



# **TAS OFFSHORE BERHAD**

*(Company No : 810179-T)*

## **INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2018**

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

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 AUG 2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2017 RM'000	CURRENT YEAR TO DATE 31 AUG 2018 RM'000	PRECEDING YEAR TO DATE 31 AUG 2017 RM'000
Revenue	8,982	10,429	8,982	10,429
Cost of sales	(7,371)	(7,537)	(7,371)	(7,537)
<b>Gross profit/(loss)</b>	<b>1,611</b>	<b>2,892</b>	<b>1,611</b>	<b>2,892</b>
Other income	1,043	797	1,043	797
Administrative expenses	(1,165)	(936)	(1,165)	(936)
Other operating expenses	-	-	-	-
<b>Operating profit/(loss)</b>	<b>1,489</b>	<b>2,753</b>	<b>1,489</b>	<b>2,753</b>
Finance costs	(465)	(466)	(465)	(466)
<b>Profit/(loss) before tax</b>	<b>1,024</b>	<b>2,287</b>	<b>1,024</b>	<b>2,287</b>
Income tax expense	(76)	(55)	(76)	(55)
<b>Profit/(Loss) for the period</b>	<b>948</b>	<b>2,232</b>	<b>948</b>	<b>2,232</b>
<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	-	160	-	160
- transfer to profit or loss on disposal	-	(637)	-	(637)
Foreign currency translation gain/(loss)	289	(40)	289	(40)
Remeasurement gain on defined benefits liabilities	-	-	-	-
<b>Total other comprehensive income / (loss)</b>	<b>289</b>	<b>(517)</b>	<b>289</b>	<b>(517)</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>1,237</b>	<b>1,715</b>	<b>1,237</b>	<b>1,715</b>
Profit / (loss) for the period attributable to owners of the Parent	948	2,232	948	2,232
Total comprehensive income / (loss) attributable to owners of the Parent	1,237	1,715	1,237	1,715
Earnings per share (sen)				
- Basic	0.54	1.27	0.54	1.27

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 May 2018 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 AUG 2018 RM'000	CURRENT YEAR TO DATE 31 AUG 2018 RM'000
<i>Included in the profit/(loss) before tax are the following items:</i>		
Interest income	(27)	(27)
Other income including investment income	(118)	(118)
Interest expense	465	465
Depreciation & amortization	509	509
Net remeasurement of impairment allowance on trade receivables	(87)	(87)
Inventories written down	-	-
(Gain)/loss on disposal of quoted investments	-	-
(Gain)/loss on disposal of unquoted investments	-	-
(Gain)/loss on disposal of properties	-	-
Impairment of assets	-	-
Foreign exchange (gain)/loss - realised	70	70
Foreign exchange (gain)/loss - unrealised	(851)	(851)
Loss on termination of vessel sale agreements	-	-
Loss on changes in fair value of financial assets at FVTPL	294	294
Exceptional items	-	-



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

	UNAUDITED AS AT 31 AUG 2018 RM'000	AUDITED AS AT 31 MAY 2018 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	34,851	35,360
Investments at fair value through profit or loss	19,669	-
Available-for-sale investment	-	17,468
Deferred tax assets	477	21
	<u>54,997</u>	<u>52,849</u>
<b>Current Assets</b>		
Inventories	453,637	420,338
Amount due from contract customers	-	23,358
Trade and other receivables	43,690	28,605
Tax recoverable	931	840
Deposits, cash and bank balances	17,166	17,880
	<u>515,424</u>	<u>491,021</u>
<b>Total Assets</b>	<u><u>570,421</u></u>	<u><u>543,870</u></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	43,447	44,321
<b>Total Equity</b>	<u>159,310</u>	<u>160,184</u>
<b>Non-Current Liabilities</b>		
Bank borrowings	-	-
Retirement benefits	881	881
Deferred tax liabilities	1,684	1,690
	<u>2,565</u>	<u>2,571</u>
<b>Current Liabilities</b>		
Trade and other payables	370,188	341,754
Amount due to contract customers	-	-
Bank borrowings	38,358	39,361
	<u>408,546</u>	<u>381,115</u>
<b>Total Liabilities</b>	<u>411,111</u>	<u>383,686</u>
<b>Total Equity and Liabilities</b>	<u><u>570,421</u></u>	<u><u>543,870</u></u>
 Net assets per share (RM)	 <b>0.9072</b>	 <b>0.9124</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 2018 and the accompanying explanatory notes attached to the interim financial statements.



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

**For the period ended 31 August 2018**

	Attributable to Owners of the Parent					Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	
Balance as at 1 June 2018	117,640	(1,777)	1,273	7,578	35,470	160,184
Effect on adoption of MFRS 9, net of tax			(1,273)		715	(558)
Effect on adoption of MFRS 15, net of tax	-	-	-	-	(1,553)	(1,553)
Balance as at 1 June 2018, restated	117,640	(1,777)	-	7,578	34,632	158,073
Profit/(loss) for the period					948	948
Other comprehensive income			-	289	-	289
Total comprehensive income for the period			-	289	948	1,237
Balance as at 31 August 2018	117,640	(1,777)	-	7,867	35,580	159,310

**For the period ended 31 May 2018**

	Attributable to Owners of the Parent					Total RM'000
	Share Capital RM'000	Treasury Shares RM'000	Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits RM'000	
Balance as at 1 June 2017	117,640	(1,777)	1,853	8,406	34,594	160,716
Profit for the period					789	789
Other comprehensive income			(580)	(828)	87	(1,321)
Total comprehensive income for the period			(580)	(828)	876	(532)
Balance as at 31 May 2018	117,640	(1,777)	1,273	7,578	35,470	160,184

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 2018 and the accompanying explanatory notes attached to the interim financial statements.



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

	CURRENT YEAR TO DATE 31 AUG 2018 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2018 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,024	465
Adjustments for:		
Defined benefit obligations	-	145
Depreciation of property, plant and equipment	509	1,707
Interest expense	465	1,943
Interest income	(27)	(46)
Income from unit trust funds	(118)	(539)
Property, plant and equipment written off	-	31
Loss/(Gain) on disposal of available-for-sale financial assets	(8)	(674)
Impairment loss on trade and other receivables	-	34
Loss on changes in fair value of financial assets at FVTPL	294	-
Disposal of financial assets at FVTPL	4	-
Foreseeable loss	-	101
Unrealised foreign exchange (gain)/loss	(851)	2,181
Write down in value of inventories	-	85
Waiver of debts	-	(13)
Write back of impairment loss on trade receivables	-	(3,321)
Gain on bargain purchase on acquisition of a subsidiary	-	(32)
Operating profit before changes in working capital	1,292	2,067
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(20,780)	23,649
(Increase)/Decrease in amount due from contract customers	21,283	5,979
(Increase)/Decrease in trade and other receivables	(14,946)	8,549
Increase/(decrease) in trade and other payables	17,529	(7,195)
Net cash from operations	4,378	33,049
Interest received	27	46
Interest paid	-	(40)
Tax refunded	36	90
Tax paid	(143)	(547)
Retirement benefits paid	-	(156)
Net cash from operating activities	4,298	32,442
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary net of cash received	-	29
Income from unit trust funds	118	539
Proceeds from disposal of available-for-sale investment	2,056	14,373
Purchase of property, plant and equipment	-	(15,032)
Purchase of available-for-sale investment	(4,547)	(5,359)
Net cash used in investing activities	(2,373)	(5,450)

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

	CURRENT YEAR TO DATE 31 AUG 2018 RM'000	PRECEDING YEAR TO DATE 31 MAY 2018 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	(2,221)	(8,290)
Interest paid on bankers' acceptances and revolving credit	(464)	(1,898)
Payments of hire-purchase instalments	(24)	(143)
Net cash used in financing activities	<u>(2,709)</u>	<u>(10,331)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(784)	16,661
<b>Cash and cash equivalents at beginning of financial period</b>	17,880	1,491
<b>Effect of foreign exchange rate changes</b>	<u>70</u>	<u>(272)</u>
<b>Cash and cash equivalents at the end of financial period</b>	<u>17,166</u>	<u>17,880</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Short term deposits and cash and bank balances	17,166	17,880
Bank overdrafts	-	-
	<u>17,166</u>	<u>17,880</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 2018 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 preparation**

The unaudited interim financial statements have been prepared in accordance with 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 statements contain condensed consolidated financial statements 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 TAS Offshore and its subsidiaries ("the Group"). The interim financial statements 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") and should be read in conjunction with the consolidated financial statements of the Group for the financial year ended 31 May 2018.

The accounting policies adopted by the Group in the preparation of these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 May 2018 except for changes arising from the adoption of the new MFRSs and IC Interpretations and amendments to MFRSs as set out below.

**(a) New MFRSs and IC Interpretations and amendments to MFRSs adopted by the Group**

The new MFRSs and IC Interpretations and amendments to MFRSs, which became effective during the current reporting period, adopted by the Group are as follows :

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 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

The adoption of the above pronouncements did not have any significant impact on the Group's financial statements except for those explained in Note A2.

**(b) New MFRSs and IC Interpretations and amendments to MFRSs issued but not yet effective**

The Group has not early adopted the following new MFRSs and IC Interpretations and amendments to MFRSs that have been issued but are not yet effective :

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

MFRS 16, Leases  
Amendments to MFRS 9 - Prepayment Features with Negative Compensation  
Amendments to MFRS 119 - Plan Amendment, Curtailment or Settlement  
Amendments to MFRS 128 - Long-term interests in Associates and Joint Ventures  
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2015 - 2017 Cycle" :  
- Amendments to MFRS 3, Business Combinations and MFRS 11, Joint Arrangements - Previously Held Interest in a Joint Operation  
- Amendments to MFRS 112, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity  
- Amendments to MFRS 123, Borrowing Costs - Borrowing Costs Eligible for Capitalisation  
IC Interpretation 23, Uncertainty over Income Tax Treatments



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

**A1. Basis of preparation (Cont'd)**

**(b) New MFRSs and IC Interpretations and amendments to MFRSs issued but not yet effective (Cont'd)**

*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*

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 initial applications are not expected to have any significant impact on the Group's financial statements.

**A2. Changes in accounting policies**

The Group has adopted MFRS 9 and MFRS 15 beginning from 1 June 2018 and this has resulted in changes in the Group's accounting policies.

MFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 31 May 2018 but are instead recognised in the opening retained profits as at 1 June 2018.

The Group has adopted MFRS 15 using the cumulative effect method with the effect of initially applying the Standard is recognised at the date of initial application i.e. on 1 June 2018. Accordingly, the information presented for 2018 has not been restated and it is presented as previously reported.

**(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)**

MFRS 9 replaces the requirements of MFRS 139 that relate to the recognition, classification and measurement of financial assets, financial liabilities, impairment of financial assets and hedge accounting.

The application of MFRS 9 has resulted in changes in accounting policies and the effect of the Group's equity as at 1 June 2018 is tabulated below :

	<b>Effect on fair value adjustment reserve RM'000</b>	<b>Effect on retained profits RM'000</b>
<b>Opening balance at 1 June 2018 - before MFRS 9 and MFRS 15 adjustments</b>	1,273	35,470
Reclassification of available-for-sale financial assets to fair value through profit or loss	(1,273)	1,273
Recognition of expected credit losses	-	(558)
Total impact	(1,273)	715
<b>Opening balance at 1 June 2018 - after MFRS 9 adjustments</b>	<b>-</b>	<b>36,185</b>

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

**A2. Changes in accounting policies (Cont'd)**

**(a) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014) (Cont'd)**

**(i) Classification and measurement of financial assets and financial liabilities**

MFRS 9 contains three classification categories for financial assets comprising financial assets measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The new MFRS 9 eliminates the MFRS 139 categories i.e. the held to maturity, loans and receivables and available for sale. The classification of financial assets under MFRS 9 is based on both the business model for managing the financial asset and its contractual cash flow characteristics. The existing requirements in MFRS 139 for the classification and measurement of financial liabilities are largely retained in MFRS 9.

On application of MFRS 9, the Group has assessed which business models apply to the financial assets held by the Group and has classified those financial assets into the appropriate categories of MFRS 9. The effects of the reclassification are summarised below :

	Note	Previous classification under MFRS 139	New classification under MFRS 9	Previous carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
<b>Financial assets</b>					
Investments in unit trust funds	(aa)	Available-for-sale	FVTPL	17,468	17,468
Trade and other receivables	(bb)	Loans and receivables	Amortised cost	28,605	28,047
Deposits, cash and bank balances		Loans and receivables	Amortised cost	17,880	17,880
				<u>63,953</u>	<u>63,395</u>

(aa) Investments in unit trust funds have been reclassified from available-for-sale to financial assets at FVTPL as they do not meet the MFRS 9 criteria for classification at amortised cost or at FVOCI. The related fair value reserve of RM1,273,000 has been reclassified from fair value adjustment reserve to retained profits as at 1 June 2018.

(bb) An additional allowance for impairment loss of RM558,000 is recognised upon the adoption of MFRS 9 with the corresponding adjustment to the opening retained profits as at 1 June 2018.

**(ii) Impairment of financial assets**

MFRS 9 requires an "expected" credit loss model as opposed to an "incurred" credit loss model under MFRS 139. The new impairment model applies to financial assets measured at amortised costs and FVOCI and contract assets arising from transactions that are within the scope of MFRS 15 Revenue from Contracts with Customers .

The Group applies the simplified approach to measure expected credit loss which is based on a lifetime expected loss for its trade receivables.

**(b) MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the previous revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations.

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

A2. Changes in accounting policies (Cont'd)

(b) MFRS 15, Revenue from Contracts with Customers (Cont'd)

The application of MFRS 15 has resulted in changes in accounting policies and the effect on the Group's equity as at 1 June 2018 is tabulated below :

	Effect on retained profits RM'000
<b>Opening balance at 1 June 2018 - after MFRS 9 adjustments</b>	36,185
Restatement of shipbuilding contracts as point in time recognition	(2,076)
Recognition of related deferred tax assets	523
Total impact	(1,553)
<b>Opening balance at 1 June 2018 - after MFRS 9 and MFRS 15 adjustments</b>	<b>34,632</b>

Under MFRS 111, the Group recognised revenue from shipbuilding construction contracts using the percentage of completion method when the outcome of the contracts can be estimated reliably.

MFRS 15, however, requires revenue to be recognised upon the satisfaction of performance obligations which only occurs when control of a promised good or service transfers to the customer. Control can be transferred at a point in time or over time. The Group would qualify to recognise revenue over time if the vessels constructed by the Group have no alternative use to the Group or the Group cannot redirect the vessels to another customer and the Group has an enforceable right to payment for performance completed to date. Based on its assessment in relation to incomplete contracts as at 1 June 2018, the Group did not qualify to recognise revenue over time as the vessels constructed can be redirected to another customer and the Group has an enforceable right to payment only upon successful delivery of completed vessel and acceptance by customer.

The adoption of MFRS 15 has no impact on other revenues recognised by the Group.

The following tables summarise the effects of adopting MFRS 15 on the Group's financial statement line items for the 3-month period ended 31 August 2018. There is no material impact on the Group's statement of cash flows for the financial period then ended.

**Effects on the condensed consolidated statement of profit or loss and other comprehensive income for the 3-month period ended 31 August 2018**

<u>Line items effected</u>	As reported RM'000	Adjustments RM'000	Amounts under the previous guidance for revenue recognition RM'000
Revenue	8,982	(2,138)	6,844
Cost of sales	(7,371)	1,860	(5,511)
Gross profit	1,611	(278)	1,333
Income tax expense	(76)	67	(9)
Profit for the period	948	(211)	737
Total comprehensive income for the period	1,237	(211)	1,026

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

**A2. Changes in accounting policies (Cont'd)**

**(b) MFRS 15, Revenue from Contracts with Customers (Cont'd)**

*Effects on the condensed consolidated statement of financial position for the period ended 31 August 2018*

	As reported RM'000	Adjustments RM'000	Amounts under the previous guidance for revenue recognition RM'000
<b><u>Line items effected</u></b>			
Deferred tax assets	477	(456)	21
Inventories	453,637	(21,357)	432,280
Amount due from contract customers	-	7,149	7,149
Reserves	43,447	1,342	44,789
Trade and othe payables	370,188	(16,006)	354,182

**A3. 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 2018 were not qualified

**A4. 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.

**A5. 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.

**A6. Material changes in estimates**

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

**A7. 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 August 2018, the total number of ordinary shares repurchased and retained as treasury shares are 4,405,400 shares.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2018

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

**A8. Dividends**

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

**A9. 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 Aug 2018 <b>RM'000</b>	Current Period to date 31 Aug 2018 <b>RM'000</b>
Malaysia	987	987
Indonesia	7,995	7,995
	<u>8,982</u>	<u>8,982</u>

**A10. 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.

**A11. Capital commitments**

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

**A12. 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.

**A13. Changes in composition of the group**

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

**A14. Contingent Liabilities and Contingent Assets**

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

**A15. Significant related party transactions**

There were no related party transaction during the financial period under review.

**INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 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 RM8.98 million and profit before tax of RM1.02 million for the current quarter ended 31 August 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 2018 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 Aug 2018 <b>RM'000</b>	Preceding quarter ended 31 May 2018 <b>RM'000</b>	Variance <b>RM'000</b>	
Revenue	8,982	18,925	(9,943)	-53%
Profit/(Loss) before tax	1,024	352	672	191%

The Group recorded lower revenue of RM8.98 million representing a decrease of RM9.94 million or 53% lower than the preceding quarter. The higher revenue in preceding quarter was attributable to revenue recognised on sale of tugboats.

Profit before tax for the current quarter amounting to RM1.02 million as compared with preceding quarter profit of RM0.35 million. The profit recorded during current quarter is mainly due to gain on foreign exchange.

**B3. Commentary on prospects**

Oil price has surged to the current price of about US\$80 per barrel. The analysts have suggested that oil price could hit US\$100 level when the Iranian sanctions come into effect on Nov 4, 2018 as some 1.5 million barrels per day (bpd) of Iranian oil will be taken off the market. 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 has increased its 2018 coal production target to around 507 million tonnes from a previous target of 485 million tonnes. The additional output quotas of 21.9 million tonnes will be split among 32 coal miners. The positive outlook for coal mining industry in Indonesia is expected to spur demand for more tugboats and our Group is looking forward to reaping 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	16	16
Deferred tax expense/(income)	60	60
Total tax expense	<u>76</u>	<u>76</u>
Effective tax rate	7%	7%

The effective tax rate was lower than the statutory tax rate in Malaysia due to the current period taxable income is set-off against the unabsorbed tax losses.

**B6. Group borrowings and debt securities**

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

	Secured <b>RM'000</b>	Total <b>RM'000</b>
<u>Short term borrowings</u>		
- Revolving credit	38,358	38,358
<b>Total Borrowings</b>	<u>38,358</u>	<u>38,358</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 Aug 2018	Current Year-to-Date 31 Aug 2018
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>948</u>	<u>948</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	0.54	0.54

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.