

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

**QUARTERLY REPORT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019**

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the fourth quarter and period ended 31 December 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) 31.12.2019 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.12.2018 RM	CURRENT PERIOD ENDED (UNAUDITED) 31.12.2019 RM	CORRESPONDING PERIOD ENDED (AUDITED) 31.12.2018 RM
Revenue	15.1 (i)	53,790,236	46,766,620	201,056,381	199,747,145
Cost of sales		(36,919,174)	(45,655,025)	(141,896,718)	(172,839,632)
Gross profit	15.1 (ii)	16,871,062	1,111,595	59,159,663	26,907,513
Other income		336,325	36,872,455	5,345,220	37,100,802
Administrative expenses	15.1 (iii)	(8,999,875)	(25,149,046)	(34,815,044)	(50,359,155)
Other income/(expenses)		11,855,000	(419,897,611)	11,855,000	(419,897,611)
Profit/(Loss) from operations		20,062,512	(407,062,607)	41,544,839	(406,248,451)
Finance costs		(8,735,314)	(10,066,203)	(34,231,487)	(40,642,783)
Profit/(Loss) before taxation		11,327,198	(417,128,810)	7,313,352	(446,891,234)
Taxation	15.1 (iv)	(2,008,930)	568,781	(14,786,533)	(2,128,910)
Profit/(Loss) for the quarter/period	15.1 (v)	9,318,268	(416,560,029)	(7,473,181)	(449,020,144)
Other comprehensive loss: Items that will be classified subsequently to profit or loss:					
Currency translation differences		(405)	(30,972)	(1,477,559)	198,671
Total comprehensive income/(loss) for the quarter/period		9,317,863	(416,591,001)	(8,950,740)	(448,821,473)

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED) 31.12.2019	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.12.2018	CURRENT PERIOD ENDED (UNAUDITED) 31.12.2019	CORRESPONDING PERIOD ENDED (AUDITED) 31.12.2018
Note	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	7,408,681	(415,096,846)	(10,416,998)	(451,188,056)
-Non-controlling interests	<u>1,909,587</u>	<u>(1,463,183)</u>	<u>2,943,817</u>	<u>2,167,912</u>
	<u>9,318,268</u>	<u>(416,560,029)</u>	<u>(7,473,181)</u>	<u>(449,020,144)</u>
Total comprehensive income/(loss) attributable to :				
-Equity holders of the Company	7,408,474	(415,112,641)	(11,170,555)	(451,086,734)
-Non-controlling interests	<u>1,909,389</u>	<u>(1,478,359)</u>	<u>2,219,815</u>	<u>2,265,261</u>
	<u>9,317,863</u>	<u>(416,591,001)</u>	<u>(8,950,740)</u>	<u>(448,821,473)</u>
Profit/(loss) per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted earnings/(loss) per share (sen)	<u>0.63</u>	<u>(35.26)</u>	<u>(0.88)</u>	<u>(38.33)</u>

24

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 31.12.2019 RM	Audited As at 31.12.2018 RM
Non-current assets		
Property, plant and equipment	625,042,638	627,763,591
Deferred tax assets	37,122,866	45,704,175
Right of Use	1,110,862	-
	663,276,366	673,467,766
Current assets		
Trade and other receivables	50,482,970	62,230,055
Inventories	3,489,329	668,137
Tax recoverable	154,679	2,096,827
Cash and bank balances	30,324,159	51,006,941
	84,451,137	116,001,960
Asset Held for Sale	5,341,365	-
	89,792,502	116,001,960
Less: Current liabilities		
Trade and other payables	64,800,818	60,164,472
Amount due to immediate holding company	-	5,382,763
Borrowings	580,617,292	600,131,780
Taxation	2,228,302	2,385,592
	647,646,412	668,064,607
Net current liabilities	(557,853,910)	(552,062,647)
Less: Non-current liabilities		
Finance Lease	1,143,252	-
Borrowings	34,086,399	50,376,523
Deferred tax liabilities	3,157,497	82
	38,387,148	50,376,605
	67,035,308	71,028,514
Equity attributable to equity holders of the Company		
Share capital	899,802,630	899,802,630
Currency translation reserve	430,214	1,183,771
Share based payment reserve	203,853	203,853
Capital contribution reserve	5,584,044	626,510
Accumulated losses	(857,198,135)	(846,781,137)
Non-controlling interest	18,212,702	15,992,887
Total equity	67,035,308	71,028,514

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	-	-	-	(10,416,998)	2,943,817	(7,473,181)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(753,557)	-	-	-	(724,002)	(1,477,559)
Total comprehensive income/(loss) for the financial period	-	-	(753,557)	-	-	(10,416,998)	2,219,815	(8,950,740)
Contribution of capital	-	-	-	-	4,957,534	-	-	4,957,534
At 31 December 2019	<u>899,802,630</u>	<u>-</u>	<u>430,214</u>	<u>203,853</u>	<u>5,584,044</u>	<u>(857,198,135)</u>	<u>18,212,702</u>	<u>67,035,308</u>

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company							
	Issued and fully paid ordinary shares		Non-distributable			Distributable	Non- controlling interest	Total equity
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM		
<u>Group</u>								
At 1 January 2018	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505
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	<u>899,802,630</u>	<u>-</u>	<u>1,183,771</u>	<u>203,853</u>	<u>626,510</u>	<u>(846,781,137)</u>	<u>15,992,887</u>	<u>71,028,514</u>

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (AUDITED)
	31.12.2019	31.12.2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	7,313,352	(446,891,234)
Adjustments for:		
Depreciation of property, plant and equipment	43,369,236	56,034,411
Interest expense	34,231,487	40,642,783
Interest income	(327,807)	(391,476)
Impairment loss on vessels	-	426,524,553
Reversal Impairment loss on vessels	(11,855,000)	(6,626,942)
Impairment of receivable/(reversal of impairment) (net)	776,295	(681,323)
Provision for suspension cost	-	8,829,036
Share-based payment expense	-	51,330
Write off of receivables	-	6,163,780
Waiver of outstanding shipbuilding cost	-	(35,093,411)
Loss on disposal of vessel	48,671	169,991
Fixed asset write off	-	429,860
Gain on revaluation asset held for sale	(220,514)	-
Unrealised loss on foreign exchange	330,619	290,009
Operating profit before working capital changes	73,666,339	49,451,367
Changes in working capital:		
(Increase)/decrease in inventories	(2,821,192)	2,501,119
Decrease in receivables	8,840,663	39,164,784
Increase/(decrease) in payables	102,899	(12,309,585)
Cash generated from operations	79,788,709	78,807,685
Tax paid	(1,627,530)	(1,563,797)
Tax refund	520,812	-
Net cash generated from operating activities	78,681,991	77,243,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	4,184,450	2,500,000
Purchase of property, plant and equipment	(36,946,455)	(8,049,932)
Interest received	327,807	391,474
Net cash used in investing activities	(32,434,198)	(5,158,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowing (net of transaction cost)	-	15,000,000
Repayment of finance lease	-	(82,088)
Repayment of borrowings	(37,134,733)	(50,604,801)
Interest paid	(30,278,876)	(33,367,959)
Decrease in deposits pledged as security	14,328,853	3,343,947
Net cash used in financing activities	(53,084,756)	(65,710,901)
Unrealised foreign exchange gain on cash and bank balances	483,034	218,615
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,353,929)	6,593,144
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	28,931,429	22,338,285
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22,577,500	28,931,429
Deposit pledged as security	7,746,659	22,075,512
CASH AND BANK BALANCES	30,324,159	51,006,941

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2019, the Group current liabilities exceeded their current assets by RM557,853,910.

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.

MFRS / Amendments / Interpretations	Effective date
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, MFRS 112 and MFRS 123 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 31 December 2019.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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 31 December 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 31 December 2019.

6. DIVIDEND PAID

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

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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	
	31.12.2019		31.12.2018		31.12.2019		31.12.2018	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	78	41,774,836	71	33,422,518	69	139,295,583	69	138,187,190
Others	22	12,015,400	29	13,344,102	31	61,760,798	31	61,559,955
Total	100	53,790,236	100	46,766,620	100	201,056,381	100	199,747,145

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
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	50,875,974	41,383,346	188,761,499	180,427,533
- Charter hire of substitute vessels	890,332	3,522,467	5,049,675	5,707,875
- Net third party chartered in vessels	-	135,718	-	4,670,566
	51,766,306	45,041,531	193,811,174	190,805,974
- Others ⁽¹⁾	2,023,930	1,725,089	7,245,207	8,941,171
	53,790,236	46,766,620	201,056,381	199,747,145

Note

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

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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 December 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:

	AS AT 31.12.2019	AS AT 31.12.2018
	RM	RM
Approved and contracted capital expenditure commitments	6,394,141	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.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.12.2019	CORRESPONDING QUARTER ENDED 31.12.2018	CURRENT PERIOD ENDED 31.12.2019	CORRESPONDING PERIOD ENDED 31.12.2018
	RM	RM	RM	RM
Interest expense to immediate holding company	-	1,071,233	(2,436,579)	4,215,982

The immediate holding company has waived the Guarantee Fee up to end of FY2018 relating to a financing facility amounting to RM4,957,534. The waiver has been accounted for as Capital Contribution. As the immediate holding company has stopped charging the Guarantee Fee in FY2019, the accrued amount of RM2,436,579 was reversed in the current period ended 31 December 2019. The transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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.

	Carrying amount		Fair Value	
	AS AT	AS AT	AS AT	AS AT
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM	RM	RM	RM
Fixed rate term loans	<u>166,713,624</u>	<u>185,786,540</u>	<u>160,947,257</u>	<u>184,033,020</u>

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 31 December 2019 except for vessels for the purpose of impairment review. As at 31 December 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

There are 2 material events subsequent to the end of the quarter:-

- i) As per announcement dated 17 February 2020, the Group has met on 13 February 2020 all the conditions precedents to the supplementary agreements signed with financiers on 19 August 2019 under its proposed restructuring scheme. As per the supplementary agreements, the effective date of the restructured terms is 27 February 2020. Therefore as at 31 December 2019, the Group will continue to classify its borrowings of RM580,617,292 as current liabilities and the restructured terms of the borrowings will only be reflected in the financial statement with effect from 27 February 2020.
- ii) As per announcement dated 18 February 2020, the Company has completed all the corporate proposals which includes share consolidation, rights issue with warrants and issuance of shares to financiers and certain creditor. Total amount of RM247.2 million was raised through rights issue with warrants. Accordingly, this will increase the Group's net assets by RM247.2 million as of that date.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 December 2019, the Group did not have any material contingent liabilities or assets.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 31 December 2019) against the corresponding quarter (Quarter ended 31 December 2018):

(i) Revenue

Revenue increased by RM7.0 million or 15% in the current quarter, from RM46.8 million in the corresponding quarter to RM53.8 million in the current quarter, mainly due to higher utilisation (2019: 59.0% ; 2018: 50.9%)

(ii) Gross profit

The cost of sales decreased by RM8.7 million or 19%, from RM45.7 million for the quarter ended 31 December 2018 to RM36.9 million for the quarter ended 31 December 2019 mainly due to lower depreciation charge after impairment of vessels in FY2018 and lower cost of substitute vessel.

Consequently, the Group gross profit increased by RM15.8 million or more than 100%, from RM1.1 million in the corresponding quarter to RM16.9 million in the current quarter.

(iii) Administrative expenses

The administrative expenses decreased by RM16.1 million or 64%, from RM25.1 million for the quarter ended 31 December 2018 to RM9.0 million for the quarter ended 31 December 2019 primarily due to last year's figure includes suspension cost on shipbuilding contracts.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 31.12.2019	CORRESPONDING QUARTER ENDED 31.12.2018	CURRENT PERIOD ENDED 31.12.2019	CORRESPONDING PERIOD ENDED 31.12.2018
	RM	RM	RM	RM
Current tax	311,871	607,003	4,544,548	1,872,585
Deferred tax	1,697,059	(1,175,784)	10,241,985	256,325
Tax expense for the financial year	<u>2,008,930</u>	<u>(568,781)</u>	<u>14,786,533</u>	<u>2,128,910</u>
Effective tax rate	18%	0%	>100%	1%

The effective tax rate for the current quarter and period ended 31 December 2019 is lower than the statutory tax rate of 24% mainly due to lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysia tax residents incorporated in Labuan.

The effective tax rate for the period ended 31 December 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.

(v) Profit after taxation

As a result of the foregoing, profit after taxation of RM9.3 million in the current quarter is higher by RM425.9 million compared to loss after tax of RM416.6 million in the corresponding quarter mainly due to impairment of vessels amounting to RM419.9 million in 2018.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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 31 December 2019 against the corresponding period ended 31 December 2018:

(i) Revenue

The Group revenue increased by RM1.3 million or 1%, from RM199.7 million in the corresponding period to RM201.1 million in the current period, mainly due to higher charter rate in the current period.

(ii) Gross profit

The cost of sales decreased by RM30.9 million or 18% to RM141.9 million in the current period compared to RM172.8 million in the corresponding period. This is mainly due to lower depreciation after vessel impairment in FY2018.

Consequently, the Group gross profit increased by RM32.3 million or more than 100% from RM26.9 million in the corresponding quarter to RM59.2 million in the current period.

(iii) Administrative expenses

The administrative expenses decreased by RM15.5 million or 31%, from RM50.4 million for the period ended 31 December 2018 to RM34.8 million for the period ended 31 December 2019 primarily due to suspension cost on shipbuilding contracts in corresponding period.

(iv) Loss after taxation

As a result of the foregoing, loss after taxation decreased from RM449.0 million for period ended 31 December 2018 to RM7.5 million for the period ended 31 December 2019.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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

15. ANALYSIS OF PERFORMANCE (continued)

15.3 Review of performance for the current quarter (Quarter ended 31 December 2019) against the preceding quarter (Quarter ended 30 September 2019):

The Group revenue decreased by RM1.6 million or 3% from RM55.4 million for the quarter ended 30 September 2019 to RM53.8 million for the quarter ended 31 December 2019, mainly due to lower utilisation from certain vessels during the quarter ended 31 December 2019.

The Group profit after tax has increased by RM14.6 million from a loss after tax of RM5.2 million for the quarter ended 30 September 2019 to profit after tax of RM9.3 million for the quarter ended 31 December 2019, mainly due to reversal of impairment on vessels.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

The upstream exploration and production activities in Malaysia are expected to gradually increase but continue to be volatile and underpin the demand for OSV.

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. 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 improve its operational efficiencies and higher utilisation of its vessels.

With the completion of the corporate proposals that include fund raising of RM247.2 million as announced on 18 February 2020, the Group is in stronger financial position to capitalise on the improving economic conditions in the industry. In view of this, the Board of Directors remain focused on improvement initiatives and synergistic business opportunities.

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.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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 PERIOD	
	CURRENT QUARTER ENDED 31.12.2019	CORRESPONDING QUARTER ENDED 31.12.2018	CURRENT PERIOD ENDED 31.12.2019	CORRESPONDING PERIOD ENDED 31.12.2018
	RM	RM	RM	RM
Depreciation of property, plant and equipment	11,339,316	14,089,716	43,369,236	56,034,411
Impairment loss on vessels	-	426,524,553	-	426,524,553
Reversal of impairment loss on vessels	(11,855,000)	(6,626,942)	(11,855,000)	(6,626,942)
Gain on revaluation asset held for sale	(220,514)	-	(220,514)	-
Insurance expenses	1,276,557	1,121,772	5,298,880	4,784,343
Insurance recovery	-	(1,855,351)	(3,138,675)	(2,035,222)
Interest income	(28,780)	(163,129)	(327,807)	(391,476)
Interest expense	8,735,314	10,066,202	34,231,487	40,642,783
Fixed asset write-off	-	429,860	-	429,860
Realised loss on foreign exchange	211,460	284,336	483,034	985,790
Unrealised loss/(gain) on foreign exchange	465,265	(675,684)	330,619	(290,009)

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 FOURTH QUARTER ENDED 31 DECEMBER 2019

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

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED

As per announcement dated 18 February 2020, the Company has completed all the corporate proposals which includes share consolidation, rights issue with warrants and issuance of shares to financiers and certain creditor.

The following table summarises the utilisation of proceeds from the rights issue with warrants:-

Purpose	Proposed Utilisation (RM '000)	Actual Utilisation (RM '000)	Intended Timeframe for Utilisation (months)
i) Part repayment of bank borrowings of the Group	170,000	170,000	1
ii) General working capital of the Group	8,759	-	24
iii) Capital expenditure of the Group	59,260	5,214	24
iv) Estimated expenses relating to corporate proposals and debt restructuring	9,190	6,344	3
TOTAL	247,209	181,558	

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

**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.

	AS AT 31.12.2019	AS AT 31.12.2018
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loan	393,572,423	407,515,465
- 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	9,150,971	9,191,315
	580,617,292	600,131,780
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	34,086,399	50,376,523
	34,086,399	50,376,523
Total borrowings	614,703,691	650,508,303

Total term loan denominated in USD is USD0.4 million (equivalent to RM1.5 million) and in BND is BND16.9 million (equivalent to RM50.7 million) both being secured.

As at 31 December 2019, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM5.3 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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 31 December 2019.

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

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

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 20 March 2020.

24. EARNINGS/(LOSS) PER SHARE (“EPS”/ (“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 31.12.2019	CORRESPONDING QUARTER ENDED 31.12.2018	CURRENT PERIOD ENDED 31.12.2019	CORRESPONDING PERIOD ENDED 31.12.2018
Profit/(Loss) attributable to equity holders (RM)	7,408,681	(415,096,846)	(10,416,998)	(451,188,056)
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>0.63</u>	<u>(35.26)</u>	<u>(0.88)</u>	<u>(38.33)</u>

As at 31 December 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 earnings/(loss) per share.

BY ORDER OF THE BOARD

Dato’ Sri Hadian Hashim
Managing Director
27 February 2020