



PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

Interim Report for the Quarter Ended 31 March 2018

PERDANA PETROLEUM BERHAD
(Company No. 372113 - A)
(Incorporated in Malaysia)



INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter Ended 31-Mar-18 RM'000	Corresponding Quarter Ended 31-Mar-17 RM'000	Current Period-to-date Ended 31-Mar-18 RM'000	Corresponding Period-to-date Ended 31-Mar-17 RM'000
Revenue	16,776	18,928	16,776	18,928
Cost of Sales	(37,794)	(39,678)	(37,794)	(39,678)
Gross Loss	(21,018)	(20,750)	(21,018)	(20,750)
Other income	1,522	593	1,522	593
Administrative expenses	(2,416)	(2,033)	(2,416)	(2,033)
Other expenses	(29,844)	(8,280)	(29,844)	(8,280)
Results from operating activities	(51,756)	(30,470)	(51,756)	(30,470)
Finance costs	(14,294)	(15,418)	(14,294)	(15,418)
Loss before taxation	(66,050)	(45,888)	(66,050)	(45,888)
Taxation	(605)	(24)	(605)	(24)
Loss for the period	(66,655)	(45,912)	(66,655)	(45,912)
<i>Other comprehensive (expenses)/income</i>				
Foreign currency translation	(23,242)	(8,542)	(23,242)	(8,542)
Cash flow hedge	(37)	63	(37)	63
Total Comprehensive Expenses for the period attributable to Owners of the Company	(89,934)	(54,391)	(89,934)	(54,391)
Loss for the period				
Attributable to:				
Equity holders of the Company	(66,655)	(45,912)	(66,655)	(45,912)
Non-controlling interest	- *	- *	- *	- *
	(66,655)	(45,912)	(66,655)	(45,912)
Total Comprehensive (Expenses)/Income for the period				
Attributable to:				
Equity holders of the Company	(89,937)	(54,390)	(89,937)	(54,390)
Non-controlling interest	3	(1)	3	(1)
	(89,934)	(54,391)	(89,934)	(54,391)
Loss per share (Sen)				
a) Basic	(8.56)	(5.89)	(8.56)	(5.89)
b) Diluted	(8.56)	(5.89)	(8.56)	(5.89)

* Negligible

(The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017)

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018**

STATEMENT OF FINANCIAL POSITION

	(Unaudited) 31-Mar-18 RM'000	(Audited) 31-Dec-17 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,169,890	1,246,621
Refundable deposits	43,327	45,291
Deferred tax assets	23,235	23,235
Derivative asset	196	233
	<u>1,236,648</u>	<u>1,315,380</u>
CURRENT ASSETS		
Inventories	1,255	2,354
Trade receivables - external parties	1,745	16,119
Trade receivables - related company	1,481	583
Other receivables, deposits and prepayments	10,737	8,951
Current tax assets	3,663	3,665
Cash and cash equivalents	120,233	77,004
	<u>139,114</u>	<u>108,676</u>
TOTAL ASSETS	<u>1,375,762</u>	<u>1,424,056</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	411,219	411,219
Reserves	(6,673)	83,264
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>404,546</u>	<u>494,483</u>
NON-CONTROLLING INTEREST	139	136
TOTAL EQUITY	<u>404,685</u>	<u>494,619</u>
NON-CURRENT LIABILITIES		
Loans and borrowings	104,748	113,526
Deferred tax liabilities	3,331	3,331
	<u>108,079</u>	<u>116,857</u>
CURRENT LIABILITIES		
Loans and borrowings	608,996	620,751
Trade payables - external parties	16,858	13,213
Trade payables - related company	1,376	5,457
Other payables - external parties	37,744	32,115
Other payables - related company	198,024	141,024
Current tax liabilities	-	20
	<u>862,998</u>	<u>812,580</u>
TOTAL LIABILITIES	<u>971,077</u>	<u>929,437</u>
TOTAL EQUITY AND LIABILITIES	<u>1,375,762</u>	<u>1,424,056</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.52	0.64

(The Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017)

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018**

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 31-Mar-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from operating activities		
Loss before taxation	(66,050)	(187,592)
<i>Adjustments for:</i>		
Impairment loss on intangible assets	-	10,724
Impairment loss on property, plant and equipment	-	51,110
Total comprehensive expense for the period	297	1,443
Depreciation of property, plant and equipment	19,688	88,266
Interest expense	14,294	60,249
Interest income	(620)	(2,989)
Gain on disposal of property, plant and equipment	-	(1,627)
Unrealised loss on foreign exchange	29,417	51,903
Operating (loss)/profit before changes in working capital	<u>(2,974)</u>	<u>71,487</u>
<i>Changes in working capital:</i>		
Inventories	1,099	(986)
Trade and other receivables	9,963	3,526
Trade and other payables	(23,573)	(52,576)
Cash (used in)/generated from operations	<u>(15,485)</u>	<u>21,451</u>
Income tax refund/(paid)	194	(3,930)
Net cash (used in)/from operating activities	<u>(15,291)</u>	<u>17,521</u>
Cash flows for investing activities		
Interest received	353	1,843
Proceeds from disposal of property, plant and equipment	-	12,923
Purchase of property, plant and equipment	(2,355)	(1,023)
(Placement)/Withdrawal of fixed deposits pledged	(55,045)	2,233
Net cash (used in)/from investing activities	<u>(57,047)</u>	<u>15,976</u>

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018****STATEMENT OF CASH FLOWS**

	(Unaudited) Period Ended 31-Mar-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from financing activities		
Advances from a related company	55,000	116,661
Repayment of Sukuk bonds	-	(90,000)
Repayment of term loans	(6,668)	(32,353)
Repayment of revolving credit	(3,000)	(12,000)
Repayment of finance lease liability obligations	(2,994)	(12,243)
Interest paid	(9,892)	(16,465)
Coupon paid	-	(27,967)
Net cash from/(used in) financing activities	32,446	(74,367)
Net decrease in cash and cash equivalents	(39,892)	(40,870)
Effect of exchange rate movements	28,076	45,812
Cash and cash equivalents at the beginning of the financial period/year	21,309	16,367
Cash and cash equivalents at the end of the financial period/year	9,493	21,309
Cash and cash equivalents		
Deposits placed with licensed banks	117,955	67,328
Cash on hand and at banks	2,278	9,676
	120,233	77,004
Less: Deposits pledged as security	(110,740)	(55,695)
	9,493	21,309

**(The Statement of Cash Flows should be read in conjunction
with the audited financial statements of the Group for the financial year ended 31 December 2017)**

PERDANA PETROLEUM BERHAD
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INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Distributable	Non-Controlling Interest	Total Equity	
	[----- Non-distributable -----]		Cash Flow						
	Share Capital	Share Premium	Hedge Reserve	Other Capital Reserve	Translation Reserve	Retained Profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Financial period ended 31 March 2018 (Unaudited)									
As at 1 January 2018	411,219	-	233	1,635	75,090	6,306	494,483	136	494,619
Total comprehensive expense for the period	-	-	(37)	-	(23,245)	(66,655)	(89,937)	3	(89,934)
Balance as at 31 March 2018	411,219	-	196	1,635	51,845	(60,349)	404,546	139	404,685
Financial year ended 31 December 2017 (Audited)									
As at 1 January 2017	389,235	21,984	190	1,635	137,971	192,412	743,427	136	743,563
Total comprehensive expense for the year	-	-	43	-	(62,881)	(186,106)	(248,944)	-	*(248,944)
Transfer in accordance with Section 618(2) of the Companies Act 2016 (Note 7)	21,984	(21,984)	-	-	-	-	-	-	-
Balance as at 31 December 2017	411,219	-	233	1,635	75,090	6,306	494,483	136	494,619

* *Negligible*

(The Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017)

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018**

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

2. Changes in Accounting Policies

2.1 Adoption of Accounting Standards, Amendments and Interpretations

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following Accounting Standards, Amendments and Interpretations from 1 January 2018:

MFRS / Amendments / Interpretations	Effective Date
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to 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 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based payment - Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4, <i>Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 128, <i>Investments in Associates and Joint Venture (Annual Improvements to MFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140, <i>Investment Property – Transfers of Investment Property</i>	1 January 2018

The adoption of the above Accounting Standards, Amendments and Interpretations does not have a material impact on the financial statements of the Group.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

2.2 Accounting Standards, Amendments and Interpretations issued but not yet effective

MFRS / Amendments / Interpretations	Effective Date
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
MFRS 16, <i>Leases</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 9, <i>Financial Instruments - Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits-Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group plans to apply from the annual period beginning on 1 January 2019, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11 and Amendments to MFRS 128, which are assessed as presently not applicable to the Group.

MFRS 17, *Insurance Contracts*, which is effective for the annual periods beginning on 1 January 2021, is not applicable to the Group.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

2.2 Accounting Standards, Amendments and Interpretations issued but not yet effective (Cont'd)

The initial application of the above accounting standards, amendments or interpretations is not expected to have any material financial impacts on the financial statements of the Group for the current and prior periods except as mentioned below:

(i) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 15, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transaction Involving the Legal Form of a Lease*.

The adoption of MFRS 16 will result in a change in accounting policies. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

2.3 Effects of Adoption of MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

Impairment of financial assets - trade receivables

The Group considers the model and assumptions used in calculating the Expected Credit Loss (“ECL”) as key sources of estimation uncertainty and has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. This ECL method takes into account all possible default events over the expected life of a financial instrument.

The Group’s credit exposures are based on common credit risk characteristics which includes but not limited to the trade receivables’ ageing profile, delinquency status, geographic region, and age of relationship. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due and considers a financial asset to be in default when the trade receivable is unlikely to pay its credit obligations to the Group in full.

Based on the Group’s ECL assessment, the total percentage (%) of ECL is 5%. The Group has determined that the application of MFRS 9’s impairment requirements at 1 January 2018 results in an additional impairment allowance of RM297 thousand and this amount has been accounted for as a specific provision for impairment loss in the current quarter ended 31 March 2018.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

2.4 Effects of Adoption of MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue Barter Transactions Involving Advertising Services*.

The details of the new significant accounting policies and the nature of the changes to the previous accounting policies in relation to Group's various services are set out below.

Type of services	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Chartering of vessels	Revenue is recognised when the performance obligations are satisfied over time. Invoices are issued at month end and payable within 30 days.	MFRS 15 did not have a significant impact on the Group's accounting policies.
Mobilisation and Demobilisation	Revenue is recognised at the point of time when the service is provided. Invoices are generated at month end and payable within 30 days.	MFRS 15 did not have a significant impact on the Group's accounting policies.
Management fees	Revenue is recognised over time as the service is provided. Invoices are issued on monthly basis and payable on demand.	MFRS 15 did not have a significant impact on the Group's accounting policies.
Rental	Revenue is recognised over time as the service is provided. Invoices are issued on monthly basis and payable on demand.	MFRS 15 did not have a significant impact on the Group's accounting policies.
Others	Invoices are generated and revenue is recognised at that point in time. Invoices are payable within 30 to 45 days.	MFRS 15 did not have a significant impact on the Group's accounting policies.

3. Qualification of Financial Statements

There was no qualification on the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

4. Seasonal or Cyclical Factors

Due to its synergistic tie-up with Dayang, about half of the Group's vessel fleet hired out has been chartered to Dayang and the latter's offshore topside maintenance operations are normally affected by bad weather at the beginning and the end of the year. This factor has been taken into consideration in the Group's annual business plan.

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, or cash flows during the current quarter and financial period to-date, except for the other expenses and other comprehensive expenses arising from realised/unrealised foreign exchange gain/loss and foreign currency translation of investment in Labuan subsidiaries denominated in US Dollars.

During the current quarter and financial period to-date, the other expenses comprise unrealized foreign exchange loss of RM29.4 million and realized foreign exchange gain of RM0.9 million whereas the other comprehensive expenses include foreign currency translation losses of RM23.2 million.

6. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the current quarter and financial period to-date.

7. Issuance and Repayment of Debts and Equity Securities

There have been no cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter and financial period to-date.

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilize the credit.

8. Dividends Paid

No dividend has been declared or paid for the financial year ended 31 December 2017 and the quarter ended 31 March 2018.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information

9.1. Segment Results

<i>Current Quarter / Period-to-date Ended 31 March 2018</i>	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	16,776	-	-	16,776
Inter-segment revenue	61,557	425	(61,982)	-
	78,333	425	(61,982)	16,776
Results				
Segment results before finance costs	(21,798)	6,613	(36,571)	(51,756)
Finance costs	(10,578)	(10,875)	7,159	(14,294)
Loss before taxation	(32,376)	(4,262)	(29,412)	(66,050)

<i>Corresponding Quarter / Period-to-date Ended 31 March 2017</i>	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue				
External revenue	18,928	-	-	18,928
Inter-segment revenue	72,781	494	(73,275)	-
	91,709	494	(73,275)	18,928
Results				
Segment results before finance costs	(24,555)	7,395	(13,310)	(30,470)
Finance costs	(11,772)	(10,933)	7,287	(15,418)
Loss before taxation	(36,327)	(3,538)	(6,023)	(45,888)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

9.2. Segment Assets and Liabilities

<i>As at 31 Mar 2018</i>	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Segment assets	1,257,519	1,026,372	(935,027)	1,348,864
Deferred tax assets	23,189	46	-	23,235
Current tax assets	785	2,878	-	3,663
Total assets	1,281,493	1,029,296	(935,027)	1,375,762
Segment liabilities	719,680	744,356	(496,290)	967,746
Deferred tax liabilities	3,331	-	-	3,331
Total liabilities	723,011	744,356	(496,290)	971,077

<i>As at 31 Mar 2017</i>	Marine Offshore Support Services RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Segment assets	1,649,838	1,084,957	(1,038,503)	1,696,292
Deferred tax assets	15,097	46	-	15,143
Current tax assets	2,350	5,240	-	7,590
Total assets	1,667,285	1,090,243	(1,038,503)	1,719,025
Segment liabilities	823,219	727,964	(524,532)	1,026,651
Deferred tax liabilities	3,202	-	-	3,202
Total liabilities	826,421	727,964	(524,532)	1,029,853

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Disaggregation of Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers, except for immaterial amounts related to hedge accounting.

The nature and effect of initially applying MFRS 15 on the Group's interim financial statements are disclosed in Note 2.4. In the following table, revenue is disaggregated by type of services and timing of revenue recognition within the Group's operating segments.

	Current Quarter ended 31-Mar-18 RM'000	Corresponding Quarter ended 31-Mar-17 RM'000
Type of services		
- Chartered vessel income	15,839	18,597
- Mobilisation and demobilisation fees	700	200
- Others	237	131
	<u>16,776</u>	<u>18,928</u>
Timing of revenue recognition		
<i>Services transferred at a point of time:</i>		
- Mobilisation and demobilisation fees	700	700
- Others	237	237
<i>Service transferred over time:</i>		
- Chartered vessel income	15,839	18,597
	<u>16,776</u>	<u>18,928</u>

11. Valuation of Property, Plant and Equipment ("PPE")

The Group reassessed its assets (except for inventories, deferred tax assets and financial assets) as at 31 March 2018 to determine whether there is any indication of further impairment to the assets or if there is any reversal of impairment previously provided.

The Group has adopted value-in-use ("VIU") estimations for the reassessment which entail discounting the estimated future cash flows from the continuing use of PPE. The recoverable amounts were compared against the carrying amounts of the PPE.

For the current financial quarter ended 31 March 2018, there were no further allowance for impairment loss nor reversal of impairment loss on PPE. The Group's accumulated impairment loss remained at RM61.3 million (equivalent to USD14.1 million) as at 31 March 2018 and 31 December 2017.

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Material Events Subsequent to the Reporting Period

There were no material events subsequent to the current financial quarter ended 31 March 2018 up to the date of this report which is likely to substantially affect the financial results of the Group.

13. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 31 March 2018.

14. Contingent Liabilities

The following are the contingent liabilities outstanding as at 31 March 2018:

	As at 31-Mar-18	
	Group RM'000	Company RM'000
<u>Unsecured:-</u>		
Bank guarantee granted to third parties for the benefit of a subsidiary	4,800	4,800
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	-	190,614
	<u>4,800</u>	<u>195,414</u>

Further to the conclusion of the tax audit as disclosed in Note 20 to the audited financial statements for the year ended 31 December 2017, the Inland Revenue Board (“IRB”) has requested the Group to revise its tax computations for YA2011 and subsequent years. The Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the Group responded to the IRB that it disagrees with applying the same computation method used for the earlier tax audit exercise based on reasonable technical grounds. The Group may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA2011 and subsequent years, the outcome of which cannot be ascertained at this present stage. As at the latest practicable date of 17 May 2018, the Group has not received any response from the IRB to its reply of February 2017.

15. Capital Commitments

As at 31 March 2018, the Group has no outstanding or additional capital commitments which are approved and/or contracted for.

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**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 MARCH 2018****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134****16. Significant Related Party Transactions**

- a. The Group/Company had the following transactions with related parties during the financial quarter:

	Current Quarter ended 31-Mar-18 RM'000	Corresponding Quarter ended 31-Mar-17 RM'000
Company		
i. Subsidiaries:		
- rental income	44	44
- management income	381	450
- interest income	7,159	7,287
ii. Related party:		
- interest expense	1,908	408
Group		
i. Related party:		
- charter income	6,186	6,347
- mobilisation and demobilisation income	700	200
- interest expense	1,969	469

In the opinion of the Directors, the above transactions have been entered into in the ordinary course of business and have been established on terms that are not more favourable to the related parties than those generally available to the public.

- b. Compensation of key management personnel

The remuneration of Directors and other members of key management are as follows:

	Current Quarter ended 31-Mar-18 RM'000	Corresponding Quarter ended 31-Mar-17 RM'000
Short-term employee benefits	220	404

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****17. Review of Financial Performance****Current Year Quarter versus Preceding Year Corresponding Quarter**

	Current Quarter ended 31-Mar-18 RM'000	Corresponding Quarter ended 31-Mar-17 RM'000	Variance	
			RM'000	%
Revenue	16,776	18,928	(2,152)	(11)
Loss Before Interest and Taxation	(51,756)	(30,470)	(21,286)	(70)
Loss Before Taxation	(66,050)	(45,888)	(20,162)	(44)
Loss After Taxation	(66,655)	(45,912)	(20,743)	(45)
Loss Attributable to Ordinary Equity Holders of the Parent	(66,655)	(45,912)	(20,743)	(45)

For the current quarter ended 31 March 2018, the Group has recorded a revenue of RM16.8 million and a loss before taxation of RM66.1 million, as compared to a revenue of RM18.9 million and a loss before taxation of RM45.9 million in the first quarter of 2017.

The decrease in revenue and the higher loss before taxation incurred in the current quarter is mainly due to lower charter rates (reduced by approximately 10%) despite a higher utilization at 27% as compared to 24% in the first quarter of 2017. In addition, the loss before taxation in the current quarter has also taken into account expenses such as net realized/unrealized foreign exchange loss of RM28.5 million as well as impairment loss on receivables of RM0.3 million. The loss after taxation in the current quarter has taken into account current year tax expenses amounting to RM0.6 million (see Note 21).

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18. Financial Review for Current Quarter Compared with Immediate Preceding Quarter

	Current Quarter ended 31-Mar-18 RM'000	Preceding Quarter ended 31-Dec-17 RM'000	Variance	
			RM'000	%
Revenue	16,776	33,927	(17,151)	(51)
Loss Before Interest and Taxation	(51,756)	(35,499)	(16,257)	(46)
Loss Before Taxation	(66,050)	(50,453)	(15,597)	(31)
Loss After Taxation	(66,655)	(43,706)	(22,949)	(53)
Loss Attributable to Ordinary Equity Holders of the Parent	(66,655)	(43,706)	(22,949)	(53)

The Group recorded a lower revenue of RM16.8 million and a loss before taxation of RM66.1 million in the current quarter, as compared to a revenue of RM33.9 million and a loss before taxation of RM50.5 million in the preceding quarter.

The significant decrease in revenue in the current quarter is mainly due to lower vessel utilization at 27% as compared to 51% in the fourth quarter of 2017. The lower vessel utilization is a result of slower work orders/contracts awarded from the oil majors during the first quarter of 2018. On the other hand, the higher loss before taxation incurred in the current quarter is mainly attributed to a net realized/unrealized foreign exchange loss of RM28.5 million, as compared to a net realized/unrealized foreign exchange loss of RM19.6 million in the preceding quarter. The lower loss after taxation in the preceding quarter has taken into account deferred tax income of RM7.9 million, as compared to a RM0.6 million current year tax expenses in the current quarter.

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19. Prospects

Towards the end of 2017, the price of crude oil gradually rose to above US\$70 per barrel and this improved sentiment should bode well for the sector. We were fairly happy and upbeat going into 2018 with higher charter prospects and were confident of a turnaround year for the Group. But unfortunately, for the first quarter of 2018, some confirmed vessel charters were delayed and deferred due to technicalities experienced by our charterers as a result of some pipeline problems driving our fleet utilisation to a low of 27%. Our plans for 2018 gets somewhat dented but the prospects on charters for the remainder of the year should get better from here on.

Currently, 12 to 14 out of a fleet of 16 vessels are employed in the second quarter and we remain cautiously confident that this fleet utilisation level should continue right through into at least quarter three, if not the end of the year.

The Group continues to face challenges in managing the funds and its cashflows as revenue dwindled in quarter four of 2017 and the first quarter of 2018, compounded by the fact that the funds from the private placement exercise have taken longer than normal to finalise. Nonetheless, this matter is being addressed and properly managed. Our emphasis for now is mainly on improving vessel utilisation and also the sustainability of the Group's financials. We are optimistic that all these problems can be resolved sooner and that we will be able to catch on the upcycle when market strongly rebounds.

Amidst all these challenges, the Board remains vigilant and will continue to exercise due care and prudence in the running and administration of the Group's business.

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20. Loss for the Quarter/Period

Current Quarter Ended 31-Mar-18 RM'000	Corresponding Quarter Ended 31-Mar-17 RM'000	Current Period-to-date Ended 31-Mar-18 RM'000	Corresponding Period-to-date Ended 31-Mar-17 RM'000
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**Loss for the quarter is arrived at
after charging/(crediting):**

Depreciation of property, plant and equipment	19,688	23,128	19,688	23,128
Interest expense	14,294	15,418	14,294	15,418
Impairment loss on receivables	297	-	297	-
Interest income	(620)	(593)	(620)	(593)
(Gain)/Loss on foreign exchange:				
- realised	(902)	2,068	(902)	2,068
- unrealised	29,417	6,032	29,417	6,032

Save for the above, there were no allowance for impairment loss on property, plant and equipment, write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, other income including investment income and exceptional items for the current quarter and financial period ended 31 March 2018.

21. Taxation

The provision of taxation for the current quarter and financial period-to-date under review are as follows:

	Current Quarter Ended 31-Mar-18 RM'000	Corresponding Quarter Ended 31-Mar-17 RM'000	Current Period-to-date Ended 31-Mar-18 RM'000	Corresponding Period-to-date Ended 31-Mar-17 RM'000
Current tax expense:				
Malaysian - current year	605	24	605	24

Despite the consolidated losses for the current quarter and financial period to-date, the Group still incurs a current tax charge of RM0.6 million as the losses incurred by certain group entities cannot be offset against the taxable profits made by other group entities.

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD****22. Corporate Proposals****(i) Proposed Private Placement**

On 16 May 2017, the Company made an announcement proposing to undertake a private placement of up to 10% of the total number of issued shares of the Company to improve its public shareholding spread as well as to raise funds for working capital and to partially repay bank borrowings.

On 14 December 2017, Bursa Securities had granted its approval for the listing of and quotation for up to 77,487,094 new shares on the Main Market Listing Requirements (“MMLR”), subject to the Company ensuring full compliance of all the requirements as provided under the MMLR at all times.

As at the date of this report, the proposed private placement has not been effected.

23. Borrowings

Total Group’s borrowings as at 31 March 2018 were as follows:

	As at Current Period Ended 31-Mar-2018					
	Non-current		Current		Total borrowings	
	USD’000	RM’000	USD’000	RM’000	USD’000	RM’000
Secured						
- Sukuk	-	-	-	521,230	-	521,230
- Term loans	-	-	18,656	72,087	18,656	72,087
- Finance lease liabilities	27,109	104,748	3,264	12,679	30,373	117,427
Unsecured						
- Revolving credit	-	-	-	3,000	-	3,000
Total	27,109	104,748	21,920	608,996	49,029	713,744

Exchange rate (USD: MYR) at USD1: MYR3.864

Source of reference: Bank Negara Malaysia website

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Total Group's borrowing as at 31 December 2017 were as follows:

	As at Previous Year Ended 31-Dec-2017					
	Non-current		Current		Total borrowings	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured						
- Sukuk	-	-	-	518,797	-	518,797
- Term loans	-	-	20,382	82,830	20,832	82,830
- Finance lease liabilities	27,935	113,526	3,207	13,124	31,142	126,650
Unsecured						
- Revolving credit	-	-	-	6,000	-	6,000
Total	27,935	113,526	23,589	620,751	51,974	734,277

Exchange rate (USD: MYR) at USD1: MYR4.064

Source of reference: Bank Negara Malaysia website

As at 31 March 2018, the total outstanding borrowings have reduced to RM713.7 million as compared to RM734.3 million as at 31 December 2017 due to a repayment of term loans and finance lease liabilities.

In addition, the Group has not met certain covenants of three term loans and the Sukuk bond with a total carrying amount of RM593.3 million as at 31 March 2018. As a result, the non-current portions of these term loans and Sukuk bond of RM469.5 million have been reclassified to current liabilities as at 31 March 2018.

The term loans and revolving credit of the Group are based on fixed interest rate whereas the Sukuk bond and finance lease liabilities are based on floating interest rate.

24. Material Litigations

Save for the following, there were no material litigations involving the Group since the last financial year ended 31 December 2017 and 17 May 2018, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

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24. Material Litigations (Cont'd)

(i) Arbitration Between Nam Cheong International Limited (Claimant) and Petra Offshore Limited (Respondent)

In relation to the proposed acquisition of two units of 500-men accommodation workbarges, identified as Vessel Hull No. SK316 and SK317 from Nam Cheong International Limited (“NCIL”) at a consideration of USD42.0 million each, the Company’s wholly owned subsidiary, Petra Offshore Limited (“POL”) had on 1 December 2016 sent a notification to NCIL of the cancellation of the Memorandum of Agreement (“MoA”) on the acquisition of the accommodation work barge identified as Vessel Hull No. SK317 (“Vessel”) as NCIL had not fulfilled the condition of delivery of the Vessel in accordance with the terms and conditions of the MoA. Accordingly, POL had sought for the immediate return of the deposit paid of USD8.4 million (“Deposit”), as advised by the legal counsel.

On 5 December 2016, POL received a letter from NCIL stating that POL had no right to cancel the MoA and in view thereof had breached the terms of the MoA. NCIL had consequently treated the MoA as terminated and had forfeited the Deposit.

Notwithstanding the above claims by NCIL, POL had on 9 December 2016 through its solicitors issued a letter of demand to NCIL for the return of the Deposit.

On 22 December 2016, POL received from the solicitors of NCIL a Notice of Arbitration dated 22 December 2016 that NCIL had filed with the Kuala Lumpur Regional Centre for Arbitrations as Claimant against POL as the Respondent in respect of disputes arising out of the MoA for the sale and purchase of one unit 500-men accommodation work barge (Hull No. SK317) dated 23 June 2014 as amended by the Addendum No. 1 dated 27 May 2015.

NCIL is seeking, inter alia, the relief that POL’s purported termination of the MoA on 1 December 2016 was wrongful and unwarranted and the forfeiture of the 20% deposit amounting to USD8.4 million together with damages arising from failure and/or refusal and/or neglect of POL to take delivery of the Vessel.

On 18 January 2017, POL had via its solicitors issued a Response to Notice of Arbitration to NCIL. POL’s Response to Notice of Arbitration counterclaimed that NCIL’s claim against POL was misconceived and erroneous as the Vessel was not in every respect physically ready for delivery and therefore the relief or remedy sought by NCIL did not arise and the cancellation of the MoA by POL was valid. Hence, POL continued to seek the immediate release of the Deposit paid. Both NCIL and POL have since nominated their respective arbitrators and paid the initial deposit for the arbitration.

On 18 July 2017, NCIL had submitted its Claimant’s Statement of Claim to the Kuala Lumpur Regional Centre for Arbitration. POL had subsequently filed its Respondent’s Statement of Defence and Counterclaim on 17 August 2017.

To date, the arbitrators have yet to fix the hearing date.

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25. Proposed Dividends

No interim dividends have been declared for the current quarter under review.

The Board of Directors did not recommend the payment of any dividends for the financial year ended 31 December 2017.

26. Loss Per Share

a) Basic

	Current Quarter Ended 31-Mar-18	Corresponding Quarter Ended 31-Mar-17	Current Period-to-date Ended 31-Mar-18	Corresponding Period-to-date Ended 31-Mar-17
Net loss attributable to shareholders (RM'000)	(66,655)	(45,912)	(66,655)	(45,912)
Number of ordinary shares at the beginning of the quarter/period	778,470,949	778,470,949	778,470,949	778,470,949
Weighted average number of ordinary shares in issue	778,470,949	778,470,949	778,470,949	778,470,949
Basic loss per ordinary share (Sen)	(8.56)	(5.89)	(8.56)	(5.89)

b) Diluted

Diluted loss per share has not been presented as the Company has no dilutive equity instruments outstanding as at 31 March 2017 and 2018.

By Order of the Board

*Bailey Kho Chung Siang
Executive Director*

Date: 23 May 2018