

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

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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 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) 30.09.2020 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.09.2019 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.09.2020 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.09.2019 RM
Revenue	15.1 (i)	52,578,371	55,353,752	157,460,801	147,266,145
Cost of sales		(36,890,845)	(36,412,877)	(108,206,032)	(104,977,544)
Gross profit	15.1 (ii)	15,687,526	18,940,875	49,254,769	42,288,601
Other income		577,829	4,005,668	20,137,084	5,008,895
Administrative expenses	15.1 (iii)	(6,767,227)	(14,855,894)	(22,228,695)	(25,815,169)
Other expenses		-	-	-	-
Profit/(Loss) from operations		9,498,128	8,090,649	47,163,158	21,482,327
Finance costs		(5,369,890)	(6,390,591)	(8,801,764)	(25,496,173)
Profit/(Loss) before taxation		4,128,238	1,700,058	38,361,394	(4,013,846)
Taxation	15.1 (iv)	(1,844,837)	(6,939,395)	(6,283,628)	(12,777,603)
Profit/(Loss) for the quarter/period	15.1 (v)	<u>2,283,401</u>	<u>(5,239,337)</u>	<u>32,077,766</u>	<u>(16,791,449)</u>
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss:					
Currency translation differences		(298,737)	(231,709)	(75,692)	(1,477,155)
Total comprehensive profit/(loss) for the quarter/period		<u>1,984,664</u>	<u>(5,471,046)</u>	<u>32,002,074</u>	<u>(18,268,604)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
Note	<u>30.09.2020</u>	<u>30.09.2019</u>	<u>30.09.2020</u>	<u>30.09.2019</u>
	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	426,163	(6,376,286)	27,684,394	(17,825,680)
-Non-controlling interests	<u>1,857,238</u>	<u>1,136,949</u>	<u>4,393,372</u>	<u>1,034,231</u>
	<u>2,283,401</u>	<u>(5,239,337)</u>	<u>32,077,766</u>	<u>(16,791,449)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	273,806	(6,494,458)	27,645,790	(18,579,030)
-Non-controlling interests	<u>1,710,858</u>	<u>1,023,412</u>	<u>4,356,284</u>	<u>310,426</u>
	<u>1,984,664</u>	<u>(5,471,046)</u>	<u>32,002,074</u>	<u>(18,268,604)</u>
Profit/(Loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:				
Basic/diluted earnings/(loss) per share (sen)	<u>0.02</u>	<u>(0.54)</u>	<u>1.22</u>	<u>(1.51)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30.09.2020 RM	Audited As at 31.12.2019 RM
Non-current assets		
Property, plant and equipment	603,786,960	623,749,645
Right-of-use assets	579,347	1,110,862
Deferred tax assets	40,359,313	40,911,866
	<u>644,725,620</u>	<u>665,772,373</u>
Current assets		
Trade and other receivables	64,978,979	49,013,999
Inventories	481,757	3,489,329
Tax recoverable	77,196	154,679
Cash and bank balances	74,184,595	30,796,532
	<u>139,722,527</u>	<u>83,454,539</u>
Asset Held for Sale	-	5,341,365
	<u>139,722,527</u>	<u>88,795,904</u>
Less: Current liabilities		
Trade and other payables	33,959,403	61,694,714
Lease liabilities	609,797	698,731
Borrowings	53,462,227	581,287,687
Taxation	2,476,900	2,690,117
	<u>90,508,327</u>	<u>646,371,249</u>
Net current assets/(liabilities)	49,214,200	(557,575,345)
Less: Non-current liabilities		
Lease liabilities	-	444,521
Borrowings	308,018,244	34,130,909
Deferred tax liabilities	10,246,136	6,567,043
	<u>318,264,380</u>	<u>41,142,473</u>
	<u>375,675,440</u>	<u>67,054,555</u>
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	391,749	430,353
Share based payment reserve	226,227	226,227
Capital contribution reserve	5,584,044	5,584,044
Accumulated losses	(829,114,494)	(856,798,888)
Non-controlling interest	22,166,473	17,810,189
Total equity	<u>375,675,440</u>	<u>67,054,555</u>

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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	Total equity
	Share capital RM	Warrants reserve RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM	RM	RM	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	-	-	-	-	-	27,684,394	4,393,372	32,077,766	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(38,604)	-	-	-	(37,088)	(75,692)	
Total comprehensive income for the financial period	-	-	(38,604)	-	-	27,684,394	4,356,284	32,002,074	
Issuance of shares	243,892,972	32,725,839	-	-	-	-	-	276,618,811	
Share based payments	-	-	-	-	-	-	-	-	
At 30 September 2020	<u>1,143,695,602</u>	<u>32,725,839</u>	<u>391,749</u>	<u>226,227</u>	<u>5,584,044</u>	<u>(829,114,494)</u>	<u>22,166,473</u>	<u>375,675,440</u>	

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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>	Non-distributable			Distributable		<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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
	30.09.2020	30.09.2019
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	38,361,394	(4,013,847)
Adjustments for:		
Depreciation of property, plant and equipment	34,944,473	32,029,920
Depreciation of right-of-use assets	540,392	-
Interest expense	17,566,260	25,496,173
Interest income	(669,816)	(299,027)
Waiver of Interest payable	(8,764,496)	-
Gain on debt restructuring	(19,120,160)	-
Provision for doubtful debt	-	776,295
Unrealised loss/(gain) on foreign exchange	360,764	(134,646)
Operating profit before working capital changes	63,218,811	53,854,868
Changes in working capital:		
Decrease/(increase) in inventories	3,007,572	(1,367,374)
(Increase)/decrease in receivables	(13,624,513)	(13,778,004)
(Decrease)/increase in payables	(25,700,860)	7,489,227
Cash generated from operations	26,901,010	46,198,717
Tax paid	(2,459,905)	(968,529)
Net cash generated from operating activities	24,441,105	45,230,188
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	4,184,450
Purchase of property, plant and equipment	(19,900,617)	(21,486,874)
Interest received	669,816	160,691
Net cash used in investing activities	(19,230,801)	(17,141,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(580,439)	-
Repayment of borrowings	(194,232,379)	(31,103,594)
Interest paid	(13,839,829)	(23,342,992)
Issuance of shares	247,208,871	-
Decrease /(Increase) in deposits pledged as security	(1,437,608)	13,227,956
Net cash generated from/(used in) financing activities	37,118,616	(41,218,630)
Unrealised foreign exchange (loss)/gain on cash and bank balances	(378,465)	(271,575)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,950,455	(13,401,750)
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	56,259,395	15,529,679
Deposit pledged as security	17,925,000	8,847,556
CASH AND BANK BALANCES	74,184,595	24,377,235

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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, *Definition of a Business*

1 January 2020

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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 September 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.

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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	
	30.09.2020		30.09.2019		30.09.2020		30.09.2019	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	65	33,918,765	66	36,489,656	69	108,430,432	66	97,520,747
Others	35	18,659,606	34	18,864,096	31	49,030,369	34	49,745,398
Total	100	52,578,371	100	55,353,752	100	157,460,801	100	147,266,145

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
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	50,722,648	52,229,669	152,262,328	137,885,525
- Forerunner vessel	138,723	1,403,098	138,723	4,159,343
	50,861,371	53,632,767	152,401,051	142,044,868
- Others ⁽¹⁾	1,717,000	1,720,985	5,059,750	5,221,277
	52,578,371	55,353,752	157,460,801	147,266,145

Note

⁽¹⁾ 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 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 30.09.2020	AS AT 31.12.2019
	RM	RM
Approved and contracted capital expenditure commitments	-	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 30.09.2020	CORRESPONDING QUARTER ENDED 30.09.2019	CURRENT PERIOD ENDED 30.09.2020	CORRESPONDING PERIOD ENDED 30.09.2019
	RM	RM	RM	RM
Interest expense to immediate holding company	-	(2,436,579)	-	(2,436,579)

In Q3 FY2019, the holding company stopped charging the Guarantee Fee and reversed the amount that it has charged up to Q2 FY2019. The guarantee fee was charged based on transactions that 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.

	Carrying amount		Fair Value	
	AS AT 30.09.2020 RM	AS AT 31.12.2019 RM	AS AT 30.09.2020 RM	AS AT 31.12.2019 RM
Fixed rate term loans	<u>38,401,980</u>	<u>166,713,655</u>	<u>38,822,789</u>	<u>167,823,775</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 2020 except for vessels for the purpose of impairment review. As at 30 September 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 September 2020, 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**

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 30 September 2020) against the corresponding quarter (Quarter ended 30 September 2019):

(i) Revenue

Revenue decreased by RM2.8 million or 5%, from RM55.4 million in the corresponding quarter to RM52.6 million in the current quarter, mainly due to lower utilisation of vessels in the current quarter.

(ii) Gross profit

The cost of sales increased by RM0.5 million or 1%, from RM36.4 million in the quarter ended 30 September 2019 to RM36.9 million in the quarter ended 30 September 2020 mainly due to higher depreciation for newly dry-docked vessels.

Consequently, the Group gross profit decreased by RM3.3 million or 17%, from RM18.9 million in the corresponding quarter to RM15.7 million in the current quarter due to lower revenue and higher cost of sales.

(iii) Administrative expenses

The administrative expenses decreased by RM8.1 million or 54%, from RM14.9 million for the quarter ended 30 September 2019 to RM6.8 million for the quarter ended 30 September 2020 primarily due to expenses in relation to corporate exercise in corresponding quarter.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.09.2020 RM	CORRESPONDING QUARTER ENDED 30.09.2019 RM	CURRENT PERIOD ENDED 30.09.2020 RM	CORRESPONDING PERIOD ENDED 30.09.2019 RM
Current tax	160,102	1,708,885	780,806	4,232,676
Deferred tax	1,684,735	5,230,510	5,502,822	8,544,927
Tax expense for the financial year	<u>1,844,837</u>	<u>6,939,395</u>	<u>6,283,628</u>	<u>12,777,603</u>
Effective tax rate	45%	>100%	16%	>100%

The effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to higher losses from our vessel leasing subsidiaries resulting from lower vessel utilisation.

However, the effective rate for the current period ended 30 September 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 RM2.3 million in the current quarter compared to loss after tax of RM5.2 million for the corresponding quarter mainly due to lower administrative expenses by RM8.1 million, lower gross profit by RM3.3 million offset by lower taxation by RM5.1 million.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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

15. ANALYSIS OF PERFORMANCE (continued)

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

(i) Revenue

Revenue increased by RM10.2 million or 7%, from RM147.3 million in the corresponding period to RM157.5 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 RM3.2 million or 3%, from RM105.0 million in the period ended 30 September 2019 to RM108.2 million in the period ended 30 September 2020 mainly due to higher depreciation for newly dry-docked vessels.

However, the Group gross profit increased by RM7.0 million or 16%, from RM42.3 million in the corresponding period to RM49.3 million in the current period due to higher revenue and higher cost of sales.

(iii) Administrative expenses

The administrative expenses decreased by RM3.6 million or 14%, from RM25.8 million for the period ended 30 September 2019 to RM22.2 million for the period ended 30 September 2020 primarily due to expenses in relation to corporate exercise in corresponding period.

(iv) Profit/(Loss) after taxation

The Group recorded profit after taxation of RM32.1 million in the current period compared to loss after tax of RM16.8 million for the corresponding period mainly due to increase of gross profit by RM7.0 million, increase of other income by RM15.1 million mainly from debt restructuring exercise and decrease of finance costs by RM16.7 million mainly from waiver of interest payable upon completion of debt restructuring.

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 2020) against the preceding quarter (Quarter ended 30 June 2020):

The Group revenue decreased by RM3.4 million or 6%, from RM56.0 million for the quarter ended 30 June 2020 to RM52.6 million for the quarter ended 30 September 2020, mainly due to lower utilisation of vessels during the quarter ended 30 September 2020.

The Group profit after tax has decreased by RM5.9 million from a profit after tax of RM8.2 million in the quarter ended 30 June 2020 to profit after tax of RM2.3 million in the quarter ended 30 September 2020, mainly due to lower gross profit by RM5.2 million in current 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 RM0.8 billion at the end of Quarter 3 FY2020 which includes two long term contracts that were signed for award of contracts in Brunei as per announcement dated 18 September 2020 and further announcement made on 22 September 2020.

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 THIRD QUARTER ENDED 30 SEPTEMBER 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 30.09.2020	CORRESPONDING QUARTER ENDED 30.09.2019	CURRENT PERIOD ENDED 30.09.2020	CORRESPONDING PERIOD ENDED 30.09.2019
	RM	RM	RM	RM
Depreciation of property, plant and equipment	11,536,473	10,271,354	39,944,473	32,029,920
Insurance expenses	1,289,796	1,131,138	3,764,827	4,022,323
Reversal of impairment loss on vessel	-	-	-	-
Impairment loss on vessel	-	-	-	-
Insurance recovery	-	(2,324,720)	-	(3,137,684)
Interest income	(258,840)	(148,093)	(669,816)	(299,027)
Interest expense	5,369,890	6,390,591	17,566,260	25,496,173
Waiver of interest payable	-	-	(8,764,496)	-
Gain on debt restructuring	-	-	(19,120,160)	-
Realised loss on foreign exchange	(72,621)	53,775	504,089	271,576
Unrealised loss/(gain) on foreign exchange	324,776	(134,183)	360,764	(134,646)

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.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

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

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED

As at 27 November 2020, the Icon Group has utilised approximately RM196,231,000 from the proceeds of the Rights Issue of Shares with Warrants leaving balance unutilised at RM50,978,000 as stated below.

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	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	

On 2 October 2020, KAF Investment Bank Berhad on behalf of the Company has announced multiple corporate proposals as follows:

- i) Proposed acquisition of a jack-up rig from Perisai Pacific 101 (L) Inc.;
- ii) Proposed acquisition of 51% equity interest in Perisai Offshore Sdn Bhd; and
- iii) Proposed acquisition and assignment of identified intellectual property from Perisai Drilling Sdn Bhd

In conjunction with the proposed acquisitions, the Board has resolved to vary the utilisation of proceeds raised from the Rights Issue of Shares with Warrants to part-finance the proposed acquisitions and diversify its existing principal activities.

A draft circular on the corporate proposals was submitted to Bursa Malaysia Securities Berhad on 2 November 2020 and their approval was received on 26 November 2020. Approval of the shareholders of the Company for the corporate proposals shall be sought at an extraordinary general meeting to be convened on 15 December 2020.

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the corporate proposals are expected to be completed in Quarter 4 FY2020.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30.09.2020	AS AT 31.12.2019
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	44,334,726	393,829,881
- revolving credit (Commodity Murabahah Financing-i)	-	8,189,895
- revolving credit (Short Term Revolving Credit-i)	-	170,116,940
Redeemable preference shares	9,127,501	9,150,971
	53,462,227	581,287,687
Long-term:		
<u>Secured</u>		
Bank borrowings		
- term loans	308,018,244	34,130,909
	308,018,244	34,130,909
Total borrowings	361,480,471	615,418,596

Total term loan in currency other MYR is BND12.7 million (equivalent to RM38.4 million) which is a secured loan.

As at 30 September 2020, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM3.8 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 loans obtained by our subsidiaries.

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 1 March 2021.

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 30.09.2020	CORRESPONDING QUARTER ENDED 30.09.2019	CURRENT PERIOD ENDED 30.09.2020	CORRESPONDING PERIOD ENDED 30.09.2019
Profit/(Loss) attributable to equity holders (RM)	426,163	(6,376,286)	27,684,394	(17,825,680)
Weighted average number of ordinary shares in issue	<u>2,276,989,501</u>	<u>1,177,185,100</u>	<u>2,276,989,501</u>	<u>1,177,185,100</u>
Basic/diluted EPS/(LPS) (sen)	<u>0.02</u>	<u>(0.54)</u>	<u>1.22</u>	<u>(1.51)</u>

As at 30 September 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 November 2020