

**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**

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There were no unusual items affecting assets, liabilities, equity, net income and cash flows during the current quarter ended 31 March 2017.

**5. Changes In Estimates**

There were no significant changes in estimates that had a material effect on the results for the financial period ended 31 March 2017 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 31 March 2017 have been increased by RM4,058,861 and RM6,357,622 respectively.

**6. Debts And Equity Securities**

Save as disclosed below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and financial period ended 31 March 2017:

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

<b>Date</b>	<b>Issue Price</b>	<b>No of Placement Shares</b>
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 March 2017, 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 31 March 2017.

**8. Segmental Information**

	<b>Current Year Quarter</b>	<b>Current Year To Date</b>
	<b>31 March 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Segment Revenue</b>		
Drilling	30,424	156,077
Production	-	-
Marine vessels	15,705	75,203
Others	-	-
<b>Total revenue</b>	<b>46,129</b>	<b>231,280</b>
<b>Segment Results</b>		
Drilling	(3,405)	(27,881)
Production	(30,119)	(41,460)
Marine vessels	9,928	48,357
Others	(24,273)	(51,718)
Share of results in associates	500	2,380
Share of results in joint ventures	(6,061)	29,522
Share of impairment of plant and equipment of joint venture	(796)	(55,656)
Impairment loss on:		
-investment in joint venture	-	(89,318)
-plant and equipment	(1,832)	(128,211)
-prepayment	(4,217)	(28,419)
<b>Total results</b>	<b>(60,275)</b>	<b>(342,404)</b>

**9. Valuation Of Property, Plant and Equipment**

The Group did not revalue any plant and equipment during the financial period ended 31 March 2017. As at 31 March 2017, all property, plant and equipment were stated at cost less accumulated depreciation and provision for impairment.

**10. Subsequent Events**

There has been no material event or transaction during the period from 31 March 2017 to the date of this announcement, which affects substantially the results of the Group for the period ended 31 March 2017.

**11. Changes In Composition Of The Group**

There were no changes to the composition of the Group during the financial period ended 31 March 2017.

**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 31 March 2017.

Corporate Guarantee of RM341.3 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 31 March 2017.

**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 March 2017.

	RM'Million
<b><u>Capital expenditure</u></b>	
Approved and contracted for:	
Construction of two (2) jack-up drilling rigs	<u>1,484</u>

**15. Significant Related Party Transactions**

Save as disclosed below, there were no significant related party transactions during the quarter and financial period ended 31 March 2017.

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

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	<b>Current Year Quarter</b>	<b>Current Year To Date 15 Months</b>
	<b>31 March 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
<b><u>Revenue</u></b>		
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	4,396	21,048
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	11,309	54,155
<b><u>Expenses</u></b>		
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	225
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	45	225
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	139

\*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.

#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

	<b>Amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2017 Group</b>				
Derivative financial instruments -cross currency interest rate swaps *	-	-	-	-
<b>31 December 2015 Group</b>				
Derivative financial instruments -cross currency interest rate swaps *	10,544	-	10,544	-

During the financial period ended 31 March 2017, both Cross Currency Interest Rate Swaps with nominal value of RM34.837million were matured on 30 September 2016 and terminated on 9 October 2016.

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

#### **17. Discontinued Operation**

During the current financial quarter ended 31 March 2017, the Company's intention to dispose of its idle assets was not materialised within one (1) year from February 2016. In accordance to MFRS 5 the asset or disposal group shall cease to be classified as held for sale and the results from this subsidiary shall not be presented separately on the consolidated income statement as discontinued operation. In addition, the depreciation charge that was previously suspended for the past one year was accelerated to income statement in the current financial quarter.

There are no discontinued operations for the current quarter ended 31 March 2017.

#### **18. Change of Financial Year End**

As announced on 29 November 2016, the Board of Directors of Perisai has approved the change of financial year of the Company from 31 December to 30 June. Accordingly, the financial period end date of the Company, its subsidiaries and associate company (the "Group") presented in this Quarterly Report is for the fifteen-month ended 31 March 2017.

Following the change of financial year ended, the next financial statements will be made up from 1 January 2016 to 30 June 2017 covering a period of 18 months. Thereafter, the financial year end of the Company shall end on 30 June for each subsequent year.

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

**1. Performance Review**

**Quarter Ended 31 March 2017**

There will be no comparative figures following the change of financial year end from 31 December to 30 June. The comparative figures will only be available from the first quarter of the financial year ending 30 June 2018.

The Group recorded a revenue of RM46.13million and loss after tax ("LBT") of RM60.40million for the current financial quarter ended 31 March 2017.

The LBT was mainly due to (i) the depreciation charged of approximately RM28.10million that was suspended under the provisions of MFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations" for assets which are held for sale in the previous quarters was accelerated to income statement during the current financial quarter. (ii) unrealised loss of approximately RM12.65million as reflected in the operating expenses and provision of demobilization cost of approximately RM18.95million in the one of the joint venture entities.

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

For the current financial quarter ended 31 March 2017, the Group recorded a LBT of approximately RM60.40million against a PBT of RM15.27million recorded in the preceding quarter.

The decreased in PBT was mainly due to the depreciation charged are not required under the provisions of MFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations" for assets which are held for sale in the previous quarter was accelerated to profit or loss during the current financial quarter, provision for demobilization cost for Perisai Kamelia ("FPSO") at joint venture level and higher exchange gain as reflected in other income in the preceding quarter ended 31 December 2016.

**3. Future Prospects**

The outlook for the demand for the oil and gas assets in the short to medium terms remain challenging. The Group will remain cautious on its capital and cost management. Operational efficiency of the operating assets is expected to be maintained.

The contract for Perisai Kamelia and 8 offshore support vessels will be expiring in May 2017 and Aug 2017 respectively. The Group is pursuing various opportunities for all its assets.

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. Principal adviser has been appointed to assist the Company on its regularisation plan.

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. 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.

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.

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The proposed debt restructuring scheme was submitted to CDRC and two meetings were held with the Scheme Creditors with the presence of CDRC.

The proposed debt restructuring scheme is expected to be finalised with the Scheme Creditors by 2<sup>nd</sup> quarter of 2017.

On 12 January 2017, the Company and its wholly-owned subsidiary, Perisai Capital (L) Inc (“Perisai Capital”) have been granted orders pursuant to Sections 176(1) and 176(10) of the Companies Act 1965 (“the Act”) by the High Court of Malaya (Commercial Division) at Kuala Lumpur restraining all proceedings and actions brought against the Company and Perisai Capital (“the Order”).

The Order was applied for as part of the Company’s plan to regularise its and the Group’s financial condition through, amongst others, proposed schemes of arrangement. The details of the proposed schemes of arrangement which will be issued to the Scheme Creditors, will be announced in due course.

The Order is for a period of ninety (90) days effective from 12 January 2017.

On 5 May 2017, the Court has granted the Restraining Order for (3) three months from 5 May 2017

The schemes of arrangement is expected to be completed by third quarter of 2017.

**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 31 March 2017.

**5. Income Tax Expense**

	<b>Current Year Quarter</b>	<b>Current Year To Date</b>
	<b>31 March 2017</b>	<b>15 months 31 March 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Based on result for the year		
- Current year provision	(126)	(781)
- Under provision for taxation in prior year	-	(6)
	<b>(126)</b>	<b>(787)</b>

The effective tax rate for the current quarter and financial period ended 31 March 2017 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**

Save as disclosed below, there were no corporate proposals announced but not completed as at the reporting date.

(A) On 23 December 2016, the Company had entered into a Settlement Agreement with EMAS Offshore Limited (“EOL”) (“Proposed Settlement Agreement”) to achieve a full and final settlement of the disputes, differences, claims, and counterclaims against each other arising from or in connection with the Share Sale Agreement Dated 23 December 2013 (“SSA”) and Put Option.

**(i) Salient Terms Of The Proposed Settlement Agreement**

Pursuant to the Proposed Settlement Agreement, EOL and Perisai (each referred to as a “Party” and collectively, the “Parties”), had mutually agreed to the following:-

**(i.i) Consideration**

(i.i.i) The consideration for the Put-Option Shares (as defined in Paragraph i.ii(ii)(aa) below) is USD43,031,406.55 (“Consideration”) to be satisfied by EOL in the following manner:

(aa) USD20,000,000 in cash on the Completion Date (as defined hereunder);

(bb) USD23,031,406.55 (“Deferred Payment Amount”) will be deferred and paid in cash (either in the form of a bullet payment or by instalments) on the Maturity Date (as defined in Paragraph i.v below); and

(cc) The Deferred Payment Amount shall be subject to interest at the rate of 1% per annum (“Deferred Payment Interest”) which shall accrue from the Completion Date to the date of actual payment of the Deferred Payment Amount.

Completion shall take place on the next business day, or any other business day as the Parties may agree, following fulfilment (or waiver) of the last condition precedent as set out in Paragraph i.ii(ii) below (“Completion Date”).

(i.i.ii) The Consideration is based on the agreed price of the Put-Option Shares in accordance with the terms of the SSA.

**(i.ii) Conditions Precedent**

(i.ii.i) Completion of the Proposed Settlement Agreement shall be conditional upon satisfaction of the conditions precedent within the Long Stop Period (“Conditions Precedent”).

Long Stop Period means:-

(aa) the period of up to 4 months from the date of the Proposed Settlement Agreement; or

(bb) at the request of each Party and with the consent of the other Party, further extension of a period of 1 month per request, subject always to a maximum of 4 months in aggregate of extension.

Where Perisai requires any further extensions beyond the 4 months extended period, such further extensions may be granted with the consent of EOL, which consent shall not be unreasonably withheld in the case where the extended period is being sought for the purposes of dismissing any appeal to the decision of the High Court of Malaya (“High Court”) in relation to the creditors’ scheme of arrangement referred to in i.ii(ii)(bb)(ii) below.

(i.ii.ii) The Conditions Precedent are:-

(aa) Perisai shall provide EOL with evidence that Perisai has obtained the approval of its Board and shareholders in respect of the sale of its 51% equity interest in SJR Marine (“Put-Option Shares”) to EOL and the consummation of all matters that are contemplated under, or referred to in the Proposed Settlement Agreement;

(bb) (i) Perisai shall provide EOL with evidence of the binding agreement of its noteholders and financial lenders in respect of the bond restructuring, and the restructuring of any outstanding indebtedness it owes to any such financial lenders; or

(ii) in the alternative to any approval or agreement required pursuant to Paragraph 2.2.2(b)(i) above, if a creditors’ scheme of arrangement is required in relation to Perisai, Perisai shall provide EOL with evidence that Perisai has obtained an order



granted by the High Court sanctioning a creditors' scheme of arrangement pursuant to the Companies Act, 1965 (Act 125 of Malaysia) approving, as applicable, the bond restructuring, or the restructuring of any outstanding indebtedness owed to any of its financial lenders, provided that no appeal against such order was filed within the prescribed period to appeal of 30 days from the date of grant of such order. Where an appeal is filed within such stipulated period, Perisai will take the necessary steps to contest such appeal, and if such appeal is dismissed by the relevant Malaysian courts within the Long Stop Period, the condition in this Paragraph i.ii.ii.(bb)(ii) shall be deemed to have been satisfied;

For the avoidance of doubt, the scheme of arrangement referred to herein is limited to a scheme of arrangement of Perisai and does not extend to a scheme of arrangement of other entities within the Perisai group of companies ("Perisai Group");

(cc) Perisai shall provide EOL with a deed of waiver and subordination duly executed by Perisai in relation to:-

(i) the waiver of Perisai shareholder's loan of USD8,449,230.17 ("Perisai's Partial Shareholder's Loan"), unless Perisai elects to capitalise the Perisai Partial Shareholder's Loan, provided always that such capitalisation shall not affect the aggregate value of the Consideration; and

(ii) the subordination of Perisai shareholder's loan of USD5,366,349.54 payable to Perisai ("Perisai's Remaining Shareholder's Loan") granted in favour of Oversea-Chinese Banking Corporation and/or any of its branches, subsidiaries, representative offices or affiliates ("OCBC"), which subordination rights shall be valid for 15 years or until the indebtedness in favour of OCBC has been fully settled, whichever is earlier;

The Perisai's Remaining Shareholder's Loan shall be subject to an interest at the rate of 1% per annum which shall accrue from the Completion Date to the date of actual payment of Perisai's Remaining Shareholder's Loan ("Perisai's Remaining Shareholder's Loan Interest");

(dd) Perisai shall provide EOL with a duly executed deed of priority and subordination in favour of OCBC where:-

(i) EOL's payment obligations in respect of the Deferred Payment Amount will be subordinated to EOL's payment obligations owing to OCBC under the USD21.5m EOL Loan (as defined in (gg) below) and all of EOL's other outstanding loans or other indebtedness owing to OCBC; and

(ii) the Second Ranking Share Charge (as defined in (ii) below) will be subordinated to the First Ranking Share Charge (as defined in (gg) below) over the shares in SJR Marine granted by EOL to OCBC as security for the USD21.5m EOL Loan;

which subordination rights shall be valid for a period of 15 years or until the indebtedness in favour of OCBC has been fully settled, whichever is earlier;

(ee) Perisai shall provide EOL with one or more duly executed deed(s) of subordination in favour of the Other Existing Lenders<sup>1</sup> where EOL's payment obligations in respect of the Deferred Payment Amount will, be subordinated to EOL's payment obligations in respect of the Existing EOL Loans<sup>2</sup> and/or EOL's other outstanding loans or other indebtedness under the Existing EOL Loans to such Other Existing Lenders, which subordination rights shall be valid for a period of 15 years or until the indebtedness in favour of such Other Existing Lenders pursuant to such Existing EOL Loans, have been fully settled, whichever is earlier. For the avoidance of doubt, the subordination of EOL's payment obligations in respect of the Deferred Payment Amount under this paragraph will not be applicable in the case where Enterprise 3 is sold by SJR Marine;

- (ff) Perisai shall provide SJR Marine with a duly executed deed of subordination in favour of OCBC where, SJR Marine's payment obligations in respect of Perisai's Remaining Shareholder Loan will be subordinated to (i) the SJR Marine's payment obligations owing to OCBC under the existing USD20.5 million loan granted to it by OCBC and the additional USD3.5 million loan to be extended to it by OCBC (together, "USD24m SJR Loan") and all of SJR Marine's other outstanding loans or other indebtedness owed to OCBC and (ii) EOL's payment obligations owing to OCBC under the USD21.5m EOL Loan, which subordination rights shall be valid for 15 years or until the indebtedness in favour of OCBC has been fully settled, whichever is earlier;

Note:

1 "Other Existing Lenders" means the aggregate 9 financial lenders to EOL and its subsidiaries (excluding OCBC) in respect of the Existing EOL Loans.

2 "Existing EOL Loans" means the existing indebtedness of not more than USD545 million in aggregate owed by EOL and its subsidiaries to the Other Existing Lenders as at the date of the Proposed Settlement Agreement and the restructured or refinanced amount of such indebtedness. For the avoidance of doubt, such restructured or refinanced indebtedness shall not include any increased indebtedness through the said refinancing.

- (gg) EOL shall provide Perisai with evidence that EOL has obtained a USD20 million secured term loan facility from OCBC for the purpose of part financing the purchase of the Put-Option Shares and a USD1.5 million secured term loan facility from OCBC for the purpose of working capital, to be secured by way of a first ranking charge ("First Ranking Share Charge") over EOL's interest in the shares of SJR Marine ("USD21.5m EOL Loan");
- (hh) EOL shall provide Perisai with a deed of waiver to waive EOL shareholder's loan of USD8,449,230.17 ("EOL Shareholder's Loan"), unless EOL elects to capitalise the EOL Shareholder's Loan, provided always that such capitalisation shall not affect the aggregate value of the Consideration; and
- (ii) the execution by EOL and Perisai of a second priority ranking charge over the shares in SJR Marine in favour of Perisai (which ranks after the First Ranking Share Charge) as security for the Deferred Payment Amount ("Second Ranking Share Charge").

The deeds of subordination to be executed by Perisai pursuant to Paragraphs i.ii.ii(cc), i.ii.ii(dd), i.ii.ii(ee) and i.ii.ii(ff) are collectively referred to as "Perisai Deeds of Subordination".

- (i.ii.iii) Except for the Condition Precedent set out in Paragraph i.ii.ii(gg) which cannot be waived, a Party to whom the benefits of a Condition Precedent is owed may, to the extent permitted by law, waive in whole or in part, and with or without conditions, such Condition Precedent by notice in writing to the other Party.
- (i.ii.iv) From the date of the Proposed Settlement Agreement until the termination of the Proposed Settlement Agreement or the Completion Date, EOL irrevocably and unconditionally confirms that EOL shall refrain from commencing any action against Perisai Group that will jeopardise Perisai Group's rights in connection with the put-option rights under the SSA, including the Consideration will not be affected by the time required to fulfil the Conditions Precedent.

### **(i.iii) Completion**

- (i.iii.i) Upon the fulfilment (or waiver) of all the Conditions Precedent within the Long Stop Period:-
- (a) Perisai shall sell, and EOL shall purchase, the Put-Option Shares, with full legal and beneficial title, free from any and all encumbrances; and
- (b) Perisai shall deliver the share certificates for the Put-Option Shares and the duly executed share transfer forms to EOL, and EOL shall pay part of the Consideration amounting to USD20,000,000 to Perisai, on the Completion Date, ("Completion")

**(i.iv) Restitution in the Event of Non-Fulfilment of Conditions Precedent**

(i.iv.i) If Completion does not occur by Completion Date:-

- (a) the Proposed Settlement Agreement shall terminate in its entirety and the obligations of the Parties thereunder shall cease PROVIDED ALWAYS that such termination shall not release any Party from any liability which at the time of such termination has already accrued to any other Party or parties thereto or which may accrue thereafter in respect of any act, omission or breach prior to such termination, nor compromise any rights of the Parties which have accrued to the Parties; and
- (b) the rights and obligations under the SSA remain unchanged and the Parties' rights and obligations prior to the date of execution of the Proposed Settlement Agreement shall be restored to their respective position as if the Proposed Settlement Agreement was never executed by the Parties.

**(i.v) Deferred Payment**

(i.v.i) Subject to Paragraph i.v.ii, EOL shall pay the remaining part of the Consideration to Perisai in the following instalments, on the date falling on the 15th anniversary from the Completion Date or the date on which EOL's payment obligations owing to OCBC under the USD21.5m EOL Loan and all of EOL's other outstanding loans or, where applicable, other indebtedness owing to OCBC and to the Other Existing Lenders under the Existing EOL Loans have been fully settled, whichever is the earlier ("Maturity Date"):-

- (a) EOL shall pay to Perisai (either in the form of a bullet payment or by instalments) the Deferred Payment Amount, and procure SJR Marine to repay the Perisai's Remaining Shareholder's Loan and the Perisai's Remaining Shareholder's Loan Interest subject to the terms of the Perisai Deeds of Subordination and Paragraph i.v.ii below; and
- (b) EOL shall pay to Perisai the Deferred Payment Interest, which shall accrue from the Completion Date up to the date of actual payment of the Deferred Payment Amount.

(i.v.ii) The Parties agree that in the event that Enterprise 3 is sold by SJR Marine, the sale proceeds derived from the sale of Enterprise 3 shall be applied as follows:-

- (a) first, to repay the outstanding USD24m SJR Loan;
- (b) second, if there are any remaining sale proceeds, to repay the USD21.5m EOL Loan (if any); and
- (c) third, if there are any remaining sale proceeds, to repay Perisai's Remaining Shareholder's Loan and the Perisai's Remaining Shareholder's Loan Interest (if any); and
- (d) lastly, if there are any remaining sale proceeds, EOL shall pay to Perisai a sum equivalent to the Deferred Payment Amount and the Deferred Payment Interest (if any) within a period of 7 days upon settlement of amounts due under (a), (b) and (c) above. In the event that any such remaining sale proceeds are insufficient for EOL to pay to Perisai the full amount of the Deferred Payment Amount and any applicable Deferred Payment Interest and/or the sales proceeds are insufficient for SJR Marine to pay Perisai the full amount of the Perisai's Remaining Shareholder's Loan and Perisai's Remaining Shareholder's Loan Interest in accordance with this Paragraph i.v.ii, the balance owing to Perisai with respect to the Deferred Payment Amount and the Deferred Payment Interest shall be repaid by EOL on the Maturity Date, and the Perisai's Remaining Shareholder's Loan, the Perisai's Remaining Shareholder's Loan Interest shall be repaid by SJR Marine on the Maturity Date.

For purposes of this Paragraph i.v.ii, the Parties acknowledge and agree that in the case where Enterprise 3 is sold to a related corporation (as defined in the Companies Act, Chapter

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50 of Singapore) of EOL, the sale shall be subject to the consent of Perisai within 3 business days.

**Approval Required**

The Proposed Settlement Agreement is subject to and conditional upon approvals being obtained from, inter-alia, the following:

- (a) the shareholders of Perisai at an extraordinary general meeting (“EGM”) to be convened;
- (b) (i) the noteholders and financial lenders of Perisai in respect of the bond restructuring, and the restructuring of any outstanding indebtedness that Perisai owes to any such financial lenders; or  
(ii) alternatively, an order granted by the High Court sanctioning a creditors’ scheme of arrangement pursuant to the Companies Act 1965 (Act 125 of Malaysia) approving, the bond restructuring or the restructuring of any outstanding indebtedness owed by Perisai to any of its financial lenders;
- (c) Labuan Financial Services Authority, if required; and
- (d) any other relevant authorities/ parties, if required.

On 21 April 2017, Perisai and EOL have mutually agreed to extend first of their 4 Long Stop extension periods to 23 May 2017.

The Proposed Settlement Agreement is not conditional upon any other corporate exercise/scheme of the Company and is expected to be completed by third quarter of 2017.

**(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 15 May 2017 are summarised below:

<b>Purpose</b>	<b>Approved Utilisation RM’ Mil</b>	<b>Variation RM’ Mil</b>	<b>Revised Utilisation RM’ Mil</b>	<b>Amount Utilised RM’ Mil</b>	<b>Expected Time Frame For The Full Utilisation</b>
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	(8.0)	Fully utilised
Estimated expenses relating to the Proposed Private Placement	0.3	-	0.3	(0.3)	Fully utilised
<b>Total</b>	<b>*37.0</b>	<b>(23.5)</b>	<b>13.5</b>	<b>(13.5)</b>	

**7. Borrowings And Debt Securities**

The Group's borrowings and debt securities as at 31 March 2017 are as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>
<b>Secured</b>		
- Term loan	900,635	-
- Revolving credit	54,230	-
- Overdraft	4,610	-
- Hire purchase	126	-
<b>Unsecured</b>		
- MTN	395,538	-
<b>Total</b>	<b>1,355,139</b>	<b>-</b>

The Group borrowings are denominated in the following currencies:

	<b>Short Term RM'000 Equivalent</b>	<b>Long Term RM'000 Equivalent</b>
Ringgit Malaysia	14,736	-
US Dollar	944,865	-
SG Dollar	395,538	-
<b>Total</b>	<b>1,355,139</b>	<b>-</b>

**8. Prepayment**

Prepayment of RM28.42million mainly consists of capital expenditure, project management and other related costs for the second (2<sup>nd</sup>) and third (3<sup>rd</sup>) jack up drilling rigs which has been fully impaired.

**9. Changes In Material Litigation**

**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 Striking Out Application is fixed for hearing on 3.3.2017 followed by a case management of the Petition.

The matter was called up in Court 17.4.2017, during which the Court was informed that an ad interim restraining order was granted to the Company on 17.4.2017, the Court fixed a further case management date on 23.6.2017.

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

#### **WINDING-UP PETITION UNDER SECTION 218 OF THE COMPANIES ACT, 1965**

On 15 May 2017, a Winding-Up Petition pursuant to Section 218 of the Companies Act, 1965 together with a copy of the Affidavit Verifying Petition ("the said Winding-Up Petition") has been served on Perisai Pacific 102 (L) Inc ("Perisai Pacific"), a subsidiary of Perisai Drilling Holdings Sdn Bhd (a wholly-owned subsidiary of Perisai Petroleum Teknologi Bhd) by Messrs Yeoh & Joanne, the Solicitors who act on behalf of Tech Offshore Marine (S) Pte Ltd ("Tech Offshore") demanding for the payment of the total outstanding sum owing by Perisai Pacific to Tech Offshore amounting to USD178,636.00.

The Winding-Up Petition was presented to the High Court of Sabah and Sarawak in the Federal Territory of Labuan and the hearing is fixed on 4 September 2017.

The Company will defend these proceedings and will contest any winding-up proceedings that may be initiated.

As the alleged debt has been incorporated in the financial statements, the financial impact from the winding-up proceedings is the loss of investment in Perisai Pacific. There is no impact on the operation of the Group.

The Company is seeking the necessary legal advice to resolve and/or defend against the above matter.

The Company will announce further developments on the above matter.

#### **10. Dividends Payable**

There was no dividend declared for the financial period ended 31 March 2017.

#### **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**

	<b>Current Year Quarter 31 Dec 2015 RM'000</b>	<b>Current Year To Date 31 Dec 2015 RM'000</b>
Loss attributable to owners of the Company net of tax	(65,295)	(355,077)
Weighted average number of ordinary shares in issue ('000)	1,260,472	1,237,744
Basic loss per share (sen):	(5.18)	(28.69)

**(b) Diluted Earnings Per Share**

	<b>Current Year Quarter 31 Dec 2015 RM'000</b>	<b>Current Year To Date 31 Dec 2015 RM'000</b>
Loss attributable to owners of the company net of tax	(65,295)	(355,077)
Weighted average number of ordinary shares in issue ('000)	1,260,472	1,237,744
Effect of dilution ('000)	-	-
- Share options	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,260,472	1,273,744
Diluted loss per share (sen):	(5.18)	(28.69)

**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**

	<b>As at 31 March 2017 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
<b>Total retained earnings/(accumulated losses)</b>		<b>(Audited)</b>
<b>Total (accumulated losses)/retained earnings of the Company and its subsidiaries</b>		
- realised (loss)/profit	(1,199,517)	(956,351)
- unrealised (loss)/profit	(70)	12,367
	(1,199,587)	(943,984)
<b>Total share of (accumulated losses)/retained earnings from associates</b>		
- realised (loss)/profit	(16,220)	(15,299)
- unrealised (loss)/profit	84	(473)
	(16,136)	(15,772)
<b>Total share of (accumulated losses)/retained earnings from joint ventures</b>		
- realised profit	44,928	70,907
- unrealised (loss)/profit	(486)	(331)
	44,442	70,576
Less: Consolidated adjustments	413,431	482,560
<b>Total accumulated losses as per unaudited consolidated financial statements</b>	<b>(757,850)</b>	<b>(406,620)</b>

**14. Notes to Condensed Consolidated Statements of Comprehensive Income**

	<b>Current Year Quarter 31 March 2017 RM'000</b>	<b>Current Year To Date 31 March 2017 RM'000</b>
<b>Profit/(loss) before tax is arriving at after charging/(crediting):</b>		
Interest income	(9)	(82)
Other income	(294)	(1,385)
Interest expenses	18,903	73,957
Depreciation and amortisation	39,362	87,914
Other receivables written off	-	72
Loss on Cross Currency Interest Rate Swaps	-	7,709
Restructuring cost	1,024	2,972
Provision for impairment on investment in joint ventures	-	89,318
Provision for impairment on plant and equipment	1,832	128,211
Provision for impairment on prepayment	4,217	28,419
Realised foreign exchange (gain)/loss	(1,248)	1,816
Unrealised foreign exchange (gain)/loss	13,894	70

**15. Financial Instruments**

(a) Details of derivative financial instruments outstanding as at 31 March 2017 are set out below:-

<b>Type of derivative</b>	<b>Contract/Notional Amount RM'000</b>	<b>Fair value liabilities RM'000</b>
<b>Cross Currency Interest Rate Swaps ("CCRIS")</b>		
-less than 1 year	Nil	Nil
-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 31 December 2015 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 period ended 31 March 2017:

- (a) CCRIS with nominal value of RM34.837million was matured on 30 September 2016 with the marked to market losses of approximately RM3.5 million.
- (b) CCRIS with nominal value of RM34.837million was extended to 29 December 2016 which was subsequently terminated on 19 October 2016, with the marked to market losses of approximately RM4.2 million.



The hedge reserve and derivative financial liability related to the above CCRISs were recognized in profit or loss upon maturity and terminated.

**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 22 May 2017.

**By Order of the Board**  
**Perisai Petroleum Teknologi Bhd**

**Tai Yit Chan (MAICSA 7009143)**  
**Tan Ai Ning (MAICSA No: 7015852)**  
**Company Secretaries**