ICON OFFSHORE BERHAD

(984830-D) (Incorporated in Malaysia)

QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

ICON OFFSHORE BERHAD (984830-D)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the third quarter and period ended 30 September 2017 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
	Note	**30.09.2017**	**30.09.2016**	**30.09.2017**	**30.09.2016**
		RM	**RM**	**RM**	**RM**
Revenue	**15.1.(i)**	58,131,777	62,998,125	154,469,169	173,711,335
Cost of sales		(39,292,783)	(37,669,220)	(116,045,209)	(111,646,906)
Gross profit	**15.1.(ii)**	18,838,994	25,328,905	38,423,959	62,064,429
Other income		191,397	429,464	964,837	1,098,125
Administrative expenses	**15.1.(iii)**	(8,003,349)	(11,432,791)	(21,380,626)	(30,430,179)
Other expenses - Write back impairment loss on vessels		-	-	3,247,473	-
Profit from operations		11,027,042	14,325,578	21,255,643	32,732,375
Finance costs		(9,381,504)	(10,020,478)	(29,504,815)	(29,567,174)
Share of gain/(loss) from a joint venture		-	27	-	(41)
Profit/(loss) before taxation		1,645,538	4,305,127	(8,249,172)	3,165,160
Taxation	**15.1.(iv)**	(143,334)	(1,540,249)	229,933	(1,685,044)
Profit/(loss) for the quarter/period	**15.1.(v)**	1,502,204	2,764,878	(8,019,239)	1,480,116
Other comprehensive (loss)/profit: Items that will be classified subsequently to profit or loss: Currency translation differences		(92,902)	(4,689)	(76,260)	455,980
Total comprehensive profit/(loss) for the quarter/period		1,409,302	2,760,189	(8,095,499)	1,936,096

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

		INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
	Note	30.9.2017	30.9.2016	30.9.2017	30.9.2016
		RM	RM	RM	RM
Profit/(loss) attributable to:					
-Equity holders of the Company		205,218	2,144,739	(12,973,246)	(2,244,028)
-Non-controlling interests		1,296,986	620,139	4,954,007	3,724,144
		1,502,204	2,764,878	(8,019,239)	1,480,116
Total comprehensive profit/(loss) attributable to :					
-Equity holders of the Company		157,838	2,142,347	(13,012,138)	(2,011,479)
-Non-controlling interests		1,251,464	617,842	4,916,639	3,947,575
		1,409,302	2,760,189	(8,095,499)	1,936,096
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:					
Basic/diluted earnings/(loss) per share (sen)	24	0.0	0.2	(1.1)	(0.2)

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30.09.2017 RM	Audited As at 31.12.2016 RM
Non-current assets		
Property, plant and equipment	1,168,166,024	1,191,849,908
Investment in a joint venture	4,231,367	4,231,366
Deferred tax assets	51,789,511	49,894,120
	1,224,186,902	1,245,975,394
Current assets		
Trade and other receivables	82,936,417	71,186,856
Inventories	4,325,003	3,033,184
Tax recoverable	1,319,867	3,002,936
Cash and bank balances	36,634,933	58,720,087
	125,216,220	135,943,063
Less: Current liabilities		
Trade and other payables	54,398,697	59,020,042
Borrowings	287,659,293	206,664,813
Taxation	276,277	102,943
	342,334,267	265,787,798
Net current liabilities	(217,118,047)	(129,844,735)
Less: Non-current liabilities		
Other payables	37,564,000	36,949,480
Borrowings	402,576,643	505,560,533
Deferred tax liabilities	2,764,954	1,361,889
	442,905,597	543,871,902
	564,163,258	572,258,757
Equity attributable to equity holders of the Company		
Share capital	588,592,550	588,592,550
Share premium	311,210,080	311,210,080
Foreign currency translation reserves	907,897	946,789
Accumulated losses	(348,808,791)	(335,835,545)
Non-controlling interest	12,261,522	7,344,883
Total equity	564,163,258	572,258,757

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Issued and fully paid ordinary shares of RM0.50 each		Non-distributable		Distributable		
	Number of shares	Share capital	Share premium	Currency translation reserve	(Accumulated losses)	Non-controlling interest	Total equity
		RM	RM	RM	RM	RM	RM
At 1 January 2017	1,177,185,100	588,592,550	311,210,080	946,789	(335,835,545)	7,344,883	572,258,757
(Loss)/profit for the year	-	-	-	-	(12,973,246)	4,954,007	(8,019,239)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	(38,892)	-	(37,368)	(76,260)
Total comprehensive income/(loss) for the financial year	-	-	-	(38,892)	(12,973,246)	4,916,639	(8,095,499)
At 30 September 2017	1,177,185,100	588,592,550	311,210,080	907,897	(348,808,791)	12,261,522	564,163,258

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company						
	Issued and fully paid ordinary shares of RM0.50 each		Non-distributable		Distributable		
	Number of shares	Share capital	Share premium	Currency translation reserve	Retained earnings/ (Accumulated losses)	Non-controlling interest	Total equity
		RM	RM	RM	RM	RM	RM
At 1 January 2016	1,177,185,100	588,592,550	311,210,080	880,871	(183,088,665)	1,233,623	718,828,459
(Loss)/profit for the financial year	-	-	-	-	(152,746,880)	6,047,926	(146,698,954)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	65,918	-	63,334	129,252
Total comprehensive income/(loss) for the financial year	-	-	-	65,918	(152,746,880)	6,111,260	(146,569,702)
At 31 December 2016	1,177,185,100	588,592,550	311,210,080	946,789	(335,835,545)	7,344,883	572,258,757

ICON OFFSHORE BERHAD (984830-D)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED) 30.9.2017	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.9.2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(8,249,172)	3,165,160
Adjustments for:		
Depreciation of property, plant and equipment	43,186,546	41,665,700
Interest expense	29,504,815	29,567,173
Interest income	(473,225)	(688,393)
Reversal of impairment loss on vessels	(3,247,473)	-
Unrealised (gain)/loss on foreign exchange	(3,047,459)	621,653
Reversal of impairment of receivables	(824,747)	-
Share of loss of a joint venture	-	39
Operating profit before working capital changes	56,849,285	74,331,332
Changes in working capital:		
(Increase) in inventories	(1,291,820)	(2,939,355)
(Increase)/Decrease in receivables	(10,451,588)	25,089,335
(Decrease)/Increase in payables	(230,740)	35,600,197
Cash generated from operations	44,875,137	132,081,509
Tax refund/(paid)	257,529	(798,625)
Net cash from operating activities	45,132,666	131,282,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,255,188)	(81,971,926)
Interest received	473,225	688,393
Net cash used in investing activities	(15,781,963)	(81,283,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowing (net of transaction cost)	35,000,000	93,000,000
Repayment of finance lease liabilities	(24,777)	(24,777)
Repayment from borrowings	(55,984,004)	(116,674,441)
Interest paid	(30,270,889)	(28,385,697)
(Increase)/decrease in fixed deposits pledged	(857,341)	3,728,964
Net cash used in financing activities	(52,137,011)	(48,355,951)
Unrealised foreign exchange (loss)/gain on cash and bank balances	(156,187)	276,172
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22,942,495)	1,919,572
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	39,494,845	83,108,970
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,552,350	85,028,542
Fixed deposit pledge	20,082,583	8,516,080
CASH AND BANK BALANCES	36,634,933	93,544,622

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

1. BASIS OF PREPARATION

The unaudited quarterly report has been prepared in accordance with the requirements of MFRS 134, “Interim Financial Reporting”, paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirement (“Bursa Securities Listing Requirements”) and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2016; with an additional accounting policy and methods for non-current assets held for sale under MFRS 5 : An non-current assets held for sale and discontinued operation.

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

As at 30 September 2017, the Group’s current liabilities exceeded their current assets by RM217,118,047.

The Group has taken steps to review the existing loan repayment schedule and the capital commitment for vessels under construction. As at the date of this report, the Group is taking steps to obtain new loan facilities with its banks for its working capital requirements. In addition, the Group has taken steps to obtain the required financial support from its immediate holding company.

With the steps taken above, the Directors are of the view that the Group will be able to generate sufficient cash inflows from the charter hire contracts and loan drawdowns within the next twelve months from the reporting date to meet working capital requirements and repayment of existing loan obligations, and to carry on their business without significant curtailment of operations. The Directors believe that the Group are able to realise their assets and discharge their liabilities in the normal course of business. Thus, the Directors believe no material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concerns.

As such, the Directors believe that it is appropriate to prepare this report on a going concern basis.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2017 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Amendments to MFRS 107 ‘Statement of Cash Flows - Disclosure Initiative’ (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’ (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

- In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRS 12 "Disclosures of Interests in Other Entities" clarify that when an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale in accordance with MFRS 5, the entity is not required to disclose summarised financial information of these interests. Other disclosure requirements in MFRS 12 remain applicable.

1. BASIS OF PREPARATION (continued)

MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective

Malaysian Accounting Standards Board had issued the following new standards and amendments to standards which are effective for the financial year beginning on or after 1 January 2017. The Group did not early adopt these new standards, amendments and improvements to published standards.

- MFRS 9 Financial Instruments (effective from 1 January 2018)
- MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)
- MFRS 16 Leases (effective from 1 January 2019)

The initial application of the abovementioned accounting standards and amendments to published standards are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit losses model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

  The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

1. BASIS OF PREPARATION (continued)

MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2018) MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. (continued)

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

2. SEASONAL/CYCLICAL FACTORS

The principal activities of the Group are vessel owning/leasing and provision of vessel chartering and ship management services to oil and gas related industries.

The Group services are generally dependent on the level of activity of oil and gas companies, which may be affected by volatile oil and natural gas prices as well as the cyclicality in the offshore drilling and oilfield services industries.

3. UNUSUAL ITEMS

No unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter and period ended 30 September 2017.

4. MATERIAL CHANGES IN ESTIMATES

There was no material changes in estimate of amounts reported in the prior financial year that have a material effect in the quarter and period ended 30 September 2017.

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)

5. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Group during the quarter and period ended 30 September 2017.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 30 September 2017.

7. SEGMENT RESULTS AND REPORTING

7.1 Reportable Segment

No segmental analysis is prepared as the Group is organised as a single integrated business operations comprising the vessel owning/leasing activities and provision of vessel chartering and ship management services to oil and gas and related industries. These integrated activities are known as the offshore support vessel ("OSV") operations. The Group as a whole is regarded as an operating segment. In making decisions about resource allocation and performance assessment, key management regularly reviews the financial results of the Group as a whole. Hence, the information that is regularly provided to the key management is consistent with that presented in the financial statements.

PART A – EXPLANATORY NOTES PURSUANT TO
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)

7. SEGMENT RESULTS AND REPORTING (continued)

7.2 Geographical Information

The Group's operations are carried out predominantly in Malaysia. Revenue earned by the Group analysed by the location of its external customers is as follows:

	INDIVIDUAL QUARTER				**CUMULATIVE PERIOD**			
	CURRENT QUARTER ENDED 30.9.2017		**CORRESPONDING QUARTER ENDED 30.9.2016**		**CURRENT PERIOD ENDED 30.9.2017**		**CORRESPONDING PERIOD ENDED 30.9.2016**	
	%	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**
Revenue								
Malaysia	70	40,966,824	66	41,467,171	68	104,412,347	64	110,992,716
Others	30	17,164,953	34	21,530,954	32	50,056,822	36	62,718,619
Total	100	58,131,777	100	62,998,125	100	154,469,169	100	173,711,335

7.3 Services

The Group's revenue mainly comprise charter hire income from vessels where it is recognised upon rendering of services to customers over the term of the charter hire contract.

Breakdown of revenue is as follows:

	INDIVIDUAL QUARTER		**CUMULATIVE PERIOD**	
	CURRENT QUARTER ENDED 30.9.2017	**CORRESPONDING QUARTER ENDED 30.9.2016**	**CURRENT PERIOD ENDED 30.9.2017**	**CORRESPONDING PERIOD ENDED 30.9.2016**
	RM	**RM**	**RM**	**RM**
Analysis of revenue by category:				
- Charter hire own vessel	55,912,318	59,962,123	146,332,491	166,748,480
- Charter hire of forerunner vessels	-	-	-	-
	55,912,318	59,962,123	146,332,491	166,748,480
- Others [(1)]	2,219,459	3,036,002	8,136,678	6,962,855
	58,131,777	62,998,125	154,469,169	173,711,335

Note
[(1)] *Others comprise revenue from chargeable costs to clients during the charter hire.*

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group as at 30 September 2017.

9. CAPITAL COMMITMENTS

The Group's capital commitments not provided for in the interim financial statements as at the end of the quarter are as follows:

	AS AT 30.9.2017 RM	AS AT 31.12.2016 RM
Approved and contracted capital expenditure commitments	88,173,080	96,723,000

10. SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties of, and their relationships with the Company, are as follows:

Related parties	Relationship
Yayasan Ekuiti Nasional	Ultimate holding foundation
E-Cap (Internal) One Sdn. Bhd.	Intermediate holding company
Hallmark Odyssey Sdn. Bhd.	Immediate holding company
Icon Ship Management Sdn. Bhd. ("ICON Ship")	Subsidiary
Icon Fleet Sdn. Bhd. ("ICON Fleet")	Subsidiary
Icon Offshore Group Sdn. Bhd.	Subsidiary

10.1 Significant related party balances

There are no significant related party balances arising from normal business transactions.

10.2 Significant related party transactions

The related party transaction described below was carried out based on terms and conditions agreed with the related party.

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	CURRENT QUARTER ENDED 30.9.2017 RM	CORRESPONDING QUARTER ENDED 30.9.2016 RM	CURRENT PERIOD ENDED 30.9.2017 RM	CORRESPONDING PERIOD ENDED 30.9.2016 RM
Interest expense to immediate holding company	862,671	449,428	2,164,384	679,665

The transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

Apart from the transaction disclosed above, the Group has entered into transactions that are collectively, but not individually significant with other government-related entities. These transactions include vessel chartering, drydocking expenditure and repairs and maintenance. They are conducted in the ordinary course of business based on the

Group's consistently applied terms in accordance with the Group's internal policies and processes.

PART A – EXPLANATORY NOTES PURSUANT TO
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)

11. FAIR VALUE MEASUREMENTS

The table below shows the carrying amounts and fair value of the borrowings, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the borrowings are estimated using the income approach, by discounting the cash flows based on the market interest rates of a comparable instrument. This is a Level 2 fair value measurement.

	Carrying amount		Fair Value	
	AS AT 30.9.2017	AS AT 31.12.2016	AS AT 30.9.2017	AS AT 31.12.2016
	RM	RM	RM	RM
Fixed rate term loans	208,851,657	224,611,639	218,422,019	242,566,628

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 30 September 2017 except for vessels for the purpose of impairment review. As at 30 September 2017, all property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

No material event subsequent to end of the quarter

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 September 2017, the Group did not have any material contingent liabilities or assets.

PART A – EXPLANATORY NOTES PURSUANT TO

MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 30 September 2017) against the corresponding quarter (Quarter ended 30 September 2016):

(i) Revenue

Revenue decreased by RM4.9 million or 7.7%, from RM63.0 million for the quarter ended 30 September 2016 to RM58.1 million for the quarter ended 30 September 2017. The decrease was primarily due to lower average daily charter rates (''DCR'') due to lower market DCR for new contracts despite higher utilisation. Vessel utilisation rate increased to 68.5% for quarter ended 30 September 2017 (30 September 2016 : 59.1%) mainly due to higher utilisation of Anchor Handling Tug Supply ("AHTS") and Platform Supply Vessel ("PSV") during the quarter.

(ii) Gross profit

The cost of sales increased by RM1.6 million or 4.2%, from RM37.7 million for the quarter ended 30 September 2016 to RM39.3 million for the quarter ended 30 September 2017. Increased cost of sales was mainly contributed by the additional cost of new AWB vessel, while the existing vessels record an average costs consistent with the previous quarter.

Consequently, the Group's gross profit decreased by RM6.5 million or 25.7%, from RM25.3 million for the quarter ended 30 September 2016 to RM18.8 million for the quarter ended 30 September 2017.

(iii) Administrative expenses

The administrative expenses decreased by RM3.4 million or 29.8%, from RM11.4 million for the quarter ended 30 September 2016 to RM8.0 million for the quarter ended 30 September 2017 primarily due to unrealised forex gain during the quarter and lower professional fee as compared to prior year.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

15. ANALYSIS OF PERFORMANCE (continued)

15.1. Review of performance for the current quarter (Quarter ended 30 September 2017) against the corresponding quarter (Quarter ended 30 September 2016) (continued):

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.9.2017	CORRESPONDING QUARTER ENDED 30.9.2016	CURRENT PERIOD ENDED 30.9.2017	CORRESPONDING PERIOD ENDED 30.9.2016
	RM	RM	RM	RM
Current tax	149,060	155,000	262,393	468,795
Deferred tax	(5,726)	1,385,249	(492,326)	1,216,249
Tax expense for the financial year	143,334	1,540,249	(229,933)	1,685,044
Effective tax rate	9%	35%	3%	53%

The effective tax rate for the current quarter and period ended 30 September 2017 is lower than the statutory tax rate of 24% mainly due to the lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysia tax residents incorporated in Labuan.

(v) Profit after taxation

As a result of the foregoing, there is a profit after taxation of RM1.5 million in quarter ended 30 September 2017 compared to RM2.8 million profits after tax for the quarter ended 30 September 2016.

15.2. Review of performance for the current period ended 30 September 2017 against the corresponding period ended 30 September 2016:

(i) Revenue

The Group's revenue decreased by RM19.2 million or 11% from RM173.7 million for the period ended 30 September 2016 to RM154.5 million for the period ended 30 September 2017. The decrease was primarily due to lower average daily charter rates (''DCR'') due to DCR reduction for existing contracts and lower market DCR for new contracts despite higher utilisation for the period ended 30 September 2017 of 56.1% (30 September 2016 : 52.7%).

(ii) Gross profit

The cost of sales increased by RM4.4 million or 3.9% from RM111.6 million for the period ended 30 September 2016 to RM116.0 million for the period ended 30 September 2017. Additional cost of sales was mainly contributed by the new AWB vessel onhired during the period.

Consequently, the Group's gross profit decreased by RM23.7 million or 38.1% from RM62.1 million for the period ended 30 September 2016 to RM38.4 million for the period ended 30 September 2017 mainly due to lower revenue.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

15. ANALYSIS OF PERFORMANCE (continued)

15.2. Review of performance for the current period ended 30 September 2017 against the corresponding period ended 30 September 2016: (continued)

(iii) Administrative expenses

The administrative expenses decreased by RM9.0 million or 29.7% from RM30.4 million for the period ended 30 September 2016 to RM21.4 million for the period ended 30 September 2017 primarily due to unrealised forex gain, lower professional fees and write back provision for doubtful debt as compared to previous period.

(iv) Other expenses

Other expenses during the period was due to write back impairment loss on vessel.

(v) Profit after taxation

As a result of the foregoing, profit after taxation decreased by RM9.5 million from profit after tax RM1.5 million for the period ended 30 September 2016 to loss after taxation of RM8.0 million for the period ended 30 September 2017.

15.3. Review of performance for the current quarter (Quarter ended 30 September 2017) against the preceding quarter (Quarter ended 30 June 2017):

The Group's revenue increased by RM3.2 million from RM54.9 million for the quarter ended 30 June 2017 to RM58.1 million for the quarter ended 30 September 2017, mainly due to higher utilisation during the quarter ended 30 September 2017 of 68.5% as compared to 58.9% in the quarter ended 30 June 2017.

The Group's loss after tax has improved from a loss after tax of RM3.5 million for the quarter ended 30 June 2017 to profit after tax of RM1.5 million for the quarter ended 30 September 2017, mainly due to higher revenue in quarter ended 30 September 2017.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE

BURSA SECURITIES LISTING REQUIREMENTS (continued)

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

The Group continues to focus on securing new contracts and maximising utilisation rates through competitive tendering for domestic and regional contracts, as well as leveraging on its expanded presence in Brunei. The upstream exploration and production activities in Malaysia is expected to continue to be volatile and underpin the demand for OSV. The Group continues to work on conserving cash and reducing cost to improve its business liquidity and competitiveness.

In view of this, the Board of Directors remain focused on improvement initiatives, the Group's liquidity and competitiveness.

17. PROFIT FORECAST

Not applicable as the Group did not publish any profit forecast.

18. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

There was no qualification to the preceding audited annual financial statements for the financial year ended 31 December 2016.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE

BURSA SECURITIES LISTING REQUIREMENTS (continued)

19. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before taxation is stated after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.9.2017	CORRESPONDING QUARTER ENDED 30.9.2016	CURRENT PERIOD ENDED 30.9.2017	CORRESPONDING PERIOD ENDED 30.9.2016
	RM	RM	RM	RM
Auditor's remuneration	196,055	201,494	582,113	332,660
Consumable costs	2,271,358	2,458,274	8,897,986	6,470,279
Depreciation of property, plant and equipment	15,168,856	13,917,517	43,186,546	41,665,700
Employee benefits expense	16,223,026	16,839,075	48,967,806	48,999,508
Interest income	(152,185)	(341,458)	(473,225)	(688,393)
Interest expense	9,381,504	10,020,744	29,504,815	29,567,173
Professional fees	84,632	616,891	499,417	1,531,405
Realised loss on foreign exchange	172,171	314,495	330,972	2,347,397
Rental of premises	604,240	607,126	1,807,701	1,237,052
Reversal of impairment of receivables	(76,987)	-	(824,747)	-
Ship operation and charter hire costs	6,363,978	6,160,784	20,245,753	20,426,149
Unrealised (gain)/loss on foreign exchange	(863,963)	1,765,514	(3,047,459)	621,653

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no impairment of assets or any other exceptional items for the current quarter under review.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

20. BORROWINGS

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

	AS AT 30.9.2017	AS AT 31.12.2016
	RM	RM
Short term:		
Secured		
Bank borrowings		
- term loans	124,042,319	78,054,323
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	13,000,000
- revolving credit (Short Term Revolving Credit-i)	141,378,886	106,352,028
Redeemable preference shares	9,209,512	9,209,512
Finance lease liabilities	28,576	48,950
	287,659,293	206,664,813
Long-term:		
Secured		
Bank borrowings - term loans	402,528,882	505,522,520
Finance lease liabilities	47,761	38,013
	402,576,643	505,560,533
Total borrowings	690,235,936	712,225,346

Total term loan denominated in USD is USD1.0 million (equivalent to RM4.2 million), with USD0.7 million (equivalent to RM3.1 million) being secured short-term portion and USD0.3 million (equivalent to RM1.1 million) being secured long-term portion; and in Brunei is BND28.4 million (equivalent to RM88.4 million), with BND4.9 million (equivalent to RM15.3 million) being secured short-term portion and BND23.5 million (equivalent to RM73.1 million) being secured long-term portion.

As at 30 September 2017, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM9.4 million primarily due to the tendering of new contracts and as financial guarantee for the performance of our charter contracts by our subsidiaries and corporate guarantees for loan obtained by our subsidiaries.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 30 September 2017.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

22. DISCLOSURE OF REALISED AND UNREALISED RETAINED PROFITS

The following analysis is prepared in accordance with Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

The breakdown of retained profits of the Group as at the balance sheet date, into realised and unrealised profits, pursuant to the directive, is as follows:

	AS AT 30.9.2017	**AS AT 31.12.2016**
	RM	**RM**
Total (accumulated losses)/retained profits of the Company and its subsidiaries:		
- Realised	(421,414,271)	(221,359,936)
- Unrealised	49,018,832	48,532,227
	(372,395,439)	(172,827,709)
Total share accumulated profit from jointly controlled entity:		
- Realised	-	(1,124)
	(372,395,439)	(172,828,833)
Less: Consolidation adjustments	23,586,648	(163,006,712)
Total accumulated losses as per consolidated accounts	(348,808,791)	(335,835,545)

The unrealised retained profits comprise mainly the deferred tax provision.

23. CHANGES IN MATERIAL LITIGATION

There are no material litigations pending as at the date of this report.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (continued)

24. EARNINGS/(LOSS) PER SHARE ("EPS/(LPS)")

The basic EPS/(LPS) has been calculated based on the consolidated profit/(loss) attributable to equity holders of the Company and divided by the weighted number of ordinary shares in issue.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.9.2017	**CORRESPONDING QUARTER ENDED 30.9.2016**	**CURRENT PERIOD ENDED 30.9.2017**	**CORRESPONDING PERIOD ENDED 30.9.2016**
Profit/(Loss) attributable to equity holders (RM)	205,218	2,144,739	(12,973,245)	(2,244,028)
Weighted average number of ordinary shares in issue	1,177,185,100	1,177,185,100	1,177,185,100	1,177,185,100
Basic/diluted EPS/(LPS) (sen)	0.0	0.2	(1.1)	(0.2)

As at 30 September 2017, the Company has 5,470,000 dilutive potential ordinary shares outstanding pursuant to the issuance of the Employees' Share Option Scheme on 28 December 2016. These potential ordinary shares are anti-dilutive and are consequently excluded from the determination of diluted LPS.

BY ORDER OF THE BOARD

Captain Hassan bin Ali
Acting Chief Executive Officer
24 November 2017