PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

Interim Report for the Quarter Ended 30 September 2018

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

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter Ended 30-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000	Current Period-to-date Ended 30-Sep-18 RM'000	Corresponding Period-to-date Ended 30-Sep-17 RM'000
Revenue	61,214	49,754	125,577	113,860
Cost of Sales	(45,417)	(38,841)	(121,880)	(117,487)
Gross Profit/(Loss)	15,797	10,913	3,697	(3,627)
Other income	15,850	1,589	14,698	3,166
Administrative expenses	(3,943)	(1,884)	(9,458)	(6,559)
Other expenses	(5,873)	(9,516)	(13,521)	(84,824)
Results from operating activities	21,831	1,102	(4,584)	(91,844)
Finance costs	(14,048)	(14,815)	(42,640)	(45,295)
Profit/(Loss) before taxation	7,783	(13,713)	(47,224)	(137,139)
Taxation	(1,250)	(5,140)	(2,801)	(5,261)
Profit/(Loss) for the period	6,533	(18,853)	(50,025)	(142,400)
Other comprehensive income/(expenses)				
Foreign currency translation	*11,447*	*(9,806)*	*7,451*	*(39,247)*
Cash flow hedge	*(42)*	*5*	*(116)*	*25*
Total Comprehensive Income/(Expenses) for the period attributable to Owners of the Company	*17,938*	*(28,654)*	*(42,690)*	*(181,622)*
Profit/(Loss) for the period				
Attributable to:				
Equity holders of the Company	6,533	(18,853)	(50,024)	(142,399)
Non-controlling interest	-	-	(1)	*(1)*
	6,533	(18,853)	(50,025)	(142,400)
Total Comprehensive Income/(Expenses) for the period				
Attributable to:				
Equity holders of the Company	*17,939*	*(28,655)*	*(42,690)*	*(181,622)*
Non-controlling interest	*(1)*	*1*	- *	-
	17,938	*(28,654)*	*(42,690)*	*(181,622)*
Earnings/(Loss) per share (Sen)				
a) Basic	0.84	(2.42)	(6.43)	(18.29)
b) Diluted	0.84	(2.42)	(6.43)	(18.29)

**** Negligible***

(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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30-Sep-18 RM'000	(Audited) 31-Dec-17 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,201,349	1,246,621
Refundable deposits	45,781	45,291
Deferred tax assets	23,235	23,235
Derivative asset	117	233
	1,270,482	1,315,380
CURRENT ASSETS		
Inventories	1,385	2,354
Trade receivables - external parties	21,342	16,119
Trade receivables - related company	11,788	583
Other receivables, deposits and prepayments	9,424	8,951
Current tax assets	3,477	3,665
Cash and cash equivalents	29,493	77,004
	76,909	108,676
	1,347,391	1,424,056
EQUITY AND LIABILITIES		
EQUITY		
Share capital	411,219	411,219
Reserves	40,574	83,264
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	451,793	494,483
NON-CONTROLLING INTEREST	136	136
TOTAL EQUITY	451,929	494,619
NON-CURRENT LIABILITIES		
Loans and borrowings	53,297	113,526
Deferred tax liabilities	3,331	3,331
	56,628	116,857
CURRENT LIABILITIES		
Loans and borrowings	577,632	620,751
Trade payables - external parties	24,866	13,213
Trade payables - related company	-	5,457
Other payables - external parties	31,974	32,115
Other payables - related company	204,362	141,024
Current tax liabilities	-	20
	838,834	812,580
TOTAL LIABILITIES	895,462	929,437
TOTAL EQUITY AND LIABILITIES	1,347,391	1,424,056
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.58	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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 30-Sep-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from operating activities		
Loss before taxation	(47,224)	(187,592)
Adjustments for:		
Impairment loss on intangible assets	-	10,724
Impairment loss on property, plant and equipment	12,860	51,110
Impairment loss on receivables	297	1,443
Depreciation of property, plant and equipment	59,619	88,266
Interest expense	42,640	60,249
Interest income	(2,012)	(2,989)
Gain on disposal of property, plant and equipment	-	(1,627)
Unrealised (gain)/loss on foreign exchange	(9,605)	51,903
Operating profit before changes in working capital	56,575	71,487
Changes in working capital:		
Inventories	969	(986)
Trade and other receivables	(16,468)	3,526
Trade and other payables	14,435	(52,576)
Cash generated from operations	55,511	21,451
Income tax paid	(2,240)	(3,930)
Net cash from operating activities	53,271	17,521
Cash flows for investing activities		
Interest received	1,190	1,843
Proceeds from disposal of property, plant and equipment	-	12,923
Purchase of property, plant and equipment	(5,812)	(1,023)
Withdrawal of fixed deposits pledged	44,159	2,233
Net cash from investing activities	39,537	15,976

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

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INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 30-Sep-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from financing activities		
Advances from a related company	56,000	116,661
Repayment of Sukuk bonds	(90,000)	(90,000)
Repayment of term loans	(16,397)	(32,353)
Repayment of revolving credit	(4,000)	(12,000)
Repayment of finance lease liability obligations	(4,320)	(12,243)
Interest paid	(15,024)	(16,465)
Coupon paid	(12,879)	(27,967)
Net cash used in financing activities	(86,620)	(74,367)
Net increase/(decrease) in cash and cash equivalents	6,188	(40,870)
Effect of exchange rate movements	(9,540)	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	17,957	21,309
Cash and cash equivalents		
Deposits placed with licensed banks	19,083	67,328
Cash on hand and at banks	10,410	9,676
	29,493	77,004
Less: Deposits pledged as security	(11,536)	(55,695)
	17,957	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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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	-	-	(116)	-	7,451	(50,025)	(42,690)	-	*	(42,690)
Balance as at 30 September 2018	411,219	-	117	1,635	82,541	(43,719)	451,793	136		451,929
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 September 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 other income / expenses and other comprehensive income / expenses arising from realized / unrealized foreign exchange gain/loss and foreign currency translation of investment in Labuan subsidiaries denominated in US Dollars, as well as 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 RM14.3 million and RM9.6 million respectively and realized foreign exchange loss of RM0.1 million and realized foreign exchange gain of RM1.9 million respectively whereas the other comprehensive expenses include foreign currency translation gain of RM11.4 million and RM7.5 million respectively.

In addition, the Group has made an additional allowance of USD1.4 million (equivalent to RM5.8 million) for impairment loss on PPE (see Note 11) during the quarter under review, bringing the total additional allowance for impairment loss for PPE to USD3.1 million (equivalent to RM12.9 million) for the current financial period.

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 September 2018.

9. Segmental Information

9.1 Segment Results for the Current Quarter versus Corresponding Quarter

	Marine Offshore Support Services	
	Current Quarter Ended 30-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000
Segment profit / (loss)	(2,646)	1,244
Included in the measure of segment profit / (loss) are:		
Revenue from external customers	61,214	49,754
Inter-segment revenue	83,643	82,266
Depreciation and amortization	(20,035)	(21,922)
Finance costs	(10,551)	(11,354)
Impairment of property, plant and equipment	(5,768)	-
Unrealized foreign exchange loss	-	(1,838)

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

Profit or loss		
Total profit / (loss) for reportable segments	(2,646)	1,244
Other non-reportable segments	(3,861)	(2,251)
Elimination of inter-segment profit / (loss)	14,290	(12,706)
Consolidated profit / (loss) before tax	7,783	(13,713)

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 September 2018	**External revenue RM'000**	**Depreciation and amortisation RM'000**	**Finance costs RM'000**
Total reportable segments	61,214	(20,035)	(10,551)
Other non-reportable segments	-	(38)	(10,656)
Elimination of inter-segment transactions or balances	-	-	7,159
Consolidated total	61,214	(20,073)	(14,048)

Corresponding Quarter Ended 30 September 2017	**External revenue RM'000**	**Depreciation and amortisation RM'000**	**Finance costs RM'000**
Total reportable segments	49,754	(21,922)	(11,354)
Other non-reportable segments	-	(52)	(10,749)
Elimination of inter-segment transactions or balances	-	-	7,288
Consolidated total	49,754	(21,974)	(14,815)

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-Sep-18 RM'000	Corresponding Period-to-date Ended 30-Sep-17 RM'000
Segment profit / (loss)	(44,389)	(93,102)
Included in the measure of segment profit / (loss) are:		
Revenue from external customers	125,577	113,860
Inter-segment revenue	224,476	234,559
Depreciation and amortization	(59,484)	(67,324)
Finance costs	(31,719)	(34,707)
Impairment of property, plant and equipment	(12,860)	(50,382)
Unrealized foreign exchange loss	(3)	(1,847)
Segment assets	1,314,376	1,479,099

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

Profit or loss		
Total profit / (loss) for reportable segments	(44,389)	(93,102)
Other non-reportable segments	(12,444)	(9,206)
Elimination of inter-segment loss	9,609	(34,831)
Consolidated loss before tax	(47,224)	(137,139)

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 September 2018	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Segment assets RM'000
Total reportable segments	125,577	(59,484)	(31,719)	1,314,376
Other non-reportable segments	-	(135)	(32,398)	936,608
Elimination of inter-segment transactions or balances	-	-	21,477	(903,593)
Consolidated total	125,577	(59,619)	(42,640)	1,347,391

As at 30 September 2017	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Segment assets RM'000
Total reportable segments	113,860	(67,324)	(34,707)	1,479,099
Other non-reportable segments	-	(186)	(32,450)	1,016,647
Elimination of inter-segment transactions or balances	-	-	21,862	(1,001,874)
Consolidated total	113.860	(67,510)	(45,295)	1,493,872

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-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000
Type of services		
- Chartered vessel income	59,971	49,153
- Mobilisation and demobilisation fees	550	129
- Others	693	472
	61,214	49,754
Timing of revenue recognition		
Services transferred at a point of time:		
- Mobilisation and demobilisation fees	550	129
- Others	693	472
Service transferred over time:		
- Chartered vessel income	59,971	49,153
	61,214	49,754

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 September 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 September 2018, the Group has made an additional allowance for impairment loss on PPE of USD1.4 million (equivalent to RM5.8 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 USD17.2 million (equivalent to RM71.3 million as at 30 September 2018).

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

Depending on the Debt Restructuring Scheme that is eventually finalized with CDRC and accepted by the Lenders [see Note 22(ii)], there may be a need to further impair the Group's non-financial assets (including PPE but excluding inventories and deferred tax assets) to its fair value less costs to sell, if lower than their carrying amount. As the Company is still exploring the various debt restructuring options and engaging with the Lenders, 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 September 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 September 2018.

14. Contingent Liabilities

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

	As at 30-Sep-18	
	Group RM'000	**Company RM'000**
Unsecured:-		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	-	193,912

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

15. Capital Commitments

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

16. Significant Related Party Transactions

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

Company	Current Quarter Ended 30-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000
i. Subsidiaries:		
- rental income	-	44
- management income	381	450
- interest income	7,159	7,287
ii. Related party:		
- interest expense	2,720	1,273
Group		
i. Related party:		
- charter income	37,625	25,521
- mobilisation and demobilisation income	100	-
- interest expense	2,739	1,336

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-Sep-18 RM'000	Corresponding Quarter ended 30-Sep-17 RM'000
Short-term employee benefits	216	234

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-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000	Variance RM'000	%
Revenue	61,214	49,754	11,460	23
Profit / (Loss) Before Interest and Taxation	21,831	1,102	20,729	1,881
Profit / (Loss) Before Taxation	7,783	(13,713)	21,496	157
Profit / (Loss) After Taxation	6,533	(18,853)	25,386	135
Profit / (Loss) Attributable to Ordinary Equity Holders of the Parent	6,533	(18,853)	25,386	135

For the current quarter ended 30 September 2018, the Group has recorded a revenue of RM61.2 million and a profit before taxation of RM7.8 million, as compared to a revenue of RM49.8 million and a loss before taxation of RM13.7 million in the third 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 84% as compared to 70% in the third quarter of 2017. In addition, the profit before taxation in the current quarter has also taken into account impairment loss on PPE of RM5.8 million as well as a net realized / unrealized foreign exchange gain of RM14.2 million whereas a net realized / unrealized forex losses of RM7.9 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 RM1.0 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-Sep-18 RM'000	Corresponding Period-to-date Ended 30-Sep-17 RM'000	Variance RM'000	%
Revenue	125,577	113,860	11,717	10
Loss Before Interest and Taxation	(4,584)	(91,844)	87,260	95
Loss Before Taxation	(47,224)	(137,139)	89,915	66
Loss After Taxation	(50,025)	(142,400)	92,375	65
Loss Attributable to Ordinary Equity Holders of the Parent	(50,024)	(142,399)	92,375	65

For the financial period ended 30 September 2018, the Group recorded a higher revenue of RM125.6 million and a loss before taxation of RM47.2 million as compared to the revenue of RM113.9 million and loss before taxation of RM137.1 million for the previous period ended 30 September 2017.

The slight increase in revenue is mainly due to higher vessel utilization at 61% for the financial period ended 30 September 2018, as compared to 53% in the corresponding period ended 30 September 2017, resulting from the improved work orders / contracts awarded from oil majors since the second quarter of 2018. The Group recorded a lower loss before taxation for the financial period ended 30 September 2018 which is mainly attributed to an impairment loss on property, plant and equipment of RM12.9 million as well as a net realized / unrealized foreign exchange gain of RM11.5 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 RM32.5 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-Sep-18	Preceding Quarter Ended 30-Jun-18	Variance	
	RM'000	RM'000	RM'000	%
Revenue	61,214	47,587	13,627	29
Profit Before Interest and Taxation	21,831	25,341	(3,510)	(14)
Profit Before Taxation	7,783	11,043	(3,260)	(30)
Profit After Taxation	6,533	10,097	(3,564)	(35)
Profit Attributable to Ordinary Equity Holders of the Parent	6,533	10,098	(3,565)	(35)

The Group recorded a higher revenue of RM61.2 million and a profit before taxation of RM7.8 million in the current quarter, as compared to a revenue of RM47.6 million and a profit before taxation of RM11.0 million in the preceding quarter.

The increase in revenue in the current quarter is mainly due to higher vessel utilization at 84% as compared to 70% in the second quarter of 2018. The higher vessel utilization is a result of improved work orders / contracts awarded from the oil majors during the third quarter of 2018. In addition, the lower profit before taxation incurred in the current quarter is mainly attributed to a net realized / unrealized foreign exchange gain of RM14.2 million, as compared to a net realized/unrealized foreign exchange gain of RM25.8 million in the preceding quarter.

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

19. Prospects

Our chartering activities have witnessed significant improvement in the third quarter as vessel utilisation continued to be ramped up amidst strengthening demand for our vessels, particularly from our major shareholder, Dayang Group. Vessel utilisation improved to 84% from 70% in the second quarter and 27% in the first quarter, giving an average utilisation rate of 61% for the nine months period. This has resulted in the highest quarterly revenue since 2015 which will serve as a key milestone for us to achieve better profitability and sustainability of cashflows going forward. Excluding the fluctuation of unrealised foreign exchange, the third quarter also delivered the strongest operational results so far this year.

We are cautiously optimistic of our vessel chartering business, thanks to the high number of vessels that have been earmarked for Dayang's offshore topside maintenance, EPCC and hook-up contracts with various oil majors where activities have been going in full swing. The recent contract awarded by Roc Oil (Sarawak) Sdn Bhd for the provision of one AHTS is also testimony of our concerted efforts to achieve better vessel utilisation by exploring all available opportunities.

Multiple strategies have also been employed to deploy some of the vessels overseas for mid to long-term charters and the Group remain hopeful of winning such contracts.

In July 2018, the Group has received approval from the Corporate Debt Restructuring Committee (CDRC) of Bank Negara Malaysia for our application for assistance to mediate between the group and its financial creditors. The Group is now focusing on finalising its proposed debt restructuring scheme which together with a comprehensive corporate exercise to be put forward, will take another 18 months or so to execute, from implementation to completion.

We remain committed to turning around the Group despite the financial and operational challenges. We believe our streamlined operations and the synergistic collaboration between the Group and Dayang will help us to prevail through this challenging time and embrace new business opportunities that lie ahead.

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

20. Profit / (Loss) for the Quarter / Period

	Current Quarter Ended 30-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000	Current Period-to-date Ended 30-Sep-18 RM'000	Corresponding Period-to-date Ended 30-Sep-17 RM'000
Profit / (Loss) for the quarter is arrived at after charging / (crediting):				
Depreciation of property, plant and equipment	20,073	21,974	59,619	67,510
Allowance on impairment loss on property, plant and equipment	5,768	-	12,860	50,382
Interest expense	14,048	14,815	42,640	45,295
Impairment loss on receivables	-	1,443	297	1,443
Interest income	(422)	(407)	(2,012)	(2,044)
(Gain) / Loss on foreign exchange:				
- realised	77	(316)	(1,866)	2,114
- unrealised	(14,290)	8,229	(9,605)	30,374

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 September 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-Sep-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000	Current Period-to-date Ended 30-Sep-18 RM'000	Corresponding Period-to-date Ended 30-Sep-17 RM'000
Current tax expense:				
Malaysian - current year	975	2,373	2,526	2,494
- prior year	275	2,845	275	2,845
Deferred taxation:				
- current year	-	(78)	-	(78)
	1,250	5,140	2,801	5,261

The Group's effective tax rate of 13% 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 RM2.5 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.

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

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 ("PDRS") 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 PDRS 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 PDRS, 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 further impair the Group's non-financial assets (except inventories and deferred tax assets) to its fair value less costs to sell, 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.

On 30 August 2018, the Company has sought an extension of time of thirty (30) days to submit the PDRS from 1 September 2018.

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

22. Corporate Proposals (Cont'd)

(ii) Corporate Debt Restructuring Committee ("CDRC") (Cont'd)

On 10 October 2018, the Company has conducted its first CDRC meeting and presented a draft PDRS to the Lenders. Subsequently on 15 November 2018, a second CDRC meeting has taken place to provide further updates and details of the debt settlement scheme.

Barring any unforeseen circumstances, the CDRC program is expected to complete within 18 months from the date of admission, i.e, 2 July 2018.

23. Borrowings

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

	As at Current Period Ended 30-Sep-2018					
	Non-current		Current		Total borrowings	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured						
- Sukuk	-	-	-	436,095	-	436,095
- Term loans	-	-	16,424	68,045	16,424	68,045
- Finance lease liabilities	12,864	53,297	17,252	71,492	30,116	124,789
Unsecured						
- Revolving credit	-	-	-	2,000	-	2,000
Total	12,864	53,297	33,676	577,632	46,540	630,929

Exchange rate (USD: MYR) at USD1: MYR4.143

Source of reference: Bank Negara Malaysia website

23. Borrowings (Cont'd)

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 30 September 2018, the total outstanding borrowings have reduced to RM630.9 million as compared to RM734.3 million as at 31 December 2017 mainly due to a repayment of Sukuk principal amounting to RM90 million. Effective 2 July 2018, upon the issuance of the Standstill Letter by CDRC [refer Note 22(ii)], the Group has not made any principal repayment that has fallen due up to 30 September 2018.

In addition, the Group has not met certain covenants of three term loans and the Sukuk bond with a total carrying amount of RM504.1 million as at 30 September 2018. As a result, the non-current portions of these term loans and Sukuk bond of RM377.4 million have been reclassified to current liabilities as at 30 September 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.

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

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 16 November 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.

NCIL was 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 had since nominated their respective arbitrators and paid the initial deposit for the arbitration.

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)

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 then fixed the hearing date from 27^{th} to 30^{th} August 2018.

On 28 August 2018, POL received an order of termination of the arbitration from the arbitral tribunal as a result of an amicable settlement between POL and NCIL with regard each other's claims and counterclaims arising from the termination of MoA.

The deposits paid for the acquisition of the two vessels had been written off/ impaired in earlier financial periods. The settlement reached with NCIL consequently has no financial impact on the Group.

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-Sep-18	Corresponding Quarter Ended 30-Sep-17	Current Period-to-date Ended 30-Sep-18	Corresponding Period-to-date Ended 30-Sep-17
Net profit / (loss) attributable to shareholders (RM'000)	6,533	(18,853)	(50,024)	(142,400)
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)	0.84	(2.42)	(6.43)	(18.29)

b) Diluted

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

By Order of the Board

Bailey Kho Chung Siang
Executive Director

Date: 22 November 2018