance (E2,S)	Compliance with Laws, rules and regulations is one of our main business requirements	We provide adequate on job training and resources to ensure we meet the compliance obligations	Daily and/ or as and when required.	• Regularly receive circulars & newsletters from regulators and advisors. • Meeting with the professionals for advisory. • Departmental Standard Operating Procedures are endorsed & reviewed regularly.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

B: Significant Material Factors (E1-Economic, E2-Environment, S-Social) (Cont'd)

		Factors	Why Material	Managing Materiality	Frequency	Initiatives
MATERIALITY	Very Important	Safety (E2)	Impact on safety of workforce and the primary emphasis is to avoid any workplace injuries	We support the ongoing training of operational teams to ensure understanding in recognising and improving as well as maintaining safe working conditions. We provide safe working environment to all workers.	Daily and/ or as and when required.	• Establishment of the Health, Safety and Environment Committee & policies to govern the function. • Compulsory safety briefings daily on board are conducted. • Safety committee updates of changes imposed by the industry regulators.
		Customer Satisfaction (S)	It is important for us to benchmark ourselves and to collaborate closely with customers to achieve mutual success	We observe and/ or conduct customer satisfaction surveys through the daily engagement to fulfil the customer's requirement/ feedbacks	Daily	• Understand our industry and clients' current and emerging requirements and develop timely, effective solutions. • Identify and provide the information and resources required to provide a high-quality service to our clients. • Maintain clarity in our key business processes and applies systems of continuous review and improvement. • Ensure our business system is aligned with the relevant Standards, Codes and Guidelines as they apply to our operations.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

B: Significant Material Factors (E1-Economic, E2-Environment, S-Social) (Cont'd)

		Factors	Why Material	Managing Materiality	Frequency	Initiatives
MATERIALITY	Very Important	Corporate Governance (E1,E2,S)	To ensure that the company protects the members, officers and management	Governance is conducted according to various regulations and subcommittees. The board oversees the governance based on quarterly review of management reporting	Daily	• Regular circulars & updates follow-up with the regulators and authorities. • Establishment of policies and procedures to upkeep the corporate governance practice. • Leadership role in CG.
		Quality (S)	It is part of our core business value to satisfy all of our customers	Engagement with stakeholder for feedback to gauge quality performed	Daily	• Respond to the charterers' request/ queries within reasonable timeframe. • Employ & retain quality crews. • Maintenance of vessels as per yearly planned schedule. • Maintain vessels' certificates validity. • Sourcing and replacement quality products for vessels' wear and tear.
		Reputation (E2,S)	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	Quarterly	• Publishing of company's financial reporting timely to the shareholders via Bursa Malaysia. • Prospect of business and improved financial results delivery. • Timely disclosure of material contracts awarded to the Group. • Maintain relationship with the analysts.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

B: Significant Material Factors (E1-Economic, E2-Environment, S-Social) (Cont'd)

MATERIALITY		Factors	Why Material	Managing Materiality	Frequency	Initiatives
MATERIALITY	Very Important	Procurement (E1,E2)	It ensures the stable, sustainable procurement and supply of resources	We are always on the lookout for best quality and competitive pricing	Daily	• Ensure our procurement process is aligned with the operation requirement on a timely basis. • Establish long term relationship with the vendors/ suppliers via price agreement to meet the daily operation needs. • As at when is required, a minimum of 3 price quotations for comparison is obtained. • Maintain good relationship with all the vendors & suppliers. • Supplier & Vendor evaluation on yearly basis to upkeep the suppliers' quality.
		Customer Privacy (E1,E2,S)	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	Daily	• Compliance to Personal Data Protection Act (PDPA). • Enforcement on PDPA within the organisation and stakeholders. • Handling and protecting of the sensitive personal information provided by customers in the course of everyday transactions.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

B: Significant Material Factors (E1-Economic, E2-Environment, S-Social) (Cont'd)

		Factors	Why Material	Managing Materiality	Frequency	Initiatives
MATERIALITY	Very Important	Business Model (E1)	Business model plays a vital role in challenging market condition of the market and business	The management regularly reviews the business model and reacts to the updates	Daily	• Top Management Meetings to synergies the operations to meet the business objectives. • Obtain feedback from the Head of Departments from time to time.
		Networking – Stakeholder (E1,E2,S)	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	Daily	• Regular correspondence via telephone and mails. • Regular meetings with the relevant stakeholders.
		Business Ethics/Code (E1,E2,S)	Maintaining business ethics is our core values	We promote and positively reinforce good behaviours to employees	Daily	• Enforcement on Code of Conducts and Ethics as per the Employee Handbook. • Establishment of Whistle Blowing Policy and Anti-Bribery and Corruption Policy. • Perform business activities professionally.
		Anti-Corruption (E1, E2, S)	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 are carried out to ensure that the company's policies and procedures as well as system of internal controls are being properly implemented	Daily	• Provide trainings to the employee from time to time when is necessary. • Department briefing by the HODs for all level. • Establishment of the Anti-Bribery and Corruption Policy.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

B: Significant Material Factors (E1-Economic, E2-Environment, S-Social) (Cont'd)

		Factors	Why Material	Managing Materiality	Frequency	Initiatives
MATERIALITY	Very Important	Local Environment Impact (E2)	It is important to safeguard the environment	We monitor and review the environmental compliance strategy and performance	Daily	• Update of local environment regulation and impact regularly. • Compulsory compliances and maintain and minimise the pollution arising from the air, water, acoustic and oil.
		Business Mix (E1)	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 We maintain two different types of asset to meet the brownfield and greenfield market requirement	Daily	• Maintain different types of assets to suite the needs of the offshore support vessels market. • Provide synergized services to the customers. • Explore opportunity to charter outside Malaysia.
		Political Stability (E1)	It has a wide impact on the Malaysia economy	We ensure compliance with all government regulations	Daily	• Sensitive to political changes from time to time.
		Climate Change (E1,E2)	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 and disseminate the update and action plan from time to time	Daily	• Monsoon season operating mode which impose enhancement of safety and promoting safety.
		Capital Injection – Funds (E1)	Business growth and expansion	Lookout for potential partners, joint ventures and funding to expand our business	When required	• Seek alternative fund raising exercise when is required.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (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	Frequency	Initiative
Customers	1) For Health Safety & Environment ("HSE") Assurance Audit: • HSE Internal Audit in 2020 • Oil majors' audit 2) Quarterly Engagements with the oil majors, customers and logistics by way of remote participation (electronic meeting) 3) Launching of HSE Campaign by the oil majors and clients which includes the below: • Working at Height • Safe Lifting Operation. • Monsoon ZIZA Campaign • Monsoon Season Safety • Slips, Trips & Falls 4) Monthly Meeting: • Monthly Operational Meeting by way of remote participation (electronic meeting) 5) Ad-hoc Meeting: • Solving of ad-hoc operational issues by way of remote participation (electronic meeting)	1) To verify the Group's HSE compliance & SOPs quality management and assurance. 2) To correspond with operations & safety issues. 3) To cascade HSE incidents & its mitigation plan. 4) For sharing session on HSSE matters & implementation. 5) To update & its mitigation plan.	Daily and as at when is required.	• Regularly verify internal management system compliance such as understand the customers' requirements, the effectiveness of operating system, risk mitigation controls, and compliance with any relevant procedures, laws or regulations. • Participate in customers' operational meeting by way of remote participation. • Participate in HSSE engagement with customers and end user by way of remote participation. • Provide awareness and enforcement on the safety precautions implementation. • Discussion on project deadline, action items on the project, expense approvals, deliverables, scheduling of internal resources

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

3. Stakeholders Engagement (Cont'd)

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency	Initiative
Employees	1) Fleet Management: a. Top Management Visit : • Total 1 Management visit done.	Sharing & bonding between the management, employees & crews.	3 vessels per year.	• Fixed periodic visit to operational areas and conduct engagement session with employees and/ or crews on board as to build up a better communication from Management with all employees and/or crews. • Provide awareness and rewards program. • Regularly sharing of lesson learnt from incidents and safety alerts.
	b. Superintendent ship visit: • Total 52 visits completed by way of remote participation (electronic meeting) by Operation/ Technical / HSE Superintendent.	To perform conditional vessels' inspection and office – shore engagement session.	Once/Twice a year.	
	c. Launching of Safety Campaign by HSE: • Drop Object & Housekeeping • Hand & Finger Injury • Housekeeping • Monsoon Season	To cascading of HSE incident lesson learnt & mitigation plan.	Quarterly	
	d. Crewing: • Job related specific training programmes	To meet the rules and regulations and customers' requirements.	As at when require.	
	e. Accident rate monitoring	Safety awareness	Monthly & As and when required.	

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

3. Stakeholders Engagement (Cont'd)

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency	Initiative
Employees	2) Office Management: • Corporate direction and growth plan • Job Security • Workplace health and safety • Labour and human rights • Circular of internal policies of company updates	Corporate direction and growth plan	As and when required.	• Employee events such as annual dinner, festival season celebrations, thematic celebration and etc. • Town hall session with the Managing Director • Incorporation of relevant policies and procedures • Job level specific training programmes • Management meetings with employees
Suppliers	• Code of Ethics ongoing in line with company's policy • Quotation comparison • Supplier Evaluations • Review of suppliers' profile	Pricing competitive and vendor performance on stock sourcing and delivery.	Daily and as at when is required	• Proper procurement system to meet the operation needs • Suppliers evaluation conduct
Regulators	Compliant with Statutory Requirement of : • Malaysia Marine Department • Classification Societies • Department of Occupational, Safety & Health/ Department of Environmental, etc. • Oil Major • Bursa Malaysia Securities Berhad • Securities Commissioner • Bank Negara Malaysia • Companies Act 2016 • Labuan Financial Services Act • Others	Compliances with the requirements set.	Yearly routine	• Obtain any new circulars, regulations and requirements from the statutory regulators and authorities. • Regularly review and updates internal procedures and SOP to meet up with the statutory requirements on the new regulations or latest updates.

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

3. Stakeholders Engagement (Cont'd)

Stake Holder Group	Engagement Approach	Engagement Focus & Objectives	Frequency	Initiative
Community	Participation / engagement with the • Malaysia Offshore Vessel Association • Malaysia Offshore Safety Task force • Malaysia Ship Owner Association • Malaysia Oil n Gas Service Council	Social requirements and specific feedback on programmes	Routine Engagement or as at when is required	• Meeting and correspondences
Media	Timely Bursa announcements, analyst briefing, social media coverage.	Quarterly and as at when required.	New developments for public knowledge	• Announcements and reports are made on timely basis.

4. Prioritisation of Material Sustainability Matters

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

SUSTAINABILITY REPORT

(CONTINUED)

MATERIAL FACTORS (CONT'D)

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 SUSTAINABILITY

Economic scenario remains as our core glitches based on the market condition of the global influence. The company has taken a great level of measures to identify the critical risk which influence the strategy of the company. By taking necessary steps with the senior management and with board input we foresee to mitigate the risk elements.

The following policies and procedures have been practiced and illustrated in the company 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.

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 in the employee handbook and board charters respectively.

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 is available in our website.

SUSTAINABILITY REPORT

(CONTINUED)

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.

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.

PROCUREMENT PRACTICES

Suppliers and vendors are selected through selection and tender processes from time to time. Perdana has fomalised a standard operating procedures to support the procurement process in the Group emphasising on satisfactory quality of products and services with competitive pricing. The procurement department is responsible of all tendering processes and the selection of sub-contractors and suppliers are based on appropriate synergy of technical, financial, pricing and quality of service criterions.

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.

SUSTAINABILITY REPORT

(CONTINUED)

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.

The following policies and procedures are illustrated in the company's website.

- Board Charter
- Gender Diversity Policy
- Terms of Reference - Audit & Risk Management Committee
- Terms of Reference - Nomination Committee
- External Auditor Appointment and Independence Policy
- Anti-bribery and Corruption Policy

ENVIRONMENTAL SUSTAINABILITY

SHAPING A BETTER PLANET

There are many challenging environmental issues nowadays which require a greater attention from everyone on earth. Perdana, as a responsible business entity are mindful of the environmental impacts of our activities and will consistently ensure the compliance with all the environmental regulations. Perdana takes the obligation to manage our environment impacts seriously and 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.

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:

- 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.

SUSTAINABILITY REPORT

(CONTINUED)

CLEAN EMMISSION FROM OUR MARINE FLEET VESSELS

Global warming and climate change are the direct result of greenhouse gas ("GHG") emissions and, as such, it is imperative for all industries to combat these issues through technological innovation and operational efficiencies. Hence, 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.

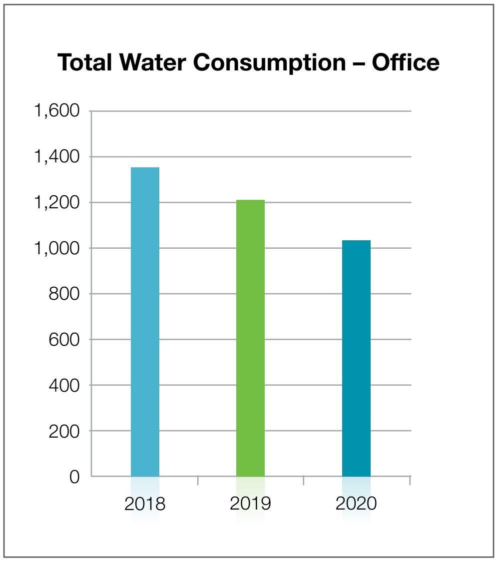
WATER MANAGEMENT & CONSUMPTION

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 to droughts and wastage. Perdana, as a company with sustainable commitment encourages its employees to practice water usage optimisation and water saving usage.

We promote water saving practices among employees and adopt water-efficient technologies and equipment 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 for toilets, wash basins, pantry and throughout our head office building.
- Check leakages. Conducting checks and fixing leakages immediately, where possible.

The bar chart on the right represents Perdana's offices' water consumption from 2018 to 2020. We have successfully reduced the water consumption in 2020 as compared to the previous two years.



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").

SUSTAINABILITY REPORT

(CONTINUED)

ENERGY MANAGEMENT (CONT'D)

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

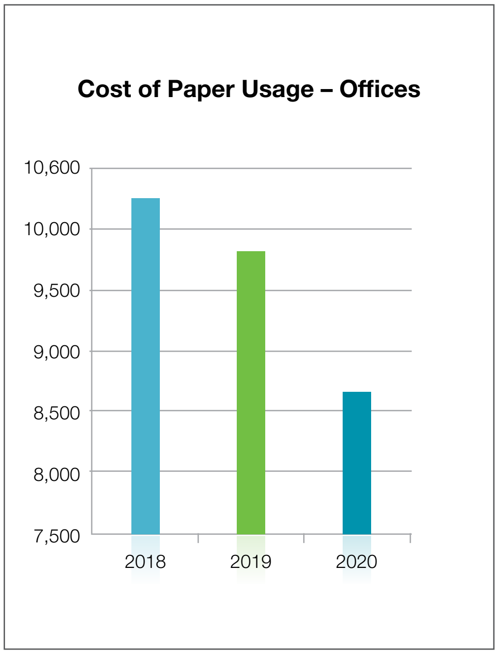
WASTE MANAGEMENT

We concede that the environment can be negatively impacted due to the lack of waste management in business operation. 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 3R's practices are applied in paper usage management:

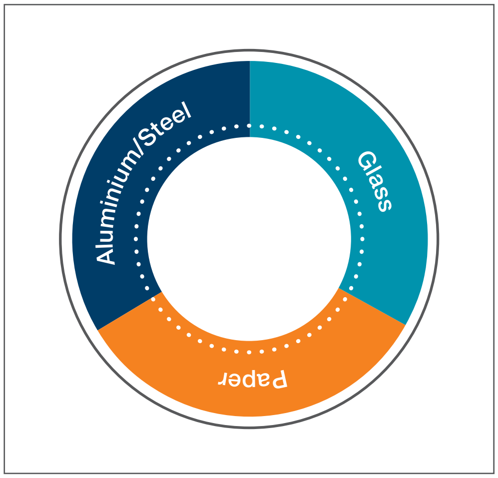
Reduce	By emphasising on paperless and electronic mode for documentation. In addition, practice of double-sided printing or reducing the paper size demonstrates economic initiatives
Reuse	Reusing printed or used papers for other purposes
Recycle	Recycling of used papers in the recycling bins provided



- **Garbage Management Plan**

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

The pie chart on the right shows the types of garbage being disposed and bins are segregated based on the respective 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.

SUSTAINABILITY REPORT

(CONTINUED)

WASTE MANAGEMENT (CONT'D)

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 to prevent any accidental spillage which may create danger to the surrounding people and environment.

- **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 SUSTAINABILITY

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 2020, 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.

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; and
e. Women Empowerment at Management Level;

a. Workplace

As our responsibility to safety underpins every decision we make at Perdana, we constantly strive to provide a secure working environment and maintain the necessary measures to ensure the well-being and safety of our employees. 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:

SUSTAINABILITY REPORT

(CONTINUED)

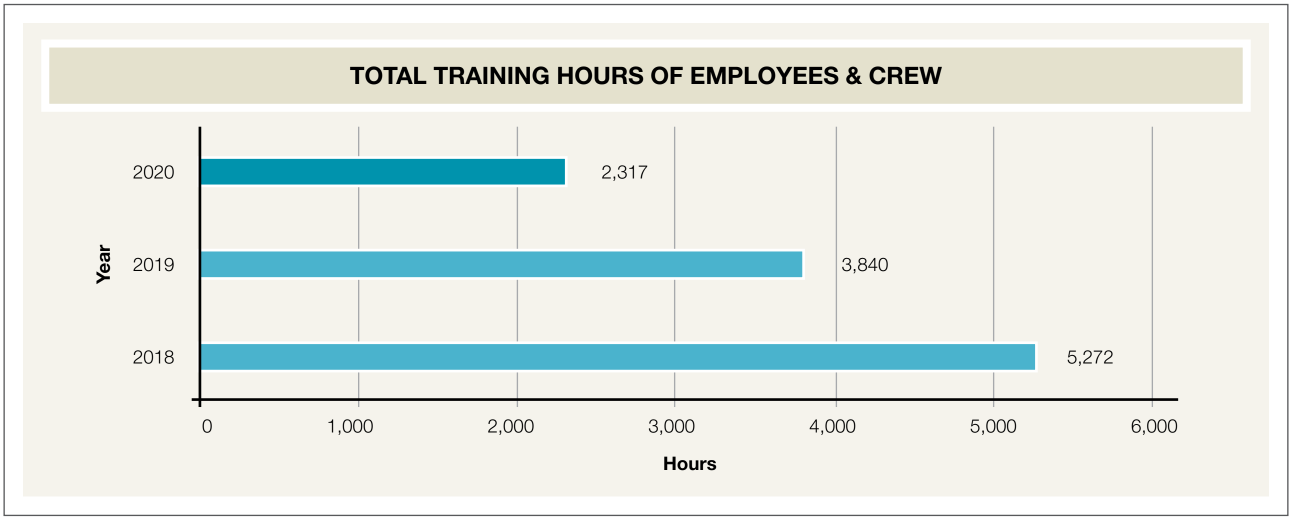
SOCIAL SUSTAINABILITY (CONT'D)

OUR APPROACH (CONT'D)

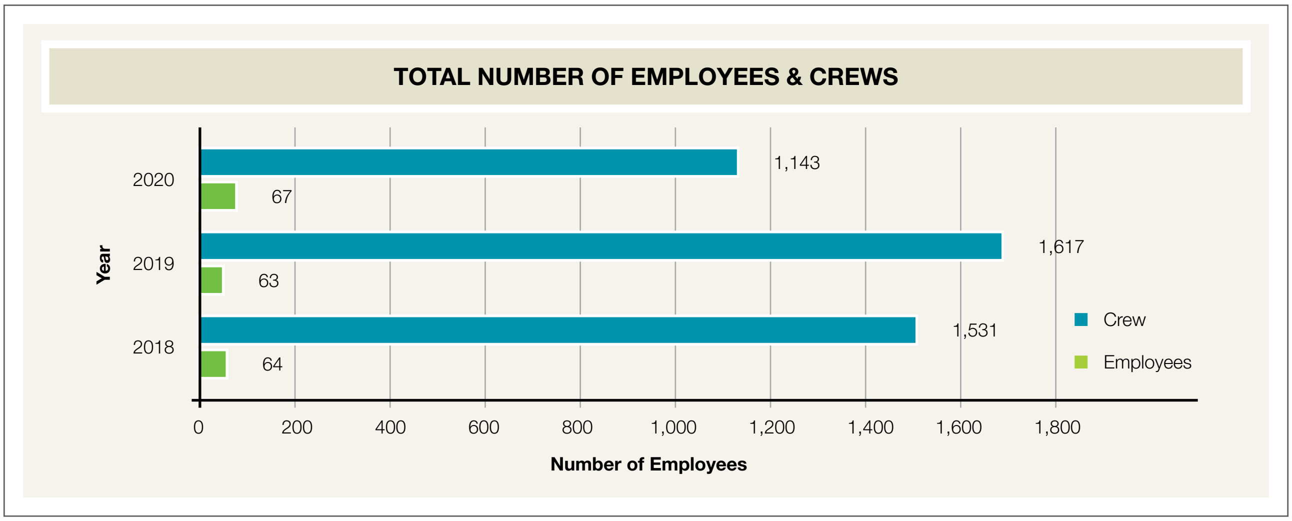
a. Workplace (Cont'd)

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

The Group also continuously provides its employees with skills development and trainings to enhance work productivity and self-enrichment. The bar chart below indicates the training hours of its employees and crews from 2018 to 2020.



The charts below illustrate the total number of employees and racial diversity within the Group:



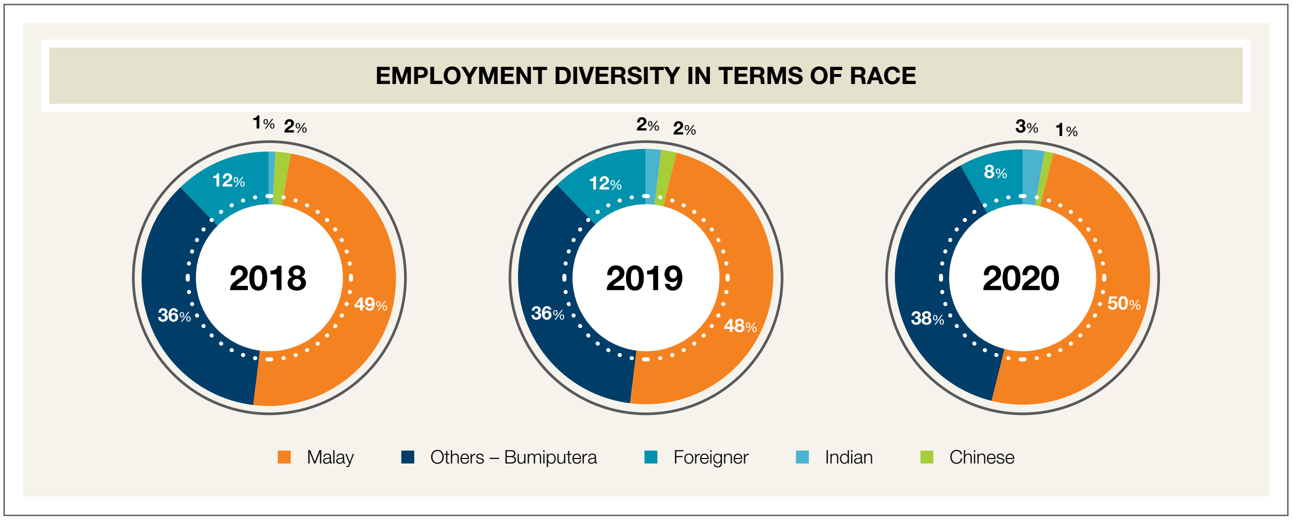
SUSTAINABILITY REPORT

(CONTINUED)

SOCIAL SUSTAINABILITY (CONT'D)

OUR APPROACH (CONT'D)

a. Workplace (Cont'd)



b. Human Rights

For Our Marine Crew – the Group complies with International Labour Standards on Occupational Safety 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 organisational, 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 1 out of 6 is 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.

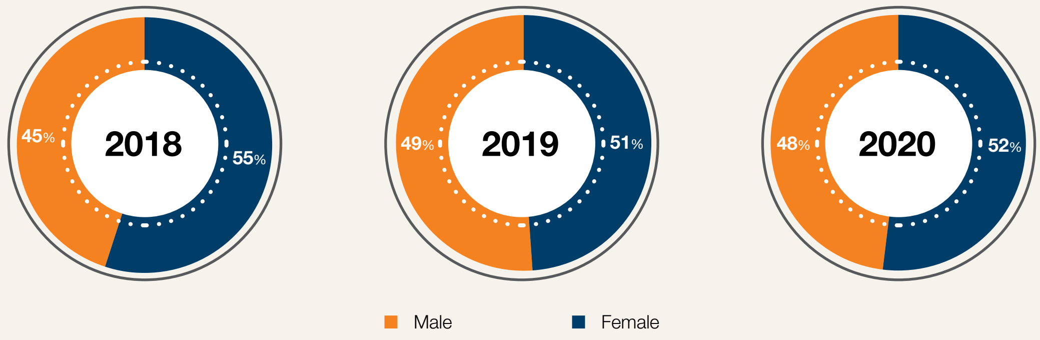
SUSTAINABILITY REPORT

(CONTINUED)

OUR APPROACH (CONT'D)

e. Women Empowerment at Management Level (Cont'd)

EMPLOYMENT DIVERSITY IN TERMS OF GENDER IN HEAD OFFICE



LOOKING AHEAD

It was a tough time during COVID-19 pandemic outbreak in 2020, in which almost all of the business operation has been affected adversely until nowadays. However, sustainability always plays a fundamental role in driving Perdana value creation process. We continuously improve the sustainability approach towards formalising Employment Diversity in Terms of Gender in Head Office sustainability within our business, by managing our social and ecological footprint across our operations and supply chain and we recognise 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 keep abreast of new 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, 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 to strive for innovative and quality services to be provided to our customers, enrich our local communities, create values for our stakeholders, and be an organisation that people will be proud to associate with. This Statement has been approved by the Board on 20 April 2021.

SUSTAINABILITY REPORT

(CONTINUED)

GRI CONTENT INDEX

This Content Index provides an overview of the GRI Standard Disclosures made in this Sustainability Statement and throughout this Annual Report.

General Standard Disclosure		General Standard Disclosure	
Organisational Profile		**Stakeholder Engagement**	
Disclosure 102-1	Name of the organisation	Disclosure 102-40	List of Stakeholder groups
Disclosure 102-2	Activities, brands, products, and services	Disclosure 102-42	Identifying and selecting stakeholders
Disclosure 102-3	Location of headquarters	Disclosure 102-43	Approach to stakeholder engagement
Disclosure 102-4	Location of operations	Disclosure 102-44	Key topics and concerns raised
Disclosure 102-5	Ownership and legal form		
Disclosure 102-6	Markets served	**Reporting Practice**	
Disclosure 102-7	Scale of the organisation	Disclosure 102-45	Entities included in the consolidated financial statement
Disclosure 102-8	Information on employees and other workers	Disclosure 102-46	Defining report content and topic Boundaries
Disclosure 102-9	Supply chain	Disclosure 102-47	List of material topics
Disclosure 102-11	Precautionary Principle Approach	Disclosure 102-48	Restatements of information
Disclosure 102-12	External initiatives	Disclosure 102-49	Changes in reporting
Disclosure 102-13	Membership of associations	Disclosure 102-50	Reporting period
		Disclosure 102-51	Date of most recent report
Strategy		Disclosure 102-52	Reporting cycle
Disclosure 102-14	Statement from senior decision – maker	Disclosure 102-53	Contact point for questions regarding the report
Disclosure 102-16	Values, principles, standards, and norms of behavior	Disclosure 102-54	Claims of reporting in accordance with the GRI Standards
Governance		Disclosure 102-55	GRI content index
Disclosure 102-18	Governance Structure		

SUSTAINABILITY REPORT

(CONTINUED)

General Standard Disclosure		General Standard Disclosure	
Organisational Profile		**Stakeholder Engagement**	
Disclosure 201	Management Approach	Disclosure 401	Management Approach: Employment
Disclosure 201-1	Direct Economic value generated and distributed	Disclosure 401-1	New Employees hired
Disclosure 202	Management Approach : Market Presence	Disclosure 403	Management Approach : Occupational Health and Safety
Disclosure 203	Management Approach : Indirect Economic Impacts	Disclosure 403-1	Workplace representation in formal joint management - worker health and safety committees
Disclosure 203 - 1	Infrastructure Investment and services supported	Disclosure 404	Management Approach : Training & Education
Disclosure 204	Management Approach: Procurement Practices	Disclosure 404-1	Average hours of training per year per employee
Disclosure 205	Management	Disclosure 404-2	Programmes for upgrading employee skills and transition assistance programme
Disclosure 205-1	Operations assessed for risks related to corruption	Disclosure 405	Management Approach : Diversity
Disclosure 205-2	Communication and training about anti corruption policies and procedures	Disclosure 406	Management Approach : Non Discrimination
Topic-specific Standard : Environmental			
Disclosure 302	Management Approach : Energy	Disclosure 413	Management Approach : Local Communities
Disclosure 302-1	Energy Consumption within the organisation	Disclosure 413-1	Operations with local community engagement and development programmes
Disclosure 302-3	Energy Intensity	Disclosure 415	Management Approach : Public Policy
Disclosure 302-4	Reduction in energy consumption	Disclosure 418	Management Approach : Customer Privacy
Disclosure 303	Management Approach : Water	Disclosure 419	Management Approach : Socioeconomic Compliance
Disclosure 305	Management Approach : Emissions		
Disclosure 307	Management Approach : Environmental Compliance		
Disclosure 307-1	Non-Compliance with environmental laws & regulations		

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the “Director” or “Board”) 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 Committees 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 2020 (“FY2020”) 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 Constitution, Board Charter, Terms of Reference of Board Committees, and Risk Management Framework and Policies.

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 and anti-bribery and corruption policies were 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 (the “Board Committees”), Chairman, Managing Director, and Executive Director, is available on the corporate website of the Company for easy access.

Size and Composition

The Board currently comprises six (6) members of whom two (2) are Independent Non-Executive Director, a Managing Director and an Executive Director and balance are Non-Independent Non-Executive Director.

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.

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 12^{th} year of appointment will now require shareholders’ approval at a general meeting through a 2-tier voting process as prescribed under the MCCG.

The Board stands guided by the principles and practices of the MCCG in adhering to the best corporate governance practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

THE BOARD OF DIRECTORS (CONT'D)

Size and Composition (Cont'd)

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 two (2) Independent Non-Executive Directors out of six (6) Board members is sufficient to provide the necessary checks and balances on the decision-making process of the Board in the meantime. The Independent Directors provide independent and objective judgement as well as impartial opinion on Board deliberations and decision making and significant contributions of the Independent Directors 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. Puan Sitinur Binti Mokhtar served on the Board from 15 May 2020 to 23 March 2021 and with her resignation, the Board will endeavour to look for a new lady director.

The Chairman, Datuk Dr Abd Hapiz bin Abdullah an Independent Non-Executive Director was appointed on 23 June 2020 and Tengku Dato' Yusof bin Tengku Ahmad Shahruddin was appointed Managing Director on 18 August 2020.

The diversity in terms gender, ethnicity and age at the Board and Senior Management level are as follows:

Board Diversity in:				
		%		%
Gender	Male	100	Female	0
Race/Ethnicity	Malay	83	Indian & Chinese	17
Nationality	Malaysian	100	Non-Malaysian	0
Age Group	30 to 50 Years	0	Above 50 Years	100

Senior Management Diversity in:				
		%		%
Gender	Male	71	Female	29
Race/Ethnicity	Malay	83	Indian & Chinese	17
Nationality	Malaysian	100	Non-Malaysian	0
Age Group	30 to 50 Years	50	Above 50 Years	50

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

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 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 MMLR 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 FY2020.

During the FY2020, the Board met five (5) times and the attendance records of the present and past Board members are as follows:-

Name of Directors	Attendance
Datuk Ling Suk Kiong *(resigned on 23 June 2020)*	2/2
Mr Bailey Kho Chung Siang *(resigned on 1 October 2020)*	4/4
Tengku Dato' Yusof bin Tengku Ahmad Shahruddin *(appointed on 18 August 2020)*	2/2
En Alias bin Mat Lazin	5/5
Datuk Dr Abd Hapiz bin Abdullah	5/5
Datuk Mohd Jafni bin Mohd Alias	5/5
Dato' Gerald Hans Isaac*	5/5
Pn Siti Nur binti Mokhtar *(appointed on 15 May 2020)* *	4/4
Mr Chin Chee Kong	5/5
Datuk Hasmi bin Hasnan	3/5
Ms Emily Hii San San *(alternate to Datuk Hasmi bin Hasnan)*	1/1

Note:
* *Resigned on 23 March 2021*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

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 MMLR of Bursa Securities and have been briefed by the Senior Management on the operations and policies of the Company to familiarise themselves with the Company's business.

During the FY2020, the Directors have individually or collectively attended the following courses / seminars set out below:

- Anti-Bribery and Corruption Briefing
- Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT)
- The 46th series (Towards the future with confidence) by Deloitte TaxMax
- COVID-19 Impact on Financial Reporting MFRS 2, 15, 102, 119, 121, 137
- KPMG Tax and Business Summit
- Fraud Risk Management Workshop by PwC jointly with Bursa Malaysia
- Captains' Forum: Transformation towards recovery (Session 3)
- Mandatory Accreditation Programme
- Corporate Liability Under Section 17A of MACC Act 2009
- Corporate Governance Monitor 2020
- Malaysian Financial Reporting Standards MFRS

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

THE BOARD OF DIRECTORS (CONT'D)

Directors' Remuneration and Term of Reference of Remuneration Committee

The Remuneration Committee carries out the review of the overall remuneration policy for Managing Director and Executive Director 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 Managing Director and Executive Director are sufficiently attractive to draw in and to retain persons of high caliber.

The Board as a whole determines the remuneration of the 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.

The responsibilities of the Remuneration Committee are as follows:

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

b. To recommend to the Board any performance related pay schemes for Managing Director and Executive Director;

c. To review Managing Director's and Executive Director's 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 Constitution 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 Constitution 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

THE BOARD OF DIRECTORS (the "Board") (CONT'D)

Board Committees (Cont'd)

The Board Committees are as follows:

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

Director	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Datuk Dr Abd Hapiz bin Abdullah	Member *(Redesignated as Member on 23 June 2020)*	Member	–
Chin Chee Kong	Member	Member	Chairman
Datuk Mohd Jafni bin Mohd Alias	Chairman *(Redesignated as Chairman on 23 June 2020)*	Chairman	Member
Siti Nur Binti Mokhtar	Member *(Appointed on 15 May 2020)*	–	Member *(Appointed on 15 May 2020)*

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 FY2020 are as follows:

Director	Fees (RM'000)	Allowances (RM'000)	Meeting Allowances (RM'000)	Salaries (RM'000)	Total (RM'000)
Datuk Ling Suk Kiong *(resigned on 23 June 2020)*	–	63.5	–	–	63.5
Bailey Kho Chung Siang *(resigned on 1 October 2020)*	–	81.0	–	144	225.0
Tengku Dato' Yusof bin Tengku Ahmad Shahruddin *(appointed on 18 August 2020)*	–	40.1	–	71.3	111.4
Alias bin Mat Lazin	–	108.0	–	–	108.0
Datuk Dr Abd Hapiz bin Abdullah *(redesignated to Chairman on 23 June 2020)*	72.0	–	6.5	–	78.5
Datuk Mohd Jafni bin Mohd Alias	72.0	–	5.5	–	77.5
Dato' Gerald Hans Isaac	72.0	–	2.5	–	74.5
Siti Nur binti Mokhtar *(appointed on 15 May 2020)*	45.0	–	4.0	–	49.0
Chin Chee Kong	72.0	–	6.5	–	78.5
Datuk Hasmi bin Hasnan	72.0	–	2.0	–	74.0

Note:

* *Resigned on 23 March 2021*

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Internal Control

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

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

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

The Statement on Risk Management 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

ACCOUNTABILITY AND AUDIT (CONT'D)

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, Managing Director and Executive Director to discuss key auditing concerns and obtain feedback relating to the Company's affairs. The Audit and Risk Management Committee also meets with the external auditors whenever it deems necessary.

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

Effective Communications with Shareholders

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

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

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's MMLR 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.

RESPONSIBILITY STATEMENT
BY THE BOARD OF DIRECTORS

The Directors are required by the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 preparing the financial statements for the financial year ended 31 December 2020, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with applicable accounting standards and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Members

The current members of the Audit and Risk Management Committee ("ARMC") are as follows:

Datuk Mohd Jafni Bin Mohd Alias	Chairman	(Independent Non-Executive Director)
Datuk Dr Abd Hapiz Bin Abdullah	Member	(Independent Non-Executive Director)
Chin Chee Kong	Member	(Non-Independent Non-Executive Director)
Siti Nur Binti Mokhtar *(Appointed on 15 May 2020; resigned on 23 March 2021)*	Member	(Non-Independent Non-Executive Director)

Responsibilities

The ARMC 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 Outsourced Internal Audit service provider;
- 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 outsourced internal audit service provider; and on occasion to commission audit engagements to be conducted on the Committee's behalf;
- To review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or source of conduct that raise questions of conflict;
- To review and recommend the Group's risk management framework and its implementation;
- To provide advice (when necessary) to the Company in developing a structured approach, common methodology, tools and business risk management framework;
- To review adequacy and effectiveness of risk management policies and procedures;
- To prepare and highlight significant risks and/or issues for onwards reporting to and/or endorsement by the Board after reviewing the risk management report presented by the Company;
- To review the reports of the Risk Management Working Committee ("RMWC") and access the adequacy and effectiveness of risk management systems instituted in the Company and the Group;
- To approve the appointment or termination of members of the RMWC including review and approve their terms of reference; and
- To perform any other duties as deemed appropriate or as authorised by the Board.

The purview of the ARMC extends to all the operations within the Company and the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(CONTINUED)

Meetings held during the financial year 2020

The ARMC held six (6) meetings during the financial year under review with the following attendance record:

Members Audit and Risk Management Committee Members	Attendance
Datuk Mohd Jafni Bin Mohd Alias	6/6
Datuk Dr Abd Hapiz Bin Abdullah	6/6
Chin Chee Kong	6/6
Siti Nur Binti Mokhtar *(appointed on 15 May 2020; resigned on 23 March 2021)*	5/5

Summary of Activities during financial year ended 31 December 2020

The ARMC activities during the financial year ended 31 December 2020 ("FY2020") encompassed the following:

- Reviewed the quarterly financial statements of FY2020 and the annual audited financial statements for FY2020, before recommending the same for the Board's approval;
- Approved the 2020 risk-based Internal Audit Plan and received the Outsourced Internal Auditor's presentation of the Group's internal audit reports of the Group 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 Internal Audit Report issued by the outsourced internal audit service provider of the main operating subsidiary;
- Reviewed the internal audit follow-up reports issued by the outsourced internal audit service provider to ensure key findings raised in the report are addressed accordingly;
- 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 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 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 FY2020;
- Deliberation on the external auditors' report on the observations made in the course of the audit;
- Reviewed the budget and cash flow projections to ensure the Group is able to meet the daily operation as well as the financing repayments and borrowing covenants;
- Discussed and monitored material litigations taken by and against the Group;
- Reviewed and recommended the Risk Management Framework for adoption; and
- Reviewed the risk register report on risk assessment for FY2020 tabled by Risk Management Working Group, which provided the significant risks, control issues and summary of risk assessment.

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

(CONTINUED)

Internal Audit Function

The Group's internal audit function is outsourced to an independent professional firm ("Outsourced Internal Auditor"). The Internal Audit Function is carried out based on the Outsourced Internal Auditor's own internal audit approach, which is closely consistent with the International Professional Practice Framework ("IPPF") of the Institute of the International Auditors. 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 ARMC. The ARMC determines the adequacy of the scope, function and resources of the internal audit function as well as the competency and independence of the Outsourced Internal Auditor. The 2020 risk-based Internal Audit Plan was approved by the ARMC on 19 February 2020. All the staff of the Outsourced Internal Auditor assigned on the job are with relevant qualifications and experience; and are free from any relationships or conflict of interest with any company in the Group which could impair their objectivity.

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 2020 Internal Audit Plan which was developed using a risk-based approach and approved by the ARMC.

The Internal Audit Reports are issued to the relevant Management at the conclusion of every audit engagement and reviewed by the ARMC. The causes of the Audit findings, if any, will always be included as part of the internal audit report that requires corrective actions are highlighted to the ARMC and the relevant Management. The relevant Management are 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 covering governance, risk management and internal control processes were carried out during the FY2020 and reported by the Outsourced Internal Auditor:

- Recurrent related party transactions of the Group;
- Operation Management;
- Procurement and Vendor Management;
- Group Finance Management & General Accounting Controls;
- Chartering Management; and
- Account Receivables Management.

Based on the audit conducted within the agreed scope of work, the Outsourced Internal Auditor opined that the overall internal control system was satisfactory.

For FY2020, an amount of RM135,000 was incurred by the Group for internal 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 FY2020 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 ARMC recommends their re-appointment for financial year ending 31 December 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This statement is in line with the paragraph 15.26(b) of 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 Group's business objectives.

The Audit and Risk Management Committee (the "ARMC") 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 risk management framework 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.

KEY INTERNAL CONTROL PROCESSES

The ARMC with its own Terms of Reference 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's internal control system comprises the following key elements:

1. POLICIES AND PROCEDURES

The internal policies and standard operating procedures are appropriately communicated and documented in manuals which are reviewed and revised when necessary to meet changing business, operation and statutory reporting needs.

2. INTERNAL AUDITS

The Group's Internal Audit function is outsourced to Messrs Baker Tilly Monterio Heng Governance Sdn Bhd. The internal auditors perform internal audits on various operating units within the Group based on the annual audit plan approved by the ARMC.

The internal auditors monitor compliance with the Group's policies and procedures and applicable laws and regulations, and provides independent and objective assurance on the adequacy and effectiveness of risk management and internal control system by conducting regular audits and continuous assessments.

Significant audit findings and recommendations for improvement are tabled quarterly in the ARMC Meetings. Internal auditors will also conduct follow up reviews on the implementation of corrective action plans on the audit findings and recommendations.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONTINUED)

KEY INTERNAL CONTROL PROCESSES (CONT'D)

3. RISK MANAGEMENT

A formal Risk Management Framework of the Group has been established and updated recently, following the guidelines stipulated in the ISO31000:2018 Risk Management Standards, with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is designed to provide clear guidelines and processes to identify, evaluate, monitor and manage key risks faced by the Group in which ARMC provides directions and has an oversight role in the risk management process. The established framework helps to ensure proper management of the risks that may impede the achievement of the Group's goal and objectives.

The Group will periodically refine the Risk Management Framework where necessary to match 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 key risks to embed best practices into the Group's risk culture.

The Group has in place an on-going process, as guided by the above framework, for identifying, evaluating and managing the principal risks that affect the attainment of the Group's business objectives and goals for the year under review and up to date of approval of this statement for inclusion in the Annual Report.

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.

4. BOARD MEETINGS

The Board and the ARMC meet every quarter to discuss matters raised by Management and internal auditors on business and operational matters including potential risks and control issues. The Managing Director also reports to the Board on significant changes in business and external environment.

The financial performance of the Group for every quarter is subject to review by the ARMC and the annual financial statements are audited by the external auditors. The ARMC then reports and makes recommendations to the Board of Directors.

5. STAFF COMPETENCY

Recruitment and termination guidelines are in place while training and development programs are conducted to ensure that staff are kept up to date with the necessary competencies to carry out their respective duties towards achieving the Group's objectives.

- 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.

6. CONDUCT OF STAFF

A Code of Ethics for all employees which defines the ethical standards and conduct at work is communicated to all employees upon their employment.

A whistleblowing policy is established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner to enable employees and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate way.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONTINUED)

KEY INTERNAL CONTROL PROCESSES (CONT'D)

7. INSURANCE

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss.

The Group has regularly reviewed the insurance coverage where it is available on economically acceptable terms to minimize the related financial impacts.

REVIEW BY BOARD

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

ASSURANCE TO THE BOARD

The Board has received assurance from the Managing Director representing 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 2020 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 disclosures required by paragraphs 41 and 42 of the Statement on 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 20 April 2021.

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)
Chin Chee Kong	Member	(Non-Independent Non-Executive Director)

Responsibilities

The responsibilities of the Nomination Committee are as follows:

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

- 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;

- 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;

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

- 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;

- 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

- 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.

Meeting held during the the financial year 2020

The Nomination Committee met twice during the financial year under review with following attendance record:

Nomination Committee Members	Attendance
Datuk Mohd Jafni Bin Mohd Alias	2/2
Datuk Dr Abd Hapiz Bin Abdullah	2/2
Chin Chee Kong	2/2

NOMINATION COMMITTEE REPORT

(CONTINUED)

Summary of Activities during financial year ended 31 December 2020

During the financial year ended 31 December 2020, the Nomination Committee, in discharging its functions and duties, carried out the following activities:

- Reviewed the size and composition of the Board and Board Committees;
- Reviewed the mix of skill and experience and other qualities of the Board;
- Assessed the effectiveness of the Board as a whole, the Board Committees and the Directors;
- Discussed and recommended the re-election of retiring Directors;
- Assessed and confirmed the independence of the Independent Directors; and
- Discussed and recommended the proposed appointment of new directors.

The Nomination Committee upon its annual assessment carried out for financial year 2020, was satisfied that:

- The size and composition of the Company Board is optimum with appropriate mix of knowledge, skills, attribute and core competencies;
- The Board has been able to discharge its duties professionally and effectively;
- All the Directors continues to uphold the highest governance standards in discharging their duties and responsibilities;
- 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;
- The Directors are able to devote sufficient time commitment to their roles and responsibilities as evidenced by their attendance records; and
- Majority of the Directors have received training during the financial year ended 31 December 2020 that is relevant and would serve to enhance their effectiveness in the Board.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds Raised From Corporate Proposal

a) Corporate Proposal - Fund Raising

There was no fund-raising corporate proposal carried out during the financial year ended 31 December 2020.

b) Conversion of RCPS

As of 31 March 2021, a total of 1,437,450,699 RCPS which represents 98.2% of the total RCPS subscribed, have been converted into ordinary shares of the Company. As such, the Company's total issued ordinary share capital has increased to 2,215,921,648 units.

Audit and Non-Audit Fees

The audit and non-audit fee paid to the external auditors, KPMG PLT and/or its affiliates for services rendered to the Group and the Company for the financial year ended 31 December 2020 is as follows:

	Group (RM'000)	Company (RM'000)
Audit Fee	230	62
Non-Audit Fees:		
Tax Fee	222	18
Other Fees	10	10
Total	**462**	**90**

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 2020 other than the related party transaction with Dayang Enterprise Sdn Bhd for the chartering of vessels which has been disclosed in Note 27 of the audited financial statement for financial year ended 31 December 2020.

Variation in Results

There was no material variances between the audited results for the financial year ended 31 December 2020 and the unaudited results previously announced.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

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	65,834	57,825
Non-controlling interest	–	–
	65,834	57,825

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 2020

(CONTINUED)

DIRECTORS OF THE COMPANY

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

Alias bin Mat Lazin
Chin Chee Kong
Datuk Hasmi bin Hasnan
Datuk Dr. Abd Hapiz bin Abdullah
Datuk Mohd Jafni bin Mohd Alias
Emily Hii San San *(alternate Director to Datuk Hasmi bin Hasnan)*
Tengku Dato' Yusof bin Tengku Ahmad Shahruddin *(appointed on 18 August 2020)*
Datuk Ling Suk Kiong *(resigned on 23 June 2020)*
Bailey Kho Chung Siang *(resigned on 1 October 2020)*
Sitinur binti Mokhtar *(appointed on 15 May 2020; resigned on 23 March 2021)*
Dato' Gerald Hans Isaac *(resigned on 23 March 2021)*

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 *(resigned on 19 March 2021)*

DIRECTORS' INTEREST IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2020/Date of appointment	**Bought**	**Sold**	**At 31.12.2020**
Interests in the Company:				
Datuk Hasmi bin Hasnan				
- own	290,202	–	–	290,202
Alias bin Mat Lazin				
- own	83,159	66,318	–	149,477
Emily Hii San San				
- own	38	–	–	38

DIRECTORS' REPORT
for the year ended 31 December 2020

(CONTINUED)

DIRECTORS' INTEREST IN SHARES (CONT'D)

	Number of ordinary shares			
	At 1.1.2020/Date of appointment	Bought	Sold	At 31.12.2020
Deemed interests in the Company:				
Datuk Hasmi bin Hasnan	547,773,171	941,573,208	–	1,489,346,379
Interests in the holding company:				
Datuk Hasmi bin Hasnan - own	1,057,030	–	–	1,057,030
Alias bin Mat Lazin - own	123,600	–	–	123,600
Tengku Dato' Yusof bin Tengku Ahmad Shahruddin - own	62,630,160	–	–	62,630,160
Deemed interests in the holding company:				
Datuk Hasmi bin Hasnan	280,414,147	–	–	280,414,147

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.

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 2020

(CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year ended 31 December 2020, a total of 1,436,454,137 Redeemable Convertible Preference Shares ("RCPS") has been converted into 1,436,454,137 ordinary shares. The conversion price of RM0.325 per share was the same as the issue price of the RCPS, and the conversion did not require payment of additional consideration by the RCPS holder.

There were no other 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 2020

(CONTINUED)

OTHER STATUTORY INFORMATION (CONT'D)

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

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

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

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

In the opinion of the Directors, other than the effect of the impairment loss on property, plant and equipment and impairment loss on investments in subsidiaries, as disclosed in Note 3 and 4 respectively to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 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 DURING THE YEAR

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 16 to the financial statements.

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

Tengku Dato' Yusof bin Tengku Ahmad Shahruddin
Director

Alias bin Mat Lazin
Director

Kuala Lumpur,

Date: 20 April 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Property, plant and equipment	3	1,024,552	1,139,953	43	152
Investments in subsidiaries	4	–	–	1,049,216	1,104,600
Deposits	5	12,000	12,000	12,000	12,000
Deferred tax assets	6	7,080	17,833	46	46
Total non-current assets		1,043,632	1,169,786	1,061,305	1,116,798
Inventories	7	2,541	1,689	–	–
Trade and other receivables	8	54,124	79,290	3,703	22,278
Deposits and prepayments	9	5,383	4,560	171	105
Current tax assets		3,391	2,636	2,898	2,392
Cash and cash equivalents	10	46,522	37,561	9,510	10,587
Total current assets		111,961	125,736	16,282	35,362
Total assets		1,155,593	1,295,522	1,077,587	1,152,160
Equity					
Share capital	11	885,198	885,198	885,198	885,198
Reserves	11.3	(69,933)	14,469	(262,053)	(204,228)
Equity attributable to owners of the Company		815,265	899,667	623,145	680,970
Non-controlling interests		–	136	–	–
Total equity		815,265	899,803	623,145	680,970
Liabilities					
Loans and borrowings	12	25,735	103,290	12,179	14,536
Trade and other payables	13	140,721	–	140,721	–
Deferred tax liabilities	6	3,106	3,277	–	–
Total non-current liabilities		169,562	106,567	152,900	14,536
Loans and borrowings	12	76,245	22,397	2,357	3,712
Trade and other payables	13	94,465	265,627	299,185	452,942
Current tax liabilities		56	1,128	–	–
Total current liabilities		170,766	289,152	301,542	456,654
Total liabilities		340,328	395,719	454,442	471,190
Total equity and liabilities		1,155,593	1,295,522	1,077,587	1,152,160

The notes on pages 89 to 157 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	14	208,348	239,997	1,656	1,476
Cost of services		(211,126)	(213,345)	–	–
Gross (loss)/profit		(2,778)	26,652	1,656	1,476
Other income	15	5,725	14,392	8,424	324
Administrative expenses		(10,126)	(20,002)	(2,366)	(12,568)
Loss on impairment of financial instruments		(257)	–	–	–
Other expenses	15	(35,269)	(787)	(56,669)	(5,504)
Results from operating activities	16	(42,705)	20,255	(48,955)	(16,272)
Finance income		895	22,564	255	302
Finance costs		(12,075)	(55,200)	(9,125)	(44,495)
Net finance costs	17	(11,180)	(32,636)	(8,870)	(44,193)
Loss before tax		(53,885)	(12,381)	(57,825)	(60,465)
Taxation	18	(11,949)	(10,623)	–	(217)
Loss for the year		(65,834)	(23,004)	(57,825)	(60,682)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

(CONTINUED)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Other comprehensive expense, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(18,704)	(11,935)	–	–
Cash flow hedge		–	(78)	–	–
Other comprehensive expense for the year		(18,704)	(12,013)	–	–
Total comprehensive expense for the year		(84,538)	(35,017)	(57,825)	(60,682)
Loss for the year attributable to:					
Owners of the Company		(65,834)	(23,004)	(57,825)	(60,682)
Loss for the year		(65,834)	(23,004)	(57,825)	(60,682)
Total comprehensive expense for the year attributable to:					
Owners of the Company		(84,538)	(35,017)	(57,825)	(60,682)
Total comprehensive expense for the year		(84,538)	(35,017)	(57,825)	(60,682)
Loss per share (sen)					
- basic/diluted	20	(3.20)	(2.95)		

The notes on pages 89 to 157 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	< ---- Attributable to owners of the Company								---- >
	< ---- Non-distributable				---- >				
	Share capital RM'000	Redeemable convertible preference shares RM'000	Translation reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group									
As at 1 January 2019	411,219	–	82,377	78	1,635	(34,604)	460,705	136	460,841
Foreign currency translation differences	–	–	(11,935)	–	–	–	(11,935)	–	(11,935)
Cash flow hedge	–	–	–	(78)	–	–	(78)	–	(78)
Total other comprehensive expense for the year	–	–	(11,935)	(78)	–	–	(12,013)	–	(12,013)
Loss for the year	–	–	–	–	–	(23,004)	(23,004)	–	(23,004)
Total comprehensive expense for the year	–	–	(11,935)	(78)	–	(23,004)	(35,017)	–	(35,017)
Issuance of redeemable convertible preference shares (Note 11)	–	473,979	–	–	–	–	473,979	–	473,979
Total transactions with owners of the Company	–	473,979	–	–	–	–	473,979	–	473,979
At 31 December 2019	411,219	473,979	70,442	–	1,635	(57,608)	899,667	136	899,803
	(Note 11)	(Note 11)	(Note 11)		(Note 11)				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

(CONTINUED)

	< ---- Attributable to owners of the Company ---- >								
	< ----Non-distributable ---- >								
	Share capital RM'000	Redeemable convertible preference shares RM'000	Translation reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Accumulated losses RM'000	Sub-total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group									
As at 1 January 2020	411,219	473,979	70,442	–	1,635	(57,608)	899,667	136	899,803
Foreign currency translation differences	–	–	(18,704)	–	–	–	(18,704)	–	(18,704)
Total other comprehensive expense for the year	–	–	(18,704)	–	–	–	(18,704)	–	(18,704)
Loss for the year	–	–	–	–	–	(65,834)	(65,834)	–	(65,834)
Total comprehensive expense for the year	–	–	(18,704)	–	–	(65,834)	(84,538)	–	(84,538)
Conversion of redeemable convertible preference shares (Note 11)	465,178	(465,178)	–	–	–	–	–	–	–
Changes in ownership interests in a subsidiary	–	–	(267)	–	–	403	136	(136)	–
Total transactions with owners of the Company	465,178	(465,178)	(267)	–	–	403	136	(136)	–
At 31 December 2020	876,397	8,801	51,471	–	1,635	(123,039)	815,265	–	815,265
	(Note 11)	(Note 11)	(Note 11)		(Note 11)				

The notes on pages 89 to 157 are an integral part of these financial statements.

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2020

	< -- *Non-distributable* -- >			
	Share capital RM'000	**Redeemable convertible preference shares RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
Company				
At 1 January 2019	411,219	–	(143,546)	267,673
Loss/Total comprehensive expense for the year	–	–	(60,682)	(60,682)
Issuance of redeemable convertible preference shares (Note 11)	–	473,979	–	473,979
At 31 December 2019/1 January 2020	411,219	473,979	(204,228)	680,970
Loss/Total comprehensive expense for the year	–	–	(57,825)	(57,825)
Conversion of redeemable convertible preference shares (Note 11)	465,178	(465,178)	–	–
At 31 December 2020	876,397	8,801	(262,053)	623,145
	(Note 11)	(Note 11)		

The notes on pages 89 to 157 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Loss before tax		(53,885)	(12,381)	(57,825)	(60,465)
Adjustments for:					
Impairment loss/(Reversal of impairment loss) on property, plant and equipment	3	33,667	(11,945)	–	–
Impairment loss on financial assets	16	257	–	–	–
Impairment loss on investments in subsidiaries	16	–	–	55,363	5,504
Loss on liquidation of subsidiaries		–	–	21	–
Depreciation of property, plant and equipment	3	81,370	80,797	109	129
Finance costs	17	12,075	55,200	9,125	44,495
Finance income	17	(895)	(22,564)	(255)	(302)
Unrealised gain in foreign exchange	16	(3,845)	(1,564)	(1,340)	(324)
Operating profit/(loss) before changes in working capital		68,744	87,543	5,198	(10,963)
Changes in working capital:					
Inventories		(852)	719	–	–
Trade and other receivables, deposits and prepayments		23,416	(11,485)	18,509	(2,393)
Trade and other payables		(6,581)	(20,622)	7,475	35,532
Cash generated from operations		84,727	56,155	31,182	22,176
Income tax paid		(3,194)	(1,794)	(506)	(274)
Net cash from operating activities		81,533	54,361	30,676	21,902

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

(CONTINUED)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from investing activities					
Interest received		895	871	255	302
Purchase of property, plant and equipment	3	(16,704)	(13,016)	–	(35)
Withdrawal of fixed deposits pledged		–	6,083	–	6,083
Net cash (used in)/generated from investing activities		(15,809)	(6,062)	255	6,350
Cash flows from financing activities					
Repayment of Sukuk		–	(445,247)	–	(445,247)
Repayment of secured term loans		(13,510)	(13,669)	–	–
Repayment of term loan - Commodity Murabahah Financing - I		(4,418)	–	–	–
Repayment of revolving credit		(1,748)	(252)	(1,748)	(252)
(Repayment)/Drawdown of term loan - Islamic		(1,964)	10,200	(1,964)	10,200
(Repayment to)/Advances from a related company		(22,700)	455,000	(22,700)	455,000
Security deposit paid		–	(12,000)	–	(12,000)
Interest paid		(8,401)	(12,746)	(5,596)	(2,607)
Coupon paid		–	(24,267)	–	(24,267)
Net cash used in financing activities		(52,741)	(42,981)	(32,008)	(19,173)
Net increase/(decrease) in cash and cash equivalents		12,983	5,318	(1,077)	9,079
Effect of exchange rate movements		(4,022)	1,781	–	–
Cash and cash equivalents at 1 January		37,561	30,462	10,587	1,508
Cash and cash equivalents at 31 December		46,522	37,561	9,510	10,587

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

(CONTINUED)

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deposits placed with licensed banks	28,420	19,867	8,900	9,800
Cash on hand and at banks	18,102	17,694	610	787
Cash and cash equivalents	46,522	37,561	9,510	10,587

Cash outflows for leases as a lessee

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Included in net cash from operating activities:				
Payment relating to short-term leases	34,146	24,557	93	78

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

(CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.1.2019 RM'000	Net changes from financing cash flows RM'000	Changes arising from extinguishment of financial liabilities via of acquisition a subsidiary RM'000	Foreign exchange movement RM'000	Other changes RM'000	At 31.12.2019/ 1.1.2020 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	At 31.12.2020 RM'000
Group									
Sukuk	438,528	(445,247)	–	–	6,719	–	–	–	–
Secured term loans	43,165	(13,669)	62,023	(298)	(7,039)	84,182	(13,510)	(1,602)	69,070
Term loan – Commodity Murabahah Financing – I	24,846	–	–	(282)	(225)	24,339	(4,418)	(465)	19,456
Finance lease liabilities	124,713	–	(123,298)	(1,415)	–	–	–	–	–
Revolving credits	2,000	(252)	–	–	–	1,748	(1,748)	–	–
Term loan – Islamic	–	10,200	–	–	5,218	15,418	(1,964)	–	13,454
Net advances from related company (Note 13)	190,661	455,000	–	–	(455,000)	190,661	(22,700)	–	167,961
Total liabilities from financing activities	823,913	6,032	(61,275)	(1,995)	(450,327)	316,348	(44,340)	(2,067)	269,941
Company									
Sukuk	438,528	(445,247)	–	–	6,719	–	–	–	–
Revolving credits	2,000	(252)	–	–	–	1,748	(1,748)	–	–
Term loan – Islamic	–	10,200	–	–	6,300	16,500	(1,964)	–	14,536
Net advances from related company (Note 13)	190,661	455,000	–	–	(455,000)	190,661	(22,700)	–	167,961
Total liabilities from financing activities	631,189	19,701	–	–	(441,981)	208,909	(26,412)	–	182,497

The notes on pages 89 to 157 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 and principal place of business 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 2020 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 20 April 2021.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and 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 accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020*)
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

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

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

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for the amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021 and 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, interpretations and amendments are not expected to have any material financial impact 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 as 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 RM58.8 million and RM285.3 million respectively as at the end of the financial year. Furthermore, the Group and the Company recorded net losses of RM65.8 million and RM57.8 million respectively for the current financial year. This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period.

The validity of the going concern assumption is dependent on the holding company agreeing to provide continuous financial backing to support the Group and the Company to meet their obligations when due. The Directors have also considered the future profitability and cash flows of the Group and the Company in determining the appropriateness of the going concern basis for the preparation of the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement (Cont'd)

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 3.2 - impairment testing of property, plant and equipment;
- Note 4 - impairment testing of investment in subsidiaries; and
- Note 6 - recognition of deferred tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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 whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) Acquisitions of non-controlling interests

The Group 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income or expense for the year between non-controlling interests and owners of the Company.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(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

(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.

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(c) 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)).

Financial liabilities

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial liabilities (Cont'd)

(a) Fair value through profit or loss

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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.

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.

(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

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) Hedge accounting (Cont'd)

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with 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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(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

(CONTINUED)

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. 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%
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) Leases

(i) Definition of a lease

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(i) Definition of a lease (Cont'd)

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are lessees, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Company entities use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group and the Company exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

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

(b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group and the Company are intermediate lessors, they account for their interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

(iii) Subsequent measurement (Cont'd)

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue" [see Note 2(m)(i)].

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* [see Note 2(k)(i)].

(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 conversion cost and other costs incurred 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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 relates 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 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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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 amortized 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Revenue and other income

The following is a description of principal activities from which the Group and the Company generates their revenue and other income.

(i) Vessel charter income

Upon the adoption of MFRS 16, *Leases,* the Group has reassessed its charter hires with customers and determined that these are leases under MFRS 16.

The Group, as a lessor, generates revenue from leasing out marine vessels under charter hires. Vessel charter income is recognised over the term of the charter on an accrual basis.

(ii) Mobilisation services

Income from mobilisation services is recognised in profit or loss when mobilisation costs are incurred and billed to a customer.

(iii) Catering services

Income from catering services is recognised in profit or loss when the services are performed and transferred to a customer.

(iv) 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.

(v) 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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

The 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of dilutive potential ordinary shares arising from issuance of RCPS.

(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 Managing 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) Preference share capital

Preference shares are classified as equity. It is redeemable at the Company's option, with no entitlement to receive dividend. The preference shares are convertible and transferrable.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

Level 3: unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Marine vessels (subject to operating lease) RM'000	Vessel equipment RM'000	Dry docking 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 2019	1,737,344	15,356	64,071	78	807	4,059	412	3,037	1,825,164
Additions	–	3,129	9,516	–	–	–	–	371	13,016
Effect of movements in exchange rate	(17,344)	(70)	(610)	–	–	–	–	–	(18,024)
At 31 December 2019/ 1 January 2020	1,720,000	18,415	72,977	78	807	4,059	412	3,408	1,820,156
Additions	–	2,282	14,422	-	-	-	-	-	16,704
Write off	–	–	–	(78)	(10)	(219)	(208)	(1,408)	(1,923)
Effect of movements in exchange rate	(29,173)	(61)	(1,394)	–	–	–	–	–	(30,628)
At 31 December 2020	1,690,827	20,636	86,005	–	797	3,840	204	2,000	1,804,309
Depreciation and impairment loss									
At 1 January 2019									
Accumulated depreciation	493,711	12,530	48,250	78	804	3,945	412	2,820	562,550
Accumulated impairment loss	54,571	–	–	–	–	–	–	–	54,571
	548,282	12,530	48,250	78	804	3,945	412	2,820	617,121
Depreciation for the year (Note 16)	71,554	1,418	7,505	–	3	56	–	261	80,797
Reversal of impairment loss (Note 16)	(11,945)	–	–	–	–	–	–	–	(11,945)
Effect of movements in exchange rate	(5,253)	(69)	(448)	–	–	–	–	–	(5,770)
At 31 December 2019									
Accumulated depreciation	560,012	13,879	55,307	78	807	4,001	412	3,081	637,577
Accumulated impairment loss	42,626	–	–	–	–	–	–	–	42,626
At 31 December 2019	602,638	13,879	55,307	78	807	4,001	412	3,081	680,203

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

Group	Marine vessels (subject to operating lease) RM'000	Vessel equipment RM'000	Dry docking 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)									
At 1 January 2020									
Accumulated depreciation	560,012	13,879	55,307	78	807	4,001	412	3,081	637,577
Accumulated impairment loss	42,626	–	–	–	–	–	–	–	42,626
	602,638	13,879	55,307	78	807	4,001	412	3,081	680,203
Depreciation for the year (Note 16)	72,534	1,505	7,038	–	–	26	–	267	81,370
Impairment loss (Note 16)	33,667	–	–	–	–	–	–	–	33,667
Effect of movements in exchange rate	(12,693)	(31)	(836)	–	–	–	–	–	(13,560)
Write off	–	–	–	(78)	(10)	(219)	(208)	(1,408)	(1,923)
At 31 December 2020									
Accumulated depreciation	625,416	15,353	61,509	–	797	3,808	204	1,940	709,027
Accumulated impairment loss	70,730	–	–	–	–	–	–	–	70,730
At 31 December 2020	696,146	15,353	61,509	–	797	3,808	204	1,940	779,757
Carrying amount									
At 31 December 2019	1,117,362	4,536	17,670	–	–	58	–	327	1,139,953
At 31 December 2020	994,681	5,283	24,496	–	–	–	32	60	1,024,552

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

Company	Note	Office equipment RM'000	Furniture and fittings RM'000	Others RM'000	Total RM'000
Cost					
At 1 January 2019		319	218	1,804	2,341
Additions		–	–	35	35
At 31 December 2019/ 1 January 2020		319	218	1,839	2,376
Write off		–	–	(215)	(215)
At 31 December 2020		319	218	1,624	2,161
Accumulated depreciation					
At 1 January 2019		305	199	1,591	2,095
Depreciation for the year	16	7	7	115	129
At 31 December 2019/ 1 January 2020		312	206	1,706	2,224
Depreciation for the year	16	5	6	98	109
Write off		-	-	(215)	(215)
At 31 December 2020		317	212	1,589	2,118
Carrying amount					
At 31 December 2019		7	12	133	152
At 31 December 2020		2	6	35	43

3.1 Security

Four (2019: Four) marine vessels with a total carrying amount of RM254.4 million (2019: RM278.0 million) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Note 12), while eleven (2019: eleven) marine vessels with a total carrying amount of RM764.6 million (2019: RM856.9 million) are pledged to the Sukuk issued by the holding company (see Note 12).

3.2 Impairment testing of property, plant and equipment

The Group's main customers are from oil and gas companies involved in upstream exploration activities. The volatility of crude oil prices in 2020 have continued to affect the business activities of the industry in which the Group operates.

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

3.2 Impairment testing of property, plant and equipment (Cont'd)

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 54% to 77% (2019: 75% to 80%);
(b) Average daily charter rate ranging from RM28,000 to RM64,000 (2019: RM28,000 to RM65,000);
(c) Daily operating costs ranging from RM9,000 to RM14,700 (2019: RM9,000 to RM14,280);
(d) Average growth rate of 2% (2019: average 6%) and subsequently a growth rate of 5% (2019: 5%) in every five years;
(e) Salvage value based on market value of scrap steel plates at USD550 (2019: USD550) per tonne multiplied by the lightweight of the vessels; and
(f) Pre-tax discount rate of 10% (2019: 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. 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.

Following the assessment, the Group has recognised a net impairment loss of RM33.7 million (2019: net reversal of impairment loss of RM11.9 million) (see Note 16) on nine (2019: six) vessels in the profit or loss, as the estimated recoverable amounts of these vessels are lower (2019: higher) than their carrying amounts.

Impairment loss sensitivity analysis

This analysis is based on utilisation rate and discount rate that the Group considered to be reasonable 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 RM49.1 million (2019: RM25.4 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM93.5 million (2019: RM51.1 million).

3.3 Marine vessels subject to operating lease

The Group leases marine vessels to third parties. Each of the leases contains an initial non-cancellable period ranging from 4 days to 365 days. Some of these leases also include extension option clauses which are subject to negotiation with the lessee before the end of the initial tenure.

The Group generally does not require a financial guarantee on the lease arrangement as the majority of the lessees are reputable oil majors. Nevertheless, the Group may request for advanced charter payments from certain lessee, depending on the Group's assessment on the credit worthiness of the respective lessee, regardless of the lease period. These leases do not include residual value guarantees.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

3.3 Marine vessels subject to operating lease (Cont'd)

The following is recognised in profit or loss:

	2020 RM'000	2019 RM'000
Group		
Vessel charter income	193,895	221,680

The operating lease payments to be received are as follows:

	2020 RM'000	2019 RM'000
Group		
Less than one year	12,282	86,371
One to two years	–	13,135
Total undiscounted lease payments	12,282	99,506

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
At cost		
Unquoted shares		
- in Malaysia	1,319,576	1,319,576
- outside Malaysia	21,155	21,176
Less: impairment loss	(291,515)	(236,152)
	1,049,216	1,104,600

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
Direct subsidiaries				
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 Neptune Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Pluto Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Saturn Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Earth Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Mars Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Jupiter Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100
Petra Offshore Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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 2020 %	2019 %
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
Perdana Venus Limited**	The Republic of the Marshall Island	Dormant	–	100
Odin Explorer Navigation Limited**	The British Virgin Island	Dormant	–	100
Geoseas Technologies Limited**	The British Virgin Island	Dormant	–	51
Subsidiary of Perdana Jupiter Limited				
Mount Santubong Limited	Federal Territory of Labuan, Malaysia	Making strategic investments in shipping and shipping-related assets and businesses	100	100

* Not audited by member firms of KPMG International.

** During the current financial year, these companies have been placed under dissolution under the laws of the Business Companies Act, 2004 of BVI and Marshall Islands Business Corporations Act.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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 continuing use of the subsidiaries' assets. The value-in-use calculation was based on the key assumptions as detailed in Note 3.2.

Following the assessment, the Group recognised impairment loss of RM55.4 million (2019: RM5.5 million) (see Note 16) on two (2019: one) subsidiaries in the profit or loss, as the estimated recoverable amount of the subsidiaries are lower than its carrying amounts.

5. DEPOSITS

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Security deposit	5.1	12,000	12,000	12,000	12,000

5.1 Security deposit is a deposit held by a creditor over the tenure of an Islamic term loan (see Note 12.1).

6. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	–	–	(3,360)	(3,464)	(3,360)	(3,464)
Capital allowances carried forward	46	7,629	–	–	46	7,629
Tax losses carried forward	8,490	10,356	–	–	8,490	10,356
Other provision	(1,202)	35	–	–	(1,202)	35
Deferred tax assets/(liabilities)	7,334	18,020	(3,360)	(3,464)	3,974	14,556
Set-off of tax	(254)	(187)	254	187	–	–
Net deferred tax assets/ (liabilities)	7,080	17,833	(3,106)	(3,277)	3,974	14,556
Company						
Capital allowances carried forward	46	46	–	–	46	46

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

6. DEFERRED TAX (CONT'D)

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

	At 1.1.2019 RM'000	Recognised in profit or loss RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss RM'000	At 31.12.2020 RM'000
Group					
Property, plant and equipment	(3,463)	(1)	(3,464)	104	(3,360)
Capital allowances carried forward	11,927	(4,298)	7,629	(7,583)	46
Tax losses carried forward	11,370	(1,014)	10,356	(1,866)	8,490
Other provision	2,288	(2,253)	35	(1,237)	(1,202)
	22,122	(7,566)	14,556	(10,582)	3,974
		(Note 18)		(Note 18)	
Company					
Capital allowances carried forward	46	–	46	–	46

Recognised deferred tax assets

The 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 55% to 78% (2019: 75% to 80%);
(ii) Vessel operating costs for 2021 were budgeted based on operating expenditure as at 31 December 2020 and increase by 2% every subsequent years;
(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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

6. DEFERRED TAX (CONT'D)

Unrecognised deferred tax assets

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

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
Unabsorbed capital allowances	456	407
Unutilised tax losses	9,167	18,255
	9,623	18,662

Deferred tax assets of the Group and the Company of RM2.3 million (2019: RM4.5 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 the latest tax legislations, unutilised tax losses from a year of assessment can only be carried forward up to 7 consecutive years of assessments ("YAs").

Unutilised tax losses of RM42.8 million and RM1.6 million expire in 2025 and 2026 respectively under the current tax legislation of Malaysia.

7. INVENTORIES

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Materials and consumables - at cost	2,541	1,689
Recognised in profit or loss:		
Inventories recognised as part of cost of services	9,434	11,384

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current					
Trade					
Amount due from related companies	8.1	30,484	21,946	–	42
Trade receivables		21,198	32,956	–	–
Allowance for impairment loss		(284)	(297)	–	–
		20,914	32,659	–	–
Sub-total		51,398	54,605	–	42
Non-trade					
Amount due from subsidiaries	8.2	–	–	3,702	1,454
Other receivables		4,169	26,128	1	20,782
Allowance for impairment losses		(1,443)	(1,443)	–	–
		2,726	24,685	1	20,782
Sub-total		2,726	24,685	3,703	22,236
Total		54,124	79,290	3,703	22,278

Group and Company

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits	3,411	2,641	32	44
Prepayments	1,972	1,919	139	61
	5,383	4,560	171	105

Included in the Group's deposits is placement of fund of USD293,000 (2019: USD293,000) 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.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits placed with licensed banks	28,420	19,867	8,900	9,800
Cash on hand and at banks	18,102	17,694	610	787
	46,522	37,561	9,510	10,587

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. CAPITAL AND RESERVES

Share capital

	Group and Company			
	2020		2019	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 January	411,219	778,471	411,219	778,471
Conversion of redeemable convertible preference shares ("RCPS")	465,178	1,436,454	–	–
At 31 December	876,397	2,214,925	411,219	778,471
Redeemable convertible preference shares ("RCPS")				
At 1 January	473,979	1,463,629	473,979	1,463,629
Conversion of redeemable convertible preference shares ("RCPS")	(465,178)	(1,436,454)	–	–
At 31 December	8,801	27,175	473,979	1,463,629
Total issued and paid-up share capital	885,198	2,242,100	885,198	2,242,100

During the financial year ended 31 December 2020, a total of 1,436,454,137 Redeemable Convertible Preference Shares ("RCPS") has been converted into 1,436,454,137 ordinary shares. The conversion price of RM0.325 per share was the same as the issue price of the RCPS, and the conversion did not require payment of additional consideration by the RCPS holder.

11.1 Ordinary shares

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.

	RM'000
Balance at issue price	878,067
Transaction costs of RCPS reclassified to ordinary shares	(1,670)
	876,397

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. CAPITAL AND RESERVES (CONT'D)

11.2 Redeemable convertible preference shares ("RCPS")

	RM'000
Proceeds from the issuance of RCPS at 31 December 2019	475,679
Transaction costs	(1,700)
Net proceeds	473,979
Conversion of RCPS into ordinary shares	(466,848)
Transaction costs of RCPS reclassified to ordinary shares	1,670
Net conversion of RCPS into ordinary shares	(465,178)
	8,801

The RCPS has tenure of ten (10) years from the date of issuance on 31 December 2019.

Holders of RCPS are not entitled to receive dividend. They do not carry the right to vote except where there is:

(i) a proposal to reduce the Company's share capital;
(ii) a proposal for the disposal of the whole of the Company's property, business and undertaking;
(iii) a proposal that affects the rights and privileges attached to the RCPS including the amendments to the Constitutions of the Company; and
(iv) a proposal to wind up the Company.

Under the circumstances listed above, each RCPS holder shall be entitled to vote at all general meetings of the Company, and a poll at any such general meetings to one (1) vote for each RCPS held.

Conversion

The RCPS shall be convertible into conversion shares (i.e. new ordinary shares to be issued upon conversion of the RCPS) at the option of the RCPS holders in accordance with the conversion ratio, either in whole or in part, at any time during the conversion period upon the tendering of a valid conversion notice by the RCPS holder. Such conversion will not require payment of additional consideration by the holder.

The conversion price shall be the same as the issue price of the RCPS, and one (1) RCPS is convertible into one (1) new ordinary share. The conversion ratio may be subject to adjustments from time to time, at the determination of the Company's Board, in the event of any alteration to the Company's share capital on or before the final redemption date, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being affected, in accordance with the provisions of the Constitution of the Company. RCPS holders are not required to make any additional cash payment for the conversion of any RCPS into new ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11. CAPITAL AND RESERVES (CONT'D)

11.2 Redeemable convertible preference shares ("RCPS") (Cont'd)

Redemption

The Company shall have the option to redeem the RCPS in cash at 100% of the issue price of the RCPS, in whole or in part (but always in the same proportion in relation to each RCPS holder), at any time during the tenure of the RCPS. The Company shall give the RCPS holders no less than 30 calendar days' notice prior to the date of redemption. The RCPS holders shall be entitled to exercise their conversion rights in the event the Company issues notice of redemption. The RCPS which have been redeemed will be cancelled and cannot be reissued.

Any outstanding RCPS not redeemed or converted into conversion shares at the end of the tenure of the RCPS shall be automatically converted into conversion shares.

11.3 Reserves

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable:-				
Translation reserve (Note 11.4)	51,471	70,442	–	–
Other capital reserve (Note 11.5)	1,635	1,635	–	–
	53,106	72,077	–	–
Distributable:-				
Accumulated losses	(123,039)	(57,608)	(262,053)	(204,228)
	(69,933)	14,469	(262,053)	(204,228)

11.4 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.

11.5 Other capital reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12. LOANS AND BORROWINGS

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-current					
Term loan - Islamic	12.1	11,097	13,454	12,179	14,536
Term loan - Commodity Murabahah Financing - I	12.2	14,638	19,426	–	–
Secured term loans	12.3	–	70,410	–	–
		25,735	103,290	12,179	14,536
Current					
Term loan - Islamic	12.1	2,357	1,964	2,357	1,964
Term loan - Commodity Murabahah Financing - I	12.2	4,818	4,913	–	–
Secured term loans	12.3	69,070	13,772	–	–
Revolving credits		–	1,748	–	1,748
		76,245	22,397	2,357	3,712
Total		101,980	125,687	14,536	18,248

12.1 Term loan - Islamic

In August 2019, the Group fully settled a previous term loan via refinancing with this Islamic term loan, amounting to RM16.5 million, which is repayable over a tenure of seven (7) years. The Islamic term loan is secured by a RM12.0 million security deposit (see Note 5) that is exchangeable in the form of a bank guarantee at any time during the tenure of the facility.

12.2 Term loan - 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 was subject to floating interest rate and was being hedged by an interest rate swap. The interest rate is a swap arrangement that has been terminated in the previous financial year.

The term loan has been restructured with a 4-year extension in tenure and revision in interest rate from LIBOR+2.50% per annum to LIBOR+1.75% per annum during the previous financial year. The restructuring of this term loan had resulted in a gain of RM0.2 million recognised in the previous financial year (see Note 17).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12. LOANS AND BORROWINGS (CONT'D)

12.3 Term loans

The term loans are secured by:

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

In the previous financial year, the Group:

(a) fully settled the outstanding amount of one term loan and refinanced into a new Islamic term loan (Note 12.1). The refinancing had resulted in a gain of RM1.1 million recognised in the previous financial year (see Note 17);

(b) restructured a term loan with a tenure extension of 2 years and revision in interest rate from LIBOR+3.90% per annum to LIBOR+2.75% per annum. The restructuring of the term loan had resulted in a loss of RM0.7 million recognised in the previous financial year (see Note 17); and

(c) restructured a term loan with a tenure extension of 7 years and revision in interest rate from LIBOR+2.50% per annum to LIBOR+1.75% per annum. The restructuring of the term loan had resulted in a gain of RM1.5 million recognised in the previous financial year (see Note 17).

12.4 Significant covenants on loans and borrowings

The Group is also subject to the following significant loan covenants on loans and borrowings:

(i) book equity not less than USD100 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;
(v) unencumbered cash not less than USD7 million or the equivalent in any other currency; and
(vi) total interest-bearing debts at no more than 2.5 times its book equity.

As at 31 December 2020, the Group did not meet certain covenant of a term loan with a total carrying amount of RM49.2 million. As a result, the non-current portion of the term loan of RM40.6 million was reclassified to current liability as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current					
Non-trade					
Amount due to a related company	13.1	140,721	–	140,721	–
Current					
Trade					
Trade payables		29,235	32,153	–	–
Non-trade					
Amount due to a related company	13.1	57,159	216,876	56,544	216,418
Amount due to subsidiaries	13.2	–	–	242,365	231,366
Other payables		7,048	7,044	23	1,023
Accrued expenses		1,023	9,554	253	4,135
		65,230	233,474	299,185	452,942
Total		235,186	265,627	439,906	452,942

Group and Company

13.1 Included in amount due to a related company are unsecured advances of RM168.0 million (2019: RM190.7 million), subject to interest base rate+1.30% (2019: 6%) per annum and repayable over the term of 79 months. In the previous financial year, the advances were payable on demand.

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

14. REVENUE

	2020 RM'000	2019 RM'000
Group		
Revenue from contracts with customers	5,563	8,167
Other revenue		
- Vessel charter income	193,895	221,680
- Mobilisation and demobilisation income	8,890	10,150
	208,348	239,997
Company		
Revenue from contracts with customers	1,656	1,476

NOTES TO THE FINANCIAL STATEMENTS

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14. REVENUE (CONT'D)

14.1 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.

	2020 RM'000	2019 RM'000
Group		
Major service line		
Catering services	5,563	8,167
Timing of recognition		
At a point in time	5,563	8,167

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

	2020 RM'000	2019 RM'000
Company		
Major service line		
Management services	1,656	1,476
Timing and recognition		
Over time	1,656	1,476

14.2 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
Catering services	Revenue is recognised at a point in time when the services are rendered to the customers.	Credit periods of 30 to 45 days from invoice date.

NOTES TO THE FINANCIAL STATEMENTS

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14. REVENUE (CONT'D)

14.2 Nature of services (Cont'd)

The following information reflects the typical transactions as follows:

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 Company.	Credit periods of 30 to 45 days from invoice date.

15. OTHER INCOME/(EXPENSES)

Group

Included in other income is a gain on foreign exchange of RM3.8 million (2019: RM1.6 million), whereas in the previous financial year, other income included a reversal of impairment loss on property, plant and equipment (Note 3.2) of RM11.9 million.

Included in the other expenses are mainly loss on foreign exchange of RM1.3 million (2019: RM0.5 million) and impairment loss on property, plant and equipment (Note 3.2) of RM33.7 million during the year (2019: Nil).

Company

Included in other income are gain on foreign exchange of RM1.3 million (2019: RM0.3 million) and payables written back of RM7.1 million (2019: Nil) during the year.

Included in the other expenses are impairment loss on investments in subsidiaries of RM55.4 million (2019: RM5.5 million) and loss of foreign exchange of RM1.2 million (2019: Nil) during the year.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

16. RESULTS FROM OPERATING ACTIVITIES

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Results from operating activities is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
- KPMG PLT		230	230	62	62
- others		5	4	–	–
- Non-audit fees					
- KPMG PLT		10	110	10	10
- affiliates of KPMG PLT		222	54	18	20
Material expenses/(income):					
Depreciation of property, plant and equipment	3	81,370	80,797	109	129
Impairment loss on financial assets at amortised cost		257	–	–	–
Impairment loss on investments in subsidiaries	4	–	–	55,363	5,504
Impairment loss on property, plant and equipment	3	33,667	–	–	–
Net loss on foreign exchange - realised		1,306	465	1,186	1
Personnel expenses (including key management personnel):					
- contributions to the Employees Provident Fund		563	590	67	73
- wages, salaries and others		53,163	54,288	578	629
Net gain on foreign exchange - unrealised		(3,845)	(1,564)	(1,340)	(324)
Reversal of impairment loss on property, plant and equipment	3	–	(11,945)	–	–
Expenses arising from leases:					
Expenses relating to short-term leases		41,161	34,567	154	169

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17. FINANCE INCOME/(COSTS)

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Recognised in profit or loss				
Interest income of financial assets:				
- short term deposits	895	871	255	302
- accretion of refundable deposits	–	868	–	–
Net gain arising from extinguishment of financial liabilities via acquisition of a subsidiary	–	18,778	–	–
Net gain on refinancing/restructuring of loans and borrowings (see Note 12.2 and 12.3)	–	2,047	–	–
	895	22,564	255	302
Interest/coupon expense of financial liabilities:				
- Sukuk (coupon)	–	(27,338)	–	(27,338)
- term loans	(2,950)	(6,731)	–	–
- finance lease liabilities	–	(3,969)	–	–
- revolving credits	(3)	(75)	(3)	(75)
- related company	(8,802)	(13,811)	(8,802)	(13,811)
- others	(320)	(494)	(320)	(489)
Loss on early redemption of Sukuk (i)	–	(2,782)	–	(2,782)
	(12,075)	(55,200)	(9,125)	(44,495)
Net finance costs recognised in profit or loss	(11,180)	(32,636)	(8,870)	(44,193)

(i) In the previous financial year, the outstanding Sukuk was early redeemed and settled on 15 November 2019, following the successful completion of the Group's debt restructuring exercise. The early settlement had resulted in a loss of RM2.8 million.

NOTES TO THE FINANCIAL STATEMENTS

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18. TAXATION

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current tax expense				
Malaysian - current year	1,896	3,050	–	–
- prior years	(529)	7	–	217
	1,367	3,057	–	217
Deferred tax expense (Note 6)				
Origination and reversal of temporary differences				
- current year	5,976	4,403	–	–
- under provision in prior years	4,606	3,163	–	–
	10,582	7,566	–	–
Total taxation	11,949	10,623	–	217
Reconciliation of taxation				
Loss for the year	(65,834)	(23,004)	(57,825)	(60,682)
Total taxation	11,949	10,623	–	217
Loss excluding tax	(53,885)	(12,381)	(57,825)	(60,465)
Tax calculated using Malaysian tax rate of 24% (2019: 24%)	(12,931)	(2,972)	(13,878)	(14,512)
Tax effect under Labuan Business Activity Act 1990	1,973	2,103	–	–
Movement in unrecognised deferred tax assets	(2,169)	2,612	(2,169)	2,612
Non-deductible expenses	22,491	10,955	16,369	11,978
Non-taxable income	(1,492)	(5,245)	(322)	(78)
Under-provision in prior years	4,077	3,170	–	217
Total taxation	11,949	10,623	–	217

NOTES TO THE FINANCIAL STATEMENTS

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19. COMPENSATIONS TO KEY MANAGEMENT PERSONNEL

Compensations to key management personnel are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Executive Directors:				
- fee	293	–	293	–
- non-fee emoluments	277	605	277	605
	570	605	570	605
Non-executive Directors:				
- fee	405	388	405	388
- non-fee emoluments	27	34	27	34
	432	422	432	422
Total Directors' remuneration	1,002	1,027	1,002	1,027

20. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2020 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Loss attributable to ordinary shareholders	(65,834)	(23,004)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 31 December	2,057,660	778,471
Basic loss per share (sen)	(3.20)	(2.95)

Diluted loss per ordinary share

As at the end of the reporting period, 27,175,062 RCPS have yet to be converted to new ordinary shares of the Company. As these outstanding RCPS are antidilutive for the period, they have not been included in the calculation of diluted loss per share.

NOTES TO THE FINANCIAL STATEMENTS

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21. DIVIDEND

No dividend has been declared or paid for the financial year ended 31 December 2020 and 2019.

22. 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.

Group

	Marine offshore support services	
	2020 RM'000	**2019 RM'000**
Segment (loss)/profit	(80,227)	42,132
Included in the measure of segment profit/(loss) are:		
Revenue from external customers	208,348	239,997
Inter-segment revenue	270,040	312,322
Depreciation and amortisation	(81,261)	(80,668)
Finance costs	(2,950)	(10,705)
Finance income	640	22,262
(Impairment loss)/Reversal of impairment loss on property, plant and equipment	(33,667)	11,945
Unrealised foreign exchange gain	4,016	1,876
Net gain arising from extinguishment of financial liabilities	–	18,778
Segment assets	982,632	1,173,093

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22. OPERATING SEGMENTS (CONT'D)

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

	Marine offshore support services	
	2020 RM'000	**2019 RM'000**
Profit or loss		
Total profit or loss for reportable segments	(80,227)	42,132
Other non-reportable segments	(57,824)	(59,383)
Elimination of inter-segment profits	84,166	4,870
Consolidated loss before tax	(53,885)	(12,381)

2020	**External revenue RM'000**	**Depreciation and amortisation RM'000**	**Finance costs RM'000**	**Finance income RM'000**	**Segment assets RM'000**
Total reportable segments	208,348	(81,261)	(2,950)	640	982,632
Other non-reportable segments	–	(109)	(9,125)	255	835,222
Elimination of inter-segment transactions or balances	–	–	–	–	(662,261)
Consolidated total	208,348	(81,370)	(12,075)	895	1,155,593
2019					
Total reportable segments	239,997	(80,668)	(10,705)	22,262	1,173,093
Other non-reportable segments	–	(129)	(44,495)	302	920,794
Elimination of inter-segment transactions or balances	–	–	–	–	(798,365)
Consolidated total	239,997	(80,797)	(55,200)	22,564	1,295,522

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22. OPERATING SEGMENTS (CONT'D)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Geographical information

Group

	Revenue		Non-current assets	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Malaysia	208,348	239,997	1,024,552	1,139,953

Major customers

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

	Revenue		Segment
	2020 RM'000	**2019 RM'000**	
All common control companies of:			
- Customer A	68,568	69,113	Marine offshore support service
- Customer B	103,221	118,671	Marine offshore support service
- Customer C	–	12,882	Marine offshore support service

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Note	**Carrying amount RM'000**	**AC RM'000**
2020			
Financial assets			
Group			
Deposits	5, 9	15,411	15,411
Trade and other receivables	8	54,124	54,124
Cash and cash equivalents	10	46,522	46,522

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments (Cont'd)

	Note	Carrying amount RM'000	AC RM'000
2020			
Company			
Deposits	5,9	12,032	12,032
Trade and other receivables	8	3,703	3,703
Cash and cash equivalents	10	9,510	9,510
Financial liabilities			
Group			
Loans and borrowings	12	(101,980)	(101,980)
Trade and other payables	13	(235,186)	(235,186)
Company			
Loans and borrowings	12	(14,536)	(14,536)
Trade and other payables	13	(439,906)	(439,906)
2019			
Financial assets			
Group			
Deposits	5,9	14,641	14,641
Trade and other receivables	8	79,290	79,290
Cash and cash equivalents	10	37,561	37,561
Company			
Deposits	5,9	12,044	12,044
Trade and other receivables	8	22,278	22,278
Cash and cash equivalents	10	10,587	10,587
Financial liabilities			
Group			
Loans and borrowings	12	(125,687)	(125,687)
Trade and other payables	13	(265,627)	(265,627)
Company			
Loans and borrowings	12	(18,248)	(18,248)
Trade and other payables	13	(452,942)	(452,942)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Net gains/(losses) on:				
Loans and receivables	(95)	680	255	302
Financial liabilities at amortised cost	(8,547)	(32,216)	(8,970)	(44,171)
	(8,642)	(31,536)	(8,715)	(43,869)

23.3 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 changes as compared to prior year.

(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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 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 five (2019: one) counterparties amounting to RM20.1 million (2019: RM27.5 million).

Recognition and measurement of impairment loss

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 expected credit losses ("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 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 following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020 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
2020			
Current (not past due)	14,834	–	14,834
1-30 days past due	1,039	–	1,039
31-90 days past due	4,192	–	4,192
91-365 days past due	849	–	849
More than 365 days past due	284	(284)	–
	21,198	(284)	20,914
2019			
Current (not past due)	28,300	–	28,300
1-30 days past due	1,838	–	1,838
31-90 days past due	359	–	359
91-365 days past due	2,162	–	2,162
More than 365 days past due	297	(297)	–
	32,956	(297)	32,659

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

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

Recognition and measurement of impairment loss (Cont'd)

The movements in the allowance for impairment in respect of trade receivables during the year are as follows:

	Lifetime ECL RM'000
Balance at 1 January 2019	297
Net remeasurement of loss allowance	–
Balance at 31 December 2019/1 January 2020	297
Amounts written off	(270)
Net remeasurement of loss allowance	257
Balance at 31 December 2020	284

(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.

(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 RM3.7 million (2019: RM1.5 million).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

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

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.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2020.

Company

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Low credit risk	3,702	–	3,702
2019			
Low credit risk	1,454	–	1,454

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(a) Credit risk (Cont'd)

(v) 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 its holding company and 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 RM690.1 million (2019: RM792.0 million) representing the outstanding financial guarantees granted to third parties for the benefit of holding company and subsidiaries (Note 26.1) as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when the holding company or 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 holding company and subsidiaries.

Risk management objectives, policies and processes for managing the risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(b) Liquidity risk (Cont'd)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group						
2020						
Term loan - Islamic	13,454	4.09	15,656	2,714	10,857	2,085
Term loan - Commodity Murabahah Financing - I	19,456	1.91	20,099	5,150	14,949	–
Secured term loans	69,070	2.00 - 2.90	73,240	29,833	43,407	–
Trade and other payables	37,306	–	37,306	37,306	–	–
Amount due to a related company	197,880	3.82	197,880	33,595	131,764	32,521
Financial guarantees	–	–	600,600	600,600	–	–
	337,166		944,781	709,198	200,977	34,606
2019						
Term loan - Islamic	15,418	4.09	17,918	2,262	15,656	–
Term loan - Commodity Murabahah Financing - I	24,339	3.46	26,265	5,695	20,570	–
Secured term loans	84,182	3.44 - 4.53	93,549	16,869	76,680	–
Unsecured revolving credits	1,748	4.36	1,754	1,754	–	–
Trade and other payables	48,751	–	48,751	48,751	–	–
Amount due to a related company	216,876	6.00	216,876	216,876	–	–
Financial guarantees	–	–	682,500	682,500	–	–
	391,314		1,087,613	974,707	112,906	–

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(b) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
2020						
Term loan - Islamic	14,536	4.09	16,738	2,714	10,857	3,167
Trade and other payables	242,641	–	242,641	242,641	–	–
Amount due to a related company	197,265	3.82	197,265	32,980	131,764	32,521
Financial guarantees	–	–	690,073	690,073	–	–
	454,442		1,146,717	968,408	142,621	35,688
2019						
Term loan - Islamic	16,500	4.09	19,000	2,262	16,738	–
Unsecured revolving credits	1,748	4.36	1,754	1,754	–	–
Trade and other payables	236,524	–	236,524	236,524	–	–
Amount due to a related company	216,418	6.00	216,418	216,418	–	–
Financial guarantees	–	–	791,987	791,987	–	–
	471,190		1,265,683	1,248,945	16,738	–

23.3 (b)(i) In the current financial year, included in contractual cash flows of under 1 year is non-current portion of a borrowing which has been reclassified to current liabilities as a result of breach of certain covenant and clause as stipulated in the agreement of a term loan.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

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:

Group	USD RM'000	Denominated in SGD RM'000	MYR RM'000
2020			
Financial assets			
Cash and cash equivalents	228	–	–
Related company balances	53,240	5,708	25,798
	53,468	5,708	25,798
Financial liabilities			
Trade and other payables	(238,512)	(4,023)	(3)
Related company balances	(278,231)	(18,698)	(56,447)
	(516,743)	(22,721)	(56,450)
Net currency exposure	(463,275)	(17,013)	(30,652)
2019			
Financial assets			
Cash and cash equivalents	181	–	–
Related company balances	72,671	5,709	32,838
	72,852	5,709	32,838
Financial liabilities			
Trade and other payables	(345)	(4,998)	(44)
Related company balances	(269,379)	(40,228)	(54,096)
	(269,724)	(45,226)	(54,140)
Net currency exposure	(196,872)	(39,517)	(21,302)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 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		
2020		
Financial liabilities		
Trade and other payables	(21,003)	–
Net currency exposure	(21,003)	–
2019		
Financial liabilities		
Trade and other payables	(44,800)	(21,411)
Net currency exposure	(44,800)	(21,411)

Currency risk sensitivity analysis

A 10% (2019: 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.

	2020		2019	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	46,328	46,328	19,687	19,687
SGD	1,701	1,701	3,952	3,952
RM	3,065	3,065	2,130	2,130
Company				
USD	2,100	2,100	4,480	4,480
SGD	–	–	2,141	2,141

A 10% (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(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.

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 are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets				
- deposits placed with licensed banks	28,420	19,867	8,900	9,800
Financial liabilities				
- Term loan - Islamic	(13,454)	(15,418)	(14,536)	(16,500)
- advances from a related company	–	(190,661)	–	(190,661)
	14,966	(186,212)	(5,636)	(197,361)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 Financial risk management (Cont'd)

(c) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Exposure to interest rate risk (Cont'd)

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Floating rate instruments				
Financial liabilities				
- Term loan – Commodity Murabahah Financing - I	(19,457)	(24,339)	–	–
- term loans	(69,070)	(84,182)	–	–
- revolving credits	–	(1,748)	–	(1,748)
- advances from a related company	(167,961)	–	(167,961)	–
	(256,488)	(110,269)	(167,961)	(1,748)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.3 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.

	2020 Profit or loss		2019 Profit or loss	
	100bps increase RM'000	100bps decrease RM'000	100bps increase RM'000	100bps decrease RM'000
Group				
Floating rate instruments	(2,565)	2,565	(1,103)	1,103
Company				
Floating rate instruments	(1,680)	1,680	(17)	17

(iii) Equity price risk

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

23.4 Fair value information

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Fair value information (Cont'd)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2020										
Group										
Financial assets										
Deposits	–	–	–	–	–	–	10,674	10,674	10,674	12,000
Financial liabilities										
Term loan - Islamic (non-current)	–	–	–	–	–	–	(11,097)	(11,097)	(11,097)	(11,097)
Term loan – Commodity Murabahah Financing - I (non-current)	–	–	–	–	–	–	(14,638)	(14,638)	(14,638)	(14,638)
Amount due to related company	–	–	–	–	–	–	(140,721)	(140,721)	(140,721)	(140,721)
2019										
Group										
Financial assets										
Deposits	–	–	–	–	–	–	10,507	10,507	10,507	12,000
Financial liabilities										
Term loan - Islamic (non-current)	–	–	–	–	–	–	(13,454)	(13,454)	(13,454)	(13,454)
Term loan – Commodity Murabahah Financing - I (non-current)	–	–	–	–	–	–	(19,426)	(19,426)	(19,426)	(19,426)
Secured term loans (non-current)	–	–	–	–	–	–	(70,410)	(70,410)	(70,410)	(70,410)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2020										
Company										
Financial assets										
Deposits	–	–	–	–	–	–	10,674	10,674	10,674	12,000
Financial liabilities										
Term loan - Islamic (non-current)	–	–	–	–	–	–	(12,179)	(12,179)	(12,179)	(12,179)
Amount due to related company	–	–	–	–	–	–	(140,721)	(140,721)	(140,721)	(140,721)
2019										
Company										
Financial assets										
Deposits	–	–	–	–	–	–	10,507	10,507	10,507	12,000
Financial liabilities										
Term loan - Islamic (non-current)	–	–	–	–	–	–	(14,536)	(14,536)	(14,536)	(14,536)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23. FINANCIAL INSTRUMENTS (CONT'D)

23.4 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.

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 (2019: 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	
Deposit	Discounted cash flows using a rate of 1.90% (2019: 1.90%) at the reporting date.
Term loan - Islamic	Discounted cash flows using a rate of 4.09% (2019: 4.09%) at the reporting date.
Term loan - Commodity Murabahah Financing - I	Discounted cash flows using a rate of 1.91% (2019: 3.46%) at the reporting date.
Secured term loans	Discounted cash flows using a rate of 4.00% at the previous reporting date.
Amount due to a related company	Discounted cash flows using a rate of 3.82% (2019: Nil) at the reporting date.
Company	
Deposit	Discounted cash flows using a rate of 1.90% (2019: 1.90%) at the reporting date.
Term loan - Islamic	Discounted cash flows using a rate of 4.09% (2019: 4.09%) at the reporting date.
Amount due to a related company	Discounted cash flows using a rate of 3.82% (2019: Nil) at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24. 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.

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

25. CAPITAL EXPENDITURE COMMITMENTS

	Group	
	2020 RM'000	**2019 RM'000**
Property, plant and equipment		
Approved but not contracted for	4,202	13,000
Approved and contracted for	8,798	–

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Contingent liabilities not considered remote				
Corporate guarantees favouring banks for facilities granted to:				
- holding company	600,600	682,500	600,600	682,500
- subsidiaries	–	–	89,473	109,487
	600,600	682,500	690,073	791,987

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 Company to revise its tax computations for YA 2011 and subsequent years. The Company engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

26. CONTINGENT LIABILITIES (CONT'D)

26.3 During the previous financial year, IRB has requested a subsidiary to furnish documents relating to YA 2015 to YA 2017. The subsidiary has engaged a tax consultant to assist in the matter and has responded to the IRB's request. The tax audit findings have resulted in a tax adjustment of RM2.2 million for the previous financial year ended. The subsidiary may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA 2015 to YA 2017. The financial impact from the tax audit by the IRB is not determinable at this juncture.

26.4 In addition to the above, the IRB also conducted an audit of the Company and several subsidiaries of the Group for years of assessment varying from YA 2011 to YA 2018. The Group has engaged a tax consultant to assist in the matter and has responded to the IRB on its enquiries. During the current financial year, the Company has received an update from IRB that there are no findings from the tax audit for two of its dormant subsidiaries. These subsidiaries are awaiting a formal letter from IRB to officially close the tax audit. For the rest of the subsidiaries, the Group is currently awaiting further response from the IRB. The financial impacts from the tax audits by the IRB are not determinable at this juncture.

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.

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 19) and those disclosed elsewhere in the financial statements, are as follows:

Transactions with subsidiaries

	Company	
	2020	**2019**
	RM'000	**RM'000**
Management fees income	(1,656)	(1,476)

Transaction with related companies

	Group	
	2020	**2019**
	RM'000	**RM'000**
Charter income	(71,301)	(79,917)
Mobilisation and demobilisation income	(5,170)	(2,745)
Interest expenses	9,659	13,811
Rental expenses	340	340

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

27. RELATED PARTIES (CONT'D)

Transaction with related companies (Cont'd)

	Company	
	2020	**2019**
	RM'000	**RM'000**
Rental expenses	61	61
Interest expenses	9,659	13,811

The balances related to the above transactions are disclosed in Note 8 and 13 to the financial statements.

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

28. SIGNIFICANT EVENTS DURING THE YEAR

28.1 Material litigation

On 7 August 2018, Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Datin Che Nariza Hajjar Hashim, Wong Fook Heng and Tiong Young Kong (the "Plaintiffs") 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.

On 29 May 2019, the High Court has allowed the Plaintiffs' claim against the Company for the cost incurred on an indemnity basis in defending the suits (and the appeals emanated therefrom) since 2009. In September 2019, the Company paid the total amount to the Plaintiffs including the costs and the allocator fee of RM2,652,447.13, which has been settled and recognised in the financial statements for the financial year ended 31 December 2019.

On 27 June 2019, the Company has filed a notice of appeal to the Court of Appeal against the decision made by the High Court. The Company's solicitors attended court on 13 August 2019 for case management and updated the court on the current progress of the appeal. This matter came up for e-review on 30 October 2019 before the Deputy Registrar of the Court of Appeal. The Court of Appeal was informed that the Company has yet to obtain the grounds of judgement from the High Court and that the Company has issued several reminders to the High Court. Therefore, the Court of Appeal has adjourned the matter to 17 December 2019 for further e-review and for the Company to update the Court of Appeal on the availability of the said grounds of judgement.

The Company has received the ground of judgment from the High Court in January 2020 and all the parties have agreed that the Company would file its supplementary record of appeal in the Court of Appeal by 2 March 2020.

The appeal came up for e-review on 13 February 2020 and the Court of Appeal has fixed the appeal for further e-review on 5 March 2020 for the Company to update the Court of Appeal on the status of filing of the said supplementary record of appeal. The case management has subsequently been fixed on 21 September 2020 and the hearing for the full e-Appellate is scheduled to take place on 21 June 2021.

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 79 to 157 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 2020 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:

Tengku Dato' Yusof bin Tengku Ahmad Shahruddin
Director

Alias bin Mat Lazin
Director

Kuala Lumpur,

Date: 20 April 2021

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

I, **Tengku Dato' Yusof bin Tengku Ahmad Shahruddin**, 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 79 to 157 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 **Tengku Dato' Yusof bin Tengku Ahmad Shahruddin**, NRIC: 630423-06-5487, at Kuala Lumpur in the Federal Territory on 20 April 2021.

Tengku Dato' Yusof bin Tengku Ahmad Shahruddin
Director

Kuala Lumpur,

Date: 20 April 2021

Before me:

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

INDEPENDENT AUDITORS' **REPORT**
TO THE MEMBERS OF PERDANA PETROLEUM BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Perdana Petroleum Berhad, which comprise the statements of financial position as at 31 December 2020 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 79 to 157.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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).

The key audit matter	How the matter was addressed in our audit
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 RM58.8 million and RM285.3 million respectively as at the end of the current financial year. Furthermore, the Group and the Company recorded net losses of RM65.8 million and RM57.8 million respectively for the current financial year ended 31 December 2020. 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, as well as, the future profitability and cash flows of the Group and the Company with continuous synergy with its holding company. 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. This is a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the management's assessment of going concern basis for the preparation of the financial statements of the Group and the Company.	Our audit procedures included, amongst others: i) We considered the ability and intent of the holding company in providing continuous financial backing to support the Group and the Company. ii) 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, by evaluating the management's plans for future actions. iii) We also considered the adequacy of disclosures made by management regarding the significant judgement exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

2. Valuation of marine vessels

Refer to Note 2(d) (accounting policy) and Note 3.2 (financial disclosures).

The key audit matter	How the matter was addressed in our audit
The Group's main customers are from oil and gas companies involved in upstream exploration activities. The volatility of crude oil prices in 2020 have continued to affect the business activities of the industry in which the Group operates. 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 3.2 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 net impairment loss of RM33.67 million was recognised for the current financial year ended 31 December 2020.	Our audit procedures included, amongst others: i) We evaluated the key assumptions (i.e. vessel utilisation rates, daily charter rates, daily operating costs, growth rates, salvage value and discount rate) used by the 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 also considered the adequacy of the Group's disclosures about the key assumptions to which the outcome of the impairment assessment was most sensitive.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises 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.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and 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, actions taken to eliminate threats or safeguards applied.

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.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

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: 03232/02/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 20 April 2021

ANALYSIS OF **SHAREHOLDINGS**
AS AT 31 MARCH 2021

ORDINARY SHARE CAPITAL

Total number of issued shares and class of shares	:	2,215,921,648 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	1,512	11.972	54,253	0.002
100 - 1,000	1,699	13.453	898,345	0.040
1,001 - 10,000	4,364	34.555	23,090,917	1.042
10,001 - 100,000	4,037	31.966	158,865,724	7.169
100,001 to less than 5% of the issued shares	1,016	8.044	620,652,459	28.008
5% and above of issued shares	1	0.007	1,412,359,950	63.746
	12,629	100.00	2,215,921,648	100.00

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct Interest	%	Deemed Interest	%
1.	DATUK DR ABD HAPIZ BIN ABDULLAH	–	–	–	–
2.	TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN	–	–	1,412,359,950	63.74#
3.	ALIAS BIN MAT LAZIN	149,477	0.01	–	–
4.	DATUK MOHD JAFNI BIN MOHD ALIAS	–	–	–	–
5.	CHIN CHEE KONG	–	–	–	–
6.	DATUK HASMI BIN HASNAN	290,202	0.01	1,489,346,379	67.21#
7.	EMILY HII SAN SAN *(Alternate Director To Datuk Hasmi Bin Hasnan)*	38	0.00	–	–

Notes:

Deemed interested pursuant to Section 8 of the Companies Act 2016

SHARES IN RELATED CORPORATION

By virtue of Tengku Dato' Yusof bin Tengku Ahmad Shahruddin 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 31 March 2021

(CONTINUED)

THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DAYANG ENTERPRISE HOLDINGS BHD*	1,412,359,950	63.736
2.	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR NAIM HOLDINGS BERHAD*	39,840,429	1.797
3.	NAIM HOLDINGS BERHAD	24,915,000	1.124
4.	KENANGA NOMINEES (TEMPATAN) SDN BHD	24,771,100	1.117
5.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA DYNAMIC ABSOLUTE MANDATE*	23,747,700	1.071
6.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TA KIN YAN*	19,683,800	0.888
7.	NAIM HOLDINGS BERHAD	12,231,000	0.551
8.	TASEC NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR TA INVESTMENT MANAGEMENT BERHAD*	11,833,200	0.534
9.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG*	10,400,000	0.469
10.	HUANG TIONG SII	9,902,500	0.446
11.	TOH EAN HAI	9,000,000	0.406
12.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR MAYBANK MALAYSIA SMALLCAP FUND*	8,000,000	0.361
13.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR WONG YOKE FONG @ WONG NYOK FING*	7,000,000	0.315
14.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MAK TIAN MENG*	6,210,200	0.280
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA LIFE INSURANCE BERHAD*	6,000,000	0.270
16.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *TA ISLAMIC FUND*	5,560,000	0.250
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD	5,500,000	0.248

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2021

(CONTINUED)

THIRTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
18.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR SIA KIE KING*	5,102,440	0.230
19.	WONG YOKE FONG @ WONG NYOK FING	4,400,000	0.198
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA LIFE INSURANCE BERHAD*	3,800,000	0.171
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA FAMILY TAKAFUL BERHAD*	3,660,000	0.165
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD*	3,519,715	0.158
23.	OOI KIM SEW	3,500,000	0.157
24.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI*	3,460,000	0.156
25.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC MILLENNIUM FUND*	3,445,700	0.155
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MEDICAL FUND (IFM KENANGA)*	3,423,000	0.154
27.	MOHAMED YUNUS RAMLI BIN ABBAS	3,300,000	0.148
28.	LAW AH PING	3,000,303	0.135
29.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ONG KOK THYE*	3,000,000	0.135
30.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR MICHAEL YONG*	2,987,422	0.134

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2021

(CONTINUED)

SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	Direct Interest	%	Deemed Interest	%
1.	DAYANG ENTERPRISE HOLDINGS BHD	1,412,359,950	63.74	–	–
2.	NAIM HOLDINGS BERHAD	76,986,429	3.47	1,412,359,950	63.74
3.	DATUK LING SUK KIONG	97	0.00	1,412,390,042	63.74
4.	YM TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN	–	–	1,412,359,950	63.74
5.	DATUK HASMI BIN HASNAN	290,202	0.01	1,489,346,379	67.21
6.	JOE LING SIEW LOUNG @ LIN SHOU LONG	–	–	1,412,390,139	63.74
7.	DATUK AMAR ABDUL HAMED BIN SEPAWI	–	–	1,489,346,379	67.21

ANALYSIS OF
RCPS SHAREHOLDINGS
AS AT 31 MARCH 2021

REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

Total number of issued shares and class of shares	:	1,463,629,199 RCPS
Balance of RCPS not converted	:	26,178,500 RCPS
Voting rights	:	No voting rights at Annual General Meeting
Conversion Price	:	RM0.325
Redemption Tenure	:	10 years (expiring on 30 December 2029)

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No. of RCPS Holders	Percentage of RCPS holders	No. of RCPS Held	Percentage of Issued RCPS Capital
1 - 99	54	5.684	2,032	0.007
100 - 1,000	104	10.947	60,871	0.232
1,001 - 10,000	427	44.947	2,088,012	7.976
10,001 - 100,000	322	33.894	10,215,589	39.022
100,001 to less than 5% of the issued holdings	42	4.421	12,254,324	46.810
5% and above of issued holdings	1	0.105	1,557,672	5.950
	950	100.00	26,178,500	100.00

DIRECTORS' RCPS SHAREHOLDINGS

No.	Name of Directors	Direct Interest	%	Deemed Interest	%
1.	DATUK DR ABD HAPIZ BIN ABDULLAH	–	–	–	–
2.	TENGKU DATO' YUSOF BIN TENGKU AHMAD SHAHRUDDIN	–	–	–	–
3.	ALIAS BIN MAT LAZIN	–	–	–	–
4.	DATUK MOHD JAFNI BIN MOHD ALIAS	–	–	–	–
5.	CHIN CHEE KONG	–	–	–	–
6.	DATUK HASMI BIN HASNAN	–	–	–	–
7.	EMILY HII SAN SAN *(Alternate Director to DATUK HASMI BIN HASNAN)*	–	–	–	–

ANALYSIS OF RCPS SHAREHOLDINGS
as at 31 March 2021

(CONTINUED)

THIRTY LARGEST RCPS HOLDERS

No.	Name of Shareholders	No. of RCPS	%
1.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUNG VUI KONG*	1,557,672	5.950
2.	CHAY CHEE KEN	1,000,116	3.820
3.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM MOOI TEAN*	1,000,000	3.819
4.	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAY CHOON WEI*	800,000	3.055
5.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KIM CHONG*	611,000	2.333
6.	CHUNG VUI KONG	500,000	1.909
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHEW JON LAN*	459,000	1.753
8.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHONG SENG FOO*	430,000	1.642
9.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD *MAYBANK KIM ENG SECURITIES PTE LTD FOR CHIN HENG FOOK*	400,000	1.527
10.	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI*	397,300	1.517
11.	TAN CHWEE LYE	387,556	1.480
12.	QUEK SEE KUI	379,300	1.448
13.	TANG LUNG TECK	367,336	1.403
14.	HEE KUANG SIONG	295,472	1.128
15.	OOI KOK KEE	280,000	1.069
16.	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ONE YOON SENG*	250,000	0.954
17.	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR RICHARD TEO CHOK TECK*	240,000	0.916
18.	LIM NGUAN HAI	230,000	0.878
19.	TAN CHEN SIEW	214,988	0.821

ANALYSIS OF RCPS SHAREHOLDINGS
as at 31 March 2021

(CONTINUED)

THIRTY LARGEST RCPS HOLDERS

No.	Name of Shareholders	No. of RCPS	%
20.	RAMLA RAZA MUHAMMAD RAZA-UL-HAQ	202,000	0.771
21.	CHUNG VUI KONG	200,000	0.763
22.	LEE TEIK MING	200,000	0.763
23.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KONG NGA ING*	200,000	0.763
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHEE SING*	200,000	0.763
25.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *LEE CHIN BIN*	200,000	0.763
26.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KHO PING*	200,000	0.763
27.	TA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR THEE CHIN CHIEN*	200,000	0.763
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD *KONG AH THEN*	191,100	0.729
29.	NG SING HEONG	184,400	0.704
30.	YONG YUE POH	180,000	0.687

SUBSTANTIAL RCPS HOLDERS

No.	Name of Shareholders	Direct Interest	%	Deemed Interest	%
1.	CHUNG VUI KONG	2,257,672	8.62	–	–

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Fifth Annual General Meeting ("25th AGM") of the Company will be held at **Tricor Leadership Room**, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("Broadcast Venue") on **31 May 2021 (Monday) at 10.00 a.m.** and conducted entirely through live streaming from the Broadcast Venue for the following purposes:

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2020 and the Reports of the Directors and Auditors thereon.	
2.	To approve the payment of Non-Executive Directors' Fees of up to RM490,000.00 per annum from January 2020 until the next AGM.	**Resolution 1**
3.	To approve the payment of meeting allowance of RM500.00 per meeting for attendance of each Non-Executive Director from May 2021 until the next AGM.	**Resolution 2**
4.	To re-elect the following Directors who are retiring pursuant to the following Articles in Company's Constitution:	
	4.1 Datuk Mohd Jafni Bin Mohd Alias (Article 110)	**Resolution 3**
	4.2 Mr Chin Chee Kong (Article 110)	**Resolution 4**
	4.3 Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin (Article 116)	**Resolution 5**
5.	To re-appoint KPMG PLT as Auditors and to authorise the Board of Directors to fix their remuneration.	**Resolution 6**

SPECIAL BUSINESS

6. To consider and if thought fit, pass the following ordinary resolutions:

6.1 Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 — **Resolution 7**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") 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 20% 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 AGM of the Company."

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

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

"THAT approval be and is hereby given to the Company and/or its subsidiaries ("PPB Group" or "the Group") to enter into and to give effect to renew the existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature as specified in Section 2.3.2 of the Circular to Shareholders dated 28 April 2021 ("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 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 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
SSM Practicing Certificate No. 201908000717
Company Secretary
28 April 2021

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

IMPORTANT NOTICE ON REMOTE PARTICIPATION AND VOTING:

1. In view of the social distancing requirements under the Movement Control Order ("MCO") that was issued following the Covid-19 outbreak, the 25th AGM will be conducted through live streaming and online voting using Remote Participation and Voting ("RPV") facilities which are available on Tricor's TIIH Online website at https://tiih.online. Please refer to Administrative Details for the 25th AGM in order to register, participate and vote remotely via the RPV facilities.

2. The venue of the 25th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue. No Members/Proxy(ies) will be allowed to be physically present at the Broadcast Venue as the Company has to comply with the MCO social distancing requirements.

3. Shareholders/proxy(ies) who wish to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") may do so remotely via the RPV facilities. Please follow the procedures provided in the Administrative Details for the 25th AGM in order to register, participate and vote remotely.

PROXY NOTES

1. A Member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in their place. A proxy may but need not be a member of the Company.

2. A Member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the Member at the AGM via RPV.

3. Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company that is standing to the credit of the said securities account.

4. Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

5. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

6. The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of two (2) authorised officers, one of whom shall be a Director, or of its attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialed.

7. A Member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this 25th AGM via RPV facilities must request his/her proxy to register himself/herself at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for Shareholders on 25th AGM.

8. The appointment of proxy may be made in a hardcopy form or by electronic means as follows:

   In Hardcopy Form
   The proxy form or 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 the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time for holding this AGM or no later than 29 May 2021 at 10.00 a.m.

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

By Electronic Form
The proxy form can be electronically submitted to the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Administrative Details on the procedure of electronic submission proxy form via TIIH Online.

9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company 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, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

10. For the purpose of determining a member who shall be entitled to attend this meeting via the RPV facilities, the Company shall request Bursa Malaysia Depository Sdn Bhd in accordance with Article 36(1) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 May 2021. Only a depositor whose name appears therein shall be entitled to attend this meeting or appoint a proxy to attend and/or vote on his stead.

EXPLANATORY NOTES

Ordinary Resolution 7

The proposed Ordinary Resolution will give powers to the Directors to issue up to a maximum twenty per centum (20%) of the total number of issued shares of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company ("20% General Mandate"). This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

The 20% General Mandate sought for issue of securities is a renewal mandate taking into account the flexibility given by Bursa Malaysia Securities Berhad vide their letter dated 16 April 2020 for listed issuers to seek a higher general mandate of not more than 20% of the total number of the Company's issued shares (including treasury shares) for the issue of new securities.

The Board of Director is of the view that the 20% General Mandate is in the best interest of the Company and its shareholders as the Company may need to undertake a fund-raising exercise expediently and for larger amount of proceeds to be raised to counter any potential bearish market price of the Company's shares.

The tabling of the 20% General Mandate at the 25th AGM 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 placement of shares for purpose of funding of working capital, capital expenditures, settlement of trade and non-trade creditors, repayment of banking facilities or as consideration for strategic investments.

The mandate obtained at the 24th AGM in 2020 for authority to allot shares of the Company up to 20% of the total number of issued shares of the Company was not utilized.

The Board of Directors take cognizance that the 20% General Mandate may be utilized until 31 December 2021. Should the Company decide to utilize this mandate after 31 December 2021, the Board will only issue up to 10% of the total number of issued shares.

Ordinary Resolution 8

Please refer to the Circular to Shareholders dated 28 April 2021 for further information on the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.

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Registration No. 199501042909 (372113-A)
(Incorporated In Malaysia)

PROXY FORM

CDS Acc No.	
No. of Shares Held	

I/We, ____

*NRIC No./Company No./Passport No. ____________________ of ____________________

Telephone No. ____________________ being a Member of **PERDANA PETROLEUM BERHAD** hereby appoint

____

*NRIC No./Company No./Passport No. ____________________ of ____________________

*and failing him/her ____

*NRIC No./Company No./Passport No. ____________________ of ____________________
or failing him/her *the Chairman of the Meeting as *my/*our proxy to vote for *me/*us and on *my/*our behalf at the **25th Annual General Meeting** ("AGM") of the Company to be held at broadcast venue from Tricor Leadership Room, Unit 32-01, Level 32, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on **Monday, 31 May 2021 at 10.00 a.m.** by remote participation and voting and at any adjournment thereof.

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

Agenda	Resolution	For	Against
To approve payment of Non-Executive Directors' Fees of up to RM490,000.00 per annum from January 2020 until the next AGM.	1		
To approve the payment of meeting allowance of RM500.00 per meeting for attendance of each Non-Executive Director from May 2021 until the next AGM.	2		
To re-elect Datuk Mohd Jafni Bin Mohd Alias as Director.	3		
To re-elect Mr Chin Chee Kong as Director.	4		
To re-elect Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin as Director.	5		
To re-appoint KPMG PLT as Auditors of the Company for the ensuing year.	6		
To authorise the allotment of shares pursuant to Sections 75 and 76 of the Companies Act 2016.	7		
To approve the proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	8		

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

Dated this ____________ day of ____________ 2021

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

IMPORTANT NOTICE

Shareholders or proxies are to attend, participate (including posing questions to the Board) and vote remotely at the AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online.

PROXY NOTES

1. *A Member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in their place. A proxy may but need not be a member of the Company.*

2. *A Member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the Member at the AGM via RPV.*

3. *Where a Member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company that is standing to the credit of the said securities account.*

4. *Where a Member of the Company is an Exempt Authorised Nominee as defined under SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account (Omnibus Account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

5. *Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.*

6. *The instrument appointing a proxy shall be in writing signed by the appointor or his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of two (2) authorised officers, one of whom shall be a Director, or of its attorney duly authorised. Any alteration to the instrument appointing a proxy must be initialed.*

7. *A Member who has appointed a proxy or attorney or authorised representative to attend, participate, speak and vote at this AGM via RPV facilities must request his/her proxy to register himself/herself at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for Shareholders on AGM.*

8. *The appointment of proxy may be made in a hardcopy form or by electronic means as follows:*

   In Hardcopy Form

   The Proxy Form or 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 the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, ***not less than 48 hours*** *before the time for holding this AGM or* ***no later than 29 May 2021 at 10.00 a.m****.*

   By Tricor Online System (TIIH Online)

   The Proxy Form can be electronically submitted to the Share Registrar of the Company via TIIH Online at https://tiih.online Kindly refer to the Administrative Details on the procedure of electronic submission proxy form via TIIH Online.

9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company not less than forty-eight (48) hours before the time appointed for holding the AGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

10 *For the purpose of determining a member who shall be entitled to attend this meeting via the RPV facilities, the Company shall request Bursa Malaysia Depository Sdn Bhd in accordance with Article 36(1) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 May 2021. Only a depositor whose name appears therein shall be entitled to attend this meeting or appoint a proxy to attend and/or vote on his stead.*

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AFFIX
STAMP

PERDANA PETROLEUM BERHAD
Registration No. 199501042909 (372113-A)
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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2020

PERDANA PETROLEUM BERHAD
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