



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MAY 2019

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MAY 2019

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 MAY 2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MAY 2018 RM'000	CURRENT YEAR TO DATE 31 MAY 2019 RM'000	PRECEDING YEAR TO DATE 31 MAY 2018 RM'000
Revenue	3,401	18,925	36,880	48,460
Cost of sales	(2,649)	(23,503)	(30,646)	(40,258)
Gross profit/(loss)	<u>752</u>	<u>(4,578)</u>	<u>6,234</u>	<u>8,202</u>
Other income	6,522	156	7,546	4,473
Administrative expenses	(1,360)	(1,178)	(4,880)	(6,796)
Other operating expenses	(1,793)	6,442	(1,793)	(3,587)
Operating profit/(loss)	<u>4,121</u>	<u>842</u>	<u>7,107</u>	<u>2,292</u>
Finance costs	(419)	(490)	(1,762)	(1,792)
Profit/(loss) before tax	<u>3,702</u>	<u>352</u>	<u>5,345</u>	<u>500</u>
Income tax expense	(701)	367	(1,356)	324
Profit/(Loss) for the period	<u>3,001</u>	<u>719</u>	<u>3,989</u>	<u>824</u>
Other comprehensive income / (loss)				
<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)	-	57
- transfer to profit or loss on disposal	-	-	-	(637)
Foreign currency translation gain/(loss)	192	165	390	(828)
Remeasurement gain on defined benefits liabilities	-	87	-	87
Total other comprehensive income / (loss)	<u>192</u>	<u>151</u>	<u>390</u>	<u>(1,321)</u>
Total comprehensive income / (loss) for the period	<u>3,193</u>	<u>870</u>	<u>4,379</u>	<u>(497)</u>
Profit / (loss) for the period attributable to owners of the Parent	3,001	719	3,989	824
Total comprehensive income / (loss) attributable to owners of the Parent	3,193	870	4,379	(497)
Earnings per share (sen)				
- Basic	1.71	0.41	2.27	0.47

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 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 MAY 2019 RM'000	CURRENT YEAR TO DATE 31 MAY 2019 RM'000
<i>Included in the profit/(loss) before tax are the following items:</i>		
Interest income	(33)	(153)
Other income including investment income	(155)	(682)
Interest expense	418	1,762
Depreciation & amortization	(217)	1,313
Net remeasurement of impairment allowance on trade receivables	(307)	(374)
Inventories written down	1,661	1,661
(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	(128)	(435)
Foreign exchange (gain)/loss - unrealised	(1,437)	(1,437)
Loss on termination of vessel sale agreements	-	-
(Gain)/loss on changes in fair value of financial assets at FVTPL	(304)	(72)
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2019

	UNAUDITED AS AT 31 MAY 2019 RM'000	AUDITED AS AT 31 MAY 2018 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	19,305	35,360
Investments at fair value through profit or loss	28,420	-
Available-for-sale investment	-	17,468
Deferred tax assets	273	21
	<u>47,998</u>	<u>52,849</u>
Current Assets		
Inventories	450,220	420,338
Amount due from contract customers	565	23,358
Trade and other receivables	29,238	28,605
Tax recoverable	496	840
Deposits, cash and bank balances	33,413	17,880
	<u>513,932</u>	<u>491,021</u>
Total Assets	<u>561,930</u>	<u>543,870</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	117,640	117,640
Treasury shares	(1,777)	(1,777)
Reserves	46,588	44,321
Total Equity	<u>162,451</u>	<u>160,184</u>
Non-Current Liabilities		
Retirement benefits	1,028	881
Deferred tax liabilities	2,061	1,690
	<u>3,089</u>	<u>2,571</u>
Current Liabilities		
Trade and other payables	364,345	341,754
Bank borrowings	31,878	39,361
Current tax payable	167	-
	<u>396,390</u>	<u>381,115</u>
Total Liabilities	<u>399,479</u>	<u>383,686</u>
Total Equity and Liabilities	<u>561,930</u>	<u>543,870</u>
Net assets per share (RM)	0.9251	0.9124

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 May 2019

	Share Capital RM'000	Treasury Shares RM'000	Attributable to Owners of the Parent			Total 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)		714	(559)
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	34,631	158,072
Profit/(loss) for the period					3,989	3,989
Other comprehensive income			-	390	-	390
Total comprehensive income for the period			-	390	3,989	4,379
Balance as at 31 May 2019	117,640	(1,777)	-	7,968	38,620	162,451

For the period ended 31 May 2018

	Share Capital RM'000	Treasury Shares RM'000	Attributable to Owners of the Parent			Total 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 statement 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 MAY 2019

	CURRENT YEAR TO DATE 31 MAY 2019 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,345	465
Adjustments for:		
Defined benefit obligations	147	145
Depreciation of property, plant and equipment	1,313	1,707
Interest expense	1,762	1,943
Interest income	(153)	(46)
Income from unit trust funds	(682)	(539)
Property, plant and equipment written off	3	31
Loss/(Gain) on disposal of available-for-sale financial assets	(11)	(674)
Impairment loss on trade and other receivables	133	34
Reversal of impairment loss on trade receivables	(386)	(3,321)
Loss/(Gain) on changes in fair value of financial assets at FVTPL	(72)	-
Disposal of financial assets at FVTPL	4	-
Foreseeable loss	-	101
Loss/(Gain) on disposal of property, plant and equipment	(4,392)	-
Unrealised foreign exchange (gain)/loss	(1,437)	2,181
Write down in value of inventories	1,661	85
Waiver of debts	-	(13)
Gain on bargain purchase on acquisition of a subsidiary	-	(32)
Operating profit before changes in working capital	3,235	2,067
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(10,127)	23,649
(Increase)/Decrease in amount due from contract customers	20,718	5,979
(Decrease)/Increase in amount due to contract customers	-	-
(Increase)/Decrease in trade and other receivables	248	8,549
Increase/(decrease) in trade and other payables	3,901	(7,195)
Net cash from operations	17,975	33,049
Interest received	153	46
Interest paid	-	(40)
Tax refunded	475	90
Tax paid	(680)	(547)
Retirement benefits paid	-	(156)
Net cash from operating activities	17,923	32,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary net of cash received	-	29
Income from unit trust funds	682	539
Proceeds from disposal of available-for-sale investment	8,588	14,373
Proceeds from disposal of property, plant and equipment	19,293	-
Purchase of property, plant and equipment	(162)	(15,032)
Purchase of available-for-sale investment	(19,462)	(5,359)
Net cash used in investing activities	8,939	(5,450)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 MAY 2019 (CONT'D)

	CURRENT YEAR TO DATE 31 MAY 2019 RM'000	PRECEDING YEAR TO DATE 31 MAY 2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	(9,393)	(8,290)
Interest paid on bankers' acceptances and revolving credit	(1,762)	(1,898)
Payments of hire-purchase instalments	(24)	(143)
Net cash used in financing activities	<u>(11,179)</u>	<u>(10,331)</u>
Net (decrease)/increase in cash and cash equivalents	15,683	16,661
Cash and cash equivalents at beginning of financial period	17,880	1,491
Effect of foreign exchange rate changes	<u>(150)</u>	<u>(272)</u>
Cash and cash equivalents at the end of financial period	<u>33,413</u>	<u>17,880</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	<u>33,413</u>	<u>17,880</u>
	<u>33,413</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 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 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 :

	Effect on fair value adjustment reserve RM'000	Effect on retained profits RM'000
Opening balance at 1 June 2018 - before MFRS 9 and MFRS 15 adjustments	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
Opening balance at 1 June 2018 - after MFRS 9 adjustments	-	36,185

(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 costs, 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
Financial assets					
Investment 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 Contract 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 Contract 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
Opening balance at 1 June 2018 - after MFRS 9 adjustments	36,185
Restatement of shipbuilding contracts at point in time recognition	(2,076)
Recognition of related deferred tax assets	523
Total impact	(1,553)
Opening balance at 1 June 2018 - after MFRS 9 and MFRS 15 adjustments	<u>34,632</u>

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 12-month period ended 31 May 2019. 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 12-month period ended 31 May 2019

<u>Line items effected</u>	As reported RM'000	Adjustments RM'000	Amounts under the previous guidance for revenue recognition RM'000
Revenue	36,880	(9,946)	26,934
Cost of sales	(30,646)	8,327	(22,319)
Gross profit	6,234	(1,619)	4,615
Income tax expense	(1,356)	389	(967)
Profit for the period	3,989	(1,230)	2,759
Total comprehensive income for the period	<u>4,379</u>	<u>(1,230)</u>	<u>3,149</u>

(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 Contract with Customers (Cont'd)

Effects on the condensed consolidated statement of financial position for the period ended 31 May 2019

<u>Line items effected</u>	As reported RM'000	Adjustments RM'000	Amounts under the previous guidance for revenue recognition RM'000
Inventories	450,220	(14,891)	435,329
Amount due from contract customers	565	11,660	12,225
Reserves	46,588	323	46,911
Deferred tax liabilities	2,061	(134)	1,927
Trade and othe payables	364,345	(3,688)	360,657

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 May 2019, the total number of ordinary shares repurchased and retained as treasury shares are 4,405,400 shares.

(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 May 2019 RM'000	Current Period to date 31 May 2019 RM'000
Malaysia	487	17,736
Indonesia	2,911	19,141
Switzerland	3	3
	<u>3,401</u>	<u>36,880</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.

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

A15. 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 2019 RM'000	Current Period-To-Date 31 May 2019 RM'000
(i) Transaction with companies in which certain directors of the Company have substantial interest :		
Tuong Aik (Sarawak) Sdn Bhd - Purchase of marine paint	5	5
HCF Services Sdn Bhd - Oil test services	1	1
	<hr/> 6 <hr/>	<hr/> 6 <hr/>

(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 RM3.4 million and profit before tax of RM3.7 million for the current quarter ended 31 May 2019.

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 May 2019 RM'000	Preceding quarter ended 28 Feb 2019 RM'000	Variance RM'000	
Revenue	3,401	8,732	(5,331)	-61%
Profit/(Loss) before tax	3,702	(1,009)	4,711	467%

The Group recorded lower revenue of RM3.4 million representing a decrease of RM5.3 million or 61% lower than the preceding quarter. The higher revenue recorded in preceding quarter was attributable to revenue recognised on delivery of two units of tugboat.

Profit before tax for the current quarter amounting to RM3.7 million as compared with preceding quarter loss of RM1.01 million representing an increase of RM4.7 million over the preceding quarter. The profit recorded during current quarter is mainly attributable to gain on disposal of property, plant and equipment and higher unrealised foreign exchange gain.

B3. Commentary on prospects

The oil price rose to about \$63 a barrel due to political tensions in the Persian Gulf, following Iran's seizure of a UK-flagged oil tanker. Amid the uncertainty in oil and gas industry, the industry players is optimistic on positive outlook in the longer term and potential surge in demand for offshore support vessels. Goldman Sachs analysts had predicted the oil demand may rebound in the second half of this year, offering some upside to oil prices. A few reasons were cited for their prediction, including strong consumer demand, recent positive data from the refining sector on end-use demand, plus an overall strengthening of the macroeconomic picture.

The Indonesian coal sector still offers attractive prospects. Coal usage in generating electricity increases strongly as coal in Indonesia has a higher reserve to production ratio compared to oil and gas. (Source : IESR Report, 1st Edition) The bright outlook for coal mining industry in Indonesia will have positive impact on the mining support services industry such as transportation activities and is expected to spur demand for more tugboats. 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 RM'000	Current Period to date RM'000
Current tax	703	715
Deferred tax expense/(income)	(2)	641
Total tax expense	<u>701</u>	<u>1,356</u>
Effective tax rate	19%	25%

B6. Group borrowings and debt securities

Total Group's borrowing as at 31 May 2019 were as follows:

	Secured RM'000	Total RM'000
<u>Short term borrowings</u>		
- Revolving credit	31,878	31,878
Total Borrowings	<u>31,878</u>	<u>31,878</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.

B9. Earnings per share

	Current Quarter ended 31 May 2019	Current Year-to-Date 31 May 2019
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>3,001</u>	<u>3,989</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	1.71	2.27

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.