

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 2015. 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 2015.

2. Changes In Accounting Policies

- a) The Group adopted the following Standard, Amendments/Annual Improvement to Standards effective as of 1 January 2016:-

Amendment to MFRS 11	Joint Arrangements
Amendment to MFRS 101	Disclosure Initiative
Amendment to MFRS 127	Separate Financial Statements
Amendment to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation And Amortisation
Annual Improvements to MFRSs 2012 -2014 Cycle	

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 MFRSs and Amendments/Improvements to MFRSs were issued but not yet effective and have not been applied by the Group:

Amendment to MFRS 107	Disclosure Initiative *
MFRS 112	Income Taxes *
MFRS 9	Financial Instruments **
MFRS 15	Revenue from Contracts with Customers **
MFRS 16	Leases ***
Amendment to MFRS 10	Consolidated Financial Statements #
Amendment to MFRS 128	Investment in Associates and Joint Ventures #

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

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

**** Effective for financial periods beginning on or after – 1 January 2019*

Not yet effective and to be announced by Malaysian Accounting Standards Board ("MASB")

The Group will adopt the above new MFRS and Amendments/Improvements to MFRSs when it becomes effective in the respective financial periods.

3. Seasonal Or Cyclical Factors

The Group's operations are not materially subject to any seasonal or cyclical factors except for severe weather conditions and significant changes in oil prices.

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 period ended 30 September 2016.

PERISAI PETROLEUM TEKNOLOGI BHD (632811-X)
(Incorporated in Malaysia)

5. Changes In Estimates

There were no significant changes in estimates that had a material effect on the results for the financial period ended 30 September 2016 except for the revised in residual value of plant and equipment. The revision was accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges of the Group for the current quarter and financial period ended 30 September 2016 have been increased by RM440,621 and RM1,818,721 respectively.

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 period ended 30 September 2016:

- 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
15.8.2016	RM0.20331	7,380,000
23.8.2016	RM0.2021	7,422,100
7.9.2016	RM0.13815	10,860,000
28.9.2016	RM0.11902	12,603,000

- 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 period ended 30 September 2016.

8. Segmental Information

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 September 2016 RM'000	30 September 2015 RM'000 (Restated)	30 September 2016 RM'000	30 September 2015 RM'000 (Restated)
Segment Revenue				
Drilling	24,295	34,530	103,000	119,052
Production	-	-	-	-
Marine vessels	14,619	14,612	43,883	40,479
Others	-	-	-	-
Total revenue	38,914	49,142	146,883	159,531
Segment Results				
Drilling	(108,151)	(889)	(105,496)	3,501
Production	(89,323)	(2)	(89,330)	(3)
Marine vessels	(15,406)	8,747	3,005	24,317
Others	(6,358)	(3,112)	(35,943)	(18,024)
Share of results in associates	468	565	1,402	3,035
Share of results in joint ventures	6,996	17,510	24,759	45,504
Share of impairment of plant and equipment of joint venture	(54,048)	-	(54,048)	-
Total results	(265,822)	22,819	(255,651)	58,330

9. Valuation Of Property, Plant and Equipment

The Group did not revalue any plant and equipment during the financial period ended 30 September 2016. As at 30 September 2016, 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 period ended 30 September 2016:

- i. On 3 October 2016, the Extraordinary Resolution tabled at the meeting of the holders of the SGD\$125 million 6.875% multicurrency medium term notes (“Notes”) of the Company’s wholly-owned subsidiary, Perisai Capital (L) Inc has not been passed, the Notes and interest thereon are due on 3 October 2016.
- ii. On 10 October 2016, the Company and its wholly-owned subsidiary, Perisai Capital (L) Inc, have both received a notice from the Trustee of the SGD\$125 million 6.875% multicurrency medium term notes (“Notes”) notifying that an event of default for payment of principal and interest of the Notes has occurred.
- iii. On 12 October 2016, the Company announced that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (f) of Practice Note 17 (“PN17”) of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) as the Company’s wholly-owned subsidiary, Perisai Capital (L) Inc has defaulted in payment of the principal and interest of the SGD\$125 million 6.875% multicurrency medium term notes (“Notes”) as announced by the Company pursuant to paragraph 9.19A of the LR of Bursa Securities and the Company is unable to provide a solvency declaration to Bursa Securities. In accordance with the PN 17, the Company is required to submit a regularisation plan within 12 months to Bursa Malaysia. The Company is looking into formulating a regularisation plan to address its PN17 status.
- iv. On 18 October 2016, the Company announced that it has, together with its wholly owned subsidiary, Perisai Capital (L) Inc, received a notice dated 17 October 2016 from the Trustee of the Notes notifying that the Redemption Amount of the Notes together with interest accrued to the date of payment are immediately due and payable and that a demand is made for the immediate payment of the same. The Company is seeking legal advice on the Notice of Demand and will make the necessary announcements as and when necessary.
- v. On 20 October 2016, the Company announced that the Proposed Private Placement comprising 67,747,100 Perisai Shares have been issued in nine (9) tranches and listed on the Main Market of Bursa Securities between 11 December 2015 and 4 October 2016 and the extension of time approval granted by Bursa Securities, vide its letter dated 7 April 2016 for the Proposed Private Placement lapsed on 20 October 2016.
- vi. On 27 October 2016, the Company announced that its 51% joint venture, SJR Marine (L) Ltd (“SJR”), has received a notice dated 27 October 2016 from the solicitors for OCBC Al-Amin Bank Berhad (“Notice”) notifying that an event of default has occurred under a financing facility granted to SJR (“Facility”). The Notice requires repayment of the sum of USD20,544,527.32 under the Facility within 14 days from the date of the Notice. SJR is seeking legal advice on the matter and the Company will make the necessary announcements as and when necessary.
- vii. On 29 November 2016, the Company announced the change of the accounting year end from 31 December to 30 June for the Group.

11. Changes In Composition Of The Group

There were no changes to the composition of the Group during the financial period ended 30 September 2016.

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 period ended 30 September 2016.

Corporate Guarantee of RM396.2 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 period ended 30 September 2016.

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 30 September 2016.

	RM'Million
Capital expenditure	
Approved and contracted for:	
Construction of two (2) jack-up drilling rigs	<u>1,388</u>

15. Significant Related Party Transactions

Save as disclosed below, there were no significant related party transactions during the financial period ended 30 September 2016.

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

	Individual Period		Cumulative Period	
	Current Year Quarter 30 September 2016 RM'000	Preceding Year Corresponding Quarter 30 September 2015 RM'000	Current Year To Date 30 September 2016 RM'000	Preceding Year Corresponding Period 30 September 2015 RM'000
Revenue				
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	4,092	4,090	12,282	11,330
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	10,527	10,522	31,601	29,149
Secondment of personnel to Victoria Production Services Sdn Bhd^	-	-	-	39
Expenses				
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	45	135	135
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	45	37	135	127
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	28	83	83

PERISAI PETROLEUM TEKNOLOGI BHD (632811-X)
(Incorporated in Malaysia)

*The transactions above involve Emas Offshore Pte Ltd, and Emas Offshore (M) Sdn Bhd which are indirect wholly-owned subsidiaries of EMAS Offshore Limited (“EMAS Offshore”). EMAS Offshore and HCM Logistics Limited (“HCM”) are major shareholders of Perisai. Emas Offshore is a 75.46% 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 and POSB. He is also a director of Perisai and holds 2.34% 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 *	3,520	-	3,520	-

There were no transfers between Level 1 and Level 2 during the period ended 30 September 2016 and the Group does not have any financial instruments classified as Level 3 as at 30 September 2016.

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

17. Discontinued Operation

The Company has the intention to dispose of its idle asset. If the disposal is materialised, it is expected to enhance the cash position of the Group.

In accordance with MFRS 5, the assets and liabilities of a wholly-owned subsidiary of Perisai have been presented on the consolidated statement of financial position as a disposal group held for sale and results from this subsidiary are presented separately on the consolidated income statement as discontinued operation.

The revenue, results and cash flows of the wholly-owned subsidiary, which are classified as discontinued operation are as follows:-

PERISAI PETROLEUM TEKNOLOGI BHD (632811-X)
(Incorporated in Malaysia)

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Revenue	-	-	-	-
Other Income	-	-	15	26
Expenses	(2,480)	(8,628)	(9,452)	(26,975)
Loss before tax before impairment of discontinued operation	(2,480)	(8,628)	(9,437)	(26,949)
Provision for impairment on plant and equipment	(32,312)	-	(32,312)	-
Tax expense	1	(4)	1	(4)
Loss for the period from discontinued operation	(34,791)	(8,632)	(41,478)	(26,953)
The cash flows attributable to the discontinued operations are as follows:				
Operating cash flows	(3,175)	(857)	(5,389)	(6,838)
Investing cash flows	1,273	15,309	9,711	33,958
Financing cash flows	31	(18,887)	(7,691)	(33,092)
Total cash flows	(1,871)	(4,435)	(3,369)	(5,972)

The major classes of assets and liabilities of the discontinued operation classified as held for sale as at 30 September 2016 are as follows:

	Carrying Amount As at 30.9.2016	Carrying Amount As at 31.12.2015
	RM'000	RM'000
Assets		
Plant and equipment	268,808	317,332
Other receivables	50	40
Assets of disposal group classified as held for sale	268,858	317,372
Liabilities		
Other payables	2,992	2,765
Borrowings	90,501	102,048
Liabilities of disposal group classified as held for sale	93,493	104,813
Net assets of disposal group classified as held for sale	175,365	212,559

18. Comparatives

During the financial period ended 30 September 2016, certain comparatives of the Group has been re-presented in accordance with the requirement of MFRS 5 “ Non-current Assets Held for Sale and Discontinued Operations” as mentioned in Note 17 above.

The effect of this exercise was adjusted as a prior year adjustment against the comparative figures as summary below:-

Income statement

3 months ended 30 September 2015	Previously stated RM'000	MFRS 5 RM'000	Restated RM'000
Revenue	49,142	-	49,142
Direct cost	(39,628)	7,771	(31,857)
Gross profit	9,514	7,771	17,285
Other income	11,393	13	11,406
Operating expenses	(12,994)	(3)	(12,997)
Finance costs	(11,798)	847	(10,951)
Share of results of associates, net of tax	566	-	566
Share of results of joint ventures, net of tax	17,510	-	17,510
Profit before tax	14,191	8,628	22,819
Tax expense	(122)	4	(118)
Profit for the period from continuing operations	14,069	8,632	22,701
<u>Discontinued Operation</u>			
Loss for the period from discontinued operation	-	(8,632)	(8,632)
Profit for the period, net of tax	14,069	-	14,069

9 months ended 30 September 2015	Previously stated RM'000	MFRS 5 RM'000	Restated RM'000
Revenue	159,531	-	159,531
Direct cost	(130,192)	24,240	(105,952)
Gross profit	29,339	24,240	53,579
Other income	17,436	(18)	17,418
Operating expenses	(29,332)	268	(29,064)
Finance costs	(34,601)	2,459	(32,142)
Share of results of associates, net of tax	3,035	-	3,035
Share of results of joint ventures, net of tax	45,504	-	45,504
Profit before tax	31,381	26,949	58,330
Tax expense	(611)	4	(607)
Profit for the period from continuing operations	30,770	26,953	57,723
<u>Discontinued Operation</u>			
Loss for the period from discontinued operation	-	(26,953)	(26,953)
Profit for the period, net of tax	30,770	-	30,770

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

1. Performance Review

For the financial period ended 30 September 2016, the Group generated total revenue of RM146.88million, a decrease of RM12.65million when compared to the amount of RM159.53million in the corresponding financial period ended 30 September 2015.

The decrease in revenue was mainly due to full 9 months discount given on the charter rate for Perisai Pacific 101("PP101") for the financial period ended 30 September 2016 as compared to approximately 7 months in the previous financial period ended 30 September 2015 as a result of significant drop in oil prices and standby rate being charged in the third quarter ended 30 September 2016 after completion of the Farm-Out contract to HESS Exploration and Production Malaysia BV ("HESS") on 6 August 2016.

Loss before tax ("LBT") from continuing operations for the financial period ended 30 September 2016 amounted to RM255.65million, a decrease of RM313.98million when compared to the PBT amount of RM58.33million recorded in the corresponding financial period ended 30 September 2015.

The decrease in PBT was mainly due to provision for impairment on investment in joint ventures of RM89.32million, provision for impairment on plant and equipment of RM92.20million, provision for impairment on prepayment of RM23.84million at consolidated level and RM54.05million at joint ventures level.

Total loss net of tax from both continuing and discontinued operations for the financial period ended 30 September 2016 amounted to RM297.98million, a decrease of RM328.75million when compared to the amount of RM30.77million attained in the corresponding financial period ended 30 September 2015. The decrease is mainly due to the same reasons as mentioned in the immediate paragraph above and higher loss from discontinued operation as a result of provision for impairment on plant and equipment.

For the current quarter ended 30 September 2016, the Group generated total revenue of RM38.91million, a decrease of RM10.23million when compared to the amount of RM49.14million in the previous corresponding quarter ended 30 September 2015.

The decrease in revenue was mainly due to standby rate being charged in the third quarter ended 30 September 2016 after completion of the Farm-Out contract to HESS on 6 August 2016.

Loss before tax ("LBT") from continuing operations for the current quarter ended 30 September 2016 amounted to RM265.82million, a decrease of RM288.64million when compared to the Profit Before Tax ("PBT") amount of RM22.82million attained in the corresponding quarter ended 30 September 2015.

The decrease in PBT was mainly due to the provision for impairment on investment in joint ventures, plant and equipment and prepayment.

Total loss net of tax from both continuing and discontinued operations for the current quarter ended 30 September 2016 amounted to RM300.73million, a decrease of RM314.80million when compared to the total profit net of tax from both continuing and discontinued operations amount of RM14.07million attained in the corresponding quarter ended 30 September 2015.

The decrease is mainly due to the provision for impairment on investment in joint ventures, plant and equipment, prepayment and higher loss from discontinued operation as result of provision for impairment on plant and equipment.

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

For the current financial quarter ended 30 September 2016, the Group recorded a LBT of approximately RM265.82million against a PBT of RM2.65million recorded in the preceding quarter.

The decreased in PBT was mainly due to provision for impairment on investment in joint ventures, plant and equipment and prepayment.

3. Future Prospects

The outlook for the demand for the oil and gas assets in the short to medium terms remain challenging due to continuing depressed oil prices. The Group will remain cautious on its capital and cost management. Operational efficiency of the operating assets is expected to be maintained while pursuing various opportunities with respect to the Rubicone, Enterprise 3 and drilling rigs.

The Company is in the midst of formulating a regularisation plan which will be submitted to Bursa Malaysia within 12 months from 12 October 2016 as the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1 (f) of Practice Note 17 (“PN17”) of the Main Market Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) after its wholly-owned subsidiary, Perisai Capital (L) Inc had defaulted in payment of the principal and interest for the SGD\$125 million 6.875% multicurrency medium term notes.

The Corporate Debt Restructuring Committee (“CDRC”) has on 9 November 2016 accepted the Company’s application for assistance to mediate with the Company’s lenders on a Proposed Debt Restructuring Scheme (“Scheme”). CDRC has requested the Company’s lenders to observe an informal standstill and withhold litigation proceedings against the Company with immediate effect. CDRC requires the Company to submit a Scheme within 60 days from 10 November 2016. Upon receipt and review of the Scheme, CDRC shall call for a meeting to deliberate on the proposed scheme.

CDRC is a pre-emptive measure by the Malaysian Government to provide a platform for corporate borrowers and their creditors to work out feasible debt resolutions without having to resort to legal proceedings. This initiative has been put in place to ensure that all avenues are made available to assist distressed corporations to resolve their debt obligations.

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 period ended 30 September 2016.

5. Income Tax Expense

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 Sep 2016 RM'000	30 Sep 2015 RM'000	30 Sep 2016 RM'000	30 Sep 2015 RM'000
		(Restated)		(Restated)
Based on result for the year				
- Current year provision	(120)	(158)	(572)	(606)
- Under provision for taxation in prior year	-	40	(6)	(1)
	(120)	(118)	(578)	(607)

The effective tax rate for the current quarter and financial period ended 30 September 2016 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 25 November 2016 are summarised below:

Purpose	Approved Utilisation RM' Mil	Variation RM' Mil	Revised Utilisation RM' Mil	Amount Utilised RM'Mil	Amount Unutilised RM'Mil	Expected Time Frame For The Full Utilisation
Repayment of bank borrowings and/or capital investment for jack-up drilling rigs and MOPU	25.0	(22.6)	2.4	(2.4)	-	Fully utilised
Working capital:						
- Operational expenses for jack-up drilling and MOPU	1.2	-	1.2	(1.2)	-	Fully utilised
- Finance cost	5.8	(4.2)	1.6	(1.6)	-	Fully utilised
- Management and administrative expenses	4.7	3.3	8.0	(7.8)	0.2	Within one (1) year
Estimated expenses relating to the Proposed Private Placement	0.3	-	0.3	(0.3)	-	Fully utilised
Total	*37.0	(23.5)	13.5	(13.3)	0.2	

The Company had on 7 April 2016 obtained the approval from Bursa Malaysia Securities Berhad for an extension of time of six (6) months from 21 April 2016 up to 20 October 2016 to complete the implementation of the Proposed Private Placement. The Proposed Private Placement had lapsed on 20 October 2016.

7. Borrowings And Debt Securities

The Group’s borrowings and debt securities as at 30 September 2016 are as follows:

	Short Term RM'000	Long Term RM'000
<u>Secured</u>		
- Term loan	50,420	699,435
- Revolving credit	51,355	-
- Overdraft	4,483	-
- Hire purchase	124	64
<u>Unsecured</u>		
- MTN	376,458	-
Total	482,840	699,499

The Group borrowings are denominated in the following currencies:

	Short Term RM'000 Equivalent	Long Term RM'000 Equivalent
Ringgit Malaysia	14,607	64
US Dollar	91,775	699,435
SG Dollar	376,458	-
Total	482,840	699,499

8. Prepayment

Prepayment of RM23.8million mainly consists of capital expenditure, project management and other related costs for the second (2nd) and third (3rd) jack up drilling rigs which was fully impaired in financial quarter ended 30 September 2016.

9. Changes In Material Litigation

(a) KUALA LUMPUR HIGH COURT (COMMERCIAL DIVISION), COMPANIES (WINDING UP) NO. WA-28NCC-888-10/2016

On 27 October 2016, the Company announced that it has been served with a Winding Up Petition (“Petition”), details of which are as follows:

The Petition is dated 24 October 2016 and is taken out by Ravi Murarka (Singapore NRIC S2736306G) (“Petitioner”). The Petition was sent to the Company at its registered address on 26 October 2016.

The Petitioner’s claim is as a holder of SGD15,000,000 out of the SGD125,000,000 6.875% Fixed Rate Notes (“Notes”) pursuant to the SGD700 Million Multicurrency Medium Term Notes Programme issued by Perisai Capital (L) Inc (“Issuer”). The Notes matured on 3 October 2016.

The Petitioner contends that the Company has failed to make payment of the Notes in the sum of SGD15,000,000 plus interest.

The Company has sought preliminary legal advice and intends to challenge and oppose the Petition.

On 8 November 2016, the Company announced that legal counsel representing the Company appeared in Court on 8 November 2016 for case management of the matter whereupon the Court directed as follows:

- (i) The Company shall file its Notice of Intention to Appear on or before 21 November 2016;
- (ii) The Company to file its Affidavit in Reply to the Petition on or before 21 November 2016;
- (iii) The Petitioner to file his reply to the Company’s Affidavit on or before 5 December 2016; and
- (iv) The Petition is fixed for hearing on 9 January 2017.

Further case management is fixed on 19 December 2016 for both the Company’s and the Petitioner’s solicitors to update the status of the matter.

On 25 November 2016, the Company filed an application to strike out the winding up Petition. The matter is now fixed for case management on 5 December 2016.

The Company will announce further developments on the above matter as and when the same arise.

(b) KUALA LUMPUR HIGH COURT ADMIRALTY IN PERSONAM NO. WA-27NCC-69-11/2016

On 9 November 2016 The Company announced that its 51% joint venture, SJR Marine (L) Ltd (“SJR Marine”), has been served with an Admiralty in Personam Writ of Summons (“Writ of Summons”) by Emas Offshore (M) Sdn Bhd (“EOM”).

The claim under the Writ of Summons is for an aggregate amount of USD146,925.27, being charter rates and other amounts allegedly due under charterparty agreements between EOM and SJR Marine.

The Company is seeking legal advice and intends to challenge and defend the claim under the Writ of Summons. The next case management for the matter is fixed for 5 January 2017.

(c) KUALA LUMPUR SESSIONS COURT SUIT NO. WA-B52NCVC-484-11/2016

On 9 November 2016, The Company announced that its 51% joint venture, SJR Marine (L) Ltd (“SJR Marine”), has been served yesterday with a Writ of Summons by EMAS Offshore Construction and Production Pte Ltd (“EOCP”).

The claim under the Writ of Summons is for an aggregate amount of USD131,189.94, being project management services allegedly provided by EOCP for the benefit of SJR Marine.

The Company is seeking legal advice and intends to challenge and defend the claim under the Writ of Summons. The case management for the matter is fixed for 6 December 2016.

10. Dividends Payable

There was no dividend declared for the financial period ended 30 September 2016.

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 period, excluding treasury shares held by the Company.

(a) Basic Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 30 Sept 2016 RM'000	Preceding Year Corresponding Quarter 30 Sept 2015 RM'000	Current Year To Date 30 Sept 2016 RM'000	Preceding Year Corresponding Period 30 Sept 2015 RM'000
		(Restated)		(Restated)
(Loss)/Profit from continuing operations	(258,512)	18,260	(258,553)	45,219
Loss from discontinued operations	(34,791)	(8,632)	(41,478)	(26,953)
(Loss)/Profit attributable to owners of the Company net of tax	(293,303)	9,628	(300,031)	18,266
Weighted average number of ordinary shares in issue ('000)	1,231,996	1,192,725	1,222,647	1,192,725
Basic (loss)/earnings per share (sen):				
- from continuing operations	(20.99)	1.53	(21.15)	3.79
- from discontinued operation	(2.82)	(0.72)	(3.39)	(2.26)
Total (sen)	(23.81)	0.81	(24.54)	1.53

PERISAI PETROLEUM TEKNOLOGI BHD (632811-X)
(Incorporated in Malaysia)

(b) Diluted Earnings Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
		(Restated)		(Restated)
(Loss)/Profit from continuing operations	(258,512)	18,260	(258,553)	45,219
Loss from discontinued operations	(34,791)	(8,632)	(41,478)	(26,953)
(Loss)/Profit attributable to owners of the company net of tax	(293,303)	9,628	(300,031)	18,266
Weighted average number of ordinary shares in issue ('000)	1,231,996	1,192,725	1,222,647	1,192,725
Effect of dilution ('000)				
- Share options	-	5,053	-	5,053
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,231,996	1,197,778	1,222,647	1,197,778
Diluted (loss)/earnings per share (sen):				
- from continuing operations	(20.99)	1.53	(21.15)	3.79
- from discontinued operation	(2.82)	(0.72)	(3.39)	(2.26)
Total (sen)	(23.81)	0.81	(24.54)	1.53

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

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
Total retained earnings/(accumulated losses)		
Total (accumulated losses)/retained earnings of the Company and its subsidiaries		(Audited)
- realised (loss)/profit	(1,178,389)	(956,351)
- unrealised (loss)/profit	(8,732)	12,367
	(1,187,121)	(943,984)
Total share of (accumulated losses)/retained earnings from associates		
- realised (loss)/profit	(16,681)	(15,299)
- unrealised (loss)/profit	(14)	(473)
	(16,695)	(15,772)
Total share of (accumulated losses)/retained earnings from joint ventures		
- realised profit	41,715	70,907
- unrealised (loss)/profit	(428)	(331)
	41,287	70,576
Less: Consolidated adjustments	455,878	482,560
Total accumulated losses as per unaudited consolidated financial statements	(706,651)	(406,620)

14. Notes to Condensed Consolidated Statements of Comprehensive Income

	Current Year Quarter 30 September 2016 RM'000	Current Year To Date 30 September 2016 RM'000
Profit/(loss) before tax is arriving at after charging/(crediting):		
Interest income	(15)	(58)
Other income	(349)	(903)
Interest expenses	12,654	39,443
Depreciation and amortisation	12,104	37,587
Other receivables written off	-	72
Loss on Cross Currency Interest Rate Swaps	3,548	3,548
Provision for impairment on investment in joint ventures	89,318	89,318
Provision for impairment on plant and equipment	124,509	124,509
Provision for impairment on prepayment	23,844	23,844
Realised foreign exchange gain	(1,507)	(169)
Unrealised foreign exchange gain/(loss)	(3,282)	8,733

15. Financial Instruments

(a) Details of derivative financial instruments outstanding as at 30 September 2016 are set out below:-

Type of derivative	Contract/Notional Amount RM'000	Fair value liabilities RM'000
Cross Currency Interest Rate Swaps ("CCRIS")		
-less than 1 year	34,837	34,837
-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 period ended 30 September 2016 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.

During the financial quarter, CCRIS with nominal value of RM34.837million was extended to 29 December 2016. The Group has as at 30 September 2016 re-measuring the fair value of the derivative financial instrument, recognized derivative financial liabilities of RM3.52million, an increase of RM1.75million from the previous financial year ended 31 December 2015. The corresponding decrease has been included in equity in the cashflow hedging reserve of which unrealized profit of RM1.15million for the financial year was transferred to the income statement. This has resulted a decrease in the cash flow hedging reserve as at 31 December 2015 by the amount of RM2.27million to RM1.07million as compared to the preceding financial year ended 31 December 2015. The above CCRIS was subsequently terminated on 19 October 2016.

Another CCRIS with nominal value of RM34.837million was matured on 30 September 2016 with the marked to market losses of approximately RM3.5 mil.

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 29 November 2016.

By Order of the Board
Perisai Petroleum Teknologi Bhd

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