



PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
31 DECEMBER 2017**

PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income

	Note	<i>Current quarter</i>		<i>Cumulative period</i>	
		<i>3 months ended</i>		<i>12 months ended</i>	
		31 December 2017 Unaudited RM'000	31 December 2016 Unaudited RM'000	31 December 2017 Unaudited RM'000	31 December 2016 Audited RM'000
Revenue		120,812	59,828	462,604	332,084
Cost of sales		(144,538)	(96,313)	(510,596)	(380,677)
Gross loss		(23,726)	(36,485)	(47,992)	(48,593)
Other (expense)/income		(13,615)	2,630	10,436	3,935
Administrative expenses		(11,259)	(7,519)	(39,441)	(35,002)
Reversal/(Impairment) loss on trade and other receivables		1,036	(2,173)	(3,784)	(14,673)
Impairment loss on property, plant and equipment		(9,811)	(52,293)	(9,811)	(64,793)
Loss from operations		(57,375)	(95,840)	(90,592)	(159,126)
Finance income		2,476	1,486	5,637	3,428
Finance costs		(4,055)	(2,542)	(12,952)	(16,245)
Share of results of an associate		11,863	7,901	51,283	47,460
Loss before taxation	13	(47,091)	(88,995)	(46,624)	(124,483)
Income tax credit	14	179	11,716	179	10,284
Loss for the financial period		(46,912)	(77,279)	(46,445)	(114,199)
<u>Other comprehensive income:</u>					
Item that may be subsequently reclassified to profit or loss					
- Currency translation differences		-	3,311	-	2,101
- Share of other comprehensive (loss)/income of an associate		(13,611)	5,244	(13,611)	5,244
Other comprehensive (loss)/income for the financial period, net of tax		(13,611)	8,555	(13,611)	7,345
Total comprehensive loss for the financial period		(60,523)	(68,724)	(60,056)	(106,854)
Loss per share (sen)					
Basic/ diluted	15	(14.62)	(24.08)	(14.47)	(35.58)

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Financial Position

	Note	31 December 2017 Unaudited RM'000	31 December 2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		287,655	340,283
Investment in associate		148,526	110,854
		436,181	451,137
Current assets			
Inventories		8,766	8,003
Trade and other receivables		202,660	109,274
Amount due from customers on contracts		5,534	11,823
Tax recoverable		13,612	11,255
Cash and bank balances	16	145,260	238,749
Assets of disposal group classified as held for sale		15,339	-
		391,171	379,104
Total Assets		827,352	830,241
EQUITY AND LIABILITIES			
Share capital		299,809	160,875
Share premium		-	138,934
Treasury shares		(840)	(836)
Merger reserve		(31,000)	(31,000)
Currency translation reserve		7,993	21,604
Retained earnings		75,150	128,014
Total equity		351,112	417,591
Non-current liabilities			
Loans and borrowings	17	-	69,042
Hire purchase liabilities		389	333
Amount due to an associate company		91,474	-
Deferred taxation		-	73
		91,863	69,448
Current liabilities			
Loans and borrowings	17	198,206	168,663
Hire purchase liabilities		368	78
Trade and other payables		184,389	121,503
Amount due to an associate company		-	52,794
Amount due to customers on contracts		14	164
Deferred income		1,400	-
		384,377	343,202
Total liabilities		476,240	412,650
Total equity and liabilities		827,352	830,241
Net assets per share of RM0.50 each		1.09	1.30

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Changes in Equity

	←——— Attributable to Equity Holders of the Company ———→						
	←——— Non-distributable ———→				Distributable		
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Treasury Shares RM'000	Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
As at 1 January 2017	160,875	138,934	(31,000)	(836)	21,604	128,014	417,591
Loss for the financial year	-	-	-	-	-	(46,445)	(46,445)
Other comprehensive loss for the financial year	-	-	-	-	(13,611)	-	(13,611)
Total comprehensive loss for the financial year	-	-	-	-	(13,611)	(46,445)	(60,056)
<u>Transactions with owners:</u>							
Interim dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(6,419)	(6,419)
Purchased of treasury shares	-	-	-	(4)	-	-	(4)
Transaction to no-par value regime on 31 January 2017 *	138,934	(138,934)	-	-	-	-	-
As at 31 December 2017	299,809	-	(31,000)	(840)	7,993	75,150	351,112
As at 1 January 2016	160,875	138,934	(31,000)	(836)	14,259	264,679	546,911
Loss for the financial year	-	-	-	-	-	(114,199)	(114,199)
Other comprehensive income for the financial year	-	-	-	-	7,345	-	7,345
Total comprehensive income for the year	-	-	-	-	7,345	(114,199)	(106,854)
<u>Transactions with owners:</u>							
Interim dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(9,628)	(9,628)
Interim and special dividend in respect of financial year ended 31 December 2015	-	-	-	-	-	(12,838)	(12,838)
	-	-	-	-	-	(22,466)	(22,466)
As at 31 December 2016	160,875	138,934	(31,000)	(836)	21,604	128,014	417,591

* The new Companies Act 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM138,934,000 for purpose as at out in Section 618 (3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Cash Flows

	<i>12 months ended</i>	
	31 December 2017	31 December 2016
	Unaudited	Audited
	RM'000	RM'000
Loss before tax	(46,624)	(124,483)
Adjustments for:		
Finance income	(5,637)	(3,428)
Finance costs	12,952	16,245
Depreciation of property, plant and equipment	30,040	38,091
Impairment loss on property, plant and equipment	9,811	64,793
(Gain)/Loss on disposal of property, plant and equipment	(55)	67
Impairment loss on trade and other receivables	3,784	14,673
Inventories written down	-	631
Unrealised foreign exchange gain	(849)	(4,186)
Share of results of associate	(51,283)	(47,460)
Total adjustments	(1,237)	79,426
Operating cash flows before changes in working capital	(47,861)	(45,057)
Changes in working capital:		
Inventories	(763)	22,052
Trade and other receivables	(98,635)	112,719
Trade and other payables	64,281	(88,237)
Amount due from customers	6,139	13,351
Total changes in working capital	(28,978)	59,885
Cash flows (used in)/generated from operations	(76,839)	14,828
Income tax paid	(2,251)	(5,573)
Net cash flows (used in)/generated from operating activities	(79,090)	9,255
Net cash flows generated from investing activities	48,641	148,626
Net cash flows used in financing activities	(57,301)	(135,985)
Net changes in cash and cash equivalents	(87,750)	21,896
Net changes in cash restricted in use	143,273	(33,233)
Effects of exchange rate changes	-	5,157
Cash and cash equivalents at 1 January	79,625	85,805
Cash and cash equivalents at 31 December (Note 16)	135,148	79,625

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2016.

The audited financial statements of the Group for the year ended 31 December 2016 were prepared in accordance with MFRS.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2016.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

Description	Effective for financial periods beginning on or after
MFRS 9 Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group will adopt the above pronouncements when they become effective in the respective financial periods. The impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group is currently being assessed by the management.

2. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the audited annual financial statements for the financial year ended 31 December 2016 was not qualified.

3. Seasonal or Cyclical Factors

Seasonal and cyclical factors do not have any material impact on the Group’s business operations except for severe weather conditions.

4. Unusual and Extraordinary Items

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

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current financial period.

6. Issuance and Repayment of Debts and Equity Securities

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The Company acquired 5,000 shares in the Company through purchases on the Bursa Malaysia Securities Berhad during the year. The total paid to acquire the shares was RM4,204 and this was presented as a component within shareholder's equity.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

Apart from the above, there were no other issuance and repayment of debts and equity securities during the quarter ended 31 December 2017.

7. Dividends

An interim tax exempt (single-tier) dividend of 2.0 sen per ordinary shares of RM0.50 each on 320,947,200 ordinary shares for the financial year ended 31 December 2016 amounting to RM6,419,000 was paid on 15 May 2017.

8. Changes in Composition of the Group

There were no changes in the composition of the Group for the financial period under review.

9. Valuation of Property, Plant and Equipment

The Group states its property, plant and equipment at cost less any accumulated depreciation and any accumulated impairment losses, and does not adopt a policy to revalue its property, plant and equipment.

10. Contingencies

There were no contingencies as at the end of the reporting period.

11. Commitments

Capital expenditure

Property, plant and equipment:

- Approved but not contracted for

31 December 2017 RM'000
5,520
5,520

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information

(i) Current Quarter Ended 31 December 2017 (3 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Revenue (RM'000)										
External customers	77,355	39,974	43,457	19,854	-	-	-	-	120,812	59,828
Inter-segment	1,960	5,911	34,270	11,097	-	-	(36,230)	(17,008)	-	-
Total revenue	79,315	45,885	77,727	30,951	-	-	(36,230)	(17,008)	120,812	59,828
Results (RM'000)										
Segment results	(51,147)	(31,152)	(167)	(61,567)	(1,749)	(579)	(1,836)	(1,056)	(54,899)	(94,354)
Finance costs	(2,691)	(2,053)	(490)	(727)	(693)	139	(181)	99	(4,055)	(2,542)
Share of results of associate	-	-	-	-	11,863	7,901	-	-	11,863	7,901
Segment (loss)/profit before tax	(53,838)	(33,205)	(657)	(62,294)	9,421	7,461	(2,017)	(957)	(47,091)	(88,995)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information (cont'd.)

(ii) Current Year-to-date Ended 31 December 2017 (12 months)

	Services		Marine Assets		Production and Development		Adjustments and eliminations		Group	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Revenue (RM'000)										
External customers	361,955	264,047	100,649	68,037	-	-	-	-	462,604	332,084
Inter-segment	8,597	17,460	111,919	86,470	-	-	(120,516)	(103,930)	-	-
Total revenue	370,552	281,507	212,568	154,507	-	-	(120,516)	(103,930)	462,604	332,084
Results (RM'000)										
Segment results	(64,814)	(45,084)	(13,233)	(93,693)	(510)	(7,972)	(6,398)	(8,949)	(84,955)	(155,698)
Finance costs	(8,693)	(9,853)	(2,291)	(3,262)	(2,778)	(4,377)	810	1,247	(12,952)	(16,245)
Share of results of associate	-	-	-	-	51,283	47,460	-	-	51,283	47,460
Segment (loss)/profit before tax	(73,507)	(54,937)	(15,524)	(96,955)	47,995	35,111	(5,588)	(7,702)	(46,624)	(124,483)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information (cont'd)

Current quarter compared with the corresponding quarter of the preceding year (three-months)

For the current quarter under review, the Group recorded revenue of RM120.8 million, as compared to RM59.8 million reported in corresponding quarter of the preceding year. The Group recorded higher loss before taxation of RM37.3 million in Q4 2017 (after excluding impairment of property, plant and equipment of RM9.8 million) as compared to loss before taxation of RM34.5 million (after excluding impairment of property, plant and equipment of RM52.3 million and provision for impairment on receivables of RM2.2 million) in the preceding year's corresponding quarter.

- Services Segment

The segment revenue for the current quarter increased from RM45.9 million in Q4 2016 to RM79.3 million in Q4 2017. Higher revenue recorded in Q4 2017 resulted from higher activities in Hook up, Commissioning and Top-side Major Maintenance ("HuC/TMM") contract with Petronas Carigali Sdn Bhd ("PCSB"). The segment recorded loss before taxation of RM53.8 million in Q4 2017 as compared to loss before taxation of RM31.0 million in Q4 2016 (after excluding provision for impairment on receivables of RM2.2 million) mainly due to poor performance on certain project.

- Marine Assets Segment

The segment recorded revenue of RM77.7 million in the current quarter as compared to RM31.0 million in Q4 2016. The segment recorded profit before taxation of RM9.2 million in Q4 2017 (after excluding impairment of property, plant and equipment of RM9.8 million) as compared to loss before taxation of RM10.0 million in Q4 2016 (after excluding impairment of property, plant and equipment of RM52.3 million) due to higher vessel utilization.

- Production and Development Segment

The segment recorded higher profit before taxation of RM9.4 million in Q4 2017 as compared to profit before taxation of RM7.5 million in Q4 2016 resulting from the share of results of an associate amounting to RM11.9 million.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information (cont'd)

Current period compared with the corresponding period of the preceding year (twelve-months)

For the current period under review, the Group recorded revenue of RM462.6 million, as compared to RM332.1 million reported in corresponding period of the preceding year. The Group recorded loss before taxation of RM33.0 million (after excluding impairment of property, plant and equipment of RM9.8 million and provision for impairment of receivables amounting to RM3.8 million) as compared to loss before taxation of RM45.0 million (after excluding provision for impairment on property, plant and equipment of RM64.8 million and provision for impairment of a receivables amounting to RM14.7 million) in the preceding year's corresponding period.

- Services Segment

The segment revenue for the current period increased by 31.6% from RM281.5 million in the corresponding period of the preceding year to RM370.6 million. Higher revenue recorded in the period resulted from higher activities in Hook up, Commissioning and Top-side Major Maintenance ("HuC/TMM") contract with Petronas Carigali Sdn Bhd ("PCSB"). The segment recorded higher loss before taxation of RM69.7 million (after excluding provision for impairment of receivables amounting to RM3.8 million) as compared to loss before taxation of RM40.2 million (after excluding provision for impairment of a receivable of RM14.7 million) in the corresponding period of the preceding year mainly due to poor performance on certain project.

- Marine Assets Segment

The segment recorded revenue of RM212.6 million in the current period as compared to RM154.5 million in the corresponding period of the preceding year. The segment incurred lower loss before taxation of RM5.7 million (after excluding impairment of property, plant and equipment of RM9.8 million) as compared to loss before taxation of RM32.2 million (after excluding provision for impairment on property, plant and equipment of RM64.8 million) due to higher vessel utilization.

- Production and Development Segment

The segment recorded profit before taxation of RM48.0 million, higher by RM12.9 million as compared to profit before taxation of RM35.1 million in the corresponding period of the preceding year. Higher segment profit mainly due to improve in segment results, coupled with lower finance costs arising from full settlement of borrowings in relations to production and development of Kapal, Banang and Meranti Small Field Risk Service Contract.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Loss before taxation

Included in the loss before taxation are the following items:

	<i>Current quarter</i>		<i>Cumulative period</i>	
	<i>3 months ended</i>		<i>12 months ended</i>	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Interest income	(2,476)	(1,486)	(5,637)	(3,428)
Interest expense	4,055	2,542	12,952	16,245
(Gain)/Loss on foreign exchange - realised	(302)	6,120	(1,133)	6,557
Loss/(Gain) on foreign exchange - unrealised	2,935	(7,363)	(849)	(4,186)
(Gain)/Loss on disposal of fixed assets	(55)	67	(55)	67
Insurance claim received	-	-	(8,055)	-
(Reversal)/Impairment loss on trade and other receivables	(1,036)	2,173	3,784	14,673
Impairment loss on property, plant and equipment	9,811	52,293	9,811	64,793
Depreciation of property, plant and equipment	3,261	9,628	30,040	38,091

Save as disclosed above, the other items required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

14. Income tax credit

	<i>Current quarter</i>		<i>Cumulative period</i>	
	<i>3 months ended</i>		<i>12 months ended</i>	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	61	38	61	361
(Over)/Under provision in prior year	(167)	(784)	(167)	325
	(106)	(746)	(106)	686
Deferred tax	(73)	(10,970)	(73)	(10,970)
	(179)	(11,716)	(179)	(10,284)

15. Loss per share (sen)

The calculation of basic loss per share as at 31 December 2017 and 31 December 2016 was based on the loss for the financial year and a weighted average numbers of ordinary shares outstanding, calculated as follows:

	31 December 2017	31 December 2016
	RM'000	RM'000
Loss for the financial year	(46,445)	(114,199)
Weighted average numbers of shares ('000)	320,942	320,947
Basic/diluted EPS (sen)	(14.47)	(35.58)

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted loss per share are the same as basic loss per share.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

16. Cash and bank balances

	31 December 2017 RM'000	31 December 2016 RM'000
Short term deposits with licensed banks	58,217	78,105
Cash at banks and on hand	87,043	160,644
	145,260	238,749

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	31 December 2017 RM'000	31 December 2016 RM'000
Cash and bank balances	145,260	238,749
Less: Bank overdrafts	-	(713)
Cash and cash equivalents	145,260	238,036
Less: Cash restricted in use		
- Debt Service Reserve Account	(8)	(130,246)
- Fixed deposits pledged for borrowing	(10,104)	(28,165)
Net cash and cash equivalents	135,148	79,625

17. Loans and borrowings

	31 December 2017 RM'000	31 December 2016 RM'000
Short term borrowings		
Secured	152,581	119,164
Unsecured	45,625	49,499
	198,206	168,663
Long term borrowings		
Secured	-	69,042
	198,206	237,705

The Group is exposed to transactional currency risk that is denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollar ("USD"). As at 31 December 2017, the Group's total non-Islamic borrowings over total assets ratio stood at 21%.

As at 31 December 2017, the Group's exposure to foreign currency risk is arising from term loans amounting to RM5,108,000 which are denominated in USD.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

18. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month period ended 31 December 2017 and 31 December 2016:

	31 December 2017 RM'000	31 December 2016 RM'000
Rental of buildings paid to parties related to a Corporate Shareholder	465	420

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

19. Material Events After the Reporting Period

There was no material event subsequent to the end of the interim period reported which has not been reflected in the financial statements.

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B**

20. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 12.

21. Comment on material change in profit before taxation for the quarter reported as compared with immediate preceding quarter

The Group revenue of RM120.8 million was 29.3% lower than the immediate preceding quarter, resulted from lower activities executed for HuC/TMM contract.

The Group recorded higher loss before taxation of RM37.3 million (after excluding impairment of property, plant and equipment of RM9.8 million) as compared to loss before taxation of RM3.1 million (after excluding provision for impairment on receivables of RM4.8 million) in Q3 2017 mainly due to poor performance on certain project.

22. Commentary on prospects

The market sentiments remain cautious over the prospect for oil and gas industry. The Group will continue to manage costs, increase efficiency during this industry climate and to explore opportunities within the energy sector.

23. Profit Forecast

No profit forecast or profit guarantee has been issued by the Group.

24. Corporate Proposals

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

25. Derivative Financial Instruments

The Group did not enter into any derivatives during the year ended 31 December 2017 nor for the previous year ended 31 December 2016.

26. Gains and Losses Arising from Fair Value Changes of Financial Liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2017.

**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B**

27. Changes in Material Litigations

As at 31 December 2017, there was no material litigation against the Group.

28. Authorisation For Issue

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 February 2018.