ICON OFFSHORE BERHAD

(984830-D) (Incorporated in Malaysia)

QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the fourth quarter and year ended 31 December 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 YEAR	
		CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT YEAR ENDED (UNAUDITED)	CORRESPONDING YEAR ENDED (AUDITED)
	Note	31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM	RM	RM	RM
Revenue	15.1.(i)	50,155,768	53,204,043	204,624,937	226,915,378
Cost of sales		(40,699,146)	(51,825,034)	(156,744,356)	(163,471,981)
Gross profit	15.1.(ii)	9,456,622	1,379,009	47,880,581	63,443,397
Other income		6,155,337	3,126,123	7,120,173	4,224,248
Administrative expenses	15.1.(iii)	(8,748,021)	(11,384,374)	(30,128,647)	(41,814,553)
Other expenses - Net impairment loss on vessels		(37,650,233)	(135,476,980)	(34,402,759)	(135,476,980)
Loss from operations		(30,786,295)	(142,356,222)	(9,530,652)	(109,623,888)
Finance costs		(10,876,332)	(10,632,802)	(40,381,147)	(40,199,975)
Share of loss from a joint venture		-	(1,082)	-	(1,124)
Loss before taxation		(41,662,627)	(152,990,106)	(49,911,799)	(149,824,987)
Taxation	15.1.(iv)	(4,275,170)	4,811,077	(4,045,237)	3,126,033
Loss for the quarter/year	15.1.(v)	(45,937,797)	(148,179,029)	(53,957,036)	(146,698,954)
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss: Currency translation differences		342,259	(326,728)	265,999	129,252
Total comprehensive loss for the quarter/year		(45,595,538)	(148,505,757)	(53,691,037)	(146,569,702)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

		INDIVIDUAL QUARTER		CUMULATIVE YEAR	
		CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT YEAR ENDED (UNAUDITED)	CORRESPONDING YEAR ENDED (AUDITED)
	Note	31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM	RM	RM	RM
Profit/(loss) attributable to:					
-Equity holders of the Company		(46,812,195)	(150,502,811)	(59,785,440)	(152,746,880)
-Non-controlling interests		874,398	2,323,782	5,828,404	6,047,926
		(45,937,797)	(148,179,029)	(53,957,036)	(146,698,954)
Total comprehensive profit/(loss) attributable to :					
-Equity holders of the Company		(46,637,642)	(150,669,443)	(59,649,781)	(152,680,962)
-Non-controlling interests		1,042,104	2,163,685	5,958,744	6,111,260
		(45,595,538)	(148,505,758)	(53,691,037)	(146,569,702)
Loss per share for loss attributable to the ordinary equity holders of the Company:					
Basic/diluted loss per share (sen)	24	(3.98)	(12.78)	(5.08)	(12.98)

ICON OFFSHORE BERHAD (984830-D)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 31.12.2017 RM	Audited As at 31.12.2016 RM
Non-current assets		
Property, plant and equipment	1,119,463,983	1,191,849,908
Investment in a joint venture	-	4,231,366
Deferred tax assets	47,000,432	49,894,120
	1,166,464,415	1,245,975,394
Current assets		
Trade and other receivables	90,115,364	71,186,856
Inventories	3,748,212	3,033,184
Tax recoverable	1,521,653	3,002,936
Cash and bank balances	48,071,337	58,720,087
	143,456,566	135,943,063
Assets held for sale	1,269,600	-
Less: Current liabilities		
Trade and other payables	68,608,526	59,020,042
Borrowings	334,629,178	206,664,813
Taxation	1,063,717	102,943
	404,301,421	265,787,798
Net current liabilities	(259,575,255)	(129,844,735)
Less: Non-current liabilities		
Other payables	35,891,000	36,949,480
Borrowings	350,098,743	505,560,533
Deferred tax liabilities	1,552,664	1,361,889
	387,542,407	543,871,902
	519,346,753	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
Reserves	1,861,482	946,789
Accumulated losses	(395,620,985)	(335,835,545)
Non-controlling interest	13,303,626	7,344,883
Total equity	519,346,753	572,258,757

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	Capital Contribution	(Accumulated losses)	Total	Non-controlling interest	Total equity
		RM	RM	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)	564,913,874	7,344,883	572,258,757
(Loss)/profit for the year	-	-	-	-	-	(59,785,440)	(59,785,440)	5,828,404	(53,957,036)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	135,660	-	-	135,660	130,339	265,999
Total comprehensive income/(loss) for the financial year	-	-	-	135,660	-	(59,785,440)	(59,649,780)	5,958,743	(53,691,037)
Transaction with owner Contribution of capital	-	-	-	-	779,033	-	779,033	-	779,033
At 31 December 2017	1,177,185,100	588,592,550	311,210,080	1,082,449	779,033	(395,620,985)	501,895,943	13,303,626	519,346,753

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FOURTH QUARTER ENDED 31 DECEMBER 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR ENDED (UNAUDITED)	CORRESPONDING YEAR ENDED (AUDITED)
	31.12.2017	31.12.2016
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(49,911,799)	(149,824,987)
Adjustments for:		
Depreciation of property, plant and equipment	58,134,344	62,418,345
Interest expense	40,381,147	40,199,975
Interest income	(644,506)	(706,414)
Provision for impairment of vessels	37,650,233	135,476,980
Writeback on impairment of vessels	(3,247,473)	-
Unrealised (gain)/loss on foreign exchange	(4,814,905)	5,066,373
Share of loss of a joint venture	-	1,124
Operating profit before working capital changes	77,547,041	92,631,396
Changes in working capital:		
Increase in inventories	(715,027)	(1,427,487)
(Increase)/Decrease in receivables	(18,967,355)	6,782,881
Increase in payables	25,103,978	2,597,217
Cash generated from operations	82,968,637	100,584,007
Tax refund/(paid)	257,529	(868,036)
Net cash from operating activities	83,226,166	99,715,971
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,154,780)	(87,226,765)
Interest received	304,109	969,717
Net cash used in investing activities	(20,850,671)	(86,257,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from immediate holding company	-	35,000,000
Drawdown of borrowing (net of transaction cost)	51,251,200	118,000,000
Repayment of finance lease liabilities	(33,036)	(33,036)
Repayment of advances from immediate holdings company	-	(35,000,000)
Repayment from borrowings	(83,054,835)	(131,473,562)
Interest paid	(41,110,339)	(36,748,312)
Decrease /(Increase) in fixed deposits pledged	5,049,515	(6,980,199)
Net cash used in financing activities	(67,897,495)	(57,235,109)
Unrealised foreign exchange (loss)/gain on cash and bank balances	(77,235)	162,061
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,599,235)	(43,614,125)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	39,494,845	83,108,970
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	33,895,610	39,494,845
Fixed deposit pledge	14,175,727	19,225,242
CASH AND BANK BALANCES	48,071,337	58,720,087

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2017, the Group's current liabilities exceeded their current assets by RM259,575,255

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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2017.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and year ended 31 December 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 YEAR			
	CURRENT QUARTER ENDED		CORRESPONDING QUARTER ENDED		CURRENT YEAR ENDED		CORRESPONDING YEAR ENDED	
	31.12.2017		31.12.2016		31.12.2017		31.12.2016	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	82	41,091,453	61	32,523,332	71	145,503,800	63	143,217,240
Others	18	9,064,315	39	20,680,711	29	59,121,137	37	83,698,138
Total	100	50,155,768	100	53,204,043	100	204,624,937	100	226,915,378

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 YEAR	
	CURRENT QUARTER ENDED 31.12.2017	CORRESPONDING QUARTER ENDED 31.12.2016	CURRENT YEAR ENDED 31.12.2017	CORRESPONDING YEAR ENDED 31.12.2016
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	46,010,091	50,558,811	192,342,582	217,114,698
- Charter hire of forerunner vessels	2,140,365	-	2,140,365	192,594
	48,150,456	50,558,811	194,482,947	217,307,292
- Others (1)	2,005,312	2,645,232	10,141,990	9,608,086
	50,155,768	53,204,043	204,624,937	226,915,378

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

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

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group as at 31 December 2017.

9. CAPITAL COMMITMENTS

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

	AS AT 31.12.2017 RM	AS AT 31.12.2016 RM
Approved and contracted capital expenditure commitments	76,788,000	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 31.12.2017 RM	CORRESPONDING QUARTER ENDED 31.12.2016 RM	CURRENT YEAR ENDED 31.12.2017 RM	CORRESPONDING YEAR ENDED 31.12.2016 RM
Interest expense to immediate holding company	1,166,780	-	3,331,164	679,666

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.

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 values 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 31.12.2017	**AS AT 31.12.2016**	**AS AT 31.12.2017**	**AS AT 31.12.2016**
	RM	**RM**	**RM**	**RM**
Fixed rate term loans	201,674,743	224,641,477	212,293,020	239,218,370

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and year ended 31 December 2017 except for vessels for the purpose of impairment review. As at 31 December 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 31 December 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 31 December 2017) against the corresponding quarter (Quarter ended 31 December 2016):

(i) Revenue

Revenue decreased by RM3.0 million or 5.7%, from RM53.2 million for the quarter ended 31 December 2016 to RM50.2 million for the quarter ended 31 December 2017. The decrease was primarily due to lower average daily charter rates (''DCR'') due to lower market DCR for new contracts and lower utilisation for AWB Vessels during the quarter ended 31 December 2017. Vessel utilisation rate increased to 55.2% for quarter ended 31 December 2017 (31 December 2016 : 46.7%) mainly due to higher utilisation of Achor Handling Tug & Supply Vessel (“AHTS”) and Platform Supply Vessel (“PSV”) during the current quarter.

(ii) Gross profit

The cost of sales decreased by RM11.1 million or 21.5%, from RM51.8 million for the quarter ended 31 December 2016 to RM40.7 million for the quarter ended 31 December 2017. Included in the quarter ended 31 December 2016 was a one-off expense amounting to RM6.5 million.

Consequently, the Group’s gross profit increased by RM8.1 million or more than 100%, from RM1.4 million for the quarter ended 31 December 2016 to RM9.5 million for the quarter ended 31 December 2017.

(iii) Administrative expenses

The administrative expenses decreased by RM2.6 million or 23.2%, from RM11.4 million for the quarter ended 31 December 2016 to RM8.7 million for the quarter ended 31 December 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 31 December 2017) against the corresponding quarter (Quarter ended 31 December 2016) (continued):

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	CURRENT QUARTER ENDED 31.12.2017	CORRESPONDING QUARTER ENDED 31.12.2016	CURRENT YEAR ENDED 31.12.2017	CORRESPONDING YEAR ENDED 31.12.2016
	RM	RM	RM	RM
Current tax	698,381	264,807	960,774	680,889
Deferred tax	3,576,789	(5,075,884)	3,084,463	(3,806,922)
Tax expense for the financial year	4,275,170	(4,811,077)	4,045,237	(3,126,033)
Effective tax rate	10%	(3%)	8%	(2%)

The effective tax rate for the current quarter and year ended 31 December 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) Loss after taxation

The Group recorded an impairment of vessel amounting to RM37.6 million in 2017 as compared to RM135.5 million in 2016. As a result of the foregoing, there is a loss after taxation of RM45.9 million in quarter ended 31 December 2017 compared to RM148.2 million losses after tax for the quarter ended 31 December 2016.

15.2. Review of performance for the current year ended 31 December 2017 against the corresponding year ended 31 December 2016:

(i) Revenue

The Group's revenue decreased by RM22.3 million or 9.8% from RM226.9 million for the year ended 31 December 2016 to RM204.6 million for the year ended 31 December 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 year ended 31 December 2017 of 56.1% (31 December 2016 : 51.4%).

(ii) Gross profit

The cost of sales decreased by RM6.7 million or 4.1% from RM163.5 million for the year ended 31 December 2016 to RM156.7 million for the year ended 31 December 2017. Included in the year ended 31 December 2017 was a one-off expenses amounting to RM6.5 million.

Consequently, the Group's gross profit decreased by RM15.6 million or 24.5% from RM63.4 million for the year ended 31 December 2016 to RM47.9 million for the year ended 31 December 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 year ended 31 December 2017 against the corresponding year ended 31 December 2016: (continued)

(iii) Administrative expenses

The administrative expenses decreased by RM11.7 million or 27.9% from RM41.8 million for the year 31 December 2016 to RM30.1 million for the year ended 31 December 2017 primarily due to net unrealised forex gain, and lower professional fees compared to previous year.

(iv) Other expenses

Other expenses decreased by RM101.1 million or 74.6% from RM135.5 million for the year ended 31 December 2016 to RM34.4 million for the year ended 31 December 2017, due to lower impairment charge during the year ended 31 December 2017 of RM37.6 million compared to RM135.5 million.

(v) Loss after taxation

The Group recorded a net impairment of vessel amounting to RM34.4 million in 2017 as compared to RM135.5 million in 2016. As a result of the foregoing, loss after taxation decreased by RM92.7 million from loss after tax RM146.7 million for the year ended 31 December 2016 to loss after taxation of RM54.0 million for the year ended 31 December 2017.

15.3. Review of performance for the current quarter (Quarter ended 31 December 2017) against the preceding quarter (Quarter ended 30 September 2017):

The Group's revenue decreased by RM7.9 million from RM58.1 million for the quarter ended 30 September 2017 to RM50.2 million for the quarter ended 31 December 2017, mainly due to lower utilisation during the quarter ended 31 December 2017 of 55.2% as compared to 68.5% in the quarter ended 30 September 2017.

The Group's profit after tax has decreased by RM47.4 million from a profit after tax of RM1.5 million for the quarter ended 30 September 2017 to loss after tax of RM45.9 million for the quarter ended 31 December 2017, mainly due to lower revenue in quarter ended 31 December 2017 and net impairment of vessel of RM37.6 million.

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. LOSS BEFORE TAX

Loss before taxation is stated after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	CURRENT QUARTER ENDED 31.12.2017	CORRESPONDING QUARTER ENDED 31.12.2016	CURRENT YEAR ENDED 31.12.2017	CORRESPONDING YEAR ENDED 31.12.2016
	RM	RM	RM	RM
Auditor's remuneration	197,855	714,274	652,000	652,000
Consumable costs	1,999,344	3,947,448	10,897,330	10,417,727
Depreciation of property, plant and equipment	14,947,799	20,752,645	58,134,344	62,418,345
Employee benefits expense	16,134,414	17,687,646	65,102,220	66,687,154
Impairment loss of vessels	37,650,233	135,476,980	37,650,233	135,476,980
Reversal of impairment loss on vessels	-	-	(3,247,474)	-
Impairment of / (Reversal of impairment) receivables	1,437,097	(494,882)	612,350	(494,882)
Insurance expenses	1,306,825	881,835	4,601,332	4,794,667
Insurance recovery	(4,872,371)	(2,655,191)	(5,513,196)	(2,655,191)
Professional fees	308,188	620,821	807,605	2,152,226
Accrual for underassessment of crew income tax for prior years	-	8,112,450	-	8,112,450
Rental of premises	694,505	739,613	2,502,206	2,583,791
Ship operation	7,446,397	7,828,470	27,712,150	28,065,306
Unrealised (gain)/loss on foreign exchange	(1,767,446)	4,444,720	(4,814,905)	5,066,373
Interest income	(171,282)	(18,021)	(644,506)	(706,414)
Interest expense	10,876,332	10,632,802	40,381,147	40,199,975
Realised loss on foreign exchange	482,847	870,275	813,818	870,275

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 31.12.2017	AS AT 31.12.2016
	RM	RM
Short term:		
Secured		
Bank borrowings		
- term loans	155,085,574	78,054,323
- revolving credit	868,000	-
- revolving credit (Commodity Murabahah Financing-i)	13,008,619	13,000,000
- revolving credit (Short Term Revolving Credit-i)	156,428,896	106,352,028
Redeemable preference shares	9,209,512	9,209,512
Finance lease liabilities	28,577	48,950
	334,629,178	206,664,813
Long-term:		
Secured		
Bank borrowings - term loans	350,045,232	505,522,520
Finance lease liabilities	53,511	38,013
	350,098,743	505,560,533
Total borrowings	684,727,921	712,225,346

Total term loan denominated in USD is USD0.7 million (equivalent to RM3.2 million), with USD0.7 million being secured short-term portion; and in Brunei is BND27.1 million (equivalent to RM82.1 million), with BND4.9 million (equivalent to RM14.9 million) being secured short-term portion and BND22.2 million (equivalent to RM67.1 million) being secured long-term portion.

The Group has not met certain covenants for long-term loans with one of the lender, resulting the long-term loans with carrying amount of RM36.0 million being included in current liabilities. Subsequent to the financial year end, the lender has granted a waiver in respect of these covenants.

As at 31 December 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 31 December 2017.

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

22. CHANGES IN MATERIAL LITIGATION

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

23. LOSS PER SHARE ("LPS")

The basic 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 YEAR	
	CURRENT QUARTER ENDED 31.12.2017	CORRESPONDING QUARTER ENDED 31.12.2016	CURRENT YEAR ENDED 31.12.2017	CORRESPONDING YEAR ENDED 31.12.2016
Loss attributable to equity holders (RM)	(46,812,195)	(150,502,811)	(59,785,440)	(152,746,880)
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 LPS (sen)	(3.98)	(12.78)	(5.08)	(12.98)

As at 31 December 2017, the Company has 5,470,000 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
27 February 2018