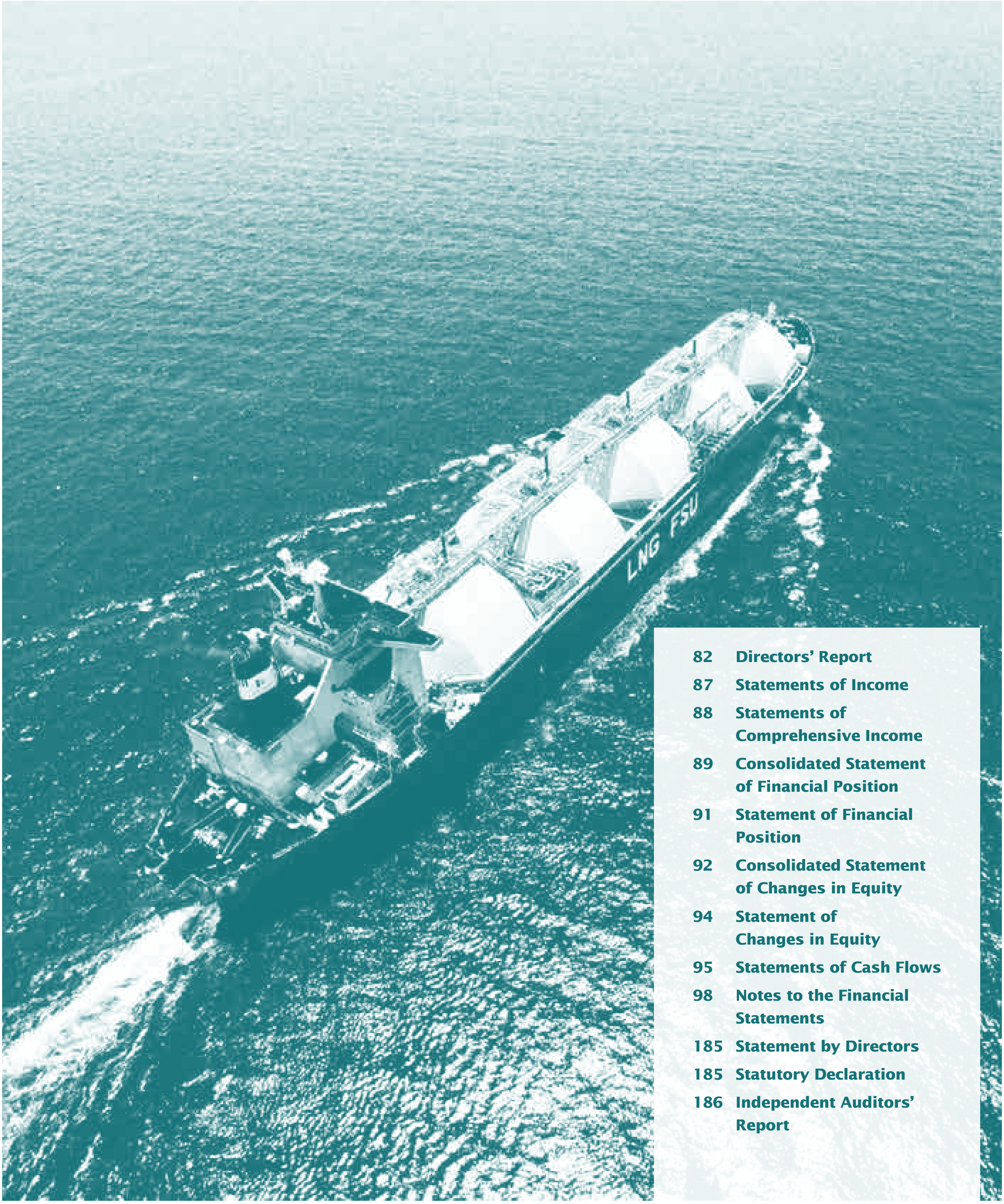
FINANCIAL STATEMENTS



DIRECTORS' REPORT

The Directors hereby submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage and Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 17 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year attributable to:		
- Owners of the Company	**(1,967,651)**	**175,216**
- Non-controlling interests	**(37,385)**	-
	(2,005,036)	**175,216**

DIVIDENDS

The dividend paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as disclosed in the Directors' report of that financial year:	
Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016	48,103

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

DIRECTORS' REPORT

ISSUE OF SHARES

There were no new ordinary shares issued during the financial year.

MANAGEMENT INCENTIVE PLAN

At the Extraordinary General Meeting held on 23 May 2016, the Company's shareholders approved the establishment of a Management Incentive Plan ("MIP" or "Plan") for the eligible employees and Executive Directors of the Company and its subsidiaries by the grant of shares which will be awarded annually and/or every 3-year period. The Plan was effected on 10 October 2016 following the submission of the final copy of the by-laws governing the Plan to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the Plan by the Company.

The salient features and other terms of the Plan are disclosed in Note 37 to the financial statements. As at the date of this report, the Company has yet to grant any shares under the Plan.

EMPLOYEE SHARE OPTION SCHEME

On 18 June 2011, the Company's shareholders approved the establishment of Employee Share Option Scheme ("ESOS" or "Scheme") to eligible employees of the Group, including Executive Directors of the Company for a period of 10 years from 28 June 2011 as part of the Company's long term plan to retain employees.

The salient features and other terms of the ESOS are disclosed in Note 36 to the financial statements.

With the establishment of MIP, the Company has ceased awarding further options under the Scheme during the financial year.

DIRECTORS

The Directors of the Company in office during the financial period since the date of the last report and at the date of this report are as follows:

Tunku Ali Redhauddin ibni Tuanku Muhriz	
Saiful Aznir bin Shahabudin	
Alexandra Elisabeth Johanna Maria Schaapveld *	
Chan Chee Beng	
Shaharul Rezza bin Hassan	
Maureen Toh Siew Guat	
Steven Leon Newman	
Leon Andre Harland	(Appointed on 16 May 2016)
Uthaya Kumar A/L K Vivekananda	(Appointed on 10 April 2017)
Shapoorji Pallonji Mistry	(Resigned on 21 February 2017)
Ravi Shankar Srinivasan (alternate director to Shapoorji Pallonji Mistry)	(Resigned on 21 February 2017)

* *She is also referred to as Alexandra Schaapveld in the other sections of this report*

DIRECTORS' REPORT

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than share options granted under the ESOS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year, in shares and options over unissued shares in the Company during the financial year are as follows:

In the Company - Direct Interests

	Number of ordinary shares			
	As at 1.1.2016	Acquired	Disposed	As at 31.12.2016
Tunku Ali Redhauddin ibni Tuanku Muhriz [(1)]	20,000	-	-	20,000
Saiful Aznir bin Shahabudin [(2)]	1,626,000	500,000	-	2,126,000
Alexandra Schaapveld [(3)]	900,000	-	-	900,000
Chan Chee Beng [(2)]	2,511,200	-	-	2,511,200
Ravi Shankar Srinivasan	432,000	-	-	432,000

[(1)] Held through a nominee, namely Maybank Securities Nominees (Tempatan) Sdn. Bhd.
[(2)] Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn. Bhd.
[(3)] Held through a nominee, namely CIMSEC Nominees (Asing) Sdn. Bhd.

	Number of options over unissued ordinary shares				
	As at 1.1.2016	Granted	Exercised	Lapsed	As at 31.12.2016
Shaharul Rezza bin Hassan	9,964,105	-	-	(6,639,318)	3,324,787

Save as disclosed above, no other Directors in office at the end of the financial year held any interest in shares or options over shares in the Company or in its related corporations during the financial year.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of income, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 45 to the financial statements. Other than as disclosed in Note 45, there are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance which is within the period from 1 January 2017 to 10 April 2017.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 10 April 2017.

LEON ANDRE HARLAND
DIRECTOR

SHAHARUL REZZA BIN HASSAN
DIRECTOR

STATEMENTS OF INCOME
for the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000 Restated	Company 2016 RM'000	Company 2015 RM'000 Restated
Revenue	6	**1,317,389**	2,179,734	**405,376**	377,453
Cost of sales		**(1,517,549)**	(1,758,417)	**(227,826)**	(222,271)
Gross (loss)/profit		**(200,160)**	421,317	**177,550**	155,182
Other operating income	7	**188,207**	90,635	**26,835**	72,469
Selling and distribution costs		**(35,110)**	(15,769)	**-**	-
Administrative expenses		**(130,950)**	(173,328)	**(25,052)**	(49,292)
Operating (loss)/profit before impairment		**(178,013)**	322,855	**179,333**	178,359
Impairment	10	**(1,743,160)**	(423,064)	**-**	-
Operating (loss)/profit		**(1,921,173)**	(100,209)	**179,333**	178,359
Finance costs	8	**(100,784)**	(122,684)	**-**	(65)
Share of results of joint ventures	9	**77,693**	51,501	**-**	-
(Loss)/Profit before taxation	10	**(1,944,264)**	(171,392)	**179,333**	178,294
Taxation	13	**(60,772)**	(70,385)	**(4,117)**	(13,863)
(Loss)/Profit for the financial year		**(2,005,036)**	(241,777)	**175,216**	164,431
Attributable to:					
Owners of the Company		**(1,967,651)**	(234,566)		
Non-controlling interests		**(37,385)**	(7,211)		
		(2,005,036)	(241,777)		
Earnings per share (sen)	14				
- basic		**(33.54)**	(4.00)		
- diluted		**(33.54)**	(4.00)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit for the financial year	**(2,005,036)**	(241,777)	**175,216**	164,431
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
- Available-for-sale financial assets:				
- Gain on fair value change	**7,385**	-	**-**	-
- Fair value gain/(loss) on cash flow hedges	**125,329**	(132,346)	**-**	-
- Foreign currency translation differences	**211,996**	1,044,147	**-**	-
- Share of other comprehensive gain of joint ventures	**569**	-	**-**	-
Other comprehensive income for the financial year, net of tax	**345,279**	911,801	**-**	-
Total comprehensive (expense)/income for the financial year	**(1,659,757)**	670,024	**175,216**	164,431
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	**(1,624,559)**	664,036		
- Non-controlling interests	**(35,198)**	5,988		
	(1,659,757)	670,024		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000 Restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**16,602,637**	14,143,868
Investments in joint ventures	9	**651,332**	583,511
Available-for-sale financial assets	18	**22,884**	20,240
Derivative financial instruments	34	**116,108**	-
Other receivables	25	**49,075**	-
Accrued lease rentals	19	**-**	117,605
Deferred tax assets	20	**6,467**	35,799
Amounts due from joint ventures	21	**19,470**	14,987
TOTAL NON-CURRENT ASSETS		**17,467,973**	14,916,010
CURRENT ASSETS			
Inventories	22	**6,356**	6,051
Amounts due from customers on contract	23	**-**	154,984
Trade receivables	24	**632,956**	513,349
Accrued lease rentals	19	**510,345**	572,922
Other receivables, deposits and prepayments	25	**85,904**	165,324
Tax recoverable		**2,312**	10,894
Amounts due from joint ventures	21	**335,032**	201,687
Deposits, cash and bank balances	28	**3,015,854**	1,525,718
		4,588,759	3,150,929
Non-current assets classified as held-for-sale	27	**33,397**	5,700
TOTAL CURRENT ASSETS		**4,622,156**	3,156,629
TOTAL ASSETS		**22,090,129**	18,072,639

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000 Restated
LIABILITIES			
LESS: CURRENT LIABILITIES			
Trade payables and accruals	29	**1,227,072**	1,298,857
Other payables and accruals	30	**1,129,761**	179,327
Amounts due to customers on contract	23	**69,645**	-
Amounts due to joint ventures	21	**36,562**	25,189
Hire purchase creditors	32	**88**	-
Borrowings	33	**2,517,059**	1,770,171
Derivative financial instruments	34	**42,250**	22,941
Taxation		**46,661**	72,831
TOTAL CURRENT LIABILITIES		**5,069,098**	3,369,316
NET CURRENT LIABILITIES		**(446,942)**	(212,687)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals	30	**97,014**	456,820
Provisions	31	**98,149**	-
Hire purchase creditors	32	**287**	-
Borrowings	33	**10,529,054**	6,259,383
Derivative financial instruments	34	**705,741**	654,769
Deferred tax liabilities	20	**709**	36,579
TOTAL NON-CURRENT LIABILITIES		**11,430,954**	7,407,551
NET ASSETS		**5,590,077**	7,295,772
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	**1,173,253**	1,173,253
Reserves	38	**4,413,708**	6,084,205
		5,586,961	7,257,458
NON-CONTROLLING INTERESTS		**3,116**	38,314
TOTAL EQUITY		**5,590,077**	7,295,772

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**11,814**	5,220
Investments in subsidiaries	17	**1,689,680**	1,891,340
Investments in joint ventures	9	**151,960**	151,943
Deferred tax assets	20	**5,605**	5,905
TOTAL NON-CURRENT ASSETS		**1,859,059**	2,054,408
CURRENT ASSETS			
Other receivables, deposits and prepayments	25	**10,106**	23,301
Amounts due from subsidiaries	26	**3,074,007**	3,390,999
Amounts due from joint ventures	21	**45,111**	53,278
Tax recoverable		**755**	-
Deposits, cash and bank balances	28	**68,230**	368,934
TOTAL CURRENT ASSETS		**3,198,209**	3,836,512
TOTAL ASSETS		**5,057,268**	5,890,920
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	30	**48,326**	59,704
Amounts due to subsidiaries	26	**198,055**	1,140,872
Amount due to a joint venture	21	**134**	227
Taxation		**-**	8,642
TOTAL CURRENT LIABILITIES		**246,515**	1,209,445
NET CURRENT ASSETS		**2,951,694**	2,627,067
NET ASSETS		**4,810,753**	4,681,475
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	**1,173,253**	1,173,253
Reserves	38	**3,637,500**	3,508,222
TOTAL EQUITY		**4,810,753**	4,681,475

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

2016	Note	Number of shares	Nominal value	Share premium	Foreign exchange reserve	Share option reserve	Hedging reserve	Other reserves	Retained earnings/ Accumulated losses	Total	Non-controlling interests	Total equity
		← Attributable to Owners of the Company								→		
		35	35	38(a)	38(b)	38(c)	38(d)	38(e)				
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		5,866,269	1,173,253	3,137,730	1,383,557	44,817	(227,314)	6,562	1,738,853	7,257,458	38,314	7,295,772
Loss for the financial year		-	-	-	-	-	-	-	(1,967,651)	(1,967,651)	(37,385)	(2,005,036)
Other comprehensive income for the financial year, net of tax		-	-	-	209,867	-	125,840	7,385	-	343,092	2,187	345,279
Total comprehensive income/(expense) for the financial year, net of tax		-	-	-	209,867	-	125,840	7,385	(1,967,651)	(1,624,559)	(35,198)	(1,659,757)
Transactions with owners:												
- Employee share options granted	36	-	-	-	-	2,165	-	-	-	2,165	-	2,165
- Employee share options forfeited/lapsed	36	-	-	-	-	(27,054)	-	-	27,054	-	-	-
- Dividend paid	15	-	-	-	-	-	-	-	(48,103)	(48,103)	-	(48,103)
At 31 December		5,866,269	1,173,253	3,137,730	1,593,424	19,928	(101,474)	13,947	(249,847)	5,586,961	3,116	5,590,077

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2016

2015	Note	Attributable to Owners of the Company: Number of shares 35 '000	Nominal value 35 RM'000	Share premium 38(a) RM'000	Foreign exchange reserve 38(b) RM'000	Share option reserve 38(c) RM'000	Hedging reserve 38(d) RM'000	Other reserves 38(e) RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January		5,866,269	1,173,253	3,137,730	352,580	44,862	(94,939)	6,562	2,065,151	6,685,199	32,326	6,717,525
Loss for the financial year		-	-	-	-	-	-	-	(234,566)	(234,566)	(7,211)	(241,777)
Other comprehensive income/(expense) for the financial year, net of tax		-	-	-	1,030,977	-	(132,375)	-	-	898,602	13,199	911,801
Total comprehensive income/(expense) for the financial year, net of tax		-	-	-	1,030,977	-	(132,375)	-	(234,566)	664,036	5,988	670,024
Transactions with owners:												
- Employee share options granted	36	-	-	-	-	3,843	-	-	-	3,843	-	3,843
- Employee share options forfeited	36	-	-	-	-	(3,888)	-	-	3,888	-	-	-
- Dividend paid	15	-	-	-	-	-	-	-	(95,620)	(95,620)	-	(95,620)
At 31 December		5,866,269	1,173,253	3,137,730	1,383,557	44,817	(227,314)	6,562	1,738,853	7,257,458	38,314	7,295,772

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2016

2016	Note	Number of shares 35 '000	Nominal value 35 RM'000	Share premium 38(a) RM'000	Share option reserve 38(c) RM'000	Other reserves 38(e) RM'000	Retained earnings RM'000	Total RM'000
At 1 January		**5,866,269**	**1,173,253**	**3,137,730**	**44,817**	**6,550**	**319,125**	**4,681,475**
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	**175,216**	**175,216**
Transactions with owners:								
- Employee share options granted	36	-	-	-	**2,165**	-	-	**2,165**
- Employee share options forfeited/lapsed	36	-	-	-	**(27,054)**	-	**27,054**	-
- Dividend paid	15	-	-	-	-	-	**(48,103)**	**(48,103)**
At 31 December		**5,866,269**	**1,173,253**	**3,137,730**	**19,928**	**6,550**	**473,292**	**4,810,753**
2015								
At 1 January		5,866,269	1,173,253	3,137,730	44,862	6,550	246,426	4,608,821
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	164,431	164,431
Transactions with owners:								
- Employee share options granted	36	-	-	-	3,843	-	-	3,843
- Employee share options forfeited	36	-	-	-	(3,888)	-	3,888	-
- Dividend paid	15	-	-	-	-	-	(95,620)	(95,620)
At 31 December		5,866,269	1,173,253	3,137,730	44,817	6,550	319,125	4,681,475

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
OPERATING ACTIVITIES					
(Loss)/Profit for the financial year		**(2,005,036)**	(241,777)	**175,216**	164,431
Adjustments for non-cash items:					
Share of results of joint ventures		**(77,693)**	(51,501)	**-**	-
Depreciation of property, plant and equipment		**570,758**	606,658	**15,069**	6,241
Fair value through profit and loss on derivative financial instruments		**(7,190)**	15,208	**-**	-
Gain on disposal of a subsidiary		**-**	(17,645)	**-**	-
(Gain)/Loss on disposal of property, plant and equipment and non-current assets classified as held-for-sale		**(3,916)**	(1,113)	**294**	-
Fair value gain on remeasurement of a joint venture		**(27,277)**	-	**-**	-
Impairment of:					
- investment in a joint venture		**-**	2,691	**-**	-
- property, plant and equipment and non-current assets classified as held-for-sale		**1,737,994**	395,150	**-**	-
- available-for-sale financial assets		**5,166**	25,223	**-**	-
Write off of property, plant and equipment		**-**	1,928	**-**	-
Net allowance for doubtful debts		**91,356**	167,951	**-**	-
Bad debts written off		**-**	18	**-**	-
Unrealised foreign exchange (gain)/loss		**(10,071)**	(53,278)	**146**	(3,360)
Share-based payment		**2,165**	3,843	**2,165**	3,843
Interest income		**(17,374)**	(52,829)	**(26,243)**	(72,383)
Interest expense		**99,159**	123,227	**-**	65
Dividend income		**-**	(1,841)	**(172,504)**	(148,447)
Taxation		**60,772**	70,385	**4,117**	13,863
Operating profit/(loss) before changes in working capital		**418,813**	992,298	**(1,740)**	(35,747)
Changes in working capital:					
Inventories		**(305)**	(262)	**-**	-
Trade and other receivables		**202,421**	(379,772)	**12,585**	(14,065)
Trade and other payables		**97,675**	253,785	**(11,468)**	6,119
Cash from/(used in) operations		**718,604**	866,049	**(623)**	(43,693)
Interest paid		**(378,761)**	(233,159)	**-**	(8)
Tax paid		**(39,122)**	(109,981)	**(13,214)**	(6,619)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**300,721**	522,909	**(13,837)**	(50,320)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	**(3,639,092)**	(3,568,056)	**(45)**	(81)
Proceeds from disposal of property, plant and equipment and non-current assets held-for-sale		**7,649**	10,449	**98**	-
Proceeds from disposal of subsidiaries		**-**	-	**6,481**	-
Interest received		**15,746**	56,750	**4,118**	52,790
Investments in joint ventures		**(16)**	(17,971)	**(16)**	-
Investments in subsidiaries		**-**	-	**-**	(36)
Dividend received from investments		**2,003**	-	**72,533**	148,447
Dividend received from a joint venture		**21,380**	12,452	**21,380**	12,452
Advances to joint ventures		**-**	-	**-**	(18,279)
Repayments from joint ventures		**-**	-	**8,074**	24
Advances to subsidiaries		**-**	-	**(351,387)**	(1,436,206)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,592,330)**	(3,506,376)	**(238,764)**	(1,240,889)
FINANCING ACTIVITIES					
Proceeds from bank borrowings		**5,941,250**	4,533,941	**-**	-
Decrease in deposit pledged as security		**-**	600	**-**	-
Repayment of bank borrowings		**(1,155,666)**	(3,558,602)	**-**	-
Proceeds from hire purchase creditors		**453**	-	**-**	-
Repayment of hire purchase creditors		**(66)**	(125)	**-**	(57)
Dividend paid		**(48,103)**	(95,620)	**(48,103)**	(95,620)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**4,737,868**	880,194	**(48,103)**	(95,677)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,446,259**	(2,103,273)	**(300,704)**	(1,386,886)
CURRENCY TRANSLATION DIFFERENCES		**43,877**	326,344	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**1,524,818**	3,301,747	**368,034**	1,754,920
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	B	**3,014,954**	1,524,818	**67,330**	368,034

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2016

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 16) which were acquired during the financial year were as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash	**3,639,092**	3,568,056	**45**	81
Movement in property, plant and equipment creditors	**82,104**	896,171	**22,011**	-
Interest expense capitalised for construction of vessels	**326,767**	128,479	**-**	-
	4,047,963	4,592,706	**22,056**	81

B Cash and cash equivalents consist of:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	**2,755,841**	815,342	**63,527**	364,844
Cash and bank balances	**260,013**	710,376	**4,703**	4,090
	3,015,854	1,525,718	**68,230**	368,934
Pledged deposits placed with licensed banks	**(900)**	(900)	**(900)**	(900)
	3,014,954	1,524,818	**67,330**	368,034

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1 GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage and Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 17 to the financial statements.

There have been no significant changes in the principal activities of the Group and Company during the financial year.

The Company is incorporated and domiciled in Malaysia and is listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

Level 21, Menara Perak
24, Jalan Perak
50450 Kuala Lumpur
Malaysia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 of Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies as stated in Note 2 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Except as disclosed above, the Directors believe no material uncertainty exist that may cast significant doubt on the Group's ability to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

(a) Standards, amendments to published standards and interpretations that are effective

(i) Amendments and annual improvements to MFRS that are effective for the Group and Company's financial year beginning on or after 1 January 2016:

- Amendments to MFRS 101 'Presentation of Financial Statements' - Disclosure initiative
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 and 128 "Investment Entities" - Applying the Consolidation Exception
- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" - "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above amendments and annual improvements that came effect on or after 1 January 2016 did not have significant impact on the financial statements of the Group and Company.

(b) Standards, amendments to published standards and interpretations that have been issued but are not yet effective

(i) Amendments to MFRS which are applicable to the Group and Company effective for annual periods beginning on or after 1 January 2017:

- Amendments to MFRS 107 "Statement of Cash Flows" – Disclosure Initiative
- Annual Improvements to MFRS 12 "Disclosures of Interests in Other Entities"
- Amendments to MFRS 112 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments are not anticipated to have any significant impact on the financial statements of the Group and Company upon initial application.

(ii) New MFRS and amendments to MFRS which are applicable to the Group and Company effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- Annual Improvements to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the above new MFRS may result in a change in accounting policy. The Group will quantify the effect of adopting these standards when the full standard is effective.

(iii) New MFRS which is applicable to the Group effective for annual periods beginning on or after 1 January 2019:

- MFRS 16 "Leases"

The adoption of the above new MFRSs may result in a change in accounting policy. The Group will quantify the effect of adopting these standards when the full standard is effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combination, except for the subsidiary as disclosed in Note 17, where the Group applies predecessor method of merger accounting to account for business combination under common control. Under predecessor method of merger accounting, assets and liabilities acquired are not restated to their respective fair value. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Joint arrangements

A joint arrangement is an arrangement in which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. An impairment loss is recognised to the profit or loss for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(d) Joint arrangements (cont'd)

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2.3 Investments in subsidiaries and joint ventures

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses (see accounting policy Note 2.8). On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, asset dismantling costs, and restoration costs for the site. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy Note 2.9).

Drydocking expenditure represents major inspection and overhaul cost and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally performed. The Group has included these drydocking costs as a component within vessel costs in accordance with MFRS 116 "Property, Plant and Equipment".

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the profit or loss.

Property, plant and equipment are depreciated on a straight-line basis to allocate the cost to their residual values over their estimated useful lives. Depreciation on vessels under construction commences when the assets are ready for their intended use. Vessels are depreciated on a systematic basis to reflect the pattern in which future economic benefits are expected to be consumed over its estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (cont'd)

The estimated useful lives of the categories of property, plant and equipment are summarised as follows:

Leasehold land and building	50 years
Drydocking expenditure	2.5 to 5 years
Vessels	10 to 30 years
Equipment, furniture, fittings and office equipment	2 to 10 years
Spare parts	1 to 3 years
Motor vehicles	5 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see accounting policy Note 2.8).

2.5 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Derivatives are also categorised as held for trading unless they are designated as hedges (see accounting policy Note 2.7). Derivatives are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets. The Group's and the Company's loan and receivables are disclosed in Note 44 to the financial statements.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

(c) Subsequent measurement - gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

(d) Subsequent measurement - impairment of financial assets

<u>Assets carried at amortised cost</u>

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or "events") has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest and principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If "loans and receivables" has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

(d) Subsequent measurement - impairment of financial assets (cont'd)

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above.

In the case of equity securities classified as available-for-sale, in addition to the criteria for "assets carried at amortised cost" above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit or loss.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.6 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Derivative and hedge activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.5. Derivatives that qualify for hedge accounting are designated as cash flow hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 34. Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. Where a portion of a derivative financial instrument is expected to be realised within 12 months of the reporting date, that portion should be presented as a current asset or liability, the remainder of the derivative financial instrument should be shown as non-current asset and liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects the profit or loss. The gain or loss relating to the ineffective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the transaction is ultimately recognised in the profit or loss.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents material and attributable cost of acquisition and is determined using the first-in, first-out method.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

2.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of disposal.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Non-current assets (or disposal groups) held-for-sale (cont'd)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.12 Construction contracts and conversion work

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. Conversion work represents activities conducted to convert a vessel for its intended used in accordance to the customers' specifications.

When the outcome of a construction contract or conversion work can be estimated reliably, revenue and costs associated with the construction contract or conversion works are recognised as revenue and expenses respectively by reference to the stage of completion of the contract or conversion activity at the end of the reporting period. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

Variations in contract/conversion work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract/conversion costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract/conversion.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

For conversion work in relation to vessels built to customers' specifications, these are shown as vessel under construction (under property, plant and equipment) during the conversion phase. Upon completion of the conversion activities, these amounts are recognised as finance lease receivables when the leases commence. Contractual milestone billings during the conversion phase are presented as advances from customers.

For construction contracts, the Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade receivables". The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and the Company's activities. Revenue is shown net of goods and services tax, value-added tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's and the Company's activities as described below. The Group and the Company base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement based on contractual terms. Revenue is recognised on the following bases:

(a) Vessel charter fees and support services

Vessel charter hire fees from FPSO contracts are recognised over the lease term based on classification of the contracts as finance or operating lease determined at the inception of the lease (see accounting policy Note 2.15). Charter hire income from other vessels is recognised upon rendering of services to customers.

Vessel sundry income, commission and agency income are recognised when services are rendered to the customers and recognised on an accrual basis.

(b) Vessel construction, conversion and engineering services

Revenue from construction contracts and conversion works in relation to vessels built to customers' specifications are accounted for under the percentage of completion method (see accounting policy Note 2.12).

(c) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(e) Rental income

The Group earns rental income from the rental of premises to third parties. Rental income is recognised on an accrual basis.

(f) Sale of goods

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue recognition (cont'd)

(g) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures as disclosed in Note 6 and Note 40. Central overhead fees is recognised on an accrual basis.

(h) Management fees

The Group earns management fees from its subsidiaries and joint ventures as disclosed in Note 10 and Note 40. Management fees is recognised on an accrual basis.

(i) Engineering services

Revenue represents the invoiced value for engineering services performed and cost recovery incurred less discounts and rebates, of which engineering services and cost recovery are recognised on an incurred basis.

2.14 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements of the Group and the Company are presented in Ringgit Malaysia, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow hedges or are attributable to items that form part of the next investment in a foreign operation.

Translation difference on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign currencies (cont'd)

(c) Group companies (cont'd)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of joint control over a joint venture that includes a foreign operation) all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income.

2.15 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Accounting by lessee

<u>Finance leases</u>

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

<u>Operating leases</u>

Leases of assets where a significant pattern of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Leases (cont'd)

(b) Accounting by lessor

Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the statement of financial position as "finance lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Any direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

When there is change in estimates, renewal and modification of a lease agreement that do not result in reclassification of the lease, the Group will apply the MFRS 139 de-recognition guidance to decide whether the lease receivable should be de-recognised and the modified agreement accounted for as a new lease.

Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Current and deferred income tax

Tax expense for the period comprises current, withholding and deferred taxes. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of most likely outcome.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liabilities are provided on temporary differences arising on investment in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period and the amounts are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service.

(b) Defined contribution plan

The Group's contributions to Employees Provident Fund, a defined contribution plan, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further financial obligations.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Employee benefits (cont'd)

(c) Share-based payment

The Group operates an equity-settled, share-based compensation plan ("Employee Share Option Scheme" or "ESOS") under which the Group receives services from employees as consideration for equity options over ordinary shares of the Company. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings. Where the options are granted by shareholders of the Company, the credit in equity is retained as "Other Reserves" when the options are exercised and/or lapsed.

If the terms of an equity-settled amount are modified at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.20 Trade payables and accruals

Trade payables and accruals represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables and accruals are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(a) Provision for demobilisation costs

Provision for demobilisation costs is made based on the estimated cost of demobilising the vessels at the end of the vessels' useful lives. When this provision relates to an asset with sufficient future economic benefits, a demobilising asset is recognised as property, plant and equipment and accounted for in accordance with the accounting policy set out in Note 2.4.

2.22 Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities, but disclose its existence in the financial statements, if any.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.23 Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(c) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Earnings per share

The basic earnings per share ("EPS") is calculated by dividing the Group's profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified to make strategic decisions. Segment revenues and expenses are those directly attributable to the segments and include any expenses where a reasonable basis of allocation exists.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

3.1 Revenue

Chartering of FPSO and vessels to customers are recognised as revenue based on whether the charter contract arrangement is considered to be an operating lease or finance lease in accordance with MFRS 117 "Leases". Classifications of these contracts as operating leases or finance leases are assessed at the inception of the lease. The estimated useful lives of the vessel and lease payment pattern are relevant in evaluating lease contracts. This assessment requires significant judgements in the following areas:

(i) Lease term

At lease inception, a lease contract is classified as either an operating or a finance lease. The lease term is the "non-cancellable period" for which the Group has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, when at lease inception it is reasonably certain that the lessee will exercise the option.

(ii) Purchase option

At lease inception, if it is not reasonably certain that the option will be exercised, the option will not be a part of the basis for classification. If the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable, the exercise of the option is regarded reasonably certain. The evaluation of the term "reasonably certain" involves judgement. The lessee's purchase option is considered in classifying the lease contract.

Contracts for leasing and operation of vessels are usually negotiated together. Leasing of vessels is accounted for under MFRS 117 "Leases" and operation of vessels is accounted for under MFRS 118 "Revenue". As the consideration for the leasing component and operation component of vessels are contracted together they may not represent the fair value of the individual component separately. The total consideration paid is allocated between each component based on fair value of each component. This requires estimation based on market rates, comparable transactions and other market related information to be determined at lease inception.

If the terms and conditions of the lease contract change subsequently, management will reassess whether the new arrangements would be classified as a new lease based on the prevailing market conditions.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Impairment of non-financial assets

The Group periodically reviews non-financial assets, in particular investments in subsidiaries, vessels and related equipments within property, plant and equipment and non-current assets held for sale, to ensure that their carrying values are in line with their recoverable amounts as stated in Note 2.8.

Property, plant and equipment and non-current assets held for sale

The recoverable amount of each vessel, being defined as a cash generating unit, has been determined based on the higher of fair value, less cost of disposal ("FV") and value in-use ("VIU") calculations.

The recoverable amount of each vessel is based on estimates and judgement with respect to key assumptions such as utilisation rates, daily charter rates, discount rate and residual value, amongst others. Several of the Group's contracts are long-term in nature and there can be no certainty that the continuity of these contracts will not be materially affected by conditions such as a deterioration in the oil and gas market or a specific client's financial condition. Should the actual conditions be different to those in our assumptions, there may be an adverse effect on the recoverable amount of our non-financial assets or non-current assets held for sale.

During the financial year, the Group recognised an impairment loss on property, plant and equipment and non-current assets classified as held-for-sale of RM1,738.0 million (2015: RM395.1 million). The impairment assessments for property, plant and equipment and non-current assets classified as held-for-sale require the use of estimates as disclosed in Note 16.

Investments in subsidiaries

The recoverable amount of investments in subsidiaries has been determined based on VIU calculations, and is based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts, funding requirements, exchange rates, and discount rate, amongst others. The calculations of projected future cash flows of the subsidiaries are inherently judgemental and susceptible to change from period to period due to the assumptions stated above. Management has evaluated the carrying amounts of investments in subsidiaries based on its current plans and are satisfied that no impairment charge is required during the financial year.

3.3 Impairment of receivables

Trade and other receivables

Impairment is made for receivables that management considers the recoverability to be doubtful. On a regular basis, management reviews the receivables ageing report and repayment history for any objective evidence of impairment.

Amounts due from subsidiaries

Management reviews the repayment history and expected future cash flows for any objective evidence of impairment. The calculations of projected future cash flows of the subsidiaries are inherently judgmental and susceptible to change from period to period due to the assumptions made. Management has evaluated the carrying amounts of amounts due from subsidiaries based on its current plans and are satisfied that no impairment charge is required during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.4 Vessel useful life and residual value

Depreciation depends on the estimated useful lives of the vessels and residual values at the end of their useful lives. The estimated useful lives are based on previous experience and knowledge of the vessels owned by the Group and is normally equal to the design life of the vessel. Assumptions about residual value are based on prevailing market conditions and expected value to be obtained for these vessels at the end of their useful lives in the future. These assumptions by their nature may differ from actual outcome in the future. Where appropriate, the Group will adjust the residual value and useful life of the individual vessel based on the particular conditions of the vessel. These adjustments require judgements to be exercised by management to assess the residual value and useful life for the individual vessels.

3.5 Taxation

The Group is subject to income and withholding taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the worldwide provision for these taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. The Group has also recognised certain tax recoverable for which the Group believe that there is a reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax recoverable/payable and deferred tax provision where relevant in the financial period in which such determination is made.

3.6 Construction contracts

The Group uses the "percentage-of-completion" method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred up to the end of reporting period as a percentage of estimated total costs for each contract.

Significant assumptions based on management's assessment of the contract progress and past experience are used to estimate the total contract costs that affect the stage of completion and the contract revenue respectively.

3.7 Liquidated damages and supplementary payments

The Group is subject to Liquidated Damages ("LD") and supplementary payments arising from delays in completion of the FPSO conversion projects. The assessment of likelihood of LD requires significant judgement relating to the time of completion and the contracted costs to be incurred upon finalisation of the projects. Where the outcome is different from management's assessment, such differences may have an adverse impact on the profitability of the projects.

3.8 Demobilisation costs

Demobilisation costs are capitalised as part of property, plant and equipment based on management's estimate of costs that are expected to be incurred upon the end of the vessel's useful life. Provisions for demobilisation costs are measured at the present value of expected expenditures by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This note presents information about the Group's and the Company's exposure to risk resulting from its use of financial instruments, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

The Group's activities expose it to a variety of financial risks: market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of Directors identifies and evaluates financial risks in close co-operation with the Group's management.

Foreign currency exchange risk

The Group is exposed to various currencies, primarily the United States Dollar ("USD"), Singapore Dollars ("SGD") and Russian Ruble ("RUB") (2015: USD, SGD and Norwegian Krone ("NOK")). The Group's foreign currency exchange risk arises from the revenue recognised and purchases of material, spares and services for maintenance of its vessels.

The objectives of the Group's foreign currency exchange risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. Foreign currency exchange forward contracts are used to manage foreign currency exchange exposures arising from all known material foreign currency denominated commitments as and when they arise and to hedge the movements in exchange rates by establishing the rate at which a foreign currency monetary item will be settled. Gains and losses on foreign currency exchange forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements. Cross currency interest rate swap contracts are also used to hedge the volatility in the cash flows attributable to variability in the other currency denominated borrowings once identified to maturity of the borrowings.

The Group's exposure to foreign currency at the end of the financial year is as follows:

	Denominated in currencies other than functional currencies					
As at 31 December 2016	United States Dollar RM'000	Singapore Dollar RM'000	Russian Ruble RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
Trade receivables	10,824	-	-	19	622,113	632,956
Deposits, cash and bank balances	94,963	21,320	33,179	15,764	2,850,628	3,015,854
Trade payables and accruals	(2,085)	(30,698)	-	(2,549)	(1,191,740)	(1,227,072)
	103,702	(9,378)	33,179	13,234	2,281,001	2,421,738

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency exchange risk (cont'd)

The Group's exposure to foreign currency at the end of the financial year is as follows (cont'd):

As at 31 December 2015	Denominated in currencies other than functional currencies					
	United States Dollar RM'000	Singapore Dollar RM'000	Norwegian Krone RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
Trade receivables	13,535	169	-	142	499,503	513,349
Deposits, cash and bank balances	44,954	99,038	8,641	27,352	1,345,733	1,525,718
Trade payables and accruals	(3,332)	(34,917)	(18,115)	(1,786)	(1,240,707)	(1,298,857)
	55,157	64,290	(9,474)	25,708	604,529	740,210

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD, SGD and RUB (2015: USD, SGD and NOK) denominated balances as illustrated in the following table:

Currency	Strengthened by	Impact to loss before taxation [Increase/(decrease)] 2016 RM'000	2015 RM'000
USD	10%	**(10,374)**	(5,516)
SGD	10%	**938**	(6,429)
RUB	10%	**(3,318)**	-
NOK	10%	-	947

A similar percentage decrease in the exchange rate would have an equal but opposite effect.

The Company has minimal exposure to foreign currency exchange risk as most balances are denominated in Ringgit Malaysia ("RM").

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's borrowings with floating interest rates. In respect of managing interest rate risks, the floating interest rates of certain long-term loans are hedged in accordance with the Group's policy by fixed rate swaps for the entire maturity period. Short term facilities which bear interest at floating interest rates are used for working capital and bridge financing requirements. The interest rate profile of the Group's borrowings is regularly reviewed against prevailing and anticipated market rates to determine hedging requirements.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk (cont'd)

The contractual interest rates on borrowings and derivative financial instruments are disclosed on Notes 33 and 34 respectively.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Group	2016 RM'000	2015 RM'000
Variable rate instruments		
Financial liabilities, comprising term loans, bridging loans and revolving credits	**11,516,645**	6,499,963
Less: Interest rate swap contracts	**(5,228,403)**	(1,204,346)
Less: Cross currency interest rate swap contract	**(49,000)**	(76,696)
	6,239,242	5,218,921

The sensitivity of the Group's loss before taxation for the financial year and equity to a reasonable possible change in RM and USD interest rates with all other factors held constant and based on composition of liabilities with floating interest rates at the reporting date are as follows:

	Impact on loss before taxation		Impact on equity [1]	
Group	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
RM				
- increased by 0.5% (2015: 0.5%)	**24**	883	**-**	-
- decreased by 0.5% (2015: 0.5%)	**(24)**	(883)	**-**	-
USD				
- increased by 0.5% (2015: 0.5%)	**31,125**	25,443	**23,818**	4,068
- decreased by 0.5% (2015: 0.5%)	**(31,125)**	(25,443)	**(23,818)**	(4,068)

[1] Represents cash flow hedging reserve

The impact on loss before taxation for the financial year is mainly as a result of interest expenses on floating interest rate borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on the profit or loss.

The Company is exposed to the changes in interest rates in relation to an amount due from a subsidiary on floating interest rates as disclosed in Note 26. The Company does not hedge this interest rate risk. If the interest rates increase/(decrease) by 0.5% (2015: 0.5%), the impact on profit before taxation is approximately RM2.5 million/(RM2.5 million) (2015: RM2.5 million/(RM2.5 million)).

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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk

Credit risk arises when sales are made on credit terms. The Group's activities limit the exposure and credit risk concentration to major clients in the oil and gas industry. The Group employs a credit policy that ensures clients are subjected to credit checks and outstanding accounts are followed up on a timely basis.

Several of the Group's contracts are long-term. There can be no guarantees that the financial position of the Group's major customers will not materially change during the contracted period. Given the limited number of major partners of the Group and the significant portion they represent of the Group's income, the inability of one or more of them to make full payment on any of the Group's customers may have a significant adverse impact on the financial position of the Group.

The credit risk of the Group arises primarily from the Group's 5 largest customers which accounted for 68% (2015: 63%) of the outstanding trade receivables at the end of the reporting period. The Group believes that the credit risk related to these counterparties is at an acceptable level. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

As such, management does not expect any counterparty to fail to meet their obligations except for the allowance for doubtful debts provided as disclosed in Note 24 to the financial statements. The allowance for doubtful debts provided includes 54% (2015: 56%) are arising from the Group's 5 largest customers.

The carrying amount of each class of financial assets mentioned in Note 21, Note 24, Note 25, Note 26, Note 28 and Note 34 to the financial statements represent the Group's maximum exposure to credit risk.

Management continues to review the credit risk concentration with respect to other receivables, amounts due from subsidiaries and joint ventures. These relates to receivables with no history of default and management expect these amounts to be recoverable over the course of business.

Liquidity risk

The Group and the Company adopt liquidity risk management by maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities from financial institutions to support its daily operations. Whenever the Group undertakes additional financing, the repayment and maturity profile of the underlying loans are structured after taking into consideration the cash inflows expected to be generated from the related assets or operations and economic life of the assets or operations being financed.

The Group's current liabilities exceeded its current assets by RM446.9 million due to the classification of advances from customers of approximately RM456.8 million from non-current liabilities to current liabilities during the year. Upon acceptance of conversion projects by the charterers, the advances from customers would become non-refundable by the Group. The Directors are of the view that the conversion projects will be accepted by the charterers in year 2017.

The Kraken FPSO project is progressing well (riser and umbilical hook up has been completed). The Group is negotiating with the charterers to revise the backstop date of 1 April 2017 for first production, failing which the charterers have the right to terminate the charter. As at the date of approval of the financial statements, the Group and the charterers have agreed in principle on a new backstop date of 15 July 2017. One of the consequences of termination by the charterers is the repayment of the term loan to the lenders if lenders serve a notice of default. Nevertheless, the charterers and the Group are fully aligned to the project delivery and achieving first production date.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

With regards to the above, the Directors have considered the impact of various outcomes on the liquidity position of the Group, taking into account the Group's forecast cash requirements and the funding sources available to the Group to meet its debt service obligation over the next 12 months from the date of the financial statements. The Directors have also noted the cost savings initiatives and asset rationalisation programme which have been initiated and continue to be pursued by management to improve cash flows.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2016					
Borrowings	**2,930,404**	**2,837,548**	**3,949,347**	**5,453,908**	**15,171,207**
Amounts due to joint ventures	**36,562**	-	-	-	**36,562**
Net settled derivative financial instruments					
- interest rate swaps	**(19,216)**	**5,104**	**68,574**	**54,062**	**108,524**
- cross currency interest rate swaps	**(23,459)**	**(28,332)**	**(68,368)**	**(800,340)**	**(920,499)**
Trade payables and accruals	**1,227,072**	-	-	-	**1,227,072**
Other payables and accruals	**578,453**	**97,014**	-	-	**675,467**

Group	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2015					
Borrowings	2,010,215	898,198	3,655,900	2,898,132	9,462,445
Amounts due to joint ventures	25,189	-	-	-	25,189
Net settled derivative financial instruments					
- interest rate swaps	(5,757)	(144)	391	-	(5,510)
- cross currency interest rate swaps	(54,095)	(58,937)	(111,398)	(660,840)	(885,270)
Trade payables and accruals	1,298,857	-	-	-	1,298,857
Other payables and accruals	151,009	-	-	-	151,009

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

All financial liabilities of the Company are assessed as current and correspondingly, no detailed maturity analysis is deemed necessary.

The corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM12,867.6 million as at 31 December 2016 (2015: RM7,188.9 million). The earliest period any of the financial guarantees can be called upon by the banks is within the next 12 months. The Company believes that the liquidity risk in respect of the financial guarantees is minimal as it is unlikely that the subsidiary companies will not make payment to the banks when due.

Capital risk management

The Group's and the Company's objectives when managing capital, are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or issue new debt and return capital to shareholders.

The capital structure of the Group and the Company consists of borrowings (excluding cash and cash equivalents) and total equity, comprising issued share capital, reserves and non-controlling interests as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total borrowings	**13,046,113**	8,029,554	-	-
Less: Cash and cash equivalents	**(3,014,954)**	(1,524,818)	**(67,330)**	(368,034)
	10,031,159	6,504,736	**(67,330)**	(368,034)
Total equity	**5,590,077**	7,295,772	**4,810,753**	4,681,475
	15,621,236	13,800,508	**4,743,423**	4,313,441

The Group is required to maintain a certain ratio of total net debt to adjusted earnings before interest, taxation, depreciation, amortisation and impairment, as defined in the facilities agreement. During the financial year, the Group has complied with these requirements.

5 SEGMENT INFORMATION

The Group is organised into 2 main business segments based on the type of operations carried out by its vessels and barges:

(i) Floating Production and Operation ("FPO") (this segment was renamed subsequent to the financial year end, and was previously known as FPSO and Floating Gas Solutions ("FGS")) - Own, operate and provide FPSO units, vessels that are used for receiving hydrocarbons sourced from oilfields. FGS focuses on innovative solutions for the offshore liquefied natural gas industry.

(ii) Offshore Marine Services ("OMS") (previously separately known as Offshore Support Vessel ("OSV") and Transport and Installation ("T&I")).
- OSV - Own, operates and charter vessels to provide support for exploration, development and production activities in the offshore oil and gas industry.
- Subsea Construction ("SC") (previously known as T&I) - Provision of conventional installation, floater installation and installation of umbilicals, risers and flexibles as part of FPSO completion or as standalone SC projects.

The remaining operations of the Group are in "Corporate and others" and comprise engineering services, which are not of a sufficient size to be reported separately, and management and other corporate support services provided to Group entities which are considered incidental to the Group's operating business.

The external revenue reported to the Chief Executive Officer is measured in a manner consistent with that in the Group's statement of income. The cost of sales and allocation of expenses attributable to each segment is based on management's internal allocation basis and may not individually be consistent with the Group's statement of income. Inter-segment revenue comprises mostly of engineering services provided to the marine charter hire companies within the Group. These transactions are conducted based on terms and conditions negotiated with related parties.

	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
2016					
Revenue	394,176	923,213	-	-	1,317,389
Inter-segment revenue	-	-	270,591	(270,591)	-
Total revenue	394,176	923,213	270,591	(270,591)	1,317,389
Results					
Segment results	119,461	176,433	73,716	(73,716)	295,894
Depreciation and amortisation	(315,212)	(255,546)	-	-	(570,758)
Impairment	(1,004,821)	(733,173)	(5,166)	-	(1,743,160)
Net allowance for doubtful debts	(82,620)	(8,736)	-	-	(91,356)
Share of results of joint ventures	76,601	1,092	-	-	77,693
Other operating income					188,207
Finance costs					(100,784)
Taxation					(60,772)
Loss for the financial year					(2,005,036)

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5 SEGMENT INFORMATION (CONT'D)

	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
2015					
Revenue	1,305,596	874,138	-	-	2,179,734
Inter-segment revenue	-	-	185,865	(185,865)	-
Total revenue	1,305,596	874,138	185,865	(185,865)	2,179,734
Results					
Segment results	852,554	154,275	13,921	(13,921)	1,006,829
Depreciation and amortisation	(381,986)	(224,672)	-	-	(606,658)
Impairment	(41,341)	(353,811)	(27,912)	-	(423,064)
Net allowance for doubtful debts	(160,910)	(7,041)	-	-	(167,951)
Share of results of joint ventures	50,812	689	-	-	51,501
Other operating income					90,635
Finance costs					(122,684)
Taxation					(70,385)
Loss for the financial year					(241,777)

Although the Group's business segments are managed in Malaysia, they operate in the following main geographical areas:

- Malaysia - mainly charter hire of vessels, marine engineering and consultancy services
- Asia (excluding Malaysia) and Australia, Africa and Latin America - mainly charter hire of vessels and construction/conversion works

Revenue by location of the Group's operation are analysed as follows:

	Group 2016 RM'000	Group 2015 RM'000
Malaysia	**155,720**	176,242
Asia (excluding Malaysia) and Australia	**863,682**	1,302,025
Africa	**227,360**	554,033
Latin America	**70,627**	147,434
	1,317,389	2,179,734

5 SEGMENT INFORMATION (CONT'D)

The Group's largest customers (by revenue contribution) are in the OMS segment (2015: FPO and SC segments). In 2016, 3 customers contributed revenue individually exceeding 10% of total revenue for the financial year, amounting to RM357.4 million, RM306.7 million and RM244.1 million respectively. In 2015, 3 customers contributed revenue individually exceeding 10% of total revenue for the financial year, amounting to RM306.0 million, RM269.5 million and RM262.5 million respectively.

The following comparative figures of the Group have been reclassified to conform with current financial year's presentation as required to be reported to the Chief Executive Officer.

Group	As previously reported 31.12.2015 RM'000	Effects of reclassification RM'000	As restated 31.12.2015 RM'000
Segment Information			
Revenue			
OMS	-	874,138	874,138
OSV	538,117	(538,117)	-
SC	336,021	(336,021)	-
Segment results			
FPO	309,658	542,896	852,554
OMS	-	154,275	154,275
OSV	(117,091)	117,091	-
SC	39,653	(39,653)	-
Impairment			
OMS	-	(353,811)	(353,811)
OSV	(249,094)	249,094	-
SC	(104,717)	104,717	-
Depreciation and amortisation			
FPO	-	(381,986)	(381,986)
OMS	-	(224,672)	(224,672)
Net allowance for doubtful debts			
FPO	-	(160,910)	(160,910)
OMS	-	(7,041)	(7,041)

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6 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Vessel charter fees and support services rendered	**1,109,375**	1,730,531	-	-
Construction and conversion work	**208,014**	449,203	-	-
Dividend income	-	-	**172,504**	148,447
Central overhead fees	-	-	**232,872**	229,006
	1,317,389	2,179,734	**405,376**	377,453

7 OTHER OPERATING INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on disposal of property, plant and equipment and non-current assets classified as held-for-sale	**3,916**	1,113	-	-
Gain on disposal of a subsidiary	-	17,645	-	-
Gain on disposal of scrap materials	-	209	-	-
Fair value gain on remeasurement of a joint venture	**27,277**	-	-	-
Interest income				
- deposits with licensed banks	**17,374**	52,829	**3,508**	48,862
- loan to a subsidiary	-	-	**22,735**	23,521
Accretion of interest	**1,652**	2,252	**53**	73
Rental income from buildings	**45**	49	-	-
Insurance claims	**6,650**	6,127	-	-
Dividend income	-	1,841	-	-
Management and engineering services charged to joint ventures	**120,772**	-	-	-
Others	**10,521**	8,570	**539**	13
	188,207	90,635	**26,835**	72,469

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8 FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense	**99,159**	123,227	-	65
Accretion of interest	**1,200**	-	-	-
Fair value gain on ineffective portion of cash flow hedges for interest rate swaps	**425**	(543)	-	-
	100,784	122,684	-	65

9 INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	**278,080**	278,064	**151,960**	151,943
Share of net assets	**373,252**	305,447	-	-
Interests in joint ventures	**651,332**	583,511	**151,960**	151,943

The joint ventures are private companies and there are no quoted market prices available for their shares.

Details of the joint ventures are as follows:

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Armada Century Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**49**	49	British Virgin Islands
Armada C7 Pte. Ltd. [(4)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**50**	50	Singapore
Armada D1 Pte. Ltd. [(4)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**50**	50	Singapore
Armada Synergy Ltd. [(1)]	To manage and operate vessels for subsea well services and services relating to oil and gas production	-	51	United Kingdom

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Details of the joint ventures are as follows: (cont'd)

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Century Bumi Limited	Oil and gas exploration, and product and marine services	**40**	40	Federal Republic of Nigeria
Shapoorji Pallonji Bumi Armada Offshore Limited (formerly known as Forbes Bumi Armada Offshore Limited) (4) & (5)	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	**50**	50	India
Forbes Bumi Armada Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	**49**	49	India
PT Armada Gema Nusantara	Ship owner and operator	**50**	49	Indonesia
SP Armada Oil Exploration Private Limited (4)	Marine support and other services to the oil and gas industry	**50**	50	India
SP Armada Offshore Private Limited	To provide marine support and other service to oil and gas industry and for that purpose to purchase, erect, construct, own, charter, manage vessels and rigs	**50**	50	India
Armada Madura EPC Limited (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	**49**	49	Republic of The Marshall Islands
Shapoorji Pallonji Bumi Armada Godavari Private Limited (3)	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility	**49**	-	India

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Details of the joint ventures are as follows: (cont'd)

(1) On 25 November 2015, Armada Kamelia Sdn. Bhd., a wholly-owned subsidiary of the Company, has filed a voluntarily strike off of Armada Synergy Ltd. ("ASL"), a private limited company incorporated in the United Kingdom. ASL was incorporated on 22 November 2013 to participate in the oilfield services ("OFS") business, with the principal activities to manage and operate vessels for subsea well services and services relating to oil and gas production.

Due to challenging market conditions for the oil and gas sector, it was decided that ASL would exit and cease activities in the OFS business. This is in line with the Group's rationalisation and efficiency plans.

Companies House (UK), in its supplement of the London Gazette on 24 November 2015, published a notice pursuant to Section 100(3) of the Companies Act 2006 (UK) that ASL would be struck off the register and deemed dissolved at the end of three (3) months from the date of the notice. As such, ASL had been dissolved and ceased to be a joint venture of the Company with effect from 23 February 2016.

(2) On 3 March 2015, Armada Madura EPC Limited ("Armada Madura") was incorporated as a wholly-owned subsidiary of Bumi Armada Offshore Holdings Limited ("BAOHL") (a wholly-owned subsidiary of the Company) in the Republic of The Marshall Islands, with an authorised capital of USD50,000 comprising 50,000 shares of USD1.00 each, of which 10 shares have been issued upon incorporation.

On 10 April 2015, the Company, BAOHL, Armada Madura, Shapoorji Pallonji And Company Private Limited ("SPCL") and Shapoorji Pallonji International FZE ("SPINT") (an indirect wholly-owned subsidiary of SPCL) entered into a shareholders agreement ("SHA") with respect to the joint investment in Armada Madura by the Company and BAOHL on the one part, and SPCL and SPINT on the other part, in connection with the engineering, design, acquisition, conversion, development, construction, fitting out, completion, mobilisation, transportation, installation, hook-up, testing, commission and integration of the FPSO at the Madura BD Field ("FPSO Project") to be carried out by Armada Madura, pursuant to which each of BAOHL and SPINT would hold a 50% economic interest and be responsible for 50% of the funding obligations with respect to the FPSO Project, in accordance with the terms of the SHA.

On 20 April 2015, BAOHL and SPINT subscribed for 24,489 and 25,501 new ordinary shares of USD1.00 each in Armada Madura, respectively, and consequently on 22 April 2015, SPINT transferred all of its Armada Madura shares to SPCL. Accordingly, the percentage shareholdings of BAOHL and SPCL in Armada Madura were 48.998% and 51.002% in Armada Madura, respectively. Upon completion of the share transferred above, Armada Madura was accounted as a joint venture in the Group's financial statements.

Details of the assets, liabilities and gain arising from the loss of controlling interest in Armada Madura are as follows:

	Group 2015 RM'000
Property, plant and equipment (Note 16)	65,499
Net current liabilities	(65,499)
Net assets disposed	-
Gain on deemed disposal of a subsidiary	17,645

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Details of the joint ventures are as follows: (cont'd)

(3) On 19 July 2016, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") was incorporated as a private limited company in India under the Companies Act, 2013. SPBAG is a joint venture ("JV") company of the Company and Shapoorji Pallonji Oil and Gas Private Limited ("SPOG").

The JV is incorporated for the purpose of combining the capabilities and expertise of the JV partners in the bidding and if successful, the contracting of the design fabrication, installation, charter, deployment, and operations and maintenance of an FPSO facility.

Equity interest currently held by the Company in SPBAG is 49%.

(4) During the financial year, the Company ("BAB") and BAOHL have disposed approximately 1% of the issued and paid-up share capital of the following entities to SPOG as follows:

JV company	Date of transfer	Share transfer from	Equity interest after transfer
Armada C7 Pte. Ltd.	31 October 2016	BAOHL	49% less 1 share
Armada D1 Pte. Ltd.	31 October 2016	BAB	49% less 1 share
Shapoorji Pallonji Bumi Armada Offshore Limited (formerly known as Forbes Bumi Armada Offshore Limited)	22 October 2016	BAB	49% less 1 share
SP Armada Oil Exploration Private Limited	21 October 2016	BAB	49% less 1 share

By virtue of the respective shareholder's agreements with the relevant parties, the effective economic interest of these JV companies remain unchanged at 50%.

(5) With effect from 25 March 2017, the name of the joint venture company is changed from Forbes Bumi Armada Offshore Limited to Shapoorji Pallonji Bumi Armada Offshore Limited.

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

In the opinion of the Directors, the joint ventures which are material to the Group are as follows:

- Armada D1 Pte. Ltd. ("Armada D1")
- Armada C7 Pte. Ltd. ("Armada C7")
- Armada Madura EPC Limited ("Armada Madura")

Set out below are the summarised financial information of the material joint ventures and other joint ventures of the Group:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	Others RM'000	Total RM'000
2016					
Current assets	353,593	349,673	385,800	115,783	1,204,849
Non-current assets	1,079,976	1,421,240	1,876,474	10,271	4,387,961
Current liabilities	(247,631)	(208,675)	(2,133,721)	(154,999)	(2,745,026)
Non-current liabilities	(560,600)	(964,032)	-	(941)	(1,525,573)
Net assets	625,338	598,206	128,553	(29,886)	1,322,211
The above include the following:					
Cash and cash equivalents	92,990	56,563	383,249	4,458	537,260
Current financial liabilities excluding trade and other payables	(195,370)	(167,500)	(1,794,701)	(110,270)	(2,267,841)
Non-current financial liabilities excluding trade and other payables	(560,600)	(964,032)	-	(941)	(1,525,573)
Revenue	222,174	135,395	362,037	666,549	1,386,155
Other (expenses)/income	(14,832)	9,640	(335,023)	(651,870)	(992,085)
Interest income	-	4	11	3	18
Depreciation	(93,825)	-	-	(4,854)	(98,679)
Finance costs	(27,528)	(45,453)	(31,456)	-	(104,437)
Taxation	(41,156)	8,021	-	(9,522)	(42,657)
Profit/(Loss) after taxation	44,833	107,607	(4,431)	306	148,315

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9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Set out below are the summarised financial information of the material joint ventures and other joint ventures of the Group: (cont'd)

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	Others RM'000	Total RM'000
2015					
Current assets	391,189	486,665	14,919	209,942	1,102,715
Non-current assets	1,135,274	1,376,436	712,422	22,270	3,246,402
Current liabilities	(244,165)	(334,779)	(240,164)	(271,984)	(1,091,092)
Non-current liabilities	(688,746)	(1,066,148)	(375,751)	-	(2,130,645)
Net assets	593,552	462,174	111,426	(39,772)	1,127,380
The above include the following:					
Cash and cash equivalents	83,789	64,930	12,690	38,605	200,014
Current financial liabilities excluding trade and other payables	(194,708)	(308,156)	(101,929)	(267,111)	(871,904)
Non-current financial liabilities excluding trade and other payables	(643,633)	(1,041,598)	(375,751)	-	(2,060,982)
Revenue	208,373	81,683	108,894	294,923	693,873
Other (expenses)/income	(54,517)	(24,520)	209	(303,267)	(382,095)
Interest income	-	-	2	14	16
Depreciation	(88,061)	-	-	(4,134)	(92,195)
Finance costs	(46,823)	(31,300)	(1,534)	-	(79,657)
Taxation	(9,504)	(5,731)	-	(470)	(15,705)
Profit/(loss) after taxation	9,468	20,132	107,571	(12,934)	124,237

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

Reconciliation of financial information:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	Others RM'000	Total RM'000
2016					
Net assets	**625,338**	**598,206**	**128,553**	**(29,886)**	**1,322,211**
Group share in %	**50%**	**50%**	**49%**	**-**	**-**
Group's share	**312,669**	**299,103**	**62,991**	**(40,190)**	**634,573**
Unrealised profit	**(9,246)**	**-**	**(29,933)**	**-**	**(39,179)**
Share of hedging reserve	**1,440**	**-**	**-**	**-**	**1,440**
Fair value gain on remeasurement of a joint venture	**-**	**-**	**-**	**27,429**	**27,429**
Carrying amount	**304,863**	**299,103**	**33,058**	**(12,761)**	**624,263**
Reclassification to amounts due from joint ventures (Note 21)	**-**	**-**	**-**	**27,069**	**27,069**
Net carrying amount	**304,863**	**299,103**	**33,058**	**14,308**	**651,332**
2015					
Net assets	593,552	462,174	111,426	(39,772)	1,127,380
Group share in %	50%	50%	49%	-	-
Group's share	296,776	231,087	54,599	(19,208)	563,254
Unrealised profit	(9,767)	-	(17,645)	-	(27,412)
Carrying amount	287,009	231,087	36,954	(19,208)	535,842
Reclassification to amounts due from joint ventures (Note 21)	-	-	-	47,669	47,669
Net carrying amount	287,009	231,087	36,954	28,461	583,511

The negative interest in joint ventures categorised as "Others" of RM12.8 million (2015: RM19.2 million) includes the Group's share of losses over the cost of investment in PT Armada Gema Nusantara of RM27.1 million (2015: RM47.7 million) which is reclassified to amounts due from joint ventures as disclosed in Note 21.

The Group's share of profit, total comprehensive income, dividend received and net assets of the joint ventures, after adjustments for equity accounting are as follows:

	Group	
	2016 RM'000	2015 RM'000
Profit for the financial year	**77,693**	51,501
Total comprehensive income for the financial year	**78,262**	51,501
Dividend received	**21,380**	12,452
Net assets before reclassification to amounts due from joint ventures	**624,263**	535,842

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10 (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit				
- PricewaterhouseCoopers Malaysia				
- current year	**1,744**	1,300	**217**	210
- under accrual in respect of prior financial year	**444**	327	**-**	-
- member firms of PricewaterhouseCoopers International Limited	**817**	739	**-**	-
- non-PwC member firms	**64**	-	**-**	-
- fees for audit related services				
- PricewaterhouseCoopers Malaysia	**524**	527	**524**	464
- fees for non-audit services				
- PricewaterhouseCoopers Malaysia	**135**	1,071	**135**	690
- member firms of PricewaterhouseCoopers International Limited	**1,222**	604	**-**	-
Impairment of:				
- property, plant and equipment and non-current assets classified as held-for-sale (Note 16 & 27)	**1,737,994**	395,150	**-**	-
- investment in a joint venture	**-**	2,691	**-**	-
- available-for-sale financial assets	**5,166**	25,223	**-**	-
Net allowance for doubtful debts (Note 24)	**91,356**	167,951	**-**	-
Bad debts written off	**-**	18	**-**	-
Loss on disposal of property, plant and equipment	**-**	-	**294**	-
Write off of property, plant and equipment (Note 16)	**-**	1,928	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
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10 (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of property, plant and equipment (Note 16)	**570,758**	606,658	**15,069**	6,241
Travel and freight	**36,845**	40,664	**6,841**	4,522
Repairs and maintenance	**98,588**	134,159	**11**	20
Management fees	**5,795**	6,166	**6,005**	5,564
Insurance	**40,266**	47,619	**-**	-
Fuel and oil	**36,163**	44,918	**-**	-
Advertisement and recruitment	**2,715**	2,934	**987**	131
Staff costs (Note 11)	**578,095**	620,066	**157,493**	194,838
Other crew costs	**113,687**	70,015	**-**	-
Rental of buildings	**17,090**	15,603	**8,252**	7,457
Hiring of equipment	**75,028**	131,702	**-**	-
Fair value loss/(gain) on derivatives:				
- Interest rate swaps	**425**	(543)	**-**	-
- Cross currency interest rate swaps	**(7,615)**	15,751	**-**	-
Net foreign exchange loss/(gain):				
- realised	**11,547**	38,984	**(7,357)**	(104)
- unrealised	**(10,071)**	(53,278)	**146**	(3,360)
Maintenance and services cost	**45,257**	77,915	**-**	-
Survey fee	**14,209**	12,826	**-**	-
Consultancy fee	**15,830**	11,586	**953**	1,120
Communication expenses	**12,894**	8,374	**-**	-

11 STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries and bonuses	**588,568**	619,339	**145,045**	169,135
Defined contribution plan	**25,404**	27,461	**5,022**	4,806
Share-based payments	**2,165**	3,843	**2,165**	3,843
Termination benefits	**2,129**	21,967	**1,103**	12,845
Other staff related costs	**44,108**	63,067	**4,158**	4,209
Total staff costs	**662,374**	735,677	**157,493**	194,838

Included in staff costs is Executive Directors' remuneration as disclosed in Note 12 and RM84.3 million (2015: RM115.6 million) which has been capitalised in the Group's property, plant and equipment.

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12 DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by Directors from the Group and the Company during the financial year were as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-executive Directors:				
- fees	**2,252**	2,763	**2,252**	2,763
- allowances and defined contribution plan	**753**	603	**753**	603
Executive Directors:				
- salaries, bonuses, allowances and other staff related costs	**2,901**	851	**2,121**	71
- defined contribution plan	**94**	102	**-**	9
- share-based payments	**1,105**	2,038	**1,105**	2,038
	7,105	6,357	**6,231**	5,484

Benefits in kind received by the Executive Directors from the Group and the Company amounted to RM60,000 (2015: RM35,000).

13 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
- Malaysian tax	**6,974**	22,637	**3,817**	18,096
- foreign tax	**51,514**	101,449	**-**	-
Deferred tax (Note 20)	**2,284**	(53,701)	**300**	(4,233)
	60,772	70,385	**4,117**	13,863
Income tax:				
- current financial year	**93,364**	123,073	**6,298**	18,096
- (over)/under provision in respect of prior financial years	**(34,876)**	1,013	**(2,481)**	-
	58,488	124,086	**3,817**	18,096
Deferred tax:				
- origination and reversal of temporary differences (Note 20)	**2,284**	(53,701)	**300**	(4,233)
	60,772	70,385	**4,117**	13,863

13 TAXATION (CONT'D)

The explanation of the relationship between Malaysian tax rate and average effective tax rate is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	%	%	**%**	%
Malaysian tax rate	**(24)**	(25)	**24**	25
Tax effects of:				
- exempt income	**(6)**	(19)	**(23)**	(21)
- difference in tax rates in other countries	**3**	(11)	**-**	-
- withholding tax on foreign sourced income	**1**	30	**-**	-
- expenses not deductible for tax purposes	**29**	62	**3**	4
- deferred tax assets not recognised	**2**	3	**(1)**	-
- (over)/under provision in prior years	**(2)**	1	**(1)**	-
	3	41	**2**	8

The Group's effective tax rate for the financial year ended 31 December 2016 was negative 3%, as compared to the Malaysian statutory rate of 24%. The variance was mainly due to expenses not deductible for tax purposes, changes in the proportion of income of foreign subsidiaries which are subject to different statutory tax rates, withholding taxes deducted at source as well as exempt income which is not taxable.

The Company's effective tax rate for the financial year ended 31 December 2016 was 2% compared to the statutory tax rate of 24% as the Company's income was mainly exempted from tax for the financial year.

14 EARNINGS PER SHARE

Basic

The basic earnings per share ("EPS") is calculated by dividing the Group's loss attributable to the Owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted

The diluted EPS is calculated by dividing the loss for the financial year attributable to the Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the ESOS options) by the weighted average number of ordinary shares as adjusted for the basic EPS and includes all potential dilutive shares on both arising from the ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial year or the date of the grant, if later.

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14 EARNINGS PER SHARE (CONT'D)

	Basic		Diluted	
	2016	2015	2016	2015
Loss attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	**(1,967,651)**	(234,566)	**(1,967,651)**	(234,566)
Weighted average number/adjusted weighted average number of ordinary shares in issue for basic and diluted EPS ('000)	**5,866,269**	5,866,269	**5,866,269**	5,866,269
Basic and diluted EPS (sen)	**(33.54)**	(4.00)	**(33.54)**	(4.00)

15 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	Group and Company	
	2016 RM'000	2015 RM'000
Dividend paid		
In respect of the financial year ended 31 December 2015:		
- Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016.	**48,103**	-
In respect of the financial year ended 31 December 2014:		
- Final cash dividend comprising a single tier tax-exempt dividend of 1.63 sen per ordinary share paid on 3 July 2015.	-	95,620

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2016.

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16 PROPERTY, PLANT AND EQUIPMENT

Group	Short term leasehold land and building RM'000	Vessels under construction RM'000	Total vessel costs [1]: Vessels RM'000	Total vessel costs [1]: Dry-docking RM'000	Total vessel costs [1]: Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2016									
Net book value									
At 1 January	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868
Additions	-	3,936,061	65,717	12,242	77,959	472	16,691	16,780	4,047,963
Disposal	-	-	(1,014)	(501)	(1,515)	-	(428)	-	(1,943)
Reclassification	-	(742,858)	742,858	-	742,858	-	-	-	-
Depreciation charge (Note 10)	(12)	-	(446,946)	(53,947)	(500,893)	(331)	(49,048)	(20,474)	(570,758)
Impairment (Note 10)	-	-	(1,718,956)	-	(1,718,956)	-	(14,622)	-	(1,733,578)
Transfer to non-current assets classified as held-for-sale (net) (Note 27)	(1,807)	-	(27,867)	(700)	(28,567)	-	(4,666)	-	(35,040)
Exchange differences	-	550,319	192,577	3,822	196,399	17	5,106	284	752,125
At 31 December	-	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637
At 31 December 2016									
Cost	-	11,118,807	11,331,379	299,929	11,631,308	3,573	509,039	51,523	23,314,250
Accumulated depreciation	-	-	(4,541,164)	(181,911)	(4,723,075)	(2,535)	(217,643)	(31,833)	(4,975,086)
Accumulated impairment	-	-	(1,721,905)	-	(1,721,905)	-	(14,622)	-	(1,736,527)
Net book value	-	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637

Included in property, plant and equipment are equipment, furniture and fittings and office equipment amounting to RM89.9 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2016 under operating lease agreements with charterers was RM1.0 billion.

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Short term leasehold land and building RM'000	Vessels under construction RM'000	Total vessel costs [1] Vessels RM'000	Dry-docking RM'000	Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2015									
Net book value									
At 1 January	1,866	2,452,700	5,757,327	84,266	5,841,593	422	149,632	13,568	8,459,781
Additions	-	4,291,984	131,425	61,842	193,267	650	98,408	8,397	4,592,706
Reclassification	-	(87,703)	64,499	24,894	89,393	-	(14,874)	13,184	-
Depreciation charge (Note 10)	(47)	-	(509,384)	(36,637)	(546,021)	(218)	(44,723)	(15,649)	(606,658)
Impairment (Note 10)	-	-	(329,268)	-	(329,268)	-	(41,341)	-	(370,609)
Write off (Note 10)	-	-	-	-	-	-	(1,928)	-	(1,928)
Disposal of a subsidiary (Note 9)	-	-	(65,499)	-	(65,499)	-	-	-	(65,499)
Transfer from non-current assets classified as held-for-sale (net) (Note 27)	-	-	33,030	6,466	39,496	-	832	591	40,919
Exchange differences	-	718,304	1,179,811	16,271	1,196,082	26	177,735	3,009	2,095,156
At 31 December	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868
At 31 December 2015									
Cost	2,360	7,375,285	9,323,045	277,624	9,600,669	1,978	514,339	46,287	17,540,918
Accumulated depreciation	(541)	-	(2,731,836)	(120,522)	(2,852,358)	(1,098)	(149,257)	(23,187)	(3,026,441)
Accumulated impairment	-	-	(329,268)	-	(329,268)	-	(41,341)	-	(370,609)
Net book value	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868

Included in property, plant and equipment are equipment, furniture and fittings and office equipment amounting to RM67.2 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2015 under operating lease agreements with charterers was RM2.9 billion.

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Office equipment, furniture and fittings RM'000	Motor vehicles under hire purchase RM'000	Total RM'000
2016			
Net book value			
At 1 January	**5,220**	**-**	**5,220**
Additions	**21,558**	**498**	**22,056**
Disposal	**(393)**	**-**	**(393)**
Depreciation charge	**(14,983)**	**(86)**	**(15,069)**
At 31 December	**11,402**	**412**	**11,814**
At 31 December 2016			
Cost	**81,114**	**998**	**82,112**
Accumulated depreciation	**(69,712)**	**(586)**	**(70,298)**
Net book value	**11,402**	**412**	**11,814**
2015			
Net book value			
At 1 January	11,325	55	11,380
Additions	81	-	81
Depreciation charge	(6,186)	(55)	(6,241)
At 31 December	5,220	-	5,220
At 31 December 2015			
Cost	57,816	500	58,316
Accumulated depreciation	(52,596)	(500)	(53,096)
Net book value	5,220	-	5,220

(a) Fixed charges have been created over certain vessels of the Group with net book values amounting to approximately RM12.6 billion (2015: RM6.4 billion) as security for term loans (Note 33).

(b) Included in vessels are borrowing costs amounting to RM326.8 million (2015: RM128.5 million) which were capitalised during the financial year as these were directly attributable to the conversion and construction of these vessels. Borrowing costs were capitalised at the weighted average of general borrowings of 4.25% (2015: 4.22%).

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16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) The FPSO contracts include options for the charterers to purchase the respective FPSO vessels or to extend their charter periods beyond the initial lease period. The purchase option values are based on declining agreed prices, which are in excess of the current net book values of the FPSO vessels as at the reporting date.

(d) As a result of the decline in vessel utilisation and day rates, and the termination of contract between Armada Balnaves Pte. Ltd. ("ABPL") and Woodside Energy Julimar Pty Ltd. ("WEJ") as elaborated in Note 43, the Group recognised an impairment loss of RM1,738.0 million (2015: RM395.1 million) comprising impairment loss on property, plant and equipment of RM1,733.6 million (2015: RM370.6 million) and on non-current assets held for sale of RM4.4 million (2015: RM24.5 million) during the financial year. The Group considered each vessel within a segment as a cash-generating unit, however, they are grouped together for disclosure purposes.

The Group has made an impairment charge of RM1,738.0 million (2015: RM395.2 million) for certain FPSO and OMS vessels. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM1,988.7 million (2015: RM987.9 million), comprising RM814.2 million (2015: RM Nil million) in the FPO segment and RM1,174.5 million (2015: RM987.9 million) in the OMS segment, of which RM772.0 million (2015: RM235.4 million) were determined based on fair value ("FV") and RM1,216.7 million (2015: RM752.5 million) were determined based on value in use ("VIU").

Recoverable amount determined based on fair value ("FV")

The FV of the vessels have been assessed by independent professional valuers using the market approach.

FV for the FPSO vessels are assessed based on the assumptions that they are fully operational, in a good and seaworthy condition, have limited need of repair and life extension expenditure, and are based on a willing buyer and seller basis.

FV for the OMS vessels are assessed based on the assumptions that they are charter-free, free of encumbrances, maritime lines and other debts, and are based on a willing buyer and willing seller basis in an acceptable area.

The recoverable amount which is determined based on FV is classified as level 3 under the fair value hierarchy. The impairment recognised in respect of 2 FPSO vessels amounts to RM561.9 million and RM8.2 million, based on the recoverable amount of RM443.2 million and RM29.8 million, respectively. The impairment recognised in respect of OMS vessels is RM323.0 million, based on the recoverable amount of RM299.0 million.

Recoverable amount determined based on value in use ("VIU")

The key assumptions used in VIU is based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) The followings are key assumptions used in determining the VIU for the FPSO vessel:

- The cash flows projection is based on the expected contractual period of the vessels and/or redeployment opportunities;
- Capital expenditure including mobilisation and demobilisation of vessel are based on the expected production of the field;
- Inflationary rate of 3% is applied;
- Charter rates are based on existing charter contracts and future intended use of vessel;
- Discount rate of 10% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of 2 FPSO vessels amounts to RM246.2 million and RM188.5 million, based on recoverable amount of RM341.3 million and RM Nil million, respectively.

The followings are key assumptions used in VIU for the OMS vessels:

- The cash flows projection is based on the remaining useful lives of the vessels;
- Revenue projection are based on historical margins and expected future contracts;
- Drydocking expenditure are based on historical trends;
- Inflationary rate of 3% is applied;
- Utilisation rates and charter rates are based on historical trends, existing charter contracts and future intended use of vessel;
- Discount rate of 10% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of OMS vessels is RM410.2 million, based on the recoverable amount of RM875.4 million.

(e) The sensitivity of the key assumptions with all other variables being held constant to the profit or loss are as follows:

	Increase/(Decrease) in loss before taxation	
	2016 RM'000	**2015 RM'000**
Utilisation rate increased by 5%	**(3,563)**	(129,614)
Utilisation rate decreased by 5%	**292**	82,330
Charter rate increased by 5%	**(43,220)**	(91,624)
Charter rate decreased by 5%	**4,806**	97,126
Discount rate increased by 1%	**87,846**	47,053
Discount rate decreased by 1%	**(94,628)**	(43,446)
Residual value increased by 1%	**(9,283)**	(2,466)
Residual value decreased by 1%	**9,283**	2,466

(f) For the current financial year, the Group revised the useful lives of certain vessels ranging from remaining useful lives of 3 years to 24 years to remaining useful lives of 8 years to 18 years. The revision was accounted for as a change in accounting estimate and was effected on 31 December 2016. Accordingly, the depreciation charge is expected to be affected on a year-on-year basis from the financial year ended 31 December 2017 onwards.

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17 INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	**46,190**	52,671
7% Cumulative Redeemable Preference Shares, at cost	**16,000**	16,000
	62,190	68,671
Less: Accumulated impairment loss	**(22,130)**	(22,130)
	40,060	46,541
Amounts due from subsidiaries	**1,649,620**	1,844,799
	1,689,680	1,891,340

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below:

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Direct subsidiaries:				
Armada Balnaves Pte. Ltd. (2) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	Singapore
Armada Floating Solutions Limited (3)	Bareboat charter of a floating production storage and offloading unit	**100**	100	The British Virgin Islands
Armada Mahakam Limited (3) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	The British Virgin Islands
Armada Marine Contractors Caspian Ltd. ("AMCCL") (3) & (11)	Investment holding	-	100	The British Virgin Islands
Armada Oyo Ltd. (3)	Bareboat charter of a floating production storage and offloading unit	**100**	100	The British Virgin Islands
Armada Ship Management (S) Pte. Ltd. (2) & (11)	Charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	Singapore

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Direct subsidiaries (cont'd):				
Armada TGT Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Republic of The Marshall Islands
Armada Kamelia Sdn. Bhd.	Dormant	**100**	100	Malaysia
Bumi Armada (Labuan) Ltd. (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	-	100	Federal Territory of Labuan, Malaysia
Bumi Armada (Singapore) Pte. Ltd. ("BASPL") (2)	Ship management and chartering operation and maintenance of FPSO	**100**	100	Singapore
Bumi Armada Automation International Sdn. Bhd. (6)	Provision of agency services to its holding company	**100**	100	Malaysia
Bumi Armada Engineering Sdn. Bhd. (4)	Provision of engineering consultancy services	**100**	100	Malaysia
Bumi Armada Navigation Sdn. Bhd. ("BAN")	Provision of marine transportation, and support services to offshore oil and gas companies and vessel construction	**95**	95	Malaysia
Bumi Armada Offshore Holdings Limited ("BAOHL")	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Republic of The Marshall Islands
Bumi Armada Russia Holdings Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Tera Sea Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Direct subsidiaries (cont'd):				
Bumi Armada Holdings Labuan Ltd.	Provision of loans, advances and other facilities, and cash and debt management services, investment and financial risk management, and other treasury management services to Bumi Armada Group of companies	**100**	100	Federal Territory of Labuan, Malaysia
Offshore Marine Ventures Sdn. Bhd. (11)	Provision of integrated service solutions for the supply, operation and maintenance of support vessels and logistics and maritime transportation services to the oil and gas industry	-	100	Malaysia
Bumi Armada Capital Offshore Ltd.	Obtaining non-ringgit financing and providing cash and debt management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	**100**	100	Federal Territory of Labuan, Malaysia
Bumi Armada Capital Malaysia Sdn. Bhd.	Providing and obtaining financing and other facilities, and providing cash and financial management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	**100**	100	Malaysia
Bumi Armada Marine Holdings Limited ("BAMHL") (3)	Investment holding	**100**	100	The British Virgin Islands
Bumi Armada Singapore Holdings Pte. Ltd. ("BASH") (1)	Investment holding	**100**	100	Singapore
Subsidiaries of BAN:				
Armada Indah Sdn. Bhd.	Dormant	**95**	95	Malaysia

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BAN (cont'd):				
Armada Tankers Sdn. Bhd. ("ATSB")	Dormant	**95**	95	Malaysia
Bumi Armada Ship Management Sdn. Bhd.	Managers of ships and vessels, marine support and other services to offshore oil and gas companies	**95**	95	Malaysia
Bumi Care Offshore Production Sdn. Bhd.	Dormant	**57**	57	Malaysia
Bumi Armada Navigation Labuan Limited	Shipping on bare boat or time charter basis	**95**	95	Federal Territory of Labuan, Malaysia
Bumi Armada Navigation Labuan International Limited	Shipping on bare boat or time charter basis	**95**	95	Federal Territory of Labuan, Malaysia
Subsidiaries of BAOHL:				
Armada TLDD Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Angoil Bumi JV,LDA (8) & (9)	Service provider to the oil and gas industry, especially for repair and maintenance of FPSO and OSV companies	**49**	49	Angola
Bumi Armada Angola Servicos Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Bumi Armada Australia Pty. Ltd. (2)	Ship management and chartering operation and maintenance of FPSO	**100**	100	Australia
Bumi Armada Do Brasil Servicos Maritimos Ltda (3) & (7)	Dormant	**100**	100	Brazil

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	2015 %	Country of incorporation
Subsidiaries of BAOHL (cont'd):				
Bumi Armada Offshore Contractor Limited ("BAOCL") (3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Republic of The Marshall Islands
Armada Blue LLC (3)	Dormant	**100**	100	The United States of America
Armada Offshore OSV Limited (3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Republic of The Marshall Islands
Armada Offshore MPSV Limited	Remained dormant during the financial year except for certain vessel construction works	**100**	100	Republic of The Marshall Islands
Bumi Armada UK Limited (2)	Offshore oil and gas marine services	**100**	100	The United Kingdom
Armada Kraken Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Bumi Armada Ghana Limited (2) & (10)	Provision of marine transportation, floating production storage and offload and offshore supply vessels	**60**	100	Ghana
Armada Kraken Pte. Ltd. (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore
Armada Cabaca Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Republic of The Marshall Islands

17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BAOHL (cont'd):				
Armada Etan Limited (3)	Dormant	**100**	100	Republic of The Marshall Islands
Armada Regasification Services Malta Ltd. (1)	Dormant	**100**	100	Malta
Armada Floating Gas Services Malta Ltd. (1)	Dormant	**100**	100	Malta
Armada Floating Gas Storage Malta Ltd. (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Malta
Armada Balnaves Pte. Ltd. (2) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	-	Singapore
Subsidiary of BASPL:				
Bumi Armada Nigeria Limited (2)	Dormant	**100**	99	Federal Republic of Nigeria
Subsidiary of ATSB:				
Armada Alpha Sdn. Bhd.	Dormant	**95**	95	Malaysia
Subsidiaries of BAOCL:				
Bumi Armada Caspian LLC (2)	Activities relative to oil and gas industry	**100**	100	Russia
Bumi Armada Marine LLC (3)	Provision of marine support and other services to oil and gas companies	**100**	100	Russia

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17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BASH:				
Armada Constructor Pte. Ltd. (1)	Ship owners, charterers, managers of ships and vessels, marine support and other services to oil and gas companies	**100**	100	Singapore
Armada Mahakam Limited (3) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	-	The British Virgin Islands
Armada Marine Contractors Caspian Ltd. ("AMCCL") (3) & (11)	Investment holding	**100**	-	The British Virgin Islands
Bumi Armada (Labuan) Ltd. (11)	Leasing of vessel on time charter basis	**100**	-	Federal Territory of Labuan, Malaysia
Offshore Marine Ventures Sdn. Bhd. (11)	Provision of integrated service solutions for the supply, operation and maintenance of support vessels and logistics and maritime transportation services to the oil and gas industry	**100**	-	Malaysia
Armada Ship Management (S) Pte. Ltd. (2) & (11)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	-	Singapore
Bumi Armada Marine Naryan Mar Pte. Ltd. (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore
Bumi Armada Marine Pokachi Pte. Ltd. (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore

17 INVESTMENTS IN SUBSIDIARIES (CONT'D)

The Group's equity interest in its subsidiaries, their respective principal activities and country of incorporation are shown below (cont'd):

Name of company	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %	Country of incorporation
Subsidiaries of BASH (cont'd):				
Bumi Armada Marine Uray Pte. Ltd. [1]	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	**100**	100	Singapore
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte. Ltd. [2] & [5]	Chartering of ships, barges and boats with crew	**100**	100	Singapore

(1) The financial statements of these companies are audited by firms other than member firms of PricewaterhouseCoopers International Limited.
(2) These companies are audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers, Malaysia.
(3) These companies are not required by their local laws to appoint statutory auditors.
(4) Shares are held by the entity's directors for the benefit of and on behalf of the Company.
(5) Shares are held through a nominee, namely Malaysia Nominees (Asing) Sendirian Berhad.
(6) Consolidated using predecessor method of merger accounting.
(7) The effective interest of the Company is 99.99%.
(8) Notwithstanding the Group holding less than 50% equity interest, the investment in Angoil Bumi JV, LDA is classified as subsidiary (not a joint venture) due to the Group's control pursuant to the shareholders' agreement.
(9) Auditors not appointed yet.
(10) On 19 January 2016, BAOHL disposed 40% of its interest in Bumi Armada Ghana Limited to Cypress Energy Company Limited.
(11) The Group is undergoing an internal realignment of its holding structure for its various subsidiaries to streamline its business operations. As part of this, certain directly held subsidiaries of the Company were transferred to other subsidiaries within the Group:

(i) With effect from 30 December 2016, the Company has transferred its effective interest in Armada Balnaves Pte. Ltd. to BAOHL.
(ii) With effect from 29 December 2016, the Company has transferred its effective interest in the following companies to BASH:
- Armada Mahakam Limited
- Armada Marine Contractors Caspian Ltd.
- Bumi Armada (Labuan) Ltd.
- Offshore Marine Ventures Sdn. Bhd.

(iii) With effect from 30 December 2016, the Company has transferred its effective interest in Armada Ship Management (S) Pte. Ltd. to BASH.

In addition to the internal realignment of the Group's holding structure, certain amounts owing by the Company's subsidiaries were novated by the Company to the other subsidiaries within the Group.

As at the reporting date, the Company assessed the recoverability of its cost of investments and amounts due from subsidiaries based on future estimated cash flows. Please refer to Note 3 for the significant estimates and judgement applied.

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18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2016 RM'000	2015 RM'000
Quoted equity securities, outside Malaysia		
At 1 January	**20,240**	38,103
Less: Impairment (Note 10)	**(5,166)**	(25,223)
Exchange differences	**425**	7,360
	15,499	20,240
Less: Fair value gain recognised in equity (Note 38 (e))	**7,385**	-
At 31 December	**22,884**	20,240

The fair value of quoted equity securities is determined by reference to published price quotations.

19 ACCRUED LEASE RENTALS

	Group	
	2016 RM'000	2015 RM'000
Current	**510,345**	572,922
Non-current	**-**	117,605
	510,345	690,527

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2016 RM'000	2015 RM'000
No later than 1 year	**328,288**	633,097
Later than 1 year and no later than 5 years	**218,859**	1,109,309
	547,147	1,742,406

The Group leases vessels under various agreements which terminate between 2017 and 2018. These agreements include extension options. No contingent rent is recognised during the financial year. A total of RM24.7 million was recognised during the prior financial year which is included as part of vessel charter fees and support services rendered in Note 6.

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20 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	**6,467**	35,799	**5,605**	5,905
Deferred tax liabilities	**(709)**	(36,579)	-	-
Subject to income tax:				
Deferred tax assets				
- payables	**6,986**	40,599	**4,946**	6,324
- unutilised tax losses	-	2,504	-	-
- property, plant and equipment	**659**	20,859	**659**	-
	7,645	63,962	**5,605**	6,324
Offsetting	**(1,178)**	(28,163)	-	(419)
Deferred tax assets (after offsetting)	**6,467**	35,799	**5,605**	5,905
Deferred tax liabilities				
- property, plant and equipment	**(335)**	(28,672)	-	(419)
- receivables	**(1,552)**	(28,740)	-	-
- amounts due from customers on contract	-	(7,330)	-	-
	(1,887)	(64,742)	-	(419)
Offsetting	**1,178**	28,163	-	419
Deferred tax liabilities (after offsetting)	**(709)**	(36,579)	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

20 DEFERRED TAXATION (CONT'D)

The movements during the financial year relating to deferred taxation are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	**(780)**	(45,127)	**5,905**	1,672
(Credited)/Charged to the profit or loss (Note 13)				
- property, plant and equipment	**8,138**	(33,128)	**1,078**	1,444
- receivables	**25,090**	225,361	**-**	-
- payables	**(40,338)**	(142,305)	**(1,378)**	2,789
- unutilised tax losses	**(2,504)**	669	**-**	-
- amounts due from customers on contract	**7,330**	3,104	**-**	-
	(2,284)	53,701	**(300)**	4,233
Exchange differences	**8,822**	(9,354)	**-**	-
At 31 December	**5,758**	(780)	**5,605**	5,905

The amount of unabsorbed capital allowance and unutilised tax losses (which have no expiry date) for which no deferred tax asset is recognised in the statement of financial position as it is not probable that taxable profit will be available against which these temporary differences can be utilised are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	**355,660**	231,347	**8,753**	8,753
Unabsorbed capital allowance	**17,392**	22,071	**17,392**	22,071

21 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current				
Amount due from joint ventures				
- interest bearing	**13,492**	-		
- non-interest bearing	**321,540**	201,687	**45,111**	53,278
	335,032	201,687	**45,111**	53,278
Amount due to joint ventures	**(36,562)**	(25,189)	**(134)**	(227)
Non-current				
Amount due from joint ventures				
- interest bearing	**46,539**	-	-	-
- non-interest bearing	**-**	62,656	-	-
Reclassification from investment in joint venture (Note 9)	**(27,069)**	(47,669)	-	-
	19,470	14,987	-	-
	317,940	191,485	**44,977**	53,051

The amounts due from joint ventures classified as current which are non-interest bearing are unsecured and ranging from no credit terms to 30 days (2015: no credit terms to 30 days).

The amounts due from joint ventures classified as current and non-current which are interest bearing bear interest rate ranging from 5% to 6% (2015: Nil). As at 31 December 2016, there was no impairment (2015: RM Nil) on amounts due from joint ventures.

The amounts due to joint ventures classified as current are repayable on demand.

Past due but not impaired

Amounts that are past due but not impaired relate to a number of joint ventures for whom there is no recent history of default but remain slow paying. The ageing analysis of amounts due from joint ventures is as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Less than 30 days past due	**727**	1,421	**1,197**	60
Between 31 and 60 days past due	**33,864**	3,943	**534**	10,105
Between 61 and 90 days past due	**35,444**	5,834	**2,913**	861
Between 91 days and 1 year past due	**108,737**	38,442	**955**	9,607
More than 1 year past due	**57,674**	128,281	**38,444**	31,778
	236,446	177,921	**44,043**	52,411

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22 INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Fuel	**6,356**	6,051

23 AMOUNTS DUE (TO)/FROM CUSTOMERS ON CONTRACT

	Group	
	2016 RM'000	2015 RM'000
Aggregate costs incurred	**1,313,087**	982,517
Profit recognised to-date	**117,130**	112,114
Cumulative contract revenue recognised	**1,430,217**	1,094,631
Less: Progress billings	**(1,499,862)**	(939,647)
	(69,645)	154,984

24 TRADE RECEIVABLES

	Group	
	2016 RM'000	2015 RM'000
Trade receivables	**1,034,536**	818,147
Less: Impairment	**(401,580)**	(304,798)
	632,956	513,349

Neither past due nor impaired

With respect to trade receivables that are neither past due nor impaired, these relates to customers with no recent history of default. Management believes that these trade receivables are with customers that are of good credit quality and collectable and as such no impairment provision is necessary.

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31 December 2016

24 TRADE RECEIVABLES (CONT'D)

Past due but not impaired

Amounts that are past due but not impaired relate to a number of customers for whom there is no recent history of default but remain slow paying. The ageing analysis of these receivables is as follows:

	Group	
	2016 RM'000	2015 RM'000
Less than 30 days past due	**34,257**	49,437
Between 31 and 60 days past due	**14,541**	27,439
Between 61 and 90 days past due	**18,336**	30,405
Between 91 days and 1 year past due	**52,673**	162,780
More than 1 year past due	**87,983**	12,127
	207,790	282,188

If the above past due but not impaired receivables had been impaired by 5% (2015: 5%) from management's estimates, the allowance for impairment of the Group would have been higher by RM10.4 million (2015: RM14.1 million).

Impaired and provided for

During the financial year, trade receivables totaling to RM91.4 million (2015: RM168.0 million) were impaired and charged to profit or loss. As at 31 December 2016, the amount of the provision was RM401.6 million (2015: RM304.8 million). The individually impaired receivables mainly relate to a number of customers, which are in unexpectedly difficult financial position due to the current industry conditions.

Movements of the Group's impairment of trade receivables are as follows:

	Group	
	2016 RM'000	2015 RM'000
At 1 January	**304,798**	115,459
Charged to profit or loss (Note 10)	**91,356**	167,951
Exchange differences	**5,426**	21,388
At 31 December	**401,580**	304,798

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31 December 2016

25 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-current				
Other receivables	**49,075**	-	**-**	-
Current				
Other receivables	**23,865**	88,779	**2,582**	20,229
Deposits and prepayments	**61,830**	75,647	**7,524**	2,960
Staff advances	**209**	898	**-**	112
	85,904	165,324	**10,106**	23,301

The non-current other receivables relate to amount due from charterer and is not expected to be recovered within the next 12 months.

As at 31 December 2016, there was no impairment (2015: RM Nil) on other receivables, deposits and prepayments and staff advances. These amounts are interest free, unsecured and have no fixed term of repayment.

26 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries are unsecured and have no fixed term of repayment. These amounts are interest free except for an amount due from a subsidiary of RM500.0 million (2015: RM500.0 million) which bears floating interest rates ranging from 4.40% to 4.74% (2015: 4.69% to 4.86%) per annum. As at 31 December 2016, there was no impairment (2015: RM Nil) on amounts due from subsidiaries.

All balances are non-trade in nature except for an amount of RM330.5 million (2015: RM355.5 million) due from subsidiaries which are trade in nature. Included in the amounts due from subsidiaries is RM78.6 million of dividends receivable (2015: RM Nil million).

The amounts due to subsidiaries classified as current are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

27 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

The movements during the financial year relating to non-current assets classified as held-for-sale are as follows:

	Group	
	2016 RM'000	2015 RM'000
Net book value		
At 1 January	**5,700**	66,481
Transfer from property, plant and equipment (Note 16)	**44,056**	5,700
Transfer to property, plant and equipment (Note 16)	**(9,016)**	(46,619)
Impairment (Note 10)	**(4,416)**	(24,541)
Disposals	**(3,182)**	(9,431)
Exchange differences	**255**	14,110
At 31 December	**33,397**	5,700

28 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	**257,714**	710,376	**4,703**	4,090
Deposits with licensed banks	**2,758,140**	815,342	**63,527**	364,844
	3,015,854	1,525,718	**68,230**	368,934

The weighted average interest rates per annum of deposits with licensed banks that were effective as at the reporting date were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Deposits with licensed banks	**0.78**	2.38	**0.98**	3.97

Bank balances were deposits held at call with banks and earn interest ranging between 0% to 2.6% (2015: 0% to 1.9%).

Included in deposits with licensed banks were RM0.9 million for the Group and the Company (2015: RM0.9 million for the Group and the Company) which have been designated for specific purposes.

Bank deposits are mainly deposits with banks which have high credit-ratings as determined by international credit-rating agencies.

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29 TRADE PAYABLES AND ACCRUALS

	Group 2016 RM'000	Group 2015 RM'000
Trade payables	**207,275**	635,123
Trade accruals	**1,019,797**	663,734
	1,227,072	1,298,857

30 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Advances from customers	**550,792**	19,848	-	-
Other payables	**495,355**	51,004	**5,308**	19,444
Accruals	**83,614**	108,475	**43,018**	40,260
	1,129,761	179,327	**48,326**	59,704
Non-current				
Advances from customers	-	456,820	-	-
Other payables	**97,014**	-	-	-
	1,226,775	636,147	**48,326**	59,704

31 PROVISIONS

	Group	
	2016 RM'000	2015 RM'000
At 1 January	-	-
Additions	**96,942**	-
Accretion of interest	**1,207**	-
At 31 December	**98,149**	-

The provisions are subject to the following maturity period:

	Group	
	2016 RM'000	2015 RM'000
Non-current		
Provision for demobilisation cost	**98,149**	-

Provision for demobilisation cost consists of the net present value of the estimated cost of demobilising the vessel at the end of its useful life.

32 HIRE PURCHASE CREDITORS

	Group	
	2016 RM'000	2015 RM'000
Analysis of hire purchase commitments:		
- payable within one year	**100**	-
- payable between one and two years	**192**	-
- payable between two and five years	**133**	-
	425	-
Less: Interest in suspense	**(50)**	-
	375	-
Representing hire purchase liabilities		
- due within 12 months	**88**	-
- due after 12 months	**287**	-
	375	-

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33 BORROWINGS

	Group	
	2016 RM'000	2015 RM'000
Current		
Term loans - secured	**717,725**	936,737
Term loans - unsecured	**190,670**	174,910
	908,395	1,111,647
Revolving credits - unsecured	**1,578,271**	627,869
Sukuk Murabahah - unsecured [(1)]	**30,393**	30,655
	2,517,059	1,770,171
Non-current		
Term loans - secured	**6,694,379**	2,338,297
Term loans - unsecured	**2,335,600**	2,422,150
Sukuk Murabahah - unsecured [(1)]	**1,499,075**	1,498,936
	10,529,054	6,259,383
Total borrowings	**13,046,113**	8,029,554

(1) The Sukuk Murabahah was issued by Bumi Armada Capital Malaysia Sdn. Bhd. under the Shariah principle of Murabahah (via a Tawarruq arrangement) for the full aggregate nominal value of RM1.5 billion for a tenure of 10 years, at a profit rate of 6.35% per annum.

The weighted contractual interest/profit rates per annum of borrowings that were effective as at the financial year end are as follows:

	Group	
	2016 %	2015 %
Revolving credits	**3.05**	1.51
Term loans	**3.31**	3.19
Sukuk Murabahah	**6.35**	6.35

33 BORROWINGS (CONT'D)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2016							
Unsecured:							
- term loans	Floating rates varies based on cost of funds ("COF")	RM	**275,000**	**182,500**	**92,500**	-	-
	Floating rates varies based on London Interbank Offer Rate ("LIBOR")	USD	**2,251,270**	**8,170**	**1,493,905**	**749,195**	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	**1,529,468**	**30,393**	-	-	**1,499,075**
- revolving credit	Floating rates varies based on LIBOR	USD	**1,578,271**	**1,578,271**	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	**7,362,871**	**690,037**	**842,103**	**2,406,752**	**3,423,979**
	Floating rates varies based on COF	RM	**49,233**	**27,688**	**21,545**	-	-
			13,046,113	**2,517,059**	**2,450,053**	**3,155,947**	**4,923,054**

33 BORROWINGS (CONT'D)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2015							
Unsecured:							
- term loans	Floating rates varies based on cost of funds ("COF")	RM	445,465	170,465	182,500	92,500	-
	Floating rates varies based on London Interbank Offer Rate ("LIBOR")	USD	2,151,595	4,445	-	2,147,150	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	1,529,591	30,655	-	-	1,498,936
- revolving credit	Floating rates varies based on LIBOR	USD	627,869	627,869	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	3,197,891	908,587	438,998	885,707	964,599
	Floating rates varies based on COF	RM	77,143	28,150	27,688	21,305	-
			8,029,554	1,770,171	649,186	3,146,662	2,463,535

The term loans were secured as follows (either single security or combination of securities):

(i) Fixed charges over certain vessels in subsidiaries (Note 16).
(ii) Assignment of insurance policies for the vessels charged in (i) above.
(iii) Assignment of charter proceeds for the vessels charged in (i) above.
(iv) Assignment of ship building contracts for the vessels charged in (i) above.
(v) Corporate guarantee from the Company.
(vi) Shares of certain subsidiaries.

Certain term loans facilities were arranged to finance the construction of vessels of the Group and for working capital purposes.

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34 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2016		2015	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging:				
- Interest rate swaps	**116,108**	**(19,177)**	-	(3,948)
- Cross currency interest rate swaps	**-**	**(728,814)**	-	(673,762)
Total	**116,108**	**(747,991)**	-	(677,710)
Less: Non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	**116,108**	**(76)**	-	202
- Cross currency interest rate swaps	**-**	**(705,665)**	-	(654,971)
	116,108	**(705,741)**	-	(654,769)
Current portion	**-**	**(42,250)**	-	(22,941)

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

As at 31 December 2016, the net derivative financial liabilities of the Group amounted to RM631.9 million (2015: RM677.7 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM45.8 million from the previous financial year ended 31 December 2015, a net amount of RM36.5 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM9.3 million was recycled to the profit or loss which was included in administrative expenses for cross currency interest rate swaps and finance cost for interest rate swaps.

RM86.3 million was reclassified to the statements of profit or loss to offset the foreign exchange losses which arose from the weakening RM against USD, and RM3.0 million was recycled to the profit or loss. This has resulted in a decrease in the credit balance of the cash flow hedging reserve as at 31 December 2016 by RM125.8 million.

As at 31 December 2015, the Group recognised derivative financial liabilities of RM677.7 million (2014: RM181.8 million) on re-measuring the fair value of the derivative financial instruments. Of the increase of the RM495.9 million from the previous financial year, an amount of RM488.8 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interest, of which RM356.4 million was recycled to profit or loss which RM15.2 million was recorded as fair value loss from derivative financial instruments through profit or loss.

The Group's cash flow hedging reserve as at 31 December 2016 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedge accounting. The gains and losses recognised in the cash flow hedging reserve will be released to the profit or loss within finance cost over the period of the underlying borrowings.

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34 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(a) Cross currency interest rate swaps

A subsidiary whose functional currency is in USD had entered into cross currency interest rate swaps used to manage its floating interest rate term loans denominated in RM as disclosed in Note 33.

At 31 December 2016, the fixed interest was 2.85% (2015: 2.85%) per annum and the main floating rate was cost of funds ("COF") plus a margin of 1.75% (2015: COF plus a margin of 1.75%) per annum. The swaps mature on 24 May 2018.

Another subsidiary whose functional currency is in RM had entered into cross currency interest rate swaps to manage forecasted USD receipts that are highly probable.

The notional principal amounts of the outstanding cross currency interest rate swaps at 31 December 2016 were RM1,549.0 million (2015: RM1,576.7 million).

(b) Interest rate swaps

The notional principal amounts of interest rate swap contracts used to manage the floating interest rate risk arising from term loans were RM5,228.4 million (2015: RM1,204.3 million). These interest rate swap contracts receive fixed interest rate ranging from 0.99% to 4.69% (2015: 0.99% to 4.69%) per annum and have the same maturity terms as the bank borrowings.

35 SHARE CAPITAL

		Group and Company			
		Number of shares		Nominal value	
	Par value	2016	2015	2016	2015
	RM	'000	'000	'000	'000
Authorised:					
Ordinary shares					
At 1 January/At 31 December	0.20	**10,000,000**	10,000,000	**2,000,000**	2,000,000
Issued and fully paid:					
Ordinary shares					
At 1 January/At 31 December	0.20	**5,866,269**	5,866,269	**1,173,253**	1,173,253

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36 EMPLOYEE SHARE OPTION SCHEME

The Company implemented an Employees' Share Option Scheme ("ESOS" or "Scheme") which came into effect on 28 June 2011 for a period of 10 years to 27 June 2021. The ESOS is governed by the By-Laws which were approved by the shareholders on 18 June 2011. The main features of the Scheme are as follows:

(a) An eligible employee shall pay a sum of RM1.00 as consideration for acceptance of that offer. An option shall be exercisable at a price which is the weighted average of the market price quotation of the shares for the five (5) market days immediately preceding the date on which the options are granted, rounded to the nearest sen, or the par value of the shares, whichever is higher.

(b) Unless otherwise determined by our Board (or such other committee appointed by our Board to administer the ESOS). Each option shall become exercisable, to the extent of one-third of the shares covered thereby, on each of the first three (3) anniversaries of the date of grant, if the holder of such option shall have been in the continuous service of the Company or subsidiaries that are not dormant throughout such period. No options shall be exercisable if the exercise of such options would violate any provision of applicable laws, nor shall any options be exercisable more than ten (10) years from the date on which the Scheme became effective.

(c) No option shall be granted pursuant to the ESOS on or after the 10th anniversary of the date on which the Scheme became effective.

(d) The new shares issued upon the exercise of an option will be subject to all the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LR") and shall rank pari passu in all respects with the then existing issued ordinary shares of the Company, save that they will not entitle the holders thereof to receive any rights or bonus issue or dividends or distributions the entitlement date of which precedes the date of the issue of such new shares.

(e) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual employee or Executive Director who, either singly or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company. The Company is in compliance with the requirements with regards to the options granted to the Directors and senior management during the financial year.

The fair value as at the grant date of share options granted in the prior financial year was determined using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

	2014
Dividend yield (%)	0.78% to 1.66%
Expected volatility (%)	27.1% to 29.8%
Risk-free interest rate (%)	3.11% to 3.57%
Expected life of option (years)	1 to 4 years
Share price at date of grant (RM)	1.83 to 2.39
Exercise price of option (RM)	1.83 to 2.39
Fair value of option at date of grant (RM)	0.26 to 0.50

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36 EMPLOYEE SHARE OPTION SCHEME (CONT'D)

The expected average life of options is based on historical information, which may not necessarily be indicative of the future exercise pattern that may occur. The expected volatility reflects the assumptions based on the historical volatility on the assumptions that this is indicative of future trends which may also not necessarily be the actual outcome.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price per share option (RM)	Options ('000)	Average exercise price per share option (RM)	Options ('000)
At 1 January	**2.11**	**94,969**	2.14	112,957
Forfeited	**2.18**	**(48,902)**	2.24	(17,988)
At 31 December	**2.31**	**46,067**	2.11	94,969

Out of the 46,067,088 outstanding options (2015: 94,969,255 outstanding options), 36,647,979 options (2015: 74,643,011 options) were exercisable as at the end of the reporting period.

There were no options exercised in the financial year ended 31 December 2016 and 31 December 2015.

Share options outstanding at end of the financial year have the following expiry dates and exercise prices:

Grant/Vest	Expiry date	Exercise price in RM per share option	Share options ('000)	
			2016	2015
2011/2012	2016	1.82	-	935
2011/2013	2016	1.82	-	1,979
2011/2014	2016	1.82	-	13,388
2011/2015	2016	1.82	-	22,574
2012/2013	2017	2.25	**2,685**	3,725
2012/2014	2017	2.25	**2,988**	4,028
2012/2015	2017	2.25	**3,984**	5,371
2013/2013	2018	2.27/2.28	**3,859**	3,859
2013/2014	2018	2.27/2.28/2.43	**3,859**	4,606
2013/2015	2018	2.27/2.28/2.43	**5,145**	5,892
2013/2016	2018	2.43	-	996
2014/2015	2019	1.83/2.39	**7,064**	8,284
2014/2016	2019	1.83/2.39	**7,064**	8,284
2014/2017	2019	1.83/2.39	**9,419**	11,048
			46,067	94,969

With the establishment of the Management Incentive Plan (Note 37), the Company has ceased awarding further options under the Scheme during the financial year.

37 MANAGEMENT INCENTIVE PLAN

The Company established a Management Incentive Plan (“MIP” or “the Plan”) which came into effect on 10 October 2016 for a period of 10 years to 9 October 2026 and is administered by the MIP Committee. The MIP is governed by the By-Laws which were approved by the Shareholders on 23 May 2016.

The main features of the Plan are as follows:

(a) The grant of shares is subjected to certain vesting conditions and after fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. The MIP Committee may in its absolute discretion permit the vesting of the unvested shares (or any part thereof) to the MIP participant subject to such terms and conditions as may be prescribed notwithstanding that:

 (i) The vesting date is not due or has not occurred; and/or
 (ii) Other terms and conditions set forth in the Grant have not been fulfilled/satisfied.

(b) The new shares to be allotted and issued pursuant to the vesting of the Grant under the MIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued Shares. The new Shares to be allotted and issued pursuant to the vesting of the Grant under the MIP shall not be entitled to any voting rights, dividends, rights, allotments, distributions and/or any other entitlements, for which the entitlement date is prior to the date on which the new Shares are credited into the CDS Accounts of the respective Grantees.

(c) The maximum number of the Company’s shares which may be made available under the Plan shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 10% of the total number of shares of the Company (excluding treasury shares) at any point of time within the duration of the MIP for a period of 10 years commencing from 10 October 2016 during the MIP period (“Maximum Shares”).

(d) The maximum number of shares that are to be allocated to any one category or designation of selected employees shall be determined by the MIP Committee from time to time. The allocation to any individual selected employee who, either singly or collectively through persons connected with him/her, holds 20% or more of the total number of shares of the Company (excluding treasury shares), shall not exceed 10% of the Maximum Shares.

As at the end of the financial year, the Company has yet to grant any shares under the Plan.

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38 RESERVES

(a) Share premium

Share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above the nominal value.

(b) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities that have functional currency different from the Group's presentation currency.

(c) Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options by the Company. The fair value, measured at grant date of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

(d) Hedging reserve

The hedging reserve comprises the effective portion of the fair value changes on derivatives under cash flow hedges.

(e) Other reserves

Other reserves represent the preference share redemption reserve for the Company and a subsidiary amounting to RM0.3 million (2015: RM0.3 million), fair value change in available-for-sale financial assets amounting to RM7.4 million (2015: RM Nil) and fair value change of a call option granted to a former executive director of RM6.3 million (2015: RM6.3 million).

39 COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i) Capital expenditure for property, plant and equipment not provided for in the financial statements				
- authorised and contracted	**1,143,530**	1,212,538	**353**	-
- authorised but not contracted	**827,809**	3,885,120	**-**	-
	1,971,339	5,097,658	**353**	-
(ii) Commitments for amounts payable under operating leases for rental of premises:				
- payable within one year	**4,172**	13,298	**656**	8,096
- payable later than one year and not later than five years	**9,111**	10,992	**1,263**	2,842
- payable later than five years	**2,529**	7,049	**-**	-
	15,812	31,339	**1,919**	10,938

The Group and the Company have entered into lease arrangements (classified as operating leases) for office premises with durations varying from 1 to 8 years and 1 to 4 years respectively (2015: 1 to 9 years and 1 to 2 years respectively).

40 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of the Group and the Company are:

(a) Subsidiaries

Details of the subsidiaries are shown in Note 17.

(b) Joint ventures

Details of the joint ventures shown in Note 9.

(c) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include Directors of the Company and certain members of senior management of the Company and of the Group.

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40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

Usaha Tegas Sdn. Bhd. ("UTSB") is a party related to the Company by virtue of its substantial equity interest in Objektif Bersatu Sdn. Bhd. ("OBSB"), a substantial shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have an interest in the shares of the Company through UTSB's deemed interest in OBSB, they do not have any economic or beneficial interest in such shares as such interest is held subject to the terms of such discretionary trust.

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions agreed with related parties.

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i)	Transactions with UTSB Management Sdn. Bhd. [(1)]				
	- management fees	**9,844**	11,623	**9,844**	11,623
(ii)	Telecommunication expenses to				
	- Maxis Berhad [(2)]	**481**	1,974	**-**	680
	- Maxis Broadband Sdn. Bhd. [(2)]	**1,192**	-	**197**	-
(iii)	Rental to Malaysian Landed Property Sdn. Bhd. [(3)]	**8,004**	7,713	**8,002**	7,039
(iv)	Management and engineering assistance services charged to joint ventures	**120,772**	4,385	**-**	-
(v)	Transaction with key management:				
	Key management personnel compensation:				
	- Non-Executive Directors fees	**2,252**	2,763	**2,252**	2,763
	- salaries, bonus, allowances and other staff related costs	**10,248**	8,266	**9,468**	7,486
	- defined contribution plan	**1,272**	1,797	**1,178**	1,703
	- share-based payment	**1,105**	2,038	**1,105**	2,038
(vi)	Central overhead fees charged/(reversed)				
	- subsidiaries	**-**	-	**201,256**	237,054
	- joint ventures	**15,754**	(8,048)	**15,754**	(8,048)
(vii)	Payment on behalf of:				
	- subsidiaries	**-**	-	**31,550**	1,481,612
	- joint ventures	**27,909**	14,974	**1,281**	5,194
(viii)	Repayment on behalf by subsidiaries	**-**	-	**(42,895)**	(174,610)

(1) Subsidiary of UTSB, a substantial shareholder of the Company.
(2) Subsidiary of a joint venture, in which UTSB has a significant equity interest.
(3) Subsidiary of a company in which TAK has a 100% equity interest.

41 FAIR VALUES

The carrying amounts of financial assets and financial liabilities of the Group and the Company at the reporting date approximated their fair values except as set out below:

Group	Carrying amount		Fair value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate Sukuk Murabahah (Note 33)	**1,529,468**	1,529,591	**1,485,270**	1,483,474

The fair value of fixed rate Sukuk Murabahah is within Level 3 of the fair value hierarchy.

The Group estimates the fair value of fixed rate Sukuk Murabahah and amounts due from joint ventures by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The discount rates to determine fair value of fixed rate Sukuk Murabahah and amounts due from joint ventures range between 5.86% and 6.51% respectively (2015: 4.00% and 6.52% respectively).

The Group believes that its estimate of fair value is appropriate and the use of different methodologies or assumptions could lead to different measurement of fair value.

42 CONTINGENT LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank guarantees extended to third parties	**708,794**	1,134,677	**458,901**	892,783
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**-**	-	**12,867,557**	7,188,911
	708,794	1,134,677	**13,326,458**	8,081,694

Total borrowings, of which corporate guarantees are given, are disclosed above. The fair value on initial recognition of corporate guarantees was not material as the possibility of default by subsidiaries is negligible.

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the subsidiaries. The Company believes that the financial guarantee contracts are unlikely to be called by the subsidiaries' banks.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM12,867.7 million as at 31 December 2016 (2015: RM7,188.9 million). The earliest period the financial guarantee can be called upon by the banks is within the next 12 months. The Company believes that the liquidity risk in respect of the financial guarantees is minimum as it is unlikely that the subsidiary companies will not make payment to the banks when their respective borrowings fall due.

43 MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2016, neither our Company nor any of our subsidiaries is involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries:

In the Supreme Court of Western Australia between Armada Balnaves Pte. Ltd. and Woodside Energy Julimar Pty Ltd.

The matter arose out of a dispute between Armada Balnaves Pte. Ltd. ("ABPL"), our wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd. ("WEJ") in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 ("Contract"). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered that this purported termination by WEJ was tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia ("Supreme Court") against WEJ for, inter alia, (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ's breach of the Contract.

Subsequently, on 20 April 2016, ABPL filed its Statement of Claim in the Supreme Court against WEJ claiming for damages in general for WEJ's repudiation of the Contract, and the amount of such damages has been quantified by ABPL to include the sum of USD275.8 million (being the amount of the termination payment to which ABPL is entitled had the Contract been terminated without breach) plus any additional damages for loss of bargain caused to ABPL as a consequence of WEJ's repudiation of the Contract. ABPL is also claiming for the additional sum of USD7.7 million for work done and materials supplied pursuant to the Contract. WEJ had, on 2 June 2016, filed its defence to ABPL's Statement of Claim. The matter is currently progressing towards trial. No date for trial has been fixed yet.

The management is of the view that there are reasonable grounds to expect a favourable outcome in respect of ABPL's claims with regards to the said repudiation by WEJ of the Contract. Notwithstanding the foregoing, the award of damages in the event of a favourable outcome is subject to final determination by the Supreme Court.

44 FINANCIAL INSTRUMENTS BY CATEGORY

Analysis of the financial instruments for the Group is as follows:

	Derivatives used for hedging RM'000	Available-for-sale RM'000	Loans and receivables RM'000	Total RM'000
At 31 December 2016				
Financial assets:				
Derivative financial instruments	**116,108**	-	-	**116,108**
Available-for-sale financial assets	-	**22,884**	-	**22,884**
Trade receivables	-	-	**632,956**	**632,956**
Other receivables excluding deposits and prepayments	-	-	**73,149**	**73,149**
Amounts due from joint ventures	-	-	**354,502**	**354,502**
Deposits, cash and bank balances	-	-	**3,015,854**	**3,015,854**
	116,108	**22,884**	**4,076,461**	**4,215,453**

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2016			
Financial liabilities:			
Trade payables and accruals	-	**1,227,072**	**1,227,072**
Other payables and accruals	-	**675,467**	**675,467**
Hire purchase creditors	-	**375**	**375**
Borrowings	-	**13,046,113**	**13,046,113**
Amounts due to joint ventures	-	**36,562**	**36,562**
Derivative financial instruments	**747,991**	-	**747,991**
	747,991	**14,985,589**	**15,733,580**

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44 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Analysis of the financial instruments for the Group is as follows (cont'd):

	Available-for-sale RM'000	Loans and receivables RM'000	Total RM'000
At 31 December 2015			
Financial assets:			
Available-for-sale financial assets	20,240	-	20,240
Trade receivables	-	513,349	513,349
Other receivables excluding deposits and prepayments	-	89,677	89,677
Amounts due from joint ventures	-	216,674	216,674
Deposits, cash and bank balances	-	1,525,718	1,525,718
	20,240	2,345,418	2,365,658

	Other financial liabilities at amortised costs RM'000	Derivatives used for hedging RM'000	Total RM'000
At 31 December 2015			
Financial liabilities:			
Trade payables and accruals	1,298,857	-	1,298,857
Other payables and accruals	151,009	-	151,009
Borrowings	8,029,554	-	8,029,554
Amounts due to joint ventures	25,189	-	25,189
Derivative financial instruments	-	677,710	677,710
	9,504,609	677,710	10,182,319

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instrument traded in active market is based on quoted market price at the balance sheet date. This instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows are used to determine fair value for the derivative financial instruments. The fair value of cross currency interest rate swaps and interest rate swaps are calculated as the present value of the estimated future cash flows.

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2016:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	**116,108**	-	**116,108**
Available-for-sale financial assets	**22,884**	-	-	**22,884**
Amounts due from joint ventures	-	-	**354,502**	**354,502**
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	**(728,814)**	-	**(728,814)**
- Interest rate swaps	-	**(19,177)**	-	**(19,177)**

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2015:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Available-for-sale financial assets	20,240	-	-	20,240
Amounts due from joint ventures	-	-	216,674	216,674
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(673,762)	-	(673,762)
- Interest rate swaps	-	(3,948)	-	(3,948)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Analysis of the financial instruments for the Company is as follows:

	2016 RM'000	2015 RM'000
Financial assets classified as loans and receivables:		
Other receivables excluding deposits and prepayments	**2,582**	20,341
Amounts due from subsidiaries	**3,074,077**	3,390,999
Amounts due from joint ventures	**45,111**	53,278
Deposits, cash and bank balances	**68,230**	368,934
	3,190,000	3,833,552
Financial liabilities classified at amortised costs:		
Other payables and accruals	**48,326**	59,704
Amounts due to subsidiaries	**198,055**	1,140,872
Amount due to joint venture	**134**	227
	246,515	1,200,803

It was not practical to estimate the fair value of the Group's and the Company's investment in unquoted preference shares due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amounts of financial instruments of the Group and the Company with a maturity of less than one year at the reporting date are assumed to be approximate their fair values.

45 SIGNIFICANT AND SUBSEQUENT EVENTS

During the financial year, an Amendment Agreement was signed between Armada Kraken Pte. Ltd. ("AKPL"), a subsidiary of the Company, with the charterers of the FPSO to be deployed at the Kraken Field at the United Kingdom Sector of the North Sea ("Field"). Salient features of the Amendment Agreement are as follows:

(1) AKPL's 8-year FPSO contract for deployment at the Field is subsisting and the Company is continuing work on the same;

(2) The charter rates and the charter term under the FPSO contract remain unchanged; and

(3) New key dates were agreed with the charterers, including a new sail away date and scheduled first production date ("Backstop Date").

As a result of the Amendment Agreement, the Group recognised supplementary payments (included in other payables) for the Kraken FPSO project during the financial year, and agreed to partial reimburse an upfront amount previously paid by the charterers commencing from the first half of 2017.

45 SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

As at the date of approval of the financial statements, the Group is negotiating a new backstop date for the commissioning and acceptance of the FPSO with the charterers, and have agreed in principle on the following:

(1) The charterers will not terminate, or exercise their purchase option by reason of delay before 15 July 2017, or on the first production date (whichever is earlier);

(2) The charter rates of the FPSO contract remain unchanged; and

(3) There would be no extension to the contract period.

As a result, the Group recognised additional supplementary payments (included in other payables) as an adjusting event after the financial year end. The Group expects to finalise the above principles before 17 April 2017. The Group and the charteres are fully aligned with regards to the project delivery and achieving first production date.

46 COMPARATIVE FIGURES

The following comparative figures of the Group have been reclassified to conform with current financial year's presentation, which more appropriately reflects the nature of relevant transactions.

Group	As previously reported 31.12.2015 RM'000	Effects of reclassification RM'000	As restated 31.12.2015 RM'000
Statement of Income			
Cost of sales	(1,766,197)	7,780	(1,758,417)
Selling and distribution costs	(27,735)	11,966	(15,769)
Administrative expenses	(153,582)	(19,746)	(173,328)
Consolidated Statement of Financial Position			
Non-current assets			
Investments in joint ventures	535,842	47,669	583,511
Amounts due from joint ventures	62,656	(47,669)	14,987

Certain expenses previously classified as cost of sales, have been reclassified to selling and distribution costs and administrative expenses.

Certain investment in joint ventures have been reclassified to amount due from joint ventures to appropriately reflect the nature of the balances.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 10 April 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

48 SUPPLEMENTARY INFORMATION

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the Main Market Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and subsidiaries				
- realised	**(610,418)**	1,428,577	**467,833**	309,860
- unrealised	**15,829**	52,498	**5,459**	9,265
	(594,589)	1,481,075	**473,292**	319,125
Total share of retained earnings from joint ventures				
- realised	**388,889**	287,541	**-**	-
- unrealised	**(44,147)**	(29,763)	**-**	-
	344,742	257,778	**-**	-
Total retained earnings	**(249,847)**	1,738,853	**473,292**	319,125

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by Bursa Securities and should not be used for any other purpose.

The disclosure of realised and unrealised retained earnings has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Main Market Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Leon Andre Harland and Shaharul Rezza bin Hassan, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 87 to 183 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 April 2017.

LEON ANDRE HARLAND
DIRECTOR

SHAHARUL REZZA BIN HASSAN
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Pierre Philippe Georges Savy, being the officer primarily responsible for the financial management of Bumi Armada Berhad, do solemnly and sincerely declare that the financial statements set out on pages 87 to 183 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

PIERRE PHILIPPE GEORGES SAVY

Subscribed and solemnly declared by the above named Pierre Philippe Georges Savy in Kuala Lumpur on 10 April 2017, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Bumi Armada Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 183.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of vessels *Refer to Note 2.4 – Significant accounting policies, Note 3.2 – Critical accounting estimates and judgements, Note 16 – Property, plant and equipment*	
Given the lack of recovery in the market, management had performed an impairment assessment of its vessels which were affected by the downturn. This was predominantly the Offshore Marine Services ("OMS") segment where certain vessels do not have long term charter contracts, but spot or short charter contracts. The carrying amounts of the vessels were written down to the respective recoverable amounts, which is the higher of the fair value less costs of disposal and the value in use. Management engaged external independent valuers to determine the fair value of vessels with impairment indicators. The existence of significant estimation and judgement to arrive at fair value and value in use, is why we have given specific audit focus and attention to this area. The details of the significant estimates and judgement used by management have been disclosed in Note 3.2 to the financial statements.	In relation to the fair value of the vessels estimated by the valuers, we held discussions with both the valuers and management to understand the methods and assumptions used in arriving at the fair value of the vessels. From our discussions with management and the valuers, we noted considerations were made to each vessel's individual specifications when estimating the fair value. We considered the valuers' objectivity and expertise based on their experience and reputation. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised. In relation to the value in use for certain vessels, we evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows, i.e. future vessel utilisation and charter rates. We held discussions with management on future prospects of the OMS business and industry outlook on the OMS segment, in particular the anticipated period for oil and gas market to recover. We also corroborated the industry outlook on the OMS segment with external industry reports. Based on our procedures, the key assumptions were materially in line with our expectations.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Delay in the Kraken FPSO project in meeting the Backstop date *Refer to Note 2.12 & 2.13 – Significant accounting policies, Note 3.1 & 3.7 – Critical accounting estimates and judgements, Note 4 – Financial risk management objectives and policies, Note 6 – Revenue, Note 45 – Significant and subsequent events*	
An Amendment Agreement was signed during the year between Armada Kraken Pte. Ltd. ("AKPL"), a subsidiary of Bumi Armada Berhad, with the charterers of the floating production, storage and offloading vessel ("FPSO") to be deployed at the Kraken Field at the United Kingdom Sector of the North Sea ("Field"). The key terms are as disclosed in Note 45 to the financial statements. As at the date of approval of the financial statements, the Kraken FPSO project is progressing (riser and umbilical hook up have been completed). The Group is negotiating with the charterers to revise the backstop date of 1 April 2017 for first production, failing which the charterers have the right to terminate the charter. As at the date of approval of the financial statements, the Group and the charterers have agreed in principle on a new backstop date of 15 July 2017. Please refer to Note 45 of the financial statements for further details. One of the consequence of a termination by the charterers is the repayment of the term loan to the lenders if lenders serve a notice of default.	Revenue recognition We read the terms of the Amendment Agreement and evaluated the financial impact to the change in milestone dates to the FPSO charter. Correspondingly, we considered management's accounting over liquidated damages and supplemental payments arising from any delays in fulfilling the terms of the Amendment Agreement based on management's assessment of the anticipated new Backstop Date. We also corroborated our understanding of contractual terms through discussions with the Legal Department on their assessment of AKPL's obligations. We discussed with management to understand progress of projects and its related cost estimates to assess whether there was any related impact to forecasted costs to complete and contractual obligations. We validated project budgetary controls and tested approval over changes in cost estimates. Based on the procedures performed above, we did not find any material exceptions in revenue recognition. Liquidity position of the Group We had discussions with the Chief Executive Officer, Chief Financial Officer, Head of Legal to understand: ▪ Action plans in mitigating the delay and achievability of the new Backstop Date being negotiated; and ▪ Status of negotiations with the charterers and lenders on the consequences of delay. We read minutes of discussions between the legal counsels of the charterers and lenders with management on the status of negotiations as at the date of approval of financial statements, assess whether management's present assessment that the outflow of resources based on the various outcomes anticipated, had a material impact to the liquidity position of the Group for the next 12 months from the date of approval of the financial statements.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Delay in the Kraken FPSO project in meeting the Backstop date (cont'd)	
With regards to the above, the Directors have considered the impact of various outcomes on the liquidity position of the Group, taking into account the Group's forecast cash requirements and the funding sources available to the Group to meet its debt service obligation over the next 12 months from the date of approval of the financial statements. Please refer to Note 4 of the financial statements for further details. Given the contractual right for termination by the charterers and the consequent potential for the lenders to serve a notice of default and seek repayment of the loan thereafter, we gave audit focus in considering the financial implications of the terms of the Amendment Agreement on the Group's conversion revenue recognition and the ability of the Group to meet its obligations as and when it arise.	We have also tested Group's cash flow forecast for the next 12 month from the date of approval of the financial statements to assess the reasonableness of management's assessment that the Group is not likely to have any event of default declared on its debt service obligations arising from various outcomes of the ongoing negotiations, taking into consideration sources of funding available to the Group to meet its obligations as and when they arise. Based on the procedures performed, we found the assessment made by management in relation to the liquidity position of the Group to be reasonable.
Termination of services agreement relating to FPSO vessel Armada Claire to Woodside Energy Julimar Pty. Ltd. ("Woodside") and the potential financial impact *Refer to Note 16 – Property, plant and equipment, Note 19 – Accrued lease rentals, Note 43 – Material litigation*	
In March 2016, Woodside, the charterer of a Floating Production Storage and Offloading ("FPSO") vessel – Armada Claire terminated the services agreement with a subsidiary of the Group, Armada Balnaves Pte. Ltd. ("ABPL"). The vessel was subsequently demobilised. The termination of contract was an indication of impairment to the carrying amount of the vessel and the recoverability of the amounts in relation to the contract, by ABPL, which has been assessed as follows: <u>Recoverability of the carrying amount of the vessel</u> Management conducted an impairment assessment over the carrying amount of the said vessel. An impairment was recorded during the current financial year as disclosed in Note 16 based on an independent valuation report provided by an external valuer dated 12 April 2016. An updated valuation report dated 27 March 2017 was provided by the external valuer specifying the fair value as at balance sheet date, indicating no further impairment. We gave audit focus to the key assumptions used in determining the recoverable amount of the vessel based on its fair value less costs of disposal as it involved significant judgement.	<u>Recoverability of the carrying amount of the vessel</u> In respect of both valuations, we discussed the key assumptions and valuation methodology with the independent valuer to understand the basis of the valuation and the assumptions considered. We had also checked the independence and credentials of the valuer. We held discussions with the management of the Group, Audit Committee and Board of Directors on the key assumptions underlying the valuation of the vessel in particular the probability of redeployment and the market outlook for FPSO. Based on the procedures performed above, we did not find any material exceptions to the assumptions and methodology used by the valuer in estimating the vessel's recoverable amount.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Termination of services agreement relating to FPSO vessel Armada Claire to Woodside Energy Julimar Pty. Ltd. ("Woodside") and the potential financial impact (cont'd)	
Recoverability of amounts in relation to the contract	Recoverability of amounts in relation to the contract
The Group, having evaluated its contractual position including an independent due diligence review, has taken the view that the termination was unlawful and ABPL is therefore contractually entitled to compensation claims as stated in the services agreement. Management has taken into consideration the probability of receiving the compensation claims and the estimated amount receivable in assessing the recoverability of the amounts in relation to the contract and concluded that there was no impairment on these amounts. We gave audit focus to this area in view of judgement involved surrounding the purported termination of the services agreement.	We held discussions with senior management personnel, and read materials provided by management and experts with direct knowledge of the matter engaged by management, to understand the latest status and ABPL's contractual rights based on the contract. We found the information provided and the discussions with the parties described above to be consistent with management's assessment of the recoverability of the amount.
Recoverability of trade receivables *Refer to Note 2.5 – Significant accounting policies, Note 3.3 – Critical accounting estimates and judgements and Note 24 – Receivables* The Group's total gross receivables as at 31 December 2016 was RM1,035 million. Of this amount, RM91 million has been provided for as impairment loss during the financial year. In doing so, management of the Group has applied judgment in assessing the credit risk of their customers to arrive at the present value of the estimated future cash flows in calculating the impairment loss of the affected trade receivables. We gave audit focus and attention to this area considering the material amounts involved and significant management judgment required over the timing and amount of repayments due to the downturn in the oil and gas industry which affected the Group's customers.	We have examined management's correspondences with customers for those with impairment indicators and held discussions with management on the status of their negotiations with those customers. We have also examined the historical collection trends from these customers. We further checked the subsequent receipts of the affected customers received after year end to corroborate the reasonableness of management's assumptions on the expected timing and quantum of future cash flows of these customers. We found management's assessment of its trade receivables' recoverability to be materially consistent with the supporting information provided to us.

INDEPENDENT AUDITORS' REPORT
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Bumi Armada Berhad - Assessment of recoverability of amounts due from subsidiaries and cost of investments in subsidiaries *Refer to Note 2.3, 2.5 – Significant accounting policies, Note 3.2, 3.3 – Critical accounting estimates and judgement and Note 17 and 26 – Investment in subsidiaries and amounts due from subsidiaries*	
Company The Company's investments in subsidiaries and amounts due from subsidiaries amounted to RM1.7 billion and RM3.1 billion, respectively. During the current financial year, the Group is undergoing an internal realignment of its holding structure for its various subsidiaries to streamline its business operations. As part of this, certain directly held subsidiaries of the Company were transferred to intermediary subsidiary holding companies and amounts owing by the Company's subsidiaries were novated to the respective intermediary subsidiary holding companies as disclosed in Note 17. We focused on the impairment assessment of the above balances given the significant estimates involved in determining the future cash flow of the subsidiaries.	Cost of investments in subsidiaries We held discussions with management to understand the underlying assumptions of the respective future cash flows in determining the recoverable amount of the investments. We examined the key assumptions used in estimating operational cash flows of each subsidiary, in particular contractual and estimated revenue, estimated utilisation and charter rates of vessels. These key assumptions were corroborated against historical trends and revenue agreements. The estimated financing and tax cash flows were deducted from the estimated operational cash flows to assess the cash flow available for dividends. Amounts due from subsidiaries We held discussions with management to understand the underlying assumptions of the respective future cash flows used. We examined the assumptions that affect the amount and timing of cash flows available to the subsidiaries for repayment of the amounts due. These assumptions are contractual and estimated revenue, estimated utilisation and charter rates of vessels. We have also considered other contractual obligations of the subsidiaries to pay cash that have priority for repayment over the amounts due. Based on the above, our evaluation of the recoverability of the said amounts is materially consistent with management's assessment, considering the internal realignment plan in place.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report, Statement of Risk Management and Internal Controls and other sections of the 2016 Annual Report, which we obtained prior to the date of this auditors' report. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT
to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

to the Members of Bumi Armada Berhad
(Incorporated in Malaysia)
(Company No. 370398 X)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 48 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SUBATHRA GANESAN
03020/08/2018 J
Chartered Accountant

Kuala Lumpur
10 April 2017