

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

**QUARTERLY REPORT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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

**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the third quarter and period ended 30 September 2019 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.09.2019 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.09.2018 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.09.2019 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.09.2018 RM
Revenue	15.1 (i)	55,353,752	51,736,278	147,266,145	152,980,525
Cost of sales		(36,412,877)	(41,658,615)	(104,977,544)	(115,963,755)
Gross profit	15.1 (ii)	18,940,875	10,077,663	42,288,601	37,016,770
Other income		4,005,668	-	5,008,895	228,346
Administrative expenses	15.1 (iii)	(14,855,894)	(9,130,900)	(25,815,169)	(25,210,107)
Profit from operations		8,090,649	946,763	21,482,327	12,035,009
Finance costs		(6,390,591)	(10,272,735)	(25,496,173)	(30,576,581)
Profit/(Loss) before taxation		1,700,058	(9,325,972)	(4,013,846)	(18,541,572)
Taxation	15.1 (iv)	(6,939,395)	(775,603)	(12,777,603)	(2,697,691)
Profit/(Loss) for the quarter/period	15.1 (v)	<u>(5,239,337)</u>	<u>(10,101,575)</u>	<u>(16,791,449)</u>	<u>(21,239,263)</u>
Other comprehensive loss: Items that will be classified subsequently to profit or loss:					
Currency translation differences		(231,709)	445,141	(1,477,155)	229,643
Total comprehensive income(loss) for the quarter/period		<u>(5,471,046)</u>	<u>(9,656,434)</u>	<u>(18,268,604)</u>	<u>(21,009,620)</u>

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**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED (UNAUDITED) 30.09.2019</u>	<u>CORRESPONDING QUARTER ENDED (UNAUDITED) 30.09.2018</u>	<u>CURRENT PERIOD ENDED (UNAUDITED) 30.09.2019</u>	<u>CORRESPONDING PERIOD ENDED (UNAUDITED) 30.09.2018</u>
Note	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	(6,376,286)	(11,579,850)	(17,825,680)	(24,870,358)
-Non-controlling interests	<u>1,136,949</u>	<u>1,478,275</u>	<u>1,034,231</u>	<u>3,631,095</u>
	<u>(5,239,337)</u>	<u>(10,101,575)</u>	<u>(16,791,449)</u>	<u>(21,239,263)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	(6,494,458)	(11,352,828)	(18,579,030)	(24,753,240)
-Non-controlling interests	<u>1,023,412</u>	<u>1,696,394</u>	<u>310,426</u>	<u>3,743,620</u>
	<u>(5,471,046)</u>	<u>(9,656,434)</u>	<u>(18,268,604)</u>	<u>(21,009,620)</u>
Profit/(loss) per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted profit/(loss) per share (sen)	<u>24</u> <u>(0.54)</u>	<u>(0.98)</u>	<u>(1.51)</u>	<u>(2.11)</u>

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**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at 30.09.2019</b>	<b>As at 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current assets</b>		
Property, plant and equipment	626,305,137	627,763,591
Deferred tax assets	35,444,050	45,704,175
	661,749,187	673,467,766
<b>Current assets</b>		
Trade and other receivables	75,813,908	62,230,055
Inventories	2,035,511	668,137
Tax recoverable	126,092	2,096,827
Cash and bank balances	24,377,235	51,006,941
	102,352,746	116,001,960
<b>Less: Current liabilities</b>		
Trade and other payables	82,766,017	60,164,472
Amount due to immediate holding company	-	5,382,763
Borrowings	583,250,122	600,131,780
Taxation	2,019,495	2,385,592
	668,035,634	668,064,607
<b>Net current liabilities</b>	(565,682,888)	(552,062,647)
<b>Less: Non-current liabilities</b>		
Borrowings	38,348,855	50,376,523
Deferred tax liabilities	-	82
	38,348,855	50,376,605
	57,717,444	71,028,514
<b>Equity attributable to equity holders of the Company</b>		
Share capital	899,802,630	899,802,630
Currency translation reserve	430,421	1,183,771
Share based payment reserve	203,853	203,853
Capital contribution reserve	5,584,044	626,510
Accumulated losses	(864,606,817)	(846,781,137)
Non-controlling interest	16,303,313	15,992,887
<b>Total equity</b>	57,717,444	71,028,514

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**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Attributable to equity holders of the Company

	Issued and fully paid ordinary shares		Attributable to equity holders of the Company				Non- controlling interest RM	Total equity RM
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Non-distributable Capital contribution RM	Distributable Accumulated losses RM		
<u>Group</u>								
At 1 January 2019	899,802,630	-	1,183,771	203,853	626,510	(846,781,137)	15,992,887	71,028,514
(Loss)/Profit for the financial period	-	-	-	-	-	(17,825,680)	1,034,231	(16,791,449)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(753,350)	-	-	-	(723,805)	(1,477,155)
Total comprehensive income/(loss) for the financial period	-	-	(753,350)	-	-	(17,825,680)	310,426	(18,268,604)
Contribution of capital	-	-	-	-	4,957,534	-	-	4,957,534
At 30 September 2019	<u>899,802,630</u>	<u>-</u>	<u>430,421</u>	<u>203,853</u>	<u>5,584,044</u>	<u>(864,606,817)</u>	<u>16,303,313</u>	<u>57,717,444</u>

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

<u>Group</u>	Attributable to equity holders of the Company								
	Issued and fully paid ordinary shares		Non-distributable			Distributable		Non- controlling interest RM	Total equity RM
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM			
At 1 January 2018	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626		
Effect of the initial adoption of MFRS 9	-	-	-	-	-	2,342,152	-	2,342,152	
(Loss)/Profit for the financial year	-	-	-	-	-	(451,188,056)	2,167,912	(449,020,144)	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	101,322	-	-	-	97,349	198,671	
Total comprehensive income/(loss) for the financial year	-	-	101,322	-	-	(451,188,056)	2,265,261	(448,821,473)	
Employee Share Option Scheme (ESOS): Share based payments	-	-	-	51,330	-	-	-	51,330	
At 31 December 2018	899,802,630	-	1,183,771	203,853	626,510	(846,781,137)	15,992,887	71,028,514	

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>CURRENT PERIOD ENDED (UNAUDITED)</b>	<b>CORRESPONDING PERIOD ENDED (UNAUDITED)</b>
	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(4,013,847)	(18,541,572)
Adjustments for:		
Depreciation of property, plant and equipment	32,029,920	41,944,695
Interest expense	25,496,173	30,576,581
Interest income	(299,027)	(228,347)
Provision for doubtful debt	776,295	-
Unrealised gain on foreign exchange	(134,646)	468,682
Operating profit before working capital changes	53,854,868	54,220,039
Changes in working capital:		
Decrease/(increase) in inventories	(1,367,374)	1,074,296
Decrease/(increase) in receivables	(13,778,004)	11,903,352
Increase/(decrease) in payables	7,489,227	(8,023,216)
Cash generated from operations	46,198,717	59,174,471
Tax paid	(968,529)	(463,827)
<b>Net cash generated from operating activities</b>	<b>45,230,188</b>	<b>58,710,644</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of property, plant and equipment	4,184,450	-
Purchase of property, plant and equipment	(21,486,874)	(715,675)
Interest received	160,691	90,684
<b>Net cash used in investing activities</b>	<b>(17,141,733)</b>	<b>(624,991)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowing (net of transaction cost)	-	10,000,000
Repayment of borrowings	(31,103,594)	(31,604,659)
Interest paid	(23,342,992)	(24,858,552)
Decrease/(Increase) in deposits pledged as security	13,227,956	1,168,871
<b>Net cash used in financing activities</b>	<b>(41,218,630)</b>	<b>(45,294,340)</b>
Unrealised foreign exchange gain/(loss) on cash and bank balances	(271,575)	(212,821)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(13,401,750)</b>	<b>12,578,492</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>28,931,429</b>	<b>22,338,285</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>15,529,679</b>	<b>34,916,777</b>
Deposit pledged as security	8,847,556	24,250,588
<b>CASH AND BANK BALANCES</b>	<b>24,377,235</b>	<b>59,167,365</b>

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**QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

**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 2018.

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 2018.

As at 30 September 2019, the Group current liabilities exceeded their current assets by RM565,682,888.

The adoption of the following MFRSs, Amendments and Interpretations that came into effect on 1 January 2019 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial adoption.

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvement to MFRS 112, <i>Income Taxes</i>	1 January 2019
MFRS 123, <i>Borrowing Costs</i>	1 January 2019

Management has assessed the impact arising from the initial application of MFRS 16 and MFRS 112 on the Financial Statements of the Company. The Company does not expect to have any significant effect on the Company.

**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.

In Malaysia, some offshore support vessel activities are reduced during the monsoon period of December to February due to poor weather conditions. Hence the Group experienced a drop in activity during the three months.

**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 30 September 2019.

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

**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 30 September 2019.

**5. DEBT AND EQUITY SECURITIES**

There were no issuance, repurchase and repayment of debt and equity securities by the Group during the quarter and period ended 30 September 2019.

**6. DIVIDEND PAID**

There was no dividend paid by the Group during the quarter and period ended 30 September 2019.

**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.

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

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

**7.2 Geographical Information**

The Group 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 PERIOD ENDED		CORRESPONDING PERIOD ENDED	
	30.09.2019		30.09.2018		30.09.2019		30.09.2018	
	%	RM	%	RM	%	RM	%	RM
<b>Revenue</b>								
Malaysia	66	36,489,656	65	33,625,329	66	97,520,747	68	104,764,672
Others	34	18,864,096	35	18,110,949	34	49,745,398	32	48,215,853
<b>Total</b>	<b>100</b>	<b>55,353,752</b>	<b>100</b>	<b>51,736,278</b>	<b>100</b>	<b>147,266,145</b>	<b>100</b>	<b>152,980,525</b>

**7.3 Services**

The Group revenue comprises mainly of 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	CORRESPONDING QUARTER ENDED	CURRENT PERIOD ENDED	CORRESPONDING PERIOD ENDED
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	52,229,669	47,135,897	137,885,525	139,044,188
- Charter hire of forerunner vessels	1,403,098	2,185,408	4,159,343	2,185,408
- Net third party chartered in vessels	-	(103,532)	-	4,534,848
	53,632,767	49,217,773	142,044,868	145,764,444
- Others <sup>(1)</sup>	1,720,985	2,518,505	5,221,277	7,216,081
	55,353,752	51,736,278	147,266,145	152,980,525

Note

<sup>(1)</sup> Others comprise revenue from goods supplied / services rendered to clients during the charter hire.

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**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 30 September 2019.

**9. CAPITAL COMMITMENTS**

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

	<b>AS AT 30.09.2019</b>	<b>AS AT 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
Approved and contracted capital expenditure commitments	2,900,244	3,559,061

**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 PERIOD</b>	
	<b>CURRENT QUARTER ENDED 30.09.2019</b>	<b>CORRESPONDING QUARTER ENDED 30.09.2018</b>	<b>CURRENT PERIOD ENDED 30.09.2019</b>	<b>CORRESPONDING PERIOD ENDED 30.09.2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest expense to immediate holding company	(2,436,579)	1,061,505	(2,436,579)	3,144,749

The immediate holding company has waived the Guarantee Fee up to end of FY 2018 relating to a financing facility amounting to RM4,957,534. The waiver has been accounted for as Capital Contribution. As the holding company has stopped charging the Guarantee Fee in FY 2019, the accrued amount of RM2,436,579 was reversed in the current quarter. The transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

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

**10.2 Significant related party transactions (continued)**

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 consistently applied terms in accordance with the Group 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 values 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.

	<b>Carrying amount</b>		<b>Fair Value</b>	
	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>
	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed rate term loans	<u>161,300,937</u>	<u>190,643,523</u>	<u>161,303,623</u>	<u>191,971,535</u>

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

There were no revaluations of property, plant and equipment during the quarter and period ended 30 September 2019 except for vessels for the purpose of impairment review. As at 30 September 2019, 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**

During its Extraordinary General Meeting (“EGM”) on 26 November 2019, shareholders of the Company approved multiple resolutions to support the proposed Rights Issue which is an integral part of its proposed Debt Restructuring.

**14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

As at 30 September 2019, the Group did not have any material contingent liabilities or assets.

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

**15. ANALYSIS OF PERFORMANCE**

**15.1 Review of performance for the current quarter (Quarter ended 30 September 2019) against the corresponding quarter (Quarter ended 30 September 2018):**

**(i) Revenue**

Revenue increased by RM3.7 million or 7% in the current quarter, from RM51.7 million in the corresponding quarter to RM55.4 million in the current quarter, mainly due to higher utilisation (2019: 57.5% ; 2018: 54.9%)

**(ii) Gross profit**

The cost of sales decreased by RM5.3 million or 13%, from RM41.7 million for the quarter ended 30 September 2018 to RM36.4 million for the quarter ended 30 September 2019 mainly due to lower depreciation charge after impairment of vessels in FY2018, offset by additional cost for forerunner vessel hire.

Consequently, the Group gross profit increased by RM8.8 million or 87%, from RM10.1 million in the corresponding quarter to RM18.9 million in the current quarter.

**(iii) Administrative expenses**

The administrative expenses increased by RM5.8 million or 64%, from RM9.1 million for the quarter ended 30 September 2018 to RM14.9 million for the quarter ended 30 September 2019 primarily due to expenses in relation to corporate exercise.

**(iv) Taxation**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED 30.09.2019</u>	<u>CORRESPONDING QUARTER ENDED 30.09.2018</u>	<u>CURRENT PERIOD ENDED 30.09.2019</u>	<u>CORRESPONDING PERIOD ENDED 30.09.2018</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Current tax	1,708,885	247,900	4,232,676	1,778,232
Deferred tax	5,230,510	527,703	8,544,927	919,459
Tax expense for the financial year	<u>6,939,395</u>	<u>775,603</u>	<u>12,777,603</u>	<u>2,697,691</u>
Effective tax rate	>100%	8%	>100%	14%

The effective tax rate for the current quarter and period ended 30 September 2019 is higher than the statutory tax rate of 24% mainly due to under provision of tax in the subsidiaries of the Group in prior years.

The taxation expense/(credit) during the current quarter and period ended 30 September 2019 includes the tax expense/(credit) of the Labuan subsidiaries calculated based on 3% of profits under Labuan Business Activity Tax Act (1990) of (RM210,576) for the current quarter and RM508,216 for the period ended 30 September 2019, pending pronouncements and guidance on the application of the substance requirement.

**(v) Loss after taxation**

As a result of the foregoing, loss after taxation of RM5.2 million in the current quarter is lower by RM4.9 million compared to loss after tax of RM10.1 million in the corresponding quarter.

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

**15. ANALYSIS OF PERFORMANCE (continued)**

**15.2 Review of performance for the current period ended 30 September 2019 against the corresponding period ended 30 September 2018:**

**(i) Revenue**

The Group revenue decreased by RM5.7 million or 4%, from RM153.0 million in the corresponding period to RM147.3 million in the current period, mainly due to nil revenue from 3<sup>rd</sup> party vessel as compared to corresponding period.

**(ii) Gross profit**

The cost of sales decreased by RM11.0 million or 10%, in the current period from RM116.0 million for the corresponding period to RM105.0 million in this current period. This is mainly due to lower depreciation after vessel impairment in FY2018.

Consequently, the Group gross profit increased by RM5.3 million or 14% from RM37.0 million in the corresponding quarter to RM42.3 million in the current quarter.

**(iii) Administrative expenses**

The administrative expenses increased by RM0.6 million or 2%, from RM25.2 million for the period ended 30 September 2018 to RM25.8 million for the period ended 30 September 2019 primarily due to expenses in relation to corporate exercise.

**(iv) Loss after taxation**

As a result of the foregoing, loss after taxation decreased from RM21.2 million for period ended 30 September 2018 to RM16.8 million for the period ended 30 September 2019.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
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**15. ANALYSIS OF PERFORMANCE (continued)**

**15.3 Review of performance for the current quarter (Quarter ended 30 September 2019) against the preceding quarter (Quarter ended 30 June 2019):**

The Group revenue increased by RM5.3 million or 11% from RM50.1 million for the quarter ended 30 June 2019 to RM55.4 million for the quarter ended 30 September 2019, mainly due to higher utilisation during the quarter ended 30 September 2019 of 57.5% as compared to 50.1% in the quarter ended 30 June 2019.

The Group loss after tax has increased by RM4.3 million from a loss after tax of RM0.9 million for the quarter ended 30 June 2019 to loss after tax of RM5.2 million for the quarter ended 30 September 2019, mainly due to higher administrative expenses and higher taxation expense in the current quarter.

**16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019**

The Group continues to focus on securing new contracts and maximising utilisation rate through competitive bidding for domestic and regional contracts as well as leveraging on its continued presence in Brunei. The upstream exploration and production activities in Malaysia are expected to gradually increase but continue to be volatile and underpin the demand for OSV. As a significant portion of the Group's order book is long term (more than one year) in nature, this provides cashflow stability and earnings visibility. The Group continues to work on conserving cash and reducing cost to improve its liquidity and competitiveness on the back of leaner Balance Sheet.

During EGM convened on 26 November 2019, the shareholders approve all the corporate proposals that were announced on 19 August 2019. This paves the way forward for the Group on its proposed Debt Restructuring and fund raising via Rights Issue that will increase its share capital, reduce its borrowing, improve gearing level and put the Group in strong financial position to capitalise on the improving economic conditions in the industry.

In view of this, the Board of Directors remain focused in improvement initiatives, liquidity and competitiveness.

**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 2018.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
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**19. LOSS BEFORE TAX**

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.09.2019 RM	CORRESPONDING QUARTER ENDED 30.09.2018 RM	CURRENT PERIOD ENDED 30.09.2019 RM	CORRESPONDING PERIOD ENDED 30.09.2018 RM
Depreciation of property, plant and equipment	10,271,354	13,646,166	32,029,920	41,944,695
Insurance expenses	1,131,138	1,219,997	4,022,323	3,662,571
Insurance recovery	(2,324,720)	-	(3,137,684)	-
Interest income	(148,093)	-	(299,027)	(228,347)
Interest expense	6,390,591	10,272,735	25,496,173	30,576,581
Realised loss on foreign exchange	53,775	526,941	271,576	701,454
Unrealised loss/(gain) on foreign exchange	(134,183)	568,591	(134,646)	468,682

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.

**20. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

The shareholders of the Company have approved multiple resolutions during the EGM on 26 November 2019 in support of all the corporate proposals announced on 19 August 2019.

Barring on any unforeseen circumstances and subject to all relevant approvals being obtained, the corporate proposals are expected to be completed in 1st Quarter of 2020.

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

**21. 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 30.09.2019</b>	<b>AS AT 31.12.2018</b>
	<b>RM</b>	<b>RM</b>
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	396,237,750	407,515,465
- revolving credit	-	-
- revolving credit (Commodity Murabahah Financing-i)	7,893,899	13,000,000
- revolving credit (Short Term Revolving Credit-i)	170,000,000	170,425,000
Redeemable preference shares	9,118,473	9,191,315
	<b>583,250,122</b>	<b>600,131,780</b>
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	38,348,855	50,376,523
	<b>38,348,855</b>	<b>50,376,523</b>
<b>Total borrowings</b>	<b>621,598,977</b>	<b>650,508,303</b>

Total term loan denominated in USD is USD0.4 million (equivalent to RM1.5 million) and in BND is BND18.3 million (equivalent to RM55.4 million) both being secured.

As at 30 September 2019, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM3.1 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.

The Group has recognised most of borrowings as current liabilities whilst undergoing a standstill for loan repayments due to the restructuring scheme which is still in progress.

**22. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group does not have any derivative financial instruments for the quarter and year ended 30 September 2019.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
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**23. CHANGES IN MATERIAL LITIGATION**

Further to our announcement on 27 June 2019, the first case management was held on 5 July 2019. Icon Ship Management Sdn Bhd (“ISM”), a wholly-owned subsidiary of IOB, had on 26 July 2019 filed their statement of defence and Labuan Shipyard and Engineering Sdn Bhd (“LSE”) had on 21 August 2019 filed their reply to ISM’s statement of defence. The next case management has been set on 9 January 2020 and 23 January 2020.

**24. PROFIT/(LOSS) PER SHARE (“LPS”)**

The basic profit/ (loss) per share has been calculated based on the consolidated profit/ (loss) 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 30.09.2019	CORRESPONDING QUARTER ENDED 30.09.2018	CURRENT PERIOD ENDED 30.09.2019	CORRESPONDING PERIOD ENDED 30.09.2018
Profit/(Loss) attributable to equity holders (RM)	(6,376,286)	(11,579,850)	(17,825,680)	(24,870,358)
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 profit/(loss) per share (sen)	<u>(0.54)</u>	<u>(0.98)</u>	<u>(1.51)</u>	<u>(2.11)</u>

As at 30 September 2019, the Company has 5,700,000 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 profit/(loss) per share.

**BY ORDER OF THE BOARD**

Dato’ Sri Hadian Hashim  
Managing Director  
28 November 2019