

ICON OFFSHORE BERHAD
(201201011310 (984830-D)) (Incorporated in Malaysia)

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

The Board of Directors of Icon Offshore Berhad (“ICON” or “the Group”) announce the following unaudited condensed consolidated financial statements for the second quarter and period ended 30 June 2020 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.06.2020 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2019 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.06.2020 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.06.2019 RM
Revenue	15.1 (i)	56,002,087	50,144,251	104,882,430	91,912,394
Cost of sales		(35,089,388)	(33,120,422)	(71,315,186)	(68,564,668)
Gross profit	15.1 (ii)	20,912,699	17,023,829	33,567,244	23,347,726
Other income		359,172	49,388	19,559,254	1,003,227
Administrative expenses	15.1 (iii)	(6,010,976)	(3,524,787)	(15,461,471)	(10,959,275)
Other expenses		-	2,011,047	-	-
Profit/(Loss) from operations		15,260,895	15,559,477	37,665,027	13,391,678
Finance costs		(5,511,200)	(10,762,332)	(3,431,874)	(19,105,582)
Profit/(Loss) before taxation		9,749,695	4,797,145	34,233,153	(5,713,904)
Taxation	15.1 (iv)	(1,572,402)	(5,678,360)	(4,438,790)	(5,838,208)
Profit/(Loss) for the quarter/period	15.1 (v)	8,177,293	(881,215)	29,794,362	(11,552,112)
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss:					
Currency translation differences		336,378	(145,489)	223,045	(1,245,446)
Total comprehensive profit/(loss) for the quarter/period		8,513,671	(1,026,704)	30,017,407	(12,797,558)

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
Note	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	6,899,272	(3,803,954)	27,258,230	(11,449,394)
-Non-controlling interests	<u>1,278,021</u>	<u>2,922,739</u>	<u>2,536,131</u>	<u>(102,718)</u>
	<u>8,177,293</u>	<u>(881,215)</u>	<u>29,794,361</u>	<u>(11,552,112)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	7,070,825	(3,878,153)	27,371,983	(12,084,571)
-Non-controlling interests	<u>1,442,846</u>	<u>2,851,449</u>	<u>2,645,424</u>	<u>(712,987)</u>
	<u>8,513,671</u>	<u>(1,026,704)</u>	<u>30,017,407</u>	<u>(12,797,558)</u>
Profit/(Loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:				
Basic/diluted earnings/(loss) per share (sen)	24 <u>0.33</u>	<u>(0.32)</u>	<u>1.31</u>	<u>(0.97)</u>

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30.06.2020 RM	Audited As at 31.12.2019 RM
Non-current assets		
Property, plant and equipment	617,630,954	623,749,645
Right-of-use assets	750,540	1,110,862
Deferred tax assets	41,790,509	40,911,866
	660,172,003	665,772,373
Current assets		
Trade and other receivables	58,917,503	49,013,999
Inventories	2,300,057	3,489,329
Tax recoverable	72,280	154,679
Cash and bank balances	79,805,647	30,796,532
	141,095,487	83,454,539
Asset Held for Sale	-	5,341,365
	141,095,487	88,795,904
Less: Current liabilities		
Trade and other payables	45,738,220	61,694,714
Lease liabilities	670,843	698,731
Borrowings	54,053,433	581,287,687
Taxation	3,478,898	2,690,117
	103,941,394	646,371,249
Net current assets/(liabilities)	37,154,093	(557,575,345)
Less: Non-current liabilities		
Lease liabilities	112,761	444,521
Borrowings	314,051,967	34,130,909
Deferred tax liabilities	9,470,595	6,567,043
	323,635,323	41,142,473
	373,690,773	67,054,555
Equity attributable to equity holders of the Company		
Share capital	1,143,695,602	899,802,630
Warrants reserve	32,725,839	-
Currency translation reserve	544,106	430,353
Share based payment reserve	226,227	226,227
Capital contribution reserve	5,584,044	5,584,044
Accumulated losses	(829,540,658)	(856,798,888)
Non-controlling interest	20,455,613	17,810,189
Total equity	373,690,773	67,054,555

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

<u>Group</u>	Issued and fully paid ordinary shares	Non-distributable					Distributable	Non- controlling interest RM	Total equity RM
	Share capital RM	Warrants reserve RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM			
At 1 January 2020	899,802,630	-	430,353	226,227	5,584,044	(856,798,888)	17,810,189	67,054,555	
Profit for the financial period	-	-	-	-	-	27,258,230	2,536,131	29,794,361	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	113,753	-	-	-	109,293	223,046	
Total comprehensive income for the financial period	-	-	113,753	-	-	27,258,230	2,645,424	30,017,407	
Issuance of shares	243,892,972	32,725,839	-	-	-	-	-	276,618,811	
Share based payments	-	-	-	-	-	-	-	-	
At 30 June 2020	<u>1,143,695,602</u>	<u>32,725,839</u>	<u>544,106</u>	<u>226,227</u>	<u>5,584,044</u>	<u>(829,540,658)</u>	<u>20,455,613</u>	<u>373,690,773</u>	

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

<u>Group</u>	Attributable to equity holders of the Company						
	<u>Issued and fully paid ordinary shares</u>	<u>Non-distributable</u>			<u>Distributable</u>		<u>Total equity</u> RM
	<u>Share capital</u> RM	<u>Currency translation reserve</u> RM	<u>Share based payment reserve</u> RM	<u>Capital contribution</u> RM	<u>Accumulated losses</u> RM	<u>Non- controlling interest</u> RM	
At 1 January 2019	899,802,630	1,183,771	203,853	626,510	(846,781,137)	15,992,887	
(Loss)/Profit for the financial year	-	-	-	-	(10,017,751)	2,541,172	(7,476,579)
Currency translation differences, representing total income and expense recognised directly in equity	-	(753,418)	-	-	-	(723,870)	(1,477,288)
Total comprehensive income/(loss) for the financial year	-	(753,418)	-	-	(10,017,751)	1,817,302	(8,953,867)
Employee Share Option Scheme (ESOS):							
Share based payments	-	-	22,374	-	-	-	22,374
Contribution on capital	-	-	-	4,957,534	-	-	4,957,534
At 31 December 2019	899,802,630	430,353	226,227	5,584,044	(856,798,888)	17,810,189	67,054,555

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
	30.06.2020	30.06.2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	34,233,153	(5,713,904)
Adjustments for:		
Depreciation of property, plant and equipment	23,408,000	21,758,566
Depreciation of right-of-use assets	360,323	-
Interest expense	12,196,370	19,105,582
Interest income	(410,976)	(150,934)
Waiver of Interest payable	(8,764,496)	-
Gain on debt restructuring	(19,120,160)	-
Unrealised loss/(gain) on foreign exchange	35,988	(463)
Operating profit before working capital changes	41,938,202	34,998,847
Changes in working capital:		
Decrease/(increase) in inventories	1,189,272	(1,582,834)
(Increase)/decrease in receivables	(9,903,503)	(17,244,130)
(Decrease)/increase in payables	(17,946,341)	3,073,418
Cash generated from operations	15,277,630	19,245,301
Tax paid	(1,194,101)	(192,901)
Net cash generated from operating activities	14,083,529	19,052,400
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	-	4,194,450
Purchase of property, plant and equipment	(15,356,476)	(16,357,835)
Interest received	410,976	147,183
Net cash used in investing activities	(14,945,500)	(12,016,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(386,953)	-
Repayment of borrowings	(187,082,721)	(10,239,982)
Interest paid	(9,763,580)	(15,392,794)
Issuance of shares	247,208,871	-
Decrease /(Increase) in deposits pledged as security	(546,624)	(4,606,515)
Net cash generated from/(used in) financing activities	49,428,993	(30,239,291)
Unrealised foreign exchange (loss)/gain on cash and bank balances	(104,531)	16,257
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	48,462,491	(23,186,836)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,308,940	28,931,429
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	62,771,431	5,744,593
Deposit pledged as security	17,034,216	26,682,027
CASH AND BANK BALANCES	79,805,647	32,426,620

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 2019.

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 2019, except on the following:

- (a) Adoption of accounting policies arising from new transactions during the period

Warrants Reserve

Warrants reserve arising from the issuance of free warrants together with the rights issue, is determined based on the allocation of the proceeds from the rights issue using the fair value of the warrants and the ordinary shares on a pro rata basis. Proceeds from warrants which are issued at a value, are credited to a warrants reserve. Warrants reserve is transferred to the share capital account upon the exercise of warrants. Warrants reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to retained earnings.

Restructuring of financial liabilities

When the Group restructures its financial liabilities, the Group applies the 10% test to assess if terms of the existing financial liability are substantially different from those of the restructured liability. The terms are considered as substantially modified when the present value of the cash flows under the new terms, including any fees paid (net of any fees received and discounted using the original effective interest rate), is at least 10% different from the present value of the remaining cash flows of the original financial liability.

- (i) Substantial modification of financial liability

When the terms of a financial liability are substantially modified, the existing financial liability is considered as extinguished and a new financial liability is recognised. The difference between the carrying amount of the original financial liability that has been extinguished and the fair value of the new financial liability is recognised in profit or loss.

- (ii) Modification without resulting in derecognition of financial liability

When the 10% test is not met, the existing financial liability is not derecognised. Any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate is recognised in profit or loss.

The adoption of the following MFRSs, Amendments and Interpretations that came into effect on 1 January 2020 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial adoption.

MFRS / Amendments / Interpretations	Effective date
MFRS 13, <i>Definition of a Business</i>	1 January 2020

The amendments are not expected to have any significant effect to the Group.

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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

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 June 2020.

4. MATERIAL CHANGES IN ESTIMATES

There were 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 June 2020.

5. DEBT AND EQUITY SECURITIES

On 18 February 2020, the Group 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 RM273.7 million was credited to Share Capital through issuance of shares with warrants.

On 25 June 2020, the Group has completed issuance of share to a financier amounting to RM2.9 million pursuant to the terms under the completed debt restructuring.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 30 June 2020.

7. SEGMENT RESULTS AND REPORTING

7.1 Reportable Segment

No segmental analysis is prepared as the Group is organised as a single integrated business operation 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 (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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	
	30.06.2020		30.06.2019		30.06.2020		30.06.2019	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	69	38,434,653	70	35,343,268	71	74,511,667	72	66,281,691
Others	31	17,567,434	30	14,800,983	29	30,370,763	28	25,630,702
Total	100	56,002,087	100	50,144,251	100	104,882,430	100	91,912,393

7.3 Services

The Group revenue mainly comprises 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
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	54,521,367	47,039,960	101,539,679	85,655,856
- Forerunner vessel	-	1,362,822	-	2,756,245
	54,521,367	48,402,782	101,539,679	88,412,101
- Others ⁽¹⁾	1,480,720	1,741,468	3,342,751	3,500,292
	56,002,087	50,144,250	104,882,430	91,912,393

Note

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

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 June 2020.

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 30.06.2020	AS AT 31.12.2019
	RM	RM
Approved and contracted capital expenditure commitments	395,644	6,394,141

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 30.06.2020	CORRESPONDING QUARTER ENDED 30.06.2019	CURRENT PERIOD ENDED 30.06.2020	CORRESPONDING PERIOD ENDED 30.06.2019
	RM	RM	RM	RM
Interest expense to immediate holding company	-	1,013,000	-	2,070,931

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 consistently applied terms in accordance with the Group internal policies and processes.

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 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
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM	RM	RM	RM
Fixed rate term loans	43,199,674	166,713,624	43,711,049	167,823,775

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 30 June 2020 except for vessels for the purpose of impairment review. As at 30 June 2020, 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

No material event subsequent to end of the quarter.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2020, the Group did not have any material contingent liabilities or assets.

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 30 June 2020) against the corresponding quarter (Quarter ended 30 June 2019):

(i) Revenue

Revenue increased by RM5.9 million or 12%, from RM50.1 million in the corresponding quarter to RM56.0 million in the current quarter, mainly due to higher utilisation of vessels in the current quarter.

(ii) Gross profit

The cost of sales increased by RM2.0 million or 6%, from RM33.1 million in the quarter ended 30 June 2019 to RM35.1 million in the quarter ended 30 June 2020 mainly due to higher depreciation for newly dry-docked vessels.

However, the Group gross profit increased by RM3.9 million or 23%, from RM17.0 million in the corresponding quarter to RM20.9 million in the current quarter due to higher revenue.

(iii) Administrative expenses

The administrative expenses increased by RM2.5 million or 71%, from RM3.5 million for the quarter ended 30 June 2019 to RM6.0 million for the quarter ended 30 June 2020 primarily due to reversal of accruals in corresponding quarter.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2020 RM	CORRESPONDING QUARTER ENDED 30.06.2019 RM	CURRENT PERIOD ENDED 30.06.2020 RM	CORRESPONDING PERIOD ENDED 30.06.2019 RM
Current tax	186,401	3,026,693	620,704	2,864,417
Deferred tax	1,386,001	2,651,667	3,818,086	2,523,791
Tax expense for the financial year	<u>1,572,402</u>	<u>5,678,360</u>	<u>4,438,790</u>	<u>5,388,208</u>
Effective tax rate	16%	>100%	13%	94%

The effective tax rate for the current quarter and period ended 30 June 2020 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.

(v) Profit/(Loss) after taxation

The Group recorded profit after taxation of RM8.2 million in the current quarter compared to loss after tax of RM0.9 million for the corresponding quarter mainly due to increase of gross profit RM3.9 million, lower finance costs by RM5.3 million and lower taxation by RM4.1 million.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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

15. ANALYSIS OF PERFORMANCE

15.2 Review of performance for the current period ended 30 June 2020 against the corresponding period ended 30 June 2019:

(i) Revenue

Revenue increased by RM13.0 million or 14%, from RM91.9 million in the corresponding period to RM104.9 million in the current period, mainly due to higher utilisation of vessels in the current period.

(ii) Gross profit

The cost of sales increased by RM2.8 million or 4%, from RM68.6 million in the period ended 30 June 2019 to RM71.3 million in the period ended 30 June 2020 mainly due to higher depreciation for newly dry-docked vessels.

However, the Group gross profit increased by RM10.2 million or 44%, from RM23.3 million in the corresponding period to RM33.6 million in the current period due to higher revenue and lower cost of sales.

(iii) Administrative expenses

The administrative expenses increased by RM4.5 million or 41%, from RM11.0 million for the period ended 30 June 2019 to RM15.5 million for the period ended 30 June 2020 primarily due to reversal of accruals in corresponding period.

(iv) Profit/(Loss) after taxation

The Group recorded profit after taxation of RM29.8 million in the current period compared to loss after tax of RM11.6 million for the corresponding period mainly due to increase of gross profit by RM10.2 million, increase of other income by RM18.6 million mainly from debt restructuring exercise and decrease of finance costs by RM15.7 million mainly from waiver of interest payable upon completion of debt restructuring.

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 30 June 2020) against the preceding quarter (Quarter ended 31 March 2020):

The Group revenue increased by RM7.1 million or 14%, from RM48.9 million for the quarter ended 31 March 2020 to RM56.0 million for the quarter ended 30 June 2020, mainly due to higher utilisation of vessels during the quarter ended 30 June 2020.

The Group profit after tax has decreased by RM13.4 million from a profit after tax of RM21.6 million in the quarter ended 31 March 2020 to profit after tax of RM8.2 million in the quarter ended 30 June 2020, mainly due to gain from debt restructuring exercise in the preceding quarter.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

The upstream exploration and production activities in Malaysia, which underpin the demand for OSV, are expected to be volatile this year. 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 focus of the Group will be on operational efficiencies, 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 current COVID-19 pandemic and reduction in crude oil price have resulted in a more volatile and challenging environment. The COVID-19 pandemic has resulted in some operational delays, but this is being mitigated by the Management. As far as the reduction in crude oil price is concerned, as for now, there is minimal impact on the contracts that have already been secured.

Our Order Book stands at RM0.5 billion. In addition, our Tender Book currently amounts to RM1.1 billion, of which 78% is represented by tenders regionally outside Malaysia.

In terms of the proposed acquisition of drilling business from Perisai Petroleum Teknologi Berhad, the negotiation is still on-going.

With the completion, of the corporate proposals that includes fund raising of RM247.2 million as announced on 18 February 2020, the Group is in a stronger position to overcome the challenges and tough operating conditions. 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 2019.

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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

19. PROFIT/(LOSS) BEFORE TAX

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2020 RM	CORRESPONDING QUARTER ENDED 30.06.2019 RM	CURRENT PERIOD ENDED 30.06.2020 RM	CORRESPONDING PERIOD ENDED 30.06.2019 RM
Depreciation of property, plant and equipment	11,999,716	11,861,299	23,408,000	21,758,566
Insurance expenses	1,382,619	1,788,392	2,475,031	2,891,185
Reversal of impairment loss on vessel	-	(2,011,047)	-	-
Impairment loss on vessel	-	-	-	-
Insurance recovery	-	(398,283)	-	(812,964)
Interest income	(387,526)	(107,169)	(410,976)	(150,934)
Interest expense	5,511,200	10,762,332	12,196,370	19,105,582
Waiver of interest payable	-	-	(8,764,496)	-
Gain on debt restructuring	-	-	(19,120,160)	-
Realised loss on foreign exchange	208,818	182,113	576,710	217,801
Unrealised loss/(gain) on foreign exchange	64,613	(3,166)	35,988	(463)

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 (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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	Actual Utilisation	Intended Timeframe for Utilisation (months)
	(RM '000)	(RM '000)	
i) Part repayment of bank borrowings of the Group	170,000	170,000	1
ii) General working capital of the Group	8,759	8,759	24
iii) Capital expenditure of the Group	59,260	8,282	24
iv) Estimated expenses relating to corporate proposals and debt restructuring	9,190	9,190	3
TOTAL	247,209	196,231	

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 30.06.2020	AS AT 31.12.2019
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	44,823,025	393,572,423
- revolving credit (Commodity Murabahah Financing-i)	-	7,893,899
- revolving credit (Short Term Revolving Credit-i)	-	170,000,000
Redeemable preference shares	9,230,408	9,150,971
	54,053,433	580,617,292
Long-term:		
<u>Secured</u>		
Bank borrowings		
- term loans	314,051,967	34,086,399
	314,051,967	34,086,399
Total borrowings	368,105,400	614,703,691

Total term loan in BND is BND14.1 million (equivalent to RM43.2 million) being secured.

As at 30 June 2020, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM3.9 million primarily due to the tendering for new contracts, as financial guarantee for the performance of our charter contracts by our subsidiaries and corporate guarantees for loan obtained by our subsidiaries.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 30 June 2020.

ICON OFFSHORE BERHAD (201201011310 (984830-D))
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020

**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 scheduled on 2 September 2020.

24. EARNINGS/(LOSS) PER SHARE (“EPS”/ (“LPS”))

The basic EPS/(LPS) 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 30.06.2020	CORRESPONDING QUARTER ENDED 30.06.2019	CURRENT PERIOD ENDED 30.06.2020	CORRESPONDING PERIOD ENDED 30.06.2019
Profit/(Loss) attributable to equity holders (RM)	6,899,272	(3,803,954)	27,258,230	(11,449,394)
Weighted average number of ordinary shares in issue	<u>2,080,077,195</u>	<u>1,177,185,100</u>	<u>2,080,077,195</u>	<u>1,177,185,100</u>
Basic/diluted EPS/(LPS) (sen)	<u>0.33</u>	<u>(0.32)</u>	<u>1.31</u>	<u>(0.97)</u>

As at 30 June 2020, the Company has 3,910,000 potential ordinary shares outstanding pursuant to the issuance of the Employees’ Share Option Scheme on 28 December 2016 and 17 January 2018 . These potential ordinary shares are anti-dilutive and are consequently excluded from the determination of diluted EPS/(LPS).

BY ORDER OF THE BOARD

Dato’ Sri Hadian Hashim
Managing Director
27 August 2020