

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

**QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 2019 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 31.03.2019 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.03.2018 RM	CURRENT PERIOD ENDED (UNAUDITED) 31.03.2019 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 31.03.2018 RM
Revenue	15.1 (i)	41,768,142	48,059,306	41,768,142	48,059,306
Cost of sales		(35,444,246)	(37,454,498)	(35,444,246)	(37,454,498)
Gross profit	15.1 (ii)	6,323,896	10,604,808	6,323,896	10,604,808
Other income		1,344,908	104,834	1,344,908	104,834
Administrative expenses	15.1 (iii)	(7,825,555)	(6,258,046)	(7,825,555)	(6,258,046)
Other expenses		(2,011,047)	-	(2,011,047)	-
(Loss)/Profit from operations		(2,167,798)	4,451,596	(2,167,798)	4,451,596
Finance costs		(8,343,251)	(10,199,926)	(8,343,251)	(10,199,926)
(Loss)/profit before taxation		(10,511,049)	(5,748,330)	(10,511,049)	(5,748,330)
Taxation	15.1 (iv)	(159,848)	(1,812,087)	(159,848)	(1,812,087)
Loss for the quarter/period	15.1 (v)	<u>(10,670,897)</u>	<u>(7,560,417)</u>	<u>(10,670,897)</u>	<u>(7,560,417)</u>
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss:					
Currency translation differences		(1,099,958)	(61,132)	(1,099,958)	(61,132)
Total comprehensive loss for the quarter/period		<u>(11,770,855)</u>	<u>(7,621,549)</u>	<u>(11,770,855)</u>	<u>(7,621,549)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED) 31.03.2019	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.03.2018	CURRENT PERIOD ENDED (UNAUDITED) 31.03.2019	CORRESPONDING PERIOD ENDED (UNAUDITED) 31.03.2018
Note	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	(7,645,440)	(8,626,863)	(7,645,440)	(8,626,863)
-Non-controlling interests	<u>(3,025,457)</u>	<u>1,066,446</u>	<u>(3,025,457)</u>	<u>1,066,446</u>
	<u>(10,670,897)</u>	<u>(7,560,417)</u>	<u>(10,670,897)</u>	<u>(7,560,417)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	(8,206,419)	(8,658,040)	(8,206,419)	(8,658,040)
-Non-controlling interests	<u>(3,564,436)</u>	<u>1,036,491</u>	<u>(3,564,436)</u>	<u>1,036,491</u>
	<u>(11,770,855)</u>	<u>(7,621,549)</u>	<u>(11,770,855)</u>	<u>(7,621,549)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted loss per share (sen)	<u>(0.65)</u>	<u>(0.73)</u>	<u>(0.65)</u>	<u>(0.73)</u>

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	As at 31.03.2019	As at 31.12.2018
	RM	RM
Non-current assets		
Property, plant and equipment	618,793,835	627,763,591
Deferred tax assets	45,832,051	45,704,175
	664,625,886	673,467,766
Current assets		
Trade and other receivables	63,344,611	62,230,055
Inventories	608,106	668,137
Tax recoverable	2,490,680	2,096,827
Cash and bank balances	47,371,032	51,006,941
	113,814,429	116,001,960
Less: Current liabilities		
Trade and other payables	60,864,556	60,164,472
Amount due to immediate holding company	6,940,694	5,382,763
Borrowings	601,075,412	600,131,780
Taxation	2,673,416	2,385,592
	671,554,078	668,064,607
Net current liabilities	(557,739,649)	(552,062,647)
Less: Non-current liabilities		
Borrowings	47,628,496	50,376,523
Deferred tax liabilities	82	82
	47,628,578	50,376,605
	59,257,659	71,028,514
Equity attributable to equity holders of the Company		
Share capital	899,802,630	899,802,630
Currency translation reserve	622,792	1,183,771
Share based payment reserve	203,853	203,853
Capital contribution reserve	626,510	626,510
Accumulated losses	(854,426,577)	(846,781,137)
Non-controlling interest	12,428,451	15,992,887
Total equity	59,257,659	71,028,514

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Issued and fully paid ordinary shares		Non-distributable			Distributable	Non-controlling interest	Total equity
	Share capital	Share premium	Currency translation reserve	Share based payment reserve	Capital contribution	Accumulated losses		
Group	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2019	899,802,630	-	1,183,771	203,853	626,510	(846,781,137)	15,992,887	71,028,514
Effect of the initial adoption of MFRS 9	-	-	-	-	-	-	-	-
(Loss)/Profit for the financial period	-	-	-	-	-	(7,645,440)	(3,025,457)	(10,670,897)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(560,979)	-	-	-	(538,979)	(1,099,958)
Total comprehensive income/(loss) for the financial period	-	-	(560,979)	-	-	(7,645,440)	(3,564,436)	(11,770,855)
Share based payments	-	-	-	-	-	-	-	-
At 31 March 2019	<u>899,802,630</u>	<u>-</u>	<u>622,792</u>	<u>203,853</u>	<u>626,510</u>	<u>(854,426,477)</u>	<u>12,428,451</u>	<u>59,257,659</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	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		
<u>Group</u>								
At 1 January 2018	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505
Effect of the initial adoption of MFRS 9	-	-	-	-	-	2,342,152	-	2,342,152
(Loss)/Profit for the financial year	-	-	-	-	-	(451,188,056)	2,167,912	(449,020,144)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	101,322	-	-	-	97,349	198,671
Total comprehensive income/(loss) for the financial year	-	-	101,322	-	-	(451,188,056)	2,265,261	(448,821,473)
Employee Share Option Scheme (ESOS): Share based payments	-	-	-	51,330	-	-	-	51,330
At 31 December 2018	<u>899,802,630</u>	<u>-</u>	<u>1,183,771</u>	<u>203,853</u>	<u>626,510</u>	<u>(846,781,137)</u>	<u>15,992,887</u>	<u>71,028,514</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDIN PERIOD ENDED (UNAUDITED)
	31.03.2019	31.03.2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(10,511,049)	(5,748,330)
Adjustments for:		
Depreciation of property, plant and equipment	9,897,267	14,039,129
Interest expense	8,343,251	10,199,926
Interest income	(43,765)	(75,069)
Impairment loss on vessels	2,011,047	-
Reversal of doubtful debt	(81,376)	-
Reversal of provision	(2,457,564)	-
Unrealised gain on foreign exchange	2,703	(1,737,786)
Operating profit before working capital changes	7,160,514	16,677,870
Changes in working capital:		
Decrease/(increase) in inventories	60,031	3,029,397
Decrease/(increase) in receivables	(1,611,923)	13,818,033
Increase/(decrease) in payables	6,100,269	(12,682,637)
Cash generated from operations	11,708,891	20,842,663
Tax paid	(171,152)	-
Tax refund	168,255	-
Net cash generated from operating activities	11,705,994	20,842,663
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,938,558)	(1,262,676)
Interest received	40,113	29,270
Net cash used in investing activities	(2,898,445)	(1,233,406)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowing (net of transaction cost)	-	10,000,000
Repayment of borrowings	(4,503,944)	(24,178,742)
Interest paid	(7,955,771)	(9,338,348)
Decrease /(Increase) in deposits pledged as security	(260,858)	7,598,204
Net cash used in financing activities	(12,720,573)	(15,918,886)
Unrealised foreign exchange gain/(loss) on cash and bank balances	16,257	(38,059)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,896,767)	3,652,312
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	28,931,429	22,338,285
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25,034,662	25,990,597
Deposit pledged as security	22,336,370	17,821,255
CASH AND BANK BALANCES	47,371,032	43,811,852

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

**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 2018.

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 2018.

As at 31 March 2019, the Group current liabilities exceeded their current assets by RM557,739,649.

The adoption of the following MFRSs, Amendments and Interpretations that came into effect on 1 January 2019 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial adoption.

MFRS / Amendments / Interpretations	Effective date
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

Management has assessed the impact arising from the initial application of MFRS 16 and MFRS 112 on the Financial Statements of the Company. The Company does not expect to have any significant effect on the Company.

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 cyclical nature in the offshore drilling and oilfield services industries.

In Malaysia, some offshore support vessel 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 three 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 2019.

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

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.

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 2019.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 31 March 2019.

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 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	
	31.03.2019		31.03.2018		31.03.2019		31.03.2018	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	74	30,938,423	73	35,274,417	74	30,938,423	73	35,274,417
Others	26	10,829,719	27	12,784,889	26	10,829,719	27	12,784,889
Total	100	41,768,142	100	48,059,306	100	41,768,142	100	48,059,306

7.3 Services

The Group 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 31.03.2019 RM	CORRESPONDING QUARTER ENDED 31.03.2018 RM	CURRENT PERIOD ENDED 31.03.2019 RM	CORRESPONDING PERIOD ENDED 31.03.2018 RM
Analysis of revenue by category:				
- Charter hire own vessel	38,615,896	39,478,403	38,615,896	39,478,403
- Forerunner vessel	1,393,423	-	1,393,423	-
- Net third party chartered in vessels	-	5,932,382	-	5,938,382
	40,009,319	45,410,785	40,009,319	45,420,785
- Others ⁽¹⁾	1,758,823	2,648,521	1,758,823	2,648,521
	41,768,142	48,059,306	41,768,142	48,059,306

Note

⁽¹⁾ Others comprise revenue from goods supplied / services rendered to clients during the charter hire.

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

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group as at 31 March 2019.

9. CAPITAL COMMITMENTS

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

	AS AT 31.03.2019	AS AT 31.03.2018
	RM	RM
Approved and contracted capital expenditure commitments	12,871,888	73,242,480

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.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED <u>31.03.2019</u> RM	CORRESPONDING QUARTER ENDED <u>31.03.2018</u> RM	CURRENT PERIOD ENDED <u>31.03.2019</u> RM	CORRESPONDING PERIOD ENDED <u>31.03.2018</u> RM
Interest expense to immediate holding company	1,057,931	1,011,493	1,057,931	1,011,493

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 consistently applied terms in accordance with the Group 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	AS AT	AS AT	AS AT
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM	RM	RM	RM
Fixed rate term loans	<u>181,384,311</u>	<u>194,579,325</u>	<u>180,122,636</u>	<u>194,579,325</u>

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 31 March 2019 except for vessels for the purpose of impairment review. As at 31 March 2019, 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 2019, the Group did not have any material contingent liabilities or assets.

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

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 31 March 2019) against the corresponding quarter (Quarter ended 31 March 2018):

(i) Revenue

Revenue decreased by RM6.3 million or 13% in the current quarter, from RM48.1 million in the corresponding quarter to RM41.8 in the current quarter, mainly due to lower revenue derived from third party chartered in vessels and other income such as meal income and back charges.

(ii) Gross profit

The cost of sales decreased by RM2.0 million or 5%, from RM37.4 million for the quarter ended 31 March 2018 to RM35.4 million for the quarter ended 31 March 2019 mainly due to lower depreciation charge after impairment of vessels in FY2018, offset by additional cost for forerunner vessel hire.

Consequently, the Group gross profit decreased by RM4.3 million or 40%, from RM10.6 million in the corresponding quarter to RM6.3 million in the current quarter.

(iii) Administrative expenses

The administrative expenses increased by RM1.6 million or 25%, from RM6.2 million for the quarter ended 31 March 2018 to RM7.8 million for the quarter ended 31 March 2019 primarily due to higher professional fees for corporate restructuring and movements in forex.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.03.2019	CORRESPONDING QUARTER ENDED 31.03.2018	CURRENT PERIOD ENDED 31.03.2019	CORRESPONDING PERIOD ENDED 31.03.2018
	RM	RM	RM	RM
Current tax	287,824	1,420,331	287,824	1,420,331
Deferred tax	(127,876)	391,756	(127,876)	391,756
Tax (income) /expense for the financial year	<u>159,948</u>	<u>1,812,087</u>	<u>159,948</u>	<u>1,812,087</u>
Effective tax rate	2%	31%	2%	31%

The effective tax rate for the current quarter and year ended 31 March 2019 is lower than the statutory tax rate of 24% mainly due to lower tax rate for Labuan companies.

(v) Loss after taxation

As a result of the foregoing, there is a loss after taxation of RM10.7 million in current quarter compared to loss after tax of RM7.6 million for the corresponding quarter.

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**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 quarter (Quarter ended 31 March 2019) against the preceding quarter (Quarter ended 31 December 2018):

The Group revenue decreased by RM5.0 million or 11% from RM46.8 million for the quarter ended 31 December 2018 to RM41.8 million for the quarter ended 31 March 2019, mainly due to lower utilisation during the quarter ended 31 March 2019 of 46.1% as compared to 50.9% in the quarter ended 31 December 2018.

The Group loss after tax has decreased by RM405.9 million from a loss after tax of RM416.6 million for the quarter ended 31 December 2018 to loss after tax of RM10.7 million for the quarter ended 31 March 2019, mainly due to vessel impairment of RM419.9 million in quarter ended 31 December 2018.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

The Group continues to focus on securing new contracts and maximising utilisation rate through competitive tendering for domestic and regional contracts, as well as leveraging on its continued presence in Brunei. The upstream exploration and production activities in Malaysia are expected to gradually increase but continue to be volatile and underpin the demand for OSV. The Group continues to work on conserving cash, finalising its debt restructuring scheme and reducing cost to improve its liquidity and competitiveness on the back of leaner Balance Sheet.

In view of this, the Board of Directors remains focused on improvement initiatives, 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 2018.

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**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):

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED 31.03.2019</u>	<u>CORRESPONDING QUARTER ENDED 31.03.2018</u>	<u>CURRENT PERIOD ENDED 31.03.2019</u>	<u>CORRESPONDING PERIOD ENDED 31.03.2018</u>
	RM	RM	RM	RM
Depreciation of property, plant and equipment	9,897,267	14,039,129	9,897,267	14,039,129
Insurance expenses	1,102,793	1,223,378	1,102,793	1,223,378
Impairment loss on vessel	2,011,047	-	2,011,047	-
Insurance recovery	(414,681)	-	(414,681)	-
Interest income	(43,765)	(75,069)	(43,765)	(75,069)
Interest expense	8,343,251	10,199,926	8,343,251	10,199,926
Realised loss on foreign exchange	35,688	231,249	35,688	231,249
Unrealised loss/(gain) on foreign exchange	2,703	(1,737,786)	2,703	(1,737,786)
Reversal of provision	(2,457,564)	-	(2,457,564)	-

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.

	AS AT 31.03.2019	AS AT 31.12.2018
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	408,584,767	407,515,465
- revolving credit	-	-
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	13,000,000
- revolving credit (Short Term Revolving Credit-i)	170,425,000	170,425,000
Redeemable preference shares		
	9,065,645	9,191,315
	601,075,412	600,131,780
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	47,628,496	50,376,523
	47,628,496	50,376,523
Total borrowings	648,703,908	650,508,303

Total term loan denominated in USD is USD0.6 million (equivalent to RM2.2 million) and in BND is BND20.9 million (equivalent to RM62.9 million) both being secured.

As at 31 March 2019, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM5.3 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.

The Group has recognised most of borrowings as current liabilities whilst undergoing a standstill for loan repayments due to the restructuring scheme which is still in progress.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 31 March 2019.

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**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 PERIOD	
	CURRENT QUARTER ENDED 31.03.2019	CORRESPONDING QUARTER ENDED 31.03.2018	CURRENT PERIOD ENDED 31.03.2019	CORRESPONDING PERIOD ENDED 31.03.2018
Profit/(Loss) attributable to equity holders (RM)	(7,645,440)	(8,626,863)	(7,645,440)	(8,626,863)
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>(0.65)</u>	<u>(0.73)</u>	<u>(0.65)</u>	<u>(0.73)</u>

As at 31 March 2019, the Company has 5,700,000 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
31 May 2019