

**Perdana Petroleum Berhad**  
(Company No. 372113 - A)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Financial statements  
for the year ended 31 December 2018**

## **Perdana Petroleum Berhad**

(Company No. 372113 - A)

(Incorporated in Malaysia)

### **and its subsidiaries**

## **Directors' report for the year ended 31 December 2018**

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

### **Principal activities**

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries whilst the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### **Ultimate holding company**

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

### **Subsidiaries**

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

### **Results**

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss for the year attributable:		
Owners of the Company	40,910	22,095
Non-controlling interest	-	-
	<u>40,910</u>	<u>22,095</u>

### **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.

Company No. 372113 - A
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### Directors of the Company

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

Alias bin Mat Lazin  
Bailey Kho Chung Siang  
Chin Chee Kong  
Dato' Gerald Hans Isaac  
Datuk Dr. Abd Hapiz Bin Abdullah  
Datuk Ling Suk Kiong  
Datuk Mohd Jafni Bin Mohd Alias  
Datuk Selva Kumar A/L Mookiah  
Datuk Hasmi bin Hasnan (appointed on 1 September 2018)  
Wong Ping Eng (resigned on 1 September 2018)

### Directors of the subsidiaries

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

Choi Meng Yee  
Fahim Bin Rosley

### Directors' interest in shares

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

	Number of ordinary shares			
	At 1.1.2018/ Date of appointment	Bought	Sold	At 31.12.2018
<b>Interests in the Company:</b>				
Datuk Ling Suk Kiong				
- own	23,338,297	-	-	23,338,297
- others	12,535,513	-	-	12,535,513
Datuk Hasmi bin Hasnan				
- own	290,202	-	-	290,202
Bailey Kho Chung Siang				
- own	60,400	-	-	60,400
- others	211,400	-	-	211,400
Alias bin Mat Lazin				
- own	33,159	-	-	33,159

Company No. 372113 - A
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**Directors' interest in shares (continued)**

	At 1.1.2018/ Date of appointment	Number of ordinary shares		At 31.12.2018
		Bought	Sold	
<b>Deemed interests in the Company:</b>				
Datuk Ling Suk Kiong - own	489,273,938	-	-	489,273,938
Datuk Hasmi bin Hasnan - own	547,772,475	-	-	547,772,475
<b>Interests in the holding company:</b>				
Datuk Ling Suk Kiong - own	77,279,130	-	-	77,279,130
- others	41,508,325	-	-	41,508,325
Datuk Hasmi bin Hasnan - own	960,937	-	-	960,937
Bailey Kho Chung Siang - others	700,000	-	-	700,000
Alias bin Mat Lazin - own	109,800	-	-	109,800
<b>Deemed interests in the holding company:</b>				
Datuk Ling Suk Kiong - own	61,218,187	-	-	61,218,187
Datuk Hasmi bin Hasnan - own	254,921,952	-	-	254,921,952

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

Company No. 372113 - A
---------------------------

### **Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **Issue of shares and debentures**

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

### **Options granted over unissued shares**

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

### **Indemnity and insurance costs**

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

### **Other statutory information**

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

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Company No. 372113 - A
---------------------------

**Other statutory information (continued)**

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

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

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

**Significant events**

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

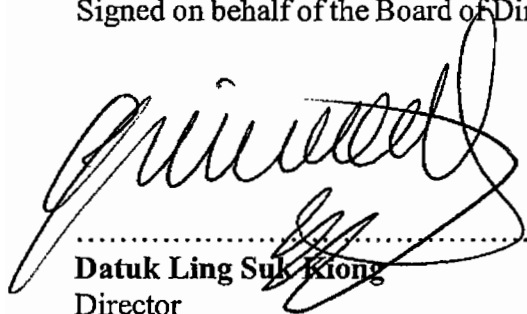
Company No.  
372113 - A

**Auditors**

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

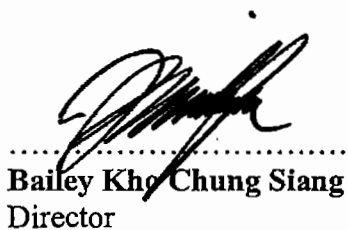
The auditors' remuneration is disclosed in Note 17 to the financial statements.

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



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**Datuk Ling Suk Kiong**  
Director



.....

**Bailey Kho Chung Siang**  
Director

Kuala Lumpur,

Date: 9 April 2019

**Perdana Petroleum Berhad**  
(Company No. 372113 - A)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Statements of financial position as at 31 December 2018**

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Assets</b>					
Property, plant and equipment	3	1,208,043	1,246,621	246	318
Investments in subsidiaries	4	-	-	1,110,104	464,060
Deposits	5	46,043	45,291	-	-
Deferred tax assets	6	25,559	23,235	46	46
Derivative asset	7	78	233	-	-
Other receivables	8	-	-	-	566,383
<b>Total non-current assets</b>		<b>1,279,723</b>	<b>1,315,380</b>	<b>1,110,396</b>	<b>1,030,807</b>
Inventories	9	2,408	2,354	-	-
Trade and other receivables	8	50,066	19,982	884	52,408
Deposits and prepayments	10	3,424	5,671	127	318
Current tax assets		2,771	3,665	2,335	2,625
Cash and cash equivalents	11	36,545	77,004	7,591	60,334
<b>Total current assets</b>		<b>95,214</b>	<b>108,676</b>	<b>10,937</b>	<b>115,685</b>
<b>Total assets</b>		<b>1,374,937</b>	<b>1,424,056</b>	<b>1,121,333</b>	<b>1,146,492</b>
<b>Equity</b>					
Share capital	12.1	411,219	411,219	411,219	411,219
Reserves	12.2	49,486	83,264	( 143,546)	( 121,451)
<b>Equity attributable to owners of the Company</b>		<b>460,705</b>	<b>494,483</b>	<b>267,673</b>	<b>289,768</b>
Non-controlling interests		136	136	-	-
<b>Total equity</b>		<b>460,841</b>	<b>494,619</b>	<b>267,673</b>	<b>289,768</b>



Company No.  
372113 - A

Statements of financial position as at 31 December 2018 (continued)

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Liabilities</b>					
Loans and borrowings	13	-	113,526	-	-
Deferred tax liabilities	6	3,437	3,331	-	-
<b>Total non-current liabilities</b>		<u>3,437</u>	<u>116,857</u>	<u>-</u>	<u>-</u>
Loans and borrowings	13	633,252	620,751	440,528	524,797
Trade and other payables	14	277,407	191,809	413,132	331,927
Current tax liabilities		-	20	-	-
<b>Total current liabilities</b>		<u>910,659</u>	<u>812,580</u>	<u>853,660</u>	<u>856,724</u>
<b>Total liabilities</b>		<u>914,096</u>	<u>929,437</u>	<u>853,660</u>	<u>856,724</u>
<b>Total equity and liabilities</b>		<u>1,374,937</u>	<u>1,424,056</u>	<u>1,121,333</u>	<u>1,146,492</u>

The notes on pages 17 to 123 are an integral part of these financial statements.

**Perdana Petroleum Berhad**

(Company No. 372113 - A)

(Incorporated in Malaysia)

**and its subsidiaries**

**Statements of profit or loss and other comprehensive income for the year ended  
31 December 2018**

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

Company No. 372113 - A
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**Statements of profit or loss and other comprehensive income for the year ended 31 December 2018 (continued)**

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

The notes on pages 17 to 123 are an integral part of these financial statements.

**Perdana Petroleum Berhad**  
(Company No. 372113 - A)  
(Incorporated in Malaysia)  
and its subsidiaries

**Consolidated statement of changes in equity for the year ended 31 December 2018**

	Attributable to owners of the Company				Non-controlling interest RM'000	Total equity RM'000	
	Non-distributable		Distributable				
Group	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Retained earnings RM'000	Sub-total RM'000
As at 1 January 2017	389,235	21,984	137,971	190	1,635	192,412	743,427
Foreign currency translation differences	-	-	( 62,881)	-	-	-	( 62,881)
Cash flows hedge	-	-	-	43	-	-	43
Total other comprehensive income for the year	-	-	( 62,881)	43	-	-	( 62,838)
Transfer in accordance with Section 618(2) of the Companies Act 2016	21,984	( 21,984)	-	-	-	-	-
Loss for the year	-	-	-	-	-	( 186,106)	( 186,106)
<b>Total comprehensive expense for the year</b>	21,984	( 21,984)	( 62,881)	43	-	( 186,106)	( 248,944)
<b>At 31 December 2017</b>	411,219	-	75,090	233	1,635	6,306	494,483
	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)

Company No.  
372113 - A

**Consolidated statement of changes in equity for the year ended 31 December 2018 (continued)**

	Attributable to owners of the Company			Distributable			Non-controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Retained earnings/ (Accumulated losses) RM'000		
<b>Group</b>								
As at 1 January 2018	411,219	-	75,090	233	1,635	6,306	494,483	494,619
Foreign currency translation differences	-	-	7,287	-	-	-	7,287	7,287
Cash flows hedge	-	-	( 155)	( 155)	-	-	( 155)	( 155)
Total other comprehensive income for the year	-	-	7,287	( 155)	-	-	7,132	7,132
Loss for the year	-	-	-	-	-	( 40,910)	( 40,910)	( 40,910)
<b>Total comprehensive expense for the year</b>	-	-	7,287	( 155)	-	( 40,910)	( 33,778)	( 33,778)
<b>At 31 December 2018</b>	<b>411,219</b>	<b>-</b>	<b>82,377</b>	<b>78</b>	<b>1,635</b>	<b>( 34,604)</b>	<b>460,705</b>	<b>460,841</b>
	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)		

The notes on pages 17 to 123 are an integral part of these financial statements.

Company No. 372113 - A
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**Statement of changes in equity for the year ended 31 December 2018**

Company	<u>Non-distributable</u>		<i>Distributable</i>	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Accumulated losses RM'000	
<b>At 1 January 2017</b>	389,235	21,984	( 45,401)	365,818
Loss/Total comprehensive expense for the year	-	-	( 76,050)	( 76,050)
Transfer in accordance with Section 618(2) of the Companies Act 2016	21,984	( 21,984)	-	-
<b>At 31 December 2017/ 1 January 2018</b>	411,219	-	( 121,451)	289,768
Loss/Total comprehensive expense for the year	-	-	( 22,095)	( 22,095)
<b>At 31 December 2018</b>	411,219	-	( 143,546)	267,673
	(Note 12)	(Note 12)		

The notes on pages 17 to 123 are an integral part of these financial statements.

**Perdana Petroleum Berhad**  
(Company No. 372113 - A)  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Statements of cash flows for the year ended 31 December 2018**

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

Company No. 372113 - A
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**Statements of cash flows for the year ended 31 December 2018 (continued)**

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Cash flows from investing activities</b>					
Additional investments in subsidiaries		-	-	( 651,009)	-
Interest received		1,418	1,843	1,104	1,682
Proceeds from disposal of property, plant and equipment		-	12,923	-	2,350
Purchase of property, plant and equipment	3	( 14,063)	( 1,023)	( 100)	( 83)
Withdrawal of fixed deposits pledged		49,612	2,233	49,612	1,233
<b>Net cash from/(used in) investing activities</b>		<u>36,967</u>	<u>15,976</u>	<u>( 600,393)</u>	<u>5,182</u>
<b>Cash flows from financing activities</b>					
Net advances from a related company		56,000	116,661	61,000	116,661
Repayment of sukuk bonds		( 90,000)	( 90,000)	( 90,000)	( 90,000)
Repayment of term loans		( 16,389)	( 32,353)	-	-
Repayment of revolving credit		( 4,000)	( 12,000)	( 4,000)	( 12,000)
Repayment of finance lease liability obligations		( 4,335)	( 12,243)	-	-
Interest paid		( 12,825)	( 16,465)	( 160)	( 675)
Coupon paid		( 23,794)	( 27,967)	( 23,794)	( 27,967)
<b>Net cash used in financing activities</b>		<u>( 95,343)</u>	<u>( 74,367)</u>	<u>( 56,954)</u>	<u>( 13,981)</u>
Net increase/(decrease) in cash and cash equivalents		18,234	( 40,870)	( 3,131)	2,702
Effect of exchange rate movements		( 9,081)	45,812	-	( 12)
Cash and cash equivalents at 1 January		21,309	16,367	4,639	1,949
<b>Cash and cash equivalents at 31 December</b>		<u>30,462</u>	<u>21,309</u>	<u>1,508</u>	<u>4,639</u>



Company No. 372113 - A
---------------------------

**Statements of cash flows for the year ended 31 December 2018 (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:

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

The notes on pages 17 to 123 are an integral part of these financial statements.

## Perdana Petroleum Berhad

(Company No. 372113 - A)

(Incorporated in Malaysia)

### and its subsidiaries

#### Notes to the financial statements

Perdana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office is Level 15, Block 2, VSQ @ PJCC, Jalan Utara, 46200 Petaling Jaya, Selangor.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”).

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

The holding company as well as the ultimate holding company is Dayang Enterprise Holdings Bhd. Both the Company and its holding company are companies incorporated in Malaysia and are listed on the Main Market of Bursa Malaysia Securities Berhad.

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

#### 1. Basis of preparation

##### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019

Company No. 372113 - A
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**1. Basis of preparation (continued)**

**(a) Statement of compliance (continued)**

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
Amendments to MFRS 9, <i>Financial Instruments - Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations - Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</i>	1 January 2020
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>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</i>	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2019, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 and Amendments to MFRS 128, which are assessed as presently not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2020, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2020.

Company No. 372113 - A
---------------------------

**1. Basis of preparation (continued)**

**(a) Statement of compliance (continued)**

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

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

**MFRS 16, Leases**

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

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

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

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis, other than 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 RM815.4 million and RM842.7 million respectively as at the end of the financial year. The Group and the Company recorded net losses of RM40.9 million and RM22.1 million respectively for the current financial year. In addition, the Group has significant borrowings amounting to RM633.3 million as at the end of the reporting period (see Note 13 to the financial statements). This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period.

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

Company No. 372113 - A
---------------------------

**1. Basis of preparation (continued)**

**(b) Basis of measurement (continued)**

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

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

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

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

**(c) Functional and presentation currency**

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

Company No. 372113 - A
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**1. Basis of preparation (continued)**

**(d) Use of estimates and judgements**

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

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

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

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

**2. Significant accounting policies**

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

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

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

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

**(a) Basis of consolidation**

**(i) Subsidiaries**

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

**(i) Subsidiaries (continued)**

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

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

**(ii) Business combinations**

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

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

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

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

For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

Company No.  
372113 - A

**2. Significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

**(iii) Acquisitions of non-controlling interests**

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

**(iv) Loss of control**

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

**(v) Non-controlling interests**

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

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

**(vi) Transactions eliminated on consolidation**

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



Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(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.

**(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.

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(b) Foreign currency (continued)**

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

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

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

**(c) Financial instruments**

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

**(i) Recognition and initial measurement**

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

**Current financial year**

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(i) Recognition and initial measurement (continued)**

**Current financial year (continued)**

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

**Previous financial year**

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

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

**(ii) Financial instrument categories and subsequent measurement**

**Financial assets**

**Current financial year**

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

Company No. 372113 - A
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**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(ii) *Financial instrument categories and subsequent measurement***  
(continued)

***Financial assets*** (continued)

**Current financial year** (continued)

**(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 at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Company No. 372113 - A
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**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(ii) *Financial instrument categories and subsequent measurement***  
(continued)

***Financial assets*** (continued)

**Current financial year** (continued)

**(b) *Fair value through other comprehensive income***  
(continued)

**(i) Debt investments** (continued)

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.

Company No. 372113 - A
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**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(ii) *Financial instrument categories and subsequent measurement***  
(continued)

***Financial assets*** (continued)

**Current financial year** (continued)

**(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)).

**Previous financial year**

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

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

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

Company No.  
372113 - A

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(ii) *Financial instrument categories and subsequent measurement***  
(continued)

***Financial assets*** (continued)

**Previous financial year** (continued)

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

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

**(b) *Held-to-maturity investments***

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

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

**(c) *Loans and receivables***

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

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

**(d) *Available-for-sale financial assets***

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

Company No.  
372113 - A

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(ii) *Financial instrument categories and subsequent measurement***  
(continued)

**Previous financial year (continued)**

**(d) *Available-for-sale financial assets*** (continued)

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

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

***Financial liabilities***

**Current financial year**

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

**(a) *Fair value through profit or loss***

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



Company No.  
372113 - A

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) *Financial instrument categories and subsequent measurement*  
(continued)

*Financial liabilities* (continued)

**Current financial year** (continued)

(a) *Fair value through profit or loss* (continued)

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

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

Company No.  
372113 - A

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(ii) *Financial instrument categories and subsequent measurement***  
(continued)

***Financial liabilities*** (continued)

**Current financial year** (continued)

**(b) *Amortised cost***

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

**Previous financial year**

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

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

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

**(iii) *Regular way purchase or sale of financial assets***

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

Trade date accounting refers to:

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

Company No.  
372113 - A

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(iii) Regular way purchase or sale of financial assets (continued)**

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.

**(iv) Financial guarantee contracts**

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

**Current financial year**

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

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

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

**Previous financial year**

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

Company No. 372113 - A
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**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(v) *Hedge accounting***

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

**(a) Fair value hedge**

**Current financial year**

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

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

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.

Company No.  
372113 - A

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(v) *Hedge accounting* (continued)**

**(a) Fair value hedge (continued)**

**Previous financial year**

In the previous financial year, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period was recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk was adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk was recognised in profit or loss. Fair value hedge accounting was discontinued prospectively when the hedging instrument expired or was sold, terminated or exercised, the hedge was no longer highly effective or the hedge designation was revoked.

**(b) Cash flow hedge**

**Current financial year**

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Company No.  
372113 - A

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) *Hedge accounting* (continued)

(b) Cash flow hedge (continued)

Current financial year (continued)

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.

Company No. 372113 - A
---------------------------

2. **Significant accounting policies (continued)**

(c) **Financial instruments (continued)**

(v) ***Hedge accounting*** (continued)

(b) **Cash flow hedge** (continued)

**Previous financial year**

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

(c) **Hedge of a net investment**

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

(vi) ***Derecognition***

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

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

**(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.



Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(d) Property, plant and equipment (continued)**

**(ii) Subsequent costs**

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

Dry docking expenditures are capitalised.

**(iii) Depreciation**

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

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

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

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

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(e) Leased assets**

**(i) Finance lease**

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

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

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

**(ii) Operating lease**

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

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

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(f) Goodwill**

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

**(g) Inventories**

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

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

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

**(h) Contract asset/liability**

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

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

**(i) Contract cost**

**(i) Incremental cost of obtaining a contract**

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

**(ii) Costs to fulfill a contract**

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(i) Contract cost (continued)**

**(ii) *Costs to fulfill a contract* (continued)**

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

**(j) Cash and cash equivalents**

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

**(k) Impairment**

**(i) *Financial assets***

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

**Current financial year**

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

Company No. 372113 - A
---------------------------

2. **Significant accounting policies (continued)**

(k) **Impairment (continued)**

(i) ***Financial assets* (continued)**

**Current financial year (continued)**

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.

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.

Company No. 372113 - A
---------------------------

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) *Financial assets* (continued)

**Current financial year (continued)**

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

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

**Previous financial year**

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

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

Company No. 372113 - A
---------------------------

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) *Financial assets* (continued)

**Previous financial year** (continued)

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

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

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

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(k) Impairment (continued)**

**(ii) Other assets**

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

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

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

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



Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(k) Impairment (continued)**

**(ii) Other assets (continued)**

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.

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(l) Employee benefits (continued)**

**(iii) Termination benefits**

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

**(m) Revenue and other income**

**(i) Vessel charter income**

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

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

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

**(ii) Management services income**

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

**(iii) Dividend income**

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

Company No. 372113 - A
---------------------------

**2. Significant accounting policies (continued)**

**(m) Revenue and other income (continued)**

**(iv) Rental income**

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

**(v) Interest income**

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

**(n) Income tax**

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

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

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

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.

Company No. 372113 - A
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**2. Significant accounting policies (continued)**

**(n) Income tax (continued)**

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

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

**(o) Borrowing costs**

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

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

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

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

**(p) Contingent liabilities**

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

Company No. 372113 - A
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**2. Significant accounting policies (continued)**

**(q) Earnings per ordinary share**

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

**(r) Operating segments**

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

**(s) Equity instruments**

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

**(i) Issue expenses**

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

**(ii) Ordinary shares**

Ordinary shares are classified as equity.

**(iii) Warrants**

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

Company No. 372113 - A
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## 2. Significant accounting policies (continued)

### (f) Fair value measurements

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

Company No.  
372113 - A

3. Property, plant and equipment

Group	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000			Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Others RM'000	Total RM'000
					Dry docking RM'000	Leasehold buildings RM'000	Motor vehicles RM'000					
<i>Cost</i>												
At 1 January 2017	1,942,038	13,470	62,923	1,860	78	807	4,010	510	3,805	2,029,501		
Additions	-	836	104	-	-	-	3	-	80	1,023		
Disposal	( 71,438)	( 148)	( 7,867)	( 1,860)	-	-	( 16)	( 98)	( 930)	( 82,357)		
Effect of movements in exchange rate	( 161,910)	( 636)	( 4,084)	-	-	-	-	-	-	( 166,630)		
At 31 December 2017//	1,708,690	13,522	51,076	-	78	807	3,997	412	2,955	1,781,537		
1 January 2018	-	1,720	12,199	-	-	-	62	-	82	14,063		
Additions	-	-	-	-	-	-	-	-	-	-		
Disposal	-	-	-	-	-	-	-	-	-	-		
Effect of movements in exchange rate	28,654	114	796	-	-	-	-	-	-	29,564		
At 31 December 2018	1,737,344	15,356	64,071	-	78	807	4,059	412	3,037	1,825,164		

Company No.  
372113 - A

3. Property, plant and equipment (continued)

Group (continued)	Marine	Vessel	Dry	Leasehold	Cabin, field	Motor	Office	Furniture	Total	
	vessels RM'000	equipment RM'000	docking RM'000	buildings RM'000	and workshop equipment RM'000	vehicles RM'000	equipment RM'000	and fittings RM'000	Others RM'000	RM'000
At 1 January 2017	409,028	10,095	38,885	418	70	521	3,651	491	3,273	466,432
Accumulated depreciation	33,834	-	-	-	-	-	-	-	-	33,834
Accumulated impairment loss	442,862	10,095	38,885	418	70	521	3,651	491	3,273	500,266
Depreciation for the year (Note 17)	75,694	1,498	10,407	19	5	160	175	8	300	88,266
Impairment loss (Note 17)	51,110	-	-	-	-	-	-	-	-	51,110
Disposal (Note 3.4)	( 61,610)	( 127)	( 7,867)	( 437)	-	-	( 16)	( 97)	( 907)	( 71,061)
Effect of movements in exchange rate	( 30,711)	( 482)	( 2,472)	-	-	-	-	-	-	( 33,665)
At 31 December 2017	416,069	10,984	38,953	-	75	681	3,810	402	2,666	473,640
Accumulated depreciation	61,276	-	-	-	-	-	-	-	-	61,276
Accumulated impairment loss	477,345	10,984	38,953	-	75	681	3,810	402	2,666	534,916



Company No.  
372113 - A

3. Property, plant and equipment (continued)

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

Company No.  
372113 - A

3. Property, plant and equipment (continued)

Company	Note	Leasehold buildings RM'000	Office equipment RM'000	Furniture and fittings RM'000	Others RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2017		1,860	332	298	2,572	5,062
Additions		-	3	-	80	83
Disposal		( 1,860)	( 16)	( 98)	( 930)	( 2,904)
At 31 December 2017/ 1 January 2018		-	319	200	1,722	2,241
Additions		-	-	18	82	100
At 31 December 2018		-	319	218	1,804	2,341
<b>Accumulated depreciation</b>						
At 1 January 2017		420	277	283	2,168	3,148
Depreciation for the year	17	19	27	6	181	233
Disposal		( 439)	( 15)	( 98)	( 906)	( 1,458)
At 31 December 2017/ 1 January 2018		-	289	191	1,443	1,923
Depreciation for the year	17	-	16	8	148	172
At 31 December 2018		-	305	199	1,591	2,095
<b>Carrying amount</b>						
At 31 December 2017		-	30	9	279	318
At 31 December 2018		-	14	19	213	246

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

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

Company No. 372113 - A
---------------------------

### 3. Property, plant and equipment (continued)

#### 3.2 Security

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

#### 3.3 Impairment testing of property, plant and equipment

The Group's main customers are from oil and gas companies involved in upstream exploration activities. Crude oil prices in 2018 continued to affect the business activities of the industry in which the Group operates.

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

- (a) Average utilisation rate ranging from 67% to 80% (2017: 73% to 80%);
- (b) Average daily charter rate ranging from RM24,000 to RM63,635 (2017: RM25,000 to RM64,000);
- (c) Daily operating costs ranging from RM8,000 to RM13,000 (2017: RM8,000 to RM13,000);
- (d) Average growth rate of 6.5% for years 2019 - 2023 (2017: 4.3% for years 2018 - 2022) and subsequently a growth rate of 5% (2017: 5%) in every five years;
- (e) Salvage value based on market value of scrap steel plates at USD550 (2017: USD550) per tonne multiplied by the lightweight of the vessels; and
- (f) Pre-tax discount rate of 10% (2017: 10%).

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

Following the assessment, the Group has made a net reversal of impairment losses of RM6.7 million (2017: net impairment losses of RM51.1 million) (see Note 16) on seven (2017: seven) vessels in the profit or loss, as the estimated recoverable amounts of these vessels are higher (2017: lower) than their carrying amounts.

Company No. 372113 - A
---------------------------

### 3. Property, plant and equipment (continued)

#### 3.3 Impairment testing of property, plant and equipment (continued)

##### *Impairment loss sensitivity analysis*

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

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

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM31.5 million (2017: RM34.1 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM53.3 million (2017: RM53.3 million).

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

### 4. Investments in subsidiaries

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

Company No.  
372113 - A

**4. Investments in subsidiaries (continued)**

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest	
			2018 %	2017 %
Intra Oil Services Berhad	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Ampangship Marine Sdn. Bhd.	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Perdana Nautika Sdn. Bhd.	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Perdana Jupiter Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Neptune Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Pluto Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Saturn Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Earth Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Mars Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Petra Offshore Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100

Company No. 372113 - A
---------------------------

4. **Investments in subsidiaries** (continued)

Details of the subsidiaries are as follows: (continued)

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest	
			2018 %	2017 %
Perdana Marine Offshore Pte. Ltd.**	The Republic of Singapore	Dormant	100	100
Perdana Uranus Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100
Perdana Mercury Limited**	The Republic of the Marshall Island	Dormant	100	100
Perdana Venus Limited**	The Republic of the Marshall Island	Dormant	100	100
Odin Explorer Navigation Limited**	The British Virgin Island	Dormant	100	100
Geoseas Technologies Limited**	The British Virgin Island	Dormant	51	51

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

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

***Impairment testing for investments in subsidiaries***

The recoverable amounts of respective subsidiaries were estimated using the value-in-use calculation. This calculation uses pre-tax cash flow projections based on the financial budgets approved by management and cash flows expected from the continuing use of assets. The value-in-use calculation was based on the key assumptions as detailed in Note 3.3.

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

Company No. 372113 - A
---------------------------

**5. Deposits**

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

- (a) Refundable deposits are deposits held by lessors of marine vessels of a subsidiary which is refundable to the Group upon expiry of the respective leases.
- (b) Deposits in Retention Account represents a cash amount of USD300,000 placed with a financier and will be released upon the settlement of the loan owed to the financier. During the year, the Group received a letter from the financier to set-off the said deposits against part of the outstanding loan.

Company No.  
372113 - A

**6. Deferred tax**

***Recognised deferred tax assets/(liabilities)***

Deferred tax assets and liabilities are attributable to the following:

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



Company No.  
372113 - A

**6. Deferred tax (continued)**

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

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

Company No. 372113 - A
---------------------------

**6. Deferred tax (continued)**

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

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

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

***Unrecognised deferred tax assets***

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

	<b>Group and Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unabsorbed capital allowances	345	345
Unutilised tax losses	7,435	7,435
	7,780	7,780
	7,780	7,780

Deferred tax assets of the Group and the Company of RM1.9 million (2017: RM1.9 million) have not been recognised in respect of the above temporary differences because it is not certain if sufficient future taxable profits will be available against which the affected group entities can utilise the benefits therefrom.

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

Company No.  
372113 - A

6. **Deferred tax (continued)**

*Unrecognised deferred tax assets (continued)*

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

7. **Derivative asset - Group**

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

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

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

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

8. **Trade and other receivables**

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

Company No.  
372113 - A

8. Trade and other receivables (continued)

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

**Group**

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

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

**Company**

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

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

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

Company No. 372113 - A
---------------------------

## 9. Inventories

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

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

## 10. Deposits and prepayments

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

Included in the Group's deposits is placement of fund of USD293,000 (2017: USD507,000) in a Sinking Fund Account. This Sinking Fund Account is established with a financial institution and is held by a subsidiary during the tenure of a loan as security deposits.

## 11. Cash and cash equivalents

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

Company No. 372113 - A
---------------------------

**11. Cash and cash equivalents (continued)**

**Group and Company**

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

**12. Capital and reserves**

**12.1 Share capital**

	Group and Company			
	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares				
<b>Issued and fully paid:</b>				
At 1 January	411,219	778,471	389,235	778,471
Transfer from share premium and other capital reserve in accordance with Section 618(2) of the Companies Act [Note (i)]	-	-	21,984	-
At 31 December	<u>411,219</u>	<u>778,471</u>	<u>411,219</u>	<u>778,471</u>
	[Note ii]			

**Note**

- (i) In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.
- (ii) Included in share capital is share premium amounting to RM22.0 million that has not been utilised within the period for utilisation which expired on 30 January 2019.

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

Company No. 372113 - A
---------------------------

## 12. Capital and reserves (continued)

### 12.2 Reserves

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

### 12.3 Translation reserve

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

### 12.4 Cash flow hedge reserve

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

	Group	
	2018 RM'000	2017 RM'000
At 1 January	233	190
Net movement during the year	( 155)	43
At 31 December	<u>78</u>	<u>233</u>

Company No.  
372113 - A

## 12. Capital and reserves (continued)

### 12.5 Other capital reserve

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

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

## 13. Loans and borrowings

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



Company No.  
372113 - A

13. Loans and borrowings (continued)

Changes in liabilities arising from financing activities are as follows:

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

Company No. 372113 - A
---------------------------

### 13. Loans and borrowings (continued)

#### 13.1 *Sukuk Murabahah*

Sukuk Murabahah of RM635.0 million was issued by the Company on 28 April 2016, and is constituted by a Trust Deed dated 8 April 2016 entered into by the Company and the Trustee for the holders of the Sukuk Murabahah. The tenure of the Sukuk Murabahah Programme shall be twelve (12) years from the date of the first issuance of the Sukuk Murabahah. The first tranche was issued for a period of five (5) years with a claim period of thirty (30) days thereafter from the date of issuance.

In relation thereto, Danajamin has granted and made available an Al-Kafalah Facility of up to the aggregate amount of the nominal value of the Sukuk Murabahah of RM635.0 million (“Danajamin Facility”) and such amount equivalent to one (1) profit payment thereof and United Overseas Bank (“UOB”) has agreed to indemnify and counter guarantee the Danajamin Facility for the nominal value of the Sukuk Murabahah of up to RM317.5 million and one (1) profit payment thereof to guarantee the Company’s payment obligations to the holders of the Sukuk Murabahah.

In connection therewith, Danajamin, UOB and the Company have entered into an Al-Kafalah Facility Agreement dated 13 April 2016 and Danajamin has issued a Kafalah policy dated 25 April 2016 in favour of the Trustee for the holders of the Sukuk Murabahah to guarantee the payment obligations of the Company under the Sukuk Murabahah for up to the nominal value of the Sukuk Murabahah of RM635.0 million and one (1) profit payment thereof. The Sukuk Murabahah is:

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

#### a) **Primary bonds’ repayment terms under the Sukuk Murabahah contract**

Pursuant to the Islamic financing documents in relation to the Sukuk Murabahah, the Company shall be liable to pay the Deferred Sale Price (being the aggregate of (i) the nominal value of the Sukuk Murabahah and (ii) the profit margin of the relevant Sukuk Murabahah, payable on a deferred payment basis).

Company No. 372113 - A
---------------------------

**13. Loans and borrowings (continued)**

**13.1 Sukuk Murabahah (continued)**

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

The Sukuk Murabahah issued by the Company shall evidence, amongst others, the entitlement of the holders of the Sukuk Murabahah to receive the Deferred Sale Price. The Company shall repay the nominal value of the relevant Sukuk Murabahah for respective tenures based on the maturity dates as follows:

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

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

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

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

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

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

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

Company No.  
372113 - A

**13. Loans and borrowings (continued)**

**13.1 Sukuk Murabahah (continued)**

**c) Securities**

The payment by the Company for up to the nominal value of the Sukuk Murabahah of RM635.0 million and one (1) profit payment thereof, in respect of the first issuance of the Sukuk Murabahah, is guaranteed by the Kafalah policy dated 25 April 2016 issued by Danajamin in favour of the Trustee.

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

- (i) a charge over the Securities Accounts;
- (ii) a charge over mortgages of the eleven (11) vessels via a third (3<sup>rd</sup>) party first (1<sup>st</sup>) priority statutory mortgage of the subsidiaries of the Company;
- (iii) a charge over all money, revenue, receipts, proceeds or income in relation to the eleven (11) vessels;
- (iv) a charge over all policies and contracts of insurance of vessel owners of the eleven (11) vessels; and
- (v) a charge over the eleven (11) vessels of a third (3<sup>rd</sup>) party deeds of covenant prescribed by the Trustee and executed by the vessel owners and the relevant corresponding mortgages as security for the payment and repayment of the Sukuk Murabahah.

**d) Guarantee fee**

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

**13.2 Commodity Murabahah Financing - I**

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

This term loan is subject to floating interest rate and is being hedged by an interest rate swap as disclosed in Note 7 to the financial statements.

**13.3 Term loans**

The term loans are secured by:

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

Company No.  
372113 - A

### 13. Loans and borrowings (continued)

#### 13.4 Significant covenants on loans and borrowings

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

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

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

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

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

Company No.  
372113 - A

**13. Loans and borrowings (continued)**

**13.5 Finance lease liabilities**

Finance lease liabilities are payable as follows:

	2018			2017		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	137,091	12,378	124,713	22,343	9,219	13,124
Between two and five years	-	-	-	119,927	6,401	113,526
	<u>137,091</u>	<u>12,378</u>	<u>124,713</u>	<u>142,270</u>	<u>15,620</u>	<u>126,650</u>

**14. Trade and other payables**

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

**Group and Company**

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

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

Company No. 372113 - A
---------------------------

**15. Revenue**

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

**15.1 Disaggregation of revenue from contracts with customers**

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

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

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.

**Company**

<b>Major service line</b>		
Management services	1,524	1,800
	<u>1,524</u>	<u>1,800</u>
<b>Timing and recognition</b>		
Over time	1,524	1,800
	<u>1,524</u>	<u>1,800</u>

Company No. 372113 - A
---------------------------

**15. Revenue (continued)**

**15.2 Nature of services**

The following information reflects the typical transactions as follows:

**Group**

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

**Company**

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

**15.3 Transaction price allocated to the remaining performance obligations**

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

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

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



Company No. 372113 - A
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**16. Other income/(expenses)**

**Group**

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

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

**Company**

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

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

**17. Results from operating activities**

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Results from operating activities is arrived at after charging:</b>				
Directors' remuneration:				
- fees	456	558	456	558
- other emoluments	485	371	485	371
Auditors' remuneration:				
- Audit fees				
- KPMG PLT	220	200	62	57
- others	5	6	-	-
- Non-audit fees				
- KPMG PLT	15	15	15	15
- affiliates of KPMG PLT	45	110	18	56
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Company No. 372113 - A
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17. Results from operating activities (continued)

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

Company No. 372113 - A
---------------------------

**18. Finance income/(costs)**

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

**19. Taxation**

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

Company No. 372113 - A
---------------------------

**19. Taxation (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred taxation (Note 6)</b>				
- current year	( 2,153)	( 7,853)	-	-
- prior year	( 65)	( 110)	-	-
	<u>( 2,218)</u>	<u>( 7,963)</u>	<u>-</u>	<u>-</u>
	<u>1,989</u>	<u>( 1,486)</u>	<u>2,958</u>	<u>5,108</u>
<b>Total taxation</b>				
	<u>1,989</u>	<u>( 1,486)</u>	<u>2,958</u>	<u>5,108</u>
<b><i>Reconciliation of taxation</i></b>				
Loss for the year	( 40,910)	( 186,106)	( 22,095)	( 76,050)
Total taxation	1,989	( 1,486)	2,958	5,108
Loss excluding tax	<u>( 38,921)</u>	<u>( 187,592)</u>	<u>( 19,137)</u>	<u>( 70,942)</u>
<b>Tax calculated using</b>				
Malaysian tax rate of				
24% (2017: 24%)	( 9,341)	( 45,022)	( 4,593)	( 17,026)
Tax effect under Labuan				
Business Activity Act 1990	1,632	19,308	-	-
Non-deductible expenses	9,652	23,612	7,269	20,566
Non-taxable income	( 176)	( 2,126)	-	( 496)
Movement in unrecognised				
deferred tax assets	-	20	-	20
Under-provision in prior				
years	222	2,722	282	2,044
<b>Total taxation</b>	<u>1,989</u>	<u>( 1,486)</u>	<u>2,958</u>	<u>5,108</u>

Company No.  
372113 - A

## 20. Compensations to key management personnel

Compensations to key management personnel are as follows:

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

## 21. Earnings per ordinary share

### *Basic and diluted earnings per ordinary share*

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

	Group	
	2018 RM'000	2017 RM'000
Loss attributable to ordinary shareholders	( 40,910)	( 186,106)
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at 1 January/Weighted average number of ordinary shares at 31 December ('000)	778,471	778,471
<b>Basic loss per share (sen)</b>	( 5.26)	( 23.91)

Company No. 372113 - A
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## 22. Dividend

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

## 23. Operating segments

The Group has one reportable segment as described below, which is the Group's strategic business unit. Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their services provided.

The Group's reportable segment consists solely of marine offshore support services segment, which is the provision of vessels for the upstream oil and gas industry, ranging from towing, mooring and anchoring of non-self propelled marine vessels; transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities onboard.

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

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

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

### Group

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

Company No. 372113 - A
---------------------------

**23. Operating segments (continued)**

**Group (continued)**

	<b>Marine offshore support services</b>	
	<b>2018 RM'000</b>	<b>2017 RM'000</b>
<b>Segment assets</b>	1,328,501	1,392,170

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

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

Company No.  
372113 - A

23. Operating segments (continued)

	2018	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Finance income RM'000	Segment assets RM'000
Total reportable segments		189,653	( 80,110)	( 42,120)	1,422	1,328,501
Other non-reportable segments		-	( 172)	( 43,024)	29,740	927,722
Elimination of inter-segment transactions or balances		-	-	28,635	( 28,636)	( 881,286)
Consolidated total		189,653	( 80,282)	( 56,509)	2,526	1,374,937
2017						
Total reportable segments		147,787	( 88,033)	( 45,705)	1,307	1,392,170
Other non-reportable segments		-	( 233)	( 43,564)	30,702	1,146,492
Elimination of inter-segment transactions or balances		-	-	29,020	( 29,020)	( 1,114,606)
Consolidated total		147,787	( 88,266)	( 60,249)	2,989	1,424,056



Company No. 372113 - A
---------------------------

**23. Operating segments (continued)**

***Geographical segments***

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

**Geographical information**

**Group**

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	189,653	147,787	1,279,723	1,315,380

***Major customers***

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

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

**24. Financial instruments**

**24.1 Categories of financial instruments**

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

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

Company No. 372113 - A
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24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

	Note	Carrying amount RM'000	FVTPL RM'000	AC RM'000
<b>2018</b>				
<b>Financial assets</b>				
<b>Group</b>				
Deposits	5,10	48,299	-	48,299
Trade and other receivables	8	50,066	-	50,066
Cash and cash equivalents	11	36,545	-	36,545
Derivative asset	7	78	78	-
<hr/> <hr/>				
<b>Company</b>				
Deposits	10	37	-	37
Trade and other receivables	8	884	-	884
Cash and cash equivalents	11	7,591	-	7,591
<hr/> <hr/>				
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	13	( 633,252)	-	( 633,252)
Trade and other payables	14	( 277,407)	-	( 277,407)
<hr/> <hr/>				
<b>Company</b>				
Loans and borrowings	13	( 440,528)	-	( 440,528)
Trade and other payables	14	( 413,132)	-	( 413,132)
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Company No. 372113 - A
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**24. Financial instruments (continued)**

**24.1 Categories of financial instruments (continued)**

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

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

	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
<b>2017</b>				
<b>Financial assets</b>				
<b>Group</b>				
Deposits	5, 10	47,946	47,946	-
Trade and other receivables	8	19,982	19,982	-
Cash and cash equivalents	11	77,004	77,004	-
Derivative asset	7	233	-	233
<hr/>				
<b>Company</b>				
Deposits	10	150	150	-
Trade and other receivables	8	618,791	618,791	-
Cash and cash equivalents	11	60,334	60,334	-
<hr/>				
<b>Financial liabilities</b>				
<b>Group</b>				
Loans and borrowings	13	( 734,277)	( 734,277)	-
Trade and other payables	14	( 191,809)	( 191,809)	-
<hr/>				
<b>Company</b>				
Loans and borrowings	13	( 524,797)	( 524,797)	-
Trade and other payables	14	( 331,927)	( 331,927)	-
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Company No. 372113 - A
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**24. Financial instruments (continued)**

**24.2 Net gains and losses arising from financial instruments**

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

**24.3 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**(a) Credit risk**

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from its advances to subsidiaries. There are no significant changes as compared to prior periods.

**(i) Receivables from external parties**

***Risk management objectives, policies and processes for managing the risk***

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

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

Company No.  
372113 - A

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(a) Credit risk (continued)**

**(i) Receivables from external parties (continued)**

***Risk management objectives, policies and processes for managing the risk (continued)***

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

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

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

***Exposure to credit risk, credit quality and collateral***

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

There are no significant concentrations of credit risk as at the end of the reporting period other than trade receivables due from two (2017: two) counterparties amounting to RM21.9 million (2017: RM14.0 million).

***Recognition and measurement of impairment losses***

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

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

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

Company No. 372113 - A
---------------------------

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(a) Credit risk (continued)**

**(i) Receivables from external parties (continued)**

*Recognition and measurement of impairment losses (continued)*

**Group**

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

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

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

	<b>Gross carrying amount RM'000</b>	<b>Impairment RM'000</b>	<b>Net balance RM'000</b>
<b>2017</b>			
Not past due	15,690	-	15,690
Past due 0-30 days	-	-	-
Past due 30-90 days	-	-	-
Past due 91-365 days	-	-	-
Past due more than 365 days	429	-	429
	<u>16,119</u>	<u>-</u>	<u>16,119</u>

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

Company No.  
372113 - A

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(a) Credit risk (continued)**

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

***Recognition and measurement of impairment loss***

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

Company No. 372113 - A
---------------------------

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(a) Credit risk (continued)**

**(iii) Inter-company loans and advances balances (continued)**

*Recognition and measurement of impairment loss (continued)*

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 2018.

**Company**

	<b>Gross carrying amount RM'000</b>	<b>Loss allowance RM'000</b>	<b>Net balance RM'000</b>
<b>2018</b>			
Low credit risk	787	-	787

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

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

<b>Company</b>	<b>2017 RM'000</b>
At 1 January	-
Impairment loss recognised	3,130
At 31 December	<u>3,130</u>



Company No. 372113 - A
---------------------------

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(a) Credit risk (continued)**

**(iv) Financial guarantees**

***Risk management objectives, policies and processes for managing the risk***

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

***Exposure to credit risk, credit quality and collateral***

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

***Recognition and measurement of impairment loss***

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

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

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

Company No. 372113 - A
---------------------------

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(b) Liquidity risk**

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

***Risk management objectives, policies and processes for managing the risk***

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

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

Company No.  
372113 - A

**24. Financial instruments (continued)**  
**24.3 Financial risk management (continued)**  
**(b) Liquidity risk (continued)**

*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:

Group	Note	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
<b>2018</b>						
Sukuk		438,528	4.32 - 4.90	506,106	506,106	-
Secured term loans	24.3 (b)(i)	68,011	3.80 - 8.10	71,720	71,720	-
Finance lease liabilities		124,713	7.24 - 7.32	137,091	137,091	-
Unsecured revolving credits		2,000	4.66	2,002	2,002	-
Trade and other payables		86,746	-	86,746	86,746	-
Amount due to a related company		190,661	5.66	201,452	201,452	-
		<u>910,659</u>		<u>1,005,117</u>	<u>1,005,117</u>	-
<b>2017</b>						
Sukuk		518,797	4.32 - 4.90	624,569	624,569	-
Secured term loans		82,830	4.40 - 4.68	87,480	87,480	-
Finance lease liabilities		126,650	2.30 - 7.32	142,270	22,342	119,928
Unsecured revolving credits		6,000	5.72	6,008	6,008	-
Trade and other payables		57,148	-	57,148	57,148	-
Amount due to a related company		134,661	5.00	141,394	141,394	-
		<u>926,086</u>		<u>1,058,869</u>	<u>938,941</u>	<u>119,928</u>

Company No.  
372113 - A

**24. Financial instruments (continued)**  
**24.3 Financial risk management (continued)**  
**(b) Liquidity risk (continued)**  
*Maturity analysis (continued)*

	Note	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
<b>Company 2018</b>						
Sukuk		438,528	4.32 - 4.90	506,106	506,106	-
Unsecured revolving credits		2,000	4.86	2,002	2,002	-
Trade and other payables		222,471	-	222,471	222,471	-
Amount due to a related company		190,661	5.66	201,452	201,452	-
Financial guarantees		-	-	193	193	-
		<u>853,660</u>		<u>932,224</u>	<u>932,224</u>	<u>-</u>
<b>2017</b>						
Sukuk		518,797	4.32 - 4.90	624,569	624,569	-
Unsecured revolving credits		6,000	5.72	6,008	6,008	-
Trade and other payables		202,266	-	202,266	202,266	-
Amount due to a related company		129,661	5.00	136,144	136,144	-
Financial guarantees		-	-	215,412	215,412	-
		<u>856,724</u>		<u>1,184,399</u>	<u>1,184,399</u>	<u>-</u>

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

Company No. 372113 - A
---------------------------

**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(c) Market risk**

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

**(i) Currency risk**

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

Company No.  
372113 - A

24. Financial instruments (continued)

24.3 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

*Exposure to foreign currency risk*

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

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

Company No. 372113 - A
---------------------------

<b>24. Financial instruments (continued)</b>					
<b>24.3 Financial risk management (continued)</b>					
(c) <b>Market risk (continued)</b>					
(i) <b>Currency risk (continued)</b>					
<i>Exposure to foreign currency risk (continued)</i>					
<b>Group</b>					
<b>2017</b>					
<b><u>Financial assets</u></b>					
Trade and other receivables	594		323		2
Cash and cash equivalents	267		72		-
Intra-group balances	69,775		7,817		34,024
	<u>70,636</u>		<u>8,212</u>		<u>34,026</u>
<b><u>Financial liabilities</u></b>					
Trade and other payables	(369)		(1,243)		(18)
Intra-group balances	(184,115)		(41,921)		(268,529)
	<u>(184,484)</u>		<u>(43,164)</u>		<u>(268,547)</u>
Net currency exposure	(113,848)		(34,952)		(234,521)

Company No. 372113 - A
---------------------------

24. Financial instruments (continued)

24.3 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

*Exposure to foreign currency risk (continued)*

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

*Currency risk sensitivity analysis*

A 10% (2017: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. The analysis assumes that all other variable, in particular interest rates, remained constant.



Company No.  
372113 - A

24. Financial instruments (continued)

24.3 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

*Currency risk sensitivity analysis* (continued)

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

A 10% (2017: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

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

*Risk management objectives, policies and processes for managing the risk*

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

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

Company No.  
372113 - A

24. Financial instruments (continued)

24.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

*Exposure to interest rate risk*

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

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

*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.

Company No. 372113 - A
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**24. Financial instruments (continued)**

**24.3 Financial risk management (continued)**

**(c) Market risk (continued)**

**(ii) Interest rate risk (continued)**

*Cash flow sensitivity analysis for variable rate instruments*

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

	2018		2017	
	Profit or loss		Profit or loss	
	100bps increase RM'000	100bps decrease RM'000	100bps increase RM'000	100bps decrease RM'000
<b>Group</b>				
Floating rate instruments	( 700)	700	( 888)	888
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Company</b>				
Floating rate instruments	( 20)	20	( 60)	60
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(iii) Equity price risk**

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

**24.4 Fair value information**

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

Company No.  
372113 - A

24. Financial instruments (continued)

24.4 Fair value information (continued)

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

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2018</b>								
<b>Group</b>								
<b>Financial assets</b>								
Deposits	-	-	-	-	-	46,043	46,043	46,043
Derivative asset	-	78	-	-	-	-	78	78
<b>2017</b>								
<b>Group</b>								
<b>Financial assets</b>								
Deposits	-	-	-	-	-	45,291	45,291	45,291
Derivative asset	-	233	-	-	-	-	233	233
<b>Financial liabilities</b>								
Finance lease liabilities	-	-	-	-	-	( 107,100)	( 107,100)	( 113,526)
<b>Company</b>								
<b>Financial assets</b>								
Loans to subsidiaries	-	-	-	-	-	566,383	566,383	566,383

Company No. 372113 - A
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**24. Financial instruments (continued)**

**24.4 Fair value information (continued)**

**Policy on transfer between levels**

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

**Level 1 fair value**

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

**Level 2 fair value**

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

*Derivative*

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

**Transfers between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

**Level 3 fair value**

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

Company No. 372113 - A
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**24. Financial instruments (continued)**

**24.4 Fair value information (continued)**

**Level 3 fair value (continued)**

*Fair values of financial instruments not carried at fair value*

<b>Type</b>	<b>Description of valuation technique and inputs used</b>
<b>Group</b> Deposits	Discounted cash flows using a rate of 1.51% (2017: 1.51%) at the reporting date.
Finance lease liabilities	Discounted cash flows using a rate of 6.00% at the previous reporting date.
<b>Company</b> Loans to subsidiaries	Discounted cash flows using a rate of 4.91% at the previous reporting date.

**25. Capital management**

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

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

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

Company No. 372113 - A
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## 26. Contingent liabilities

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Contingent liabilities not considered remote</b>				
Corporate guarantees favouring banks for facilities granted to subsidiaries	-	-	193,202	210,612
Bank guarantee granted to third parties for benefit of subsidiaries	-	4,800	-	4,800
	<u>-</u>	<u>4,800</u>	<u>193,202</u>	<u>215,412</u>

- 26.2 Further to the conclusion of a tax audit conducted for year of assessment ("YA") 2007 to YA 2010, the Inland Revenue Board ("IRB") has requested the Group to revise its tax computations for YA 2011 and subsequent years. The Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Group responded to the IRB that it disagreed with applying the same computation method used for the earlier tax audit exercise based on reasonable technical grounds. The Group may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA 2011 and subsequent years, the outcome of which cannot be ascertained at this present stage.

## 27. Related parties

### *Identity of related parties*

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

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.

Company No. 372113 - A
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**27. Related parties (continued)**

Significant related party transactions, other than compensations to key management personnel (see Note 20) and those disclosed elsewhere in the financial statement, are as follows:

*Transactions with subsidiaries*

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	( 88)	( 176)
Management fees income	( 1,524)	( 1,800)
Interest income	( 28,636)	( 29,020)
	<u>                    </u>	<u>                    </u>

*Transaction with related companies*

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Charter income	( 111,250)	( 65,556)
Mobilisation income	( 2,240)	( 1,100)
Interest expenses	10,159	4,404
Rental expenses	170	-
	<u>                    </u>	<u>                    </u>

	<b>Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental expenses	31	-
Interest expenses	10,008	4,154
	<u>                    </u>	<u>                    </u>

The balances related to the above transactions are disclosed in Notes 8 and 14 to the financial statements.

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



Company No. 372113 - A
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## 28. Significant events

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

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

On 7 September 2012, the Company filed notices of discontinuance pursuant to a negotiated settlement with TASB, Yap Hock Heng and TAFC, with no admission of liability and with no liberty to file afresh. In this connection, TASB had also agreed to discontinue their suit against the Company in relation to a claim of approximately RM2.8 million as placement fees due to them ("TASB Suit") with no admission of liability and with no liberty to file afresh. With the discontinuance of the TASB Suit, the Company had reversed the provisions made earlier.

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

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

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

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

Company No. 372113 - A
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**28. Significant events (continued)**

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

- (i) the Company's appeal was allowed with costs against Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong;
- (ii) the Company's appeal was dismissed with costs against Lee Mee Jiong; and
- (iii) Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra's cross appeal was dismissed with costs.

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

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

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

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

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

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

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

Company No.  
372113 - A

**28. Significant events (continued)**

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

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

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

- 28.2 The Group had entered into two separate memorandums of agreement (“MOA”) with a third party (“Seller”) in June 2014 to purchase two units of work barges, identified as Vessel Hull No. SK316 and SK317 amounting to USD42.0 million each. Pursuant to the terms of the MOA, the Group had paid 20% of the purchase price of each work barge amounting to USD16.8 million as upfront deposits.

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

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

The Group has not become aware of any formal legal proceedings in relation to Vessel Hull No. SK316 by the Seller.

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

Company No. 372113 - A
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**28. Significant events (continued)**

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

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

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

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

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

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

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

Company No. 372113 - A
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**28. Significant events (continued)**

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

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

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

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

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

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

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

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

Company No. 372113 - A
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**28. Significant events (continued)**

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

- a) The Company is required to submit a Proposed Debt Restructuring Scheme (“PDRS”) within sixty (60) days from the date of the CDRC Approval Letter;
- b) The Company’s admission is limited to twelve (12) months or upon signing of a debt restructuring agreement, whichever is earlier; and
- c) The PDRS must comply with the CDRC’s restructuring principles for the Company to continue to remain under the Standstill arrangement with the Lenders.

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

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

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

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

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

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

Company No. 372113 - A
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## 29. Significant changes in accounting policies

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

### 29.1 Impacts on financial statements

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

### 29.2 Accounting for financial instruments

#### a. Transition

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

- i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.
- ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
  - the determination of the business model within which a financial asset is held; and
  - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

Company No.  
372113 - A

29. Significant changes in accounting policies (continued)

29.2 Accounting for financial instruments (continued)

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

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

	31 December 2017		1 January 2018		
	Category under MFRS 139	RM'000	Remeasurement RM'000	Reclassification to new MFRS 9 category AC RM'000	FVTPL RM'000
<i>Group</i>					
<i>Financial assets</i>					
<b>Loan and receivables</b>					
Deposits		47,946	-	47,946	-
Trade and other receivables		19,982	-	19,982	-
Cash and cash equivalents		77,004	-	77,004	-
		144,932	-	144,932	-
<b>Fair value through profit or loss</b>					
Derivative asset		233	-	-	233
		233	-	-	233



Company No.  
372113 - A

29. Significant changes in accounting policies (continued)

29.2 Accounting for financial instruments (continued)

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

	1 January 2018		
	31 December 2017	Reclassification to new MFRS 9 category	
Category under MFRS 139 <i>Company</i> <i>Financial assets</i>	RM'000	AC RM'000	FVTPL RM'000
Loan and receivables			
Deposits	150	150	-
Trade and other receivables	618,791	618,791	-
Cash and cash equivalents	60,334	60,334	-
	-----	-----	-----
	679,275	679,275	-
	=====	=====	=====
<i>Group</i> <i>Financial liabilities</i>			
Other financial liabilities measured at amortised cost			
Loans and borrowings	734,277	734,277	-
Trade and other payables	191,809	191,809	-
	-----	-----	-----
	926,086	926,086	-
	=====	=====	=====

Company No.  
372113 - A

29. Significant changes in accounting policies (continued)

29.2 Accounting for financial instruments (continued)

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

	1 January 2018		
	Remeasurement RM'000	Reclassification to new MFRS 9 category AC RM'000	FVTPL RM'000
31 December 2017 RM'000			
Category under MFRS 139 Company Financial liabilities			
Other financial liabilities measured at amortised cost			
Loans and borrowings	-	524,797	-
Trade and other payables	-	331,927	-
	<u>-</u>	<u>856,724</u>	<u>-</u>

Company No. 372113 - A
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**29. Significant changes in accounting policies (continued)**

**29.2 Accounting for financial instruments (continued)**

**b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued)**

**(i) Reclassification from loans and receivables to amortised cost**

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

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

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

**29.3 Accounting for revenue**

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

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

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

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

Company No. 372113 - A
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**29. Significant changes in accounting policies (continued)**

**29.3 Accounting for revenue (continued)**

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

**Group**

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

**Company**

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

**Perdana Petroleum Berhad**

(Company No. 372113 - A)

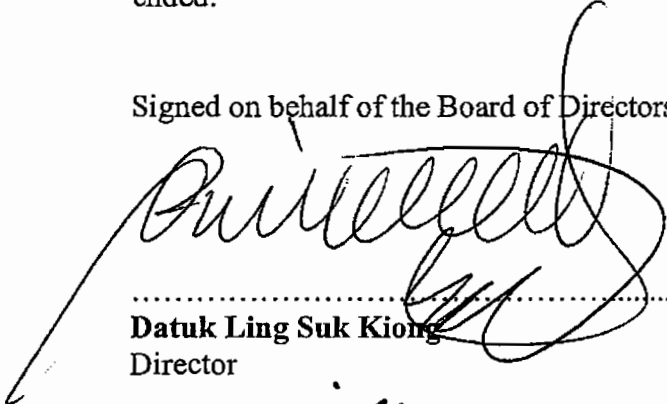
(Incorporated in Malaysia)

**and its subsidiaries**


**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 7 to 123 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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



.....  
**Datuk Ling Suk Kiong**  
Director



.....  
**Bailey Kho Chung Siang**  
Director

Kuala Lumpur,

Date: 9 April 2019

**Perdana Petroleum Berhad**

(Company No. 372113 - A)

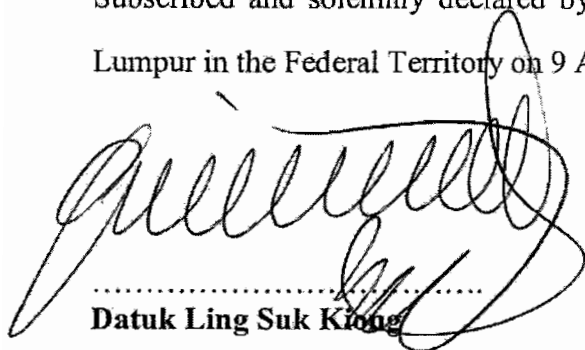
(Incorporated in Malaysia)

**and its subsidiaries**

**Statutory declaration pursuant to  
Section 251(1)(b) of the Companies Act 2016**

I, **Datuk Ling Suk Kiong**, the Director primarily responsible for the financial management of Perdana Petroleum Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 123 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Datuk Ling Suk Kiong**, at Kuala Lumpur in the Federal Territory on 9 April 2019.

  
.....  
**Datuk Ling Suk Kiong**

Before me:



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

(Company No. 372113 - A)  
(Incorporated in Malaysia)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Perdana Petroleum Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### **Basis for Opinion**

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

#### **Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



Company No. 372113 - A

*Perdana Petroleum Berhad  
Independent Auditors' Report  
for the year ended 31 December 2018*

## Key Audit Matters

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

1. Use of going concern basis in the preparation of financial statements  
*Refer to Note 1(b) (basis of preparation) and Note 13 (financial disclosures).*

Key audit matter	How our audit addressed the key audit matter
<p>The Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that the Group's and Company's current liabilities exceeded the current assets by RM815.4 million and RM842.7 million respectively as at the end of the current financial year. As disclosed in Note 13 to the financial statements, the Group has breached certain covenants of two term loans, received notices of default from a lender of a term loan and has not complied with certain terms of the Sukuk. As a result, the non-current portions of these term loans of RM22.3 million and Sukuk of RM356.6 million have been classified to current liabilities as at reporting date. The Group's total borrowings amounted to RM633.3 million as at the end of the reporting period.</p> <p>Furthermore, the Group and the Company recorded net losses of RM40.9 million and RM22.1 million respectively for the current financial year ended 31 December 2018.</p> <p>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.</p> <p>As disclosed in Note 1(b) to the financial statements, the above conditions were mitigated by the holding company agreeing to provide continuous financial backing to support the Group and the Company to meet their obligations when due. Accordingly, the Directors believe that there is no material uncertainty that exists and the preparation of the financial statements of the Group and the Company on the going concern basis is appropriate.</p>	<p>Our audit procedures included, amongst others:</p> <ol style="list-style-type: none"> <li>i) We considered the ability of the Group and of the Company to continue as going concern and meet their obligations for the next twelve months from the date of financial statements based on the budgeted cash flows prepared by management for the said period.</li> <li>ii) We also considered the adequacy of disclosures made by management regarding the significant judgement exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.</li> </ol>





Company No. 372113 - A

*Perdana Petroleum Berhad  
Independent Auditors' Report  
for the year ended 31 December 2018*

**Key Audit Matters (continued)**

2. Valuation of marine vessels  
*Refer to Note 2(d) (accounting policy) and Note 3.3 (financial disclosures).*

Key audit matter	How our audit addressed the key audit matter
<p>The Group's main customers are from oil and gas companies involved in upstream exploration activities. The volatility in crude oil prices in 2018 have continued to affect the business activities of the industry in which the Group operates. As a result, the Group has been facing challenges in achieving high charter hires for the Group's marine vessels for the current financial year ended. This is evidenced by the consecutive losses incurred by the Group for the financial years ended 2015 to 2018. This gives rise to the risk that the carrying amounts of the Group's marine vessels might be stated above their recoverable amounts, and therefore had to be impaired.</p> <p>As disclosed in Note 3.3 to the financial statements, the estimation of recoverable amounts involved forecasting and discounting future cash flows to be generated by the respective marine vessels. This was a key audit matter due to the degree of management judgement involved and assumptions of future events that are inherently uncertain. Changes in judgements and the related estimates throughout the useful lives of the marine vessels could result in material adjustments to the carrying amounts of marine vessels, which can either be positive or negative. As a result of this assessment, a reversal of impairment loss of RM6.7 million was recognised for the current financial year ended 31 December 2018.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>i) We evaluated the key assumptions (i.e. vessel utilisation rates and daily charter rates) used by management by considering the accuracy of the Group's past forecasts and future business plans, including any longterm charter hires already contracted by the Group.</li> <li>ii) We involved our internal valuation specialist to evaluate the appropriateness of the discount rate used by management. In doing so, our internal valuation specialist compared the discount rate used by management with the market rate of return for other similar entities in the same industry.</li> <li>iii) We also considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment was most sensitive.</li> </ul>



Company No. 372113 - A

*Perdana Petroleum Berhad  
Independent Auditors' Report  
for the year ended 31 December 2018*

### **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.



Company No. 372113 - A

*Perdana Petroleum Berhad  
Independent Auditors' Report  
for the year ended 31 December 2018*

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



Company No. 372113 - A

*Perdana Petroleum Berhad  
Independent Auditors' Report  
for the year ended 31 December 2018*

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

### **Other Matter**

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

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

  
Chong Chen Kian  
Approval Number: 03232/02/2020 J  
Chartered Accountant

Kuching,

Date: 9 April 2019

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## APPENDIX IV – INDICATIVE SALIENT TERMS OF THE RCPS

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The indicative salient terms of the RCPS are as set out below:-

Issuer	:	PPB
Issue size	:	Up to RM506,006,117 in value.
Issue price	:	The issue price of the RCPS shall be determined after all approvals for the PPB Proposed Rights Issue of RCPS have been obtained and based on the 5-day VWAMP of PPB Shares immediately prior to the price fixing date of the RCPS with a discount of not more than 30% to the said 5-day VWAMP.
Tenure	:	10 years commencing from and inclusive of the date of issuance of the RCPS, which shall be a Market Day.
Final Redemption Date	:	1 Market Day prior to the 10 <sup>th</sup> anniversary of the date of issuance of the RCPS, which shall be a Market Day ("Final Redemption Date").
Form and denomination	:	The RCPS will be issued in registered form and in denominations or multiples of the Issue Price.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of RCPS will be 100 RCPS or in such denomination permitted by Bursa Securities from time to time.
Dividend rate	:	Nil.
Conversion Rights	:	The RCPS shall be convertible into Conversion Shares 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.
Conversion Ratio	:	1 RCPS is convertible into 1 PPB Share.  The Conversion Ratio may be subject to adjustments from time to time, at the determination of the board of directors of PPB, in the event of any alteration to PPB'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 effected, in accordance with the provisions of the Constitution of PPB. No adjustment to the Conversion Ratio shall be made unless it has been certified by a professional adviser or external auditor of PPB.
Conversion Price	:	The conversion price shall be the same as the issue price of the RCPS.  The Conversion Price may be subject to adjustments from time to time, at the determination of the board of directors of PPB, in the event of any alteration to PPB'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 effected, in accordance with the provisions of the Constitution of PPB. No adjustment to the Conversion Price shall be made unless it has been certified by a professional adviser or external auditor of PPB.
Conversion Share(s)	:	New PPB Shares to be issued upon conversion of the RCPS.
Conversion Period	:	The period beginning from the date of the issuance of the RCPS, which shall be a Market Day, up to the date occurring on the Final Redemption Date.

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**APPENDIX IV – INDICATIVE SALIENT TERMS OF THE RCPS (CONT'D)**

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- Redemption : PPB 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. PPB 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 PPB 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.
- Voting rights : RCPS holders shall have the same rights as ordinary shareholders to receive notices, reports and audited financial statements, and to attend general meetings of PPB.
- The RCPS holders shall not be entitled to voting rights except where there is:-
- i. proposal to reduce PPB's share capital;
  - ii. a proposal for the disposal of the whole of PPB's property, business and undertaking;
  - iii. a proposal that affects the rights and privileges attached to the RCPS, including the amendments to the Constitution of PPB; and
  - iv. a proposal to wind up PPB;
- In any of the above circumstances, each RCPS holder shall be entitled to vote at all general meetings of PPB, and on a poll at any such general meetings to 1 vote for each RCPS held.
- Listing status of the RCPS : The RCPS shall be listed and quoted on the Main Market of Bursa Securities.
- Ranking of RCPS : The RCPS shall, upon allotment and issue, be unsecured and shall rank *pari passu* in all respects with each other but in priority to all ordinary shares of PPB but shall rank behind all secured and unsecured obligations of PPB. The RCPS holders shall not be entitled to participate in any distributions (including profits) beyond such rights as are expressly set out herein and/ or offer of further securities in PPB by way of rights until and unless such RCPS has been converted into new PPB Shares.
- In the event of any liquidation, dissolution or winding up of PPB (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of PPB), the RCPS holder(s) shall be paid in priority to all holders of ordinary shares cash repayment in full up to the amount equivalent to the redemption sum from the sale proceeds after the repayment and discharge of all debts and liabilities of PPB and the costs of winding up or such capital reduction exercise.
- Listing status of the Conversion Shares : The Conversion Shares shall be listed and quoted on the Main Market of Bursa Securities.
- Ranking of the Conversion Shares : The Conversion Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing issued PPB Shares. However, such Conversion Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions unless such Conversion Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.
- Participation in surplus assets and profits : The RCPS holders shall not be entitled to participate in profits and surplus assets in a winding up or upon reduction of capital beyond such rights as are expressly set out above.

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**APPENDIX IV – INDICATIVE SALIENT TERMS OF THE RCPS (CONT'D)**

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Modification of rights : Any variation, modification or abrogation of the rights and privileges attached to the RCPS shall require the sanction of a special resolution or the consent in writing of the RCPS holders holding or representing not less than 75% of the outstanding RCPS.

Rating : Not applicable.

Transferability : The RCPS shall be transferable.

Governing law : Malaysian Law.

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## APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME

The principal terms and conditions for the Proposed Sukuk Programme have not been finalised as at the LPD. Further details of the Proposed Sukuk Programme will be made to Bursa Securities upon lodgement with the SC pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Barring any unforeseen circumstances, the Proposed Sukuk Programme is expected to be implemented in mid-November 2019.

As at the LPD, the indicative principal terms and conditions for the Proposed Sukuk Programme are set out below:-

- Issuer : Dayang
- Programme size : Up to a nominal value of RM682.5 million
- Purpose/  
Utilisation of proceeds : i. To repay part of the Dayang Group's (excluding the PPB Group) existing borrowings; and  
ii. To advance to PPB for the redemption of the PPB Sukuk Murabahah (i.e., PPB Settlement)

For shareholders' information, the proceeds are intended to be utilised for the repayment of the following facilities obtained by the Dayang Group (including PPB Group) as set out below:-

Type of facility	Tenure Years	Outstanding amount as at the LPD RM'000	Utilisation of proceeds RM'000
Commodity Murabahah Term Financing-i	7 (mature in August 2022)	172,591	77,500 <sup>*1</sup>
Islamic short-term revolving credit-i facility	Upon demand	150,000	150,000
Short term loan facility secured by Dayang for the 3 <sup>rd</sup> tranche repayment of the PPB Sukuk Murabahah	1 (mature in September 2019 or such other period as may be extended by the licensed financial institution)	90,000	90,000
PPB Sukuk Murabahah	5 (mature in April 2021)	365,000 <sup>*2</sup>	365,000
<b>Total</b>			<b>682,500</b>

**Notes:-**

\*1 The remaining balance of RM70.0 million shall be repaid via the proceeds raised from the Proposed Rights Issue of Shares

\*2 Being the nominal value for the 4<sup>th</sup> and 5<sup>th</sup> tranches of the PPB Sukuk Murabahah

Tenure programme of : Up to 8 years from the date of first issuance under the Proposed Sukuk Programme.

Securities<sup>\*1</sup> : Securities to be provided by Dayang and its wholly-owned subsidiaries (excluding PPB):-

- i. Assignment and charge over the present and future rights, interests, titles and benefits in Dayang's designated accounts ("Dayang Designated Accounts")<sup>2</sup>, Dayang Enterprise Sdn Bhd's ("DESB") designated accounts ("DESB Designated Accounts")<sup>3</sup> and DESB Marine Services Sdn Bhd's ("DESB Marine") designated accounts ("DESB Marine Designated Accounts")<sup>4</sup> and the credit balances therein;



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**APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME (CONT'D)**

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- ii. 1<sup>st</sup> legal charge over 7 vessels owned by DESB Marine ("Dayang Charged Vessels")<sup>5</sup>;
- iii. Irrevocable and unconditional letter of undertaking from DESB to the security agent of the Proposed Sukuk Programme ("Security Agent") to inject cash into Dayang for the purpose of meeting any shortfall in the financial obligations due under the Proposed Sukuk Programme and guarantee to be issued by a licensed institution regulated by BNM in favour of the Security Agent based on the Shariah principle of Al-Kafalah ("Sukuk Al-Kafalah Facility");
- iv. 1<sup>st</sup> legal charge over 470,786,650 PPB Shares owned by Dayang;
- v. A power of attorney granted to the Security Agent to liquidate/ dispose the PPB Shares to meet any shortfall in the financial obligations due under the Proposed Sukuk Programme and the Sukuk Al-Kafalah Facility;
- vi. 1<sup>st</sup> legal charge over new RCPS of up to RM455,000,000 in value to be issued by PPB to Dayang (pursuant to the Proposed Subscription);
- vii. Assignment over all rights titles, benefits and interest from/ under all takaful/ insurance policies taken or to be taken in relation to the Dayang Charged Vessels;
- viii. Assignment over all proceeds receivable from and under the contracts secured by DESB and DESB Marine in relation to the Dayang Charged Vessels; and
- ix. Corporate guarantee by DESB of RM682.5 million.

Securities to be provided by PPB and its wholly-owned subsidiaries:-

- i. Assignment and charge over the present and future rights, interests, titles and benefits in Perdana Nautika Sdn Bhd's ("PNSB") designated accounts ("PNSB Designated Accounts")<sup>6</sup>, and Intra Oil Services Berhad's ("Intra Oil")<sup>7</sup> designated accounts ("Intra Oil Designated Accounts") and the credit balances therein;
- ii. 1<sup>st</sup> legal charge over 11 vessels owned by the PPB Group ("PPB Charged Vessels")<sup>8</sup>;
- iii. Assignment over all rights, titles, benefits and interest from/ under all takaful/ insurance policies taken or to be taken in relation to the PPB Charged Vessels;
- iv. Assignment over all proceeds receivable from and under the contracts secured by PNSB and Intra Oil in relation to the PPB Charged Vessels;
- v. 1<sup>st</sup> legal charge over all shares of the entities that own the PPB Charged Vessels (namely Ampangship Marine Sdn Bhd, Perdana Earth Ltd and Perdana Neptune Limited); and
- vi. Corporate guarantee by PPB of RM682.5 million<sup>9</sup>.

For avoidance of doubt, the abovementioned designated accounts have not been opened as at the LPD and thus, there is no balance in the said accounts. The said accounts will only be opened after the lodgement with the SC of the required information and documents in respect of the Proposed Sukuk Programme pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

Governing law : Laws of Malaysia

**Notes:-**

\*1 *The list of securities to be provided for the Proposed Sukuk Programme has not been finalised as at the LPD and may include such other securities as may be required by the licensed institutions regulated by BNM prior to the lodgement with the SC of the required information and documents in respect of the Proposed Sukuk Programme pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, up to the amount of RM682.5 million*

**APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME (CONT'D)**

\*2 *Details of the Dayang Designated Accounts are as set out below:-*

<p><i>Name of account</i> : <i>Dayang Disbursement Account</i></p>	<p><i>Dayang Revenue Account ("Dayang RA")</i></p>
<p><i>Sources of funds</i> : i. <i>Proceeds from the first issuance of the Proposed Sukuk Programme and the differential amounts between the redemption sums of the existing borrowings of Dayang and the PPB Settlement and the proceeds from the first issuance of the Proposed Sukuk Programme; and</i></p> <p>ii. <i>Proceeds from the subsequent issuance of the Proposed Sukuk Programme</i></p>	<p><i>All monies, revenue, income and capital in nature (including but not limited to the Private Placement proceeds received by Dayang during the tenure of the Proposed Sukuk Programme)</i></p>
<p><i>Utilisation of funds</i> : i. <i>To repay part of the Dayang Group's (excluding the PPB Group) existing borrowings;</i></p> <p>ii. <i>To advance to PPB for the redemption of the PPB Sukuk Murabahah (i.e., PPB Settlement); and</i></p> <p>iii. <i>To redeem the outstanding amount under the Proposed Sukuk Programme at its relevant maturity date(s)</i></p>	<p>i. <i>For payment of taxes and duties;</i></p> <p>ii. <i>To fund Dayang Finance Service Reserve Account and/ or Dayang Finance Payment Account in relation to the payment of principal and/ or profit under the Proposed Sukuk Programme and annual guarantee fees;</i></p> <p>iii. <i>To finance the cost and expenses in relation to the Proposed Sukuk Programme and the Sukuk Al-Kafalah Facility; and</i></p> <p>iv. <i>Any balance of proceeds will be transferred in to the Dayang Operating Account for payment of the operating, maintenance and administration expenses of Dayang</i></p>
<p><i>Name of account</i> : <i>Dayang Finance Service Reserve Account ("Dayang FSRA")</i></p>	<p><i>Dayang Finance Payment Account ("Dayang FPA")</i></p>
<p><i>Sources of funds</i> : <i>For the purpose of keeping a minimum balance equivalent to 6 months profit payment payable under the Proposed Sukuk Programme and the annual guarantee fee</i></p>	<p><i>For the purpose of depositing an amount equivalent to the next payment of principal and/ or profit in relation to the Proposed Sukuk Programme</i></p>
<p><i>Utilisation of funds</i> : <i>The monies standing to the credit of the Dayang FSRA may be utilised to invest in permitted which comprise Shariah compliant products approved by the SC's Shariah Advisory Council, BNM's Shariah Advisory Council or other recognised Shariah authorities ("Permitted Investments") provided that the proceeds are remitted to the Dayang FSRA at least 3 days before the next payment obligation of Dayang is due and payable</i></p>	<p><i>The monies standing to the credit of the Dayang FPA shall be utilised for the following purposes:-</i></p> <p>i. <i>To service all principal and profit due under the Proposed Sukuk Programme and the annual guarantee fees; and</i></p> <p>ii. <i>To invest in Permitted Investments</i></p>

**APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME (CONT'D)**

*Name of account* : *Dayang Operating Account*

*Sources of funds* : *Proceeds received from the Dayang RA*

*Utilisation of funds* : i. *To fund the operating maintenance and administration of Dayang; and*

ii. *To invest in Permitted Investments*

\*3 *Details of the DESB Designated Accounts are as set out below:-*

<i>Name of account</i>	<i>: DESB Revenue Account ("DESB RA")</i>	<i>DESB Operating Account</i>
<i>Sources of funds</i>	<i>: All monies, revenue and income received by DESB</i>	<i>Proceeds received from the DESB RA</i>
<i>Utilisation of funds</i>	: i. <i>For payment of taxes and duties;</i> ii. <i>For payment of any amount due and payable under the bank guarantee facilities provided by a licensed institution regulated by BNM to DESB;</i> iii. <i>To fund the Dayang FSRA and/ or the Dayang FPA in relation to the payment of principal and/ or profit under the Proposed Sukuk Programme; and</i> iv. <i>To finance the costs and expenses in relation to the Proposed Sukuk Programme and the Sukuk Al-Kafalah Facility; and</i> v. <i>Any balance of proceeds will be transferred to DESB Operating Account for payment of the operating maintenance and administration expenses of DESB</i>	i. <i>To fund the operating, maintenance and administration expenses of DESB; and</i> ii. <i>To invest in Permitted Investments</i>

\*4 *Details of the DESB Marine Designated Accounts are as set out below:-*

<i>Name of account</i>	<i>: DESB Marine Revenue Account ("DESB Marine RA")</i>	<i>DESB Marine Operating Account</i>
<i>Sources of funds</i>	<i>: All monies, revenue and income received by DESB Marine in respect of the DESB Marine Charged Vessels</i>	<i>Proceeds received from the DESB Marine RA</i>
<i>Utilisation of funds</i>	: i. <i>For payment of taxes and duties;</i> ii. <i>To fund the Dayang FSRA and Dayang FPA in relation to the payment of principal and/ or profit under the Proposed Sukuk Programme and annual guarantees fees;</i> iii. <i>To finance the costs and expenses in relation to the Proposed Sukuk Programme and the Sukuk Al-Kafalah Facility; and</i> iv. <i>Any balance of proceeds will be transferred to DESB Marine Operating Account for payment of the operating maintenance and administration expenses of DESB Marine</i>	i. <i>To fund the operating, maintenance and administration expenses of DESB Marine; and</i> ii. <i>To invest in Permitted Investments</i>

**APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME (CONT'D)**

\*5 Details of the Dayang Charged Vessels are as set out below:-

Name of vessel	Type/ Capacity	Country of domicile	Age as at the LPD	Gross/ Net tonnage	Existing contract	
			Years	Ton	Commencement date	Tenure <sup>a</sup>
Dayang Maju	Landing craft tank/ 1,280 Bhp	Malaysia	14	492/148	Jan 2019	Long term
Dayang Cempaka	Landing craft tank/ 1,280 Bhp	Malaysia	8	490/ 147	Jan 2019	Long term
Dayang Zamrud	WB/ 189 men	Malaysia	10	3,378/ 1,013	Jan 2019	Long term
Dayang Pertama	WB/ 165 men	Malaysia	14	3,387/ 1,016	Jan 2019	Long term
Dayang Berlian	WB/ 189 men	Malaysia	13	3,410/ 1,023	Jan 2019	Long term
Dayang Nilam	WB/ 80 men	Malaysia	5	1,158/ 347	-	-
Dayang Topaz	WB/ 199 men	Malaysia	7	5,089/ 1,526	Jan 2019	Long term

**Note:-**

\*a Long term contracts are contracts with a duration of 1 year and above

The aggregate audited net book value of the Dayang Charged Vessels stood at RM153.5 million as at 31 December 2018.

\*6 Details of the PNSB Designated Accounts are as set out below:-

Name of account	: Perdana Nautika Revenue Account ("PNSB RA")	Perdana Nautika Operating Account
Sources of funds	: All monies, revenue and income received by PNSB in respect of the PPB Charged Vessels	Proceeds received from the PNSB RA
Utilisation of funds	: i. For payment of taxes and duties; ii. To fund the payment of principal and/ or profit under the Proposed Sukuk Programme and annual guarantees fees; iii. To finance the costs and expenses in relation to the Proposed Sukuk Programme and the Sukuk Al-Kafalah Facility; and iv. Any balance of proceeds will be transferred to Perdana Nautika Operating Account for payment of the operating maintenance and administration expenses of PNSB	i. To fund the operating, maintenance and administration expenses of PNSB; and ii. To invest in Permitted Investments

**APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME (CONT'D)**

\*7 Details of the Intra Oil Designated Accounts are as set out below:-

Name of account	:	Intra Oil Revenue Account ("Intra Oil RA")	Intra Oil Operating Account
Source of funds	:	All monies, revenue and income received by Intra Oil in respect of the PPB Charged Vessels	Proceeds received from the Intra Oil RA
Utilisation of funds	:	<ul style="list-style-type: none"> <li>i. For payment of taxes and duties;</li> <li>ii. To fund the payment of principal and/or profit under the Proposed Sukuk Programme and annual guarantees fees;</li> <li>iii. To finance the costs and expenses in relation to the Proposed Sukuk Programme and the Sukuk Al-Kafalah Facility; and</li> <li>iv. Any balance of proceeds will be transferred to Intra Oil Operating Account for payment of the operating maintenance and administration expenses of Intra Oil</li> </ul>	<ul style="list-style-type: none"> <li>i. To fund the operating, maintenance and administration expenses of Intra Oil; and</li> <li>ii. To invest in Permitted Investments</li> </ul>

\*8 Details of the PPB Charged Vessels are as set out below:-

Name of vessel	Type/ Capacity	Country of domicile	Age as at the LPD	Gross/ Net tonnage	Existing contract	
			Years	Ton	Commencement date	Tenure <sup>a</sup>
Perdana Odyssey	AWB/ 300 men	Malaysia	8	10,159/ 3,047	Sept 2016	Long term
Perdana Endurance	AWB/ 300 men	Malaysia	6	10,445/ 3,133	Feb 2019	Long term
Perdana Protector	AWB/ 300 men	Malaysia	6	10,445/ 3,133	Apr 2019	Long term
Perdana Resolute	AWB/ 300 men	Malaysia	5	10,445/ 3,133	Jul 2019	Long term
Perdana Emerald	AWB/ 300 men	Malaysia	5	10,445/ 3,133	Jul 2019	Long term
Perdana Adventurer	AHTS/ 10,800 Bhp	Malaysia	11	2,310/ 693	May 2019	Long term
Perdana Traveller	AHTS/ 10,800 Bhp	Malaysia	11	2,310/ 693	May 2019	Long term
Perdana Horizon	AHTS/ 10,880 Bhp	Malaysia	11	2,532/ 759	May 2019	Long term
Perdana Ranger	AHTS/ 5,220 Bhp	Malaysia	10	1,706/ 511	Mar 2019	Long term
Perdana Marathon	AHTS/ 12,240 Bhp	Malaysia	9	2,921/ 876	Aug 2019	Long term
Perdana Liberty	WB/ 169 men	Malaysia	10	3,265/ 979	Jul 2019	Spot

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**APPENDIX V – INDICATIVE PRINCIPAL TERMS AND CONDITIONS FOR THE PROPOSED SUKUK PROGRAMME (CONT'D)**

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**Note:-**

\*a *Spot contracts are contracts with a duration of less than 6 months; Long term contracts are contracts with duration of 6 months and above*

*The aggregate audited net book value of the PPB Charged Vessels stood at RM871.2 million as at 31 December 2018.*

\*9 *The amount of RM682,500,000 was arrived at after taking into consideration the total proceeds to be raised from the Proposed Sukuk Programme*

The Proposed Sukuk Programme is expected to be repaid via the Dayang Group's internally-generated funds.

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## APPENDIX VI – FURTHER INFORMATION

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### 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

The information on the PPB Group was extracted from publicly available documents and/ or information obtained from the management of PPB and the responsibility of the Board is limited to ensuring the information thereon are accurately reproduced in this Circular.

### 2. CONSENTS AND CONFLICT OF INTERESTS

#### 2.1 Kenanga IB

Kenanga IB, being the Principal Adviser to the Company for the Proposals and the Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in Part A of this Circular of its name and all references thereto in the form and context in which they appear in Part A of this Circular.

Kenanga IB is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser for the Proposals and the Private Placement. Kenanga IB was appointed as the Principal Adviser for Dayang in relation to the Proposals and Private Placement as well as PPB in relation to the PPB Proposed Rights Issue of RCPS, the proposed amendments to the constitution of PPB to facilitate the issuance of RCPS pursuant to the PPB Proposed Rights Issue of RCPS ("PPB Proposed Amendments") and the proposed provision of financial assistance by PPB to Dayang in the form of corporate guarantees, indemnities and collaterals up to an aggregate amount of RM682.5 million ("PPB Proposed Provision of Financial Assistance"). For avoidance of doubt, PPB is a 60.48%-owned subsidiary of Dayang. The rationale for the dual appointment of Kenanga IB is as set out below:-

- i. A single principal adviser will be in a better position to coordinate with various parties in the due diligence working group, hence expediting the completion of the fund raising exercises by both Dayang and PPB; and
- ii. The timely completion of the Proposals, Private Placement, PPB Proposed Rights Issue of RCPS, PPB Proposed Amendments and PPB Proposed Provision of Financial Assistance will lead to cost savings in respect of the potential reduction in interest expenses.

#### 2.2 Messrs KPMG PLT

Messrs KPMG PLT, being the reporting accountants for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the reporting accountants' letter on the pro forma consolidated statement of financial position of the Dayang Group as at 31 December 2018 and all references thereto in the form and context in which they appear in this Circular.

Messrs KPMG PLT has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the reporting accountants to Dayang for the Proposals.

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**APPENDIX VI – FURTHER INFORMATION (CONT'D)**

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**2.3 Mercury Securities**

Mercury Securities, being the Independent Adviser to the non-interested Directors and non-interested shareholders of the Company for the Proposed Subscription, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

Mercury Securities has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Adviser to the non-interested Directors and non-interested shareholders of Dayang for the Proposed Subscription.

**3. MATERIAL LITIGATION**

As at the LPD, the Dayang Group (excluding the PPB Group) is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Dayang Group (excluding PPB Group), or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Dayang Group (excluding PPB Group).

The material litigation involving the PPB Group is disclosed in Section 10 of Appendix II of this Circular.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****4.1 Material commitments**

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group (excluding PPB Group) that has been provided for which, upon becoming enforceable, may have a material impact on the financial results or position of the Dayang Group (excluding PPB Group).

The material commitments incurred or known to be incurred by the PPB Group are disclosed in Section 7 of Appendix II of this Circular.

**4.2 Contingent liabilities**

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Dayang Group (excluding PPB Group) which, upon becoming enforceable may have a material impact on the financial results or position of the Dayang Group (excluding PPB Group):-

	<b>RM'000</b>
Corporate guarantee given to a licensed financial institution for a short term loan facility secured by Dayang	90,000
Corporate guarantee to be given to licensed institutions regulated by BNM for the Proposed Sukuk Programme to be issued by Dayang	682,500
<b>Total</b>	<b><u>772,500</u></b>

The contingent liabilities incurred by the PPB Group are disclosed in Section 8 of Appendix II of this Circular.



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**APPENDIX VI – FURTHER INFORMATION (CONT'D)**

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**5. MATERIAL CONTRACTS**

Neither Dayang nor any of its subsidiaries (excluding PPB Group) has entered into any material contract (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

The material contracts (not being contracts entered into in the ordinary course of business) entered into by the PPB Group are disclosed in Section 9 of Appendix II of this Circular.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at Sublot 5 – 10, Lot 46, Block 10, Jalan Taman Raja, MCLD, 98000 Miri, Sarawak, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the date of the EGM:-

- i. Constitution of Dayang;
- ii. Constitution of PPB;
- iii. audited consolidated financial statements of Dayang for the past 2 financial years up to FYE 31 December 2018 and the latest unaudited quarterly report of the Dayang Group for the 6-month FPE 30 June 2019;
- iv. audited consolidated financial statements of PPB for the past 2 financial years up to FYE 31 December 2018 and the latest unaudited quarterly report of the PPB Group for the 6-month FPE 30 June 2019;
- v. pro forma consolidated statement of financial position of Dayang as at 31 December 2018 together with the reporting accountants' letter as attached in Appendix I of this Circular;
- vi. material contract of the PPB Group as referred to in Section 9 of Appendix II of this Circular;
- vii. the relevant cause papers in relation to the material litigation of the PPB Group as referred to in Section 10 of Appendix II of this Circular;
- viii. letters of undertaking by the Undertaking Shareholders;
- ix. draft trust deed constituting the Proposed Sukuk Programme;
- x. letter of undertaking by Dayang pursuant to the PPB Proposed Rights Issue of RCPS; and
- xi. letters of consent and declarations of conflict of interest as referred to in Section 2 of Appendix VI of this Circular.

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**DAYANG ENTERPRISE HOLDINGS BHD**

(Company No. 712243-U)  
(Incorporated in Malaysia)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting ("**EGM**") of Dayang Enterprise Holdings Bhd ("**Dayang**" or the "**Company**") will be held at Danum I, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Tuesday, 1 October 2019 at 11.00 a.m., for the purpose of considering and if thought fit, passing the following resolutions with or without modifications:

**ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 96,480,983 NEW ORDINARY SHARES IN DAYANG ("RIGHTS SHARE(S)") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 10 EXISTING ORDINARY SHARES IN DAYANG ("DAYANG SHARE(S)" OR "SHARE(S)") BASED ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE OF SHARES")**

"**THAT** subject to and conditional upon the passing of Ordinary Resolution 2 and the approvals of all relevant authorities being obtained for the listing and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Board of Directors of the Company ("**Board**") be and is hereby authorised to:-

- i. provisionally allot and issue by way of a renounceable rights issue of 96,480,983 Rights Shares on the basis of 1 Rights Share for every 10 existing Dayang Shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board ("**Entitled Shareholders**"), for such purpose and utilisation of proceeds as disclosed in the circular to shareholders of the Company dated 13 September 2019 ("**Circular**").
- ii. determine the final issue price of the Rights Shares after taking into consideration, amongst others, the following:-
  - a) The minimum amount to be raised from the Proposed Rights Issue of Shares for the intended proposed utilisation as set out in Section 2.1.6 of Part A of the Circular; and
  - b) The final issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/ or their renounee(s), if any. In any event, the Board shall take into consideration the prevailing market conditions and market prices of Dayang Shares at the price-fixing date, and may fix the issue price of the Rights Shares subject to a maximum allowable discount of not more than 50% to the theoretical ex-rights price of Dayang Shares based on the 5-day volume weighted average market price of Dayang Shares immediately preceding the price-fixing date.

**THAT** the Board be and is hereby authorised to disregard and deal with any fractional entitlements of the Rights Shares arising from the Proposed Rights Issue of Shares, in a fair and equitable manner as they shall in their absolute discretion deem fit and expedient and in the best interest of the Company.

**THAT** the Rights Shares which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/ or their renounee(s), if any. The Board be and is hereby authorised to allocate such excess Rights Shares on a basis as the Board shall at its absolute discretion, deem fit, expedient, and to be in the best interest of the Company.

**THAT** the proceeds from the Proposed Rights Issue of Shares be utilised in the manner as set out in Section 2.1.6 of Part A of the Circular, and the Board be and is hereby authorised with full power to vary the manner and/ or purposes of utilisation of such proceeds in such manner as the Board, may at its absolute discretion, deem fit, expedient and to be in the best interest of the Company, subject to the approval of the relevant authorities, where required.

**THAT** the Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Dayang Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or any other form of distributions where the entitlement date of such dividends, rights, allotments and/ or any other form of distributions precedes the relevant date of allotment and issuance of the Rights Shares.

**AND THAT** the Board be and is hereby authorised to sign and execute all documents to give effect to the Proposed Rights Issue of Shares with full power to assent to any condition, modification, variation and/ or amendment in any manner as may be required or imposed by the relevant authorities and to take all steps and do all acts and things in the manner as the Board may consider necessary or expedient in order to implement, finalise and give full effect to the Proposed Rights Issue of Shares."

## **ORDINARY RESOLUTION 2**

### **PROPOSED SUBSCRIPTION OF NEW REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") OF UP TO RM455,000,000 IN VALUE IN PERDANA PETROLEUM BERHAD ("PPB") AT AN ENTITLEMENT BASIS AND AN ISSUE PRICE TO BE DETERMINED LATER UNDER A PROPOSED RIGHTS ISSUE OF RCPS TO BE UNDERTAKEN BY PPB ("PPB PROPOSED RIGHTS ISSUE OF RCPS") ("PROPOSED SUBSCRIPTION")**

"**THAT** subject to and conditional upon the passing of Ordinary Resolution 1 and the approval of all relevant authorities, approval be and is hereby given to the Company to subscribe for the RCPS up to the value of RM455,000,000 under the PPB Proposed Rights Issue of RCPS to be undertaken by PPB.

**AND THAT** the Board be and is hereby authorised to take all such steps and to enter into all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties and to do all acts and things, as the Board may deem fit, necessary, expedient and/ or appropriate in order to implement, finalise and give full effect to the Proposed Subscription with full powers to sign and execute all documents, make applications to authorities and regulatory bodies for any approvals and consents required and assent to any conditions, modifications, revaluations, variations and/ or amendments as may be required by the relevant authorities and to do all such acts and things in any manner as they may deem necessary or expedient and/ or appropriate to implement, finalise and give full effect to the Proposed Subscription."

By Order of the Board

**BAILEY KHO CHUNG SIANG (LS0000578)**

**BONG SIU LIAN (MAICSA 7002221)**

Company Secretaries

Miri, Sarawak

13 September 2019

**Notes:-**

1. *Only members registered in the Record of Depositors as at 23 September 2019 shall be eligible to attend the meeting or appoint a proxy to attend, participate, speak and vote on his/ her behalf.*
2. *A member entitled to attend, participate, speak and vote at this meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the Meeting shall have the same rights as the member to speak at the meeting.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.*
6. *To be valid, the Proxy form, duly completed must be deposited at the office of the Share Registrar, 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, not less than 48 hours before the time set for holding the meeting.*
7. *Please take note that interested directors, interested major shareholders or interested persons connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote in respect of their direct and/ or indirect shareholdings on the resolution approving the Proposed Subscription.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.*



**DAYANG ENTERPRISE HOLDINGS BHD**

(Company No. 712243-U)

(Incorporated in Malaysia)

**FORM OF PROXY**

No of Shares Held	CDS Account No	Shareholder's Contact No

\*I/We, (full name in capital letters) .....

bearing \*NRIC No./Passport No./Company No.....

of (full address) .....

being a \*member/members of DAYANG ENTERPRISE HOLDINGS BHD ("**the Company**"), hereby appoint:-

First Proxy "A"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

and/ or failing \*him/her,

Second Proxy "B"

Full Name	NRIC/ Passport No.	Proportion of Shareholdings Represented	
		No. of Shares	%
Full Address			

100%

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Danum I, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Tuesday, 1 October 2019 at 11.00 a.m.

(Please indicate with an "X" in the spaces provided below on how you wish your vote to be cast. If no specific instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

RESOLUTIONS	FOR	AGAINST
(I) ORDINARY RESOLUTION 1 - PROPOSED RIGHTS ISSUE OF SHARES		
(II) ORDINARY RESOLUTION 2 - PROPOSED SUBSCRIPTION		

\* Strike out whichever not applicable

Dated this ..... day of ..... 2019

.....  
Signature(s) of Member(s) /  
Common Seal



**Notes:-**

1. *Only members registered in the Record of Depositors as at 23 September 2019 shall be eligible to attend the meeting or appoint a proxy to attend, participate, speak and vote on his/ her behalf.*
2. *A member entitled to attend, participate, speak and vote at this meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the Meeting shall have the same rights as the member to speak at the meeting.*
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4. *If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.*
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7. *Please take note that interested directors, interested major shareholders or interested persons connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote in respect of their direct and/ or indirect shareholdings on the resolution approving the Proposed Subscription.*
8. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.*

Fold this flap for sealing

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AFFIX  
STAMP

**The 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

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