



# TAS OFFSHORE BERHAD

(Company No : 810179-T)

## INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2018

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1 - 2
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	5 - 6
NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134)	7 - 9
ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS	10 - 12



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MAY 2018**

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 MAY 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAY 2017 RM'000	CURRENT YEAR TO DATE 31 MAY 2018 RM'000	PRECEDING YEAR TO DATE 31 MAY 2017 RM'000
<b>Revenue</b>	18,925	1,846	48,460	20,705
Cost of sales	(23,503)	(5,922)	(40,258)	(21,536)
<b>Gross profit/(loss)</b>	<u>(4,578)</u>	<u>(4,076)</u>	<u>8,202</u>	<u>(831)</u>
Other income	156	(831)	4,473	965
Administrative expenses	(1,178)	(1,374)	(6,796)	(4,440)
Other operating expenses	6,442	(8,143)	(3,587)	(8,143)
<b>Operating profit/(loss)</b>	<u>842</u>	<u>(14,424)</u>	<u>2,292</u>	<u>(12,449)</u>
Finance costs	(490)	(435)	(1,792)	(1,505)
<b>Profit/(loss) before tax</b>	<u>352</u>	<u>(14,859)</u>	<u>500</u>	<u>(13,954)</u>
Income tax expense	367	169	324	(80)
<b>Profit/(Loss) for the period</b>	<u>719</u>	<u>(14,690)</u>	<u>824</u>	<u>(14,034)</u>
<b>Other comprehensive income / (loss)</b>				
<i>Items that may be subsequently reclassified to profit or loss :</i>				
Net gain/(loss) on available-for-sale financial assets				
- gain/(loss) on fair value changes	(101)	397	57	1,054
- transfer to profit or loss on disposal	-	(14)	(637)	(185)
Foreign currency translation gain/(loss)	165	(1,008)	(828)	708
Remeasurement gain on defined benefits liabilities	87	-	87	-
<b>Total other comprehensive income / (loss)</b>	<u>151</u>	<u>(625)</u>	<u>(1,321)</u>	<u>1,577</u>
<b>Total comprehensive income / (loss) for the period</b>	<u>870</u>	<u>(15,315)</u>	<u>(497)</u>	<u>(12,457)</u>
Profit / (loss) for the period attributable to owners of the Parent	719	(14,690)	824	(14,034)
Total comprehensive income / (loss) attributable to owners of the Parent	870	(15,315)	(497)	(12,457)
Earnings per share (sen)				
- Basic	0.41	(8.37)	0.47	(7.99)

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 May 2017 and the accompanying explanatory notes attached to the interim financial statements.



**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	CURRENT YEAR QUARTER 31 MAY 2018 RM'000	CURRENT YEAR TO DATE 31 MAY 2018 RM'000
<i>Included in the profit/(loss) before tax are the following items:</i>		
Interest income	(30)	(46)
Other income including investment income	(99)	(539)
Interest expense	490	1,943
Depreciation & amortization	504	1,707
Provision for and write off of receivables	-	-
Inventories written down	84	84
(Gain)/loss on disposal of quoted investments	-	-
(Gain)/loss on disposal of unquoted investments	-	-
(Gain)/loss on disposal of properties	-	-
Impairment of assets	-	-
Reversal of impairment losses on trade receivables	-	(3,321)
Foreign exchange (gain)/loss - realised	194	3
Foreign exchange (gain)/loss - unrealised	2,180	2,180
Loss on termination of vessel sale agreements	(6,528)	3,267
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2018**

	UNAUDITED AS AT 31 MAY 2018 RM'000	AUDITED AS AT 31 MAY 2017 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	35,360	22,065
Available-for-sale investment	17,468	26,388
Deferred tax assets	21	24
	<u>52,849</u>	<u>48,477</u>
<b>Current Assets</b>		
Inventories	420,338	474,062
Amount due from contract customers	23,358	29,439
Trade and other receivables	28,640	36,172
Tax recoverable	840	544
Deposits, cash and bank balances	17,880	3,722
	<u>491,056</u>	<u>543,939</u>
<b>Total Assets</b>	<u>543,905</u>	<u>592,416</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Owners of the Parent</b>		
Share capital	117,640	117,640
Treasury shares	(1,777)	(1,777)
Reserves	44,356	44,852
<b>Total Equity</b>	<u>160,219</u>	<u>160,715</u>
<b>Non-Current Liabilities</b>		
Bank borrowings	-	24
Retirement benefits	881	1,006
Deferred tax liabilities	1,690	2,153
	<u>2,571</u>	<u>3,183</u>
<b>Current Liabilities</b>		
Trade and other payables	341,754	375,346
Amount due to contract customers	-	-
Bank borrowings	39,361	53,172
	<u>381,115</u>	<u>428,518</u>
<b>Total Liabilities</b>	<u>383,686</u>	<u>431,701</u>
<b>Total Equity and Liabilities</b>	<u>543,905</u>	<u>592,416</u>
 Net assets per share (RM)	 <b>0.9124</b>	 <b>0.9152</b>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 May 2017 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**For the period ended 31 May 2018**

	Share Capital RM'000	Share Premium RM'000	Attributable to Owners of the Parent			Retained Profits RM'000	Total RM'000
			Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000		
Balance as at 1 June 2017	117,640	-	(1,777)	1,853	8,406	34,594	160,716
Profit/(loss) for the period						824	824
Other comprehensive income				(580)	(828)	87	(1,321)
Total comprehensive income for the period				(580)	(828)	911	(497)
Balance as at 31 May 2018	117,640	-	(1,777)	1,273	7,578	35,505	160,219

**For the period ended 31 May 2017**

	Share Capital RM'000	Share Premium RM'000	Attributable to Owners of the Parent			Retained Profits RM'000	Total RM'000
			Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000		
Balance as at 1 June 2016	90,001	27,639	(1,777)	983	7,698	48,629	173,173
Adjustments for effects of Companies Act 2016 - <b>Note (a)</b>	27,639	(27,639)					-
Profit for the period						(14,035)	(14,035)
Other comprehensive income				870	708		1,578
Total comprehensive income for the period				870	708	(14,035)	(12,457)
Balance as at 31 May 2017	117,640	-	(1,777)	1,853	8,406	34,594	160,716

**Note (a)**

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM27,639,472 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its rights to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 May 2017 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MAY 2018**

	CURRENT YEAR TO DATE 31 MAY 2018 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2017 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	500	(13,955)
Adjustments for:		
Defined benefit obligations	145	161
Depreciation of property, plant and equipment	1,707	1,776
Interest expense	1,943	1,522
Interest income	(46)	(46)
Income from unit trust funds	(539)	(978)
Property, plant and equipment written off	31	2
Loss/(Gain) on disposal of available-for-sale financial assets	(674)	(50)
Impairment loss on trade and other receivables	-	754
Deposit forfeited	-	76
Foreseeable loss	101	-
Loss/(Gain) on disposal of property, plant and equipment	-	(3)
Unrealised foreign exchange (gain)/loss	2,180	(556)
Write down in value of inventories	84	7,389
Waiver of debts	(13)	
Reversal of expenses over accrued	-	(7)
Excess of fair value of assets and liabilities over purchase consideration for subsidiary acquired	(32)	-
Operating profit before changes in working capital	5,387	(3,915)
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	23,648	(58,068)
(Increase)/Decrease in amount due from contract customers	5,979	27,997
(Decrease)/Increase in amount due to contract customers	-	-
(Increase)/Decrease in trade and other receivables	5,228	(5,683)
Increase/(decrease) in trade and other payables	(7,197)	(3,596)
Net cash from operations	33,045	(43,265)
Interest received	46	46
Interest paid	(40)	(17)
Tax refunded	90	2,812
Tax paid	(547)	(786)
Retirement benefits paid	(155)	-
Net cash from operating activities	32,439	(41,210)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary net of cash received	32	-
Income from unit trust funds	539	978
Proceeds from disposal of available-for-sale investment	14,373	16,200
Proceeds from disposal of property, plant and equipment	-	3
Purchase of property, plant and equipment	(15,033)	(47)
Purchase of available-for-sale investment	(5,359)	(15,655)
Net cash used in investing activities	(5,448)	1,479

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MAY 2018 (CONT'D)**

	CURRENT YEAR TO DATE 31 MAY 2018 RM'000	PRECEDING YEAR TO DATE 31 MAY 2017 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	(8,290)	16,320
Interest paid on bankers' acceptances and revolving credit	(1,898)	(1,494)
Payments of hire-purchase instalments	(143)	(143)
Net cash used in financing activities	<u>(10,331)</u>	<u>14,683</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	16,660	(25,048)
<b>Cash and cash equivalents at beginning of financial period</b>	1,491	26,398
<b>Effect of foreign exchange rate changes</b>	<u>(271)</u>	<u>141</u>
<b>Cash and cash equivalents at the end of financial period</b>	<u>17,880</u>	<u>1,491</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits and cash and bank balances	17,880	3,722
Bank overdrafts	-	(2,231)
	<u>17,880</u>	<u>1,491</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 May 2017 and the accompanying explanatory notes attached to the interim financial statements.

**(A) NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134) : INTERIM FINANCIAL REPORTING**

**A1. Basis of reporting preparation**

The unaudited interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards 134 (MFRS 134): "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report contains condensed consolidated financial statement and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group ("TAS Offshore and its subsidiaries"). The interim financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS").

The Group has applied the following new MFRSs and amendments to MFRSs that have been issued by MASB and are effective for annual periods beginning on or after 1 January 2017.

- Amendments to MFRS 107 - Disclosure Initiative
- Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" :
  - Amendments to MFRS 12, Disclosure of Interests in Other Entities

The application of the Amendments has no impact on the financial statements of the Group.

The Group has not early adopted the following new MFRSs and amendments to MFRSs that are not yet effective :-

***Effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts
- Amendments to MFRS 140 - Transfers of Investment Property
- Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" :
  - Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
  - Amendments to MFRS 128, Investments in Associates and Joint Ventures
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

***Effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 128, Long -term Interests in Associates and Joint Ventures
- Amendments to MFRS 9, Prepayment Features with Negative Compensation
- Amendments to MFRS 119 - Plan Amendment, Curtailment or Settlement
- Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle" :
  - Amendments to MFRS 3, Business Combinations
  - Amendments to MFRS 11, Joint Arrangements
  - Amendments to MFRS 112, Income Taxes
  - Amendments to MFRS 123, Borrowing Costs

***Effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, Insurance Contracts

***Effective for annual periods beginning on or after a date to be determined by the MASB***

- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will apply the above new MFRSs and IC Interpretations and amendments to MFRSs that are applicable once they become effective. The adoption of the above new MFRSs and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group.



INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2018

**(A) NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134) : INTERIM FINANCIAL REPORTING**

**A2. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 May 2017 were not qualified.

**A3. Seasonal or cyclical factors**

The Group do not experience any material seasonality in its business, as its business operations are relatively stable throughout the year, with the exception of minor slowdowns in business activity during the festive seasons at the beginning and end of each calendar year.

**A4. Items of unusual nature and amount**

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual in their nature, size or incidence for the current financial period under review.

**A5. Material changes in estimates**

There were no changes in the estimates that have had a material effect in the current financial period under review.

**A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

As at 31 May 2018, the total number of ordinary shares repurchased and retained as treasury shares are 4,405,400 shares.

**A7. Dividends**

No dividend was paid in the current quarter and financial period to-date.

**A8. Segmental information**

The Group's operations comprise mainly of shipbuilding and ship repairing activities which collectively are considered as one business segment. Accordingly, segment reporting by business segment has not been disclosed. The revenue from external customers by location of customers is set out below :-

	Current Quarter 31 May 2018 <b>RM'000</b>	Current Period to date 31 May 2018 <b>RM'000</b>
Malaysia	8,315	26,258
Singapore	5,707	-
Indonesia	4,903	18,685
Switzerland	-	3,517
	<u>18,925</u>	<u>48,460</u>

**(A) NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134) : INTERIM FINANCIAL REPORTING**

**A9. Valuation of property, plant and equipment**

There was no valuation of the property, plant and equipment in the current quarter under review and financial year-to-date.

**A10. Capital commitments**

There was no material capital commitment as at the end of the current quarter.

**A11. Material events subsequent to the end of period reported**

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter and financial period to date.

**A12. Changes in composition of the group**

There were no changes in composition of the Group during the quarter under review.

**A13. Contingent Liabilities and Contingent Assets**

There were no contingent liabilities or contingent assets that has arisen since the last annual reporting date.

**A14. Significant related party transactions**

The Company entered into the following transactions with related parties during the financial period :

	Transaction value for 3 months ended 31 May 2018 RM'000	Current Period-To-Date 31 May 2018 RM'000
<b>(i) Transaction with companies in which certain directors of the Company have substantial interest :</b>		
Tuong Aik (Sarawak) Sdn Bhd		
- Purchase of marine paint	-	4
HCF Services Sdn Bhd		
- Purchase of filtrations systems	23	93
Nguong Mee Dockyard Sdn Bhd		
- Rental of slipway	27	27
	<u>50</u>	<u>124</u>

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms no less favourable than those transacted with unrelated parties.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2018

**(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS**

**B1. Review of performance of the Company and its subsidiaries**

The Group recorded a turnover of RM19.0 million and profit before tax of RM0.3 million for the current quarter ended 31 May 2018.

In the opinion of the directors, the result for the current quarter and financial period to date have not been affected by any transactions or events of a material nature which has arisen between 31 May 2017 and the date of this report.

**B2. Material changes in the quarterly results compared to the results of the preceding quarter**

	Current quarter ended 31 May 2018 <b>RM'000</b>	Preceding quarter ended 28 Feb 2018 <b>RM'000</b>	Variance <b>RM'000</b>	
Revenue	18,925	7,398	11,527	156%
Profit/(Loss) before tax	352	(722)	1,074	149%

The Group recorded higher revenue of RM19.0 million representing an increase of RM11.5 million or 156% higher than the preceding quarter. The higher revenue in current quarter is attributable to sale of tugboats.

Profit before tax for the current quarter amounting to RM0.3 million as compared with preceding quarter loss of RM0.7 million. The profit recorded during current quarter is mainly due to profit recognition on sale of vessels.

**B3. Commentary on prospects**

Oil price has moved up since 2017 to the current price of about US\$70 per barrel. Oil demand will grow steadily due to improving global economy. The *International Energy Agency* expects the oil demand to hit 100 million barrels per day in 2019. Amid the improving oil and gas industry climate with higher activity levels, the industry players become more optimistic on the prospect of a potential surge in new orders for offshore support vessels.

The Indonesian government targets a total coal production figure of 485 million tons in full-year 2018. It was quoted by Indonesia-Investments, the coal production in Indonesia may exceed the production quota set for 2018 as the nation's coal miners are eager to boost coal production amid stronger coal prices which have been in an upward trend since 2015. The positive outlook for coal mining industry in Indonesia is expected to spur demand for more tugboats and our Group is looking forward to reap further benefit from this development.

We are optimistic about our prospect.

**B4. Variance between actual profit from forecast profit**

The Group did not issue any profit forecast for the current financial period or in the prior financial period and therefore no comparison is available.

**(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS**

**B5. Taxation**

Income tax expense:	Current Quarter <b>RM'000</b>	Current Period to date <b>RM'000</b>
Current tax	88	166
Deferred tax expense/(income)	(455)	(490)
Total tax expense	<u>(367)</u>	<u>(324)</u>

**B6. Group borrowings and debt securities**

Total Group's borrowing as at 31 May 2018 were as follows:

	Secured <b>RM'000</b>	Total <b>RM'000</b>
<u>Short term borrowings</u>		
- Bank overdraft	-	-
- Revolving credit	39,337	39,337
- Bankers' Acceptance	-	-
- Hire purchase	24	24
<b>Total Borrowings</b>	<u>39,361</u>	<u>39,361</u>

**B7. Material litigation**

As at the date of this interim financial report, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board is not aware of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect our Group's financial position or business.

**B8. Dividends**

No interim dividend has been proposed or declared for the current quarter and financial period to-date.

**(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS**

**B9. Earnings per share**

	Current Quarter ended 31 May 2018	Current Year-to-Date 31 May 2018
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>719</u>	<u>824</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	0.41	0.47

Basic earnings per share of the Company is calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

The computation of diluted earnings per share is the same as basic earnings per share as there were no potential shares to be issued as at the end of the reporting period.