PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

Interim Report for the Quarter Ended 30 June 2018

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

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter Ended 30-June-18 RM'000	Corresponding Quarter Ended 30-June-17 RM'000	Current Period-to-date Ended 30-June-18 RM'000	Corresponding Period-to-date Ended 30-June-17 RM'000
Revenue	47,587	45,178	64,363	64,106
Cost of Sales	(38,669)	(38,968)	(76,463)	(78,646)
Gross Profit/(Loss)	8,918	6,210	(12,100)	(14,540)
Other income	26,743	984	28,265	1,577
Administrative expenses	(3,099)	(2,642)	(5,515)	(4,675)
Other expenses	(7,221)	(67,028)	(37,065)	(75,308)
Results from operating activities	25,341	(62,476)	(26,415)	(92,946)
Finance costs	(14,298)	(15,062)	(28,592)	(30,480)
Profit/(Loss) before taxation	11,043	(77,538)	(55,007)	(123,426)
Taxation	(946)	(97)	(1,551)	(121)
Profit/(Loss) for the period	10,097	(77,635)	(56,558)	(123,547)
Other comprehensive income/(expenses)				
Foreign currency translation	*19,246*	*(20,899)*	*(3,996)*	*(29,441)*
Cash flow hedge	*(37)*	*(43)*	*(74)*	*20*
Total Comprehensive Income/(Expenses) for the period attributable to Owners of the Company	*29,306*	*(98,577)*	*(60,628)*	*(152,968)*
Profit/(Loss) for the period				
Attributable to:				
Equity holders of the Company	10,098	(77,634)	(56,557)	(123,546)
Non-controlling interest	(1)	(1)	(1)	*(1)*
	10,097	(77,635)	(56,558)	(123,547)
Total Comprehensive Income/(Expenses) for the period				
Attributable to:				
Equity holders of the Company	*29,308*	*(98,577)*	*(60,629)*	*(152,967)*
Non-controlling interest	*(2)*	*-*	*1*	*(1)*
	29,306	*(98,577)*	*(60,628)*	*(152,968)*
Earnings/(Loss) per share (Sen)				
a) Basic	1.30	(9.97)	(7.27)	(15.87)
b) Diluted	1.30	(9.97)	(7.27)	(15.87)

(The Statement of Profit or Loss and Other Comprehensive Income should be read in conjuction 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 SECOND QUARTER ENDED 30 JUNE 2018

STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30-June-18 RM'000	(Audited) 31-Dec-17 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,195,870	1,246,621
Refundable deposits	45,577	45,291
Deferred tax assets	23,235	23,235
Derivative asset	159	233
	1,264,841	1,315,380
CURRENT ASSETS		
Inventories	1,665	2,354
Trade receivables - external parties	9,565	16,119
Trade receivables - related company	6,912	583
Other receivables, deposits and prepayments	9,252	8,951
Current tax assets	3,536	3,665
Cash and cash equivalents	18,686	77,004
	49,616	108,676
	1,314,457	1,424,056
EQUITY AND LIABILITIES		
EQUITY		
Share capital	411,219	411,219
Reserves	22,635	83,264
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	433,854	494,483
NON-CONTROLLING INTEREST	137	136
TOTAL EQUITY	433,991	494,619
NON-CURRENT LIABILITIES		
Loans and borrowings	54,850	113,526
Deferred tax liabilities	3,331	3,331
	58,181	116,857
CURRENT LIABILITIES		
Loans and borrowings	568,793	620,751
Trade payables - external parties	21,680	13,213
Trade payables - related company	-	5,457
Other payables - external parties	24,857	32,115
Other payables - related company	206,955	141,024
Current tax liabilities	-	20
	822,285	812,580
TOTAL LIABILITIES	880,466	929,437
TOTAL EQUITY AND LIABILITIES	1,314,457	1,424,056
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.56	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)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 30-June-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from operating activities		
Loss before taxation	(55,007)	(187,592)
Adjustments for:		
Impairment loss on intangible assets	-	10,724
Impairment loss on property, plant and equipment	7,092	51,110
Impairment loss on receivables	297	1,443
Depreciation of property, plant and equipment	39,546	88,266
Interest expense	28,592	60,249
Interest income	(1,590)	(2,989)
Gain on disposal of property, plant and equipment	-	(1,627)
Unrealised loss on foreign exchange	4,685	51,903
Operating profit before changes in working capital	23,615	71,487
Changes in working capital:		
Inventories	689	(986)
Trade and other receivables	(121)	3,526
Trade and other payables	(9,769)	(52,576)
Cash generated from operations	14,414	21,451
Income tax paid	(625)	(3,930)
Net cash from operating activities	13,789	17,521
Cash flows for investing activities		
Interest received	1,050	1,843
Proceeds from disposal of property, plant and equipment	-	12,923
Purchase of property, plant and equipment	(3,927)	(1,023)
Withdrawal of fixed deposits pledged	49,632	2,233
Net cash from investing activities	46,755	15,976

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 30-June-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from financing activities		
Advances from a related company	61,000	116,661
Repayment of Sukuk bonds	(90,000)	(90,000)
Repayment of term loans	(13,943)	(32,353)
Repayment of revolving credit	(4,000)	(12,000)
Repayment of finance lease liability obligations	(6,321)	(12,243)
Interest paid	(6,148)	(16,465)
Coupon paid	(12,879)	(27,967)
Net cash used in financing activities	(72,291)	(74,367)
Net decrease in cash and cash equivalents	(11,747)	(40,870)
Effect of exchange rate movements	3,061	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	12,623	21,309
Cash and cash equivalents		
Deposits placed with licensed banks	16,795	67,328
Cash on hand and at banks	1,891	9,676
	18,686	77,004
Less: Deposits pledged as security	(6,063)	(55,695)
	12,623	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
(Company No. 372113 - A)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	[-------------------------------- *Non-distributable*				--------------------------------]	*Distributable*				
	Share Capital RM'000	Share Premium RM'000	Cash Flow Hedge Reserve RM'000	Other Capital Reserve RM'000	Translation Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000		Total Equity RM'000
Financial period ended 30 June 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	-	-	(74)	-	(3,998)	(56,557)	(60,629)	1		(60,628)
Balance as at 30 June 2018	411,219	-	159	1,635	71,092	(50,251)	433,854	137		433,991
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)

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, *Financial Instruments (2014)*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Share-based payment - Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Venture (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*	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.

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

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 1%. 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 period ended 30 June 2018.

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.

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, as well as an additional allowance for impairment loss on property, plant and equipment ("PPE") that has been provided for.

During the current quarter and financial period to-date, the other income comprises unrealized foreign exchange gain of RM24.7 million and realized foreign exchange gain of RM1.0 million whereas the other expenses comprise unrealized foreign exchange loss of RM4.7 million and RM1.9 million respectively. The other comprehensive expenses include foreign currency translation gain of RM19.2 million and foreign currency translation losses of RM4.0 million.

In addition, the Group has made an additional allowance of USD1.7 million (equivalent to RM7.1 million) for impairment loss on PPE (see Note 11) during the quarter under review.

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 period ended 30 June 2018.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information

9.1 Segment Results for the Current Quarter versus Corresponding Quarter

	Marine Offshore Support Services	
	Current Quarter Ended 30-Jun-18 RM'000	**Corresponding Quarter Ended 30-Jun-17 RM'000**
Segment loss	(9,367)	(58,020)
Included in the measure of segment loss are:		
Revenue from external customers	47,587	45,178
Inter-segment revenue	79,276	79,511
Depreciation and amortization	(19,811)	(22,344)
Finance costs	(10,590)	(11,582)
Impairment of property, plant and equipment	(7,092)	(50,382)
Unrealized foreign exchange gain/(loss)	(1)	(7)

Reconciliation of reportable segment revenues, profit or loss, assets and other material items

Profit or loss		
Total loss for reportable segments	(9,367)	(58,020)
Other non-reportable segments	(4,321)	(3,417)
Elimination of inter-segment profit/(loss)	24,731	(16,101)
Consolidated profit/(loss) before tax	11,043	(77,538)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

9.1 Segment Results for the Current Quarter versus Corresponding Quarter (Cont'd)

Current Quarter Ended 30 June 2018	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000
Total reportable segments	47,587	(19,812)	(10,590)
Other non-reportable segments	-	(46)	(10,867)
Elimination of inter-segment transactions or balances	-	-	7,159
Consolidated total	47,587	(19,858)	(14,298)

Corresponding Quarter Ended 30 June 2017	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000
Total reportable segments	45,178	(22,344)	(11,582)
Other non-reportable segments	-	(64)	(10,768)
Elimination of inter-segment transactions or balances	-	-	7,288
Consolidated total	45,178	(22,408)	(15,062)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

9.2 Segment Results and Assets for the Current Period versus Corresponding Period

	Marine Offshore Support Services	
	Current Period-to-date Ended 30-Jun-18 RM'000	**Corresponding Period-to-date Ended 30-Jun-17 RM'000**
Segment loss	(41,743)	(94,347)
Included in the measure of segment loss are:		
Revenue from external customers	64,363	64,106
Inter-segment revenue	140,833	152,293
Depreciation and amortization	(39,450)	(45,402)
Finance costs	(21,168)	(23,353)
Impairment of property, plant and equipment	(7,092)	(50,382)
Unrealized foreign exchange loss	(3)	(9)
Segment assets	1,310,014	1,542,013

Reconciliation of reportable segment revenues, profit or loss, assets and other material items

Profit or loss		
Total loss for reportable segments	(41,743)	(94,347)
Other non-reportable segments	(8,583)	(6,955)
Elimination of inter-segment loss	(4,681)	(22,124)
Consolidated loss before tax	(55,007)	(123,426)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

9.2 Segment Results and Assets for the Current Period versus Corresponding Period (Cont'd)

As at 30 June 2018	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Segment assets RM'000
Total reportable segments	64,363	(39,450)	(21,168)	1,310,014
Other non-reportable segments	-	(96)	(21,742)	930,847
Elimination of inter-segment transactions or balances	-	-	14,318	(926,404)
Consolidated total	64,363	(39,546)	(28,592)	1,314,457

As at 30 June 2017	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Segment assets RM'000
Total reportable segments	64,106	(45,402)	(23,353)	1,542,013
Other non-reportable segments	-	(134)	(21,701)	992,711
Elimination of inter-segment transactions or balances	-	-	14,574	(1,032,366)
Consolidated total	64,106	(45,536)	(30,480)	1,502,358

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 30-Jun-18 RM'000	Corresponding Quarter Ended 30-Jun-17 RM'000
Type of services		
- Chartered vessel income	45,590	44,021
- Mobilisation and demobilisation fees	1,183	629
- Others	814	528
	47,587	45,178
Timing of revenue recognition		
Services transferred at a point of time:		
- Mobilisation and demobilisation fees	1,183	629
- Others	814	528
Service transferred over time:		
- Chartered vessel income	45,590	44,021
	47,587	45,178

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

The Group reassessed its assets (except for inventories, deferred tax assets and financial assets) as at 30 June 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 30 June 2018, the Group has made an additional allowance for impairment loss on PPE of USD1.7 million (equivalent to RM7.1 million). The Group's accumulated impairment loss has been increased from USD14.1 million (equivalent to RM61.3 million) as at 31 December 2017 to USD15.8 million (equivalent to RM63.9 million as at 30 June 2018).

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

Depending on the Debt Restructuring Scheme that is finalized with CDRC and accepted by the Lenders [see Note 22(ii)], there may be a need to write down the Group's non-financial assets (including PPE but excluding inventories and deferred tax assets) to market value, if lower than their carrying amount. As the Company is still exploring the various debt restructuring options, it is unable to provide further details at this stage.

12. Material Events Subsequent to the Reporting Period

There were no material events subsequent to the current financial quarter ended 30 June 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 30 June 2018.

14. Contingent Liabilities

The following are the contingent liabilities outstanding as at 30 June 2018:

	As at 30-Jun-18	
	Group RM'000	**Company RM'000**
Unsecured:-		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	-	190,537

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 August 2018, the Group has not received any response from the IRB to its reply of February 2017.

15. Capital Commitments

As at 30 June 2018, the Group has no outstanding or additional capital commitments which are approved and/or contracted for.

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 30-Jun-18 RM'000	Corresponding Quarter Ended 30-Jun-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	2,660	969
Group		
i. Related party:		
- charter income	33,344	25,041
- mobilisation and demobilisation income	370	-
- interest expense	2,730	1,031

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 30-Jun-18 RM'000	Corresponding Quarter ended 30-Jun-17 RM'000
Short-term employee benefits	223	433

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

17. Review of Financial Performance

Current Year Quarter versus Preceding Year Corresponding Quarter

	Current Quarter Ended 30-Jun-18 RM'000	Corresponding Quarter Ended 30-Jun-17 RM'000	Variance RM'000	Variance %
Revenue	47,587	45,178	2,409	5
Profit/(Loss) Before Interest and Taxation	25,341	(62,476)	87,817	141
Profit/(Loss) Before Taxation	11,043	(77,538)	88,581	114
Profit/(Loss) After Taxation	10,097	(77,635)	87,732	113
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	10,098	(77,634)	87,232	113

For the current quarter ended 30 June 2018, the Group has recorded a revenue of RM47.6 million and a profit before taxation of RM11.0 million, as compared to a revenue of RM45.2 million and a loss before taxation of RM77.5 million in the second quarter of 2017.

The increase in revenue and the higher profit before taxation achieved in the current quarter is mainly attributable to higher vessel utilization at 70% as compared to 63% in the second quarter of 2017. In addition, the profit before taxation in the current quarter has also taken into account net realized/unrealized foreign exchange gain of RM25.8 million whereas an impairment loss on PPE of RM50.4 million as well as a net realized/unrealized forex losses of RM16.5 million were accounted for in the corresponding quarter. The profit after taxation in the current quarter has taken into account current year tax expenses amounting to RM0.9 million (see Note 21).

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

17. Review of Financial Performance (Cont'd)

Current Period-to-Date versus Preceding Period-to-Date

	Current Period-to-date Ended 30-Jun-18 RM'000	Corresponding Period-to-date Ended 30-Jun-17 RM'000	Variance RM'000	%
Revenue	64,363	64,106	257	0
Loss Before Interest and Taxation	(26,415)	(92,946)	66,531	72
Loss Before Taxation	(55,007)	(123,426)	68,419	55
Loss After Taxation	(56,558)	(123,547)	66,989	54
Loss Attributable to Ordinary Equity Holders of the Parent	(56,557)	(123,546)	66,989	54

For the financial period ended 30 June 2018, the Group recorded a higher revenue of RM64.4 million and a loss before taxation of RM55.0 million as compared to the revenue of RM64.1 million and loss before taxation of RM123.4 million for the previous period ended 30 June 2017.

The slight increase in revenue is mainly due to higher vessel utilization at 48% for the financial period ended 30 June 2018, as compared to 44% in the corresponding period ended 30 June 2017, resulting from the improved work orders/contracts awarded from oil majors in the second quarter of 2018. The Group recorded a lower loss before taxation for the financial period ended 30 June 2018 which is mainly attributed to an impairment loss on property, plant and equipment of RM7.1 million as well as a net realized/unrealized foreign exchange loss of RM2.7 million, as compared to an impairment loss on property, plant and equipment of RM50.4 million as well as a net realized/unrealized foreign exchange loss of RM24.6 million in the preceding period.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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

	Current Quarter Ended 30-Jun-18 RM'000	Preceding Quarter Ended 31-Mar-18 RM'000	Variance RM'000	%
Revenue	47,587	16,776	30,811	184
Profit/(Loss) Before Interest and Taxation	25,341	(51,756)	77,097	149
Profit/(Loss) Before Taxation	11,043	(66,050)	77,093	117
Profit/(Loss) After Taxation	10,097	(66,655)	76,752	115
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	10,098	(66,655)	76,753	115

The Group recorded a higher revenue of RM47.6 million and a profit before taxation of RM11.0 million in the current quarter, as compared to a revenue of RM16.8 million and a loss before taxation of RM66.1 million in the preceding quarter.

The significant increase in revenue in the current quarter is mainly due to higher vessel utilization at 70% as compared to 27% in the first quarter of 2018. The higher vessel utilization is a result of improved work orders/contracts awarded from the oil majors during the second quarter of 2018. In addition, the higher profit before taxation incurred in the current quarter is mainly attributed to a net realized/unrealized foreign exchange gain of RM25.8 million, as compared to a net realized/unrealized foreign exchange loss of RM28.5 million in the preceding quarter.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

19. Prospects

The marked improvement in chartering activities in the second quarter has resulted in the Group's quarterly revenue more than doubling from the first quarter as vessel utilization increased significantly to 70% from 27% in the first quarter. The strong vessel utilization would have happened in the first quarter if not for the technical issues like certain pipelines disruptions experienced by our charterers earlier.

Therefore, we believe that the business environment in 2018 will be better as the Group's vessel utilization rate is expected to improve significantly, thanks to the high number of vessels that will be earmarked for Dayang's offshore maintenance, construction and modifications works and hook-up contracts with various oil majors where activities are already projected to be ramping higher. Also, as drilling activities continue to increase, more rig moves and anchor handling works will consequently increase demand for its Anchor Handling Tugs and Supply ("AHTS") vessels. We are also hopeful the higher crude oil prices would help boost the general sentiment for the oil majors and lead to more Offshore Support Vessel ("OSV") chartering opportunities.

On 2 July 2018, the Group has received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for the application for assistance to mediate between the Group and its creditors. The Group is in the midst of submitting a proposed debt restructuring scheme (by mid-September 2018) which will enable a renegotiation of the Group's financing obligations in order to sustain its business operations.

We remain committed to turn around the Group despite the financial difficulties. We believe our streamlined operations and the synergistic collaboration between the Group and Dayang will help us to prevail through this challenging time.

Currently, 14 to 16 vessels out of a fleet of 16 vessels are employed in the third quarter of 2018. We remain cautiously confident that the average fleet utilization in 2018 will be higher than 2017.

While fleet utilization is seen improving, albeit mostly on spot charters and depressed charter rates, the Group continues to face challenges in its pursuit to secure longer term contracts. Our emphasis for now is mainly on improving vessel utilization and also the sustainability of its financials. The Group is in the midst of bidding for various long-term contracts for its fleet domestically as well as regionally.

The Board is optimistic that all the issues and challenges will be resolved sooner and together with the support of Dayang's Board, the restructuring program undertaken by the Group will hopefully improve the overall profitability.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

20. Loss for the Quarter/Period

	Current Quarter Ended 30-Jun-18 RM'000	Corresponding Quarter Ended 30-Jun-17 RM'000	Current Period-to-date Ended 30-Jun-18 RM'000	Corresponding Period-to-date Ended 30-Jun-17 RM'000
Loss for the quarter is arrived at after charging/(crediting):				
Depreciation of property, plant and equipment	19,858	22,408	39,546	45,536
Allowance on impairment loss on property, plant and equipment	7,092	50,382	7,092	50,382
Interest expense	14,298	15,062	28,592	30,480
Impairment loss on receivables	-	-	297	-
Interest income	(698)	(984)	(1,590)	(1,577)
(Gain)/Loss on foreign exchange:				
- realised	(1,041)	361	(1,943)	2,429
- unrealised	(24,732)	16,113	4,685	22,145

Save for the above, there were no 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 30 June 2018.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

21. Taxation

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

	Current Quarter Ended 30-Jun-18 RM'000	Corresponding Quarter Ended 30-Jun-17 RM'000	Current Period-to-date Ended 30-Jun-18 RM'000	Corresponding Period-to-date Ended 30-Jun-17 RM'000
Current tax expense:				
Malaysian - current year	946	97	1,551	121

The Group's effective tax rate of 8% for the current quarter is lower than the statutory tax rate mainly due to unrealized foreign exchange gain arising in the quarter not being taxable. Despite the consolidated losses for the financial period to-date, the Group still incurs a current tax charge of RM1.6 million as the losses incurred by certain group entities cannot be offset against the taxable profits made by other group entities.

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.

On 13 June 2018, the Company announced that Bursa Securities had vide their letter dated 12 June 2018 granted the Company an extension of time of six months from 14 June 2018 until 13 December 2018 to complete the implementation of the proposed private placement.

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

22. Corporate Proposals (Cont'd)

(ii) Corporate Debt Restructuring Committee ("CDRC")

On 4 July 2018, the Company announced that Corporate Debt Restructuring Committee (the "CDRC') of Bank Negara Malaysia has granted approval on the Company's application for assistance to mediate between the Company and some of its subsidiaries (the "Applicant Company/Companies") with their financial institutions and Sukukholders (the "Lenders").

This admission to CDRC is consistent with the Company's strategy to streamline its operations and optimise its financial resources to focus and proactively enhance its offshore marine support services segment. It is a follow-on from the Company's previous successful cost rationalised initiative which has had a positive impact on the Company's financials.

The Company received approval from CDRC on 2 July 2018 ("CDRC Approval Letter") subject to the following conditions:

a) The Company is required to submit a Proposed Debt Restructuring Scheme within sixty (60) days from the date of the CDRC Approval Letter;

b) The Company's admission is limited to twelve (12) months or upon signing of a debt restructuring agreement, whichever is earlier; and

c) The Proposed Debt Restructuring Scheme must comply with the CDRC's restructuring principles for the Company to continue to remain under the Standstill arrangement with the Lenders.

The Standstill Letter was issued by CDRC to the Lenders of the Applicant Companies on 2 July 2018.

The CDRC, which is under the purview of Bank Negara Malaysia, will mediate between the Applicant Company and their respective Financiers to renegotiate their respective financing facilities that can be sustained in the face of this challenging period for the oil and gas industry, in line with the above conditions. This successful mediation would enable the Companies to be better positioned to raise new financing and capital in the future and sustain their operations and underlying viability going forward.

The Company is exploring various options for the Proposed Debt Restructuring Scheme, including but not limited to extension of tenure of borrowings, disposal of assets, special issue or placement of shares and rights issue. Depending on the scheme eventually accepted by not less than 75% by value of the Lenders, there may be a need to write-down the Group's non-financial assets (except inventories and deferred tax assets) to market value, if lower than their carrying amount. As the Company is still exploring the various debt restructuring options, it is unable to provide further details at this stage.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

23. Borrowings

Total Group's borrowings as at 30 June 2018 were as follows:

	As at Current Period Ended 30-Jun-2018					
	Non-current		Current		Total borrowings	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured						
- Sukuk	-	-	-	433,663	-	433,663
- Term loans	-	-	16,931	68,400	16,931	68,400
- Finance lease liabilities	13,577	54,850	16,012	64,730	29,589	119,580
Unsecured						
- Revolving credit	-	-	-	2,000	-	2,000
Total	13,577	54,850	32,943	568,793	46,520	623,643

Exchange rate (USD: MYR) at USD1: MYR4.040

Source of reference: Bank Negara Malaysia website

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REOUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

23. Borrowings (Cont'd)

As at 30 June 2018, the total outstanding borrowings have reduced to RM623.6 million as compared to RM734.3 million as at 31 December 2017 mainly due to a repayment of Sukuk principal amounting to RM90 million.

In addition, the Group has not met certain covenants of three term loans and the Sukuk bond with a total carrying amount of RM502.1 million as at 30 June 2018. As a result, the non-current portions of these term loans and Sukuk bond of RM378.8 million have been reclassified to current liabilities as at 30 June 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 August 2018, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

(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.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

24. Material Litigations (Cont'd)

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

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.

The arbitrators have fixed the hearing date from 27th to 30th August 2018.

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.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

26. Earnings/(Loss) Per Share

a) Basic

	Current Quarter Ended 30-Jun-18	Corresponding Quarter Ended 30-Jun-17	Current Period-to-date Ended 30-Jun-18	Corresponding Period-to-date Ended 30-Jun-17
Net profit/(loss) attributable to shareholders (RM'000)	10,098	(77,634)	(56,557)	(123,546)
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 earnings/(loss) per ordinary share (Sen)	1.30	(9.97)	(7.27)	(15.87)

b) Diluted

Diluted loss per share has not been presented as the Company has no dilutive equity instruments outstanding as at 30 June 2017 and 2018.

By Order of the Board

Bailey Kho Chung Siang
Executive Director

Date: 23 August 2018