

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 period 30 June 2017. 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 period ended 30 June 2017.

2. Changes In Accounting Policies

- a) The Group adopted the following Amendments and Standards effective as of 1 January 2017:-

MFRS 12	Disclosure of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

- b) At the date of this report, the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued but not yet effective and have not been applied by the Group:

MFRS, Interpretations and amendments effective for financial periods beginning on or after – 1 January 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 140	Investment Property
IC Int 22	Foreign Currency Transactions and Advance Consideration

MFRS, Interpretations and amendments effective for financial periods beginning on or after – 1 January 2019

MFRS 16	Leases
IC Int 23	Uncertainty over Income Tax Treatments

MFRS, Interpretations and amendments effective for a date yet to be confirm

MFRS 10	Consolidated Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

MFRS, Interpretations and amendments effective for financial periods beginning on or after – 1 January 2021

MFRS 17	Insurance Contracts
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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 current quarter ended 30 September 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 30 September 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 30 September 2017 have been decreased by RM364,770 and RM364,770 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 30 September 2017.

As at 30 September 2017, 400,000 shares of RM0.10 each were held as treasury shares in accordance with the requirements of section 127 of the Companies Act 2016.

7. Dividends Paid

There were no dividends paid during the financial period ended 30 September 2017.

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8. Segmental Information

	Drilling Units		Production Units		Marine Vessels		Others		Elimination		As per Consolidation	
	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for the Quarter												
Revenue												
External revenue	29,189	24,295	-	-	10,702	14,619	-	-	-	-	39,891	38,914
Inter-segment revenue	-	-	-	-	-	-	642	1,746	(642)	(1,746)	-	-
Total segment revenue	29,189	24,295	-	-	10,702	14,619	642	1,746	(642)	(1,746)	39,891	38,914
Results												
Operating results	3,420	(12,296)	(6,864)	(1,860)	7,378	10,747	(2,891)	398	-	-	1,043	(3,011)
Interest expense	(6,903)	(5,486)	(1,062)	(775)	(1,630)	(1,022)	(9,628)	(6,079)	-	-	(19,223)	(13,362)
Interest income	56	11	-	-	-	-	5	4	-	-	61	15
Impairment loss on:												
- plant and equipment	-	(67,022)	-	(32,313)	-	(25,174)	-	-	-	-	-	(124,509)
-prepayments	-	(23,844)	-	-	-	-	-	-	-	-	-	(23,844)
-investment in joint ventures	-	-	-	(89,318)	-	-	-	-	-	-	-	(89,318)
-trade receivables	-	-	-	-	(11,367)	-	-	-	-	-	(11,367)	-
Share of results of associates	-	-	-	-	-	-	162	468	-	-	162	468
Share of results of joint ventures	-	-	-	-	-	-	(15,063)	6,996	-	-	(15,063)	6,996
Share of impairment on plant and equipment of joint ventures	-	-	-	-	-	-	-	(54,048)	-	-	-	(54,048)
Segment results	(3,427)	(108,637)	(7,926)	(124,266)	(5,619)	(15,449)	(27,415)	(52,261)	-	-	(44,387)	(300,613)
Tax expense											(161)	(120)
Loss for financial period											(44,458)	(300,733)

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8. Segmental Information (contd)

	Drilling Units		Production Units		Marine Vessels		Others		Elimination		As per Consolidation	
	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16	30.9.17	30.9.16
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for year-to-date												
Revenue												
External revenue	29,189	24,295	-	-	10,702	14,619	-	-	-	-	39,891	38,914
Inter-segment revenue	-	-	-	-	-	-	642	1,746	(642)	(1,746)	-	-
Total segment revenue	29,189	24,295	-	-	10,702	14,619	642	1,746	(642)	(1,746)	39,891	38,914
Results												
Operating results	3,420	(12,296)	(6,864)	(1,860)	7,378	10,747	(2,891)	398	-	-	1,043	(3,011)
Interest expense	(6,903)	(5,486)	(1,062)	(775)	(1,630)	(1,022)	(9,628)	(6,079)	-	-	(19,223)	(13,362)
Interest income	56	11	-	-	-	-	5	4	-	-	61	15
Impairment loss on:												
- plant and equipment	-	(67,022)	-	(32,313)	-	(25,174)	-	-	-	-	-	(124,509)
-prepayments	-	(23,844)	-	-	-	-	-	-	-	-	-	(23,844)
-investment in joint ventures	-	-	-	(89,318)	-	-	-	-	-	-	-	(89,318)
-trade receivables	-	-	-	-	(11,367)	-	-	-	-	-	(11,367)	-
Share of results of associates	-	-	-	-	-	-	162	468	-	-	162	468
Share of results of joint ventures	-	-	-	-	-	-	(15,063)	6,996	-	-	(15,063)	6,996
Share of impairment on plant and equipment of joint ventures	-	-	-	-	-	-	-	(54,048)	-	-	-	(54,048)
Segment results	(3,427)	(108,637)	(7,926)	(124,266)	(5,619)	(15,449)	(27,415)	(52,261)	-	-	(44,387)	(300,613)
Tax expense											(161)	(120)
Loss for financial period											(44,458)	(300,733)

9. Valuation Of Property, Plant and Equipment

The Group did not revalue any plant and equipment during the financial period ended 30 September 2017. As at 30 September 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 30 September 2017 to the date of this announcement, which affects substantially the results of the Group for the financial period ended 30 September 2017.

11. Changes In Composition Of The Group

There were no changes to the composition of the Group during the financial period ended 30 September 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 30 September 2017.

- a) Corporate Guarantee of RM225.65 million issued by the Group for banking facilities granted to its joint ventures.
- b) During the previous financial period, a provision of RM5,034,791 was made in respect of third parties' claims for rectification works and consultants fees. Details of unprovided claims are disclosed in Note B8(iii).

13. Changes In Contingent Assets

Save as disclosed below, 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 2017.

During the previous financial period, an insurance receivable represents reimbursement amount from insurance contracts on the third parties' claims of RM5,034,791 was made as further disclosed in Note B8(iii).

14. Material Commitments

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 2017.

15. Significant Related Party Transactions

Save as disclosed below, there were no significant related party transactions during the quarter and financial period ended 30 September 2017.

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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
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9. 2016 RM'000
Revenue				
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	2,902	4,092	2,902	4,092
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	7,800	10,527	7,800	10,527
Expenses				
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	45	45	45
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	45	45	45	45
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	28	28	28

*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

The Group uses the following hierarchy for determining the fair value of the financial instruments carried at fair value:

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

17. Comparatives

During the previous 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.

There are no discontinued operations for the corresponding quarter ended 30 September 2016.

Income statement

3 months ended 30 September 2016	Previously stated RM'000	MFRS 5 RM'000	Restated RM'000
Revenue	38,914	-	38,914
Direct cost	(31,113)	(1,651)	(32,764)
Gross profit	7,801	(1,651)	6,150
Other income	532	(14)	518
Operating expenses	(9,625)	(39)	(9,664)
Impairment loss on:			
- Joint ventures	(89,318)	-	(89,318)
- Plant and equipment	(92,197)	(32,312)	(124,509)
- Prepayment	(23,844)	-	(23,844)
Finance costs	(12,587)	(775)	(13,362)
Share of results of associates, net of tax	468	-	468
Share of results of joint ventures before impairment, net of tax	6,996	-	6,996
Share of impairment loss on plant and equipment of joint ventures	(54,048)	-	(54,048)
Loss before tax	(265,822)	(34,791)	(300,613)
Tax expense	(120)	-	(120)
Loss for the period from continuing operations	(265,942)	(34,791)	(300,733)
<u>Discontinued Operation</u>			
Loss for the period from discontinued operation	(2,479)	2,479	-
Provision for impairment on plant and equipment	(32,312)	32,312	-
	(300,733)	-	(300,733)

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

1. Performance Review

	3 months ended 30 September			3 months ended 30 September		
	30.9.2017 RM'000	30.9.2016 RM'000	Changes (%)	30.9.2017 RM'000	30.9.2016 RM'000	Changes (%)
Revenue	39,891	38,914	3	39,891	38,914	3
Loss before taxation	(44,387)	(300,613)	85	(44,387)	(300,613)	85
Loss after taxation	(44,548)	(300,733)	85	(44,548)	(300,733)	85
Loss attributable to owner of the Company	(42,169)	(293,303)	86	(42,169)	(293,303)	86

Statement of Profit or Loss and Other Comprehensive Income

For the current quarter and period ended 30 September 2017, the Group generated total revenue of RM39.89million which is consistent with the corresponding quarter and period ended 30 September 2016.

Loss before tax ("LBT") for the current quarter and period ended 30 September 2017 amounted to RM44.39million, an improvement of RM256.22million when compared to the LBT amount of RM300.61million in the corresponding quarter and period ended 30 September 2016.

The lower LBT recorded was mainly due to higher provision for impairment loss in the corresponding quarter and period ended 30 September 2016 despite the expiry of the contract for the eight (8) offshore support vessels and Perisai Kamelia in August 2017 and May 2017 respectively.

Statement of Financial Position

As at 30 September 2017, total equity attributable to owner of the Company reduced to RM86.20 million from RM132.06 as at 30 June 2017 was mainly due to loss after tax and non-controlling interest incurred for the period ended 30 September 2017.

Total borrowings of the Group decreased slightly to RM1,297million as at 30 September 2017 against RM1,318million as at 30 June 2017 mainly due to repayment of term loans and conversion exchange rate.

Statement of Cash Flows

The Group generated a net operating cash flow of RM17.68million for the three months ended 30 September 2017 as compared to RM14.33million for the corresponding period ended 30 September 2016. The increase was mainly due to lower operating cost.

The cash utilisation in investing activities was reduced to RM0.043million from RM3.74million for the corresponding period was mainly due to no purchase of plant and equipment in the current quarter.

The net cash outflow in financing activities was RM4.87million in the current quarter as compare to a net cash inflow of RM0.8million for the corresponding period. This was mainly due to the net proceeds from share issuance pursuant to private placement in the corresponding period ended 30 September 2016.

Overall, the cash and cash equivalents increased by RM12.41million as compared with opening balance cash and cash equivalent as at 1 July 2017. The cash and cash equivalents of the Group was RM24.04million as at 30 September 2017.

Segmental Analysis

Drilling unit

For the current quarter and period ended 30 September 2017, the Drilling Unit generated total revenue of RM29.19million, an increase of RM4.89million when compared to the amount of RM24.30million in the corresponding quarter and period ended 30 September 2016.

The increase in revenue was mainly due to full rate being charged in the current quarter compared to the standby rate was charged in the corresponding third quarter ended 30 September 2016 after the completion of the Farm-Out contract to HESS Exploration and Production Malaysia BV (“HESS”) on 6 August 2016.

LBT for the current quarter ended 30 September 2017 amounted to RM3.43million as compared to the LBT amount of RM108.64million in the corresponding quarter ended 30 September 2016.

The lower LBT of RM 105.21million was mainly due to the higher provision for impairment on plant and equipment and prepayment in the corresponding quarter ended 30 September 2016.

Production unit

Rubicone remained idle and did not generate any revenue for the current quarter and period ended 30 September 2017.

LBT for the current quarter ended 30 September 2017 amounted to RM7.93million, a decrease of RM116.34million as compared to the LBT amount of RM124.27million in the corresponding quarter ended 30 September 2016.

The decrease in LBT was mainly due to the higher provision for impairment on investment in joint venture and plant and equipment in the corresponding quarter ended 30 September 2016.

Marine Vessels

For the current quarter and period ended 30 September 2017, the Marine Vessels generated total revenue of RM10.70million, a decrease of RM3.92million as compared to the amount of RM14.62million in the corresponding quarter and period ended 30 September 2016.

The decrease in revenue was mainly due to the expiry of the charter contract for the eight (8) offshore support vessels in August 2017.

LBT for the current quarter ended 30 September 2017 amounted to RM5.62million, a decrease of RM9.83million when compared to the LBT amount of RM15.45million in the corresponding quarter ended 30 September 2016.

The lower LBT was mainly due to the higher provision for impairment on plant and equipment in the corresponding quarter ended 30 September 2016 despite (i) the expiry of contract for the eight (8) offshore support vessels in August 2017 and (ii) the impairment on trade receivable in the current quarter ended 30 September 2017.

Results of Joint Ventures

For the current quarter and period ended 30 September 2017, the share of loss in joint ventures was RM15.06million as compared to a loss of RM47.05million in the corresponding quarter and period ended 30 September 2016.

The lower share of loss was mainly due to provision for impairment on plant and equipment in the corresponding quarter and period ended 30 September 2016 despite the expiry of contract in May 2017.

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

	Current Quarter	Preceding Quarter	
	30.9.2017 RM’000	30.6.2017 RM’000	Changes (%)
Revenue	39,891	44,307	(10)
Loss before taxation	(44,387)	(263,581)	83
Loss after taxation	(44,548)	(263,762)	83
Loss attributable to owner of the Company	(42,169)	(205,354)	79

For the current financial quarter ended 30 September 2017, the Group recorded a LBT of approximately RM44.39million against a LBT of RM263.58million recorded in the preceding quarter.

The lower LBT in the current quarter was mainly due to:

- (i) No further provision for impairment on plant and equipment and prepayment at the Group level; and
- (ii) No further provision for impairment on plant and equipment and lower depreciation at the joint venture level.

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 asset is expected to be maintained.

On 22 June 2017, Perisai Offshore Sdn Bhd and Petronas Carigali Sdn Bhd have agreed to extend the duration of the contract for the provision of jack up drilling rig, PP101 based on an agreed formula which is primarily dependent on the prevailing market rate for the daily charter. Unless there are changes to the prevailing market rate, the contract is expected to be extended for a period of approximately twenty (20) months.

The contract for Perisai Kamelia and the eight (8) offshore support vessels had expired in May 2017 and August 2017 respectively. The Group is pursuing various opportunities for all its assets.

The Company is still in the midst of formulating a regularisation plan 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.

Bursa Securities has, vide its letter dated 9 November 2017, granted the Company an extension of time of up to 11 February 2018 to submit a regularisation plan to the regulatory authorities.

As part of the regularization plan, the assistance of Corporate Debt Restructuring Committee (“CDRC”) was sought to mediate with the Company’s lenders on a proposed debt restructuring scheme. On 9 November 2016, CDRC has accepted the Company’s application and requested the Company’s lenders to observe an informal standstill and withhold litigation proceedings against the Company with immediate effect.

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 several meetings were held with the Scheme Creditors in the presence of CDRC.

The proposed debt restructuring scheme is expected to be finalised with the Scheme Creditors by first quarter of 2018.

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 pursuant to s.368 of the Companies Act 2016 for (3) three months from 5 May 2017 to the Company and Perisai Capital.

On 3 August 2017, the Court has granted an extension the Restraining Order for (9) nine months from 3 August 2017 to the Company.

The schemes of arrangement are expected to be completed by mid 2018.

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 2017.

5. Income Tax Expense

	Individual Period			Cumulative Period		
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Corresponding Quarter 30.9.2016 RM'000	Changes %	Current Year To Date 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000	Changes %
Based on result for the year						
- Current year provision	(161)	(120)	(34)	(161)	(120)	(34)
- Under provision for taxation in prior year	-	-	-	-	-	-
	(161)	(120)	(34)	(161)	(120)	(34)

The effective tax rate for the current quarter and financial period ended 30 September 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.

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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.

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

On 24 May 2017, Perisai and EOL have mutually agreed to extend the Long Stop Period to 23 June 2017.

On 17 August 2017, it was announced that Perisai had on 14 August 2017 requested for a confirmation from EOL on the status of the Conditions Precedents to be fulfilled by EOL. EOL had on 15 August 2017 confirmed that EOL has not received any representation from OCBC which would allow EOL to conclude whether or not the Conditions Precedents would be satisfied. EOL further confirmed that the Long Stop Period be extended only up to 23 July 2017. As the Long Stop Period has since lapsed, the Proposed Settlement Agreement has become ineffective.

Pursuant to the terms of the Proposed Settlement Agreement and the lapse of the Proposed Settlement Agreement, the put option granted by EOL to Perisai pursuant to the SSA is revived accordingly. This gives Perisai the right to sell its 51% equity interest in SJR Marine to EOL. Perisai had earlier served the Put Option notice to EOL on 8 December 2016. Following the lapsing of the Proposed Settlement Agreement, Perisai is pursuing to complete the Put Option, which shall take place 30 days from 17 August 2017 in accordance with the terms of the Put Option notice served on EOL earlier.

Based on the above, the Proposed Settlement Agreement detailed in the announcement on 23 December 2016 has been aborted.

On 27 September 2017, EOL had written to Perisai stating that due to the lapse of the Settlement Agreement, Perisai is required to comply with the Shareholders’ Agreement dated 26 December 2013, which was terminated by EOL’s notice dated 8 December 2016 (“Termination Notice”), and Perisai is obliged to complete the sale of the 51% shares in SJR Marine to EOL at the stated price of USD1.00.

EOL claims that it had effected payment of USD1.00 to Perisai and is awaiting for Perisai’s completion documents to be delivered to them.

Perisai had already disputed the Termination Notice by its letter to EOL dated 8 December 2016 and maintains that the alleged termination is invalid and ineffective.

The Company will make such further announcement on the development on the above matter as and when necessary.

Although strictly in accordance with the accounting standards SJR Marine remains to be recognised as a joint venture of PPTB, PPTB maintains that in exercising the Put Option, SJR Marine’s shares have been properly delivered to PPTB’s legal counsel.

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7. Borrowings And Debt Securities

The Group's borrowings and debt securities as at 30 June 2017 are as follows:

	As at 1 st quarter ended 30.9. 2017					
	Long-term		Short-term		Total borrowings	
	Foreign denomination ('000)	RM'000	Foreign denomination ('000)	RM'000	Foreign denomination ('000)	RM'000
Secured						
Term loan	-	-	USD201,369	850,181	USD201,369	850,181
Amount owing under revolving credit	-	-	RM11,059	11,059	RM11,059	11,059
Revolving credit	-	-	USD10,000	42,220	USD10,000	42,220
Overdraft	-	-	RM4,931	4,931	RM4,931	4,931
Hire purchase	-	-	RM64	64	RM64	64
Unsecured						
MTN	-	-	SGD125,000	388,537	SGD125,000	388,537
Total	-	-		1,296,992		1,296,992

	As at 1 st quarter ended 30.9.2016					
	Long-term		Short-term		Total borrowings	
	Foreign denomination ('000)	RM'000	Foreign denomination ('000)	RM'000	Foreign denomination ('000)	RM'000
Secured						
Term loan	USD183,477	758,771	USD19,728	81,585	USD203,205	840,356
Revolving credit	-	-	RM10,000	10,000	RM10,000	10,000
Revolving credit	-	-	USD10,000	41,355	USD10,000	41,355
Overdraft	-	-	RM4,483	4,483	RM4,483	4,483
Hire purchase	RM64	64	RM124	124	RM124	188
Unsecured						
MTN	-	-	SGD125,000	376,458	SGD125,000	376,458
Total		758,835		514,005		1,272,840

8. Changes In Material Litigation

(i) **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 not defend these proceedings and will not contest the winding-up proceedings.

On 11 October 2017, the Honourable Court has granted order as follows:-

- a) That Perisai Pacific 102 (L) Inc. be wound up by the Court under the provisions of the Companies Act, 2016;
- b) That the Director General of Insolvency be appointed as the Liquidator of Perisai Pacific 102 (L) Inc.; and
- c) That the costs of and incidental to this Petition be paid out of the assets of Perisai Pacific 102 (L) Inc.;

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.

(ii) NOTICE OF DEMAND/ WRIT SUMMONS NO. TA-22NCC-02-10/2017

On 22 August 2017, Perisai Drilling Sdn Bhd (“PDSB”), the sub-subsiary of Perisai had been served with a Notice of Demand (“Notice”) from Skrine acting on behalf of Konsortium Pelabuhan Kemaman Sdn Bhd (“KPKSB”), Pangkalan Bekalan Kemaman Sdn Bhd (“PBKSB”) and EPIC Mushtari Engineering Sdn Bhd (“EPIC”) (Collectively the “Claimants”) demanded for the sum of RM13,682,059.93 due and owing to the Claimants.

The claim originated from the letter of offer dated 1 August 2016 (“Letter of Offer”) in which EPIC agreed to offer PDSB its facilities including but not limited to providing berthing space for its rig namely, Perisai Pacific 101 (“Rig”) within the Kemaman Port. The Notice alleges that as a result of PDSB’s failure to moor the Rig on 5 September 2016, the Rig broke free of the moorings, drifted off and came into contact with a mobile offshore unit, namely Naga 4 and subsequently, the Rig continued drifting and collided with Berth 6 and 7 respectively, which are owned by PBKSB. The Notice further alleges that as a result of the collision, the finger jetty, Berth 6 and 7 and quay wall/wharf of Pangkalan Bekalan Kemaman were damaged.

The Notice alleges that due to the breach of PDSB’s contractual obligations to moor the Rig under the Letter of Offer, the Claimants had suffered losses and damages in the sum of RM13,682,059.93 as at 4 August 2017. The Claimants also reserve their rights to claim for loss of revenue suffered after 4 August 2017.

The Notice will not have any financial or operational impact on the Group and the Company will seek legal advice on the above matter. The Company had duly notified its insurer regarding the claim. The Company’s insurer had informed via email dated 24 August 2017 that they had engaged legal counsel to provide necessary advice.

Following the Notice of Demand as mentioned above, Perisai Drilling Sdn Bhd, the sub-subsiary of the Perisai had on 13 October 2017 been served with a Writ of Summons and Statement of Claim dated 9 October 2017 from Skrine acting on behalf of the Plaintiffs demanded for the sum of RM13,682,059.93 due and owing to the Plaintiffs.

The circumstances leading to the filing of the Writ of Summons and Statement of Claim against Defendant, alleging a sum of RM13,682,059.93 being the Defendant had failed to use reasonable care and skill to ensure mooring of the Perisai Pacific 101 (“Rig”) within the Kemaman Port.

The Group is not expected to incur any further loss arising from the Writ of Summons and Statement of Claim.

The writ of Summons and Statement of Claim will not have any financial or operational impact on the Group and the Company will seek the necessary legal advice on the above matter. The Company had duly notified its insurer regarding the claim.

Further announcements on any material development on the above will be made to Bursa Malaysia Securities Berhad in due course.

(iii) **LETTER OF DEMAND**

On 21 November 2017 Alpha Perisai Sdn Bhd (“APSB”), a wholly-owned subsidiary of the Company had been served with a Letter of Demand dated 20 November 2017 from Shaikh David & Co., acting on behalf of Teknik Janakuasa Sdn Bhd (“**the Landlord**”) demanded for the rental arrears and rental for unexpired term amounting to RM2,754,753.84 due and owing to the Landlord pursuant to the tenancy agreement dated 27 May 2013 (“**Tenancy Agreement**”) entered into between APSB and the Landlord in respect of the premises known as Level 13A, Block 3B, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur (“**Demised Premises**”). APSB is required to pay the total sum of RM2,754,753.84 together with interest within 7 days from the date of the Letter of Demand.

Details of the rental arrears and rental for unexpired term are as follows:-

Rental arrears from June 2016 to June 2017 at RM76,520.94 per month	RM994,772.22
Rental for unexpired term from July 2017 to May 2019 (expiry of tenancy term) at RM76,520.94 per month	RM1,759,981.62
Total	RM2,754,753.84

The rental arrears related to a tenancy of the Demised Premises for a period of 3 years commencing 15 April 2013. The tenancy was further renewed pursuant to a renewal letter dated 19 February 2016 (“**Renewal**”). The Renewal commenced on 16 April 2016 and will expire on 15 May 2019. The rental rate and parking fees per month is RM76,520.94 pursuant to the Tenancy Agreement. Prior to the expiry of the Tenancy Agreement, APSB had unilaterally vacated the Demised Premises and the Demised Premises was purportedly surrendered to the Landlord after a joint inspection on 6 July 2017. As at June 2017, 13 months of rental was outstanding excluding interest prescribed under the Tenancy Agreement.

The said Letter of Demand alleges that APSB’s failure to pay the rental arrears and purported termination of the tenancy period under the Tenancy Agreement amounts to a breach of the Tenancy Agreement. In addition to the rental arrears prior to vacant possession of the Demised Premises, APSB remains liable for the unexpired terms for the Demised Premises as well as the reinstatement cost for the Demised Premises.

The security deposit paid under the terms of the Tenancy Agreement will be set-off and utilised for costs incurred to reinstate the Demised Premises as required under the terms of the Tenancy Agreement.

APSB is exposed to the above rental arrears and reinstatement cost as stated above.

The Letter of Demand will not have any financial or operational impact on the Group and the Company will seek legal advice on the above matter.

9. Dividends Payable

There was no dividend declared for the financial period ended 30 September 2017.

10. Earnings Per Share (“EPS”)

Basic earnings/(loss) 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/(Loss) Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Corresponding Quarter 30.9.2016 (Restated) RM'000	Current Year To Date 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 (Restated) RM'000
Loss from continuing operations	(42,169)	(293,303)	(42,169)	(293,303)
Loss attributable to owners of the Company	(42,169)	(293,303)	(42,169)	(293,303)
Weighted average number of ordinary shares in issue ('000)	1,260,472	1,232,126	1,260,472	1,232,126
Basic loss per share (sen)	(3.35)	(23.80)	(3.35)	(23.80)

(b) Diluted Earnings/(Loss) Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Corresponding Quarter 30.9.2016 (Restated) RM'000	Current Year To Date 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 (Restated) RM'000
Loss from continuing operations	(42,169)	(293,303)	(42,169)	(293,303)
Loss attributable to owners of the Company	(42,169)	(293,303)	(42,169)	(293,303)
Weighted average number of ordinary shares in issue ('000)	1,260,472	1,232,126	1,260,472	1,232,126
Effect of dilution ('000) - Share options	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,260,472	1,232,126	1,260,472	1,232,126
Diluted loss per share (sen)	(3.35)	(23.80)	(3.35)	(23.80)

11. Auditors' Report On Preceding Annual Financial Statements

The auditor draws attention to the material uncertainty related to going concern which related to the the Group and the Company incurred net losses of RM606,952,555 and RM308,616,663 respectively and as at that date, the Group and the Company had net current liabilities of RM1,340,931,550 and RM729,539,587 respectively. Furthermore, in October 2016, the Company and its wholly-owned subsidiary, Perisai Capital (L) Inc ("PCLI") received a notice from the Trustee of the Medium Term Notes ("MTN") that an event of default for payment of principal and interest of the MTN had occurred as PCLI failed to pay the principal and interest due on 3 October 2016. Consequently, this gave rise to a cross default of the financing facilities with all other lenders of the Group and of the Company, including the joint ventures. The auditors' report on the financial statements for the financial period ended 30 June 2017 was unmodified on this matter.

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The Group is in the midst of formalising a restructuring and regularisation plan with its consultants to address its net current liabilities positions and PN17 status, pursuing all avenues available to recover the receivables, the right of indemnity of the Company as the corporate guarantor against the borrower/principal debtor is specifically stated under Section 98 of the Contract Acts 1950 and seeking legal advice pertaining to the exercise of the put option, proposed settlement agreement and other events relating to the put option.

12. Realised and Unrealised Retained Earnings/Accumulated Losses

	As at 30.9.2017 RM'000	As at 30.6. 2017 RM'000
Total retained earnings/(accumulated losses)		
Total (accumulated losses)/retained earnings of the Company and its subsidiaries		
- realised (loss)/profit	(1,652,903)	(1,624,012)
- unrealised (loss)/profit	(5,078)	(5,890)
	(1,657,981)	(1,629,902)
Total share of (accumulated losses)/retained earnings from associates		
- realised (loss)/profit	(16,205)	(16,184)
- unrealised (loss)/profit	(59)	40
	(16,263)	(16,144)
Total share of (accumulated losses)/retained earnings from joint ventures		
- realised profit	(87,368)	(72,690)
- unrealised (loss)/profit	87	472
	(87,281)	(72,218)
Less: Consolidated adjustments	756,526	755,434
Total accumulated losses as per unaudited consolidated financial statements	(1,004,999)	(962,830)

13. Notes to Condensed Consolidated Statements of Comprehensive Income

	Current Year Quarter 30.9.2017 RM'000	Current Year To Date 30.9.2017 RM'000
Profit/(loss) before tax is arriving at after charging/(crediting):		
Interest income	(61)	(61)
Other income	(192)	(192)
Interest expenses	19,223	19,223
Depreciation and amortisation	15,524	15,524
Restructuring cost	790	790
Provision for impairment on trade receivables	11,367	11,367
Realised foreign exchange (gain)/loss	(1,255)	(1,255)
Unrealised foreign exchange (gain)/loss	5,078	5,078

14. Financial Instruments

As at 30 September 2017, the Group did not have any outstanding derivative financial instrument. There have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial period. Also, there have been no changes to the Group's risk management objectives, policies and processes since the end of the last financial period.

15. Material Impairment of Assets

There was no material impairment of assets during the current quarter and financial period under review.

16. Trade Receivables

	As at 30.9.2017 RM'000
Trade receivables	
- Billed	136,393
- Unbilled	887
	137,280
Less: Allowance for impairment	(119,558)
	17,722

The ageing analysis of the Group's trade receivables as at 30 September 2017 is as follows:

	As at 30.9.2017 RM'000
Neither past due nor impaired	13,064
1 to 30 days past due nor impaired	4,658
Impaired	119,558
	137,280

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulty and have defaulted on payment. These receivables are not secured by any collateral or credit enhancements. The Company is in communication with the charterers with regards to the payment of the outstanding amounts. In the event such dialogue does not result in a recovery solution acceptable to the company, all available recourse to recovery of the same shall be undertaken, including litigation.

17. 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 2017.

By Order of the Board
Perisai Petroleum Teknologi Bhd

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