PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

Interim Report for the Quarter Ended 31 December 2018

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

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Quarter Ended 31-Dec-18 RM'000 (Unaudited)	Corresponding Quarter Ended 31-Dec-17 # RM'000 (Unaudited)	Current Year-to-date Ended 31-Dec-18 RM'000 (Unaudited)	Corresponding Year-to-date Ended 31-Dec-17 # RM'000 (Audited)
Revenue	64,076	33,927	189,653	147,787
Cost of Sales	(58,564)	(37,945)	(180,444)	(155,432)
Gross Profit/(Loss)	5,512	(4,018)	9,209	(7,645)
Other income	35,519	1,317	27,752	4,483
Administrative expenses	(3,364)	(1,639)	(12,822)	(8,198)
Other expenses	(15,495)	(31,159)	(6,551)	(115,983)
Results from operating activities	22,172	(35,499)	17,588	(127,343)
Finance costs	(13,869)	(14,954)	(56,509)	(60,249)
Profit/(Loss) before taxation	8,303	(50,453)	(38,921)	(187,592)
Taxation	812	6,747	(1,989)	1,486
Profit/(Loss) for the period	9,115	(43,706)	(40,910)	(186,106)
Other comprehensive (expenses)/income				
Foreign currency translation	*(164)*	*(23,634)*	*7,287*	*(62,881)*
Cash flow hedge	*(39)*	*18*	*(155)*	*43*
Total Comprehensive Income/(Expenses) for the period attributable to Owners of the Company	*8,912*	*(67,322)*	*(33,778)*	*(248,944)*
Profit/(Loss) for the period				
Attributable to:				
Equity holders of the Company	9,115	(43,707)	(40,909)	(186,106)
Non-controlling interest	- *	1	(1)	-
	9,115	(43,706)	(40,910)	(186,106)
Total Comprehensive Income/(Expenses) for the period				
Attributable to:				
Equity holders of the Company	*8,912*	*(67,322)*	*(33,778)*	*(248,944)*
Non-controlling interest	- *	- *	- *	-
	8,912	*(67,322)*	*(33,778)*	*(248,944)*
Earnings/(Loss) per share (Sen)				
a) Basic	1.17	(5.61)	(5.26)	(23.91)
b) Diluted	1.17	(5.61)	(5.26)	(23.91)

**** Negligible***

 # The comparative figures have been adjusted and reclassified to conform with the audited financial statements' presentation.

(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 FOURTH QUARTER ENDED 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION

	(Unaudited) 31-Dec-18 RM'000	(Audited) 31-Dec-17 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,208,043	1,246,621
Refundable deposits	46,043	45,291
Deferred tax assets	25,559	23,235
Derivative asset	78	233
	1,279,723	1,315,380
CURRENT ASSETS		
Inventories	2,408	2,354
Trade receivables - external parties	24,604	16,119
Trade receivables - related company	22,354	583
Other receivables, deposits and prepayments	6,532	8,951
Current tax assets	2,766	3,665
Cash and cash equivalents	36,545	77,004
	95,209	108,676
	1,374,932	1,424,056
EQUITY AND LIABILITIES		
EQUITY		
Share capital	411,219	411,219
Reserves	49,486	83,264
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	460,705	494,483
NON-CONTROLLING INTEREST	136	136
TOTAL EQUITY	460,841	494,619
NON-CURRENT LIABILITIES		
Loans and borrowings	-	113,526
Deferred tax liabilities	3,437	3,331
	3,437	116,857
CURRENT LIABILITIES		
Loans and borrowings	633,252	620,751
Trade payables - external parties	40,838	13,213
Trade payables - related company	-	5,457
Other payables - external parties	29,851	32,115
Other payables - related company	206,713	141,024
Current tax liabilities	-	20
	910,654	812,580
TOTAL LIABILITIES	914,091	929,437
TOTAL EQUITY AND LIABILITIES	1,374,932	1,424,056
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)	0.59	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 FOURTH QUARTER ENDED 31 DECEMBER 2018

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 31-Dec-18 RM'000	(Audited) Year Ended 31-Dec-17 RM'000
Cash flows from operating activities		
Loss before taxation	(38,921)	(187,592)
Adjustments for:		
Impairment loss on intangible assets	-	10,724
(Reversal)/Impairment loss on property, plant and equipment	(6,705)	51,110
Impairment loss on receivables	297	1,443
Depreciation of property, plant and equipment	80,282	88,266
Interest expense	56,509	60,249
Interest income	(2,526)	(2,989)
Gain on disposal of property, plant and equipment	-	(1,627)
Unrealised loss on foreign exchange	5,828	51,903
Operating profit before changes in working capital	94,764	71,487
Changes in working capital:		
Inventories	(54)	(986)
Trade and other receivables	(25,787)	3,526
Trade and other payables	10,610	(52,576)
Cash generated from operations	79,533	21,451
Income tax paid	(2,923)	(3,930)
Net cash from operating activities	76,610	17,521
Cash flows for investing activities		
Interest received	1,418	1,843
Proceeds from disposal of property, plant and equipment	-	12,923
Purchase of property, plant and equipment	(14,063)	(1,023)
Withdrawal of fixed deposits pledged	49,612	2,233
Net cash from investing activities	36,967	15,976

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

STATEMENT OF CASH FLOWS

	(Unaudited) Period Ended 31-Dec-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	(16,389)	(32,353)
Repayment of revolving credit	(4,000)	(12,000)
Repayment of finance lease liability obligations	(4,335)	(12,243)
Interest paid	(12,795)	(16,465)
Coupon paid	(23,824)	(27,967)
Net cash used in financing activities	(95,343)	(74,367)
Net increase/(decrease) in cash and cash equivalents	18,234	(40,870)
Effect of exchange rate movements	(9,081)	45,812
Cash and cash equivalents at the beginning of the financial year	21,309	16,367
Cash and cash equivalents at the end of the financial year	30,462	21,309
Cash and cash equivalents		
Deposits placed with licensed banks	33,769	67,328
Cash on hand and at banks	2,776	9,676
	36,545	77,004
Less: Deposits pledged as security	(6,083)	(55,695)
	30,462	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 FOURTH QUARTER ENDED 31 DECEMBER 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/ (Accumulated losses) RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Financial year ended 31 December 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 year	-	-	(155)	-	7,287	(40,910)	(33,778)	- *	(33,778)
Balance as at 31 December 2018	411,219	-	78	1,635	82,377	(34,604)	460,705	136	460,841
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

(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 year ended 31 December 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 ends 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.

4. Seasonal or Cyclical Factors

Due to its synergistic tie-up with Dayang, about one third 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.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, or cash flows during the current quarter and financial year to-date, except for other income / expenses and other comprehensive income / expenses arising from realised / unrealised foreign exchange gain/loss and foreign currency translation of investment in Labuan subsidiaries denominated in US Dollars, reversal of impairment loss on property, plant and equipment ("PPE") as well as an addititonal tax expense and deferred tax income that has been provided for.

During the current quarter and financial year to-date, the other income comprises unrealised foreign exchange loss of RM15.4 million and RM5.8 million respectively and realised foreign exchange gain of RM15.4 million and RM17.3 million respectively whereas the other comprehensive expenses include foreign currency translation loss of RM0.2 million and foreign currency translation gain RM7.3 million respectively.

In addition, the Group has made a reversal of impairment loss on PPE of USD4.7 million (equivalent to RM19.6 million) (see Note 11) during the quarter under review, bringing the net reversal of impairment loss for PPE to USD1.6 million (equivalent to RM6.7 million) for the current financial year. The Group has also provided for an allowance for impairment loss on receivables of RM0.3 million as well as additional tax expense of RM4.2 million and deferred tax income of RM2.2 million (see Note 21) during the financial year to-date.

6. Material Changes in Estimates

There were no material changes in the estimates of amounts reported in the current quarter and financial year 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 year 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 31 December 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 31-Dec-18 RM'000	Corresponding Quarter Ended 31-Dec-17 RM'000
Segment profit/(loss)	21,748	(122,180)
Included in the measure of segment profit / (loss) are:		
Revenue from external customers	64,076	33,927
Inter-segment revenue	78,202	74,733
Depreciation and amortization	(20,626)	(20,707)
Finance costs	(10,401)	(10,999)
Reversal/(Provision) of impairment loss on property, plant and equipment	19,565	(729)
Unrealised foreign exchange loss	(6,249)	(55,137)

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

Profit or (loss)		
Total profit / (loss) for reportable segments	21,748	(122,180)
Other non-reportable segments	(6,692)	(61,735)
Elimination of inter-segment profit / (loss)	(6,753)	133,462
Consolidated profit / (loss) before tax	8,303	(50,453)

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 31 December 2018	**External revenue RM'000**	**Depreciation and amortisation RM'000**	**Finance costs RM'000**
Total reportable segments	64,076	(20,626)	(10,401)
Other non-reportable segments	-	(37)	(10,626)
Elimination of inter-segment transactions or balances	-	-	7,158
Consolidated total	64,076	(20,663)	(13,869)

Corresponding Quarter Ended 31 December 2017	**External revenue RM'000**	**Depreciation and amortisation RM'000**	**Finance costs RM'000**
Total reportable segments	33,927	(20,707)	(10,999)
Other non-reportable segments	-	(49)	(11,114)
Elimination of inter-segment transactions or balances	-	-	7,159
Consolidated total	33,927	(20,756)	(14,954)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

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

	Marine Offshore Support Services	
	Current Year-to-date Ended 31-Dec-18 RM'000	**Corresponding Year-to-date Ended 31-Dec-17 RM'000**
Segment profit/(loss)	(22,642)	(215,281)
Included in the measure of segment profit / (loss) are:		
Revenue from external customers	189,653	147,787
Inter-segment revenue	302,678	309,292
Depreciation and amortization	(80,110)	(88,033)
Finance costs	(42,120)	(45,705)
Reversal/(Provision) of impairment loss on property, plant and equipment	6,705	(51,110)
Unrealised foreign exchange loss	(6,251)	(50,633)
Segment assets	1,328,496	1,392,170

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

Profit or (loss)		
Total profit / (loss) for reportable segments	(22,642)	(215,281)
Other non-reportable segments	(19,136)	(70,942)
Elimination of inter-segment profit / (loss)	2,857	98,631
Consolidated profit / (loss) before tax	(38,921)	(187,592)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

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

As at 31 December 2018	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Segment assets RM'000
Total reportable segments	189,653	(80,110)	(42,120)	1,328,496
Other non-reportable segments	-	(172)	(43,024)	927,722
Elimination of inter-segment transactions or balances	-	-	28,635	(881,286)
Consolidated total	189,653	(80,282)	(56,509)	1,374,932

As at 31 December 2017	External revenue RM'000	Depreciation and amortisation RM'000	Finance costs RM'000	Segment assets RM'000
Total reportable segments	147,787	(88,033)	(45,705)	1,392,170
Other non-reportable segments	-	(233)	(43,564)	971,397
Elimination of inter-segment transactions or balances	-	-	29,020	(939,511)
Consolidated total	147,787	(88,266)	(60,249)	1,424,056

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Disaggregation of Revenue

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

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

	Current Quarter Ended 31-Dec-18 RM'000	Corresponding Quarter Ended 31-Dec-17 RM'000
Type of services		
- Chartered vessel income	60,162	32,842
- Mobilisation and demobilisation fees	3,088	800
- Others	826	285
	64,076	33,927
Timing of revenue recognition		
Services transferred at a point of time:		
- Mobilisation and demobilisation fees	3,088	800
- Others	836	285
Service transferred over time:		
- Chartered vessel income	60,162	32,842
	64,076	33,927

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

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

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

For the current financial quarter ended 31 December 2018, the Group has made a reversal of impairment loss on PPE of USD4.7 million (equivalent to RM19.6 million). The Group's accumulated impairment loss has decreased from USD14.1 million (equivalent to RM61.3 million) as at 31 December 2017 to USD12.5 million (equivalent to RM51.7 million) as at 31 December 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 31 December 2018 up to the date of this report which is likely to substantially affect the financial results of the Group.

13. Changes in the Composition of the Group

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

14. Contingent Liabilities

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

	As at 31-Dec-18	
	Group RM'000	**Company RM'000**
Unsecured:-		
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	-	193,202

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 15 February 2019, 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 31 December 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:

	Current Quarter Ended 31-Dec-18 RM’000	Corresponding Quarter Ended 31-Dec-17 RM’000
Company		
i. Subsidiaries:		
- rental income	-	44
- management income	381	450
- interest income	7,159	7,287
ii. Related party:		
- interest expense	2,720	1,505
- rental expense	31	-
Group		
i. Related party:		
- charter income	33,963	8,651
- mobilisation and demobilisation income	990	-
- interest expense	2,720	1,568
- rental expense	170	-

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.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

16. Significant Related Party Transactions (Cont'd)

b. Compensation of key management personnel

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

	Current Quarter Ended 31-Dec-18 RM'000	Corresponding Quarter Ended 31-Dec-17 RM'000
Short-term employee benefits	281	214

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 31-Dec-18 RM'000	Corresponding Quarter Ended 31-Dec-17 RM'000	Variance RM'000	%
Revenue	64,076	33,927	30,149	89
Profit/(Loss) Before Interest and Taxation	22,172	(35,499)	57,671	162
Profit/(Loss) Before Taxation	8,303	(50,453)	58,756	116
Profit/(Loss) After Taxation	9,115	(43,706)	52,821	121
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	9,115	(43,707)	52,822	121

For the current quarter ended 31 December 2018, the Group has recorded a higher revenue of RM64.1 million and a profit before taxation of RM22.2 million, as compared to a revenue of RM33.9 million and a loss before taxation of RM50.5 million in the fourth 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 73% as compared to 51% in the fourth quarter of 2017. In addition, the profit before taxation in the current quarter has also taken into account reversal of impairment loss on PPE of RM19.6 million, compared to the impairment loss on PPE of RM0.7 million as well as a net realised / unrealised foreign exchange loss of RM19.6 million that have been provided in the corresponding quarter. The profit after taxation in the current quarter has taken into account current year tax expenses amounting to RM1.4 million and deferred tax income of RM2.2 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 Year-to-Date versus Preceding Year-to-Date

	Current Year-to-date Ended 31-Dec-18 RM'000	Corresponding Year-to-date Ended 31-Dec-17 RM'000	Variance RM'000	%
Revenue	189,653	147,787	41,866	28
Profit/(Loss) Before Interest and Taxation	17,588	(127,343)	144,931	114
Loss Before Taxation	(38,921)	(187,592)	148,671	79
Loss After Taxation	(40,910)	(186,106)	145,196	78
Loss Attributable to Ordinary Equity Holders of the Parent	(40,909)	(186,106)	145,197	78

For the financial year ended 31 December 2018, the Group recorded a revenue of RM189.7 million and a loss before taxation of RM38.9 million as compared to the revenue of RM147.8 million and loss before taxation of RM187.6 million for the previous year ended 31 December 2017.

The increase in revenue is mainly due to higher vessel utilization at 64% for the financial year ended 31 December 2018 as compared to 52% in the corresponding year ended 31 December 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 year ended 31 December 2018 which is mainly attributed to a reversal of impairment loss on PPE of RM6.7 million as well as a net realised / unrealised foreign exchange gain of RM11.5 million as compared to an impairment loss on PPE of RM51.1 million as well as a net realised / unrealised foreign exchange loss of RM52.0 million in the preceding year.

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 31-Dec-18 RM'000	Preceding Quarter Ended 30-Sep-18 RM'000	Variance RM'000	Variance %
Revenue	64,076	61,214	2,862	5
Profit Before Interest and Taxation	22,172	21,831	341	2
Profit Before Taxation	8,303	7,783	520	7
Profit After Taxation	9,115	6,533	2,582	40
Profit Attributable to Ordinary Equity Holders of the Parent	9,115	6,533	2,582	40

The Group recorded a revenue of RM64.1 million and a profit before taxation of RM8.3 million in the current quarter, as compared to a revenue of RM61.2 million and a profit before taxation of RM7.8 million in the preceding quarter.

The slight increase in revenue in the current quarter is mainly due to higher charter rates secured despite lower vessel utilization at 73% as compared to 84% in the third quarter of 2018. In addition, the profit before taxation incurred in the current quarter is mainly attributed to a reversal of impairment loss on PPE of RM19.6 million. The profit after taxation in the current quarter has taken into account current year tax expenses amounting to RM1.4 million and deferred tax income of RM2.2 million (see Note 21).

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

19. Prospects

Our chartering activities continued to sustain robust activity level during the fourth quarter of 2018 as vessel utilisation continued to improve amidst strengthening demand for our vessels, particularly from our major shareholder, Dayang Group.

Vessel utilisation improved to 73% in the fourth quarter, which is a major improvement compared to the low utilisation of 27% in the first quarter of 2018 and a utilisation of 51% for the same quarter a year ago. This has resulted in the highest quarterly revenue since 2015 which will serve as a key milestone for us to attain better profitability and a faster turnaround going forward.

We are cautiously optimistic of our vessel chartering business, thanks to the high number of vessels that have been earmarked for Dayang's offshore maintenance and the maintenance, construction and modifications contracts with various oil majors where activities have been going full steam ahead. In addition, we strive to maximize our vessel utilisation by exploring all available opportunities not just within the country but also abroad.

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 creditors. The Group is now focusing on finalising its proposed debt restructuring scheme which together with a comprehensive corporate exercise to be undertaken, will now be fast-tracked to be completed within the next 12 months.

The Board will remain vigilant and continue to exercise due care and prudence in the running and administration of the company's business.

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

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

	Current Quarter Ended 31-Dec-18 RM'000	Corresponding Quarter Ended 31-Dec-17 RM'000	Current Year-to-date Ended 31-Dec-18 RM'000	Corresponding Year-to-date Ended 31-Dec-17 RM'000
Profit / (Loss) for the quarter / year is arrived at after charging / (crediting):				
Depreciation of property, plant and equipment	20,663	20,756	80,282	88,266
Interest expense	13,869	14,954	56,509	60,249
Impairment loss on intangible assets	-	10,724	-	10,724
Impairment loss on receivables	-	-	297	1,443
(Reversal)/Provision of impairment loss on property, plant and equipment	(19,565)	728	(6,705)	51,110
Gain on disposal of property, plant and equipment	-	(1,627)	-	(1,627)
Interest income	(514)	(945)	(2,526)	(2,989)
(Gain) / Loss on foreign exchange:				
- realised	(15,439)	(1,976)	(17,305)	138
- unrealised	15,433	21,529	5,828	51,903

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 year ended 31 December 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 year-to-date under review are as follows:

	Current Quarter Ended 31-Dec-18 RM'000	Corresponding Quarter Ended 30-Sep-17 RM'000	Current Year-to-date Ended 31-Dec-18 RM'000	Corresponding Period-to-date Ended 30-Sep-17 RM'000
Current tax expense:				
Malaysian - current year	1,395	1,151	3,921	3,645
- prior year	-	1	275	2,846
Foreign - prior year	11	(14)	11	(14)
Deferred taxation:				
- current year	(2,291)	(7,775)	(2,291)	(7,853)
- prior year	73	(110)	73	(110)
	(812)	(6,747)	1,989	(1,486)

Despite the consolidated losses for the financial year to-date, the Group still incurs a current tax charge of RM3.9 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.

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

22. Corporate Proposals (Cont'd)

(i) Proposed Private Placement (Cont'd)

On 13 December 2018, the Company decided not to proceed with the proposed private placement after taking into consideration the ongoing corporate debt restructuring exercise coupled with the prevailing weak market conditions for the past 6 months.

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

On 4 July 2018, the Company announced that the Corporate Debt Restructuring Committee ("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 on 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.

CDRC, which is under the purview of Bank Negara Malaysia, will mediate between Applicant Companies 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.

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)

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 their 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.

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.

On 28 January 2019, a third CDRC meeting is held to provide milestone updates and proposed scheme enhancement to all Lenders.

Further details on the debt restructuring option agreeable to the Lenders will be provided at the appropriate time. Barring any unforeseen circumstances, the CDRC program is expected to complete within 18 months from the date of admission, i.e, 2 July 2018.

Save for the above, there were no other corporate proposals announced but not completed as at 15 February 2019, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

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

23. Borrowings

Total Group's borrowings as at 31 December 2018 were as follows:

	As at Current Period Ended 31-Dec-2018					
	Non-current		Current		Total borrowings	
	USD'000	RM'000	USD'000	RM'000	USD'000	RM'000
Secured						
- Sukuk	-	-	-	438,528	-	438,528
- Term loans	-	-	16,424	68,011	16,424	68,011
- Finance lease liabilities	-	-	30,117	124,713	30,117	124,713
Unsecured						
- Revolving credit	-	-	-	2,000	-	2,000
Total	-	-	46,541	633,252	46,541	633,252

Exchange rate (USD: MYR) at USD1: MYR4.141

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 31 December 2018, the total outstanding borrowings have reduced to RM633.3 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 31 December 2018.

In addition, the Group has not met certain covenants of two term loans and the Sukuk bond with a total carrying amount of RM506.5 million as at 31 December 2018. As a result, the non-current portions of these term loans and Sukuk bond of RM375.2 million have been reclassified to current liabilities as at 31 December 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 up to 15 February 2019, 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 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.

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 27th to 30th 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 to 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 31-Dec-18	Corresponding Quarter Ended 31-Dec-17	Current Period-to-date Ended 31-Dec-18	Corresponding Period-to-date Ended 31-Dec-17
Net profit / (loss) attributable to shareholders (RM'000)	9,115	(43,707)	(40,909)	(186,106)
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)	1.17	(5.61)	(5.26)	(23.91)

b) Diluted

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

By Order of the Board

Bailey Kho Chung Siang
Executive Director

Date: 21 February 2019