PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

Interim Report for the Quarter Ended 30 September 2016

PERDANA PETROLEUM BERHAD
(Company No. 372113 - A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Current Quarter Ended 30-Sep-16 RM'000	**Corresponding Quarter Ended 30-Sep-15 RM'000**	**Current Period-to-date Ended 30-Sep-16 RM'000**	**Corresponding Period-to-date Ended 30-Sep-15 RM'000**
Revenue	52,952	45,896	144,341	179,588
Cost of Sales	(40,386)	(52,494)	(113,209)	(149,224)
Gross Profit/(Loss)	12,566	(6,598)	31,132	30,364
Other income	16,100	4,826	43,288	8,018
Administrative expenses	(6,358)	(25,100)	(40,031)	(50,717)
Results from operating activities	22,308	(26,872)	34,389	(12,335)
Finance costs	(15,621)	(8,648)	(59,022)	(24,431)
Profit/(Loss) before taxation	6,687	(35,520)	(24,633)	(36,766)
Income tax expense	(448)	(116)	(7,835)	(1,532)
Profit/(Loss) for the period	6,239	(35,636)	(32,468)	(38,298)
Other comprehensive income/(expense)				
Foreign currency translation	*18,980*	*114,460*	*(24,215)*	*164,574*
Cash Flow Hedge	*159*	*(354)*	*(88)*	*(95)*
Total Comprehensive Income/(Expenses) for the period attributable to Owners of the Company	*25,378*	*78,470*	*(56,771)*	*126,181*
Profit/(Loss) for the period				
Attributable to:				
Equity holders of the Company	6,239	(35,636)	(32,467)	(38,745)
Non-controlling interest	-	-	(1)	447
	6,239	(35,636)	(32,468)	(38,298)
Total Comprehensive Income/(Expenses) for the period				
Attributable to:				
Equity holders of the Company	*25,379*	*78,474*	*(56,771)*	*125,764*
Non-controlling interest	*(1)*	*(4)*	*-*	*417*
	25,378	*78,470*	*(56,771)*	*126,181*
Earnings/(Loss) per share of RM0.50 each (Sen)				
a) Basic (based on weighted average)	0.80	(4.76)	(4.17)	(5.19)
b) Fully diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjuction with the audited financial statements of the Group for the financial year ended 31 December 2015)

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30-Sep-16 RM'000	(Audited) 31-Dec-15 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,484,248	1,596,247
Intangible assets	10,722	10,724
Refundable deposits	43,602	75,358
Deferred tax assets	46	46
	1,538,618	1,682,375
CURRENT ASSETS		
Inventories	1,403	1,331
Trade receivables - related company	11,145	9,624
Trade receivables - external parties	30,769	28,206
Other receivables, deposits and prepayments	19,803	21,219
Tax recoverable	3,932	1,328
Fixed deposits with licensed banks	42,161	22,266
Cash and bank balances	5,337	24,431
	114,550	108,405
TOTAL ASSETS	1,653,168	1,790,780
EQUITY AND LIABILITIES		
EQUITY		
Share capital	389,235	389,235
Reserves	298,394	355,165
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	687,629	744,400
NON-CONTROLLING INTEREST	143	143
TOTAL EQUITY	687,772	744,543
NON-CURRENT LIABILITIES		
Loans and borrowings	744,919	625,295
Deferred tax liabilities	4,212	4,213
Derivative liability	165	77
	749,296	629,585
CURRENT LIABILITIES		
Loans and borrowings	172,974	373,509
Trade payables	12,620	15,817
Other payables - related company	6,644	607
Other payables - external parties	23,862	26,393
Current tax liabilities	-	326
	216,100	416,652
TOTAL LIABILITIES	965,396	1,046,237
TOTAL EQUITY AND LIABILITIES	1,653,168	1,790,780
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.88	0.96

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015)

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) 30-Sep-16 RM'000	(Audited) 31-Dec-15 RM'000
Cash flow from operating activities		
Loss before taxation	(24,633)	(114,927)
Adjustments for:		
(Reversal)/Provision for impairment loss on property, plant and equipment	(5,960)	28,065
Bad debts written off	39	2
Depreciation of property, plant and equipment	64,596	83,801
Interest expense	59,022	56,558
Interest income	(1,279)	(2,273)
Gain on disposal of property, plant and equipment	-	(39)
Fair value gain on settlement of refundable deposit	(1,065)	-
Property, plant and equipment written off	-	36,554
Unrealised (gain)/loss on foreign exchange	(34,250)	1,142
Operating profit before changes in working capital	56,470	88,883
Changes in working capital:		
Inventories	(72)	457
Trade and other receivables	(3,789)	18,564
Trade and other payables	309	378
Cash generated from operations	52,918	108,282
Tax paid	(9,683)	(1,906)
Net cash from operating activities	43,235	106,376
Cash flows for investing activities		
Interest received	1,279	900
Proceeds from disposal of property, plant and equipment	-	198
Refundable deposits refunded	26,999	-
Purchase of property, plant and equipment	(351)	(21,904)
Placement of fixed deposits	(17,615)	(3,714)
Net cash from/(used in) investing activities	10,312	(24,520)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) 30-Sep-16 RM'000	(Audited) 31-Dec-15 RM'000
Cash flows from financing activities		
Drawdown of Sukuk bonds	635,000	-
Interest paid	(59,022)	(56,558)
Proceeds from issuance of shares through warrant exercise	-	28,307
Repayment of term loans	(526,630)	(124,170)
Repayment of revolving credit	-	(15,000)
Repayment of finance lease liability obligations	(148,314)	(23,425)
Net cash used in financing activities	(98,966)	(190,846)
Net decrease in cash and cash equivalents	(45,419)	(108,990)
Effect of foreign exchange translation	28,605	52,769
Cash and cash equivalents at the beginning of the financial year	26,751	82,972
Cash and cash equivalents at the end of the financial year	9,937	26,751
Cash and cash equivalents		
Fixed deposits with licensed banks	42,161	22,266
Cash and bank balances	5,337	24,431
	47,498	46,697
Less: Fixed deposits pledged as security	(37,561)	(19,946)
	9,937	26,751

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015)

PERDANA PETROLEUM BERHAD
(Company No. 372113 - A)
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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	[------ *Non - distributable*						------]	*Distributable*			
	Share Capital RM'000	Share Application Monies RM'000	Share Premium RM'000	Warrant Reserve RM'000	Cash Flow Hedge Reserve RM'000	Other Capital Reserve RM'000	Translation Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Financial period ended 30 September 2016 (Unaudited)											
As at 1 January 2016	389,235	-	21,984	-	(77)	1,635	111,171	220,452	744,400	143	744,543
Total comprehensive expenses for the period	-	-	-	-	(88)	-	(24,215)	(32,468)	(56,771)	-	(56,771)
Balance as at 30 September 2016	389,235	-	21,984	-	(165)	1,635	86,956	187,984	687,629	143	687,772
Financial year ended 31 December 2015 (Audited)											
As at 1 January 2015, restated	369,285	10	8,404	5,213	(462)	1,635	(34,370)	339,369	689,084	(277)	688,807
Issuance of shares - Exercise of Warrants 2010/2015	19,950	(10)	13,580	(5,213)	-	-	-	-	28,307	-	28,307
Total comprehensive income/(expenses) for the period	-	-	-	-	385	-	145,541	(118,917)	27,009	420	27,429
Balance as at 31 December 2015	389,235	-	21,984	-	(77)	1,635	111,171	220,452	744,400	143	744,543

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

2. Changes in Accounting Policies

2.1 Adoption of Accounting Standards, Amendments and Interpretations

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2015, except for the adoption of the following Accounting Standards, Amendments and Interpretations from 1 January 2016:

MFRS/Amendments/ Interpretation	Effective Date
Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)*	1 January 2016
Amendments to MFRS 7, *Financial Instruments: Disclosures - (Annual Improvements 2012 – 2014 Cycle)*	1 January 2016
Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities and* MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 11: *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
MFRS 14, *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*	1 January 2016
Amendments to MFRS 116, *Property, Plant and Equipment and* MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012 – 2014 Cycle)*	1 January 2016

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

MFRS/Amendments/ Interpretation	Effective Date
Amendments to MFRS 127, *Seperate Financial Statements* - *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)*	1 January 2016

The adoption of the above Accounting Standards, Amendments and Interpretations does not have a material impact on the financial statements of the Group.

2.2 Accounting Standards, Amendments and Interpretations issued but not yet effective

MFRS/Amendments/ Interpretation	Effective Date
Amendments to MFRS 107, *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealized Losses*	1 January 2017
MFRS 9, *Financial Instruments (2015)*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group plans to apply:

- from the annual period beginning on 1 January 2017, those accounting standards, amendments or interpretations that are effective for annual period beginning on or after 1 January 2017, except for Amendments to MFRS 2, which is assessed as presently not applicable to the Group.

- from the annual period beginning on 1 January 2018 MFRS 9 and MFRS 15 which are effective for annual periods beginning on or after 1 January 2018.

- from the annual period beginning on 1 January 2019 Amendments to MFRS 16 which is effective for annual periods beginning on or after 1 January 2019.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

2.2 Accounting Standards, Amendments and Interpretations issued but not yet effective (Cont'd)

The initial application of the above accounting standards, amendments or interpretations is not expected to have any material financial impacts to the financial statements of the Group for the current and prior periods except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue Barter Transactions Involving Advertising Services.*

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 15 and MFRS 9 will result in a change in accounting policies. The Group is currently assessing the financial impact that may arise from the adoption of these accounting standards.

3. Qualification of Financial Statements

There was no qualification on the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

4. Seasonal or Cyclical Factors

Seasonality due to weather is not foreseen to materially affect the Group's vessel chartering operations. However, due to its synergistic tie-up with Dayang, more than half of the Group's vessel fleet are being chartered to Dayang in 2016 and the latter's offshore topside maintenance operations are normally affected by bad weather at the beginning and the end of the year. This factor has been taken into consideration in the Group's annual business plan.

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, or cash flows during the current quarter and financial period to-date, except for the other income, administrative expenses and other comprehensive expense arising from realized/unrealized foreign exchange gain/loss as well as foreign currency translation of investment in Labuan subsidiaries denominated in US Dollars.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Unusual Items (Cont'd)

During the current quarter and financial period to-date, the other income and administrative expenses comprises unrealized foreign exchange gain of RM17.7 million and RM34.3 million respectively and realized foreign exchange loss of RM0.1 million and RM27.3 million respectively whereas the other comprehensive income/expenses include foreign currency translation gain of RM19.0 million and foreign currency translation loss of RM24.2 million respectively.

6. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the current quarter and financial period to-date.

7. Issuance and Repayment of Debts and Equity Securities

There have been no cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter and financial period to-date.

8. Dividends Paid

No dividend has been declared or paid for the financial year ending/ended 31 December 2016 and 2015.

9. Segmental Information

Business Segment

Current Quarter Ended 30 Sep 2016	**Marine Offshore Support Services RM'000**	**Investment Holding RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue				
External revenue	52,952	-	-	52,952
Inter-segment revenue	83,867	584	(84,451)	-
	136,819	584	(84,451)	52,952
Results				
Segment results	2,244	8,341	11,723	22,308
Finance costs	(11,668)	(11,240)	7,287	(15,621)
Profit before taxation	(9,424)	(2,899)	19,010	6,687

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

Business Segment (Cont'd)

Corresponding Quarter Ended 30 Sep 2015	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	45,896	-	-	45,896
Inter-segment revenue	86,179	2,836	(89,015)	-
	132,075	2,836	(89,015)	45,896
Results				
Segment results	(20,520)	(2,656)	(3,696)	(26,872)
Finance costs	(8,882)	(300)	534	(8,648)
Loss before taxation	(29,402)	(2,956)	(3,162)	(35,520)

Current Period-to-date Ended 30 Sep 2016	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	144,341	-	-	144,341
Inter-segment revenue	246,539	1,750	(248,289)	-
	390,880	1,750	(248,289)	144,341
Results				
Segment results	26,088	(14,410)	22,711	34,389
Finance costs	(52,803)	(18,977)	12,758	(59,022)
Loss before taxation	(26,715)	(33,387)	35,469	(24,633)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

Business Segment (Cont'd)

Corresponding Period-to-date Ended 30 Sep 2015	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	179,588	-	-	179,588
Inter-segment revenue	300,992	8,500	(309,492)	-
	480,580	8,500	(309,492)	179,588
Results				
Segment results	1,981	(2,517)	(11,799)	(12,335)
Finance costs	(25,088)	(890)	1,547	(24,431)
Loss before taxation	(23,107)	(3,407)	(10,252)	(36,766)

10. Valuation of Property, Plant and Equipment ("PPE")

The Group reassessed its assets (except for inventories, deferred tax assets and financial assets) as at 30 September 2016 to determine whether there is any indication of further impairment to the assets or if there is any reversal of impairment previously provided.

The Group has adopted value-in-use ("VIU") estimations for the reassessment which entail discounting the estimated future cash flows from the continuing use of PPE. The recoverable amounts were compared against the carrying amounts of the PPE.

As at the current financial period ended 30 September 2016, the Group has made a reversal of impairment losses on PPE of USD1.5 million (equivalent to RM6.0 million). The provision for impairment losses has been reduced from USD6.5 million as at 31 December 2015 to USD5.0 million as at 30 September 2016.

11. Material Events Subsequent to the Reporting Period

There were no material events subsequent to the current financial quarter ended 30 September 2016 up to the date of this report which is likely to substantially affect the financial results of the Group.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 September 2016.

13. Contingent Liabilities

The following are the contingent liabilities outstanding as at 30 September 2016:

	As at 30-Sep-16	
	Group RM'000	**Company RM'000**
Unsecured:-		
Bank guarantee granted to third parties for the benefit of a subsidiary	4,800	4,800
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	-	272,565
	4,800	277,365

Further to the conclusion of the tax audit for Year of Assessment ("YA") 2007 to YA2010 as disclosed in Note 20, the Group is currently responding to the request by IRB to revise its tax computations for YA2011 to YA2015. The Group has engaged its tax agent to assist in the revision of the affected tax computations and assess the tax impacts thereof. The Group may need to provide for additional tax payable, if any, arising from the revision of the tax computations, the outcome of which cannot be ascertained at this present stage.

14. Capital Commitments

As at 30 September 2016, the Group had the following capital commitments:

	RM'000
Approved and contracted for	
- Purchase of property, plant and equipment	139,373

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

15. Significant Related Party Transactions

a. The Group/Company had the following transactions with related parties during the financial quarter:

	Current Quarter ended 30-Sep-16 RM'000	Corresponding Quarter ended 30-Sep-15 RM'000
Company		
i. Subsidiaries:		
- rental income	44	93
- management income	539	2,743
- interest income	7,287	-
Group		
i. Related party:		
- charter income	29,696	20,797

In the opinion of the Directors, the above transactions have been entered into in the ordinary course of business and have been established on terms that are not more favourable to the related parties than those generally available to the public.

b. Compensation of key management personnel

The remuneration of Directors and other members of key management are as follows:

	Current Quarter ended 30-Sep-16 RM'000	Corresponding Quarter ended 30-Sep-15 RM'000
Short-term employee benefits	413	5,005

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

16. Review of Performance

Current Year Quarter versus Preceding Year Corresponding Quarter

For the current quarter ended 30 September 2016, the Group has recorded a higher revenue of RM52.9 million and a profit before taxation of RM6.7 million, as compared to a revenue of RM45.9 million and a loss before taxation of RM35.5 million in the third quarter of year 2015.

The increase in revenue and the improvement in the results before taxation in the current quarter is mainly due to higher vessel utilization at 66% in the current quarter as compared to 55% in the third quarter of year 2015. The higher vessel utilization is a result of improved work orders/contracts awarded from oil majors following a slight increase in crude oil prices in 2016. Further, the implementation of some cost-cutting initiative in the beginning of the year has yielded positive results.

Current Period-to-Date versus Preceding Period-to-Date

For the financial period ended 30 September 2016, the Group recorded a lower revenue of RM144.3 million and a loss before taxation of RM24.6 million as compared to the revenue of RM179.6 million and loss before taxation of RM36.8 million for the previous period ended 30 September 2015.

The lower revenue recognized is mainly due to lower vessel utilization at 57% for the financial period ended 30 September 2016, as compared to 66% in the corresponding period ended 30 September 2015, resulting from the slower work orders/contracts awarded from oil majors affected by the decline in crude oil prices during the first half of 2016. Notwithstanding that, the Group has recorded a lower loss before taxation for the financial period ended 30 September 2016 which is mainly attributed to a net foreign exchange gain of RM7.4 million as compared to a net foreign exchange loss of RM18.7 million incurred for the financial period ended 30 September 2015 and also as a result of the cost reduction initiative that was implemented at the beginning of the year. This has yielded positive results.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

17. Variation of Results against Preceding Quarter

	Current Quarter ended 30-Sep-16 RM'000	Corresponding Quarter ended 30-Jun-16 RM'000	Variance RM'000	%
Revenue	52,952	49,376	3,576	7
Profit/(Loss) before tax	6,687	(19,535)	26,222	134

The Group recorded a higher revenue of RM52.9 million and a profit before taxation of RM6.7 million in the current quarter, as compared to the revenue of RM49.4 million and loss before taxation of RM19.5 million for the preceding quarter.

The increase in revenue is mainly attributable to higher vessel utilization, as a result of improved work orders/contracts award from oil majors following a gradual increase in crude oil prices in the third quarter of 2016. Moreover, the Group's profit before taxation has also improved due to a net foreign exchange gain of RM17.6 million recognized during the current quarter as compared to a net foreign exchange loss of RM9.3 million during the preceding quarter, exacerbated by a one-off break fund costs of RM11.3 million incurred for the settlement of USD term loans for 12 vessels which were refinanced via the Sukuk bonds in May 2016 as disclosed in Note 21.

18. Prospects

The OSV market outlook still remains weak although the price of crude oil has recovered from a low of USD27 per barrel in January 2016 to about USD45 per barrel as at 10 November 2016. The overall sentiments for OSV market still remains low but for the Group, it is looking positively towards its continued synergistic tie-up with Dayang Group for a better fleet utilization in 2017 and beyond.

The Group is currently exploring possibilities of tapping into the regional market in the ensuing year. Though we cannot predict when the OSV market will pick up, the Board believes that its reliable fleet will continue to provide the longer-term charter opportunities and we will continue moving forward with more focused and purpose.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

19. Profit/(Loss) for the Quarter/Period

	Current Quarter Ended 30-Sep-16 RM'000	Corresponding Quarter Ended 30-Sep-15 RM'000	Current Period-to-date Ended 30-Sep-16 RM'000	Corresponding Period-to-date Ended 30-Sep-15 RM'000
Loss for the quarter is arrived at after charging/(crediting):				
Allowance for impairment loss on receivables	-	7	-	7
Bad debt written off	39	2	39	2
Depreciation of property, plant and equipment	21,574	17,273	64,596	48,233
Interest expense	15,621	8,648	59,022	24,431
Loss on disposal of property, plant and equipment	-	36	-	168
Property, plant and equipment written off	-	90	-	90
Provision/(Reversal) for impairment loss on property, plant and equipment	2,060	-	(5,960)	-
Fair value gain on settlement of refundable deposit	-	-	(1,065)	-
Accretion of refundable deposits	-	(790)	(106)	(2,155)
Interest income	(423)	(203)	(1,279)	(766)
Loss/(Gain) on foreign exchange:				
- realised	114	6,723	26,806	10,102
- unrealised	(17,687)	2,967	(34,250)	8,597

Save for the above, there were no allowance for impairment loss on receivables or inventories, gain or loss on disposal of quoted or unquoted investments or properties, other income including investment income and exceptional items for the current quarter and financial period ended 30 September 2016.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

20. Income Tax Expense

The provision of taxation for the current quarter and financial period-to-date under review are as follows:

	Current Quarter Ended 30-Sep-16 RM'000	Corresponding Quarter Ended 30-Sep-15 RM'000	Current Period-to-date Ended 30-Sep-16 RM'000	Corresponding Period-to-date Ended 30-Sep-15 RM'000
Current tax:				
Malaysian income tax	448	116	7,835	992
Foreign tax	-	-	-	540
Withholding tax	-	-	-	-
	448	116	7,835	1,532
Deferred tax:				
Malaysian income tax	-	-	-	-
Total	448	116	7,835	1,532

The Group's effective tax rate of 3% for the current quarter is lower than the statutory tax rate mainly due to the unrealized foreign exchange gain arising in the quarter not being taxable. Despite the consolidated losses for the financial period to-date, the Group still incurs a tax charge of RM7.835 million. RM835 thousand of the tax charge is due to the losses incurred by certain group entities cannot be offset against the taxable profits made by other group entities.

During the period under review, the tax audit for YA2007 to YA2010 (which was disclosed in Note 28.2 of the audited financial statements for the year ended 31 December 2015) was concluded and an agreement was reached with the Inland Revenue Board for an additional tax payable of RM10.3 million for the years of assessment covered by the said audit. This is RM7 million more than the provision previously recognized in the financial statements for the year ended 31 December 2015 and together with the RM835 thousand mentioned above, gave rise to a tax charge of RM7.835 million for the period ended 30 September 2016.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

21. Corporate Proposals

(i) Public Shareholdings Spread

On 14 May 2015, the Company received a notice from Maybank Investment Bank Berhad ("Maybank IB") on behalf of Dayang Enterprise Holdings Berhad ("Dayang") in relation to the proposed acquisition of 42,965,100 ordinary shares of RM0.50 each in Perdana Petroleum Berhad ("PPB") ("PPB Shares"), representing approximately 5.74% equity interest in PPB from Affin Hwang Asset Management Berhad for a total cash consideration RM66,595,905 or RM1.55 per share ("Proposed Acquisition") and proposed mandatory general offer ("MGO") for all the remaining PPB Shares not already owned by Dayang after the Proposed Acquisition and such number of new PPB Shares that might be issued pursuant to the exercise of any outstanding warrants 2010/2015 issued by PPB ("PPB Warrants") prior to the close of the proposed MGO for a cash consideration of RM1.55 per PPB Share and all the remaining PPB Warrants not already owned by Dayang for a cash consideration of RM0.84 per PPB Warrant.

On 2 July 2015, the Company received a notice of conditional mandatory take-over offer from Maybank IB, on behalf of Dayang to acquire all the remaining PPB Shares not already owned by Dayang after the Acquisition and such number of new PPB Shares that might be issued pursuant to the exercise of any outstanding PPB Warrants prior to the close of the Offer ("Offer Shares") and all the remaining PPB Warrants not already owned by Dayang ("Offer Warrants") for a cash offer price of RM1.55 per Offer Share and RM0.84 per Offer Warrant. In relation to the Offer, the Board deliberated on the Notice and was not seeking an alternative person to make a take-over offer for the Offer Shares and Offer Warrants.

On 24 July 2015, Dayang ("the Offeror") received valid acceptances in respect of the Offer, resulting in Dayang and the person acting in concert with Dayang for the Offer ("PACs") holding in aggregate, together with such PPB Shares that were already acquired, held or entitled to be acquired or held by Dayang and the PACs, more than 50% of the voting shares of PPB. As such, the acceptance condition of the Offer had been fulfilled and the Offer had become unconditional.

On the close of the Offer on 13 August 2015, the Offeror and PACs accepted 710,783,665 ordinary shares of RM0.50 each and 28,368,926 warrants, equivalent to 94.96% of issued and paid-up share capital of PPB as at 13 August 2015 of 748,488,501 PPB Shares and 92.63% of 30,627,597 outstanding PPB Warrants as at 13 August 2015. Henceforth, the Company regarded Dayang Enterprise Holdings Bhd as its holding company.

As the public shareholding spread of PPB was less than 10% of the Voting Shares of PPB, on 14 August 2015, the Company announced that the trading in all the securities of PPB would be suspended by Bursa Securities with effect from 9.00 a.m. on 31 December 2015, pursuant to Paragraph 16.02(2) of the Main Market Listing Requirements ("MMLR"). Accordingly, trading in the structured warrants relating to Perdana would also be suspended at the same date and time. The suspension would only be uplifted by Bursa Malaysia Securities Berhad upon PPB's full compliance with the public shareholding spread requirements under paragraph 8.02(1) of the MMLR or as might be determined by Bursa Malaysia Securities Berhad.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

21. Corporate Proposals

(i) Public Shareholdings Spread (Cont'd)

On 25 September 2015, the Company announced that Bursa Securities had vide their letter dated 23 September 2015 granted the Company an extension of time of three months from 13 August 2015 to 12 November 2015 to comply with the public shareholding spread requirement.

On 2 December 2015, the Company announced that Bursa Securities had vide their letter dated 1 December 2015 granted the Company an extension of time of three months from 13 November 2015 to 12 February 2016 to comply with the public shareholding spread requirement.

The company had on 3 February 2016 submitted to Bursa Securities an application for a further extension of time to comply with the public spread requirement. Bursa Securities had vide their letter dated 1 April 2016 granted the Company a further extension of time of six months i.e. from 13 February 2016 to 12 August 2016 to comply with the public shareholding spread requirement.

On 15 July 2016, the Company had applied for a further extension of time of three months i.e. from 13 August 2016 to 12 November 2016 to comply with the shareholding spread requirement.

(ii) Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase of Sukuk Based on the Shariah Principle of Murabahah of up to RM635,000,000 in Nominal Value

On 11 March 2016, United Overseas Bank (Malaysia) Bhd ("UOB") as the Principal Adviser/Lead Arranger/Lead Manager for a Proposed Sukuk Issue, on behalf of the Company, had made the lodgement in respect of the Proposed Sukuk Issue with the Securities Commission Malaysia.

The first issuance under the Proposed Sukuk Issue would be guaranteed by Danajamin Nasional Berhad pursuant to an Al-Kafalah Facility. The tenure of the Sukuk Murabahah Programme was twelve (12) years from the date of the first issue of the Sukuk Murabahah.

The proceeds of the first issuance of the Sukuk Murabahah were to be utilised for the following Shariah-compliant purposes:

(a) first, an amount of up to RM630 million to be utilised for refinancing of outstanding borrowings undertaken by the Company and/or its subsidiaries for purchase of the certain charged vessels;

(b) second, an amount of up to RM20 million to defray any fees and expenses for the Proposed Sukuk Issue and the Al-Kafalah Facility and to prefund the finance service reserve account to be opened and maintained under the Al-Kafalah Facility; and

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

21. Corporate Proposals (Cont'd)

(ii) Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase of Sukuk Based on the Shariah Principle of Murabahah of up to RM635,000,000 in Nominal Value (Cont'd)

(c) third, any unutilised balance after meeting purposes in items (i) and (ii) above could be utilised for the Company's working capital requirements subject to a maximum amount.

The proceeds of subsequent issuances of the Sukuk Murabahah shall be utilised for the Company's working capital requirements (including refinancing) which includes advances to the Issuer's subsidiaries via Shariah-compliant mode and general corporate purposes which shall be Shariah-compliant.

On 28 April 2016, the first issuance of the Sukuk Murabahah was completed for the amount of RM635,000,000, the revised nominal value, to be utilised for the following Shariah-compliant purposes:

(a) first, an amount of RM615,000,000.00 to be utilised for refinancing of outstanding borrowings identified by the Company and undertaken by the Company and/or its subsidiaries for purchase of the certain charged vessels; and

(b) second, an amount of RM20,000,000.00 to defray any fees and expenses for the Sukuk Murabahah Programme and the Al-Kafalah Facility and to prefund the finance service reserve account to be opened and maintained under the Al-Kafalah Facility.

Save for the above, there were no other corporate proposals announced but not completed as at 15 November 2016, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

22. Borrowings

Total Group's borrowings as at 30 September 2016 were as follows:

	As at 30-Sep-16 RM'000	As at 31-Dec-15 RM'000
Short term borrowings		
Secured	152,974	353,509
Unsecured	20,000	20,000
	172,974	373,509
Long term borrowings		
Secured	744,919	625,295
Total borrowings	917,893	998,804

The above includes borrowings in US Dollars equivalent to RM270 million (31 December 2015: RM648 million).

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

23. Material Litigations

Save for the following, there were no material litigation involving the Group since the last financial year ended 31 December 2015 and 15 November 2016, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

On 22 June 2011, the Company filed a suit in the High Court against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng, Tiong Young Kong, Lee Mee Jiong, TA Securities Holdings Berhad ("TASB"), Yap Hock Heng and TA First Credit Sdn Bhd ("TAFC") to claim for losses and damages suffered by the Company in respect of, inter alia, the divestment of 10,500,000 ordinary shares of RM0.50 each in Petra Energy Berhad ("PEB") by PPB to certain parties on 10 September 2009 and the divestment of 48,800,000 ordinary shares of RM0.50 each in PEB by PPB as conducted by the TA Securities Holdings Berhad and Yap Hock Heng on 11 December 2009.

This suit was mounted on several causes of action, including breaches of fiduciary and statutory duties, accessory liability and conspiracy and the Company was seeking from the High Court, various declaratory reliefs, damages (general and/or fiduciary and/or aggravated) to be assessed, interest, account and disgorgement and costs.

On 7 September 2012, the Company filed notices of discontinuance pursuant to a negotiated settlement with TASB, Yap Hock Heng and TAFC, with no admission of liability and with no liberty to file afresh. In this connection, TASB had also agreed to discontinue their suit against the Company in relation to a claim of approximately RM2.796 million as placement fees due to them ("TASB Suit") with no admission of liability and with no liberty to file afresh. With the discontinuance of the TASB Suit, the Company had reversed the provisions made earlier.

The trial at the High Court ended on 26 April 2013 and oral submissions by respective counsels were made on 21 November 2013 and 28 November 2013. On 21 March 2014, the Company announced that the High Court gave its decision that the Company was unsuccessful in the Suit. On 17 April 2014, the Company filed a Notice of Appeal to the Court of Appeal on the decision of the Suit.

On 9 September 2014, the High Court made a decision on costs and ordered the Company to pay the Defendant Parties, a total cost of RM841,731. The High Court also ordered Tengku Dato' Ibrahim Petra bin Tengku Indra Petra to pay the Company the sum of RM192,780 with post judgement interest calculated at 5% per annum starting from 22 March 2014 ("Judgement Sum"). The earnings of the Group for the year ended 31 December 2014 was reduced by the differential sum of the total cost payable and the judgement sum receivable.

On 2 December 2014, the Court of Appeal fixed the hearing of the Appeal. This was subsequently adjourned and fixed to be heard on 11 March 2015.

23. Material Litigations (Cont'd)

The Appeal was heard on 11 March 2015 and 25 March 2015.

On 25 August 2015, the Company announced that the Court of Appeal had made the following judgements:-

(a) the Company's appeal was allowed with costs against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong;

(b) the Company's appeal was dismissed with costs against Lee Mee Jiong; and

(c) Tengku Dato' Ibrahim Petra bin Tengku Indra Petra's cross appeal was dismissed with costs.

On 23 September 2015, the Company received the Notices of Motion from the solicitors of Tengku Dato' Ibrahim bin Tengku Indra Petra and Wong Fook Heng & Tiong Young Kong respectively, to apply for leave to appeal to the Federal Court against the decision of the Court of Appeal on 25 August 2015.

The Federal Court allowed on 1 March 2016 the leave applications by the Applicants and the Applicants would proceed with the filing of the appeal papers for Case Management.

On 10 October 2016, Tengku Ibrahim, Wong Fook Heng and Tiong Young Kong's appeals against the Company were partially heard by the Federal Court. The Federal Court had fixed 18 October 2016 for the continued hearing but unfortunately the continued hearing could not take place on the said date. The Federal Court subsequently fixed 16 November 2016 as the continued hearing date.

However, on 8 November 2016, the Federal Court via a letter informed all the parties that the continued hearing scheduled on 16 November 2016 was converted to a Case Management for parties to fix a new continued hearing date.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

24. Proposed Dividends

No interim dividends have been declared for the financial period ended 30 September 2016.

The Board of Directors did not recommend the payment of any dividends for the financial year ended 31 December 2015.

25. Earnings/(Loss) Per Share

a.) Basic

	Current Quarter Ended 30-Sep-16	Corresponding Quarter Ended 30-Sep-15	Current Period-to-date Ended 30-Sep-16	Corresponding Period-to-date Ended 30-Sep-15
Net profit/(loss) attributable to shareholders (RM'000)	6,239	(35,636)	(32,468)	(38,298)
Number of ordinary shares of RM0.50 each at the beginning of the quarter/period	778,470,949	748,488,291	778,470,949	738,570,075
Effects of warrants exercised	-	169,389	-	7,398,139
Weighted average number of ordinary shares in issue	778,470,949	748,657,680	778,470,949	745,968,214
Basic earnings/(loss) per ordinary share of RM0.50 each (Sen)	0.80	(4.76)	(4.17)	(5.19)

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

25. Earnings/(Loss) Per Share (Cont'd)

b.) Diluted

	Current Quarter Ended 30-Sep-16	**Corresponding Quarter Ended 30-Sep-15**	**Current Period-to-date Ended 30-Sep-16**	**Corresponding Period-to-date Ended 30-Sep-15**
Net profit/(loss) attributable to shareholders (RM'000)	6,239	(35,636)	(32,468)	(38,298)
Number of ordinary shares of RM0.50 each at the beginning of the quarter/period	778,470,949	748,488,291	778,470,949	738,570,075
Effects of warrants exercised	-	169,389	-	7,398,139
Effects of outstanding warrants	-	16,321,276	-	16,073,689
Adjusted number of ordinary shares for calculating diluted earnings per ordinary share	778,470,949	764,978,956	778,470,949	762,041,903
Diluted earnings per ordinary share of RM0.50 each (Sen)	*N/A	*N/A	*N/A	*N/A

* Diluted earnings per share is not presented as there was an anti-dilutive effect arising from the assumed conversion of the Warrants as at 30 September 2015 and there are no outstanding warrants as at 30 September 2016.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

26. Disclosure of Realised and Unrealised Profits

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities issued further guidance on the disclosure and the format required.

The breakdown of the retained earnings of the Group into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 30-Sep-2016 RM'000	**As at 31-Dec-2015 RM'000**
Total retained earnings of the Group:		
- Realised profits	57,137	151,513
- Unrealised profits	25,465	(973)
	82,602	150,540
Add:- Consolidated adjustments	105,382	69,912
Total retained earnings as per statement of financial position	187,984	220,452

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By Order of the Board

Bailey Kho Chung Siang
Executive Director

Date: 21 November 2016