

Staying
Focused

Weathering
Challenges

Annual Report 2015

CONTENTS

p. **02**

Notice of Thirteenth
Annual General
Meeting

p. **06**

About Us

p. **08**

Corporate
Information

p. **09**

Corporate Structure

p. **10**

Board of Directors

p. **24**

Chairman's
Statement

p. **34**

Corporate Calendar
2015

p. **36**

Statement
on Corporate
Governance

p. **49**

Statement on Risk
Management and
Internal Control

p. **53**

Audit Committee
Report


p. **165**

Analysis of
Shareholdings

p. **167**

Thirty Largest
Shareholders

Form of Proxy



p. **12**

Profile of Directors

p. **20**

Profile of Management Team

Vision

To be the **global symbol** of **excellence** across our offered services through **safe, efficient** and **high quality solutions**.

p. **57**

Additional Compliance Information

p. **59**

Financial Statements

Mission

01

Ensuring full compliance to the highest standards of health and safety within our operations and workplace.

02

Becoming a customer focused organisation in delivering superior services.

03

Continually improving in all aspects of our business and operations.

04

Developing a high performing workforce with emphasis on the development of local competencies.

05

Meeting the highest standards of corporate governance and international best practices.



Notice of Thirteenth Annual General Meeting



NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting ("13th AGM") of PERISAI PETROLEUM TEKNOLOGI BHD ("Perisai" or the "Company") will be held at Mahkota Ballroom II, Hotel Istana Kuala Lumpur City Centre, 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Friday, 24 June 2016 at 10.00 a.m. to transact the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.
Please refer to Note A
2. To approve the payment of Directors' fees for the financial year ended 31 December 2015.
Ordinary Resolution 1
3. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-
 - (a) Adarash Kumar A/L Chranji Lal Amarnath
Ordinary Resolution 2
 - (b) D.Y.A.M. Raja Puan Muda Perak Dato' Seri DiRaja Tunku Soraya Binti Tuanku Abdul Halim
Ordinary Resolution 3
4. To re-appoint Dato' Anwarrudin Ahamad Osman who retires pursuant to Section 129 of the Companies Act, 1965 and to hold office until the conclusion of the next Annual General Meeting ("AGM") of the Company.
Ordinary Resolution 4
5. To re-appoint Dato' Dr. Mohamed Ariffin Bin Hj. Aton who retires pursuant to Section 129 of the Companies Act, 1965 and to hold office until the conclusion of the next AGM of the Company.
Ordinary Resolution 5
6. To re-appoint Messrs Baker Tilly AC as Auditors of the Company and to authorise the Directors to fix their remuneration.
Ordinary Resolution 6

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions:-

7. PROPOSED RENEWAL OF AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

“THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company thereat AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad.”

Ordinary Resolution 7

8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

“THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (the “Group”) to enter into and give effect to the specified recurrent related party transactions of a revenue or trading nature with the specified classes of related parties as set out in Section 2.3 of the Circular to Shareholders dated 29 April 2016 (the “Circular”), provided that:-

- (i) such arrangements and/or transactions are necessary for the Group’s day-to-day operations;
- (ii) such arrangements and/or transactions undertaken are in the ordinary course of business, at arm’s length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public;
- (iii) such arrangements and/or transactions are not detrimental to the non-interested shareholders of the Company; and
- (iv) the disclosure is made in the Annual Report on the aggregate value of transactions conducted pursuant to the shareholders’ mandate during the financial year in relation to:-
 - (a) the related transacting parties and their respective relationship with the Company; and
 - (b) the nature of the recurrent transactions.

AND THAT such authority shall continue to be in force until:-

- (i) the conclusion of the next AGM of the Company following the general meeting at which such mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting of the Company,

Notice of Annual General Meeting

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.”

Ordinary Resolution 8

9. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

BY ORDER OF THE BOARD

FINTON TUAN KIT MING (LS 0008941)
HOOI SOOK HAN (MAICSA 7026472)
Company Secretaries

Kuala Lumpur
29 April 2016

Note A:

This Agenda item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 do not require formal approval of the audited financial statements by the shareholders and hence it is not put forward for voting.

Note B: Explanatory Note on Ordinary Resolution 4:

In line with Recommendation 3.1 of the Malaysian Code of Corporate Governance 2012, the Board has assessed the independence of all its Independent Directors including Dato' Anwarrudin Ahamad Osman who is seeking re-appointment pursuant to Section 129 of the Companies Act, 1965 at the forthcoming 13th AGM. The annual assessment is disclosed in the Statement on Corporate Governance of the Company's 2015 Annual Report.

Note C: Explanatory Notes on Special Business:-

Ordinary Resolution 7

The proposed Ordinary Resolution 7 is to seek the shareholders' approval on the renewal of the general mandate for the issuance of shares by the Company under Section 132D of the Companies Act, 1965. If the resolution is duly passed, it is primarily to give flexibility to the Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/diversification proposals involves the issuance of new shares, the Directors, under certain circumstances when the opportunity arises, would have to convene a general meeting to approve the issuance of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issuance of shares, it is thus considered appropriate that the Directors be empowered to issue shares in

the Company, up to any amount not exceeding in total 10% of the issued share capital of the Company for the time being, for such purposes. The renewed authority will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

As at the date of this Notice, 29,482,000 new ordinary shares of RM0.10 each in the Company were issued at an average issue price of RM0.2547 per share by way of private placement. These shares were listed on Bursa Malaysia Securities Berhad pursuant to the mandate granted to the Directors at the last AGM of the Company held on 17 June 2015.

The total proceeds raised from the private placement was RM7,500,000. The details of utilisation of the proceeds from the private placement is disclosed on page 57 of this Annual Report.

Ordinary Resolution 8

The proposed Ordinary Resolution 8, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions which are of a revenue or trading nature and necessary for the Group's day-to-day operations, provided that such transactions are carried out in the ordinary course of business and undertaken at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the non-interested shareholders of the Company.

Please refer to the Circular to Shareholders dated 29 April 2016 which is despatched together with the Company's 2015 Annual Report, for further information.

Note D: Appointment of Proxy:-

1. For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 15 June 2016. Only a depositor whose name appears on the Record of Depositors as at 15 June 2016 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her stead.

2. A member of the Company entitled to attend, speak and vote at the Meeting of the Company is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf.
3. A Proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
4. A member shall be entitled to appoint more than two proxies to attend and vote at the same meeting.
5. Where a member appoints two or more proxies, the appointments shall be invalid unless the proportion of the holding to be represented by each proxy is specified.
6. Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
9. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a certified copy thereof, shall be deposited at the Company's Share Registrar's office at Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, not less than 48 hours before the time of meeting or any adjournment thereof.

ABOUT US

Perisai Petroleum Teknologi Bhd is a Malaysia-based upstream oil & gas provider and is listed on the Main Market of Bursa Malaysia Securities Berhad.

Following a transformational change of business direction undertaken in 2010, the Perisai Group today owns a fleet of strategic oil & gas vessels and facilities supporting the exploration, development and production phases of offshore oil & gas fields both in and out of Malaysia. Our Group is organised into four business segments, namely:



OFFSHORE DRILLING DIVISION

Perisai's first Jack-Up Drilling Rig, Perisai Pacific 101, is a PPL Pacific Class® 400 Rig with technologically advanced drilling capabilities. Perisai Pacific 101 is designed and equipped to drill high pressure and high temperature wells as deep as 30,000 feet. It is also capable of operating in water depths of up to 400 feet, performing offline activity while drilling, and can be jacked-up with full pre-loading tanks. It is equipped with full service accommodation for 150 personnel.

We have two more Jack-Up Drilling Rigs of the same specifications as Perisai Pacific 101, in various stages of construction.



OFFSHORE PRODUCTION DIVISION

Perisai's Floating, Production, Storage & Offloading (FPSO) vessel, Perisai Kamelia, is a gas export FPSO that can support gas export of 175MMscfd @ 2000psi with 275,000 bbls storage capacity.

The Rubicone is an ABS Class Mobile Offshore Production Unit (MOPU), converted in 2011 from a BMC-250-Mat Supported Jack-Up Platform. Weighing 5,113 tonnes, it has a daily production capacity of 165 MMscfd of gas and 7,306 barrels of fluid.



OFFSHORE CONSTRUCTION DIVISION

The Enterprise 3, built in 2008, is an ABS Class A1 Derrick Lay Barge capable of installing offshore structures and pipelines.



OFFSHORE SUPPORT DIVISION

Perisai owns a fleet of nine Offshore Support Vessels (OSV) supporting the offshore development and production of oil and gas fields. Our fleet comprises three anchor handling tug supply vessels, three anchor handling tugs and three crew boats.

Corporate Information

(as of 31 March 2016)

BOARD OF DIRECTORS

Dato' Anwarrudin Ahamad Osman	<i>Independent Non-Executive Chairman</i>
Datuk Zainol Izzet Bin Mohamed Ishak	<i>Managing Director</i>
Adarash Kumar A/L Chranji Lal Amarnath	<i>Executive Director</i>
Dato' Yogesvaran A/L T. Arianayagam	<i>Independent Non-Executive Director</i>
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	<i>Non-Independent Non-Executive Director</i>
Chan Feoi Chun	<i>Non-Independent Non-Executive Director</i>
D.Y.A.M. Raja Puan Muda Perak Dato' Seri DiRaja	<i>Independent Non-Executive Director</i>
Tunku Soraya Binti Tuanku Abdul Halim	

AUDIT COMMITTEE

Dato' Yogesvaran A/L T. Arianayagam (*Chairman*)
Dato' Anwarrudin Ahamad Osman
Chan Feoi Chun

REMUNERATION COMMITTEE

Dato' Yogesvaran A/L T. Arianayagam (*Chairman*)
Datuk Zainol Izzet Bin Mohamed Ishak
Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chan Feoi Chun

NOMINATION COMMITTEE

Dato' Yogesvaran A/L T. Arianayagam (*Chairman*)
Dato' Dr. Mohamed Ariffin Bin Hj. Aton
D.Y.A.M. Raja Puan Muda Perak Dato' Seri
DiRaja Tunku Soraya Binti Tuanku Abdul Halim

EMPLOYEES' SHARE OPTION SCHEME (ESOS) COMMITTEE

Dato' Anwarrudin Ahamad Osman (*Chairman*)
Datuk Zainol Izzet Bin Mohamed Ishak
Adarash Kumar A/L Chranji Lal Amarnath
Dato' Yogesvaran A/L T. Arianayagam
Dato' Dr. Mohamed Ariffin Bin Hj. Aton
Chan Feoi Chun
D.Y.A.M. Raja Puan Muda Perak Dato' Seri
DiRaja Tunku Soraya Binti Tuanku Abdul Halim

SENIOR INDEPENDENT DIRECTOR IN CHARGE OF SHAREHOLDER COMMUNICATION

Dato' Yogesvaran A/L T. Arianayagam
E-Mail : ayoges@perisai.biz

COMPANY SECRETARIES

Finton Tuan Kit Ming
(LS 0008941)
Hooi Sook Han
(MAICSA 7026472)

REGISTERED OFFICE

Suite 3A-17, Level 17, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : 03-2278 1133
Fax : 03-2278 1155

PRINCIPAL PLACE OF BUSINESS

Suite 3A-17, Level 17, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel : 03-2278 1133
Fax : 03-2278 1155
Website : www.perisai.biz
E-Mail : admin@perisai.biz

SHARE REGISTRAR

Mega Corporate Services Sdn Bhd
Level 15-2
Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2692 4271
Fax : 03-2732 5388

AUDITORS

Baker Tilly AC (AF 001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 03-2297 1000
Fax : 03-2282 9980

STOCK EXCHANGE LISTING

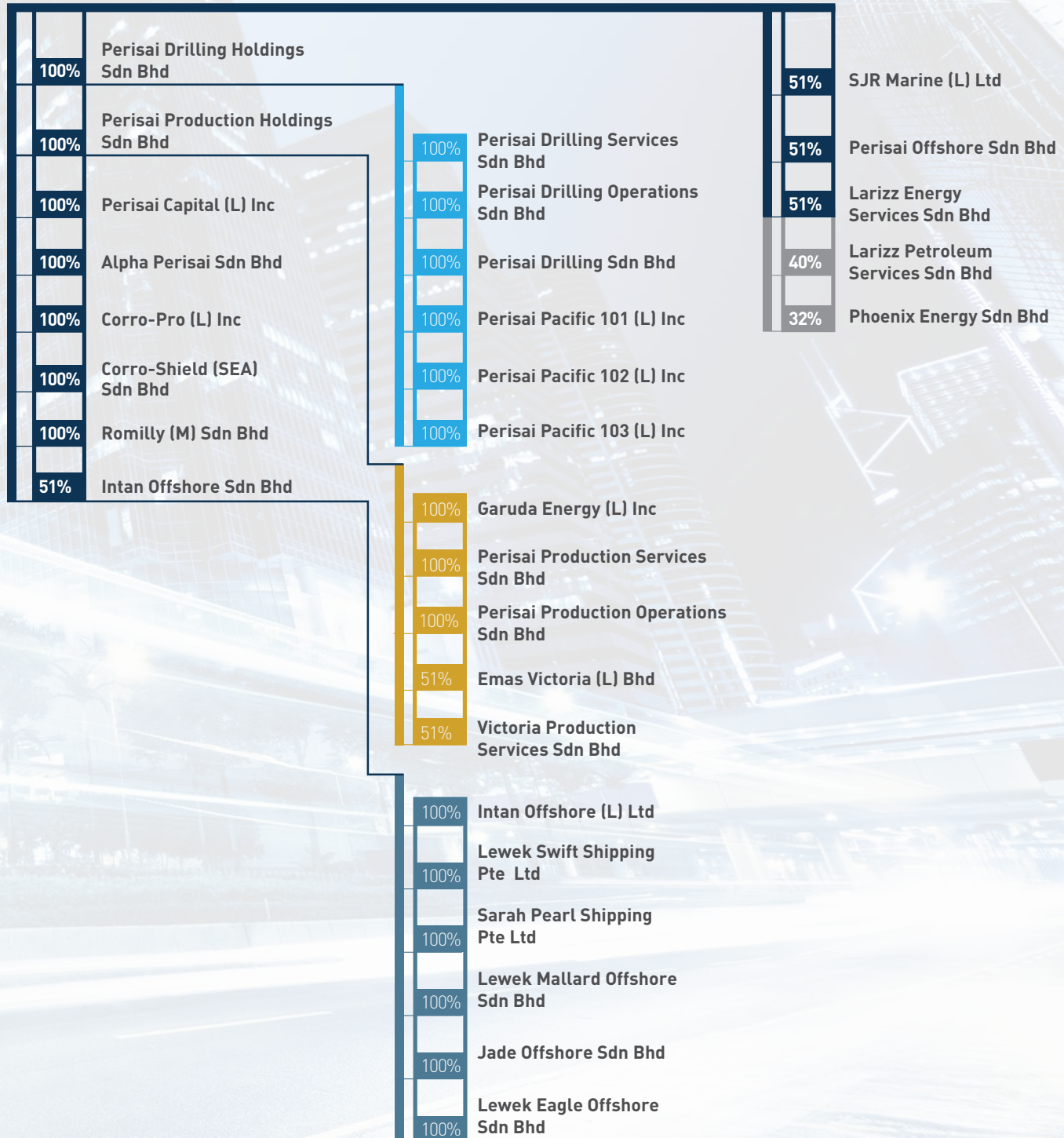
Main Market of Bursa Malaysia
Securities Berhad
Stock Name : PERISAI
Stock Code : 0047

Corporate Structure

(as of 31 March 2016)



PERISAI
PETROLEUM TEKNOLOGI BHD



Board of DIRECTORS



Chan Feoi Chun

Dato' Yogesvaran A/L T. Arianayagam

Dato' Anwarudin Ahamad Osman
(Chairman)



Datuk Zainol Izzet Bin Mohamed Ishak
(Managing Director)

Adarash Kumar A/L Chranji
Lal Amarnath
(Executive Director)

Dato' Dr. Mohamed Ariffin
Bin Hj. Aton

D.Y.A.M. Raja Puan Muda Perak
Dato' Seri DiRaja Tunku Soraya
Binti Tuanku Abdul Halim

Profile of Directors



DATO' ANWARRUDIN AHAMAD OSMAN

Independent Non-Executive Chairman

Age : 73

Nationality : Malaysian

Qualification

Bachelor of Arts, University of Malaya

Position on the Board

Independent Non-Executive Chairman

Date Appointed to the Board

1 July 2012

Membership of Board Committees

- Chairman of the ESOS Committee
- Member of the Audit Committee

Working Experience and Occupation

Dato' Anwarrudin joined the Malaysian Civil Service in 1966 and served in the Ministry of Defence. In May 1975, he joined Petronas and served in various capacities until his retirement in 1998 as Managing Director/Chief Executive Officer of Petronas Dagangan Berhad.

Dato' Anwarrudin held various senior positions during his 23 year career in Petronas. He was the General Manager of Corporate Planning Division in 1984, General Manager, Human Resources Management Division in 1985 before heading the International Marketing Division of Petronas responsible for sales of crude and products and processing of crude.

He was a member of the Asean Council on Petroleum (ASCOPE) technical committee for several years and spoke at ASCOPE oil marketing management seminars and local seminars on prospects and challenges in the marketing and distribution industry. He represented Malaysia in the OPEC/NON-OPEC dialogues from 1989-1991 and sat on the Petronas Management Committee from 1992 to 1998.

Directorship of other Public Companies

- Fraser & Neave Holdings Bhd
- KKB Engineering Berhad

Qualification

- BA in Actuarial Studies, Macquarie University, Sydney, Australia
- Master in Business Administration, The Cranfield Institute of Technology, United Kingdom

Position on the Board

Managing Director

Date Appointed to the Board

13 April 2010

Membership of Board Committees

- Member of the Remuneration Committee
- Member of the ESOS Committee

Working Experience and Occupation

Datuk Izzet began his career in 1982 as a Consultant with Hymans Robertson & Co., Consulting Actuaries, London. Upon returning to Malaysia in 1985, Datuk Izzet joined Messrs Kassim Chan & Co. as a management consultant. He left the field of consultancy in 1988 to join Seccolor (M) Industries as its General Manager, a position he held until 1992.

Datuk Izzet joined the Sapura Group of Companies in 1992 as General Manager of Corporate Planning, responsible for the strategic planning and business development activities of the Group. In 1994, he became Chief Executive Officer of Sapura Digital Sdn Bhd, one of the pioneer operators of digital cellular phone (ADAM) in the country. Following the sale of Sapura Digital Sdn Bhd by Sapura Group, he was appointed Senior Vice-President of the Energy Division within the Sapura Group before assuming the position of Chief Executive Officer of SapuraCrest Petroleum Berhad on 7 July 2003, a position he held until 31 January 2010.

Directorship of other Public Companies

None



DATUK ZAINOL IZZET BIN MOHAMED ISHAK
Managing Director
Age : 55
Nationality : Malaysian

Profile of Directors

Qualification

Master Mariner

Position on the Board

Executive Director

Date Appointed to the Board

13 April 2010

Membership of Board Committees

Member of the ESOS Committee

Working Experience and Occupation

Adarash Kumar has more than 25 years of experience in the marine industry. Prior to joining the Group, he was the Assistant General Manager for Bumi Armada Navigation Sdn Bhd, an offshore support services provider based in Malaysia and was responsible for its operations. He had also held various positions on board vessels while working for Malaysian International Shipping Corporation.

Directorship of other Public Companies

Emas Offshore Limited (Singapore)



ADARASH KUMAR A/L CHRANJI LAL AMARNATH

Executive Director

Age : 56

Nationality : Malaysian

Qualification

Chartered Institute of Management Accountants, UK (CIMA)

Membership of Associations

- Fellow of the Chartered Institute of Management Accountants, UK (FCMA)
- Chartered Accountant with Malaysian Institute of Accountants (CA)
- Associate Member of the Chartered Management Institute, UK (MCMI)
- Member of the Chartered Global Management Accountants, USA (CGMA)

Position on the Board

Independent Non-Executive Director

Date Appointed to the Board

- 30 October 2003
- Re-designated to Independent Non-Executive Director on 29 March 2011

Membership of Board Committees

- Chairman of the Audit Committee
- Chairman of the Remuneration Committee
- Chairman of the Nomination Committee
- Member of the ESOS Committee

Working Experience and Occupation

Dato' Yogesvaran commenced his accounting career as a management accountant with British Steel Corporation in Birmingham, England and went on to be the Head of Corporate Finance with Aseambankers Malaysia Berhad, CEO of Sampoorna Holdings Bhd and Managing Director of Murnivest Sdn Bhd. He has undertaken Corporate Advisory engagements with various multinational companies.

Presently, he is the CEO of Sentosa 4D Magix Pte Ltd in Singapore and the Managing Director of Asian Pac Management Sdn Bhd, a company providing corporate and financial advisory services to selected clients in the Asia Pacific region.

Dato' Yogesvaran has vast experience in corporate advisory work and corporate restructuring exercises.

Directorship of other Public Companies

MWE Holdings Berhad



DATO' YOGESVARAN A/L T. ARIANAYAGAM

Independent Non-Executive Director

Age : 64

Nationality : Malaysian

Profile of Directors



DATO' DR. MOHAMED ARIFFIN BIN HJ. ATON

Non-Independent Non-Executive Director

Age : 70

Nationality : Malaysian

Qualification

- BEng (Hons) Chemical Engineering, University of Surrey, United Kingdom
- PhD in Chemical Engineering, University of Leeds, United Kingdom

Membership of Associations

- Fellow of the Institute of Engineers Malaysia
- Chartered Member of Institute of Chemistry Malaysia
- Fellow of the Malaysian Scientific Association
- Chairman of the National Measurement Council of the Ministry of Science, Technology and Innovation

Position on the Board

Non-Independent Non-Executive Director

Date Appointed to the Board

1 June 2004

Membership of Board Committees

- Member of the Nomination Committee
- Member of the Remuneration Committee
- Member of the ESOS Committee

Working Experience and Occupation

Dato' Ariffin started his professional career in 1970 as a Process Engineer with Esso Refinery based in Port Dickson and later joined the academia as a Lecturer with Universiti Kebangsaan Malaysia ("UKM"). After numerous appointments, Dato' Ariffin left UKM in 1989 to be part of Petronas Research & Scientific Services Sdn. Bhd. ("PRSS") as the Deputy Director, Downstream. Upon the corporatisation of PRSS in 1994, he was appointed as PRSS's Managing Director/Chief Executive Officer. He was the President and Chief Executive Officer of SIRIM Berhad from 1996 until his retirement on 1 September 2007.

Directorship of other Public Companies

- Kumpulan Perangsang Selangor Berhad
- HeiTech Padu Berhad
- Khazanah National Berhad Group

Qualification

- Chartered Institute of Management Accountants, UK (CIMA)
- Institute of Chartered Secretaries and Administrators, UK (ICSA)
- Master of Business Studies (Banking & Finance), University College Dublin, Ireland

Membership of Associations

- Fellow of the Chartered Institute of Management Accountants, UK (FCMA)
- Member of CIMA Southeast Asian Regional Board
- Chartered Accountant with Malaysian Institute of Accountants (MIA)
- Member of Chartered Global Management Accountants

Position on the Board

Non-Independent Non-Executive Director

Date Appointed to the Board

6 June 2005

Membership of Board Committees

- Member of the Audit Committee
- Member of the Remuneration Committee
- Member of the ESOS Committee

Working Experience and Occupation

Mr. Chan currently is an Executive Director of Swiss-Garden International Vacation Club Berhad. He held various senior positions in PJD Holdings Berhad Group of Companies. Prior to joining the PJD Group in 1994, he held senior management positions in financial services group, MBF Holdings. He has international working experiences in Britain and Thailand and has more than 34 years of experience in areas of financial management and business re-engineering. Mr. Chan was a past President of CIMA-Malaysia Division and also a past Council Member of MIA.

Directorship of other Public Companies

- IRIS Corporation Berhad
- Versatile Creative Berhad
- Swiss-Garden International Vacation Club Berhad



CHAN FEOI CHUN

Non-Independent Non-Executive Director

Age : 63

Nationality : Malaysian

Profile of Directors

Qualification

BA in Fine Arts – Brighton Polytechnic College Art & Design, United Kingdom

Membership of Association

Yang DiPertua of Pandu Puteri Malaysia, Cawangan Kedah

Position on the Board

Independent Non-Executive Director

Date Appointed to the Board

1 July 2012

Membership of Board Committees

- Member of the Nomination Committee
- Member of the ESOS Committee

Working Experience and Occupation

D.Y.A.M. Tuanku Soraya is one of the founding members of Yayasan Sultanah Bahiyah, a Kedah based charitable foundation set up in 1996 to aid individuals and organisations that are in need in the state of Kedah. As a member of Yayasan Sultanah Bahiyah's Board of Trustees, D.Y.A.M. Tunku Soraya is the Chairperson of Yayasan Sultanah Bahiyah's principal effort, the "Titian Bistari Project", a project which focuses on children's education.

Directorship of other Public Companies

None

**D.Y.A.M. RAJA PUAN MUDA PERAK DATO' SERI
DIRAJA TUNKU SORAYA BINTI TUANKU ABDUL
HALIM**

Independent Non-Executive Director

Age : 56

Nationality : Malaysian



► Profile of Management Team

► **DATUK ZAINOL IZZET BIN MOHAMED ISHAK** Managing Director

Qualification & Experience

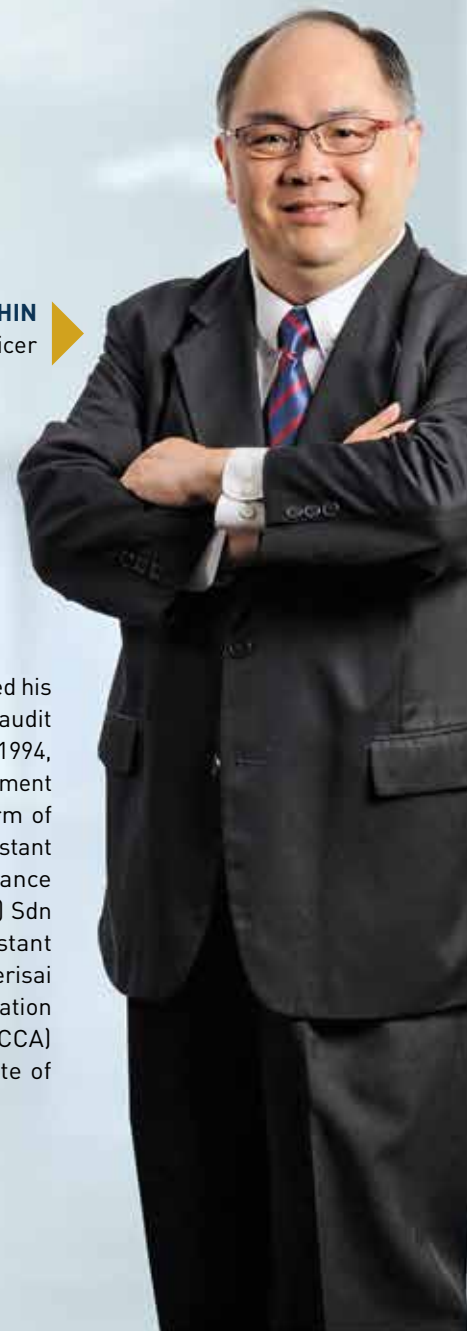
Datuk Izzet is our Managing Director and had joined Perisai in 2010. Datuk Izzet began his career in 1982 as a consultant with Hymans Robertson & Co before moving on to Messrs. Kassim Chan & Co in 1985 and subsequently to Seccolor (M) Industries in 1988. Datuk Izzet joined the Sapura Group in 1992 and spent eighteen years in various senior leadership roles there. His last held position before leaving the Sapura Group in 2010 was as the Chief Executive Officer of SapuraCrest Petroleum Berhad. Datuk Izzet is a graduate of Macquarie University, holding a BA in Actuarial Studies. He also holds a MBA from the Cranfield Institute of Technology, United Kingdom.

Qualification & Experience

Beram Khan is our Chief Operating Officer. He joined Perisai in 2012. Beram Khan started his career in 1989 with Sarawak Shell Berhad/Sabah Shell Petroleum Company as Wellsite Petroleum Engineer & Assistant Drilling Supervisor rising to the role of Senior Production Technologist & Assistant Field Coordinator. After a six-year tenure, Beram Khan moved to Crest Petroleum Berhad where he held various positions both domestically and internationally such as Senior Production Technologist of Uzman Oil, Manager of Drilling & Production of PT Petronusa Bumibakti, Senior Manager of Project Services and Senior Manager of Special Projects (2003-2005). In 2005, Beram Khan left SapuraCrest Petroleum Berhad to join UMW Standard Drilling Sdn Bhd/UMW JDC Drilling Sdn Bhd as Director/Senior General Manager. Beram Khan's last held position in UMW was as Senior General Manager, Group Corporate Development Division. Beram Khan holds a BSc in Petroleum Engineering from University Technology of Malaysia.



BERAM KHAN BIN TAMBİ KHAN
Chief Operating Officer



YEO PECK CHIN
Chief Financial Officer

Qualification & Experience

Yeo is our Chief Financial Officer. Yeo started his career in 1992 with an established local audit firm, Messrs Azman, Wong, Salleh & Co. In 1994, Yeo moved to Hong Leong Property Management Co Sdn Bhd, a property management arm of Hong Leong Properties Berhad, as an Assistant Accountant rising to the position of Finance Manager. In 1997, he joined Corroless (M) Sdn Bhd where he took up the post of Assistant General Manager – Finance. He joined Perisai in 2004. Yeo is a fellow member of Association of Chartered Certified Accountants (FCCA) and a member of the Malaysian Institute of Accountants (MIA).

Profile of Management Team

Qualification & Experience

Finton is our Head of Commercial Affairs. He joined Perisai in 2011. Finton started his career in 1995 as an Advocate & Solicitor with one of the largest law firms in Malaysia. In 1997, Finton moved to the Usaha Tegas Group as Senior Legal Counsel, a position he held for four years. In 2001, Finton joined the Sapura Group in the Energy Division where he assumed the role of Head of Legal & Corporate Secretarial. Spending ten years with the Sapura Group, Finton's last held position was as Head of Legal for the Sapura Group and Board Secretary to SapuraCrest Petroleum Berhad. Finton holds a law degree from the University of London and is a qualified Advocate & Solicitor of the High Court of Malaya and also a qualified Company Secretary.



FINTON TUAN

Head, Commercial Affairs



LAI SWEE SIM

Head, Corporate Planning

Qualification & Experience

Lai is our Head of Corporate Planning. He joined Perisai in 2012. Lai started his career in 1990 with Arthur Andersen & Co. undertaking financial audits. In 1995, he moved to Sateras Resources Berhad as an Accountant before joining Sapura Energy Sdn Bhd in 1998 as Finance Manager. Lai spent thirteen years with the Sapura Group where his last held position was as Head of Business Planning in SapuraCrest Petroleum Berhad. Lai was a consultant with SRD Services Sdn Bhd before moving on to Perisai in 2012. Lai is a Chartered Accountant and Certified Public Accountant.

Qualification & Experience

Teo is our Head of Business Practice Management & IT. He joined Perisai in 2012. Teo started his career in 1972 with Sea Supply (S) Pte Ltd. As an Accountant rising to the post of Division Controller. In 1980, Teo moved to MidContinent Supply Eastern Hemisphere Co. as its Finance & Administration Manager. Between 1988 and 1989, Teo consulted for Presstek Industries Pte Ltd before moving on as Finance & Administration Manager of InterChem Pte Ltd from 1989 to 1991. Thereafter, Teo took on the role of Financial Controller of Offshore Pipelines International Limited/J Ray McDermott S.A for a duration of four years from 1991. From 1995 to 2011, Teo was part of SapuraCrest Petroleum Berhad undertaking various roles from that of Head of Singapore Operations, Head of Department-Project Costing and General Manager-Commercial Division. His last held position in the SapuraCrest Group was as Director-Business Services & Control and Advisor-Group Supply Chain Management. Teo holds a MBA (Option in Financial Management & Accounting) from the University of Leicester, UK and a Diploma in Management Accounting & Finance from the Singapore National Productivity Board.



TEO HOCK CHOON

Head, Business Practice Management & IT



ABDULAH BIN YUNUS

Head, Human Resource

Qualification & Experience

Abdulah is our Head of Human Resource. He joined Perisai in 2012. Abdulah started his career in 1978 as a Manager in a confectionary business before moving on to Caltex in 1984 where he spent five years marketing lubricants, diesel and other petroleum products. In 1990, Abdulah started his employment with the Sapura Group where he spent the next 22 years undertaking a variety of roles and responsibilities spanning sales and marketing, business planning, product development, human resource and administration. His last held position in the Sapura Group was as General Manager, Business HR Management in SapuraCrest Petroleum Berhad. Abdulah is a graduate of Southern Illinois University holding a BSc in Marketing and a MBA from Morehead State University, Kentucky, USA earned in 1984.

▶ CHAIRMAN'S STATEMENT

Dear Shareholders,

2015 has proven to be a challenging year with the slowdown in economic growth globally and domestically. For the oil and gas industry in particular, the cutback in capital expenditure together with the rapid decline in crude oil prices saw a reduction in available projects which resulted in stiffer competition. Despite this adverse environment, our two key assets, the jack-up drilling rig Perisai Pacific 101, and the Floating Production Storage and Offloading (FPSO) facility Perisai Kamelia, continues to be operational and have largely contributed to our ability to financially sustain ourselves thus far.



The way forward in 2016 is to keep focused on a prudent financial policy, becoming more efficient in funds and resources management, maintaining and enhancing good governance and optimising our asset utilisation.

Chairman's Statement

For us, 2015 has been characterised by strenuous efforts in ensuring that we continue to operate our assets and manage the Group in the most optimum manner possible. In this environment of uncertainty brought about by weak crude oil prices and amidst slow economic growth, we will have to redouble our efforts to ensure sustainability and long term growth of our business. The way forward in 2016 is to keep focused on a prudent financial policy, becoming more efficient in funds and resources management, maintaining and enhancing good governance and optimising our asset utilisation.

We are confident that with this focus and measures to be taken, we would be able to navigate through these challenging times.

With this, I am honoured to present to you the Chairman's Statement for year under review 2015.

FINANCIAL PERFORMANCE REVIEW

For the financial year ended 31 December 2015, the Group generated total revenue of RM214.78 million which is RM92.65 million or 75.86% more than the amount of RM122.13 million achieved in financial year ended 31 December 2014.

This 75.86% improvement stems mainly from the full year contribution to revenue arising from our jack-up drilling rig, the Perisai Pacific 101 ("PP 101") for the financial year ended 31 December 2015 compared to only five months for the year ended 31 December, 2014.

For the financial year in review, we posted a loss before tax amounting to RM688.15 million. We made a pre tax profit of RM27.87 million in the corresponding financial year ended 31 December 2014.

The year-on-year difference in pre tax profit numbers amounting to a swing of RM716.02 million arises from a total provision for impairment on plant and equipment and prepayments for jack-up drilling rigs under construction amounting to approximately RM725.74 million.



Excluding the provision for impairment on plant and equipment and prepayments for jack-up drilling rigs under construction, the Group posted a full year pre tax profit of RM37.59 million, an improvement of RM9.72 million or 34.88% from last year's pre tax profit of RM27.87 million.

The provision for impairment was prudently undertaken over the plant and equipment of the Perisai Group following on from the challenging conditions in the oil and gas industry. This would stand us in good stead for when the industry conditions improve as market valuation for oil and gas assets would rise in tandem with the recovery in the industry.

Despite the impairment on the plant and equipment and prepayments for jack-up drilling rigs under construction, the net asset per share of the Company stands at RM0.56 as at 31 December 2015.

OPERATIONAL HIGHLIGHTS

Offshore Drilling Division

Since taking delivery of our maiden jack-up drilling rig, the PP 101 in the middle of 2014, she has been deployed to work for Petronas Carigali Sdn Bhd under a 3-year contract running from April 2014. The contract valued at USD158 million is an acknowledgement of our capability as a local organisation to operate alongside major international names in the offshore oil and gas industry.

PP 101 commenced her deployment to Petronas Carigali Sdn Bhd in August 2014 and was subsequently farmed out to Hess in October 2015 for a period of 9 months. Since being put to work, the PP 101 has successfully completed 11 wells located in Terengganu, Sabah and Sarawak. We are proud that despite this being her maiden contractual assignment, the PP 101 has performed at an average of approximately 98% uptime in 2015.

The Perisai Pacific 102, our second jack-up drilling rig has been completed in accordance with the construction contract signed on February 2013. She is now berthed at PPL Shipyard while we continue to pursue suitable opportunities for her deployment.

Our third jack-up rig, Perisai Pacific 103 is currently under construction and is progressing well within contractual schedule. The rig is due for delivery in the third quarter of 2016.

By entering into a build programme for 3 rigs, we aim to secure economies of scale that will allow us to maximise efficiency in asset utilisation and flexibility of operations.

In 2015 we continued to focus on building local talent. The unique opportunity afforded by our newbuilding programme for the rigs, coupled with the operational commencement of our drilling division, gave us the opportunity of not only hastening the development of our internal talent but also contribute to the upgrading of local competency in Malaysia.

Offshore Production Division

The Floating Production Storage and Offloading (FPSO) facility, the Perisai Kamelia operated very well for Hess throughout 2015 having being deployed to the North Malay Basin Early Production System since November 2013.

We are proud to record that the Perisai Kamelia has in 2015 achieved exemplary operational efficiency of 99.49%.



Chairman's Statement



The efficiency in operations was achieved on the back of continuous emphasis and strict adherence to health, safety and environment ("HSE") policies and procedures, as evidenced by Perisai Kamelia's zero loss time incident ("LTI") maintained since the commencement of operations in November 2013.

We continue to be proud of the development of our Malaysian employees within the team. The Early Production System within the Kamelia field and the operations and maintenance of the Perisai Kamelia has allowed us to develop a significant number of Malaysian employees in this segment of offshore production and this development augurs well towards the broader national agenda of developing local competency.

Our other production asset, the Rubicone, is a specialised gas production asset catering mainly to gas producing fields. She is currently inactive and we continue to source work for her.





Chairman's Statement

Offshore Construction Division

The Enterprise 3 is our combination derrick lay barge that anchors our offshore construction division. This division has not been spared the difficult operating conditions and the acute shortages of work for the segment that she operates in. As such, the Enterprise 3 has been laid up for some time now while we continue to pursue and develop opportunities for a suitable deployment.

Offshore Support Division

Our Offshore Support Vessel (OSV) fleet stands at 9 vessels at present with the latest addition being the Lewek Robin purchased in 2014. The division sees comparatively more stability despite the current volatility in the oil and gas industry as the business model of this division rests on bareboat chartering the OSVs rather than operating them. The existing charters that the division has secured would provide us earnings visibility up to 2017 with the charter of the Lewek Robin extending up to 2021.

CORPORATE FINANCE

One of the biggest challenges that we have to overcome in weathering this challenging operating environment is maintaining liquidity for the operations of the company. The prospect of shrinking revenues places considerable stress on cashflows. Various cash conservation measures and fund raising exercise have been put in place to ease the liquidity of the Group.

In late 2015, we entered into a private placement arrangement with Macquarie Bank Limited (Australia) ("Macquarie") with the granting of up to 119 million call options exercisable into new Perisai shares over a certain period of time. To date, close to 30 million shares have been allotted to Macquarie following the exercise of the options.



DIVIDENDS

Given the need to conserve our financial resources under the current circumstances, the Board does not recommend any dividend for the financial year ended 31 December 2015.

ESOS

The purpose of the Employee Share Option Scheme is to provide incentive and reward to eligible persons for their contribution and continuing efforts in furthering the interests of the Company.

It is one of the ways Perisai looks after the employees and recognises the hard work and effort of the employees. The ESOS overall had brought a positive influence on the morale of the employees of the Company.

HEALTH SAFETY AND ENVIRONMENT

Perisai is committed to the highest standards of health and safety practices and procedures for the benefit of our employees, customers, and contractors as well as our natural environment. Perisai's dedication is demonstrated through the reinforcement of HSE policies, promoting healthy core values, HSE meetings, site visits, encouraging safe behaviour, as well as regular client meetings to ensure HSE expectations and requirements are met and complied with.



A notable achievement for the year is the “One Year LTI Free” award for our jack-up rig Perisai Pacific 101, by Petronas Carigali Sdn Bhd (PCSB). This makes us one of only a few Malaysian companies to receive a HSE milestone award from PCSB in a comparatively short period of time.

For the year 2015, Perisai recorded a solid track record on our assets with all HSE requirements met and maintained. A notable achievement for the year is the “One Year LTI Free” award for our jack-up rig PP 101, by Petronas Carigali Sdn Bhd (PCSB). This makes us one of only a few Malaysian companies to receive a HSE milestone award from PCSB in a comparatively short period of time.

Prevention of injuries continued to be a major focus for Perisai. Since the commencement of its operations in 2013, total manhours worked by Perisai Kamelia was 838,037 with no LTI. This is an outstanding accomplishment as it marked Zero LTI for 2 years running for Perisai Kamelia.

CORPORATE RESPONSIBILITY

Perisai is strongly committed towards our responsibility in looking after the interests of our staff at the workplace, the community and the environment that we operate in.

A major part of our corporate responsibility at the workplace is to ensure diversity and inclusion within the Group as well as the continuous development of our employees. This commitment extends to ensuring equality across gender, ethnicity, age, nationality and religion, and is in keeping with our code of conduct.

Our corporate responsibility at the workplace for the year 2015 have been primarily to promote and prioritise safe working practices and initiatives onboard vessels and office premises. Regular HSE campaigns and activities were rolled out throughout the year. Initiatives such as Drop Object Campaign, Food Safety Audit and a Monthly Best ACT card were implemented onboard Perisai Kamelia.

Chairman's Statement



As part of crisis training and preparation, members of the Emergency Response Team (ERP) underwent a 2-day Crisis Management Training followed by crisis simulation training as well as unplanned emergency drills. In addition, Perisai employees were also sent for external training on HSE matters as well as skills training as part of their competency building and career development.

Beyond the workplace, Perisai has always been committed in doing our part for the environment. Initiatives such as Waste Management Training and Environmental Orientation had been rolled out to our crew onboard our assets. For example, at the PP 101 and Perisai Kamelia a Waste Segregation Programme has been undertaken where different types of wastes are segregated, characterised, labeled, and properly disposed as part of our compliance with environmental laws as well as to maintain best practices for matters such as these. PP 101 also has in place a Waste Oil Disposal Programme where all waste oil (Scheduled Waste) are collected, labeled and sent to client for proper disposal.

Another key focus within our corporate responsibility is premised on the philosophy of helping and improving the lives of the community within which we operate. At the end of 2014, the East Coast of Malaysia was hard hit by flood which impacted many of our colleagues residing in the region. Perisai senior management and employees visited the homes of those affected by the floods, and extended financial and food aid to all the families as a means towards helping them cope with the aftermath of the tragedy.

The year also saw our commitment on a welfare programme "Love My Neighbourhood" with our contributions to the MyKasih Foundation being renewed for another year. This programme provides financial and food assistance to 60 low income families with the aim of helping them gain stability and to ease their financial burden. The programme is well received by the community and we are happy to continue our support in this cause for the coming year.

In October 2015, Perisai in collaboration with MyKasih foundation, organised a "Health Screening and Flood Prevention" Programme for the families in Kg Pasir Gajah, Terengganu. The flood prevention talk addressed topics such as how and what to prepare for in the anticipation of the perils of flood. Free medical services were provided such as blood glucose check, health screening and dental checks. This activity saw Perisai employees actively participate in the community project and cultivating relationship with the families we support.

As a responsible corporate citizen, Perisai will continue to uphold our commitment towards our environment, our people and the communities within which we operate.

OUTLOOK

Uncertainties in the global oil and gas industry continue to lead to very difficult times for the industry as a whole. Crude oil prices have been hovering at about US\$30-US\$40 per barrel and global hydrocarbon production continues to exceed demand. This has led to industry-wide capex cuts and the ensuing cost rationalisation is expected to continue and in some cases to be accelerated and intensified.

At the home-front, Petronas is expected to continue its cost rationalisation exercise by cutting both capital and operating expenditure with an expected RM50 billion reduction between 2016-2020 and this has impacted the local industry which has seen declining contract awards.

Utilisation rates for drilling rigs continue to be on a major decline caused by the lack of new contracts. This has produced an extremely competitive environment resulting in a sharp fall in charter rates. New rigs have also been mostly deferred or outright cancelled.

We remain optimistic that the outlook for the global oil and gas sector will gradually improve and a recovery will restore demand for our assets and services going into the year ahead.

We are fortunate that we continue to have the PP 101 deployed and working. We would continue to engage with Petronas and all relevant stakeholders for opportunities that may arise for deploying our other drilling rigs and assets.

Nonetheless as we weather into 2016, the adverse environment would continue and it is imperative for us to continue to be prudent amidst the climate of adversity. It remains crucial to embark on very stringent cost management and control, preserving cash while pursuing every opportunity that comes our way.

While we continue to be very prudent and conservative in this difficult environment, we remain optimistic that the outlook for the global oil and gas sector will gradually improve and a recovery will restore demand for our assets and services going into the year ahead.

ACKNOWLEDGMENT AND APPRECIATION

On behalf of Perisai's Board of Directors, I wish to express my appreciation to all our shareholders, PETRONAS Group of Companies, and our other clients for their unwavering support and confidence.

We would also like to sincerely thank the Malaysian government and various regulatory authorities for their kind understanding and cooperation. I also extend our appreciation to our business partners, bankers and advisors for their continuing support and trust.



I would like to thank my fellow Board Members for their wise counsel and guidance, and to the Senior Management for their continued commitment to the Group which have helped us steer through these challenging times.

Last but not least, I would like to express a very special thank you to all the staff of Perisai. My heartfelt gratitude for the loyalty, dedication and support you have shown throughout the year. All your hard work and efforts are deeply appreciated and valued.

The Board recognises the hard work that the management and the staff have put in to keep the Company going in these trying times. In recognition of their hard work and in solidarity with the effort of being financially prudent the non-executive directors of the Company have taken a 10% cut to their directors' fees for the year 2015.

I invite all our stakeholders to place their confidence in Perisai as we strive to deliver a sustainable performance in the year ahead.

DATO' ANWARRUDIN AHAMAD OSMAN

Chairman

Corporate Calendar 2015

14 – 16 January 2015

3rd Offshore Convention: Myanmar 2015
Conference & Exhibition



2 – 4 June 2015

Asian Oil Gas & Petrochemical Engineering
Exhibition (OGA 2015) at Kuala Lumpur Convention
Center



25 February 2015

Release of the Unaudited Financial Results for the
4th quarter ended 31 December 2014

13 May 2015

Release of the Unaudited Financial Results for the
1st quarter ended 31 March 2015

27 Apr 2015

Issuance of the Audited Financial Statements
of Perisai Group for the financial year ended 31
December 2014

17 June 2015

12th Annual General Meeting at Hotel Istana Kuala
Lumpur



6 August 2015

Perisai Petroleum Hari Raya Open House at Mandarin Oriental for business partners and staff



18 September 2015

Perisai Petroleum 1st Townhall Meeting



7 August 2015

Perisai was awarded "One Year LTI Free" from PCSB for PP101



2 October 2015

Letter of Award for the provision of the jack-up drilling rig "Perisai Pacific 101" for Petronas Carigali Sdn Bhd: Farm-Out of PP101 to HESS for a period of 9 months with an option to extend for a period up to one (1) month by HESS



12 August 2015

Release of the Unaudited Financial Results for the 2nd quarter ended 30 June 2015

10 October 2015

Health Screening and Flood Preparation Program, Kemaman Terengganu : CSR program in collaboration with MyKasih

23 November 2015

Release of the Unaudited Financial Results for the 3rd quarter ended 30 September 2015

24 November 2015

Perisai enters into call option agreement with Macquarie Bank Limited

Statement on Corporate Governance



The Board of Directors of Perisai (“Board”) is committed to ensuring that the highest standards of corporate governance, as laid out in the principles and best practices set out in the Malaysian Code on Corporate Governance 2012 (“the Code”) are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Company. The Board will continue to review and enhance the Group’s corporate governance to ensure its relevance and ability in meeting future challenges and to establish long term sustainable shareholders’ value. The ensuing paragraphs set out the manner in which the Group has applied the principles of the Code and the extent of its compliance with the best practices recommended by the Code for the year ended 31 December 2015.

1. BOARD OF DIRECTORS

1.1 Board of Directors’ Charter and Terms of Reference

The Board of Directors’ Charter and Terms of Reference (“Charter”) which broadly sets out the Board’s governance process and the Board-Management relationship, has been adopted and implemented by the Board. The Board is guided by the Charter which guides and provides reference for Directors in performing and undertaking their roles, responsibilities, duties and functions as members of the Board.

The Board will review its Charter regularly to ensure that it remains consistent with the Board’s objectives and all relevant standards of corporate governance.

The Charter is published in the Company’s website at www.perisai.biz.

1.2 Composition and Diversity Balance of the Board

The Board currently consists of two Executive Directors and five Non-Executive Directors, three of whom are independent. Such a balance is in compliance with paragraph 15.02 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) which requires one-third of the Directors to be independent non-executive directors.

The Board’s composition is a mix of knowledge, skills and expertise relevant to the Company’s operations which provides strong and effective leadership and control of the Group. The Board, through annual review by the Nomination Committee, is satisfied that the current Board’s size and composition is appropriate for the current business operations of the Group. The profiles of the respective Directors are set out on pages 12 to 18 of this Annual Report.

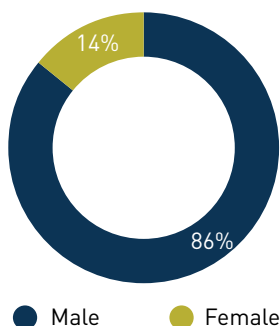
The Independent Non-Executive Directors are not involved in the day-to-day management of the Company and are not party to any business dealings or any other relationship with the Group that could reasonably be perceived to materially interfere with their exercise of unfettered and independent judgement. This is to enable the Independent Non-Executive Directors to discharge their duties and responsibilities effectively and to avoid any conflict of interest situations.

The Board has identified and appointed YBhg Dato’ Yogesvaran A/L T. Arianayagam as the Senior Independent Non-Executive Director, to whom shareholders may direct any query or concern in respect of the Group. Any query can be directed to his email : ayoges@perisai.biz.

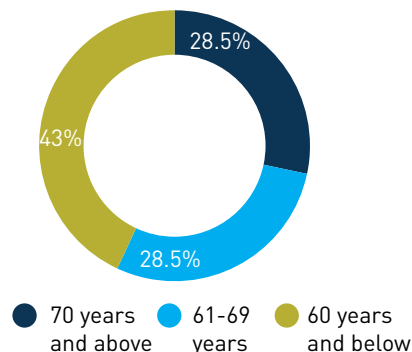
The Board acknowledges the importance of boardroom diversity and is supportive of the recommendation of the Code in relation to the establishment of a boardroom diversity policy. Hence, the Board has adopted a boardroom diversity policy for the Company on 24 March 2016. Nevertheless, the Board has not set any diversity target on the composition of its Board members as the Board believes that the selection of a Director shall be guided by the competency, skill, experience and knowledge of the individual candidate. Currently, the Company has a single female representation on the Board.

The diversity of the Board in terms of gender, age and ethnic composition is currently as follows:

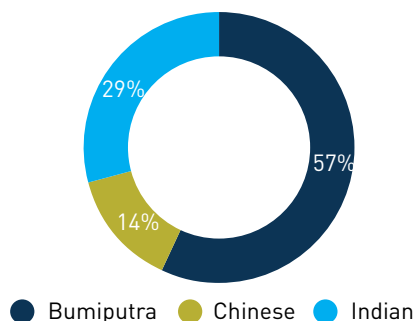
Board Gender Balance



Board Age Diversity



Ethnic Composition



1.3 Clear Roles and Responsibilities

The Board retains full and effective control of the Group. This includes responsibilities for determining the Group's overall strategic direction as well as development and control of the Group.

The Board reviews and approves the short-term budgets and long-term strategies of the Group. In addition, all acquisitions, major capital expenditure and disposal of investments will be approved by the Board. The Board has established the authority limits for Management to manage the business of the Group. The Management is authorised by the Board to approve business, operational and administrative decisions, review business strategies and operations and ensure adherence to policies and strategies approved by the Board. The Directors, collectively, have a wide range of relevant experience to enable them to discharge their responsibilities effectively.

The Board is chaired by an Independent Non-Executive Chairman. The management of the Group lies with the Managing Director. There is a division of responsibility between the Chairman and the Managing Director to ensure a balance of power and authority.

The roles of the Chairman and Managing Director are separated and clearly defined. As part of good corporate governance, the Chairman is responsible for ensuring board effectiveness and conduct. Every Board resolution is put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group.

STATEMENT ON CORPORATE GOVERNANCE

The Managing Director oversees the day-to-day running of the business including organisational effectiveness, developing, coordinating and implementation of Board policies and strategies and clarifies matters relating to the Company's business with the Board. The Managing Director's in-depth and intimate knowledge of the Company's affairs contributes significantly towards the direction of the Group to achieve its goals and objectives.

The Non-Executive Directors provide considerable depth of knowledge collectively gained from experiences in a variety of public and private companies and public service. They provide unbiased and independent views in ensuring that the strategies proposed by the Management are fully deliberated and examined, in the interest of not only of the Group, but also of minority shareholders, employees and the business communities in which the Group conducts its business.

1.4 Board Meetings and Time Commitment

The Board meets at least four times a year at quarterly intervals with additional meetings convened as and when necessary to deliberate and consider a variety of matters, including the quarterly financial results, business plans, budgets and overall direction of the Company. The yearly Board meetings are scheduled in advance before the end of the current financial year to allow the Directors to plan ahead of their schedules. The ample notice facilitates full attendance at scheduled meetings. Formal agenda accompanied by the relevant Board papers are prepared and submitted in advance to ensure adequate information is available to assist deliberation by the Board members.

All the Directors participate in the discussions at Board meetings. There is no Board dominance by any individual and the Directors are free to express their views and opinions during Board meetings. The Directors also observe the requirement that they do not participate in the deliberations of matters in which they are interested and abstain from voting in such matters.

All proceedings, deliberations and decisions of the Board are recorded in the minutes of meetings and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965. The draft minutes of meetings are made available to all Board members prior to the confirmation of the minutes at the following Board meeting.

During the financial year 2015, seven Board meetings were held and the attendance record of each Director is as follows:

Name of Director	Number of meetings attended
Dato' Anwarrudin Ahamad Osman <i>(Independent Non-Executive Chairman)</i>	7/7
Datuk Zainol Izzet Bin Mohamed Ishak <i>(Managing Director)</i>	7/7
Adarash Kumar A/L Chranji Lal Amarnath <i>(Executive Director)</i>	7/7
Dato' Yogesvaran A/L T. Arianayagam <i>(Independent Non-Executive Director)</i>	7/7
Dato' Dr. Mohamed Ariffin Bin Hj. Aton <i>(Non-Independent Non-Executive Director)</i>	5/7
Chan Feoi Chun <i>(Non-Independent Non-Executive Director)</i>	6/7
D.Y.A.M. Raja Puan Muda Perak Dato' Seri DiRaja Tunku Soraya Binti Tuanku Abdul Halim <i>(Independent Non-Executive Director)</i>	4/7

The minimum 50% attendance requirement in respect of Board meetings as stipulated by the Listing Requirements of Bursa Securities has been complied with.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors. This is evidenced by the attendance record of the Directors at the Board meetings.

The Directors are aware that they are required to notify the Chairman of the Board prior to accepting any new directorships and to indicate the time expected to be spent on the new appointment. The aforesaid is set out in the Charter.

For the financial year under review, no Director holds more than five directorships in public listed companies.

1.5 Supply of Information

All Directors have the same right of access to all information within the Group and the duty to make further enquiries which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense.

Prior to each Board meeting, the agenda and board papers are distributed to the Directors seven days in advance to allow sufficient time for the Directors to review, consider and deliberate on the matters, and where necessary, to obtain further information and explanation to facilitate informed decision making.

Senior Management and external advisers may be invited to attend Board meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items and to provide clarification on any issue that may be raised by any Director.

Minutes of proceedings and resolutions passed at each Board and Board Committee meetings are kept in the statutory books at the registered office of the Company and are accessible to all Directors.

The Directors also have access to the advice and services of the Company Secretaries who are available to provide them with the appropriate advice and services and also to ensure that the relevant procedures are followed.

The Directors are regularly updated on the latest developments in applicable and relevant legislations relating to the duties and responsibilities of Directors.

1.6 Qualified and Competent Company Secretary

The Board is supported by the Company Secretaries in discharging its duties and functions. The Directors have unrestricted access to the advice and services of the Company Secretaries to enable the Directors to discharge their duties effectively. The Company Secretaries ensure that the Board is regularly updated on relevant regulatory requirements, codes or new statutes from time to time. The Company Secretaries attend and ensure that all Board and Committee meetings are properly convened and all deliberations and decisions made at the meetings are properly minuted and kept.

1.7 Board Committees

The Board delegates specific responsibilities to the Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Option Scheme Committee. All Committees operate within and in accordance with clearly defined terms of reference that are approved by the Board. These Committees have the authority to examine particular issues and submit reports of their deliberations and major findings to the Board. The terms of reference, composition and activities of the respective Committees are described in detail below.

Where the Committees have no authority to make decisions on matters reserved for the Board, recommendations would be highlighted to the Board for approval. The ultimate responsibility for the final decision on all matters lies with the Board.

1.7.1 Audit Committee

The Audit Committee was established on 15 June 2004 and the current members are as follows:-

Name of Member	Designation
Dato' Yogesvaran T. Arianayagam	A/L Chairman
Dato' Anwarrudin Osman	Ahamad Member
Chan Feoi Chun	Member

The role and functions of the Audit Committee are as set out in the Audit Committee Report on pages 53 to 56 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

1.7.2 Nomination Committee

The Nomination Committee was established on 15 June 2004 and comprises exclusively of Non-Executive Directors, the majority of whom are Independent. The current members are as follows:-

Name of Member	Designation
Dato' Yogesvaran A/L T. Arianayagam	Chairman
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member
D.Y.A.M. Raja Puan Muda Perak Dato' Seri DiRaja Tunku Soraya Binti Tuanku Abdul Halim	Member

The Nomination Committee's Terms of Reference are as follows:-

- (a) To examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness and ensure that at every annual general meeting, one-third of the Directors for the time being shall retire from office. A retiring Director shall be eligible for re-election. Every director, including the Managing Director, shall be subject to retirement at least once in every three years.
- (b) To review annually its required mix of skills, knowledge, experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and the appropriateness and fulfillment of the diversity representation of the Board which diversity includes gender, age and ethnicity and disclose the same in the Annual Report.
- (c) To develop, maintain and review the criteria to be used in the recruitment process and the annual assessment of Directors.
- (d) To recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors.
- (e) To ensure that the appointment of any Executive Director or Managing Director of Perisai shall be for a fixed term not exceeding three years at any one time with power to re-appoint, remove or dismiss thereafter.
- (f) Subject to the provisions of paragraph (h) below, to ensure that the tenure of any independent director should not exceed a cumulative term of nine years.
- (g) Subject to the provisions of paragraph (h) below, to ensure that upon the completion of the nine year tenure, an independent director may only continue to serve on the Board subject to the director's re-designation as non-independent director.
- (h) May however recommend to the Board that it retains as an independent director, a person who has served in that capacity for more than nine years on condition that it is able to provide strong justification to support the recommendation to enable the Board to justify and seek for shareholders' approval.
- (i) To recommend to the Board, candidates for all directorships proposed by the Managing Director and, within the bounds of practicability, by any other senior executive or any director or shareholder and to recommend to the Board candidates to fill the Audit, Nomination, Remuneration or other Board Committees. A description/specification for the new Directors should be drafted before identifying possible candidates. Candidates should be evaluated against this specification.
- (j) To review and recommend to the Board, candidates for the position of chief executive officer.
- (k) To ensure that woman candidates are sought as part of the recruitment exercise.
- (l) To assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director based on the process implemented by the Board.
- (m) To assess annually the continued independence of independent directors.
- (n) To review succession plans for members of the Board.

The Nomination Committee met once during the financial year ended 31 December 2015.

Summary of Activities undertaken by the Nomination Committee

- (a) Conducted the annual assessment and the performance evaluation of the Board, Board Committees and individual Directors. Summarised the results of the annual assessment and the performance evaluation and reported to the Board on the outcome of such assessment.
- (b) Reviewed the independence of the Independent Non-Executive Directors.
- (c) Assessed the Directors' training needs to ensure all Directors receive appropriate continuous training.
- (d) Recommended to the Board the change of Chairman of the Company and the composition of the Employees' Share Option Scheme Committee.
- (e) Made recommendation to the Board for the re-election and re-appointment of the Directors who are subject to retirement at the forthcoming annual general meeting.
- (f) Reviewed and made recommendation to the Board for the adoption of the revised Terms of Reference of the Nomination Committee.

1.7.3 Remuneration Committee

The Remuneration Committee was established on 15 June 2004. The current members, comprising a majority of Non-Executive Directors are as follows:-

Name of Member	Designation
Dato' Yogesvaran A/L T. Arianayagam	Chairman
Datuk Zainol Izzet Bin Mohamed Ishak	Member
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member
Chan Feoi Chun	Member

The Remuneration Committee's Terms of Reference are as follows:-

- (a) To set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of the Managing Director and Executive Director having regard to the overall Group policy guidelines/framework.
- (b) To advise the Board on the performance of the Managing Director and Executive Directors and Chief Executive Officer and an assessment of his/her entitlement to performance related pay. The Remuneration Committee should also advise the Managing Director on the remuneration and terms and conditions (and where appropriate, severance payments) of senior staff (defined as the small group of staff who report directly to the Managing Director).
- (c) To review the history of and proposals for the remuneration package of the Company's committees.

The Remuneration Committee met once during the financial year ended 31 December 2015.

1.7.4 The Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee was established on 27 June 2012 and the current members are as follows:-

Name of Member	Designation
Dato' Anwarrudin Ahamad Osman	Chairman
Datuk Zainol Izzet Bin Mohamed Ishak	Member
Adarash Kumar A/L Chranji Lal Amarnath	Member
Dato' Yogesvaran A/L T. Arianayagam	Member
Dato' Dr. Mohamed Ariffin Bin Hj. Aton	Member
Chan Feoi Chun	Member
D.Y.A.M. Raja Puan Muda Perak Dato' Seri DiRaja Tunku Soraya Binti Tuanku Abdul Halim	Member

STATEMENT ON CORPORATE GOVERNANCE

The ESOS Committee's Terms of Reference are as follows:-

- (a) Setting the criteria and determining the eligibility of any Employee or any Director to participate in the ESOS Scheme;
- (b) Determine the number of shares to be comprised in an offer to be made to any Employee or any Director;
- (c) Impose any condition or conditions on any ESOS option granted, preventing its exercise unless such condition has been complied with;
- (d) Where it deems appropriate at any time and from time to time, make one or more offers to any Employee or any Director to participate in the ESOS Scheme;
- (e) Determine the manner in which any Employee or any Director being made an offer to participate in the ESOS Scheme may accept such an offer;
- (f) Determine the form of the option certificate;
- (g) Within thirty calendar days from the date the Employee or the Director accepts the offer, issue an option certificate to the said Employee or Director ("Grantee");
- (h) Determine whether the option may be exercised in part and if so, the terms, criteria, procedures and details of such partial exercise;
- (i) Suspend, reinstate, vary or cancel the rights of a Grantee where it deems appropriate;
- (j) Determine the rate of discount to and the subscription price of the option;
- (k) Determine and regulate all procedures in regard to issuance and exercise of the option; and
- (l) Hear any dispute raised by any Employee on any matter in relation to the ESOS Scheme and after due consideration, issue its decision.

1.8 Appointment to the Board and Annual Assessment of Directors

The Nomination Committee is entrusted with the role of proposing and recommending new candidates to the Board and Committees of the Board. In determining the suitability of candidates, various factors are considered including diversity of skills, expertise, experience, competencies and time commitment of the candidates in discharging their roles and responsibilities through attendance at their respective meetings. The Board decides on the appointment of directors and members to the Committees of the Board after considering the recommendations of the Nomination Committee.

The Nomination Committee has put in place a formal assessment process to assess annually the effectiveness of the Board as a whole, the performance of the Board Committees and the contribution of each individual Director to ensure the continuous suitability of the Directors. The Nomination Committee has adopted a questionnaire methodology for Board assessment. Assessment of the Board and Board Committees are performed on a self-assessment basis whilst the assessment of individual Director is performed on a peer review basis. The Company Secretaries assists in compiling the assessment results and a summary of the assessment is furnished to the Nomination Committee for review. The criteria used, amongst others, for the assessment of individual Directors include their contribution and performance, participation, quality of input, roles, competency and time commitment whereas for the Board and Board Committees, evaluations are based on composition, functionality, mix of skills and knowledge, decision making, frequency of meetings, risk management and adequacy of information and processes.

The Nomination Committee is also responsible to review the structure, size, balance and composition of the Board. From the assessment of the financial year under review, the Nomination Committee is satisfied that the Board's size is conducive for effective discussion and decision making and that the Board has an appropriate number of Independent Non-Executive Directors. The Board also has the right balance of expertise, skills, knowledge, experience and diversity in terms of gender, age and ethnicity.

In line with the recommendations of the Code, the Nomination Committee has also performed an annual review of the independence of Independent Directors. In assessing the independence of Independent Directors, the Nomination Committee will consider whether the director has met the independence guidelines as set out in Paragraph 1.01 of the Listing Requirements of Bursa Securities which includes a series of objective tests. The Nomination Committee will also take into account if the Independent Director has or has had any relationship with the Company other than as a director as well as the Independent Director's ability to exercise independent and objective judgement at all times and to act in the best interests of the Company.

For the financial year 2015, none of the three Independent Directors have served on the Board for more than nine years and the Nomination Committee has assessed and concluded that none of the Independent Directors have any business or other relationship which could materially interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company.

1.9 Re-Appointment and Re-Election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, directors who are over the age of seventy shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment to hold office until the next AGM.

In accordance with the Company's Articles of Association, one-third of the Board of Directors for the time being, or, if the number is not a multiple of three, the number nearest to one-third shall retire from office provided always that each Director shall retire from office at least once every three years but shall be eligible for re-election.

The contributions and performance of the Directors who are subject to re-appointment and re-election at the forthcoming AGM are assessed by the Nomination Committee whose recommendations are submitted to the Board for the Board's decision on such proposed re-appointment and re-election of the Directors concerned, to be tabled for shareholders' approval at the AGM.

1.10 Directors' Training and Development

All the Board members have attended and completed the Mandatory Accreditation Program ("MAP") conducted by Bursa Malaysia Training Sdn Bhd in compliance with the Listing Requirements of Bursa Securities.

During the financial year 2015, the Directors have, collectively or individually, attended the following training programmes :

Training Programmes

1. Briefing on Reviewing Financial Proposals and Financial Obligations.
2. Corporate Governance Directors Workshop: The Interplay Between Corporate Governance, Non-Financial Information and Investment Decision.
3. Directors' Continuing Education Programme 2015 – New Auditor's Report, Impairment of Assets and Valuation of Investment, Cyber Security and IT Risks Management and Directors' and Officers' Liability Insurance.
4. Post Workshop Discussion – An Integrated Assurance on Risk Management and Internal Control – Is Our Line of Defense Adequate and Effective?
5. Corporate Governance Breakfast Series with Directors – Board Reward & Recognition.

Directors are also encouraged to attend seminars and/or conferences organised by relevant regulatory authorities and professional bodies to further enhance their skills and knowledge and to keep abreast of changes in both regulatory and business environments as well as with new developments within the industry in which the Group operates.

The Directors have been updated on recent developments in the areas of statutory and regulatory requirements from briefings conducted by the External Auditors, Internal Auditors and Company Secretaries during the Board and/or Committee meetings.

The Board, through its Nomination Committee, continues to evaluate and determine the training needs of its Directors on an on-going basis to ensure continuing education is made available to Directors in order for them to enhance their effectiveness on the Board and Board Committees. In addition, the Group, in collaboration with external training providers, also organises internal training programmes for its Directors.

STATEMENT ON CORPORATE GOVERNANCE

2 REMUNERATION

2.1 Directors' Remuneration

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to manage the Group successfully.

In the case of Executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. The Remuneration Committee is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the Executive Directors.

As for Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director

concerned. The remuneration of the Non-Executive Directors will be reviewed by the Remuneration Committee and recommended to the Board thereafter.

The determination of remuneration for each Director is a matter for the Board as a whole and all the Directors concerned shall not participate in the decisions regarding their own remuneration.

All Non-Executive Directors are paid directors' remuneration taking into account any additional responsibilities undertaken such as a Director acting as Chairman of a Board Committee and membership of Board Committees. In addition, meeting allowance is paid in accordance with the number of Board and Committee Meetings attended by each of them. The directors' fees are approved by the shareholders at the Annual General Meeting in accordance with the Company's Articles of Association.

The aggregate Directors' remuneration for the financial year ended 31 December 2015 are as set out below:-

	Fees RM	Salaries RM	Bonus RM	Share Options Granted under ESOS RM	Benefits- in-kind RM	Others RM	Total RM
Executive Directors	-	1,224,000	-	1,932,139	35,650	200,880	3,392,669
Non-Executive Directors	365,140	-	-	1,165,289	-	35,500	1,565,929

The specific levels of remuneration of Directors are set out in the following bands:-

Remuneration Band (excluding Share Options Granted under ESOS)	Executive Directors	Non-Executive Directors
RM50,001 – RM100,000	-	5
RM300,001 – RM350,000	1	-
RM1,050,001 – RM1,100,000	1	-

Share Options Granted under ESOS	Executive Directors	Non-Executive Directors
RM200,001 – RM250,000	-	4
RM250,001 – RM300,000	-	1
RM850,001 – RM900,000	1	-
RM1,000,001 – RM1,050,000	1	-

3 SHAREHOLDERS COMMUNICATION AND INVESTOR RELATIONS

3.1 Shareholders

The Board recognises the importance of maintaining transparency and accountability to its shareholders. Effective communication channel between the Board, shareholders and the general public is of utmost importance to the Company to provide sufficient information to shareholders to allow them to effectively evaluate the performance of the Company.

Apart from complying with the continuing disclosure requirements as stipulated in the Listing Requirements of Bursa Securities, the Board also observes the recommendation of the Code with regard to strengthening engagement and communication with the shareholders.

The Annual Report serves as an important mode of communication as it provides a comprehensive report on the Group's financial and operational performance for the year in review. Additionally, the Annual Report provides the necessary disclosures and compliances that are required by the relevant regulations, leading to greater transparency. The Annual Report is also printed in summary form together with a digital version in CD-ROM format and is made available online on the Company's website at www.perisai.biz.

3.2 Annual General Meeting ("AGM")

The AGM serves as a principal forum for dialogue with shareholders of the Company. The Company recognises that good corporate governance requires active participation of shareholders in the decision making process at the Company's AGM. At the beginning of the AGM, the Chairman will inform the meeting of the voting procedures including procedures on demand for poll voting. A brief presentation on the performance and activities of the Group throughout the year will, if appropriate, be presented to the shareholders during the AGM to allow shareholders to better understand the Group's performance and latest business activities. Questions raised by Minority Shareholder Watchdog Group prior to the AGM, if any, are shared with all shareholders during the AGM together with the Company's replies on the queries.

The Company values feedback from its shareholders. Shareholders are given sufficient time and opportunity to participate in the proceedings of the general meeting, raise questions and seek clarification on the agenda items and on the performance of the Group and communicate their expectations and concerns.

Members of the Board, the Group's Senior Management, the Company's auditors as well as the Company's advisers will be present to respond to shareholders' questions during general meetings. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf. Extraordinary General Meetings are held as and when required.

Recommendation 8.2 of the Code states that the Board should encourage poll voting for substantive resolutions. The Board is of the view that with the current level of shareholders at the AGM, voting by way of a show of hands continues to be effective.

3.3 Investor Relations

The Board recognises that effective and timely communication is essential in maintaining good relations with investors. The Company holds regular briefings for institutional investors to explain the Group's strategies and major developments, all of which are within the legal and regulatory framework in respect of the release of information.

The Company has also established a comprehensive website at www.perisai.biz which provides a channel of communication and information dissemination. Under the section of Investor Relations, shareholders or potential investors can access and download such information as corporate details, share price, press releases, annual reports, circulars to shareholders, financial results and various announcements made from time to time by the Company to Bursa Securities. Investor queries/information request can also be directed to corporate@perisai.biz.

STATEMENT ON CORPORATE GOVERNANCE

4 ACCOUNTABILITY AND AUDIT

4.1 Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia, that give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:-

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that all applicable approved accounting standards in Malaysia have been complied with; and
- Considered the going concern basis used is appropriate and valid.

The Directors have the responsibility in ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

4.2 Financial Reporting

The Board aims to provide and present a balanced, clear and understandable assessment of the Group's position and prospects in all of their reports and announcements to the shareholders, investors, regulatory bodies and the general public.

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company. The Directors have ensured that the Group has used the appropriate accounting policies in the presentation of the financial statements and that reasonable and prudent judgments and estimates has been used in the presentation of the same. The Audit Committee oversees the Group's financial reporting process and the quality of its financial reporting. The Group's financial statements including supplementary information are presented on pages 60 to 164 of this Annual Report.

4.3 Internal Control

The Directors acknowledge that it is their responsibility for maintaining a sound system of internal controls covering operational, financial, risk management and compliance with applicable laws. The internal control system is designed to meet the Group's particular needs and to manage the risks to which it is exposed. The system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Executive Risk Management Committee ("ERMC"), led by the Managing Director and comprising of the heads of department of the finance, corporate planning, legal and operational functions is empowered by its terms of reference on the implementation of risk management and internal control. The ERMC ensures that the accountability for managing the significant risks identified is clearly assigned and that the identified risks are being addressed on an ongoing basis.

During the year, the ERMC met twice and reported to the Board the identified risks and its mitigation plans through a principal risk register report.

The Audit Committee is responsible to review the internal control process and procedures to protect its assets and shareholders' investment. The review covers the financial, operational and compliance controls as well as risk management functions.

The details of the Group's Risk Management Framework and Internal Control System are stated in the Statement of Risk Management and Internal Control in the Annual Report.

4.4 Relationship with the Auditors

The Group, through the Audit Committee, maintains a close, transparent and professional relationship with its External Auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia as well as the auditors' professional requirements. The Audit Committee invites External Auditors to attend meetings of the Audit Committee, as and when required. In addition, the Audit Committee will also have private meetings with the External Auditors without the presence of the Executive Directors and Senior Management. During the financial year in review, one meeting was held with the External Auditors but without the presence of the Executive Directors and Senior Management.

The External Auditors would report to the shareholders of the Company on its opinion which is included as part of the Group's financial reports with respect to their audit on each year's statutory financial statements. The External Auditors also highlight to the Audit Committee and Board of Directors on matters that require their attention.

The Audit Committee continues reviewing the suitability and independence of the External Auditors before recommending them for re-appointment. The Audit Committee has considered, amongst others, the adequacy of experience and resources of the External Auditors, the professional staff assigned to the audit and its independence. From the assessment, the Audit Committee is satisfied with the External Auditors' technical competency and audit independence.

The Audit Committee has also considered the provision of non-audit services by the External Auditors during the financial year and concluded that the provision of these services did not compromise the External Auditors' independence and objectivity and the amount of the fees paid for the non-audit services were not significant when compared to the total fees paid to the External Auditors. In support of the assessment on independence, the External Auditors have further provided a confirmation of their independence to the Audit Committee that they have been independent throughout the conduct of the audit engagement in accordance with the terms of the relevant professional and regulatory requirements.

The roles of the Audit Committee in relation to the external auditors are set out in the Audit Committee Report on pages 53 to 56 of this Annual Report.

5 CODES AND POLICIES

5.1 Code of Conduct

The Company is committed to honest and ethical business conduct of the highest standards which are fundamental towards building trust with all its stakeholders and the communities in which it operates.

In furtherance to this commitment, the Company has developed a code of conduct (the "Code of Conduct") which is also made available on the Company's website at www.perisai.biz. The Code of Conduct sets out the core values and principles which the Company considers to be of utmost importance.

The Code of Conduct applies to all entities controlled by the Company and all Directors, officers and employees (collectively, "Employees"). The Company also seeks to ensure that the Code of Conduct applies to contractors, representatives and agents of the Company with respect to their activities that are related to the Company's business. All Employees are required to read and understand the Code of Conduct.

5.2 Whistle Blowing Policy

The Whistle Blowing Policy which forms part of the Code of Conduct, has been adopted by the Board. The Whistle Blowing Policy is applicable to all Directors, officers and employees of Perisai Group as well as to the members of the public, where relevant. The policy provides an avenue for any Director, officer or employees of the Group and members of the public to report any improper conduct occurring in the course of dealing with Perisai and its businesses and operations. Under the policy, confidentiality of the matter raised and the identity of the whistle blower is protected.

The Whistle Blowing Policy is posted on the Company's website at www.perisai.biz. Any Director, officer or employee of the Group or member of the public can report any improper conduct by writing to whistle@perisai.biz.

STATEMENT ON CORPORATE GOVERNANCE

5.3 Sustainability Policy

The Board has formalised and adopted a Sustainability Policy which forms part of the Company's Code of Conduct. The Sustainability Policy sets out the manner in which the Company carries on its business, which is undertaken in a socially responsible and holistic manner. It also ensures that the Board and the Senior Management are directly involved in the implementation of sustainability practices and the monitoring of sustainability performance. Key aspects of the policy focuses on social awareness and betterment, environmental preservation and sound and effective corporate governance. The policy is adopted with a view to enhancing investor perception and public trust.

5.4 Workplace Diversity Policy

The Board recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organisation. The Board is committed to leveraging the diverse backgrounds, experiences and perspectives of its employees in order to create a harmonious and effective workforce that finds its foundation in diversity. Hence, a Workplace Diversity Policy was adopted by the Board on 24 March 2016. The Board's commitment in recognising the importance of diversity extends to all areas of its business including recruitment, talent development, skills enhancement, retention and compensation benefits as well as other relevant aspects of employment.

The Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 24 March 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge their responsibilities over the risk management and internal control system in the Group, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity, in order to safeguard shareholders' investment and the Company's assets. In compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to set out the Group's Statement on Risk Management and Internal Control for the financial year ended 31 December 2015 which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

For the purpose of this Statement on Risk Management and Internal Control, the joint ventures and/or associate companies of the Group have not been taken into account. The Group's interests in these joint ventures and/or associate companies are served through representation on the board of the joint ventures and/or associate companies as well as through the review of management financial statements.

BOARD RESPONSIBILITY

The Board of Directors is fully committed to ensure the existence of an effective system of internal control and risk management system within the Group and that the effectiveness, adequacy and integrity of those systems are reviewed on an on-going basis. However, the Board recognises that such systems are designed to manage the risks identified to acceptable levels rather than to eliminate them. Therefore, the systems implemented can provide only reasonable but not absolute assurance against the occurrence of any material misstatement or loss.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of corporate and business objectives. The risk management and internal control system covers operational, financial, management and compliance with applicable laws.

Whilst the Board has overall responsibility for the establishment of the Group's risk management and internal control system, it has delegated the implementation and monitoring of this system to the Management who will report on identified risks and actions taken to mitigate and/or minimise the risks. The Management is responsible to identify and manage risks. Management meetings

are held, where necessary, to address significant issues as faced by the Group to ensure that such risks are closely monitored and appropriately addressed, managed, mitigated or eliminated. All significant risks of the Group are reported to the Board. Twice a year, the Management prepares a report detailing the significant risks, the status of risk reviews and the status of implementation of action plans, for review by the Board.

The Audit Committee with the support of the Internal Auditor, assist the Board in reviewing the adequacy, integrity and effectiveness of the risk management and internal control system within the Group. The Internal Auditor conducts an annual review of this system including the extent of compliance with the Group's operating policies and procedures. The findings of the review are reported directly to the Audit Committee.

The membership and terms of reference and activities of the Audit Committee are set out on pages 53 to 56 of this Annual Report.

INTERNAL CONTROL FRAMEWORK

The Group's internal control environment comprises, amongst others, various procedures and frameworks which are as follows:-

Clear and Structured Organisational Reporting Lines

The Group has a well-defined organisation structure that is aligned to business requirements and also to ensure checks and balances through the segregation of duties. Clear reporting lines and authority limits govern the approval process, regulated by the Limits of Authority as set by the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

At Board level, all strategic, business and investment plans are approved and monitored by the Board. The Board is supported by four Board Committees that provide focus and counsel in the areas of:-

- Audit and Risk Management;
- Nomination, continuing training and annual assessment of Directors;
- Remuneration of Directors, both executive and non-executive; and
- Employees' Share Options.

Comprehensive Board papers, which include financial and non-financial matters such as quarterly results, business strategies, explanation of Group's performances, key operational issues and corporate activities and exercises of the Group are reported and tabled to the Board for deliberation and approval.

Strategic Business Plan, Budget and Performance Review

Annual Business Plan and Budget are prepared on a yearly basis and are deliberated and approved by the Board. The Group's Strategic Business Plan maps out the strategic objectives and business direction of the Group. The Group's businesses and financial performance are monitored and measured against the business plan and approved budget. Any major variance will be reviewed and corrective actions are undertaken.

Quarterly financial results are presented to and reviewed by the Audit Committee and the Board to enable them to monitor and evaluate the business and financial performance of the Group.

Limits of Authority ("LOA") and Operating Procedures

The Board's authority in the approval of certain matters are delegated to the Board Committees and members of Management through a clear and formally defined LOA which is the primary instrument that governs and manages the operational and business decision process of the Group. Whilst the objective of the LOA is to empower, the key principle adhered to in its formulation is to ensure that a system of internal control of checks and balances are incorporated therein. The LOA is reviewed as and when necessary and updated to ensure relevance to the Group's operations.

Other internal policies and operating procedures adopted by the Group will be properly documented and communicated so as to ensure clear accountabilities.

Human Capital Management

A formal staff performance appraisal system, guided by key performance indicators to evaluate and measure employee performance and their competency is performed once a year to link performance with appropriate remuneration in order to create a high performance work culture. In addition, training and development programmes are provided to the employees to enhance their knowledge and competency in carrying out their duties and responsibilities towards achieving the Group's objectives as well as to develop internal talents to meet the Group's future talent needs.

Information and Communication Processes

Comprehensive information covering financial performance, business operations, utilisation of funds and cashflow position are provided by the Management to the Board on a quarterly basis.

Independent Assurance Mechanism

Annual assessments are carried out through internal audits to assess the adequacy and integrity of the internal controls and risk management and also to monitor compliance with the policies and procedures of the Group. The Group has outsourced the function of internal audit to a professional service provider as it is more cost effective. The outsourcing of this function further enhances the professionalism and objectivity of this function as there is complete independence from the activities on which the audits are conducted over.

The Audit Committee has an active oversight on the internal audit's independence, scope of work and resources. It also reviews the internal audit function, particularly the scope of the annual audit plan and frequency of internal audit activities.

Internal audit reports are presented to the Audit Committee upon its conclusion. Audit findings together with recommendations thereon are presented to Management and follow up audits are performed to track the status of implementation of corrective actions until completion to ensure Management action plans are carried out effectively.

Code of Conduct

The Group has established and adopted a Code of Conduct ("Code") which encapsulates the core principles of the Group. The Code is expected to guide, motivate and inspire conduct which is ethical and principled in the everyday dealings of the Group's business. With an application that extends not just to the Directors, officers and employees of the Group but also to third parties such as contractors, representatives and agents of the Group, the Code is used as part of the Group's risk management mechanism to effectively control against the occurrence of any fraud, dishonest practices or conflict of interests.

Whistle Blowing Policy

As part of the Code, the Group has also established and put in place a Whistle Blowing Policy. This provides an avenue for the Board, officers and employees as well as members of the public a safe channel of reporting of incidents which are against the regulations and policies of the Company. The policy is a manifestation of the control and risk management objectives that the Code seeks to achieve.

Emergency Response Plan

The Group has set in place the emergency response measures under an Emergency Response Plan, in the event of a crisis or emergency. The Emergency Response Plan has been prepared to maximise human safety, protect the Company's reputation and image, preserve assets and property, minimise or eliminate danger and assure responsive communication to all appropriate parties, all of which with the objectives to restore normal operations of the Group.

The responsibilities in the event of an emergency are delegated among the Response Team, Incident Management Team and Crisis Management Team. The Response Team will activate the other teams in their areas of responsibility.

Insurance and Physical Safeguard

The Group maintains an appropriate insurance programme in order to provide sufficient insurance coverage on major assets of the Group and lawsuits that could result in material losses to the Group.

RISK MANAGEMENT FRAMEWORK

Risk management is a process that is carried out within the Group on an on-going basis and has been in place for the entire year under review and up to the date of approval of this statement for inclusion in the Annual Report. Risk Management practices are inculcated in the activities of the Group, which requires amongst others, establishing risk tolerance thresholds to identify, assess and monitor key risks faced by the Group. The monitoring and management of identified risks are undertaken by the Management and reported to the Board.

The Audit Committee working together with the Management continues to take measures to further strengthen the Group's risk management system.

In providing the oversight of risk management framework, an Executive Risk Management Committee ("ERMC"), chaired by the Managing Director and comprising heads of department of the finance, corporate planning, legal and operational functions of the Group was established to assist the Board to oversee the overall risk management process. As part of the risk management framework, the following risk management approach has been adopted and applied by ERMC to facilitate the identification, assessment, monitoring, reporting and mitigation of risks within the Group:-

- (a) Areas of concern including both internal and external factors that could adversely impact the achievement of the Group's business objectives are identified and categorised into strategic, financial, operational, legal and compliance risks;
- (b) The risks are then assessed using quantitative and qualitative aspects to determine their potential impact on the relevant business objectives and their likelihood of occurrence;
- (c) All identified key risks are captured on a Principal Risk Map mapping of the level of significance of the risks to the Group and determine the required prioritisation and focus for risk mitigation; and
- (d) Identified key risks together with the mitigation plans are reported to the Board through a Principal Risk Register Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Principal Risk Register serves as a tool for the heads of department/business unit in managing key risks applicable to their respective operations. The ERMC meets at least twice a year to assess whether any conditions associated with a particular risk have changed or any new areas are introduced requiring an assessment of risk. The status of mitigation plans and new identified risks are formally reported to the Board to ensure risk exposures are managed and required actions are undertaken in a timely manner.

During the financial year under review, the ERMC convened two meetings to review and deliberate on the Group's significant risks as well as to update the risk exposure of the Group.

The above risk management process facilitates and enhances the ability of the Board and the Management to manage risks within defined risk parameters and risk standards.

CONCLUSION

Based on the processes set out above, the Board, having received assurance from the Managing Director and Chief Financial Officer that the Company's risk management and internal control system are operating adequately and effectively, is of the view that the Group's system of internal control and risk management in place for the year under review are generally adequate and effective to safeguard the assets of the Group and interest of the shareholders and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report. Moving forward, the Group will continue to improve and enhance the existing system of internal control and risk management.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed a limited assurance engagement on the Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2015 pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised) : Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by Malaysia Institute of Accountants and reported that nothing has come to their attention that would cause them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the "Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers" nor is the same factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors dated 24 March 2016.

AUDIT COMMITTEE REPORT

MEMBERSHIP

The Audit Committee was established by the Board on 15 June 2004. The Committee presently comprises three Non-Executive Directors, a majority of them are Independent Directors:-

Chairman : Dato' Yogesvaran A/L T. Arianayagam
Independent Non-Executive Director

Members : Dato' Anwarrudin Ahamad Osman
Independent Non-Executive Director

Chan Feoi Chun
Non-Independent Non-Executive Director

The composition of the Audit Committee ("AC") complies with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which requires the majority of the AC members to be Independent Directors and at least one member to be a member of the Malaysian Institute of Accountants.

MEETINGS

The AC met five times during the financial year ended 31 December 2015. The details of the attendance by each member are as follows:-

Members	Number of Meetings Attended
Dato' Yogesvaran A/L T. Arianayagam	5/5
Dato' Anwarrudin Ahamad Osman	4/5
Chan Feoi Chun	5/5

The Managing Director, Senior Management, external auditors and internal auditors were invited, when appropriate, to attend the meetings and presented their reports on financial results, audit and other matters for the information and/or approval of the AC.

The AC members were provided with the agenda and relevant committee papers before each meeting. The Company Secretaries act as the Secretaries to the AC.

Minutes of the AC meetings were distributed to the Board for notation. Significant issues are highlighted by the Committee Chairman at each Board meeting for further discussion and deliberation, and where applicable, for the Board's approval thereof.

TERMS OF REFERENCE

The AC is governed by its written terms of reference, as detailed below:-

1 Membership

- The AC shall be appointed by the Board of Directors from among their members and shall be composed of not fewer than three members all of whom must be non-executive directors, with the majority of them being independent directors.
- The members shall elect a chairman from among their members who is an independent director. If a member resigns, dies or for any other reason ceases to be a member, the Board of Directors shall, within three months, appoint new members as may be required to make up the minimum number of three members.
- No alternate Director shall be appointed as a member of the AC.
- At least one member of the Committee:-
 - (a) shall be a member of the Malaysian Institute of Accountants; or
 - (b) shall have at least three years' working experience and:-
 - (i) passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (ii) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - (c) fulfills such other requirements as prescribed or approved by Bursa Securities.
- The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every three years.

2 Meetings

- The AC shall meet at least four times a year with a minimum quorum of two members and the majority of members present shall be the independent directors. Additional meetings may be called at any time at the discretion of the AC.

AUDIT COMMITTEE REPORT

- The AC may require the external auditors and any official of the Company to attend any of its meetings as it determines.
- The Company Secretaries shall be the secretaries of the AC.

3. Authority

The AC assists, supports and implements the Board's responsibility to oversee the Group's operations in the following manner:-

- (a) investigate any matters within its terms of reference;
- (b) have adequate resources which it needs to perform its duties;
- (c) have full access to any information which it requires in the course of performing its duties;
- (d) have full access to any employee or member of the management;
- (e) have direct communication channels with the external and internal auditors (if any) and convene meetings with external auditors and internal auditors or both, excluding the attendance of the other directors and employees of the Company;
- (f) have access to independent professional advisor or other advisor in the performance of its duties at the cost of the Company; and
- (g) be able to invite outside professionals with relevant experience and expertise to attend its meetings, if necessary.

4. Functions, Roles and Responsibilities

The key functions and responsibilities of the AC are as follows:-

- (a) to consider the nomination of external auditors, the audit fees and any question of resignation or dismissal;
- (b) to oversee all matters pertaining to audit including the review of the audit plan and report;

(c) to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;

(d) to discuss problems and reservations arising from the interim and final results, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(e) to review the quarterly interim results, half-yearly results, annual financial statements and audit report, focusing on:-

- any changes in accounting and operating policies and practices;
- significant adjustment(s) arising from the audit;
- adequacy of disclosure of all information in the financial statements essential to a true and fair representation of the financial affairs of the Company and its subsidiary companies; and
- compliance with applicable approved accounting standards, financial reporting standards and business practices.

(f) to review any management letter sent by the external auditors to the Company and the management's response to such letter;

(g) to discuss with the external auditors their evaluation of the quality and effectiveness of the internal control and management information systems;

(h) to establish policies and procedures to assess the suitability and independence of external auditors;

(i) to review the adequacy of the scope, functions, resources and competency of the internal audit function and that it has the necessary authority to carry out its work;

(j) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

(k) to review and approve the annual audit plan proposed by the internal auditors;

- (l) to review the co-operation or assistance given by the Company's officers to both external and internal auditors;
- (m) to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (n) to review all related party transactions and potential conflict of interests situations;
- (o) to identify a Head of Internal Audit (including from the firm on which the internal audit functions is outsourced to) who will be responsible for providing assurance to the board that the internal controls are operating effectively and who shall report directly to the AC;
- (p) to verify the allocation of options under the employees' share option scheme; and
- (q) to consider other matters, act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to management of the Group, as defined.

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE

During the financial year 2015, the activities carried out by the AC in discharging its functions and duties were as follows:-

1. Financial Reporting and Annual Reporting

- (a) Reviewed the unaudited quarterly financial results and the annual audited financial statements of the Group before recommending them to the Board for the Board's consideration and approval, ensuring that the financial reporting and disclosure requirements of relevant authorities have been complied with, focusing particularly on:-
 - changes in or implementation of major accounting policies and practices;
 - the going concern assumption;
 - significant adjustments arising from audit;
 - major judgment areas;
 - significant and unusual events; and
 - compliance with accounting standards, financial reporting standards and other legal requirements.

- (b) Reviewed the AC Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

2. Internal Audit

- (a) Reviewed and approved the Annual Internal Audit Plan for the financial year 2015 to ensure adequate scope and coverage over the activities of the Group and the resource requirements of internal audit to carry out its functions.
- (b) Reviewed the Internal Audit Reports with recommendations from the internal auditors, Management's response and follow up actions taken by the Management.
- (c) Reviewed the status report on the corrective actions taken on the outstanding audit issues, submitted by the internal auditors, to ensure that all the key risks and controls have been addressed.
- (d) Reviewed the internal audit function with particular emphasis on determining the adequacy of the scope, function, competency, resource levels as well as the processes and results of the internal audit function.

3. External Audit

- (a) Reviewed the Audit Planning Memorandum with the external auditors together with their scope of work for the year.
- (b) Discussed the External Auditor Reports and their findings and recommendations arising from the audit.
- (c) Reviewed the scope of audit and the External Auditors' performance, their independence and objectivity and their services rendered including non-audit services.
- (d) Considered and recommended to the Board for approval the audit fees payable to the external auditors and their re-appointment of services.

AUDIT COMMITTEE REPORT

4. Related Party Transactions and Recurrent Related Party Transactions

- (a) Reviewed the related party transactions and recurrent related party transactions as well as conflict of interest situations that may arise within the Company or the Group and ensure that any transaction, procedure or course of conduct occurring in the course of the financial year which raises questions of management integrity were conducted on the Group's normal commercial terms, done in the ordinary course of business and were not detrimental to the interest of minority shareholders.
- (b) Reviewed the Circular to Shareholders relating to the renewal of shareholders' mandate and new shareholders' mandate for recurrent related party transactions prior to recommending them for the Board's approval.

5. Others

- (a) Reviewed the adequacy of insurance coverage, payment procedures and cash flow planning.
- (b) Reviewed and verified the allocation of options under the Company's Employees' Share Option Scheme.
- (c) Met with the external auditors once during the year in the absence of the Management.

INTERNAL AUDIT FUNCTION

The internal audit function is independent of the activities or operations of other operating units. Its principal role is to undertake independent, regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such a system continue to operate satisfactorily and effectively. It is the responsibility of the internal auditors to provide the AC with independent and objective reports of the state of internal control on the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The internal audit function was undertaken by an independent professional consulting firm who carries out its work according to the standards set by professional bodies. The costs incurred for the internal audit function for the financial year ended 31 December 2015 was RM15,000.00.

Prior to the commencement of the internal audit reviews, an Internal Audit Plan is produced and presented to the AC for approval. This ensures that the audit direction is in line with the AC's expectations. Upon approval by the AC, the internal audit reviews would be carried out in accordance with the approved Internal Audit Plan. During the financial period under review, the Internal Auditors have assessed the effectiveness of the enterprise risk management framework including risk communication and structure in place and the risk management policy adopted by the Group. All audit findings are reported to the AC and, areas of improvement and audit recommendations identified are communicated to the Management for their action. The Internal Auditors has also followed-up on the implementation of corrective action plans agreed with the Management for audit issues raised in their previous reports.

Further details of the activities of the internal audit function are set out in the Statement on Risk Management and Internal Control.

STATEMENT VERIFYING ALLOCATION OF OPTIONS PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME

The AC has reviewed and verified that the allocation of options pursuant to the Company's Employees' Share Option Scheme ("ESOS") for the financial year ended 31 December 2015 was made in accordance with the criteria set out in the By-Laws of the ESOS and the guidelines governing the ESOS.

The AC Report is made in accordance with the resolution of the Board of Directors dated 24 March 2016.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

Pursuant to the Call Option Agreement entered between the Company and Macquarie Bank Limited ("Macquarie") on 24 November 2015, Macquarie was granted call options with the rights to exercise and be issued up to 119,000,000 new ordinary shares of RM0.10 each in the Company.

The proceeds raised during the private placement were approved for the following activities and the status of utilisation as at 31 March 2016 are summarised below:

Purpose	Approved Utilisation RM' Million	Amount Utilised RM' Million	Amount Unutilised RM' Million
Repayment of bank borrowings and/or capital investment for jack-up drilling rigs and MOPU	25.0	-	25.0
Working capital:			
- Operational expenses for jack-up drilling and MOPU	1.2	-	1.2
- Finance cost	5.8	0.2	5.6
- Management and administrative expenses	4.7	4.2	0.5
Estimated expenses relating to the Proposed Private Placement	0.3	0.2	0.1
Total	37.0*	4.6	32.4

*Total proceeds raised as at 31 March 2016 is RM7.5 million.

2. SHARE BUYBACKS

There were no sale of shares, cancellation of treasury shares or share buybacks undertaken by the Company during the financial year 2015.

At the end of the financial year 2015, a total of 400,000 ordinary shares of RM0.10 each were held as treasury shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE BONDS

- a) During the financial year ended 31 December 2015, there were no options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme ("ESOS").

The Company's ESOS was implemented on 4 July 2012 and is governed by the By-Laws approved by shareholders at an Extraordinary General Meeting held on 27 June 2012. The ESOS is to be in force for a period of ten years from the date of implementation.

Details relating to the grant of options, its rate of exercise and the remaining options comprised in the scheme are as follows:-

Details	No. of Options	Granted to Directors and Senior Management	No. of Options
Total options granted as at 1 January 2015	47,123,070	Total options granted as at 1 January 2015	39,200,000
Total options granted in 2015	33,383,050	Total options granted in 2015	25,980,000
Total options exercised/cancelled in 2015	569,050	Total options exercised in 2015	0
Balance outstanding options as at 31 December 2015	79,937,070	Balance outstanding options as at 31 December 2015	65,180,000

ADDITIONAL COMPLIANCE INFORMATION

Granted to Directors and Senior Management	For the period from 1.1.2015 to 31.12.2015	Since Commencement of the ESOS on 4 July 2012
*Aggregated maximum allocation of options to Directors and Senior Management as a percentage of total ESOS options	36.37%	72.50%
Actual options granted to Directors and Senior Management as a percentage of the maximum allocation	59.31%	77.53%

* As at 31 December 2015, the issued and paid-up share capital of the Company comprised of 1,204,606,978 ordinary shares of RM0.10 each of which 400,000 ordinary shares are held as treasury shares.

Details of ESOS options granted to each Director are disclosed on page 64 of the audited financial statements in this Annual Report.

- b) Pursuant to the Call Option Agreement entered between the Company and Macquarie on 24 November 2015, Macquarie was granted call options with the rights to exercise and be issued up to 119,000,000 new ordinary shares of RM0.10 each in the Company.

During the financial year ended 31 December 2015, a total of 11,482,000 call options have been exercised and thereafter issued as ordinary share capital.

The Company did not issue any other options, warrants or convertible securities during the financial year.

4. DEPOSITORY RECEIPTS PROGRAMME

The Company did not sponsor any depository receipts programme during the financial year.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year under review.

6. NON-AUDIT FEES

The Group's non-audit fees payable to the external auditors for the financial year ended 31 December 2015 amounted to RM23,000.00.

7. PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not announce or disclose any profit estimate, forecast or projection in any public documents during the financial year ended 31 December 2015.

8. VARIANCE IN RESULTS

There is no significant variance between the profit after tax for the financial year ended 31 December 2015 and the unaudited results previously announced.

9. PROFIT GUARANTEE

The Company did not provide any profit guarantee during the financial year ended 31 December 2015.

10. MATERIAL CONTRACTS

During the financial year under review, there were no material contracts entered into by the Company and its subsidiaries which involved Directors' or major shareholders' interests (not being contracts entered into in the ordinary course of business).

11. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") OF A REVENUE AND TRADING NATURE

At the 12th Annual General Meeting of the Company held on 17 June 2015, the Company had obtained shareholders' mandate to allow the Company and its subsidiaries to enter into RRPTs, which are necessary for its day-to-day operations and in the ordinary course of its business, with related parties. The said mandate took effect from 17 June 2015 until the conclusion of the forthcoming Annual General Meeting of the Company.

The information on the RRPTs conducted during the financial year ended 31 December 2015 is presented on pages 144 to 148 of the audited financial statements in this Annual Report.