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

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 31 December 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 December 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 December 2017 have been decreased by RM355,991 and RM720,761 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 December 2017.

As at 31 December 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 31 December 2017.

8. Segmental Information

	Drilling Units		Production Units		Marine Vessels		Others		Elimination		As per Consolidation	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
	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	**26,818**	22,653	**-**	-	**879**	15,615	**-**	-	**-**	-	**27,697**	38,268
Inter-segment revenue	**-**	-	**-**	-	**-**		**1,278**	1,746	**(1,278)**	(1,746)	**-**	-
Total segment revenue	**26,818**	22,653	**-**	-	**879**	15,615	**1,278**	1,746	**(1,278)**	(1,746)	**27,697**	38,268
Results												
Operating results	**7,575**	(4,339)	**(6,823)**	(1,080)	**(2,144)**	11,204	**(2,177)**	16,819	**-**	-	**(3,569)**	22,604
Interest expense	**(6,819)**	(6,122)	**(1,104)**	(821)	**(1,667)**	(1,000)	**(9,622)**	(7,668)	**-**	-	**(19,212)**	(15,611)
Interest income	**75**	8	**-**	-	**-**	-	**7**	6	**-**	-	**82**	14
Surplus on liquidation	**31,639**	-	**-**	-	**-**	-	**48,111**	-	**-**	-	**79,750**	-
Impairment loss on:												
- plant and equipment	**-**	(1,006)	**-**	(485)	**-**	(378)	**-**	-	**-**	-	**-**	(1,869)
-prepayments	**-**	(358)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(358)
-investment in joint ventures	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
-trade receivables	**-**	-	**-**	-	**(930)**	-	**-**	-	**-**	-	**(930)**	-
Share of results of associates	**-**	-	**-**	-	**-**	-	**42**	478	**-**	-	**42**	478
Share of results of joint ventures	**-**	-	**-**	-	**-**	-	**(17,152)**	10,824	**-**	-	**(17,152)**	10,824
Share of impairment on plant and equipment of joint ventures	**-**	-	**-**	-	**-**	-	**-**	(812)	**-**	-	**-**	(812)
Segment results	**32,470**	(11,817)	**(7,927)**	(2,386)	**(4,741)**	9,826	**19,209**	19,647	**-**	-	**39,011**	15,270
Tax expense											**(100)**	(83)
Loss for financial period											**38,911**	15,187

8. Segmental Information (contd)

	Drilling Units		Production Units		Marine Vessels		Others		Elimination		As per Consolidation	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**	**31.12.17**	**31.12.16**	**31.12.17**	**31.12.16**	**31.12.17**	**31.12.16**	**31.12.17**	**31.12.16**
	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	**56,007**	46,948	**-**	-	**11,581**	30,234	**-**	-	**-**	-	**67,588**	77,182
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**1,920**	1,746	**(1,920)**	(1,746)	**-**	-
Total segment revenue	**56,007**	46,948	**-**	-	**11,581**	30,234	**1,920**	1,746	**(1,920)**	(1,746)	**67,588**	77,182
Results												
Operating results	**10,480**	(16,809)	**(13,772)**	(2,899)	**5,197**	22,130	**(4,431)**	17,171	**-**	-	**(2,526)**	19,593
Interest expense	**(13,722)**	(11,434)	**(2,166)**	(1,597)	**(3,297)**	(2,201)	**(19,250)**	(13,741)	**-**	-	**(38,435)**	(28,973)
Interest income	**131**	19	**-**	-	**-**		**12**	10	**-**	-	**143**	29
Surplus on liquidation	**31,639**	-	**-**	-	**-**	-	**48,111**	-	**-**	-	**79,750**	-
Impairment loss on:												
- plant and equipment	**-**	(68,028)	**-**	(32,798)	**-**	(25,552)	**-**	-	**-**	-	**-**	(126,378)
-prepayments	**-**	(24,202)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(24,202)
-investment in joint ventures	**-**	-	**-**	(89,318)	**-**	-	**-**	-	**-**	-	**-**	(89,318)
-trade receivables	**-**	-	**-**	-	**(12,297)**	-	**-**	-	**-**	-	**(12,297)**	-
Share of results of associates	**-**	-	**-**	-	**-**	-	**204**	946	**-**	-	**204**	946
Share of results of joint ventures	**-**	-	**-**	-	**-**	-	**(32,215)**	17,820	**-**	-	**(32,215)**	17,820
Share of impairment on plant and equipment of joint ventures	**-**	-	**-**	-	**-**	-	**-**	(54,860)	**-**	-	**-**	(54,860)
Segment results	**28,528**	(120,454)	**(15,938)**	(126,612)	**(10,397)**	(5,623)	**(7,569)**	(32,654)	**-**	-	**(5,376)**	(285,343)
Tax expense											**(261)**	(203)
Loss for financial period											**(5,637)**	(285,546)

9. Valuation Of Property, Plant and Equipment

The Group did not revalue any plant and equipment during the financial period ended 31 December 2017. As at 31 December 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 December 2017 to the date of this announcement, which affects substantially the results of the Group for the financial period ended 31 December 2017.

11. Changes In Composition Of The Group

Save as disclosed in Note B 8(i) in respect of the winding up of Perisai Pacific 102 (L) Inc, an indirect subsidiary of the Perisai by the Court, there were no changes to the composition of the Group during the financial period ended 31 December 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 December 2017.

a) Corporate Guarantee of RM220.49 million issued by the Group for banking facilities granted to its joint ventures.
b) During the previous financial period, a provision of USD1,175,517.60 (Equivalent to RM4,745,765) was made in respect of third parties' claims for rectification works and consultants fees. Details of unprovided claims are disclosed in Note B8(ii).

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 31 December 2017.

During the previous financial period, an insurance receivable represents reimbursement amount from insurance contracts on the third parties' claims of USD1,175,517.60 (Equivalent to RM4,745,765) was made as further disclosed in Note B8(ii).

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 31 December 2017.

15. Significant Related Party Transactions

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

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

	Individual Period		Cumulative Period	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	31.12.2017 RM'000	**31.12.2016 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
Revenue				
Bareboat charter of vessels to Emas Offshore Pte. Ltd.*	(35)	4,370	2,867	8,462
Bareboat charter of vessels to Emas Offshore (M) Sdn. Bhd.*	914	11,245	8,714	21,772
Expenses				
Agency fee charged by Larizz Petroleum Services Sdn. Bhd.#	45	45	90	90
Agency fee charged by Larizz Energy Services Sdn. Bhd.#	45	45	90	90
Agency fee charged by Perisai Offshore Sdn. Bhd.#	28	28	56	56

*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:

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).

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 31 December 2016.

<u>Income statement</u>

3 months ended 31 December 2016	**Previously stated RM'000**	**MFRS 5 RM'000**	**Restated RM'000**
Revenue	38,268	-	38,268
Direct cost	(25,726)	(1,094)	(26,820)
Gross profit	12,542	(1,094)	11,448
Other income	13,857	154	14,011
Operating expenses	(2,710)	(131)	(2,841)
Impairment loss on:			
- Plant and equipment	(1,383)	(486)	(1,869)
- Prepayment	(358)	-	(358)
Finance costs	(14,789)	(822)	(15,611)
Share of results of associates, net of tax	478	-	478
Share of results of joint ventures before impairment, net of tax	10,824	-	10,824
Share of impairment loss on plant and equipment of joint ventures	(812)	-	(812)
Loss before tax	17,649	**(2,379)**	15,270
Tax expense	(83)	-	(83)
Loss for the period from continuing operations	**17,566**	**(2,379)**	**15,187**
<u>Discontinued Operation</u>			
Loss for the period from discontinued operation	(1,893)	1,893	-
Provision for impairment on plant and equipment	(486)	486	-
	15,187	**-**	**15,187**

Income statement

6 months ended 31 December 2016	**Previously stated RM'000**	**MFRS 5 RM'000**	**Restated RM'000**
Revenue	77,182	-	77,182
Direct cost	(56,839)	(2,745)	(59,584)
Gross profit	20,343	(2,745)	17,598
Other income	14,389	140	14,529
Operating expenses	(12,335)	(170)	(12,505)
Impairment loss on:			
- Joint ventures	(89,318)	-	(89,318)
- Plant and equipment	(93,580)	(32,798)	(126,378)
- Prepayment	(24,202)	-	(24,202)
Finance costs	(27,376)	(1,597)	(28,973)
Share of results of associates, net of tax	946	-	946
Share of results of joint ventures before impairment, net of tax	17,820	-	17,820
Share of impairment loss on plant and equipment of joint ventures	(54,860)	-	(54,860)
Loss before tax	(248,173)	**(37,170)**	(285,343)
Tax expense	(203)	-	(203)
Loss for the period from continuing operations	**(248,376)**	**(37,170)**	**(285,546)**
Discontinued Operation			
Loss for the period from discontinued operation	(4,372)	4,372	-
Provision for impairment on plant and equipment	(32,798)	32,798	-
	(285,546)	**-**	**(285,546)**

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

1. Performance Review

	3 months ended 31 December			6 months ended 31 December		
	31.12.2017 RM'000	31.12.2016 RM'000	Changes (%)	31.12.2017 RM'000	31.12.2016 RM'000	Changes (%)
Revenue	27,697	38,268	(28)	67,588	77,182	(12)
Profit/(Loss) before taxation	39,011	15,270	155	(5,376)	(285,343)	98
Profit/(Loss) after taxation	38,911	15,187	156	(5,637)	(285,546)	98
Profit/(Loss) attributable to owner of the Company	40,776	10,249	298	(1,393)	(283,054)	100

Statement of Profit or Loss and Other Comprehensive Income

For the financial period ended 31 December 2017, the Group generated total revenue of RM67.59 million, a decrease of RM9.59 million when compared to the amount of RM77.18 million in the corresponding financial period ended 31 December 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.

Loss before tax ("LBT") for the financial period ended 31 December 2017 amounted to RM5.38 million, an improvement of RM279.96 million when compared to the LBT amount of RM285.34 million recorded in the corresponding financial period ended 31 December 2016.

The lower LBT recorded was mainly due to surplus of RM79.75 million in other income arising from the deconsolidation of Perisai Pacific 102 (L) Inc, an indirect subsidiary of the Company as a result of winding up by the Court as disclosed in Note B8(i) and there being no impairment on investment in jointventure, plant and equipment and prepayment in the current period ended 31 December 2017 despite the expiry of the contract for the eight (8) offshore support vessels and Perisai Kamelia in August 2017 and May 2017 respectively.

For the current quarter ended 31 December 2017, the Group generated total revenue of RM27.70 million a decrease of RM10.57 million when compared with the revenue of RM38.27 million generated in the previous corresponding quarter ended 31 December 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.

Profit before tax ("PBT") for the current quarter ended 31 December 2017 amounted to RM39.01 million, an increase of RM23.74 million when compared to the PBT amount of RM15.27 million recorded in the corresponding quarter ended 31 December 2016.

The higher PBT recorded was mainly due to surplus of RM79.75 million arising from deconsolidation of Perisai Pacific 102 (L) Inc, an indirect subsidiary of the Company as a result of winding up by the Court as disclosed in Note B 8(i) and there being no impairment on plant and equipment and prepayment in the current quarter ended 31 December 2017 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 31 December 2017, total equity attributable to owner of the Company reduced to RM69.71 million from RM132.06 million as at 30 June 2017 was mainly due to lower foreign currency translation reserve as a result of strengthening of Ringgit Malaysia , lower non-controlling interest and loss after tax for the period ended 31 December 2017.

Total borrowings of the Group decreased slightly to RM1,248 million as at 31 December 2017 against RM1,318 million 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 RM22.55 million for the six months ended 31 December 2017 as compared to RM3.30 million for the corresponding period ended 31 December 2016. The increase was mainly due to lower operating cost.

The cash utilisation in investing activities was reduced to RM0.05 million from RM6.97 million for the corresponding period was mainly due to no purchase of plant and equipment and no prepayment of plant and plant equipment in the financial period.

The net cash outflow in financing activities was RM7.39 million in the financial period as compared to a net cash inflow of RM4.76 million for the corresponding period. This was mainly due to no new proceeds being raised from private placement in the current period ended 31 December 2017.

Overall, the cash and cash equivalents increased by RM12.26 million as compared with opening balance cash and cash equivalent as at 1 July 2017. The cash and cash equivalents of the Group was RM23.88 million as at 31 December 2017.

Segmental Analysis

Drilling unit

For the financial period ended 31 December 2017, the Drilling Unit generated total revenue of RM56.01 million, an increase of RM9.06 million when compared to the amount of RM46.95 million in the corresponding financial period ended 31 December 2016.

The increase in revenue was mainly due to full rate being charged in the financial period as compared to lower standby charter rates being charged during certain standby period in the corresponding financial period ended 31 December 2016 after the completion of the Farm-Out contract to HESS Exploration and Production Malaysia BV (“HESS”) on 6 August 2016.

PBT for the financial period ended 31 December 2017 amounted to RM28.53 million as compared to the LBT amount of RM120.45 million in the corresponding financial period ended 31 December 2016.

The increase in PBT of RM148.98 million was mainly due to the surplus of RM31.64 million attributable to the drilling segment arising from the deconsolidation of Perisai Pacific 102 (L) Inc as a result of winding up by the Court as disclosed in Note B8(i) and there being no provision for impairment on plant and equipment and no prepayment in the current financial period ended 31 December 2017.

For the current quarter ended 31 December 2017, the Drilling Unit generated total revenue of RM26.82 million, an increase of RM4.17 million when compared to the amount of RM22.65 million in the corresponding quarter ended 31 December 2016.

The increase in revenue was mainly due to full rate being charged in the current quarter as compared to lower standby charter rates being charged during certain standby period in the corresponding period ended 31 December 2016 after the completion of the Farm-Out contract to HESS Exploration and Production Malaysia BV ("HESS") on 6 August 2016.

PBT for the current quarter ended 31 December 2017 amounted to RM32.47 million as compared to the LBT amount of RM11.82 million in the corresponding quarter ended 31 December 2016.

The higher PBT of RM32.47 million was mainly due to the surplus of RM31.63 million attributable to the drilling segment arising from the deconsolidation of Perisai Pacific 102 (L) Inc, an indirect subsidiary of the Perisai as a result of winding up by the Court as disclosed in Note B 8(i), higher revenue, lower operation cost as a result of cost reduction exercise and there being no impairment provision in the current quarter ended 31 December 2017.

Production unit

Rubicone remained idle and did not generate any revenue for the current quarter and period ended 31 December 2017.

LBT for the financial period ended 31 December 2017 amounted to RM15.94 million, a decrease of RM110.67 million as compared to the LBT amount of RM126.61 million in the corresponding financial period ended 31 December 2016.

The decrease in LBT was mainly due to there being no impairment on investment in joint venture and plant and equipment in the financial period ended 31 December 2017.

LBT for the current quarter ended 31 December 2017 amounted to RM7.93 million, an increase of RM5.54 million as compared to the LBT amount of RM2.39 million in the corresponding quarter ended 31 December 2016.

LBT was higher in the current quarter as there was no depreciation charge 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 corresponding quarter ended 31 December 2016.

Marine Vessels

For the financial period ended 31 December 2017, the Marine Vessels generated total revenue of RM11.58 million, a decrease of RM18.65 million as compared to the amount of RM30.23 million in the corresponding financial period ended 31 December 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 financial period ended 31 December 2017 amounted to RM10.40 million, a decrease of RM4.78 million when compared to the LBT amount of RM5.62 million in the corresponding financial period ended 31 December 2016.

The higher LBT was mainly due to the expiry of contract for the eight (8) offshore support vessels in August 2017, the impairment on trade receivable and no further impairment on plant and equipment in the financial period ended 31 December 2017.

For the current quarter ended 31 December 2017, the Marine Vessels generated total revenue of RM0.88 million, a decrease of RM14.74 million as compared to the amount of RM15.62 million in the corresponding quarter ended 31 December 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 31 December 2017 amounted to RM4.74 million, a decrease of RM14.57 million when compared to the PBT amount of RM9.83 million in the corresponding quarter ended 31 December 2016.

The LBT was mainly due to the (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 31 December 2017.

Results of Joint Ventures

For the financial period ended 31 December 2017, the share of loss in joint ventures was RM32.22 million as compared to a loss of RM37.04 million in the corresponding financial period ended 31 December 2016.

The lower share of loss was mainly due to there being no impairment on plant and equipment in the financial period ended 31 December 2017 despite the expiry of contract in May 2017.

For the current quarter ended 31 December 2017, the share of loss in joint ventures was RM17.15million as compared to a profit of RM10.01million in the corresponding quarter ended 31 December 2016.

The share of loss was mainly due to 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**	
	31.12.2017 RM'000	**30.9.2017 RM'000**	**Changes (%)**
Revenue	27,697	39,891	(31)
Profit/(Loss) before taxation	39,011	(44,387)	188
Profit/(Loss) after taxation	38,911	(44,548)	187
Profit/(Loss) attributable to owner of the Company	40,977	(42,169)	197

For the current financial quarter ended 31 December 2017, the Group recorded a PBT of approximately RM39.01 million against a LBT of RM44.39 million recorded in the preceding quarter.

The higher PBT in the current quarter was mainly due to the surplus arising from deconsolidation of Perisai Pacific 102 (L) Inc as a result of winding up by the Court as disclosed in Note B8(i) despite the expiry of the contract for the eight (8) offshore support vessels and Perisai Kamelia in August 2017 and May 2017 respectively.

3. Future Prospects

The outlook for the demand for the oil and gas assets in the short to medium term remains 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.

The Company had on 9 February 2018 applied for an extension of time to submit its regularisation plan pursuant to Paragraph 8.04(3) and PN17 of the MMLR. ("Application").

The Application is subject to Bursa Securities' consideration and an announcement in relation to the outcome will be released in due course.

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.

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 second 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 scheme of arrangement is expected to be completed by second quarter of 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 31 December 2017.

5. Income Tax Expense

	Individual Period			Cumulative Period		
	Current Year Quarter 31.12.2017 RM'000	**Preceding Year Corresponding Quarter 31.12.2016 RM'000**	**Changes %**	**Current Year To Date 31.12.2017 RM'000**	**Preceding Year Corresponding Period 31.12.2016 RM'000**	**Changes %**
Based on result for the year						
- Current year provision	(100)	(83)	(20)	(261)	(203)	(29)
- Under provision for taxation in prior year	-	-	-	-	-	-
	(100)	**(83)**	**(20)**	**(261)**	**(203)**	**(29)**

The effective tax rate for the current quarter and financial period ended 31 December 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.

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.

On 15 January 2018, Perisai Production Holdings Sdn Bhd ("PPHSB"), a wholly-owned subsidiary of Perisai has written to the Company Secretary of EMAS Victoria (L) Bhd ("EVLB") to serve a notice that a termination event (details of which are as set out in the ensuing paragraph) has occurred enabling PPHSB to terminate the Shareholders'Agreement dated 21 August 2013 between PPHSB, EMAS Offshore Limited ("EOL") and EVLB ("EVLB SHA").

EOL has released two (2) public announcements dated 31 August 2017, which stated as follows:

- EOL entered into a binding term sheet with certain potential investors as part of the financial restructuring of EOL and its subsidiaries ("the Group")
- In connection with the restructuring, EOL voluntarily applied to the High Court under Section 211B(1) of the Companies Act (Cap. 50)
- EOL intends to undertake the restructuring to substantially deleverage the Group's balance sheet and strengthen its working capital position to enable its business to continue as a going concern

EOL's ongoing efforts to restructure its debts coupled with EOL's application in OS997/2017 under Section 211B(1) of the Companies Act (Cap. 50) show that EOL has resolved to enter into a scheme of arrangement or compromise for the benefit of its creditors or any class of them. This amounted to an event of default under clause 14.1(c) of the EVLB SHA.

In light of the default, pursuant to PPHSB's rights under Clause 14 of the EVLB SHA, PPHSB required EOL to sell 37,333,604 ordinary shares held by EOL in EVLB to PPHSB on the 30th day from the date of the termination notice at 10.00 a.m. on 14 February 2018 (Malaysia time) at the price of USD1.00, which completion shall take place at the registered office of EVLB.

On 29 January 2018, PPHSB has received two (2) notices from EOL both dated 29 January 2018.

By the first notice, EOL denies having committed any event of default under Clause 14.1(c) of the EVLB SHA, as alleged or at all and in the premises, EOL asserted that it remains as a shareholder in EVLB. The termination by PPHSB of the EVLB SHA is therefore disputed by EOL.

By the second notice, EOL requires the Company Secretary of EVLB to appoint a Valuer to procure the Valuation Price for the Default Shares as the Option Price of USD1 is also disputed by EOL.

The Company Secretary of EVLB had on the same day acknowledged receipt of the notices and confirmed that a Valuer will be appointed accordingly for such purpose.

7. Borrowings And Debt Securities

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

	As at 2nd quarter ended 31.12. 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	-	-	USD200,758	812,569	USD200,758	812,569
Amount owing under revolving credit	-	-	RM11,369	11,369	RM11,369	11,369
Revolving credit	-	-	USD10,000	40,475	USD10,000	40,475
Overdraft	-	-	RM5,016	5,016	RM5,015	5,016
Hire purchase	-	-	RM32	32	RM32	32
Unsecured	-	-	SGD125,000	378,662	SGD125,000	378,662
MTN						
Total	-	-		**1,248,123**		**1,248,123**

	As at 2nd quarter ended 31.12.2016					
	Long-term		Short-term		Total borrowings	
	Foreign denomination ('000)	RM'000	Foreign denomination ('000)	RM'000	Foreign denomination ('000)	RM'000
Secured						
Term loan	USD174,831	784,291	USD19,728	122,253	USD203,205	906,544
Revolving credit	-	-	RM10,000	10,000	RM10,000	10,000
Revolving credit	-	-	USD10,000	44,860	USD10,000	44,860
Overdraft	-	-	RM4,533	4,533	RM4,533	4,533
Hire purchase	RM33	33	RM123	123	RM123	156
Unsecured						
MTN	-	-	SGD125,000	387,575	SGD125,000	387,575
Total		**784,324**		**569,344**		**1,353,668**

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.;

The effective date for the winding up and liquidation process commenced on 11 October 2017 and reflected accordingly in the financial results.

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

On 22 August 2017, Perisai Drilling Sdn Bhd ("PDSB"), the sub-subsidiary 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-subsidiary 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.

The Company's insurer had duly appointed solicitors to defend the legal action.

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

(iii) <u>LETTER OF DEMAND</u>

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 wih 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.

APSB has been served with a Writ and Statement of Claim dated 13 December 2017 from Messrs Shaikh David & Co acting on behalf of the Plaintiff.

The Company will defend the claim, especially in respect of the rental for the unexpired term until 15 May 2019 as the Plaintiff has the duty to mitigate its losses by securing a new tenant for the Demised Premises.

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

9. Dividends Payable

There was no dividend declared for the financial period ended 31 December 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 **31.12.2017** **RM'000**	**Preceding Year Corresponding Quarter** **31.12.2016** **(Restated)** **RM'000**	**Current Year To Date** **31.12.2017** **RM'000**	**Preceding Year Corresponding Period** **31.12.2016** **(Restated)** **RM'000**
Profit/(Loss) from continuing operations	40,776	10,249	(1,393)	(283,054)
Profit/(Loss) attributable to owners of the Company	40,776	10,249	(1,393)	(283,054)
Weighted average number of ordinary shares in issue ('000)	1,260,472	1,246,299	1,260,472	1,246,299
Basic earnings/(loss) per share (sen)	3.23	0.82	(0.11)	(22.71)

(b) Diluted Earnings/(Loss) Per Share

	Individual Period		Cumulative Period	
	Current Year Quarter	**Preceding Year Corresponding Quarter**	**Current Year To Date**	**Preceding Year Corresponding Period**
	31.12.2017	**31.12.2016 (Restated)**	**31.12.2017**	**31.12.2016 (Restated)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) from continuing operations	40,776	10,249	(1,393)	(283,054)
Profit/(Loss) attributable to owners of the Company	40,776	10,249	(1,393)	(283,054)
Weighted average number of ordinary shares in issue ('000)	1,260,472	1,246,299	1,260,472	1,246,299
Effect of dilution ('000)				
- Share options	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,260,472	1,246,200	1,260,472	1,246,299
Diluted earnings/(loss) per share (sen)	3.23	0.82	(0.11)	(22.71)

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the assumed potential new ordinary shares are anti-dilutive.

11. Auditors' Report On Preceding Annual Financial Statements

The auditor draws attention to the material uncertainty related to going concern which related to 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.

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. Notes to Condensed Consolidated Statements of Comprehensive Income

	Current Year Quarter 31.12.2017 RM'000	Current Year To Date 31.12.2017 RM'000
Profit/(loss) before tax is arriving at after charging/(crediting):		
Interest income	(82)	(143)
Other income	(136)	(328)
Interest expenses	19,212	38,435
Depreciation and amortisation	15,148	30,672
Restructuring cost	659	1,449
Provision for impairment on trade receivables	930	12,297
Surplus on liquidation	(79,750)	(79,750)
Realised foreign exchange (gain)/loss	(2,172)	(3,427)
Unrealised foreign exchange (gain)/loss	4,708	9,786

13. Financial Instruments

As at 31 December 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.

14. Material Impairment of Assets

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

15. Trade Receivables

	As at 31.12.2017 RM'000
Trade receivables	
- Billed	130,120
- Unbilled	3,207
	133,327
Less: Allowance for impairment	(115,437)
	17,890

The ageing analysis of the Group's trade receivables as at 31 December 2017 is as follows:

	As at 31.12.2017 RM'000
Neither past due nor impaired	7,974
1 to 30 days past due nor impaired	9,916
Impaired	115,437
	133,327

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.

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 27 February 2018.

By Order of the Board
Perisai Petroleum Teknologi Bhd

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