

**ICON OFFSHORE BERHAD**

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

The Board of Directors of Icon Offshore Berhad (“ICON” or “the Group”) announce the following unaudited condensed consolidated financial statements for the first quarter and period ended 31 March 2018 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 31.3.2018 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.3.2017 RM	CURRENT PERIOD ENDED (UNAUDITED) 31.3.2018 RM	CORRESPONDING PERIOD ENDED (AUDITED) 31.3.2017 RM
Revenue	15.1 (i)	48,059,306	41,433,597	48,059,306	41,433,597
Cost of sales		(37,454,498)	(36,843,480)	(37,454,498)	(36,843,480)
Gross profit	15.1 (ii)	10,604,808	4,590,117	10,604,808	4,590,117
Other income		104,834	616,469	104,834	616,469
Administrative expenses	15.1 (iii)	(6,258,046)	(6,078,829)	(6,258,046)	(6,078,829)
Other expenses - Reversal of impairment loss on vessels		-	3,247,473	-	3,247,473
Profit from operations		4,451,596	2,375,230	4,451,596	2,375,230
Finance costs		(10,199,926)	(9,883,426)	(10,199,926)	(9,883,426)
Share of loss from a joint venture		-	(425)	-	(425)
Loss before taxation		(5,748,330)	(7,508,621)	(5,748,330)	(7,508,621)
Taxation	15.1 (iv)	(1,812,087)	1,482,251	(1,812,087)	1,482,251
Loss for the quarter/period	15.1 (v)	<u>(7,560,417)</u>	<u>(6,026,370)</u>	<u>(7,560,417)</u>	<u>(6,026,370)</u>
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss:					
Currency translation differences		(61,132)	31,814	(61,132)	31,814
Total comprehensive loss for the quarter/period		<u>(7,621,549)</u>	<u>(5,994,556)</u>	<u>(7,621,549)</u>	<u>(5,994,556)</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED)  31.3.2018	CORRESPONDING QUARTER ENDED (UNAUDITED)  31.3.2017	CURRENT PERIOD ENDED (UNAUDITED)  31.3.2018	CORRESPONDING PERIOD ENDED (AUDITED)  31.3.2017
Note	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	(8,626,863)	(6,623,280)	(8,626,863)	(6,623,280)
-Non-controlling interests	<u>1,066,446</u>	<u>596,910</u>	<u>1,066,446</u>	<u>596,910</u>
	<u>(7,560,417)</u>	<u>(6,026,370)</u>	<u>(7,560,417)</u>	<u>(6,026,370)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	(8,658,040)	(6,610,171)	(8,658,040)	(6,610,171)
-Non-controlling interests	<u>1,036,491</u>	<u>615,615</u>	<u>1,036,491</u>	<u>615,615</u>
	<u>(7,621,549)</u>	<u>(5,994,556)</u>	<u>(7,621,549)</u>	<u>(5,994,556)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted loss per share (sen)	<u>23</u> (0.7)	<u>(0.6)</u>	<u>(0.7)</u>	<u>(0.6)</u>

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at 31.3.2018</b>	<b>As at 31.12.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,102,067,156	1,114,208,809
Deferred tax assets	47,392,188	47,000,432
	1,149,459,344	1,161,209,241
<b>Current assets</b>		
Trade and other receivables	80,624,372	95,381,298
Inventories	139,859	3,169,256
Tax recoverable	1,885,394	1,885,394
Cash and bank balances	43,811,852	47,757,744
	126,461,477	148,193,692
Assets held for sale	634,800	1,269,600
<b>Less: Current liabilities</b>		
Trade and other payables	54,580,286	71,113,590
Amount due to immediate holding company	2,178,273	2,000,342
Borrowings	342,568,953	337,123,865
Taxation	2,158,705	738,374
	401,486,217	410,976,171
<b>Net current liabilities</b>	(274,389,940)	(261,512,879)
<b>Less: Non-current liabilities</b>		
Other payables	34,361,000	33,659,742
Borrowings	329,320,784	347,027,451
Deferred tax liabilities	1,552,664	1,552,664
	365,234,448	382,239,857
	509,834,956	517,456,505
<b>Equity attributable to equity holders of the Company</b>		
Share capital	899,802,630	899,802,630
Currency translation reserve	1,056,706	1,082,449
Share based payment reserve	152,523	152,523
Capital contribution reserve	626,510	626,510
Accumulated losses	(406,562,096)	(397,935,233)
Non-controlling interest	14,758,683	13,727,626
<b>Total equity</b>	509,834,956	517,456,505

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

<u>Group</u>	Attributable to equity holders of the Company							
	Issued and fully paid ordinary shares		Non-distributable			Distributable	Non- controlling interest	Total equity
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM		
At 1 January 2018	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505
(Loss)/Profit for the financial year	-	-	-	-	-	(8,626,863)	1,066,446	(7,560,417)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(25,743)	-	-	-	(35,389)	(61,132)
Total comprehensive income/(loss) for the financial year	-	-	(25,743)	-	-	(8,626,863)	1,031,057	(7,621,549)
At 31 March 2018	899,802,630	-	1,056,706	152,523	626,510	(406,562,096)	14,758,683	509,834,956

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

<u>Group</u>	Attributable to equity holders of the Company								
	Issued and fully paid ordinary shares		Non-distributable			Distributable		Non- controlling interest RM	Total equity RM
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM			
At 1 January 2017	588,592,550	311,210,080	946,789	-	-	(335,835,545)	7,344,883		
(Loss)/Profit for the financial year	-	-	-	-	-	(62,099,688)	6,252,404	(55,847,284)	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	135,660	-	-	-	130,339	265,999	
Total comprehensive income/(loss) for the financial year	-	-	135,660	-	-	(62,099,688)	6,382,743	(55,581,285)	
Transition to no – par value regime on 31 January 2017	311,210,080	(311,210,080)	-	-	-	-	-	-	
Employee Share Option Scheme (ESOS):									
Share based payments	-	-	-	152,523	-	-	-	152,523	
Transaction with owner: Contribution of capital	-	-	-	-	626,510	-	-	626,510	
At 31 December 2017	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505	

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>CURRENT PERIOD ENDED (UNAUDITED)</b>	<b>CORRESPONDING PERIOD ENDED (UNAUDITED)</b>
	<b>31.3.2018</b>	<b>31.3.2017</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(5,748,330)	(7,508,621)
Adjustments for:		
Depreciation of property, plant and equipment	14,039,129	13,522,663
Gain on disposal of property, plant and equipment	-	(770)
Interest expense	10,199,926	9,883,426
Interest income	(75,069)	(204,410)
Reversal of impairment loss on vessels	-	(3,247,473)
Reversal of impairment of receivables	-	(498,880)
Unrealised gain on foreign exchange	(1,737,786)	(842,429)
Share of loss of a joint venture	-	425
Operating profit before working capital changes	16,677,870	11,103,931
Changes in working capital:		
Decrease/(increase) in inventories	3,029,397	(800,493)
Decrease in receivables	13,818,033	32,159,242
Decrease in payables	(12,682,637)	(23,082,538)
Cash generated from operations	20,842,663	19,380,142
Tax refund	-	605,372
<b>Net cash from operating activities</b>	<b>20,842,663</b>	<b>19,985,514</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,262,676)	(4,055,511)
Interest received	29,270	204,410
<b>Net cash used in investing activities</b>	<b>(1,233,406)</b>	<b>(3,851,101)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowing (net of transaction cost)	10,000,000	-
Repayment of finance lease liabilities	-	(8,259)
Repayment from borrowings	(24,178,742)	(15,612,846)
Interest paid	(9,338,348)	(9,786,914)
Decrease/(Increase) in deposits pledged as security	7,598,204	(322,199)
<b>Net cash used in financing activities</b>	<b>(15,918,886)</b>	<b>(25,730,218)</b>
Unrealised foreign exchange (loss)/gain on cash and bank balances	(38,059)	146,674
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,652,312</b>	<b>(9,449,131)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>22,338,285</b>	<b>39,494,845</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>25,990,597</b>	<b>30,045,714</b>
Deposit pledged as security	17,821,255	19,547,440
<b>CASH AND BANK BALANCES</b>	<b>43,811,852</b>	<b>49,593,154</b>

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**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 2017.

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 2017.

As at 31 March 2018, the Group’s current liabilities exceeded their current assets by RM274,389,940.

The Directors are of the view that the Group will be able to generate sufficient cash inflows from the charter hire contracts 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, Amendments and Interpretations that came into effect on 1 January 2018 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
MFRS 9, <i>Financial Instruments</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2, <i>Share Based Payment</i>	1 January 2018
Annual Improvements to MFRS 128, <i>Investment in Associates and Joint Venture</i>	1 January 2018

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods except for the adoption of MFRS 15 requires additional disclosures to provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.



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

**1. BASIS OF PREPARATION (continued)**

**Standards, amendments to published standards and interpretations issued but not yet effective**

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvement to MFRS 112, <i>Income Taxes</i>	1 January 2019
MFRS 123, <i>Borrowing Costs</i>	1 January 2019

**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 cyclicity in the offshore drilling and oilfield services industries.

In Malaysia, offshore oil activities are reduced during the monsoon period of December to February due to poor weather conditions. Hence the Group experienced a drop in activity during the months.

**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 31 March 2018.

**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 31 March 2018.

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## QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

### 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 31 March 2018.

#### 6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 31 March 2018.

#### 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.

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**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		CORRESPONDING QUARTER ENDED		CURRENT PERIOD ENDED		CORRESPONDING PERIOD ENDED	
	31.3.2018		31.3.2017		31.3.2018		31.3.2017	
	%	RM	%	RM	%	RM	%	RM
<b>Revenue</b>								
Malaysia	73	35,274,417	66	27,533,513	73	35,274,417	66	27,533,513
Others	27	12,784,889	34	13,900,084	27	12,784,889	34	13,900,084
Total	100	48,059,306	100	41,433,597	100	48,059,306	100	41,433,597

**7.3 Services**

The Group's revenue mainly comprises 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	CORRESPONDING QUARTER ENDED	CURRENT PERIOD ENDED	CORRESPONDING PERIOD ENDED
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	39,478,403	39,160,858	39,478,403	39,160,858
- Charter hire of forerunner vessels	5,932,382	-	5,932,382	-
	45,410,785	39,160,858	45,410,785	39,160,858
- Others <sup>(1)</sup>	2,648,521	2,272,739	2,648,521	2,272,739
	48,059,306	41,433,597	48,059,306	41,433,597

Note

<sup>(1)</sup> Others comprise revenue from chargeable costs to clients during the charter hire.

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**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 March 2018.

**9. CAPITAL COMMITMENTS**

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

	<b>AS AT 31.3.2018</b>	<b>AS AT 31.3.2017</b>
	<b>RM</b>	<b>RM</b>
Approved and contracted capital expenditure commitments	73,242,480	92,003,000

**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:

<u>Related parties</u>	<u>Relationship</u>
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.

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE PERIOD</b>	
	<b>CURRENT QUARTER ENDED <u>31.3.2018</u> RM</b>	<b>CORRESPONDING QUARTER ENDED <u>31.3.2017</u> RM</b>	<b>CURRENT PERIOD ENDED <u>31.3.2018</u> RM</b>	<b>CORRESPONDING PERIOD ENDED <u>31.3.2017</u> RM</b>
Interest expense to immediate holding company	1,011,493	647,260	1,011,493	647,260

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.

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**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 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 31.3.2018 RM	AS AT 31.3.2017 RM	AS AT 31.3.2018 RM	AS AT 31.3.2017 RM
Fixed rate term loans	194,579,325	222,700,390	194,579,325	244,532,940

**12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

There were no revaluations of property, plant and equipment during the quarter and period ended 31 March 2018 except for vessels for the purpose of impairment review. As at 31 March 2018, 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 March 2018, the Group did not have any material contingent liabilities or assets.

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## QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

### 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 March 2018) against the corresponding quarter (Quarter ended 31 March 2017):

###### (i) Revenue

Revenue increased by RM6.7 million or 16%, from RM41.4 million for the quarter ended 31 March 2017 to RM48.1 million for the quarter ended 31 March 2018. The increase was primarily due to higher income from third party charter during the quarter ended 31 March 2018. Vessel utilisation rate increased to 52% for quarter ended 31 March 2018 (31 March 2017 : 43%) mainly due to higher utilisation of Anchor Handling Tug & Supply Vessel (“AHTS”) and Straight Supply Vessel (“SSV”) during the current quarter. Revenue from Accommodation Workboat Vessel (“AWB”) also increased due to additional contribution from one new AWB vessel.

###### (ii) Gross profit

The cost of sales increased by RM0.6 million or 2%, from RM36.8 million for the quarter ended 31 March 2017 to RM37.4 million for the quarter ended 31 March 2018 mainly due to additional AWB vessel.

Consequently, the Group’s gross profit increased by RM6.0 million or more than 100%, from RM4.6 million for the quarter ended 31 March 2017 to RM10.6 million for the quarter ended 31 March 2018 due to higher revenue.

###### (iii) Administrative expenses

The administrative expenses increased by RM0.2 million or 3%, from RM6.1 million for the quarter ended 31 March 2017 to RM6.3 million for the quarter ended 31 March 2018 primarily due to higher write back of doubtful debt in corresponding period.

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**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 March 2018) against the corresponding quarter (Quarter ended 31 March 2017) (continued):**

**(iv) Taxation**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.3.2018 RM	CORRESPONDING QUARTER ENDED 31.3.2017 RM	CURRENT PERIOD ENDED 31.3.2018 RM	CORRESPONDING PERIOD ENDED 31.3.2017 RM
Current tax	1,420,331	170,000	1,420,331	170,000
Deferred tax	391,756	(1,652,251)	391,756	(1,652,251)
Tax expense for the financial year	1,812,087	(1,482,251)	1,812,087	(1,482,251)
Effective tax rate	31%	20%	31%	20%

The effective tax rate for the current quarter and period ended 31 March 2018 is higher than the statutory tax rate of 24%. This is mainly due to higher profit contribution from Malaysia tax resident entity offset with the lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysia tax residents incorporated in Labuan.

**(v) Loss after taxation**

As a result of the foregoing, the Group recorded higher loss after taxation of RM7.6 million in quarter ended 31 March 2018 compared to RM6.0 million for the quarter ended 31 March 2017 due to reversal of impairment loss on vessels of RM3.2 million in the corresponding quarter.

**15.2. Review of performance for the current quarter (Quarter ended 31 March 2018) against the preceding quarter (Quarter ended 31 December 2017):**

The Group's revenue decreased by RM2.0 million from RM50.1 million for the quarter ended 31 December 2017 to RM48.1 million for the quarter ended 31 March 2018, mainly due to lower utilisation during the quarter 31 March 2018 of 51.8% as compared to 55.2% in the quarter ended 31 December 2017.

The Group's loss after tax has improved by RM40.0 million from a loss after tax of RM45.9 million for the quarter ended 31 December 2017 to loss after tax of RM7.6 million for the quarter ended 31 March 2018, mainly due to net impairment loss on vessel of RM37.6 million in quarter ended 31 December 2017.

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

**16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018**

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 gradually increase but 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 2017.



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BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**19. LOSS BEFORE TAX**

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.3.2018 RM	CORRESPONDING QUARTER ENDED 31.3.2017 RM	CURRENT PERIOD ENDED 31.3.2018 RM	CORRESPONDING PERIOD ENDED 31.3.2017 RM
Auditor's remuneration	189,918	188,710	189,918	188,710
Consumable costs	2,639,804	3,424,899	2,639,804	3,424,899
Depreciation of property, plant and equipment	14,039,129	13,522,663	14,039,129	13,522,663
Employee benefits expense	14,689,676	14,873,486	14,689,676	14,873,486
Reversal of impairment loss on vessels	-	(3,247,473)	-	(3,247,473)
Reversal of impairment loss on receivables	-	(498,880)	-	(498,880)
Insurance expenses	1,223,378	1,069,922	1,223,378	1,069,922
Professional fees	136,675	175,616	136,675	175,616
Rental of premises	600,192	600,780	600,192	600,780
Ship operation	8,214,544	7,804,002	8,214,544	7,804,002
Unrealised (gain)/loss on foreign exchange	(1,737,786)	(842,429)	(1,737,786)	(842,429)
Interest income	(75,069)	(204,410)	(75,069)	(204,410)
Interest expense	10,199,926	9,883,426	10,199,926	9,883,426
Realised loss/(gain) on foreign exchange	231,249	(87,171)	231,249	(87,171)

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.

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**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.

	<b>AS AT 31.3.2018</b>	<b>AS AT 31.12.2017</b>
	<b>RM</b>	<b>RM</b>
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	148,734,489	89,085,567
- revolving credit	-	-
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	13,000,000
- revolving credit (Short Term Revolving Credit-i)	171,671,831	106,068,744
Redeemable preference shares	9,086,295	9,209,512
Finance lease liabilities	76,338	31,155
	<b>342,568,953</b>	<b>217,394,978</b>
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	329,320,784	480,323,678
Finance lease liabilities	-	50,933
	<b>329,320,784</b>	<b>480,374,611</b>
<b>Total borrowings</b>	<b>671,889,737</b>	<b>697,769,589</b>

Total term loan denominated in USD is USD0.6 million (equivalent to RM2.4 million), with USD0.6 million being secured short-term portion; and in Brunei is BND26.3 million (equivalent to RM76.9 million), with BND5.0 million (equivalent to RM14.7 million) being secured short-term portion and BND21.2 million (equivalent to RM62.1 million) being secured long-term portion.

A carrying amount of RM36.0 million of long-term loan was included in current liabilities because the group did not meet certain covenants as at the financial year end 2017. Subsequent to the financial year end, the lender has granted a waiver in respect of these covenants.

As at 31 March 2018, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM9.5 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 March 2018.

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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 PERIOD	
	CURRENT QUARTER ENDED <b>31.3.2018</b>	CORRESPONDING QUARTER ENDED <b>31.3.2017</b>	CURRENT PERIOD ENDED <b>31.3.2018</b>	CORRESPONDING PERIOD ENDED <b>31.3.2017</b>
Loss attributable to equity holders (RM)	(8,626,863)	(6,623,280)	(8,626,863)	(6,623,280)
Weighted average number of ordinary shares in issue	<u>1,177,185,100</u>	<u>1,177,185,100</u>	<u>1,177,185,100</u>	<u>1,177,185,100</u>
Basic/diluted LPS (sen)	<u>(0.7)</u>	<u>(0.6)</u>	<u>(0.7)</u>	<u>(0.6)</u>

As at 31 March 2018, the Company has 5,110,000 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  
24 May 2018