



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 29 FEBRUARY 2020

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 29 FEB 2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 28 FEB 2019 RM'000	CURRENT YEAR TO DATE 29 FEB 2020 RM'000	PRECEDING YEAR TO DATE 28 FEB 2019 RM'000
Revenue	1,488	8,732	14,496	33,479
Cost of sales	(1,144)	(7,605)	(12,264)	(27,997)
Gross profit/(loss)	<u>344</u>	<u>1,127</u>	<u>2,232</u>	<u>5,482</u>
Other income	832	(764)	2,049	904
Administrative expenses	(1,478)	(947)	(4,298)	(3,401)
Other operating expenses	(5,036)	-	(5,036)	-
Operating (loss)/profit	<u>(5,338)</u>	<u>(584)</u>	<u>(5,053)</u>	<u>2,985</u>
Finance costs	(240)	(425)	(802)	(1,343)
(Loss)/Profit before tax	<u>(5,578)</u>	<u>(1,009)</u>	<u>(5,855)</u>	<u>1,642</u>
Income tax expense	16	(238)	(183)	(655)
(Loss)/Profit for the period	<u>(5,562)</u>	<u>(1,247)</u>	<u>(6,038)</u>	<u>987</u>
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	27	(262)	5	198
Total other comprehensive (loss) / income	<u>27</u>	<u>(262)</u>	<u>5</u>	<u>198</u>
Total comprehensive (loss) / income for the peirod	<u>(5,535)</u>	<u>(1,509)</u>	<u>(6,033)</u>	<u>1,185</u>
(Loss) / Profit for the period attributable to owners of the Parent	(5,562)	(1,247)	(6,038)	987
Total comprehensive (loss) / income attributable to owners of the Parent	(5,535)	(1,509)	(6,033)	1,185
Earnings per share (sen)				
- Basic	(3.17)	(0.71)	(3.44)	0.56

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 29 FEB 2020 RM'000	CURRENT YEAR TO DATE 29 FEB 2020 RM'000
<i>Included in the profit/(loss) before tax are the following items:</i>		
Interest income	(99)	(256)
Other income including investment income	(647)	(1,002)
Interest expense	265	827
Depreciation & amortization	329	983
Net remeasurement of impairment allowance on trade receivables	4	(55)
Inventories written down	4,975	5,010
Property, plant & equipment written off	-	139
(Gain)/loss on disposal of quoted investments	-	-
(Gain)/loss on disposal of unquoted investments	-	-
(Gain)/loss on disposal of property, plant & equipment	-	(52)
Impairment of assets	-	-
Foreign exchange (gain)/loss - realised	(56)	(218)
Foreign exchange (gain)/loss - unrealised	(704)	(446)
(Gain)/loss on fair value changes of derivative financial instruments	125	365
(Gain)/loss on changes in fair value of financial assets at FVTPL	(284)	(979)
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2020

	UNAUDITED AS AT 29 FEB 2020 RM'000	AUDITED AS AT 31 MAY 2019 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	18,384	19,305
Investments at fair value through profit or loss	34,559	28,420
Deferred tax assets	377	273
	<u>53,320</u>	<u>47,998</u>
Current Assets		
Inventories	460,228	450,220
Contract assets	-	565
Trade and other receivables	30,048	29,238
Tax recoverable	256	496
Deposits, cash and bank balances	10,508	33,413
	<u>501,040</u>	<u>513,932</u>
Total Assets	<u><u>554,360</u></u>	<u><u>561,930</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	117,640	117,640
Treasury shares	(1,777)	(1,777)
Reserves	40,556	46,588
Total Equity	<u>156,419</u>	<u>162,451</u>
Non-Current Liabilities		
Bank borrowings	10,949	-
Retirement benefits	1,145	1,028
Deferred tax liabilities	2,026	2,061
	<u>14,120</u>	<u>3,089</u>
Current Liabilities		
Trade and other payables	372,423	364,345
Contract liabilities	111	-
Bank borrowings	10,922	31,878
Derivative financial liabilities	365	-
Current tax payable	-	167
	<u>383,821</u>	<u>396,390</u>
Total Liabilities	<u>397,941</u>	<u>399,479</u>
Total Equity and Liabilities	<u><u>554,360</u></u>	<u><u>561,930</u></u>
Net assets per share (RM)	0.8908	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 29 February 2020

	Share Capital RM'000	Treasury Shares RM'000	Attributable to Owners of the Parent		Retained Profits RM'000	Total RM'000
			Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve RM'000		
Balance as at 1 June 2019	117,640	(1,777)	-	7,968	38,621	162,452
Profit/(loss) for the period	-	-	-	-	(6,038)	(6,038)
Other comprehensive income	-	-	-	5	-	5
Total comprehensive income for the period	-	-	-	5	(6,038)	(6,033)
Balance as at 29 February 2020	117,640	(1,777)	-	7,973	32,583	156,419

For the period ended 31 May 2019

	Share Capital RM'000	Treasury Shares RM'000	Attributable to Owners of the Parent		Retained Profits RM'000	Total RM'000
			Fair Value Adjustment Reserve RM'000	Foreign Currency Translation Reserve 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 statements 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 29 FEBRUARY 2020

	CURRENT YEAR TO DATE 29 FEB 2020 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2019 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(5,855)	5,344
Adjustments for:		
Defined benefit obligations	117	147
Depreciation of property, plant and equipment	983	1,313
Interest expense	827	1,762
Interest income	(256)	(153)
Income from unit trust funds	(1,002)	(682)
Property, plant and equipment written off	139	3
Loss/(Gain) on disposal of investments in unit trust funds	(13)	-
Net loss/(gain) on remeasurement of ECLs on trade receivables	55	(386)
Loss/(Gain) on changes in fair value of financial assets at FVTPL	(979)	(67)
Loss/(Gain) on fair value changes of derivative financial instruments	365	-
Disposal of financial assets at FVTPL	381	(11)
Loss/(Gain) on disposal of property, plant and equipment	(52)	(4,392)
Unrealised (gain)/loss on foreign exchange	(446)	(1,437)
Write-down in value of inventories	5,010	1,661
Waiver of debts	(1)	-
Operating (loss)/profit before changes in working capital	<u>(727)</u>	<u>3,102</u>
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(13,430)	13,091
(Increase)/Decrease in contract assets	565	(565)
(Decrease)/Increase in contract liabilities	111	-
(Increase)/Decrease in trade and other receivables	(818)	381
Increase/(decrease) in trade and other payables	6,702	1,966
Net cash (utilised in)/from operations	<u>(7,597)</u>	<u>17,975</u>
Interest received	256	153
Interest paid	(5)	-
Tax refunded	527	475
Tax paid	(776)	(680)
Net cash (used in)/from operating activities	<u>(7,595)</u>	<u>17,923</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from unit trust funds	1,002	682
Proceeds from disposal of investments in unit trust funds	5,880	8,588
Proceeds from disposal of property, plant and equipment	52	19,293
Purchase of property, plant and equipment	(201)	(162)
Investments in unit trust funds	(11,407)	(19,462)
Fixed deposits pledged as security	-	(2,077)
Net cash (used in)/from investing activities	<u>(4,674)</u>	<u>6,862</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 29 FEBRUARY 2020 (CONT'D)

	CURRENT YEAR TO DATE 29 FEB 2020 RM'000	PRECEDING YEAR TO DATE 31 MAY 2019 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of revolving credits and bankers' acceptances	(24,709)	(9,393)
Interest paid on bankers' acceptances and revolving credit	(374)	(1,762)
Term loan obtained, net of repayment	14,115	-
Interest paid on term loan	(447)	-
Payments of hire-purchase instalments	-	(24)
Net cash used in financing activities	<u>(11,415)</u>	<u>(11,179)</u>
Net (decrease)/increase in cash and cash equivalents	(23,684)	13,606
Cash and cash equivalents at beginning of financial period	31,336	17,881
Effect of foreign exchange rate changes	263	(151)
Cash and cash equivalents at the end of financial period	<u>7,915</u>	<u>31,336</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	10,508	33,413
Bank overdrafts	(516)	-
	<u>9,992</u>	<u>33,413</u>
Less : Fixed deposit pledged to a licensed bank	(2,077)	(2,077)
	<u>7,915</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 June 2020

Amendments to MFRS 16 - Covid-19-Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

(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)

Effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3 - Reference to the Conceptual Framework
- Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current
- Amendments to MFRS 116 - Proceeds before intended use
- Amendments to MFRS 137 - Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2018 - 2020 Cycle" :
 - Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
 - Amendments to MFRS 9, Financial Instruments
 - Amendments to MFRS 16, Leases
 - Amendments to MFRS 141, Agriculture

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 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.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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

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 29 February 2020, 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 29 Feb 2020 RM'000	Current Period to date 29 Feb 2020 RM'000
Malaysia	875	1,506
Singapore	545	5,895
Indonesia	68	7,095
	<u>1,488</u>	<u>14,496</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.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2020

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

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 29 Feb 2020 RM'000	Current Period-To-Date 29 Feb 2020 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	-	7
HCF Services Sdn Bhd - Purchase of diesel filtration module	42	42
(ii) Transaction with a Director :		
Tan Sri Dato' Seri Mohd Jamil Bin Johari - Disposal of used motor vehicle	-	14
	<u>42</u>	<u>63</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.

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 RM1.49 million and loss before tax of RM5.58 million for the current quarter ended 29 February 2020.

The results for the current quarter and financial period to date have been affected by the written down in values of certain vessels under construction and completed vessels to their estimated net realisable values.

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

	Current quarter ended 29 Feb 2020 RM'000	Preceding quarter ended 30 Nov 2019 RM'000	Variance RM'000	
Revenue	1,488	6,172	(4,684)	-76%
Profit/(Loss) before tax	(5,578)	(843)	(4,735)	562%

The Group recorded lower revenue of RM1.49 million representing a decrease of RM4.68 million or 76% lower than the preceding quarter. Higher revenue in preceding quarter was attributable to revenue recognised on delivery of two units of vessel.

Loss before tax for the current quarter amounting to RM5.58 million as compared with preceding quarter loss of RM0.84 million representing a decrease of RM4.73 million over the preceding quarter. The lower profit recorded during current quarter was mainly due to write down in inventories value .

B3. Commentary on prospects

The demand for oil is improving slowly after lockdowns started being lifted in many countries affected by the Covid-19 pandemic. This had notably contributed to the recent improvement in oil price. However, the oil and gas industry remains uncertain due to significantly disrupted global economic situations. The potential decline in demand for offshore support vessels is expected to affect the financial performance of the Group unfavourably.

The prospects of shipbuilding industry remains challenging. To face the challenges, the Group is focusing on construction of tugboats, concentrating efforts on building vessels under contracts, exploring new markets and new business activities, while prudently manage the operational costs to weather the current economic turbulence.

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	150	321
Deferred tax expense/(income)	(166)	(138)
Total tax expense	<u>(16)</u>	<u>183</u>
Effective tax rate	0%	-3%

B6. Group borrowings and debt securities

Total Group's borrowing as at 29 February 2020 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	516	516
- Revolving credit	7,239	7,239
- Term loan	3,167	3,167
2. <u>Long term borrowings</u>		
- Term loan	10,949	10,949
Total Borrowings	<u>21,871</u>	<u>21,871</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 29 Feb 2020	Current Year-to-Date 29 Feb 2020
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>(5,562)</u>	<u>(6,038)</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	(3.17)	(3.44)

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.