NOTES TO THE ACCOUNTS

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

1. Basis Of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Perisai Petroleum Teknologi Bhd ("Perisai" or the "Company") and its subsidiaries ("Group") since the financial year ended 31 December 2014.

2. Changes In Accounting Policies

a) The Group adopted the following Amendments/Improvement to Standards effective as of 1 January 2015:-

Amendments/Improvement to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above Amendments to MFRSs did not have any material effect on the financial statements of the Group.

b) At the date of this report, the following new MFRs and Amendments/Improvements to MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS 9	Financial Instruments *
MFRS 15	Revenue from Contracts with Customers **
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations ***
MFRS 7	Financial Instruments: Disclosures ***
MFRS 10	Consolidated Financial Statements ***
MFRS 11	Joint Arrangements ***
MFRS 12	Disclosures of Interests in Other Entities ***
MFRS 101	Presentation of Financial Statements ***
MFRS 116	Property, Plant and Equipment ***
MFRS 119	Employee Benefits ***
MFRS 127	Separate financial statements ***
MFRS 128	Investments in Associates and Joint Ventures ***
MFRS 138	Intangible Assets ***
MFRS 141	Agriculture ***

**Effective for financial periods beginning on or after – 1 January 2018*
*** Effective for financial periods beginning on or after – 1 January 2017*
**** Effective for financial periods beginning on or after – 1 January 2016*

The Group will adopt the above new MFRS and Amendments/Improvements to MFRSs when it becomes effective in the respective financial periods. The adoption of the above mentioned amendments to MFRSs are not expected to have any material effect to the financial statements of the Group upon initial recognition, except MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers described below, for which the financial effects are still being assessed by the Group.

(i) MFRS 9 Financial Instruments

This final version of MFRS 9 replacing MFRS 139. MFRS 9 introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held with two measurement at amortised cost or fair value. For impairment, MFRS 9 introduces expected-loss impairment model that will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity.

(ii) MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. MFRS 15 Revenue from Contracts with Customers established a new five-step model which will apply to recognition of revenue arising from contracts with customers.

3. Seasonal Or Cyclical Factors

The Group's operations are not materially subject to any seasonal or cyclical factors except for severe weather conditions.

4. Unusual Items Due To Their Nature, Size Or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows during the financial year ended 31 December 2015 other than as disclosed in these interim financial statements.

5. Changes In Estimates

There were no significant changes in estimates that had a material effect on the results for the financial year ended 31 December 2015.

6. Debts And Equity Securities

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year ended 31 December 2015:

i. On 8 December 2015, Perisai had implemented the Private Placement in tranches and had fixed the issue price of the first (1st) tranche comprising 5,482,000 Placement Shares at RM0.27369 per Placement Share.

   On 28 December 2015, Perisai had fixed the issue price of the second (2nd) tranche comprising 6,000,000 Placement Shares at RM0.25 per Placement Share.

ii. As at 31 December 2015, 400,000 shares of RM0.10 each were held as treasury shares in accordance with the requirements of section 67A of the Companies Act, 1965.

7. Dividends Paid

There were no dividends paid during the financial year ended 31 December 2015.

8. Segmental Information

	Individual Period		**Cumulative Period**	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	31 December 2015 RM'000	**31 December 2014 RM'000**	**31 December 2015 RM'000**	**31 December 2014 RM'000**
Segment Revenue				
Drilling	39,796	43,629	158,848	77,467
Production	-	-	-	-
Marine vessels	15,457	12,138	55,936	44,666
Others	-	-	-	-
Total revenue	**55,253**	**55,767**	**214,784**	**122,133**
Segment Results				
Drilling	(971)	5,751	2,529	10,772
Production	(9,758)	(9,479)	(36,710)	(29,897)
Marine vessels	9,379	7,035	33,697	27,932
Others	(5,480)	632	(23,504)	(27,463)
Share of results in associates	803	837	3,838	3,938
Share of results in joint ventures	12,230	12,385	57,734	42,583
Share of impairment on plant and equipment of joint ventures	(35,823)	-	(35,823)	-
Provision for impairment on plant and equipment	(689,913)	-	(689,913)	-
Total results	**(719,533)**	**17,161**	**(688,152)**	**27,865**

9. Valuation Of Property, Plant and Equipment

The Group did not revalue any plant and equipment during the financial year ended 31 December 2015. As at 31 December 2015, all property, plant and equipment were stated at cost less accumulated depreciation and provision for impairment**.**

10. Subsequent Events

Save as disclosed below, there were no material events subsequent to the financial year ended 31 December 2015.

i. Perisai had fixed the issue price of the Placement Shares under the Private Placement as follows:

Date	**Issue Price**	**No of Placement Shares**
4.2.2016	RM0.25	6,000,000
16.2.2016	RM0.25	6,000,000
18.2.2016	RM0.25	6,000,000

11. Changes In Composition Of The Group

Save as disclosed below, there were no changes to the composition of the Group during the financial year ended 31 December 2015.

(a) On 15 September 2015, the Company had subscribed an additional 22,500 ordinary shares of RM1.00 each in Larizz Energy Services Sdn Bhd ("Larizz Energy") ("Subscription of Shares") at a total cash consideration of RM22,500.00. Upon the Subscription of Shares, the Company's equity interest in Larizz Energy had increased from 40% to 51% resulted in Larizz Energy became a subsidiary of the Company. The remaining 49% of the enlarged issued and paid-up share capital of Larizz Energy is held by Datuk Zainol Izzet Bin Mohamed Izzet ("Datuk Izzet"), the Managing Director of Perisai.

(b) On 13 October 2015, Perisai Drilling Holdings Sdn Bhd and Perisai Production Holdings Sdn Bhd, both wholly-owned subsidiary companies of Perisai have each incorporated two (2) new wholly-owned subsidiary companies in Malaysia under the Companies Act 1965, the particulars of which are set out in the table below :-

Name of Company	Authorised Share capital	Issued and Paid-up Share capital
Perisai Drilling Operations Sdn Bhd	RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each	RM2 divided into 2 ordinary shares of RM1.00 each
Perisai Drilling Services Sdn Bhd	RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each	RM2 divided into 2 ordinary shares of RM1.00 each
Perisai Production Operations Sdn Bhd	RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each	RM2 divided into 2 ordinary shares of RM1.00 each
Perisai Production Services Sdn Bhd	RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each	RM2 divided into 2 ordinary shares of RM1.00 each

The incorporation of the abovementioned four (4) wholly-owned subsidiaries ("Incorporation") is in furtherance to future strategic plans that the Perisai Group will undertake.

12. Changes In Contingent Liabilities

Save as disclosed below, the Directors are not aware of any material contingent liabilities which, upon becoming enforceable, may have a material impact on the financial position of the Group during the financial year ended 31 December 2015.

Corporate Guarantee of RM493.9 million issued by the Group for banking facilities granted to its joint ventures.

13. Changes In Contingent Assets

The Directors are not aware of any material contingent assets, which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group during the financial year ended 31 December 2015.

14. Material Commitments

Save as disclosed below, the Group is not aware of any material commitments incurred or known to be incurred by the Group which upon becoming enforceable may have a material impact on the profit or net asset value of the Group as at 31 December 2015.

	RM'Million
Capital expenditure	
Approved and contracted for:	
Construction of two (2) jack-up drilling rigs	1,451

15. Significant Related Party Transactions

Save as disclosed below, there were no significant related party transactions during the financial year ended 31 December 2015.

The recurrent related party transactions with the Group and the Company are as follows:-

	Individual Period		**Cumulative Period**	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	31 December 2015 RM'000	**31 December 2014 RM'000**	**31 December 2015 RM'000**	**31 December 2014 RM'000**
Revenue				
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	4,327	3,598	15,657	14,192
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	11,130	76,554	40,279	30,473
Secondment of personnel to Victoria Production Services Sdn Bhd^	-	283	39	391
Expenses				
Vessel maintenance expenses charged by Emas Offshore Services (M) Sdn Bhd*	-	-	-	235
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	45	180	180
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	45	30	172	75
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	28	111	111

*The transactions above involve Emas Offshore Pte Ltd, Emas Offshore (M) Sdn Bhd and Emas Offshore Services (M) Sdn Bhd which are indirect wholly-owned subsidiaries of EMAS Offshore Limited formerly known as EOC Limited ("EMAS Offshore"). EMAS Offshore and HCM Logistics Limited ("HCM") are major shareholders of Perisai. Emas Offshore is a 72.5% subsidiary of Ezra Holding Limited ('Ezra") whereas HCM is a wholly-owned subsidiary of Ezra.

^The transactions above involving Victoria Production Services Sdn Bhd, a Joint Venture between Perisai and EMAS.

#Agency fees charged by Larizz Petroleum Services Sdn Bhd ("LPSSB"), Larizz Energy Services Sdn Bhd ("LESSB") and Perisai Offshore Sdn Bhd ("POSB") is a recurrent related party transaction as Datuk Zainol Izzet Bin Mohamed Ishak ("Datuk Izzet") is a substantial shareholder of LPSSB, LESSB and POSB. Datuk Izzet holds 60% equity interest in LPSSB, 49% equity interest in LESSB with effect from 15 September 2015 (Note 11) and 49% equity interest in POSB. He is also a director of Perisai and holds 5.45% equity interest in Perisai.

16. Fair Value Measurements

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, the lowest level input that is significant to the fair value measurement as a whole.

(a) Level 1 fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provided the fair value measurement hierarchy of the Group's assets and liabilities:

Liabilities measured at fair value

	Amount	**Level 1**	**Level 2**	**Level 3**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group				
Derivative financial instruments -cross currency interest rate swaps *	10,544	-	10,544	-

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2015 and the Group does not have any financial instruments classified as Level 3 as at 31 December 2015.

* The valuation technique used to derive the Level 2 is as disclosed in Note B15.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MMLR

1. Performance Review

For the financial year ended 31 December 2015, the Group generated total revenue of RM214.78million, an increase of RM92.65million when compared to the amount of RM122.13million in the corresponding financial year ended 31 December 2014.

The increase was mainly due to a full 12 months of revenue generated from the jack-up drilling rig, Perisai Pacific 101 (“PP 101”) for the financial year ended 31 December 2015 as compared to approximately 5 months in the previous financial year ended 31 December 2014 and higher conversion exchange rate.

Loss before tax (“LBT”) from the financial year ended 31 December 2015 amounted to RM688.15million, a decrease of RM716.02million when compared to the profit before tax (“PBT’) amount of RM27.86million attained in the corresponding financial year ended 31 December 2014.

The decrease in PBT was due to provision for impairment on plant and equipment of approximately RM689.91million and RM35.82million at consolidated level and joint venture level respectively.

Excluding the provision for impairment on plant and equipment, the Group generated profit before tax of RM37.58million for the financial ended 31 December 2015

Notwithstanding the impairment on the plant and equipment, the net asset per share of the Company is RM0.56 as at 31 December 2015.

For the current quarter ended 31 December 2015, the Group generated total revenue of RM55.25million, a decrease of RM0.52million when compared to the amount of RM55.77million in the corresponding quarter ended 31 December 2014.

The decrease was mainly due to discount on charter rate given to client in the drilling segment for the financial quarter ended 31 December 2015 as compared to the previous financial quarter ended 31 December 2014 but mitigated by higher conversion exchange rate.

Loss before tax (“LBT”) from the current quarter ended 31 December 2015 amounted to RM719.53million, a decrease of RM736.69million when compared to the PBT amount of RM17.16million attained in the corresponding quarter ended 31 December 2014.

The decrease in PBT was due to provision for impairment on plant and equipment as mentioned above.

Excluding the provision for impairment on plant and equipment, the Group generated profit before tax of RM6.20million for the financial quarter ended 31 December 2015.

2. Material Change in Profit Before Tax (“PBT”) In Comparison to the Preceding Quarter

For the current financial quarter ended 31 December 2015, the Group recorded a LBT of approximately RM719.53million against a PBT of RM14.19 million attained in the preceding quarter.

The decrease in PBT was due to provision for impairment on plant and equipment. The Group generated a PBT of RM6.20million excluding the said provision.

3. Future Prospects

Continuing depressed oil prices has caused uncertainty on the outlook for the demand for the oil and gas assets in the short to medium terms. The Group will remain cautious on its capital and cost management and enhance its operational efficiency while pursuing various opportunities with respect to the Rubicone, Enterprise 3 and drilling rigs.

4. Profit Forecast and Profit Guarantee

The Group did not announce or disclose any profit forecast or profit guarantee in any public documents for the financial year ended 31 December 2015.

5. Income Tax Expense

	Individual Period		**Cumulative Period**	
	Current Year Quarter 31 Dec 2015 RM'000	**Preceding Year Corresponding Quarter 31 Dec 2014 RM'000**	**Current Year To Date 31 Dec 2015 RM'000**	**Preceding Year Corresponding Period 31 Dec 2014 RM'000**
Based on result for the year				
- Current year provision	(270)	(40)	(890)	(761)
- (Under)/overprovision for taxation in prior year	47	-	56	154
	(223)	**(40)**	**(834)**	**(607)**

The effective tax rate for the current quarter and financial year ended 31 December 2015 was lower than the statutory tax rate arising mainly from certain subsidiaries being subject to fixed tax rates under the Labuan Business Activity Tax Act, 1990.

6. Corporate Proposal

(a) There were no corporate proposals announced but not completed as at the reporting date.

(b) Status of Utilisation of Proceeds

Macquarie Bank Limited ("Macquarie") was granted call options with the right to exercise and be issued with up to 119,000,000 ordinary shares of RM0.10 each pursuant to the Call Option Agreement dated 24 November 2015, The proceeds raised during the private placement were approved for the following activities and status on the funds utilised as at 19 February 2016 are summarised below:

Purpose	**Approved Utilisation RM' Million**	**Amount Utilised RM' Million**	**Amount Unutilised RM' Million**	**Expected Time Frame For The Full Utilisation**
Repayment of bank borrowings and/or capital investment for jack-up drilling rigs and MOPU	25.0	(-)	25.0	Within one (1) year
Working capital:				
- Operational expenses for jack-up drilling and MOPU	1.2	(-)	1.2	Within one (1) year
- Finance cost	5.8	(0.1)	5.7	Within one (1) year
- Management and administrative expenses	4.7	(2.2)	2.5	
Estimated expenses relating to the Proposed Private Placement	0.3	(0.2)	0.1	Within one (1) month
Total	***37.0**	**(2.5)**	**34.5**	

** Total proceeds raised as at 19 February 2016 is RM7.5million.*

7. Borrowings And Debt Securities

The Group's borrowings and debt securities as at 31 December 2015 are as follows:

	Short Term RM'000	**Long Term RM'000**
Secured		
- Term loan	84,567	824,135
- Revolving credit	52,935	-
- Overdraft	3,476	-
- Hire purchase	120	156
Unsecured		
- MTN	376,106	-
Total	**517,204**	**824,291**

The Group borrowings are denominated in the following currencies:

	Short Term RM'000 Equivalent	**Long Term RM'000 Equivalent**
Ringgit Malaysia	56,531	156
US Dollar	84,567	824,135
SG Dollar	376,106	-
Total	**517,204**	**824,291**

8. Prepayment

Prepayment consists of the deposits paid for the design, construction, equipping, commissioning and delivery of the second (2^{nd}) and third (3^{rd}) jack up drilling rigs amounting to RM421.6million which was fully impaired in financial quarter ended 31 December 2015.

9. Changes In Material Litigation

There was no litigation for the financial year ended 31 December 2015.

10. Dividends Payable

There was no dividend declared for the financial year ended 31 December 2015.

11. Earnings Per Share ("EPS")

Basic earnings per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

(a) Basic Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 31 Dec 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
Profit/(loss) attributable to owners of the Company net of tax	(724,585)	13,522	(706,319)	13,726
Weighted average number of ordinary shares in issue ('000)	1,193,266	1,193,125	1,193,120	1,163,891
Basic earnings per share (sen):	(60.72)	1.13	(59.20)	1.18

(b) Diluted Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 31 Dec 2015 RM'000	Preceding Year Corresponding Quarter 31 Dec 2014 RM'000	Current Year To Date 31 Dec 2015 RM'000	Preceding Year Corresponding Period 31 Dec 2014 RM'000
Profit/(loss) attributable to owners of the company net of tax	(724,585)	13,522	(706,319)	13,726
Weighted average number of ordinary shares in issue ('000)	1,193,266	1,193,125	1,193,120	1,163,891
Effect of dilution ('000)				
- Share options	2,500	9,453	1,356	9,453
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,195,766	1,202,578	1,194,476	1,173,344
Diluted earnings per share (sen):	(60.60)	1.12	(59.13)	1.17

12. Auditors' Report On Preceding Annual Financial Statements

The auditors' report on the latest audited financial statements was not qualified.

13. Realised and Unrealised Retained Earnings/Accumulated Losses

Total retained earnings/(accumulated losses)	**As at 31 December 2015 RM'000**	**As at 31 December 2014 RM'000**
- realised profit/(loss)	(308,068)	289,364
- unrealised profit	12,367	19,494
	(295,701)	308,858
Associates		
- realised profit/(loss)	(15,299)	(16,272)
- unrealised profit/(loss)	(473)	64
	(15,772)	(16,208)
Joint ventures		
- realised profit	70,907	48,210
- unrealised profit/(loss)	(331)	455
	70,576	48,665
Less: Group consolidated adjustments	(165,724)	(41,617)
Total Group retained earnings/(accumulated losses) as per unaudited consolidated financial statements	**(406,621)**	**299,698**

14. Notes to Condensed Consolidated Statements of Comprehensive Income

	Current Year Quarter 3 months 31 December 2015 RM'000	**Current Year Todate 12 months 31 December 2015 RM'000**
Profit/(loss) before tax is arriving at after charging/(crediting):		
Interest income	(39)	(170)
Other income	(248)	(1,229)
Interest expenses	13,054	47,656
Goodwill written off	-	8
Plant and equipment written off	1	1
Provision for impairment on plant and equipment	689,913	689,913
Depreciation and amortisation	20,688	75,258
Realised foreign exchange loss	(999)	(406)
Unrealised foreign exchange (gain)/loss	4,260	(11,536)

15. Financial Instruments

(a) Details of derivative financial instruments outstanding as at 31 December 2015 are set out below;-

Type of derivative	**Contract/Notional Amount**	**Fair value liabilities**
	RM'000	**RM'000**
Cross Currency Interest Rate Swaps ("CCRIS")		
-less than 1 year	69,909	69,909
-1 year to 3 years	Nil	Nil
-More than 3 years	Nil	Nil

There have been no changes since the end of the previous financial year ended 31 December 2014 in respect of the following:-

i. the credit risk and market risks associated with the derivatives;
ii. the cash requirements of the derivatives;
iii. the policies in place for mitigating or controlling the risk associated with the derivatives; and
iv. the related accounting policies.

(b) Disclosure of gains and/losses arising from fair value changes of financial liabilities

The Group determines the fair value of the derivative financial liabilities relating to the CCIRS using valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair value is calculated as the present value of the estimated future cash flow using an appropriate market based yield curve.

As at 31 December 2015, the Group has on re-measuring the fair value of the derivative financial instrument, recognized derivative financial liabilities of RM10.544million, an increase of RM5.854million from the previous financial year ended 31 December 2014. The corresponding decrease has been included in equity in the cashflow hedging reserve of which unrealized loss of RM4.334million for the financial year was transferred to the income statement. This has resulted in an increase in the cash flow hedging reserve as at 31 December 2015 by the amount of RM1.964million to RM3.342million as compared to the preceding financial year ended 31 December 2014.

The cashflow hedging reserve represents the deferred fair value losses relating to the CCIRS. As the Group intends to hold the MTN and associated derivative instrument to maturity, any changes to the fair value of the derivative instrument will not impact the income statement.

16. Authorised For Issue

The interim financial statements were authorised for issue by the Board in accordance with a resolution of the Board of Directors dated 25 February 2016.

By Order of the Board
Perisai Petroleum Teknologi Bhd

Finton Tuan Kit Ming (LS 0008941)
Hooi Sook Han (MAICSA No: 7026472)
Company Secretaries