**ICON OFFSHORE BERHAD**

# (984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT**

**FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

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| The Board of Directors of Icon Offshore Berhad (“ICON” or “the Group”) is pleased to announce the following unaudited condensed consolidated financial statements for the third quarter and period ended 30 September 2014 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

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| **UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** |

 |
|  |  |  |  |  |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  | **CURRENT** |  | **CORRESPONDING** |  | **CURRENT** |  | **CORRESPONDING** |
|  |  | **QUARTER** |  | **QUARTER** |  | **YEAR**  |  | **YEAR** |
|  |  | **ENDED** |  | **ENDED** |  | **TODATE** |  | **TODATE** |
|   | **Note** | **30.9.2014** |  | **30.9.2013** |  | **30.9.2014** |  | **30.9.2013** |
|  |  | **RM** |  | **RM** |  | **RM** |  | **RM** |
|  |  |  |  |  |  |  |  |  |
| Revenue | **12.a.(i)** | 79,749,081 |  | 97,836,333 |  | 241,787,034 |  | 248,332,252 |
| Cost of sales |  |   (41,639,042) |  | (45,241,739) |  |  (112,476,213) |  | (122,953,559) |
| Gross profit | **12.a.(ii)** | 38,110,039 |  | 52,594,594 |  | 129,310,821 |  | 125,378,693 |  |
| Other income |  | 5,689,948 |  | 891,375 |  | 6,357,519 |  | 3,994,748 |
| Administrative expenses | **12.a.(iii)** |  (8,703,217) |  | (7,849,582) |  | (40,153,774) |  | (19,621,050) |
| Other expenses | **12.a.(iv)** |  (2,412,333) |  | (7,664,400) |  | (7,237,000) |  | (24,825,400) |  |
| Profit from operations |  | 32,684,437 |  | 37,971,987 |  | 88,277,566 |  | 84,926,991 |
| Finance costs |  |  (13,643,898) |  | (15,870,197) |  | (41,102,645) |  | (41,520,237) |
| Share of profit/ (loss) from Joint Venture |  | 14,227 |  | - |  | (9,624) |  | - |
| Profit before taxation |  | 19,054,766 |  | 22,101,790 |  | 47,165,297 |  | 43,406,754 |  |
| Taxation | **12.a.(v)** |  (108,783) |  | 43,450 |  | (739,919)  |  | (16,156,319) |
| Profit/ Total comprehensive income for the quarter/ period | **12.a.(vi)** | 18,945,983 |  | 22,145,240 |  | 46,425,378 |  | 27,250,435 |
|  |  |  |  |  |  |  |  |  |
| Attributable to : |  |  |  |  |  |  |  |  |
| Equity holders of the Company |  | 18,945,983 |  | 22,145,240 |  | 46,245,378 |  | 27,250,435 |
|  |  |  |  |  |  |  |  |  |
| Earnings per share (RM) |  |  |  |  |  |  |  |  |
|   |  |  |  |  |  |  |  |  |
| Basic | **22.1** | 0.03 |  | 0.09 |  | 0.11 |  | 0.11 |
|   |  |  |  |  |  |  |  |  |
| Diluted | **22.2** | n/a(1) |  | 0.05 |  | n/a(1) |  | 0.07 |

1. n/a denotes “not applicable” as there were no dilutive ordinary shares.

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| **CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** |

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| --- | --- | --- | --- | --- | --- |
|  |  |  |  **Unaudited**  |  |  **Audited**  |
|  |  |  |  **As at 30.9.2014**  |  |  **As at 31.12.2013**  |
|  |  |  | **RM** |  | **RM** |
| **Non-current assets** |  |  |  |  |
| Property, plant and equipment |  1,324,236,553  |  |  1,203,594,345  |
| Investment in joint venture  |  |  1,945,602  |  | - |
| Intangible assets |  |  188,297,015  |  |  195,534,015  |
| Deferred tax assets |  |  42,848,809  |  |  41,304,539  |
|  |  |  |  1,557,327,979 |  |  1,440,432,899  |
| **Current assets** |  |  |  |  |
| Trade and other receivables |  94,440,551  |  |  86,573,415  |
| Inventories |  3,997,039  |  |  1,376,028  |
| Tax recoverable |  |  -  |  |  32,156  |
| Cash and bank balances |  110,196,791  |  |  47,302,793  |
|  |  |  |  208,634,381 |  |  135,284,392  |
| **Less: Current liabilities** |  |  |  |
| Trade and other payables |  18,827,846  |  |  33,855,806  |
| Amount due to immediate holding company |  -  |  |  52,650,100  |
| Borrowings |  |  122,271,843  |  |  402,642,169  |
| Taxation |  |  |  322,838  |  |  2,750,326  |
|  |  |  |  141,422,527  |  |  491,898,401  |
| **Net current assets/(liabilities)** |  |  67,211,854  |  |  (356,614,009) |
|  |  |  |  |  |  |
| **Less: Non current liabilities** |  |  |  |
| Trade and other payables |  -  |  |  1,582,775  |
| BorrowingsDeferred tax liabilities |  |  554,242,941  2,424,957 |  |  700,609,805  2,262,333 |
|  |  |  |  556,667,898  |  |  704,454,913  |
|  |  |  |  1,067,871,935 |  |  379,363,977  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Equity attributable to equity holders of the Company** |  |  |  |
| Share capital |  |  588,592,550  |  |  257,720,050  |
| Share premium |  |  311,210,080  |  |  -  |
| Retained earnings |  |  168,069,305  |  |  121,643,927  |
| Total equity |  |  1,067,871,935  |  |  379,363,977  |

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| **UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY** |

 **Attributable to equity holders of the Company**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Issued and fully paid** |  |  |  |  |  |  |
|  |  | **ordinary shares of RM0.50 each** |  |  |  |   |  |  |
|  |  | **Number of shares** |  | **Share Capital** |  | **Share Premium** |  | **Retained earnings** |  | **Total equity** |
|  |  |  |  | **RM** | **RM** |  | **RM** |  | **RM** |
| At 1 January 2014 |  |  257,720,050  |  |  257,720,050  |  | - |  |  121,643,927  |  |  379,363,977  |
| Ordinary Shares split to RM0.50 each |  257,720,050  |  | - |  | - |  | - |  | - |
| Ordinary shares issued pursuant to Public Issue |  |  221,745,000  |  |  110,872,500  |  |  -  |  |  -  |  |  110,872,500  |
| Share Premium on ordinary shares pursuant to Public Issue |  |  -  |  |  -  |  |  299,355,750  |  |  -  |  |  299,355,750  |
| Listing expenses capitalised |  |  -  |  |  -  |  |  (8,115,445) |  |  -  |  |  (8,115,445) |
| Redeemable Cumulative Shares-Islamic (“RCPS-i”) conversion to Ordinary Shares |  |  440,000,000  |  |  220,000,000  |  |  19,969,775  |  |  -  |  |  239,969,775  |
| Total comprehensive income for the financial period |  |  -  |  |  -  |  |  -  |  |  46,425,378 |  |  46,425,378 |
| As at 30 September 2014 |  |  1,177,185,100  |  |  588,592,550  |  311,210,080  |  |  168,069,305  |  |  1,067,871,935  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  | **Issued and fully paid****ordinary shares of RM1.00 each** |  |  |  |  |  |  |
|  |  | **Number of shares** |  | **Share Capital** |  | **Share Premium** |  | **Retained earnings** |  | **Total equity** |
|  |  |  |  | **RM** | **RM** |  | **RM** |  | **RM** |
| As at 1 January 2013 |  |  257,720,050  |  |  257,720,050  |  -  |  |  8,042,863  |  |  265,762,913  |
| Total comprehensive income for the financial year  |  |  -  |  |  -  |  |  -  |  |  113,601,064  |  |  113,601,064  |
| As at 31 December 2013 |  |  257,720,050  |  |  257,720,050  |  -  |  |  121,643,927  |  |  379,363,977  |

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| **UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **PERIOD** |  | **PERIOD** |
|  |  | **ENDED** |  | **ENDED** |
|  |  | **30.9.2014** |  | **30.9.2013** |
|  |  | **RM** |  | **RM** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |  |  |
|  |  |  |  |  |
| Profit before taxation |  | 47,165,297 |  | 43,406,754 |
|  |  |  |  |  |
| Adjustments for: |  |  |  |  |
|  Amortisation of intangible assets |  | 7,237,000 |  | 14,541,400 |
|  Depreciation of property, plant and equipment |  | 41,501,456 |  | 37,531,237 |
|  Gain on disposal of property, plant and equipment |  | (4,622,511) |  | (889,680) |
|  Impairment of property, plant and equipment |  | - |  | 10,284,400 |
|  Interest expense |  | 36,663,469 |  | 41,520,237 |
|  Interest income |  | (542,979) |  | (196,604) |
|  Unrealised (gain)/loss on foreign exchange |  | 108,120 |  | 951,480 |
| Operating profit before working capital changes |  | 127,509,852 |  | 147,244,171 |
|  |  |  |  |  |
| Changes in working capital: |  |  |  |  |
| Inventories |  | (2,621,011) |  | (4,627,807) |
| Receivables |  | (7,324,157) |  | 21,326,409 |
| Payables |  | (15,734,161) |  |  (20,844,238) |
| Cash generated from operations |  | 101,830,523 | [[ | 143,098,535 |
| Tax (paid)/recovered |  | (2,850,207) |  | 200,877 |
| **Net cash generated from operating activities** |  | 98,980,316 |  | 143,299,412 |
|  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |
|  |  |  |  |  |
| Purchase of property, plant and equipment |  | (179,224,475) |  | (208,692,163) |
| Proceeds from disposal of |  |  |  |  |
|  property, plant and equipment |  | 12,458,300 |  | 39,290,000 |
| **Net cash used in investing activities** |  | (166,766,175) |  | (169,402,163) |
|  |  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |
|  |  |  |  |  |
| Proceed from issuance of ordinary shares (net of certain IPO expenses) |  | 401,236,231 |  | - |
| Drawdown of borrowings (net of transaction cost) |  | 52,600,700 |  | 109,852,926 |
| Advance from immediate holding company |  | - |  | 11,794,864 |
| Investment in joint venture |  | (1,945,602) |  | - |
| Repayment of amount due to immediate company |  | (51,880,000) |  | - |
| Interest received |  | 542,979 |  | 101,657 |
| Repayment of finance lease liabilities |  | (21,018) |  | (25,518) |
| Repayment of borrowings |  | (232,311,744) |  | (38,238,332) |
| Interest paid |  | (37,433,569)  |  | (41,520,237) |
| Decrease/(increase) in fixed deposits pledged |  | - |  | (115,371) |
| **Net cash generated from financing activities** |  |  130,787,977 |  | 41,849,990 |
| Exchange loss/(gain) on cash and bank balances |  | (108,120) |  | (951,480) |
| **NET INCREASE**  **IN CASH AND CASH EQUIVALENTS** |  | 62,893,998 |  |  16,698,719 |
|  |  |  |  |  |
| **CASH AND CASH EQUIVALENTS AT THE** |  |  |  |  |
|  **BEGINNING OF THE PERIOD** |  | 47,302,793 |  | 46,498,591 |
|  |  |  |  |  |  |
| **CASH AND CASH EQUIVALENTS AT THE** |  |  |  |  |  |
|  **END OF THE PERIOD** |  | 110,196,791 |  | 63,197,310 | ,396 |
|  |  |  |  |  |

The RCPS-i that were mandatorily converted into ordinary shares on 23 May 2014 is a non-cash transaction.

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| **PART A – EXPLANATORY NOTES PURSUANT TO****MALAYSIAN FINANCIAL REPORTING STANDARD 134** |

1. **BASIS OF PREPARATION**

The unaudited quarterly report has been prepared in accordance with the requirements of MFRS 134, “Interim Financial Reporting”, paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirement (“Bursa Securities Listing Requirements”) and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2013 except for the adoption of the following standard during the period.

* MFRS 128 “Investment in Associates and Joint Ventures”
* MFRS 11 “Joint Arrangements”

The Group has applied MFRS 11 to all joint arrangements as of 1 January 2014. Under MFRS 11 investments in joint arrangements are classified either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

* Amendments to MRFS 10, MFRS 12 and MFRS 127: Investment Entities
* Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
* Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

MFRS and Amendments to MFRS that are applicable to the Group which the effective date have yet to be determined by Malaysian Accounting Standards Board:

* MFRS 9 “Financial Instruments”

The adoption of MFRS 9 may result in a change in accounting policy. The Group will quantify the effect of adopting this standard when the full standard is issued.

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| **PART A – EXPLANATORY NOTES PURSUANT TO****MALAYSIAN FINANCIAL REPORTING STANDARD 134** |

1. **SEASONAL/CYCLICAL FACTORS**

The principal activities of the Group are vessel owning/leasing and provision of vessel chartering and ship management services to oil and gas related industries.

The Group services are generally dependent on the level of activity of oil and gas companies, which may be affected by volatile oil and natural gas prices as well as the cyclicality in the offshore drilling and oilfield services industries.

1. **UNUSUAL ITEMS**
	1. **Part C - Adjustments to Selected Financial Information**

The Group presents selected adjusted financial information or components of the Group unaudited condensed consolidated statements of comprehensive income for the quarter ended 30 September 2014 to take into account certain exceptional items.

Save for matter highlighted above there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter ended 30 September 2014.

1. **MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the quarter ended 30 September 2014.

1. **DEBT AND EQUITY SECURITIES**

There were no issuance, repurchase and repayment of debt and equity securities by the Group during the quarter ended 30 September 2014.

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| **PART A – EXPLANATORY NOTES PURSUANT TO****MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)** |

1. **DIVIDEND PAID**

There was no dividend paid by the Group during the quarter ended 30 September 2014.

1. **SEGMENT RESULTS AND REPORTING**

**7.1 Reportable Segment**

No segmental analysis is prepared as the Group is organised as a single integrated business operations comprising the vessel owning/leasing activities and provision of vessel chartering and ship management services to oil and gas and related industries. These integrated activities are known as the offshore support vessel (“OSV”) operations. The Group as a whole is regarded as an operating segment. In making decisions about resource allocation and performance assessment, key management regularly reviews the financial results of the Group as a whole. Hence, the information that is regularly provided to the key management is consistent with that presented in the financial statements.

**7.2 Geographical Information**

The Group’s operations are carried out predominantly in Malaysia. Revenue earned by the Group analysed by the location of its external customers is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  |  |  | **CURRENT QUARTER****ENDED** |  | **CORRESPONDING QUARTER** **ENDED** |  | **CURRENT** **YEAR** **TODATE** |  | **CORRESPONDING YEAR** **TODATE** |
|  |  |  |  | **30.9.2014** |  | **30.9.2013** |  | **30.9.2014** |  | **30.9.2013** |
|  |  | **%** |  |  | **RM** |  | **%** | **RM** |  | **%** | **RM** |  | **%** | **RM** |
| **Revenue** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Malaysia |  | 84% |  |  |  67,250,183  |  | 93% |  90,601,663  |  | 90% |  218,174,594  |  | 91% |  227,209,593  |
| Others |  | 16% |  |  12,498,898  |  | 7% |  7,234,670  |  | 10% |  23,612,440  |  | 9% |  21,122,659 |
| Total |  | 100% |  79,749,081  |  | 100% |  97,836,333  |  | 100% |  241,787,034  |  | 100% |  248,332,252  |

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| **PART A – EXPLANATORY NOTES PURSUANT TO****MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)** |

1. **SEGMENT RESULTS AND REPORTING (continued)**

**7.3 Services**

The Group’s revenue mainly comprise charter hire income from vessels where it is recognised upon rendering of services to customers over the term of the charter hire contract, which applies to both charter hire income from our own vessels and from vessels that the Group charter as forerunner.

Breakdown of revenue is as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
|  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  |
|  | **CURRENT QUARTER ENDED** |  | **CORRESPONDING QUARTER** **ENDED** |  | **CURRENT YEAR TODATE** |  | **CORRESPONDING YEAR****TODATE** |
|  | **30.9.2014** |  | **30.9.2013** |  | **30.9.2014** |  | **30.9.2013** |
|  | **RM** |  | **RM** |  | **RM** |  | **RM** |
| Analysis of revenue by category:- Charter hire own vessel - Charter hire of forerunner vessels | 75,341,579543,924 |  | 76,069,01518,343,572 |  | 220,467,9536,579,924 |  | 196,379,38940,248,884 |
|  | 75,885,503 |  | 94,412,587 | 227,047,877 | 236,628,273 |
| - Others (1) | 3,863,578 |  | 3,423,746 | 14,739,157 | 11,703,979 |
|  | 79,749,081 |  | 97,836,333 | 241,787,034 | 248,332,252 |

Note

1. *Others comprise income from the hire of third party vessels which are recognised net of charter-in cost, i.e. third party arrangement, ship management fees, revenue from costs chargeable to clients during the charter hire and income from technical services.*
2. **CHANGES IN THE COMPOSITION OF THE GROUP**

No changes in the composition of the Group during the current quarter ended 30 September 2014.

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| **PART A – EXPLANATORY NOTES PURSUANT TO****MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)** |

1. **CAPITAL COMMITMENTS**

The Group’s capital commitments not provided for in the interim financial statements as at the end of the quarter are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **AS AT** |  | **AS AT** |
|  | **30.9.2014** |  | **31.12.2013** |
|  | **RM** |  | **RM** |
| Approved and contracted capital expenditure commitments | 350,758,000 |  | 237,772,423 |
| Approved but uncontracted capital expenditure commitments | - |  | - |
| Total | 350,758,000 |  | 237,772,423 |

1. **SIGNIFICANT RELATED PARTY DISCLOSURES**

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties of, and their relationships with the Company, are as follows:

Related parties Relationship

Yayasan Ekuiti Nasional Ultimate holding foundation

E-Cap (Internal) One Sdn. Bhd. Intermediate holding company

Hallmark Odyssey Sdn. Bhd. Immediate holding company

Icon Ship Management Sdn. Bhd. (“ICON Ship”) Subsidiary

Icon Fleet Sdn. Bhd. (“ICON Fleet”) Subsidiary

Icon Offshore Group Sdn. Bhd. Subsidiary

**10.1 Significant related party balances**

Included in the Group’s statements of financial position are the following significant related party balances arising from normal business transactions:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **AS AT** |  | **AS AT** |
|  |  | **30.9.2014** |  | **31.12.2013** |
|  |  | **RM** |  | **RM** |
| Amount due to immediate holding company |  | - |  | 52,650,100 |

**10.2 Significant related party transactions**

The related party transaction described below was carried out based on terms and conditions agreed with the related party.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  | **QUARTER ENDED** |  | **CORRESPONDING QUARTER** **ENDED** |  | **CURRENT YEAR TODATE** |  | **CORRESPONDING YEAR** **TODATE** |
|  |  | **30.9.2014** |  | **30.9.2013** |  | **30.9.2014** |  | **30.9.2013** |
|  |  | **RM** |  | **RM** |  | **RM** |  | **RM** |
| Interest expense to immediate holding company |  | - |  | 685,170 |  | 1,378,911 |  | 1,766,334 |

The transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

Apart from the transaction disclosed above, the Group have entered into transactions that are collectively, but not individually significant with other government-related entities. These transactions include vessel chartering, drydocking expenditure and repairs and maintenance. They are conducted in the ordinary course of the Group’s on terms consistently applied in accordance with the Group’s internal policies and processes.

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| **PART A – EXPLANATORY NOTES PURSUANT TO****MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)** |

1. **FAIR VALUE MEASUREMENTS**

The table below shows the carrying amounts and fair value of the borrowings, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the borrowings are estimated using the income approach, by discounting the cash flows based on the market interest rates of a comparable instrument. This is a Level 2 fair value measurement.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Carrying amount** |  |  |  | **Fair****Value** |
|  |  |  | **AS AT** |  | **AS AT** |  | **AS AT** |  | **AS AT** |
|  |  |  | **30.9.2014** |  | **31.12.2013** |  | **30.9.2014** |  | **31.12.2013** |
|  |  |  | **RM** |  | **RM** |  | **RM** |  | **RM** |
| Fixed rate term loans |  |  | 202,066,246 |  | 244,264,507 |  | 202,799,470 |  | 244,964,293 |
| RCPS-i |  |  | - |  | 235,600,000 |  | - |  | 235,600,000 |
|  |  |  |  |  |  |  |  |  |  |

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS**  |

1. **ANALYSIS OF PERFORMANCE**
	1. **Review of performance for the current quarter (Quarter ended 30 September 2014) against the corresponding quarter (Quarter ended 30 September 2013):**
2. **Revenue**

Revenue decreased by RM18.1 million or 18.5%, from RM97.8 million for the quarter ended 30 September 2013 to RM79.7 million for the quarter ended 30 September 2014. The decreased was primarily due to lower forerunner charter in revenue business and, absence of contribution from vessels divested as part of rejuvenation strategy, resulted to lower fleet utilisation of 76.1% for the quarter ended 30 September 2014 as compared to 86.9% for the quarter ended 30 September 2013, arising from lower demand and lower oil and gas activities. However, this was partly offset by contribution from new assets which includes Anchor Handling Tug and Supply (“AHTS”) vessel and Accommodation Work Boat (“AWB”).

1. **Gross profit**

The cost of sales decreased by RM3.6 million or 8.0%, from RM45.2 million for the quarter ended 30 September 2013 to RM41.6 million for the quarter ended 30 September 2014, primarily as a result of the decreased in the charter-in forerunner vessel rental by RM10.7 million, offset by the increased in crew cost, repair and maintenance and depreciation arising from fleet expansion.

Consequently, the Group’s gross profit decreased by RM14.5 million or 27.6%, from RM52.6 million for the quarter ended 30 September 2013 to RM38.1 million for the quarter ended 30 September 2014.

1. **Administrative expenses**

The administrative expenses increased by RM0.9 million or 11.5%, from RM7.8 million for the quarter ended 30 September 2013 to RM8.7 million for the quarter ended 30 September 2014 primarily as a result of higher corporate cost arising from the increased in headcounts such as technical staff to support fleet expansion programme and staff to ensure listed company readiness.

1. **Other expenses**

Other expenses decreased by RM5.3 million or 68.8%, from RM7.7 million for the quarter ended 30 September 2013 to RM2.4 million for the quarter ended 30 September 2014, mainly due to the decreased in the amortisation expenses for intangible assets relating to charter contracts acquired as part of the acquisition of ICON Ship and ICON Fleet during the financial year ended 31 December 2012, which decreased over time as the contracts expire and no impairment made during the current quarter under review.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)**  |

1. **ANALYSIS OF PERFORMANCE (continued)**
2. **Taxation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  | **CURRENT** |  | **CORRESPONDING** |  | **CURRENT** |  | **CORRESPONDING** |
|  |  | **QUARTER** |  | **QUARTER** |  | **YEAR** |  | **YEAR** |
|  |  | **ENDED** |  | **ENDED** |  | **TODATE** |  | **TODATE** |
|  |  | **30.9.2014** |  | **30.9.2013** |  | **30.9.2014** |  | **30.9.2013** |
|  |  | **RM** |  | **RM** |  | **RM** |  | **RM** |
| Current tax |  | 711,866 |  | 1,168,300 |  | 1,166,740 |  | 8,406,476 |
| Deferred tax |  | (603,083) |  | (1,211,750) |  | (426,821) |  | 7,749,843 |
|  |  | 108,783 |  | (43,450) |  | 739,919 |  | 16,156,319 |
|  |  |  |  |  |  |  |  |  |
| Effective tax rate |  | 1% |  | 0%  |  | 2% |  | 37% |

The effective tax rate for the current quarter ended 30 September 2014 of 1% was lower than the statutory tax rate of 25% due to the lower tax applicable to income from our vessel leasing subsidiaries being Malaysian tax residents incorporated in Labuan following the internal reorganisation which entails transfer of 16 of our vessels to newly-incorporated Labuan subsidiaries and was completed in quarter ended 31 December 2013.

1. **Profit after taxation**

As a result of the foregoing, profit after taxation decreased by RM3.2 million or 14.5%, from RM22.1 million for the quarter ended 30 September 2013 to RM18.9 million for the quarter ended 30 September 2014.

* 1. **Review of performance for the current period ended 30 September 2014 against the corresponding period ended 30 September 2013:**
1. **Revenue**

Revenue decreased by RM6.5 million or 2.6%, from RM248.3 million for the quarter ended 30 September 2013 to RM241.8 million for the quarter ended 30 September 2014. The decreased was primarily due to lower forerunner charter in revenue business and, absence of contribution from vessels divested as part of rejuvenation strategy resulted to lower fleet utilisation of 79.2% for the quarter ended 30 September 2014 as compared to 85.5% for the quarter ended 30 September 2013, arising from lower demand and lower oil and gas activities. However, this was partly offset by contribution from new assets which includes Anchor Handling Tug and Supply (“AHTS”) vessel and Accommodation Work Boat (“AWB”).

1. **Gross profit**

The cost of sales decreased by RM10.5 million or 8.5%, from RM123.0 million for the period ended 30 September 2013 to RM112.5 million for the period ended 30 September 2014, primarily as a result of the decreased in the charter-in forerunner vessel rental by RM25.6 million, offset by the increased in crew cost, repair and maintenance and depreciation arising from fleet expansion.

Consequently, the Group’s gross profit increased by RM3.9 million or 3.1%, from RM125.4 million for the period ended 30 September 2013 to RM129.3 million for the period ended 30 September 2014.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)**  |

1. **ANALYSIS OF PERFORMANCE (continued)**
2. **Administrative expenses**

The administrative expenses increased by RM20.6 million or 105.1%, from RM19.6 million for the period ended 30 September 2013 to RM40.2 million for the period ended 30 September 2014 primarily due to IPO related expenses incurred amounted to RM15.4 million and higher corporate cost arising from increased in headcounts such as technical staff to support fleet expansion programme and staff to ensure listed company readiness.

1. **Other expenses**

Other expenses decreased by RM17.6 million or 80.0%, from RM24.8 million for the period ended 30 September 2013 to RM7.2 million for the period ended 30 September 2014, mainly due to the decreased in the amortisation expenses for intangible assets relating to charter contracts acquired as part of the acquisition of ICON Ship and ICON Fleet during the financial year ended 31 December 2012, which decreased over time as the contracts expire and no impairment made during the current period under review.

 **(v) Profit after taxation**

As a result of the foregoing, profit after taxation increased by RM19.1 million or 70.0%, from RM27.3million for the period ended 30 September 2013 to RM46.4million for the period ended 30 September 2014.

* 1. **Review of performance for the current quarter (Quarter ended 30 September 2014) against the preceding quarter (Quarter ended 30 June 2014):**

The Group’s revenue marginally decreased from RM82.0 million for the quarter ended 30 June 2014 to RM79.8 million for the quarter ended 30 September 2014, mainly due to SSV was only running one (1) long term contract compared to two (2) long term contracts in the preceding quarter, resulted to reduction in revenue by RM5.6 million and; technical fee income was lower by RM2.5 million in the current quarter as compared to the preceding quarter.

These are set off-set by the increased in revenue by RM6.7 million from one (1) new AWB.

Profit after tax increased by RM10.8 million or 135% from RM8.0 million for the quarter ended 30 June 2014 to RM18.8 million for the quarter ended 30 September 2014 mainly due to IPO related expenses incurred in previous quarter ended 30 June 2014 amounted RM15.4 million.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)** |

**13. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014**

The upstream exploration and production activities in Malaysia is expected to continue to underpin the demand for OSV.  The current challenging market condition resulting from the geopolitical environment, recent drastic weakening in the crude oil prices to about USD80 per barrel since middle of October 2014, coupled with the cost optimisation initiatives by oil companies is expected to impact the demand for OSV.

Whilst the industry outlook is expected to remain soft, a significant portion of the Group’s orderbook are long term (more than one year) in nature, providing the Group with cash flow stability and earnings visibility.

The Group remains focused to ensure its utilisation rate is maintained through aggressively tendering for domestic and regional work.

In view of this, the Board of Directors remain cautiously optimistic that the Group is able to sustain its profitability levels for the year.

1. **PROFIT FORECAST**

Not applicable as the Group did not publish any profit forecast.

1. **QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS**

There was no qualification to the preceding audited annual financial statements for the financial year ended 31 December 2013.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)** |

1. **PROFIT BEFORE TAX**

Profit before taxation is stated after charging/(crediting):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  |  **CURRENT QUARTER ENDED**  |  |  **CORRESPONDING QUARTER** **ENDED**  |  |  **CURRENT YEAR TODATE**  |  | **CORRESPONDING YEAR****TODATE** |
|  |  |  **30.9.2014**  |  |  **30.9.2013**  |  |  **30.9.2014**  |  | **30.9.2013** |
|  |  | **RM** |  | **RM** |  | **RM** |  | **RM** |
|  |  |  |  |  |  |  |  |  |
| Amortisation of intangible assets | 2,412,334 |  | 4,845,000 |  | 7,237,000 |  | 14,541,400 |
| Auditor's remuneration | 188,708 |  | 97,495 |  | 539,680 |  | 368,266 |
| Consumable cost | 2,340,369 |  | 950,951 |  | 7,276,322 |  | 4,955,226 |
| Depreciation of property, plant and equipment | 14,436,227 |  | 13,695,347 |  | 41,501,456 |  | 37,531,237 |
| Employee benefits expense | 17,739,541 |  | 12,884,880 |  | 47,611,320 |  | 36,928,592 |
| Impairment of property, plant and equipment | - |  | 2,819,400 |  | - |  | 10,284,400 |
| Insurance |  | 1,293,588 |  | 1,158,763 |  | 3,638,881 |  | 2,521,163 |
| Gain on disposal of OSV/ non-OSV | (4,447,641) |  | (889,680) |  | (4,622,511) |  | (889,680) |
| Professional fees | 235,624 |  | (609,444) |  | 860,756 |  | 890,025 |  |
| Rental of premises | 399,751 |  | 402,250 |  | 1,139,491 |  | 1,022,828 |  |
| Ship operation  | 6,228,465 |  | 5,910,700 |  | 14,664,156 |  | 15,519,814 |  |
| Charter hire costs | 933,956 |  | 11,646,553 |  | 4,311,726 |  | 29,869,903 |  |
| Unrealised (gain)/ loss on foreign exchange | (91,543) |  | 553,985 |  | 108,120 |  | 951,480 |  |
| Interest income | (142,662) |  | (94,947) |  | (542,979) |  | (196,604) |  |
| Interest expense | 9,204,722 |  | 15,870,197 |  | 36,663,469 |  | 41,520,237 |  |
| Realised gain on foreign exchange | (61,050) |  | (1,183,212) |  | (161,067) |  | (1,244,147) |  |
| Reversal of impairment of receivables | (183,226) |  | - |  | (183,226) |  | (166,284) |  |
| IPO related expenses | - |  | - |  | 15,414,207 |  | - |  |
| Transaction costs written off | 4,439,176 |  | - |  | 4,439,176 |  | - |  |
| Income in relation to disposal of non- OSV | - |  | - |  | - |  | (2,022,320) |  |
|  |  |  |  |  |  |  |  |  |

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no impairment of assets or any other exceptional items for the current quarter under review.

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE**

**BURSA SECURITIES LISTING REQUIREMENTS (continued)**

1. **STATUS OF CORPORATE PROPOSALS ANNOUNCED**
2. Initial Public Offering

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 25 June 2014 after an Offer for Sale of approximately 289.02 million Offer Shares and the Public Issue of approximately 221.75 million Issue Shares (“IPO”). Total gross proceeds of approximately RM410.23 million were raised from the IPO.

1. Utilisation of IPO proceeds

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | **As per Prospectus** |  |   |   |
| **Details of utilisation** | **Allocation** |   | **Utilisation up to the reporting date** | **Balance unutilised** | **Balance unutilised** |
|   | **RM' million** | **%** | **RM' million** | **RM' million** | **%** |
| Expansion of vessel fleet |  166.20  | 40.5% |  (104.52) |  61.68  | 37% |
| Repayment of bank borrowings |  124.00  | 30.2% |  (124.00) |  -  | 0% |
| Repayment of Advances from Hallmark |  54.45  | 13.3% |  (54.43) | 0.02  | 0% |
| Working capital |  42.58  | 10.4% |  (34.98) |  7.60  | 18% |
| Listing expenses |  23.00  | 5.6% |  (23.00) |  -  | 0% |
|   |  410.23  | 100% |  (340.93) |  69.30  |   |

Reference to announcement dated 8 August 2014, the temporary utilisation of IPO proceeds for the acquisition of a vessel amounted to RM85.8 million is included in the utilisation of expansion of vessel fleet in the above summary.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)** |

1. **BORROWINGS**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds from drawdown (net of transaction costs) amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **AS AT** |  | **AS AT** |
|   | **30.9.2014** |  | **31.12.2013** |
|  | **RM** |  | **RM** |
| Short term:Secured |  |  |  |
|  Bank borrowings |  |  |  |
|  - term loans | 122,202,017 |  | 126,503,128  |
|  - revolving credit | - |  | 40,466,802  |
|  Finance lease liabilities | 69,826 |  | 72,239  |
|  Unsecured |  |  |  |
|  RCPS-i | - |  | 235,600,000 |
|  | 122,271,843 |  | 402,642,169 |
| Long-term:Secured |  |  |  |
| Bank borrowings - term loans | 554,242,941 |  | 700,502,513 |
| Finance lease liabilities | - |  | 107,292 |
|   | 554,242,941 |  | 700,609,805 |
|   |  |  |   |
| **Total borrowings** | **676,514,784** |  | **1,103,251,974** |

Note:

Total term loan denominated in USD is USD3.2 million (equivalent to RM10.6 million), with USD0.8 million (equivalent to RM2.6 million) being secured short-term portion and USD2.4 million (equivalent to RM8.0 million) as secured long-term portion.

As at 30 September 2014, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM18.8 million primarily due to the tendering of new contracts and as financial guarantee for the performance of our charter contracts by our subsidiaries and corporate guarantees amounting to RM866.6 million for loan obtained by our subsidiaries

1. **DERIVATIVE FINANCIAL INSTRUMENTS**

The Group does not have any derivative financial instruments for the quarter ended 30 September 2014.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)** |

1. **DISCLOSURE OF REALISED AND UNREALISED RETAINED PROFITS**

The following analysis is prepared in accordance with Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad.

The breakdown of retained profits of the Group as at the balance sheet date, into realised and unrealised profits, pursuant to the directive, is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **AS AT****30.9.2014** |  | **AS AT****31.12.2013** |
|  | **RM** |  | **RM** |
| Total retained profits of the Company and its subsidiaries: |  |  |  |
| - Realised | 381,883,737 |  | 334,869,565 |
| - Unrealised  | 40,584,919 |  | 38,285,992 |
|  | 422,468,656 |  | 373,155,557 |
| Total share accumulated loss from jointly controlled entity: - Realised | (9,624) |  | - |
|  | 422,459,032 |  | 373,155,557 |
| Less: Consolidation adjustments | 254,389,727 |  | 251,511,630 |
| Total retained profit as per consolidated accounts | 168,069,305 |  | 121,643,927 |

The unrealised retained profits comprise mainly the deferred tax provision.

1. **CHANGES IN MATERIAL LITIGATION**

There are no material litigations pending as at the date of this report.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)** |

1. **EARNINGS PER SHARE**
	1. **Basic EPS**

The basic EPS has been calculated based on the consolidated profit attributable to equity holders of the Company and divided by the weighted number of ordinary shares in issue.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |  |  |
|   |  | **CURRENT QUARTER ENDED** |  |  **CORRESPONDING QUARTER** **ENDED**  |  |  **CURRENT YEAR TODATE**  |  | **CORRESPONDING YEAR****TODATE**  |  |  |
|   |  | **30.9.2014** |  |  **30.9.2013**  |  |  **30.9.2014**  |  |  **30.9.2013**  |  |  |
| Profit attributable to equity holders (RM) |  | 18,945,982 |  | 22,145,240 |  | 46,425,378 |  | 27,250,435 |  |  |
| Weighted average number of ordinary shares in issue |  | 579,069,083 |  | 257,720,050 |  | 419,282,271 |  | 257,720,050 |  |  |
|   |  |  |  |  |  |  |  |  |  |  |
| Basic EPS (RM) |  | 0.03 |  | 0.09 |  | 0.11 |  | 0.11 |  |  |

* 1. **Diluted EPS**

The diluted EPS has been calculated based on the consolidated profit for the financial quarter attributable to equity holders of the Company and divided by the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, which is the RCPS-i for the quarter ended 30 September 2013. The convertible preference shares are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less tax effect. The conversion of the RCPS-i into ordinary shares was completed on 23 May 2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  | **CURRENT** **QUARTER ENDED** |  |  **CORRESPONDING QUARTER** **ENDED**  |  |  **CURRENT YEAR TODATE**  |  | **CORRESPONDING YEAR** **TODATE**  |
|  |  | **30.9.2014** |  |  **30.9.2013**  |  |  **30.9.2014**  |  |  **30.9.2013**  |
|  |  |  |  |  |  |  |  |  |
| Profit attributable to equity holders (RM) |  | n/a |  | 22,145,240 |  | n/a |  | 27,250,435 |
| Profit rate on RCPS-i (RM, net of tax) |  | n/a |  | 2,750,000 |  | n/a |  | 8,250,000 |
| Profit used to determine diluted EPS (RM) |  | n/a |  | 24,895,240 |  | n/a |  | 35,500,435 |
|   |  |  |  |  |  |  |  |  |
| Weighted average number of ordinary shares in issue |  | n/a |  | 257,720,050 |  | n/a |  | 257,720,050 |
| Adjustment for : |  |  |  |  |  |  |  |  |
| Assumed conversion of RCPS-i |  | n/a |  | 220,000,000 |  | n/a |  | 220,000,000 |
| Weighted average number of ordinary shares for diluted EPS |  | n/a |  | 477,720,050 |  | n/a |  | 477,720,050 |
|   |  |  |  |  |  |  |  |  |
| Diluted EPS (RM) |  | n/a(1) |  | 0.05 |  | n/a(1) |  | 0.07 |

1. n/a denotes “not applicable” as there were no dilutive ordinary shares.

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| **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE****BURSA SECURITIES LISTING REQUIREMENTS (continued)** |

1. **MATERIAL EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2014**

There is no material events subsequent to the quarter ended 30 September 2014.

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| **PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION** |

1. The Group presents selected adjusted financial information or components of the Group unaudited condensed consolidated statements of comprehensive income for the quarter ended 30 September 2014 and 30 September 2013, adjusting for certain exceptional items in line with the Group’s Prospectus dated 30 May 2014 (“Prospectus”), as described below (“Adjustments”) which arose as a result of the following events:
	* + 1. the acquisition of ICON Ship which was completed on 20 July 2012 and the acquisition of ICON Fleet which was completed on 28 September 2012; and
			2. the strategic consolidation and review of our business plan in consequence of the strategic consolidation.
	1. This section is to provide a better and fairer understanding of our financial performance as well as the trends relating thereto, and should be read in conjunction with the Prospectus.
2. Adjustments relating to the acquisition of ICON Ship and acquisition of ICON Fleet
3. Amortisation of intangible assets relating to acquired charter contracts

ICON is required to recognise all the identifiable assets and liabilities of ICON Fleet and ICON Ship, based on a purchase price allocation exercise as at the acquisition date of the acquisition of ICON Ship and acquisition of ICON Fleet. The purchase price allocation exercise includes measurement of the assets and liabilities that were not previously recognised by ICON Ship and ICON Fleet such as intangible assets and also to measure the identifiable assets and liabilities at their respective fair values.

Based on the purchase price allocation exercise for the acquisition of ICON Ship and acquisition of ICON Fleet, the charter contracts of ICON Ship and ICON Fleet have been separately identified and measured at fair value, and have also been recognised as intangible assets on the respective acquisition dates. The fair value of the charter contracts is the present value of the net cash flows from the remaining contract period of the respective charter contracts as at the acquisition date after deducting the corresponding estimated operation costs. The acquired charter contracts have a finite useful life and the recognised fair value of these contracts is required to be amortised using a straight-line method over the remaining contract periods which range from one year to four years from acquisition date.

The Group do not expect to recognise additional intangible assets pursuant to these acquisitions. Also, given that the acquired charter contracts have a finite useful life, the carrying amount of the intangible assets relating to the acquired charter contracts of RM14.9 million as at 31 December 2013 is expected to be fully amortised by the fourth quarter of financial year ending 31 December 2015.

1. RCPS-i profit rate

The RCPS-i were issued after the completion of the acquisition of ICON Ship and according to the terms of the RCPS-i, the RCPS-i will only be redeemed at 110% of its issue price if our Listing does not happen within two years from the date of issuance. In other words, the actual RCPS-i profit rate will only be payable in the event the RCPS-i are redeemed. Since all the RCPS-i were mandatorily converted into our Shares on 23 May 2014 following the receipt of all relevant authorities’ approvals for our IPO, the profit rate on the RCPS-i was not payable in cash.

The accrued amount of the RCPS-i profit rate recognised in our financial statements has been reversed and reclassified to equity following the conversion of all the RCPS-i into Ordinary Shares on 23 May 2014.

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| **PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION (continued)** |

1. Adjustments relating to the strategic consolidation and subsequent review of the Group business plan.

In consequent of the strategic consolidation, the Group undertook an overall review of our fleet whereupon the Group decided to focus on newer and higher specification OSV (being vessels with at least 5,000 BHP and above, and/or equipped with at least a DP2 system) which led to the divestment of our non-OSV, lower specification and older OSVs as well as an impairment assessment of these vessels and their related assets where an analysis was performed to assess whether the carrying amounts of these vessels and their related assets are higher or lower than their recoverable amount as follows:

1. Gain on disposal of non-OSV

For the current period ended 30 September 2014, the Group had disposed one (1) lower specification vessel which gave rise to a gain on disposal of RM4.6 million. In the corresponding period ended 30 September 2013, the Group had disposed one (1) non-OSV vessel which gave rise to a gain on disposal of RM0.9 million. The tax impact on disposal of the non-OSV amounted to RM11.0 million arose from the taxable proceeds on the disposal.

1. Impairment of assets

The group recognised an impairment of RM10.3 million in the corresponding period ended 30 September 2013 for the impairment of two (2) OSV and well testing equipments.

24.2 IPO Related Expenses

During the current period ended 30 September 2014:

1. the Group incurred IPO related expenses amounted to RM15.4 million.
2. the Group utilised RM124.0 million of the IPO proceeds for repayment of bank borrowing. Refer to Section 17(ii). This has resulted to the transaction cost of the respective borrowing to be written off in accordance with accounting standards.

24.3 The table below sets out our Group’s PAT after excluding the abovementioned adjustments:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **INDIVIDUAL QUARTER** |  | **CUMULATIVE PERIOD** |
|  |  |  |  |
|   |  | **CURRENT QUARTER ENDED** |  | **CORRESPONDING QUARTER** **ENDED** |  |  **CURRENT YEAR** **TODATE**  |  | **CORRESPONDING YEAR** **TODATE**  |
|   |  |  **30.9.2014**  |  |  **30.9.2013**  |  |  **30.9.2014**  |  |  **30.9.2013**  |
|   |  | **RM** |  | **RM** |  | **RM** |  | **RM** |
|  |  |  |   |  |  |  |  |
| PAT |  | 18,945,983 |  | 22,145,240 |  | 46,425,378 |  | 27,250,435 |
| Gain on disposal of OSV/ non-OSV |  | (4,447,641) |  | - |  | (4,622,511) |  | (889,680) |
| Other expenses: |  |  |  |  |  |  |  |  |
| - Amortisation of intangibles assets |  | 2,412,334 |  | 4,845,000 |  | 7,237,000 |  | 14,541,000 |
| - Impairment of asset |  | - |  | 2,819,400 |  | - |  | 10,284,400 |
| Administrative expenses: |  |  |  |  |  |  |  |  |
| IPO related: |  |  |  |  |  |  |  |  |
| - IPO expenses |  | - |  | - |  | 15,414,207 |  | - |
| -Transaction costs written off  |  | 4,439,176 |  | - |  | 4,439,176 |  | - |
| RCPS-i profit rate |  | - |  | 2,750,000 |  | 4,346,668 |  | 8,250,000 |
| Tax effect relating to: |  |  |  |  |  |  |  |  |
| - Amortisation of intangibles assets- Disposal of non-OSV |  | (603,083)- |  | (1,211,750)- |  | (1,809,250)- |  | (3,635,750)11,025,000 |
| Adjusted PAT |  | 20,746,769 |  | 31,347,890 |  | 71,430,668 |  | 66,825,405 |

**PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION (continued)**

* 1. **Review of performance for the current quarter (Quarter ended 30 September 2014) against the corresponding quarter (Quarter ended 30 September 2013):**

Adjusted PAT decreased by RM10.6 million or 33.9%, from RM31.3 million for the quarter ended 30 September 2013 to RM20.7 million for the quarter ended 30 September 2014.

* 1. **Review of performance for the current period ended 30 September 2014 against the corresponding period ended 30 September 2013:**

Adjusted PAT increased by RM4.6 million or 6.7%, from RM66.8 million for the period ended 30 September 2013 to RM71.4 million for the period ended 30 September 2014.

24.4 The table below sets out a reconciliation of our Group’s PAT to EBITDA and Adjusted EBITDA:

**INDIVIDUAL QUARTER CUMULATIVE PERIOD**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   |  |  **CURRENT****QUARTER ENDED** |  | **CORRESPONDING****QUARTER** **ENDED** |  |  **CURRENT YEAR TODATE**  |  | **CORRESPONDING YEAR** **TODATE**  |
|   |  |  **30.9.2014**  |  |  **30.9.2013**  |  |  **30.9.2014**  |  |  **30.9.2013**  |
|  |  | **RM** |  | **RM** |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| PAT |  | 18,945,983 |  | 22,145,240 |  | 46,425,378 |  | 27,250,435 |
| Taxation |  | 108,783 |  | (43,449) |  | 739,919 |  | 16,156,319 |
| Profit before taxation |  | 19,054,766 |  | 22,101,791 |  | 47,165,297 |  | 43,406,754 |
| Finance costs |  | 13,643,898 |  | 15,870,197 |  | 41,102,645 |  | 41,520,237 |
| Depreciation |  | 14,436,227 |  | 13,695,347 |  | 41,501,456 |  | 37,531,237 |
| Amortisation of intangibles assets |  | 2,412,334 |  | 4,845,000 |  | 7,237,000 |  | 14,541,000 |
| Share of profit from JV |  | (14,227) |  | - |  | 9,624 |  | - |
| EBITDA |  | 49,532,998 |  | 56,512,335 |  | 137,016,022 |  | 136,999,228 |
| Gain on disposal of OSV/ non-OSV |  | (4,447,641) |  | - |  | (4,622,511) |  | (889,680) |
| Impairment of asset |  | - |  | 2,819,400 |  | - |  | 10,284,400 |
| IPO related expenses |  | - |  | - |  | 15,414,207 |  | - |
| Adjusted EBITDA |  | 45,085,357 |  | 59,331,735 |  | 147,807,718 |  | 146,393,948 |

1. **Review of performance for the current quarter (Quarter ended 30 September 2014) against the corresponding quarter (Quarter ended 30 September 2013):**

EBITDA decreased by RM7.0million or 12.4%, from RM56.5 million for the quarter ended 30 September 2013 to RM49.5 million for the quarter ended 30 September 2014, primarily as a result of the decreased in gross profit by RM14.5 million. Adjusted EBITDA decreased by RM14.2 million or 23.9%, from RM59.3 million for the quarter ended 30 September 2013 to RM45.1 million for the quarter ended 30 September 2014.

1. **Review of performance for the current period ended 30 September 2014 against the corresponding period ended 30 September 2013:**

Current period EBITDA maintained at RM137.0 million as compared to the period ended September 2013.

Adjusted EBITDA increased by RM1.4 million or 1%, from RM146.4 million for the period ended 30 September 2013 to RM147.8 million for the period ended 30 September 2014.

## BY ORDER OF THE BOARD

Dr. Jamal Bin Yusof @ Gordon Duclos

Chief Executive Officer/ Director

26 November 2014