

ICON OFFSHORE BERHAD

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the first quarter and period ended 31 March 2016 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 31.3.2016 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.3.2015 RM	CURRENT PERIOD ENDED (UNAUDITED) 31.3.2016 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 31.3.2015 RM
Revenue	15.1.(i)	51,832,933	63,593,567	51,832,933	63,593,567
Cost of sales		(35,839,378)	(40,548,413)	(35,839,378)	(40,548,413)
Gross profit	15.1.(ii)	15,993,555	23,045,154	15,993,555	23,045,154
Other income		424,347	555,669	424,347	555,669
Administrative expenses	15.1.(iii)	(9,352,082)	(11,743,449)	(9,352,082)	(11,743,449)
Other expenses	15.1.(iv)	-	(783,000)	-	(783,000)
Profit from operations		7,065,820	11,074,374	7,065,820	11,074,374
Finance costs		(9,737,975)	(8,338,793)	(9,737,975)	(8,338,793)
Share of profit from a Joint Venture		(102)	8,516	(102)	8,516
(Loss)/ Profit before taxation		(2,672,257)	2,744,097	(2,672,257)	2,744,097
Taxation	15.1.(v)	(585,044)	(35,271)	(585,044)	(35,271)
(Loss)/Profit for the quarter/period	15.1.(vi)	<u>(3,257,301)</u>	<u>2,708,826</u>	<u>(3,257,301)</u>	<u>2,708,826</u>
Other comprehensive profit: Items that will be classified subsequently to profit or loss:					
Currency translation differences		523,688	518,318	523,688	518,318
Total comprehensive income for the quarter/period		<u>(2,733,613)</u>	<u>3,227,144</u>	<u>(2,733,613)</u>	<u>3,227,144</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED) 31.3.2016	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.3.2015	CURRENT PERIOD ENDED (UNAUDITED) 31.3.2016	CORRESPONDING PERIOD ENDED (UNAUDITED) 31.3.2015
Note	RM	RM	RM	RM
(Loss)/ Profit attributable to:				
-Equity holders of the Company	(5,006,323)	2,708,826	(5,006,323)	2,708,826
-Non-controlling interests	1,749,022	-	1,749,022	-
	<u>(3,257,301)</u>	<u>2,708,826</u>	<u>(3,257,301)</u>	<u>2,708,826</u>
Total comprehensive (loss)/ income attributable to :				
-Equity holders of the Company	(4,739,242)	3,227,144	(4,739,242)	3,227,144
-Non-controlling interests	2,005,629	-	2,005,629	-
	<u>(2,733,613)</u>	<u>3,227,144</u>	<u>(2,733,613)</u>	<u>3,227,144</u>
Earnings per share (Sen)				
Basic	<u>(0.4)</u>	<u>0.2</u>	<u>(0.4)</u>	<u>0.2</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	As at 31.3.2016	As at 31.12.2015
	RM	RM
Non-current assets		
Property, plant and equipment	1,273,097,352	1,288,422,874
Investment in a joint venture	4,232,389	4,232,490
Deferred tax assets	46,163,312	46,590,022
	1,323,493,053	1,339,245,386
Current assets		
Trade and other receivables	77,874,797	81,088,346
Inventories	2,477,596	1,605,697
Tax recoverable	3,658,347	3,466,298
Cash and bank balances	35,850,318	95,354,013
	119,861,058	181,514,354
Less: Current liabilities		
Trade and other payables	59,844,206	76,295,965
Borrowings	163,165,629	181,144,834
Taxation	911,786	753,452
	223,921,621	258,194,251
Net current liabilities	(104,060,563)	(76,679,897)
Less: Non current liabilities		
Borrowings	501,472,931	541,872,317
Deferred tax liabilities	1,864,713	1,864,713
	503,337,644	543,737,030
	716,094,846	718,828,459
Equity attributable to equity holders of the Company		
Share capital	588,592,550	588,592,550
Share Premium	311,210,080	311,210,080
Foreign currency translation reserves	1,147,952	880,871
Accumulated losses	(188,094,988)	(183,088,665)
Non-controlling interest	3,239,252	1,233,623
Total equity	716,094,846	718,828,459

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>						
	<u>Issued and fully paid ordinary shares of RM0.50 each</u>	<u>Non-distributable</u>			<u>Distributable</u>		<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>(Accumulated losses)</u>	<u>Non- controlling interest</u>	
	RM	RM	RM	RM	RM	RM	
At 1 January 2016	1,177,185,100	588,592,550	311,210,080	880,871	(183,088,665)	1,233,623	718,828,459
(Loss)/profit for the financial year	-	-	-	-	(5,006,323)	1,749,022	(3,257,301)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	267,081	-	256,607	523,688
Total comprehensive (loss)/income for the financial year	-	-	-	267,081	(5,006,323)	2,005,629	(2,733,613)
At 31 March 2016	<u>1,177,185,100</u>	<u>588,592,550</u>	<u>311,210,080</u>	<u>1,147,952</u>	<u>(188,094,988)</u>	<u>3,239,252</u>	<u>716,094,846</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<u>Attributable to equity holders of the Company</u>						
	<u>Issued and fully paid ordinary shares of RM0.50 each</u>	<u>Non-distributable</u>			<u>Distributable Retained earnings/ (Accumulated losses)</u>	<u>Non- controlling interest</u>	<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2015	1,177,185,100	588,592,550	311,210,080	(194,338)	180,998,066	-	1,080,606,358
(Loss)/profit for the financial year	-	-	-	-	(364,086,731)	798,315	(363,288,416)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	1,075,209	-	286,093	1,361,302
Total comprehensive (loss)/income for the financial year	-	-	-	1,075,209	(364,086,731)	1,084,408	(361,927,114)
Transactions with owners:							
Increase in non-controlling interest arising from additional shares issued	-	-	-	-	-	149,215	149,215
Total transactions with owners recognised directly in equity	-	-	-	-	-	149,215	149,215
At 31 December 2015	<u>1,177,185,100</u>	<u>588,592,550</u>	<u>311,210,080</u>	<u>880,871</u>	<u>(183,088,665)</u>	<u>1,233,623</u>	<u>718,828,459</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED (UNAUDITED) 31.3.2016	PERIOD ENDED (UNAUDITED) 31.3.2015
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxation	(2,672,257)	2,744,097
Adjustments for:		
Amortisation of intangible assets	-	783,000
Depreciation of property, plant and equipment	13,014,997	15,138,546
Interest expense	9,737,975	8,338,793
Interest income	(225,690)	(305,780)
Unrealised (gain)/ loss on foreign exchange	(550,057)	34,521
Share of loss/ (profit) of joint venture	101	(8,516)
Operating profit before working capital changes	<u>19,305,069</u>	<u>26,724,661</u>
Changes in working capital:		
(Increase)/Decrease in inventories	(871,899)	95,850
Decrease in receivables	2,127,969	18,992,241
(Decrease)/Increase in payables	<u>(6,464,285)</u>	<u>5,366,682</u>
Cash generated from operations	14,096,854	51,179,434
Tax paid	<u>(192,049)</u>	<u>(560,747)</u>
Net cash from operating activities	<u>13,904,805</u>	<u>50,618,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,881,986)	(74,557,731)
Interest received	188,820	305,780
Net cash used in investing activities	<u>(11,693,166)</u>	<u>(74,251,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings (net of transaction cost)	13,000,000	25,614,350
Repayment of finance lease liabilities	(8,259)	(8,259)
Repayment of borrowings	(65,340,419)	(30,335,377)
Interest paid	(9,572,545)	(9,029,901)
Decrease in fixed deposits pledged	<u>4,262,974</u>	<u>42,122</u>
Net cash used in financing activities	<u>(57,658,249)</u>	<u>(13,717,065)</u>
Exchange gain on cash and bank balances	205,889	518,318
NET DECREASE IN CASH AND CASH EQUIVALENTS	(55,240,721)	(36,832,011)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>83,108,970</u>	<u>68,534,727</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	27,868,249	31,702,716
Fixed deposit pledge	<u>7,982,069</u>	<u>6,283,478</u>
CASH AND BANK BALANCES	<u>35,850,318</u>	<u>37,986,194</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

**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 2015.

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 2015.

For the quarter ended 31 March 2016, the Group incurred a net loss after tax of RM3,257,301 (2015: net profit after tax of RM2,708,826) and, as at 31 March 2016, the Group’s current liabilities exceeded their current assets by RM104,060,563 (2015: Net current liabilities of RM76,679,897).

The Group has taken steps to review the existing loan repayment schedule and the capital commitment for vessels under construction. The Group has completed two out of three of the restructuring and rescheduling of the loan repayments with the banks to allow the Group to defer certain amount of the current loan obligations. The Group has deferred the delivery and payment for vessels under construction. In addition, the Group will also be able to obtain the required financial support from its immediate holding company, if necessary.

With the steps taken above, the Directors are of the view that the Group will be able to generate sufficient cash inflows from the charter hire contracts within the next twelve months from the reporting date to meet working capital requirements and repayment of existing loan obligations, and to carry on their business without significant curtailment of operations. The Directors believe that the Group are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. Thus, the Directors believe no material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concerns.

As such, the Directors believe that it is appropriate to prepare this report on a going concern basis.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2016 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets-Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- Amendments to MFRS10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures–Sale or Contribution of Assets between an Investor and its Associates/ Joint Ventures (Effective from 1 January 2016)
- Amendments to MFRS 127 Separate Financial Statements – Equity Accounting in Separate Financial Statements (Effective from 1 January 2016)
- Annual Improvements to MFRSs 2012-2014 Cycle (Amendments to MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits, MFRS 134 Interim Financial Reporting) (effective from 1 January 2016)

MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective

Malaysian Accounting Standards Board had issued the following new standards and amendments to standards which are effective for the financial period beginning on or after 1 January 2016. The Group did not early adopt these new standards, amendments and improvements to published standards.

- MFRS 9 Financial Instruments (effective from 1 January 2018)
- MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

1. BASIS OF PREPARATION (continued)

The initial application of the abovementioned accounting standards and amendments to published standards are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

2. 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 cyclicity in the offshore drilling and oilfield services industries.

3. UNUSUAL ITEMS

No unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter and period ended 31 March 2016.

4. MATERIAL CHANGES IN ESTIMATES

There was no material changes in estimate of amounts reported in the prior financial year that have a material effect in the quarter and period ended 31 March 2016.

5. DEBT AND EQUITY SECURITIES

There were no other issuance, repurchase and repayment of debt and equity securities by the Group during the quarter and period ended 31 March 2016.

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 31 March 2016.

7. 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 31.3.2016		CORRESPONDING QUARTER ENDED 31.3.2015		CURRENT PERIOD ENDED 31.3.2016		CORRESPONDING PERIOD ENDED 31.3.2015	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	60%	31,234,928	83%	52,689,371	60%	31,234,928	83%	52,689,371
Others	40%	20,598,005	17%	10,904,196	40%	20,598,005	17%	10,904,196
Total	100%	51,832,933	100%	63,593,567	100%	51,832,933	100%	63,593,567

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

Breakdown of revenue is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED <u>31.3.2016</u> RM	CORRESPONDING QUARTER ENDED <u>31.3.2015</u> RM	CURRENT PERIOD ENDED <u>31.3.2016</u> RM	CORRESPONDING PERIOD ENDED <u>31.3.2015</u> RM
Analysis of revenue by category:				
- Charter hire own vessel	49,718,058	61,488,997	49,718,058	61,488,997
- Others ⁽¹⁾	<u>2,114,875</u>	<u>2,104,570</u>	<u>2,114,875</u>	<u>2,104,570</u>
	<u>51,832,933</u>	<u>63,593,567</u>	<u>51,832,933</u>	<u>63,593,567</u>

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.

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group as at 31 March 2016.

9. 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:

	<u>AS AT 31.3.2016</u> RM	<u>AS AT 31.12.2015</u> RM
Approved and contracted capital expenditure commitments	168,883,000	153,322,115
Total	<u>168,883,000</u>	<u>153,322,115</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

10. 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:

<u>Related parties</u>	<u>Relationship</u>
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

There are no significant related party balances arising from normal business transactions.

10.2 Significant related party transactions

There are no significant related party transactions. The Group has 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 business based on the Group's consistently applied terms in accordance with the Group's internal policies and processes.

11. 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 31.3.2016 RM	AS AT 31.12.2015 RM	AS AT 31.3.2016 RM	AS AT 31.12.2015 RM
Fixed rate term loans	<u>238,097,230</u>	<u>253,304,956</u>	<u>238,236,549</u>	<u>256,316,274</u>

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 31 March 2016. As at 31 March 2016, all property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There were no material events subsequent to the end of the quarter up to the date of this report.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 March 2016, the Group did not have any contingent liabilities or assets.

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 31 March 2016) against the corresponding quarter (Quarter ended 31 March 2015):

(i) Revenue

Revenue decreased by RM11.8 million or 18.6%, from RM63.6 million for the quarter ended 31 March 2015 to RM51.8 million for the quarter ended 31 March 2016. The decreased was primarily due to lower fleet utilisation rate of 45.0% for the quarter ended 31 March 2016 as compared to 63.8% for the quarter ended 31 March 2015, arising from completion of several long-term contracts, vessels laid-up as well as continuous low activities in oil and gas industry. Further, reduction in daily charter rates (DCR) for several existing contracts and new contracts affected the revenue. However, this was partly offset by contribution from a new Accommodation Work Boat (“AWB”) vessel in the current quarter under review.

(ii) Gross profit

The cost of sales decreased by RM4.7 million or 11.6%, from RM40.5 million for the quarter ended 31 March 2015 to RM35.8 million for the quarter ended 31 March 2016, primarily due to the cost saving initiatives in relation to fuel consumption monitoring, vessels laid-up, domestic safe manning, vessels hot stacked, as well as lower depreciation for vessels subsequent to the impairment of vessels as at 31 December 2015.

Consequently, the Group’s gross profit decreased by RM7.0 million or 30.4%, from RM23.0 million for the quarter ended 31 March 2015 to RM16.0 million for the quarter ended 31 March 2016.

(iii) Administrative expenses

The administrative expenses decreased by RM2.3 million or 19.7%, from RM11.7 million for the quarter ended 31 March 2015 to RM9.4 million for the quarter ended 31 March 2016 primarily due to lower payroll cost, withholding tax for foreign business operation and foreign exchange loss incurred during the current quarter under review. This is off-set by one-off expense relating to the Mutual Separation Scheme amounted to RM0.9 million.

(iv) Other expenses

Other expenses decreased by RM0.8 million or 100%, from RM0.8 million for the quarter ended 31 March 2015 to Nil for the quarter ended 31 March 2016, due to full amortisation of intangible assets as at 31 December 2015.

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

15. ANALYSIS OF PERFORMANCE (continued)

15.1. Review of performance for the current quarter (Quarter ended 31 March 2016) against the corresponding quarter (Quarter ended 31 March 2015) (continued):

(v) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.3.2016 RM	CORRESPONDING QUARTER ENDED 31.3.2015 RM	CURRENT PERIOD ENDED 31.3.2016 RM	CORRESPONDING PERIOD ENDED 31.3.2015 RM
Current tax	158,334	231,271	158,334	231,271
Deferred tax	426,710	(196,000)	426,710	(196,000)
Tax expense for the financial period	585,044	35,271	585,044	35,271
Effective tax rate	22%	1%	22%	1%

The effective tax rate for the current quarter and period ended 31 March 2016 is lower than the statutory tax rate of 25% mainly due to the taxable income applicable to our foreign operation subsidiary in Brunei with effective tax rate of 18.5% and off-set by lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysian tax residents incorporated in Labuan.

(vi) (Loss)/Profit after taxation

As a result of the foregoing, profit after taxation decreased by RM6.0 million or more than 100%, from RM2.7 million for the quarter ended 31 March 2015 to a loss after taxation of RM3.3 million for the quarter ended 31 March 2016.

15.2. Review of performance for the current quarter (Quarter ended 31 March 2016) against the preceding quarter (Quarter ended 31 December 2015):

The Group's revenue decreased from RM65.3 million for the quarter ended 31 December 2015 to RM51.8 million for the quarter ended 31 March 2016, mainly due to lower utilisation during the quarter ended 31 March 2016. The utilisation during the quarter ended 31 March 2016 was 45.0% as compared to 56.5% in the quarter ended 31 December 2015 due to longer temporary off-hires of certain long-term contracts.

Loss after tax decreased by RM375.2 million or 99.2% from RM378.1 million for the quarter ended 31 December 2015 to RM3.3 million for the quarter ended 31 March 2016 mainly due to recognition of impairment loss on vessels of RM195.4 million and impairment loss on goodwill of RM180.6 million in quarter ended 31 December 2015.

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

The upstream exploration and production activities in Malaysia is expected to continue to underpin the demand for OSV. Despite the fact that oil price have been improving over the period under review, the activities level of oil and gas industry remains lagging. The market condition for OSV remains highly challenging which has largely impacted the OSV operators, including the Company. In addition, OSV operators in this region is also impacted by monsoon season, in the first and last quarters of each year where the Group expects similar trends as previous years to impact the Group's financial results.

Whilst the industry outlook is expected to remain soft, the Group remains focused to ensure its utilisation rate is maximised through competitive tendering for domestic and regional contracts, as well as leveraging on its expanded presence in Brunei and continued optimisation of cost.

In view of this, the Board of Directors remain relatively cautious on the Group's financial results for the financial year ending 31 December 2016.

17. PROFIT FORECAST

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

18. 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 2016.

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

19. PROFIT BEFORE TAX

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.3.2016 RM	CORRESPONDIN G QUARTER ENDED 31.3.2015 RM	CURRENT PERIOD ENDED 31.3.2016 RM	CORRESPONDING PERIOD ENDED 31.3.2015 RM
Amortisation of intangible assets	-	783,000	-	783,000
Auditor's remuneration	189,757	210,315	189,757	210,315
Consumable costs	1,609,820	1,765,099	1,609,820	1,765,099
Depreciation of property, plant and equipment	13,014,997	15,138,546	13,014,997	15,138,546
Employee benefits expense	16,053,197	17,830,015	16,053,197	17,830,015
Interest expense	9,737,975	8,338,793	9,737,975	8,338,793
Interest income	(225,690)	(305,780)	(225,690)	(305,780)
Professional fees	339,690	245,241	339,690	245,241
Realised loss on foreign exchange	606,714	1,200,068	606,714	1,200,068
Rental of premises	593,632	404,945	593,632	404,945
Ship operation and charter hire costs	7,212,075	7,328,832	7,212,075	7,328,832
Unrealised (gain)/ loss on foreign exchange	(550,057)	34,521	(550,057)	34,521

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.

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

20. 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 31.3.2016 RM	AS AT 31.12.2015 RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	140,886,021	141,853,623
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	30,014,548
Redeemable preference shares	9,209,512	9,209,512
Finance lease liabilities	70,096	67,151
	163,165,629	181,144,834
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	501,434,918	541,828,849
Finance lease liabilities	38,013	43,468
	501,472,931	541,872,317
Total borrowings	664,638,560	723,017,151

Total term loan denominated in USD is USD2.1 million (equivalent to RM8.3 million), with USD0.8 million (equivalent to RM2.9 million) being secured short-term portion and USD1.3 million (equivalent to RM5.4 million) as secured long-term portion; and in BND is BND35.2 million (equivalent to RM102.2 million), with BND4.5 million (equivalent to RM13.0 million) being secured short-term portion and BND30.7 million (equivalent to RM89.2 million) as secured long-term portion.

As at 31 March 2016, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM9 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 for loan obtained by our subsidiaries.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter ended 31 March 2016.

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

22. 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 31.3.2016	AS AT 31.12.2015
	RM	RM
Total retained profits of the Company and its subsidiaries:		
- Realised	60,702,331	74,859,050
- Unrealised	46,713,369	42,283,431
	107,415,700	117,142,481
Total share accumulated (losses)/ profit from jointly controlled entity:		
- Realised	99,850	63,629
	107,515,550	117,206,110
Less: Consolidation adjustments	(295,610,538)	(300,294,775)
Total accumulated losses as per consolidated accounts	(188,094,988)	(183,088,665)

The unrealised retained profits comprise mainly the deferred tax provision.

23. CHANGES IN MATERIAL LITIGATION

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

ICON OFFSHORE BERHAD (984830-D)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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

24. EARNINGS PER SHARE

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.

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED 31.3.2016</u>	<u>CORRESPONDING QUARTER ENDED 31.3.2015</u>	<u>CURRENT PERIOD ENDED 31.3.2016</u>	<u>CORRESPONDING PERIOD ENDED 31.3.2015</u>
(Loss)/ Profit attributable to equity holders (RM)	(5,006,323)	2,708,826	(5,006,323)	2,708,826
Weighted average number of ordinary shares in issue	<u>1,177,185,100</u>	<u>1,177,185,100</u>	<u>1,177,185,100</u>	<u>1,177,185,100</u>
Basic EPS (Sen)	<u>(0.4)</u>	<u>0.2</u>	<u>(0.4)</u>	<u>0.2</u>

25. MATERIAL EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 MARCH 2016

There is no material events subsequent to the quarter ended 31 March 2016.

BY ORDER OF THE BOARD

Amir Hamzah bin Azizan
Managing Director
26 May 2016