E.A. TECHNIQUE (M) BERHAD (256516-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Profit or Loss
For The Third Quarter And Period Ended 30 September 2018

		Quarter Ended			Year-To-Date Ended		
	Note	30.09.2018	30.09.2017	Changes	30.09.2018	30.09.2017	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue	B1	67,554	86,714	(22)	200,503	296,633	(32)
Cost of sales		(52,747)	(124,056)	57	(62,959)	(426,068)	85
Gross profit/(loss)		14,807	(37,342)	140	137,544	(129,435)	206
Administrative expenses		(4,709)	(5,826)	19	(13,958)	(21,280)	34
Other operating (Expenses) / income :							
- Net (Loss) / gain on foreign exchange		(1,753)	4,272	(141)	(4,380)	17,295	(125)
- Other income	B3	3,336	9,464	(65)	3,977	16,406	(76)
Result from Operating activities		11,681	(29,432)	140	123,183	(117,014)	205
Finance income		83	69	20	242	344	(30)
Finance cost		(4,216)	(5,199)	19	(15,232)	(16,261)	6
Profit / (Loss) before tax		7,548	(34,562)	122	108,193	(132,931)	181
Taxation	B6	(247)	4,341	(106)	(530)	4,121	(113)
Profit / (Loss) for the period		7,301	(30,221)	124	107,663	(128,810)	184
Profit / (Loss) attributable to:							
Owner of the Company		7,301	(30,221)	124	107,663	(128,810)	184

		Quarter Ended		Year-To-Date Ended	
	Note	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Earnings/(Loss) Per Share attributable to owners of the Company Basic EPS (sen)	B12	1.45	(6.00)	21.36	(25.56)

The above Unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Financial Position
as at 30 September 2018

	Note	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000 (Audited)
Assets			
Property, plant and equipment	A9	798,787	807,581
Trade and other receivables		1,357	2,106
Non-current assets		800,144	809,687
Trade and other receivables		40,640	64,392
Tax recoverable		1,591	5,837
Cash, bank balances and deposits		19,959	20,676
Current assets		62,190	90,905
Total assets		**862,334**	**900,592**
Equity and liabilities			
Share capital	A6	169,100	169,100
Retained Earnings / (Accumulated losses)		91,216	(16,447)
Total equity		260,316	152,653
Loans and borrowings	B8	244,415	293,922
Deferred tax liabilities		2,168	2,168
Non-current liabilities		246,583	296,090
Trade and other payables		236,068	328,617
Loans and borrowings	B8	118,604	121,290
Tax payable		763	1,942
Current liabilities		355,435	451,849
Total liabilities		602,018	747,939
Total equity and liabilities		**862,334**	**900,592**
		RM	**RM**
Net assets per share attributable to owners of the Company		**0.52**	**0.30**

The above Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Changes in Equity
For The Period Ended 30 September 2018

	← Non-distributable		→	Distributable	
	Number of shares '000	Share capital RM'000	Share premium RM'000	retained earnings/ Non-distributable accumulated losses RM'000	Total RM'000
At 1 January 2018	504,000	169,100	-	(16,447)	152,653
Profit for the financial period, representing total comprehensive income for the financial period	-	-	-	107,663	107,663
At 30 September 2018	504,000	169,100	-	91,216	260,316
At 1 January 2017	504,000	126,000	43,100	104,701	273,801
Adjustments for effects of Companies Act 2016 (Note a)		43,100	(43,100)	-	-
Loss for the financial period, representing total comprehensive income for the financial period	-	-	-	(128,810)	(128,810)
At 30 September 2017	504,000	169,100	-	(24,109)	144,991

Note a With the Companies Act 2016 coming into effect on 31 January 2017, the credit standing in the share premium account of RM43,100,000 has been transferred to the share capital account. Pursuant to subsection 618(3) and 618(4) of the Companies Act 2016, the Group may exercise its right to use the credit amounts being transferred from share premium within 24 months after the commencement of the Companies Act 2016. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as result thereof.

The above Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.

Company No: 256516-W

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Cash Flows
For The Period Ended 30 September 2018

	Note	9 months ended	
		30.09.2018	**30.09.2017**
		RM'000	**RM'000**
Cash flows from operating activities			
Profit/(Loss) before tax		108,193	(132,931)
Adjustments for:			
Depreciation of property, plant and equipment		54,628	46,447
Amortisation of intangible asset		-	4,100
Finance cost		15,232	16,261
Finance income		(242)	(344)
Unrealised foreign exchange gain		(8,520)	(25,882)
Operating cash flows before changes in working capital		169,291	(92,349)
Changes in working capital:			
(Decrease)/Increase in trade and other receivables		(107,505)	183,493
Increase in trade and other payables		39,850	140,556
Cash generated from operations		101,636	231,700
Interest received		242	344
Interest paid		(15,232)	(16,261)
Tax refunded / (paid)		2,536	(5,145)
Net cash from operating activities		**89,182**	**210,638**
Cash flows (used in)/from investing activities			
(Increase)/Decrease in fixed and security deposits		(183)	189,474
Additions to property, plant and equipment		(45,834)	(150,113)
Net cash (used in)/from investing activities		**(46,017)**	**39,361**
Cash flows used in financing activities			
Repayment of conventional term loan		(26,355)	(355,107)
Drawdown from conventional term loan		17,448	102,864
Repayment of Islamic term financing facilities		(33,910)	-
Net repayment of finance lease		(148)	-
Net cash used in financing activities		**(42,965)**	**(252,243)**
Net increase / (decrease) in cash and cash equivalents		**200**	**(2,244)**
Cash and cash equivalents at beginning of financial period	(i)	7,749	10,148
Cash and cash equivalents at end of financial period	**(i)**	**7,949**	**7,904**

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

Unaudited Condensed Consolidated Statement of Cash Flows
For The Period Ended 30 September 2018 (Continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	30.09.2018 RM'000	30.09.2017 RM'000
Cash and bank balances	12,550	13,008
Fixed and security deposits with licensed banks	7,409	8,734
	19,959	**21,742**
Less: Bank overdrafts	(4,601)	(5,104)
	15,358	16,638
Less: Fixed and security deposits pledged	(7,409)	(8,734)
	7,949	**7,904**

The above Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to these interim financial statements.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2017

<u>Standards, amendments to published standards and interpretations that are effective</u>

The Group has applied the following amendments for the financial year beginning on 1 January 2018:

- Amendments to MFRS 12 ‘Disclosure of Interest in Other Entities’.
- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’.
- Amendments to MFRS 112 ‘Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses’.
- MFRS 1 ‘Amendments to MFRS 1’ (Annual improvements to MFRS standards 2014-2016 cycle).
- MFRS 2 ‘Classification and Measurement of Share-based Payment Transactions’ (Amendments to MFRS 2).
- MFRS 9 ‘Financial Instruments’ will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.
- MFRS 15 ‘Revenue from contracts with customers’ and ‘Clarifications to MFRS 15’.
- Amendments to MFRS 128 ‘Investment in Associates and Joint Ventures’.

The adoption of these amendments has required additional disclosures. Other than that, the adoption of these amendments did not have any material impact on the financial statements for the current financial period.

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Based on the analysis of the Group’s and of the Company's financial assets and liabilities as at 1 January 2018 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group’s financial statements as follows:

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A1 BASIS OF PREPARATION (CONTINUED)

MFRS 9 Financial Instruments (continued)

(a) Classification and measurement

The Group's and the Company's financial assets were previously classified as "Loans and Receivables" under MFRS 139. Under MFRS 9, these financial assets are classified as "Amortised Cost" as the Group and the Company assessed these financial assets under the "solely for principal and interest" test and "Business Model" test that indicated that the Group's and the Company's intention is to collect contractual cash flows only. Accordingly, no impact on their statements of financial position or statements on changes in equity on applying the classification and measurement requirements of MFRS 9.

(b) Impairment

MFRS 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all trade receivables. Based on readily available information as at date of this report, there is no significant impact to the Group's and to the Company's financial statements as most of the Group's and the Company's receivables are within 90 days past due category as suggested by MFRS 9's rebuttable presumption of default.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, such as when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A1 BASIS OF PREPARATION (CONTINUED)

MFRS 15 Revenue from Contracts with Customers (continued)

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group adopted the new standard on the required effective date using the modified retrospective method.

The Group is in the business of owning ships and marine vessels and leasing them to third parties; and provision of procurement, construction, installation and commissioning services. The former is scoped out under MFRS 15 as it is accounted for under MFRS 117 *Leases* .

The Group and Company provide engineering, procurement, construction, installation and commissioning services. These services are sold either on their own in contracts with the customers or bundled together up to the delivery of a completed vessel to a customer. Currently, the Group and the Company account for these services as one performance obligation and revenue is recognised under MFRS 111 Construction Contracts.

The Group and the Company, based on relevant facts and circumstances considered the interrelationship of those goods or services under the Engineering, procurement, construction, installation and commissioning ("EPCIC") contract to apply the second criterion (i.e., distinct within the context of the contract) and determine the performance obligations within a contract. To determine whether promised goods or services are separately identifiable (i.e., whether a promise to transfer a good or service is distinct within the context of the contract), the Group and the Company evaluated whether its promise is to transfer each good or service individually or a combined item (or items) that comprises the individual goods or services promised in the contract. The Group and the Company evaluated whether the promised goods or services in the contract are outputs or they are inputs to a combined item (or items).

The evaluation of whether the Group's and the Company's promise is separately identifiable considers the relationship between the various goods or services in the context of the process to fulfil the EPCIC contract. Therefore, the Group and the Company considered the level of integration, interrelation or interdependence among the promises to transfer goods or services. The Group and the Company evaluated whether there is a transformative relationship between the two or more items in the process of fulfilling the EPCIC contract. The Group and the Company concluded that identifying all of the individual goods and services as separate performance obligations would be impractical and would not faithfully represent the nature of the Group's and the Company's promise to the customer. That is, the Group and the Company would recognise revenue when the materials and other inputs to the construction process are provided rather than when they perform (and use those inputs) in the construction of the vessel that the customer has contracted to receive. As such, when determining whether a promised good or service is distinct, the Group and the Company will not only determine whether the good or service is capable of being distinct but also whether the promise to transfer the good or service is distinct within the context of the contract.

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(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A1 BASIS OF PREPARATION (CONTINUED)

MFRS 15 Revenue from Contracts with Customers (continued)

(i) Significant integration service

The first factor (included in MFRS 15.29(a)) is the presence of a significant integrated service. The Group and the Company determined that they provide a significant service of integrating a good or service with other goods or services in the EPCIC contract, the bundle of integrated goods or services represents a combined output or outputs. In other words, as the Group and the Company provide a significant integrated service, the risk of transferring individual goods or services is inseparable from the bundle of integrated goods or services because a substantial part of the Group's and the Company's promise to the customer is to make sure the individual goods or services are incorporated into the combined output or outputs.

The Group and the Company provide an integrated (or contract management) service to manage and coordinate the various construction tasks and to assume the risks associated with the integration of those tasks. An integrated service provided by the Group and the Company often includes coordinating the activities performed by any subcontractors and making sure the quality of the work performed is in compliance with contract specifications and that the individual goods or services are appropriately integrated into the combined item that the customer has contracted to receive.

(ii) Significant modification or customisation

The second factor in MFRS 15.29(b) is the presence of significant modification or customisation. MFRS 15 provides that the notion of inseparable risks is more clearly illustrated by assessing whether one good or service significantly modifies or customises another. This is because if a good or service modifies or customises another good or service in a contract, each good or service is being assembled together (as an input) to produce a combined output.

(iii) Highly interdependent or highly interrelated

The third factor in MFRS 15.29(c) is whether the promised goods or services are highly interdependent or highly interrelated. Promised goods or services are highly interdependent or highly interrelated if each of the promised goods or services is significantly affected by one or more of the other goods or services in the contract. The Group and the Company determined that there is a two-way dependency or transformative relationship between the promised goods or services under the EPCIC contract to determine whether the promises are highly interdependent or highly interrelated.

The Group and the Company, based on the relevant facts and circumstances, concluded that the services under the EPCIC contract form part as one performance obligation.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A1 BASIS OF PREPARATION (CONTINUED)

MFRS 15 Revenue from Contracts with Customers (continued)

(iv) Performance obligation satisfied over time

The Group and the Company determined that control of the goods and services under the EPCIC contract is transferred over time as performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced. Consequently, under MFRS 15, the Group and the Company would continue to recognise revenue from EPCIC over time.

<u>Standards that have been issued but not yet effective</u>

The Group has yet to adopt these new standard.

- MFRS 16 'Leases' (effective from 1 January 2019).

The effects of the above new standards and amendments to standards are currently being assessed by the Directors.

A2 AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the annual financial statements for the financial year ended 31 December 2017 was unqualified.

A3 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations have not been significantly affected by any seasonal or cyclical trend.

A4 UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There were no material unusual items affecting assets, liabilities, equity, net income or cash flow during the current quarter under review.

A5 CHANGE IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates or errors that have a material effect in the current quarter under review.

A6 DEBT AND EQUITY SECURITIES

There were no cancellation, resale and prepayment of debt and equity securities during the current quarter other than on loans repayments in accordance with the Group's loans repayment schedules.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A7 DIVIDENDS

There was no dividend paid during the quarter.

A8 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal management reporting as follows:

(i) Marine transport and FSO

Our product tankers are used to transport refined petroleum products from oil refineries to end-users.

FSU/FSOs are typically used as storage facility at offshore Oil & Gas.

Fast crew boats are primarily used to transport personnel between shore and platform, platform and platform or other offshore facilities.

(ii) Port Marine Services

The port marine services that we provide at the ports include towage services comprising towing, pushing or manoeuvring vessels.

(iii) Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC")

Marine Engineering services consist of provision of marine engineering solutions and EPCIC activities.

(iv) Others

Other operating segments involve activities of mooring services activities and shipbuilding & ship repair.

E.A. TECHNIQUE (M) BERHAD (256516-W)
(Incorporated in Malaysia)

PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A8 SEGMENT REPORTING (CONTINUED)

The Group assesses the performance of the operating segments based on revenue and earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA).

Revenue

	Quarter Ended		Year-To-Date	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Marine transport and FSO	42,498	43,893	131,900	104,239
Port marine services	24,756	11,980	67,582	50,577
EPCIC	-	30,411	-	140,626
Others	300	430	1,021	1,191
	67,554	86,714	200,503	296,633

EBITDA

	Quarter Ended		Year-To-Date	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Marine transport and FSO	23,059	32,264	64,659	58,219
Port marine services	6,286	1,899	25,455	32,067
EPCIC	-	(46,656)	87,516	(157,101)
Others	30	218	181	348
	29,375	(12,275)	177,811	(66,467)

A9 VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter.

A10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of current financial quarter and financial period-to-date that have not been reflected in this interim financial report.

A11 CHANGES IN THE COMPOSITION OF THE GROUP

There are no material changes in the composition of the Group during the current quarter.

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PART A : NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

A12 CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

Since the last Statement of Financial Position date, there were no material changes in contingent liabilities and contingent assets.

A13 CAPITAL COMMITMENTS

Capital expenditures not provided for in the interim financial report as at 30 September 2018 are as follows:

	RM'000
Approved but not contracted	7,539
Analysed as follows:	
Shipyard under construction	7,539

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PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

B1 OPERATING REVENUE

REVIEW OF THE PERFORMANCE OF THE GROUP

Review of performance for the cumulative quarter 9 months ended 30 September 2018.

	Year-To-Date Ended		
	30.09.2018 RM'000	**30.09.2017 RM'000**	**Changes %**
Revenue			
- Operation	200,503	156,008	29
- EPCIC	-	140,625	(100)
	200,503	296,633	(32)
Cost of sales			
- Operation	(150,475)	(124,531)	(21)
- EPCIC	87,516	(301,537)	129
	(62,959)	(426,068)	85
Gross profit/(loss)	137,544	(129,435)	206
Profit/(loss) before tax	108,193	(132,931)	181
Profit/(loss) for the financial period	107,663	(128,810)	184

The Group recorded a revenue of RM200.50 million for the nine months period ended 30 September 2018 as compared to RM296.63 million in the previous corresponding period, a decrease of 32%. The decrease was due to no revenue contributed from EPCIC business. Notwithstanding, there was an increased in revenue from Marine transport services due to new charter hire fee derived from FSU Nautica Muar and Nautica Gambir.

The Group posted a profit before tax of RM108.19 million for the nine months period, as compared to loss before tax of RM132.93 million in the previous corresponding period. The profit was mainly due to reversal of EPCIC project cost as there were some deletion scope of works and setlement of claims from customer.

The Group had also recorded net loss on foreign exchange of RM4.38 million for the nine months period ended 30 September 2018 as compared to net gain of RM17.29 million in the previous corresponding period.

E.A. TECHNIQUE (M) BERHAD (256516-W)
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PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B1 OPERATING REVENUE (CONTINUED)

REVIEW OF THE PERFORMANCE OF THE GROUP

Review of performance for the current quarter 3 months ended 30 September 2018

	Quarter Ended		
	30.09.2018 RM'000	30.09.2017 RM'000	Changes %
Revenue			
- Operation	67,554	56,303	20
- EPCIC	-	30,411	(100)
	67,554	86,714	(22)
Cost of sales			
- Operation	(52,747)	(48,166)	(10)
- EPCIC	-	(75,890)	100
	(52,747)	(124,056)	57
Gross profit/(loss)	14,807	(37,342)	140
Profit / (Loss) before tax	7,548	(34,562)	122
Profit / (Loss) for the financial period	7,301	(30,221)	124

The Group recorded a revenue of RM67.55 million for the three months period ended 30 September 2018 as compared to RM86.71 million in the previous corresponding quarter, a decrease of 22%. The reduction was due to no revenue contributed from EPCIC, notwithstanding that there were increased in revenue from Marine transport services due to new charter hire fee derived from FSU Nautica Muar and Nautica Gambir.

The Group posted a profit before tax of RM7.55 million for the three months period, as compared to loss before tax of RM34.56 million in the previous corresponding quarter mainly due to new charter hire fee derived from FSU Nautica Muar.

The Group had also recorded net loss on foreign exchange of RM1.75 million for the quarter ended 30 September 2018 as compared to net gain of RM4.27 million for the previous corresponding quarter.

E.A. TECHNIQUE (M) BERHAD (256516-W)
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PART B : ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE THIRD QUARTER AND FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONTINUED)

B2. MATERIAL CHANGES IN THE QUARTERLY RESULTS

Review of performance for the current quarter compared to immediate preceding quarter

	Quarter Ended		
	30.09.2018	**30.06.2018**	**Changes**
	RM'000	**RM'000**	%
Revenue			
- Operation	67,554	69,128	(2)
- EPCIC	-	-	(100)
	67,554	69,128	(2)
Cost of sales			
- Operation	(52,747)	(51,292)	(3)
- EPCIC	-	87,516	100
	(52,747)	36,224	(246)
Gross profit	14,807	105,352	(86)
Profit before tax	7,548	83,202	(91)
Profit for the financial period	7,301	83,155	(91)

Revenue of RM67.55 million in the current quarter was 2% lower than revenue achieved in the immediate preceding quarter of RM69.13 million. The slight decrease was due to no modification fee on Nautica Muar.

The Group recorded a profit before tax of RM7.55 million for the current quarter as compared with RM83.20 million in the immediate preceding quarter. This was resulted from a reversal of EPCIC project cost due to deletion of certain scope of works amounting to RM87.52 million in the second quarter.

B3. OTHER INCOME

	Quarter Ended			Year-To-Date Ended		
	30.09.2018	**30.09.2017**	**Changes**	**30.09.2018**	**30.09.2017**	**Changes**
	RM'000	**RM'000**	%	**RM'000**	**RM'000**	%
Insurance claim	3,224	6,714	(52)	3,224	12,760	(75)
Others income	112	2,750	(96)	753	3,646	(79)
Total other income	3,336	9,464	(65)	3,977	16,406	(76)

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B4. COMMENTARY OF PROSPECTS

The Group has recently been awarded contracts for the provision of Fast Crew Boats for Petroleum Arrangement Contractors Production Operations. The Contract duration will be for a primary period of three (3) years with two (2) extension options of one (1) year each upon expiry thereof. The Contract is expected to contribute positively to the earnings and net tangible assets of the Group for the financial year ending 31 December 2018 and beyond.

As at 30 September 2018, the Group's orderbook was approximately RM579.96 million with additional RM282.29 million for extension period.

The Group remain optimistic on its operating performance from the respective business segment Marine Transport and FSO in view of the higher utilisation of FSU Nautica Muar, Nautica Renggam, Nautica Pagoh, Nautica Gambir and Nautica Langsat in 2018.

B5. PROFIT FORECAST / GUARANTEE

The Group is not subject to any variance of actual profit from forecast profit/profit guarantee for the current financial period under review.

B6. TAXATION

	Quarter Ended			Year-To-Date Ended		
	30.09.2018	30.09.2017	Changes	30.09.2018	30.09.2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Income Tax						
Current taxation	(247)	4,341	(106)	(530)	4,121	(113)
Total taxation	(247)	4,341	(106)	(530)	4,121	(113)

The Company has unused tax losses and unabsorbed capital allowances that are available for offsetting against future taxable profits, subject to approval from the tax authority.

B7. STATUS OF CORPORATE PROPOSALS

There was no corporate proposals that have material effect in the current quarter under review.

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B8. LOANS AND BORROWINGS

Details of the Group's borrowings are as follows:

	As at 30.09.2018					
	Long Term		Short Term		Total Borrowings	
	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000
Secured						
Islamic financing						
Term Loans	81,975	30,688	52,684	25,539	134,659	56,227
Revolving Credits	-	-	6,417	-	6,417	-
Bank Overdraft	-	-	-	4,601	-	4,601
Conventional financing						
Term Loans	-	116,658	-	35,725	-	152,383
Revolving Credits	-	-	-	8,474	-	8,474
Finance lease liabilities	-	203	-	55	-	258
	81,975	147,549	59,101	74,394	141,076	221,943

Note :
Foreign denomination refers to borrowing in USD currency with a foreign exchange of USD/RM:4.1368.

	As at 31.12.2017					
	Long Term		Short Term		Total Borrowings	
	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000	Foreign RM'000	Ringgit RM'000
Secured						
Islamic financing						
Term Loans	115,560	35,079	48,580	14,714	164,140	49,793
Revolving Credits	-	-	7,960	-	7,960	-
Bank Overdraft	-	-	-	5,701	-	5,701
Conventional financing						
Term Loans	-	143,074	-	35,738	-	178,812
Revolving Credits	-	-	-	8,400	-	8,400
Finance lease liabilities	-	209	-	197	-	406
	115,560	178,362	56,540	64,750	172,100	243,112

Note :
Foreign denomination refers to borrowing in USD currency with a foreign exchange of USD/RM4.0573.

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B9. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The Group does not have any derivative financial instruments for the period ended 30 September 2018.

B10. MATERIAL LITIGATIONS

i) NOTICE OF ARBITRATION WITH MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD & CLAIM UNDER CONSTRUCTION INDUSTRY PAYMENT AND ADJUDICATION ACT 2012 BY MALAYSIA MARINE AND HEAVY ENGINEERING SDN BHD

The Group via its solicitor has filed a Notice of Arbitration dated 27 September 2018 with the Director of Asian International Arbitration Centre (“AIAC”) against Malaysia Marine and Heavy Engineering Sdn Bhd. (“MMHE”).

The Company commenced arbitration against MMHE in relation to a dispute arising out of a contract in relation to the provision of demolition, refurbishment and conversion of a donor vessel into a floating storage and offloading facility dated 09.06.2015 (the “Conversion Contract”) entered into between the Company and MMHE.

Prior to the Conversion Contract, the Company entered into an engineering, procurement, construction installation and commissioning contract (the “EPCIC Contract”) with HESS Exploration & Production Malaysia B.V. (“HESS”) on 13 February 2015 for the engineering, procurement, construction, installation and commissioning of a floating storage and offloading facility (the “FSO Facility”) to be deployed in the full field project in the North Malay Basin, located approximately 150 km North East off the shore of Kota Bharu in the state of Kelantan.

Pursuant to the Conversion Contract, MMHE as the Contractor agrees to undertake the demolition, refurbishment and conversion of the Vessel into the FSO Facility, which forms a portion of the scope of works under the EPCIC Contract. Disputes arose relating to change orders (variations) under the ConversionContract.

On 22 June 2018, the Company and MMHE executed a letter of undertaking (“LOU”) to settle the disputes amicably but failed to reach settlement. Based on Clause 10 of the LOU, in the event that both parties are unable to reach a full and final settlement on the amount of AWO, both parties agreed to resolve the dispute by way of Arbitration under Clause 37 of the Main Contract.

The Company’s claims against MMHE include:

(a) The recovery of overpayment of US$ 8,733,753.97 in respect of contract price for the Conversion Contract;
(b) The claim for an amount of US$ 4,009,643.75 being the back-charges under the Conversion Contract; and
(c) The recovery of US$ 9,000,000 paid to MMHE pursuant to the LOU due to unsubstantiated change orders.

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B10. MATERIAL LITIGATIONS (CONTINUED)

Further to and in connection with the LOU and the Arbitration proceeding, the Company had on 8 October 2018 received a Payment Claim pursuant to Section 5 of the Construction Industry Payment and Adjudication Act 2012 dated 5 October 2018 from Malaysia Marine Heavy Engineering Sdn Bhd ("MMHE") MMHE via its solicitor, Messrs Mohanadass Partnership for a total amount of US$ 30,221,301.42 ("CIPAA Payment Claim").

The CIPAA Payment Claim is in relation to the disputes over the alleged non-payment of works done by MMHE and invoices purportedly issued by MMHE in relation to the AWOs under the Conversion Contract.

The payments of the AWOs appear to be the common subject matter and issue under the CIPAA Payment Claim, LOU and the Arbitration.

The arbitration proceedings and CIPAA Payment Claim are not expected to have any potential business or operational impact on the Company. At this juncture, the Company is unable to determine reliably the financial impact of the arbitration proceedings and CIPAA Payment Claim as this is subject to any counterclaim that may be raised by MMHE and the Company is seeking advice and consultation from its solicitor to contest the matter.

ii) WRIT OF SUMMONS AND STATEMENT OF CLAIMS AGAINST AMANIAGA RESOURCES SDN BHD

The Company via its solicitor has filed and served a Writ of Summons together with the Statement of Claim, both dated 20 March 2018 against Amaniaga Resources Sdn Bhd ("ARSB"), for a claim arising out of a CIPAA Adjudication Award dated 5 March 2018.

The filing of the Writ of Summons together with the Statement of Claim arises from the Company's claim for damage and losses suffered due to ARSB's breach of the Contract for the 'Provision of Transportation and Offshore Installation Service of FSO Vessel with its Mooring and Riser System for Full Field Development Project, North Malay Basis' which was entered on 29 January 2016.

The Company is claiming the following :

i. The sum of USD 7,062,580.35 or such other sum as the Court deems fit;
ii. Alternatively, damages for breach of obligation under the Agreement to be assessed;
iii. Interest on all sums found to be due to the Group at such rate and for such periods of time as the Court deems fit;
iv. Costs; and
v. Such further or other relief as the Court deems fit, fair and just.

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B10. MATERIAL LITIGATIONS (CONTINUED)

To clarify on the above, all the proceedings arises from the same contract and transaction. While the Adjudication Award dated 5 March 2018, directed the Group to pay to ARSB the sum of RM8,997,206.67, the Group has a larger Counterclaim which is for the sum of USD 7,062,580.35 or alternatively damages, as mentioned above.

The Group has filed the necessary summons in the Kuala Lumpur High Court to challenge the validity of the Adjudication Award dated 5 March 2018.

However, the Group’s Originating Summons to Set Aside the CIPAA Adjudication Award dated 5 March 2018 and the Application to Stay the Enforcement of the CIPAA Adjudication Award had been heard in the Kuala Lumpur Construction Court on 20 April 2018 and was dismissed accordingly. Additionally, parties have agreed for the Writ of Summons to be stayed pending final determination by an arbitral tribunal. The Court had directed the Group to issue a Notice of Commencement of Arbitration within 30 days. Following the same, ARSB’s Originating Summons of Enforcement of CIPAA Adjudication Award dated 5 March 2018 was allowed. The Adjudication Award has been fully paid to ARSB accordingly.

B11. DIVIDEND PAYABLE

There was no dividend payment proposed during the quarter.

B12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings/(loss) per share

Basic earnings/(loss) per share of the Group is calculated by dividing the Group's net profit/(loss) attributable to ordinary equity holders by the average number of ordinary shares in issue during the financial period.

	Year-To-Date	
	30.09.2018	**30.09.2017**
Profit/(Loss) for the financial period attributable to equity holders of the Company (RM’000)	107,663	(128,810)
Weighted average number of ordinary shares in issue (‘000)	504,000	504,000
Basic earnings/(loss) per share (sen)	21.36	(25.56)

By Order of the Board
E.A. TECHNIQUE (M) BERHAD

NURALIZA BINTI A. RAHMAN, MAICSA 7067934
SABARUDIN BIN HARUN, MIA 30423
(Secretaries)