

**ICON OFFSHORE BERHAD**

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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 2017 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
		CURRENT QUARTER ENDED (UNAUDITED) 31.3.2017 RM	CORRESPONDING QUARTER ENDED (AUDITED) 31.3.2016 RM	CURRENT PERIOD ENDED (UNAUDITED) 31.3.2017 RM	CORRESPONDING PERIOD ENDED (AUDITED) 31.3.2016 RM
Revenue	15.1.(i)	41,433,597	51,832,933	41,433,597	51,832,933
Cost of sales		(36,843,480)	(35,839,378)	(36,843,480)	(35,839,378)
Gross profit	15.1.(ii)	4,590,117	15,993,555	4,590,117	15,993,555
Other income		616,469	424,347	616,469	424,347
Administrative expenses	15.1.(iii)	(6,078,829)	(9,352,082)	(6,078,829)	(9,352,082)
Other expenses - Write back impairment loss on vessels	15.1.(iv)	3,247,473	-	3,247,473	-
Profit from operations		2,375,230	7,065,820	2,375,230	7,065,820
Finance costs		(9,883,426)	(9,737,975)	(9,883,426)	(9,737,975)
Share of loss from a joint venture		(425)	(102)	(425)	(102)
Loss before taxation		(7,508,621)	(2,672,257)	(7,508,621)	(2,672,257)
Taxation	15.1.(v)	1,482,251	(585,044)	1,482,251	(585,044)
Loss for the quarter/year	15.1.(vi)	(6,026,370)	(3,257,301)	(6,026,370)	(3,257,301)
Other comprehensive profit: Items that will be classified subsequently to profit or loss: Currency translation differences		31,814	523,688	31,814	523,688
Total comprehensive loss for the quarter/ year		(5,994,556)	(2,733,613)	(5,994,556)	(2,733,613)

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)**

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	CURRENT QUARTER ENDED (UNAUDITED) 31.3.2017	CORRESPONDING QUARTER ENDED (AUDITED) 31.3.2016	CURRENT PERIOD ENDED (UNAUDITED) 31.3.2017	CORRESPONDING PERIOD ENDED (AUDITED) 31.3.2016
Note	RM	RM	RM	RM
Loss attributable to:				
-Equity holders of the Company	(6,623,280)	(5,006,323)	(6,623,280)	(5,006,323)
-Non-controlling interests	596,910	1,749,022	596,910	1,749,022
	<u>(6,026,370)</u>	<u>(3,257,301)</u>	<u>(6,026,370)</u>	<u>(3,257,301)</u>
Total comprehensive loss attributable to :				
-Equity holders of the Company	(6,610,171)	(4,739,242)	(6,610,171)	(4,739,242)
-Non-controlling interests	615,615	2,005,629	615,615	2,005,629
	<u>(5,994,556)</u>	<u>(2,733,613)</u>	<u>(5,994,556)</u>	<u>(2,733,613)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted loss per share (sen)	24 <u>(0.6)</u>	<u>(0.4)</u>	<u>(0.6)</u>	<u>(0.4)</u>

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As at 31.3.2017 RM	Audited As at 31.12.2016 RM
<b>Non-current assets</b>		
Property, plant and equipment	1,185,042,204	1,191,849,908
Investment in a joint venture	4,230,941	4,231,366
Deferred tax assets	51,783,786	49,894,120
	1,241,056,931	1,245,975,394
<b>Current assets</b>		
Trade and other receivables	39,555,674	71,186,856
Inventories	3,833,677	3,033,184
Tax recoverable	2,397,564	3,002,936
Cash and bank balances	49,593,154	58,720,087
	95,380,069	135,943,063
<b>Less: Current liabilities</b>		
Trade and other payables	33,459,762	59,020,042
Borrowings	217,394,978	206,664,813
Taxation	272,943	102,943
	251,127,683	265,787,798
<b>Net current liabilities</b>	(155,747,614)	(129,844,735)
<b>Less: Non current liabilities</b>		
Other payables	37,071,202	36,949,480
Borrowings	480,374,611	505,560,533
Deferred tax liabilities	1,599,303	1,361,889
	519,045,116	543,871,902
	566,264,201	572,258,757
<b>Equity attributable to equity holders of Company</b>		
Share capital	588,592,550	588,592,550
Share premium	311,210,080	311,210,080
Foreign currency translation reserves	959,898	946,789
Accumulated losses	(342,458,825)	(335,835,545)
Non-controlling interest	7,960,498	7,344,883
<b>Total equity</b>	566,264,201	572,258,757

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**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 2017	1,177,185,100	588,592,550	311,210,080	946,789	(335,835,545)	7,344,883	572,258,757
(Loss)/profit for the year	-	-	-	-	(6,623,280)	596,910	(6,026,370)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	13,109	-	18,705	31,814
Total comprehensive income/(loss) for the financial year	-	-	-	13,109	(6,623,280)	615,615	(5,944,556)
At 31 March 2017	<u>1,177,185,100</u>	<u>588,592,550</u>	<u>311,210,080</u>	<u>959,898</u>	<u>(342,458,825)</u>	<u>7,960,498</u>	<u>566,264,201</u>

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**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</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>Retained earnings/ (Accumulated losses)</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	-	-	-	-	(152,746,880)	6,047,926	(146,698,954)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	65,918	-	63,334	129,252
Total comprehensive income/(loss) for the financial year	-	-	-	65,918	(152,746,880)	6,111,260	(146,569,702)
At 31 December 2016	<u>1,177,185,100</u>	<u>588,592,550</u>	<u>311,210,080</u>	<u>946,789</u>	<u>(335,835,545)</u>	<u>7,344,883</u>	<u>572,258,757</u>

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>CURRENT YEAR ENDED (UNAUDITED) 31.3.2017</b>	<b>CORRESPONDING YEAR ENDED (UNAUDITED) 31.3.2016</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(7,508,621)	(2,672,257)
Adjustments for:		
Depreciation of property, plant and equipment	13,522,663	13,014,997
Gain on disposal of property, plant and equipment	(770)	-
Interest expense	9,883,426	9,737,975
Interest income	(204,410)	(225,690)
Reversal of impairment loss on vessels	(3,247,473)	-
Unrealised gain on foreign exchange	(842,429)	(550,057)
Reversal of impairment of receivables	(498,880)	-
Share of loss of a joint venture	425	101
Operating profit before working capital changes	11,103,931	19,305,069
Changes in working capital:		
Increase in inventories	(800,493)	(871,899)
Decrease in receivables	32,159,242	2,127,969
Decrease in payables	(23,082,538)	(6,464,285)
Cash generated from operations	19,380,142	14,096,854
Tax refund/(paid)	605,372	(192,049)
<b>Net cash from operating activities</b>	<b>19,985,514</b>	<b>13,904,805</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,055,511)	(11,881,986)
Interest received	204,410	188,820
<b>Net cash used in investing activities</b>	<b>(3,851,101)</b>	<b>(11,693,166)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from immediate holding company	-	13,000,000
Repayment of finance lease liabilities	(8,259)	(8,259)
Repayment of borrowings	(15,612,846)	(65,340,419)
Interest paid	(9,786,914)	(9,572,545)
(Increase)/decrease in fixed deposits pledged	(322,199)	4,262,974
<b>Net cash generated from/(used in) financing activities</b>	<b>(25,730,218)</b>	<b>(57,658,249)</b>
Unrealised foreign exchange gain on cash and bank balances	146,674	205,889
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,449,131)</b>	<b>(55,240,721)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>39,494,845</b>	<b>83,108,970</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>30,045,714</b>	<b>27,868,249</b>
Fixed deposit pledge	19,547,440	7,982,069
<b>CASH AND BANK BALANCES</b>	<b>49,593,154</b>	<b>35,850,318</b>

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**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 2016.

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 2016; with an additional accounting policy and methods for non-current assets held for sale under MFRS 5 : An non-current assets held for sale and discontinued operation.

Non-current assets (or disposal groups of assets) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying and fair value less costs to sell.

As at 31 March 2017, the Group's current liabilities exceeded their current assets by RM155,747,614.

The Group has taken steps to review the existing loan repayment schedule and the capital commitment for vessels under construction. As at the date of this report 31 May 2017, the Group has completed all of three restructuring and rescheduling of the loan repayments with the banks to allow the Group to defer certain amount of the current loan obligations. For the period ended 31 March 2017, we have reflected the impact of the reduction in borrowings due in the next twelve months for all of the loans. The Group has also deferred the delivery and payment for vessels under construction. In addition, the Group has obtained a credit facility for its working capital requirements and 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 2017 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.
- In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

- Annual Improvements to MFRS 12 "Disclosures of Interests in Other Entities" clarify that when an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale in accordance with MFRS 5, the entity is not required to disclose summarised financial information of these interests. Other disclosure requirements in MFRS 12 remain applicable.



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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**1. BASIS OF PREPARATION (continued)**

**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 year beginning on or after 1 January 2017. 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 2018)
- MFRS 16 Leases (effective from 1 January 2019)

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.

MFRS 9 introduces an expected credit losses model on impairment 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 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

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

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**1. BASIS OF PREPARATION (continued)**

**MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective (continued)**

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2018) MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. (continued)

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.
- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

**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 cyclical nature 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 2017.

**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 2017.

**ICON OFFSHORE BERHAD (984830-D)**

(Incorporated in Malaysia)

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**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 2017.

**6. DIVIDEND PAID**

There was no dividend paid by the Group during the quarter and period ended 31 March 2017.

**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.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

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

**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 YEAR			
	CURRENT QUARTER ENDED 31.3.2017		CORRESPONDING QUARTER ENDED 31.3.2016		CURRENT PERIOD ENDED 31.3.2017		CORRESPONDING PERIOD ENDED 31.3.2016	
	%	RM	%	RM	%	RM	%	RM
<b>Revenue</b>								
Malaysia	66	27,533,513	60	31,234,928	66	27,533,513	60	31,234,928
Others	34	13,900,084	40	20,598,005	34	13,900,084	40	20,598,005
<b>Total</b>	<b>100</b>	<b>41,433,597</b>	<b>100</b>	<b>51,832,933</b>	<b>100</b>	<b>41,433,597</b>	<b>100</b>	<b>51,832,933</b>

**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 YEAR	
	CURRENT QUARTER ENDED 31.3.2017	CORRESPONDING QUARTER ENDED 31.3.2016	CURRENT PERIOD ENDED 31.3.2017	CORRESPONDING PERIOD ENDED 31.3.2016
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	39,160,858	49,718,058	39,160,858	49,718,058
- Others <sup>(1)</sup>	2,272,739	2,114,875	2,272,739	2,114,875
	<u>41,433,597</u>	<u>51,832,933</u>	<u>41,433,597</u>	<u>51,832,933</u>

**Note**

<sup>(1)</sup> 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 chargeable costs to clients during the charter hire.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**8. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group as at 31 March 2017.

**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:

	<b>AS AT <u>31.3.2017</u> RM</b>	<b>AS AT <u>31.12.2016</u> RM</b>
Approved and contracted capital expenditure commitments	92,003,000	96,723,000

**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**

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

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE YEAR</b>	
	<b>CURRENT QUARTER ENDED <u>31.3.2017</u> RM</b>	<b>CORRESPONDING QUARTER ENDED <u>31.3.2016</u> RM</b>	<b>CURRENT PERIOD ENDED <u>31.3.2017</u> RM</b>	<b>CORRESPONDING PERIOD ENDED <u>31.3.2016</u> RM</b>
Interest expense to immediate holding company	647,260	-	647,260	-

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 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.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**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 31.3.2017 RM	AS AT 31.12.2016 RM	AS AT 31.3.2017 RM	AS AT 31.12.2016 RM
Fixed rate term loans	222,700,390	224,611,639	244,532,940	242,566,628

**12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

There were no revaluations of property, plant and equipment during the quarter and period ended 31 March 2017 except for vessels for the purpose of impairment review. As at 31 March 2017, 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**

Hallmark Odyssey Sdn. Bhd. (“HOSB”) has issued a press release on 4 May 2017 confirming that the share sale and purchase agreement dated 19 January 2017 entered into between HOSB and UMW Oil and Gas Corporation Berhad in relation to the sale and purchase of 497,768,820 ordinary shares of RM0.50 each in the Company representing HOSB 42.3% equity interest in the Company has been terminated.

**14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

As at 31 March 2017, the Group did not have any material contingent liabilities or assets.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**15. ANALYSIS OF PERFORMANCE**

**15.1 Review of performance for the current quarter (Quarter ended 31 March 2017) against the corresponding quarter (Quarter ended 31 March 2016):**

**(i) Revenue**

Revenue decreased by RM10.4 million or 20.1%, from RM51.8 million for the quarter ended 31 March 2016 to RM41.4 million for the quarter ended 31 March 2017. The decrease was primarily due to lower fleet utilisation rate of 42.8% for the quarter ended 31 March 2017 as compared to 45.0% for the quarter ended 31 March 2016. The completion of the AWB long-term contract affected the utilisation rate in the quarter as well as continuous low activities in oil and gas industry. Lower daily charter rates (“DCR”) for several existing and new contracts also affected the revenue.

**(ii) Gross profit**

The cost of sales increased by RM1.0 million or 2.8%, from RM35.8 million for the quarter ended 31 March 2016 to RM36.8 million for the quarter ended 31 March 2017. This is due to increase in consumables and spares parts costs mainly to fulfil requirements by the charterers and also for vessel certifications compliances as part of vessel improvement initiatives. This is offset by the cost saving from vessels laid-up and initiatives in relation to domestic safe manning during the current quarter.

Consequently, the Group’s gross profit decreased by RM11.4 million or 71.3%, from RM16.0 million for the quarter ended 31 March 2016 to RM4.6 million for the quarter ended 31 March 2017.

**(iii) Administrative expenses**

The administrative expenses decreased by RM3.3 million or 35.1%, from RM9.4 million for the quarter ended 31 March 2016 to RM6.1 million for the quarter ended 31 March 2017 primarily due to higher unrealised foreign exchange gain during the quarter ended 31 March 2017 as a result of stronger Ringgit during the quarter, writeback of doubtful debt provision and lower payroll cost. Included in 31 March 2016 was an one-off expenses relating the Mutual Separation Scheme amounted to RM0.9 million.

**(iv) Reversal of impairment loss**

Other expenses includes RM3.2 million credited during the quarter ended 31 March 2017, due to reversal of overaccrual of impairment in prior years.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**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 2017) against the corresponding quarter (Quarter ended 31 March 2016) (continued):**

**(v) Taxation**

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	CURRENT QUARTER ENDED 31.3.2017 RM	CORRESPONDING QUARTER ENDED 31.3.2016 RM	CURRENT PERIOD ENDED 31.3.2017 RM	CORRESPONDING PERIOD ENDED 31.3.2016 RM
Current tax	170,000	158,334	170,000	158,334
Deferred tax	(1,652,251)	426,710	(1,652,251)	426,710
Tax expense for the financial year	<u>(1,482,251)</u>	<u>585,044</u>	<u>(1,482,251)</u>	<u>585,044</u>
Effective tax rate	20%	22%	20%	22%

The effective tax rate for the current quarter and period ended 31 March 2017 is lower than the statutory tax rate of 24% mainly due to the lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysia tax residents incorporated in Labuan.

**(vi) Loss after taxation**

As a result of the foregoing, loss after taxation increased by RM2.7 million or 81.8% to a loss of RM6.0 million for the quarter ended 31 March 2017.

**15.2. Review of performance for the current quarter (Quarter ended 31 March 2017) against the preceding quarter (Quarter ended 31 December 2016):**

The Group's revenue decreased by RM11.8 million from RM53.2 million for the quarter ended 31 December 2016 to RM41.4 million for the quarter ended 31 March 2017, mainly due to lower utilisation during the quarter ended 31 March 2017 of 42.8% as compared to 48.1% in the quarter ended 31 December 2016 and reduction of DCR for several existing long term contracts.

The Group's loss after tax decreased by RM142.2 million from a loss after tax of RM148.2 million for the quarter ended 31 December 2016 to loss of RM6.0 million for the quarter ended 31 March 2017, mainly due to impairment of vessels of RM135.5 million in 2016. The loss reduction was offset by lower revenue during the quarter ended 31 March 2017.



**ICON OFFSHORE BERHAD (984830-D)**

(Incorporated in Malaysia)

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017**

The upstream exploration and production activities in Malaysia is expected to continue to underpin the demand for OSV. The global political concerns and volatility of the oil price during the period under review contributed to highly challenging market condition for OSV which has largely impacted the OSV operators, including the Company. In addition, OSV operators are also impacted by increasing pressure to conserve cash and secure contracts to drive utilisation rates upwards to sustain the business. However, during the quarter subsequent to period under review, the oil price has slightly increased.

As the cost optimisation and cash conservation initiatives are largely completed, the Group continue to focus on securing new contracts and maximisation of utilisation rates through competitive tendering for domestic and regional contracts, as well as leveraging on its expanded presence in Brunei.

In view of this, the Board of Directors remain cautious on the Group's financial results for the financial year ending 31 December 2017.

**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 2017.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

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

**19. LOSS BEFORE TAX**

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

	INDIVIDUAL QUARTER		CUMULATIVE YEAR	
	CURRENT QUARTER ENDED 31.3.2017 RM	CORRESPONDING QUARTER ENDED 31.3.2016 RM	CURRENT PERIOD ENDED 31.3.2017 RM	CORRESPONDING PERIOD ENDED 31.3.2016 RM
Auditor's remuneration	188,710	189,757	188,710	189,757
Consumable costs	3,424,899	1,609,820	3,424,899	1,609,820
Depreciation of property, plant and equipment	13,522,663	13,014,997	13,522,663	13,014,997
Employee benefits expense	14,873,486	16,053,197	14,873,486	16,053,197
Reversal of impairment loss on vessels	(3,247,473)	-	(3,247,473)	-
Insurance	1,069,922	1,322,047	1,069,922	1,322,047
Interest income	(204,410)	(225,690)	(204,410)	(225,690)
Interest expense	9,883,426	9,737,975	9,883,426	9,737,975
Professional fees	175,616	339,690	175,616	339,690
Realised (gain)/loss on foreign exchange	(87,171)	606,714	(87,171)	606,714
Rental of premises	600,780	593,632	600,780	593,632
Reversal of impairment of receivables	(498,880)	-	(498,880)	-
Ship operation and charter hire costs	7,804,002	7,212,075	7,804,002	7,212,075
Unrealised gain on foreign exchange	(842,429)	(550,057)	(842,429)	(550,057)
Overassessment of crew income tax penalty for previous years	(688,418)	-	(688,418)	-

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 2017**

**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.

	<b>AS AT 31.3.2017</b>	<b>AS AT 31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	89,085,567	78,054,323
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	13,000,000
- revolving credit (Short Term Revolving Credit-i)	106,068,744	106,352,028
Redeemable preference shares	9,209,512	9,209,512
Finance lease liabilities	31,155	48,950
	217,394,978	206,664,813
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	480,323,678	505,522,520
Finance lease liabilities	50,933	38,013
	480,374,611	505,560,533
<b>Total borrowings</b>	<b>697,769,589</b>	<b>712,225,346</b>

Total term loan denominated in USD is USD1.4 million (equivalent to RM6.1 million), with USD0.7 million (equivalent to RM3.3 million) being secured short-term portion and USD0.7 million (equivalent to RM2.8 million) being secured long-term portion; and in Brunei is BND30.3 million (equivalent to RM95.9 million), with BND4.8 million (equivalent to RM15.2 million) being secured short-term portion and BND25.5 million (equivalent to RM80.7 million) being secured long-term portion.

As at 31 March 2017, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM9.6 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 and year ended 31 March 2017.

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

**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:

	<b>AS AT 31.3.2017</b>	<b>AS AT 31.12.2016</b>
	<b>RM</b>	<b>RM</b>
Total (accumulated losses)/retained profits of the Company and its subsidiaries:		
- Realised	(142,486,144)	(221,359,936)
- Unrealised	51,783,786	48,532,227
	(90,702,358)	(172,827,709)
Total share accumulated profit from jointly controlled entity:		
- Realised	(425)	(1,124)
	(90,702,783)	(172,828,833)
Less: Consolidation adjustments	(251,756,042)	(163,006,712)
Total accumulated losses as per consolidated accounts	(342,458,825)	(335,835,545)

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 2017**

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

**24. LOSS PER SHARE (“LPS”)**

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE YEAR</u>	
	<u>CURRENT QUARTER ENDED 31.3.2017</u>	<u>CORRESPONDING QUARTER ENDED 31.3.2016</u>	<u>CURRENT PERIOD ENDED 31.3.2017</u>	<u>CORRESPONDING PERIOD ENDED 31.3.2016</u>
Loss attributable to equity holders (RM)	(6,623,280)	(5,006,323)	(6,623,280)	(5,006,323)
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/diluted loss per share (sen)	<u>(0.6)</u>	<u>(0.4)</u>	<u>(0.6)</u>	<u>(0.4)</u>

As at 31 March 2017, the Company has 5,470,000 dilutive potential ordinary shares outstanding pursuant to the issuance of the Employees’ Share Option Scheme on 28 December 2016. These potential ordinary shares are anti-dilutive and are consequently excluded from the determination of diluted LPS.

**BY ORDER OF THE BOARD**

Amir Hamzah Azizan  
Managing Director  
31 May 2017