



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2019

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

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 AUG 2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2018 RM'000	CURRENT YEAR TO DATE 31 AUG 2019 RM'000	PRECEDING YEAR TO DATE 31 AUG 2018 RM'000
Revenue	6,835	8,982	6,835	8,982
Cost of sales	(5,994)	(7,371)	(5,994)	(7,371)
Gross profit/(loss)	841	1,611	841	1,611
Other income	1,220	1,043	1,220	1,043
Administrative expenses	(1,217)	(1,165)	(1,217)	(1,165)
Operating profit/(loss)	844	1,489	844	1,489
Finance costs	(278)	(465)	(278)	(465)
Profit/(loss) before tax	566	1,024	566	1,024
Income tax expense	(185)	(76)	(185)	(76)
Profit/(Loss) for the period	381	948	381	948
Other comprehensive income / (loss)				
<i>Items that will be reclassified subsequently to profit or loss, net of tax effects :</i>				
Gain/(Loss) on foreign currency translation	26	289	26	289
Total other comprehensive income / (loss)	26	289	26	289
Total comprehensive income / (loss) for the peirod	407	1,237	407	1,237
Profit / (loss) for the period attributable to owners of the Parent	381	948	381	948
Total comprehensive income / (loss) attributable to owners of the Parent	407	1,237	407	1,237
Earnings per share (sen)				
- Basic	0.22	0.54	0.22	0.54

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 2019 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 2019 RM'000	CURRENT YEAR TO DATE 31 AUG 2019 RM'000
<i>Included in the profit/(loss) before tax are the following items:</i>		
Interest income	(26)	(26)
Other income including investment income	(156)	(156)
Interest expense	280	280
Depreciation & amortization	323	323
Net remeasurement of impairment allowance on trade receivables	(52)	(52)
Reversal of inventories written down	(39)	(39)
(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	(54)	(54)
Foreign exchange (gain)/loss - unrealised	(465)	(465)
(Gain)/loss on fair value changes of derivative financial instruments	189	189
(Gain)/loss on changes in fair value of financial assets at FVTPL	(547)	(547)
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2019

	UNAUDITED AS AT 31 AUG 2019 RM'000	AUDITED AS AT 31 MAY 2019 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	18,985	19,305
Investments at fair value through profit or loss	29,081	28,420
Deferred tax assets	204	273
	<u>48,270</u>	<u>47,998</u>
Current Assets		
Inventories	453,298	450,220
Contract assets	1,427	565
Trade and other receivables	30,833	29,238
Tax recoverable	180	496
Deposits, cash and bank balances	28,468	33,413
	<u>514,206</u>	<u>513,932</u>
Total Assets	<u>562,476</u>	<u>561,930</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	117,640	117,640
Treasury shares	(1,777)	(1,777)
Reserves	46,996	46,588
Total Equity	<u>162,859</u>	<u>162,451</u>
Non-Current Liabilities		
Bank borrowings	12,547	-
Retirement benefits	1,067	1,028
Deferred tax liabilities	2,049	2,061
	<u>15,663</u>	<u>3,089</u>
Current Liabilities		
Trade and other payables	370,386	364,345
Contract liabilities	1,582	-
Bank borrowings	11,537	31,878
Derivative financial liabilities	189	-
Current tax payable	260	167
	<u>383,954</u>	<u>396,390</u>
Total Liabilities	<u>399,617</u>	<u>399,479</u>
Total Equity and Liabilities	<u>562,476</u>	<u>561,930</u>
Net assets per share (RM)	0.9275	0.9251

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 2019 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 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 2019	117,640	(1,777)	-	7,968	38,621	162,452
Profit/(loss) for the period	-	-	-	-	381	381
Other comprehensive income	-	-	-	26	-	26
Total comprehensive income for the period	-	-	-	26	381	407
Balance as at 31 August 2019	117,640	(1,777)	-	7,994	39,002	162,859

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)	-	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	-	-	-	-	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	38,621	162,452

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 2019 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2019

	CURRENT YEAR TO DATE 31 AUG 2019 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2019 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	566	5,344
Adjustments for:		
Defined benefit obligations	39	147
Depreciation of property, plant and equipment	323	1,313
Interest expense	280	1,762
Interest income	(26)	(153)
Income from unit trust funds	(156)	(682)
Property, plant and equipment written off	-	3
Net gain on remeasurement of ECLs on trade receivables	(52)	(386)
Loss/(Gain) on changes in fair value of financial assets at FVTPL	(547)	(67)
Loss/(Gain) on changes in fair value of financial assets at FVTPL	189	-
Disposal of financial assets at FVTPL	-	(11)
Loss/(Gain) on disposal of property, plant and equipment	-	(4,392)
Unrealised (gain)/loss on foreign exchange	(465)	(1,437)
Write down in value of inventories	-	1,661
Reversal of inventories written down	(39)	-
Waiver of debts	(1)	-
Operating profit before changes in working capital	<u>111</u>	<u>3,102</u>
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(717)	13,091
(Increase)/Decrease in contract assets	(862)	(565)
(Decrease)/Increase in contract liabilities	1,582	-
(Increase)/Decrease in trade and other receivables	(1,430)	381
Increase/(decrease) in trade and other payables	4,015	1,966
Net cash from operations	<u>2,699</u>	<u>17,975</u>
Interest received	26	153
Interest paid	(1)	-
Tax refunded	413	475
Tax paid	(131)	(680)
Net cash from operating activities	<u>3,006</u>	<u>17,923</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from unit trust funds	156	682
Proceeds from disposal of available-for-sale investment	-	8,588
Proceeds from disposal of property, plant and equipment	-	19,293
Purchase of property, plant and equipment	(3)	(162)
Purchase of available-for-sale investment	(114)	(19,462)
Fixed deposits pledged as security	-	(2,077)
Net cash used in investing activities	<u>39</u>	<u>6,862</u>

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

	CURRENT YEAR TO DATE 31 AUG 2019 RM'000	PRECEDING YEAR TO DATE 31 MAY 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of revolving credits and bankers' acceptances	(23,556)	(9,393)
Interest paid on bankers' acceptances and revolving credit	(193)	(1,762)
Term loan obtained, net of repayment	15,647	-
Interest paid on term loan	(86)	-
Payments of hire-purchase instalments	-	(24)
Net cash used in financing activities	<u>(8,188)</u>	<u>(11,179)</u>
Net (decrease)/increase in cash and cash equivalents	(5,143)	13,606
Cash and cash equivalents at beginning of financial period	31,336	17,881
Effect of foreign exchange rate changes	<u>198</u>	<u>(151)</u>
Cash and cash equivalents at the end of financial period	<u>26,391</u>	<u>31,336</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	28,468	33,413
Less : Fixed deposit pledged to a licensed bank	<u>(2,077)</u>	<u>(2,077)</u>
	<u>26,391</u>	<u>31,336</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 2019 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 2019.

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 2019 except for changes arising from the adoption of the new MFRS and IC Interpretation and amendments to MFRSs as set out below.

(a) New MFRS and IC Interpretation and amendments to MFRSs adopted by the Group

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

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

The adoption of the above pronouncements did not have any significant impact on the Group's financial statements.

(b) New MFRS and amendments to MFRSs issued but not yet effective

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

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 - Definition of a Business

Amendments to MFRS 101 and Amendments to MFRS 108 - Definition of Material

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

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

A1. Basis of preparation (Cont'd)

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

The Group will apply the above new MFRS 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. 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 2019 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 August 2019, 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.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2019

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

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 Aug 2019 RM'000	Current Period to date 31 Aug 2019 RM'000
Malaysia	287	287
Singapore	2,319	2,319
Indonesia	4,229	4,229
	<u>6,835</u>	<u>6,835</u>

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.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2019

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

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 Aug 2019 RM'000	Current Period-To-Date 31 Aug 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
	<u>5</u>	<u>5</u>

A15. Review of Interim Financial Information

This condensed consolidated interim financial information has been reviewed by the Company's auditors, Messrs. Folks DFK & Co.

(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 RM6.84 million and profit before tax of RM0.57 million for the current quarter ended 31 August 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 2019 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 2019 RM'000	Preceding quarter ended 31 May 2019 RM'000	Variance RM'000	
Revenue	6,835	3,401	3,434	101%
Profit/(Loss) before tax	566	3,702	(3,136)	-85%

The Group recorded higher revenue of RM6.84 million representing an increase of RM3.43 million or 101% higher than the preceding quarter. The higher revenue recorded in current quarter was attributable to revenue recognised on delivery of vessel and revenue recognition over time on the shipbuilding contract.

Profit before tax for the current quarter amounting to RM0.57 million as compared with preceding quarter profit of RM3.7 million representing a decrease of RM3.14 million over the preceding quarter. The higher profit recorded during preceding quarter was mainly attributable to gain on disposal of property, plant and equipment and higher unrealised foreign exchange gain.

B3. Commentary on prospects

The current range of sustainable oil price is due to investors' expectation on a potential Brexit deal between Britain and the European Union and on signals from OPEC and its allies that further supply curbs could be possible. OPEC Secretary-General said the OPEC along with its allied producers will provide more support to sustain oil market stability beyond 2020 and had agreed to cut oil supply by 1.2 million barrels per day until March 2020 to support the market. Amid the uncertainty in oil and gas industry, the industry players are optimistic on positive outlook in the longer term and potential surge in demand for offshore support vessels.

The Indonesian coal sector still offers attractive prospects. 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 prospects.

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	127	127
Deferred tax expense/(income)	58	58
Total tax expense	185	185
Effective tax rate	33%	33%

B6. Group borrowings and debt securities

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

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Revolving credit	8,437	8,437
- Term loan	3,100	3,100
2. <u>Long term borrowings</u>		
- Term loan	12,547	12,547
Total Borrowings	24,084	24,084

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 Aug 2019	Current Year-to-Date 31 Aug 2019
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	381	381
Weighted average number of shares in issue ('000)	175,597	175,597
Basic earnings per share (sen)	0.22	0.22

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.