TAS OFFSHORE BERHAD

200801008892 (810179-T)

ANNUAL REPORT

2021

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CORPORATE MISSION AND PHILOSOPHY

OUR MISSION

To build Quality Price Competitive Vessels in an Environmental Friendly Work Place so as to deliver Exceptional Value to our Customers and Stakeholders.

OUR PHILOSOPHY

Value our customers' feedbacks and improve the quality of our vessels and services to cater for their present and future needs.

Aim to grow our share of the market and to maximise the returns on investment for our shareholders.

Assume our role as a responsible corporate citizen by sharing and growing with the community in a tangible way through corporate social responsibility.

Care for the well-being of our employees through attractive remuneration and fringe benefits, providing relevant trainings to enhance their knowledge and career advancement, and a safe and conducive working environment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATU HAJI MOHAMMED SEPUAN BIN ANU
Independent Non-Executive Chairman

DATUK LAU NAI HOH
Managing Director

LAU CHOO CHIN
Deputy Managing Director

TAN SRI DATO' SERI MOHD JAMIL BIN JOHARI
Independent Non-Executive Director

LAU KIING YIING
Senior Independent Non-Executive Director

LING KA CHUAN
Independent Non-Executive Director

COMPANY SECRETARY

Pauline Kon Suk Khim
(MAICSA No. 7014905)
E289, 1st Floor
Block E, iCom Square
Jalan Pending
93450 Kuching
Sarawak
Tel : 082-248491
Fax : 082-253857

REGISTERED AND HEAD OFFICE

Lot 199, Jalan Sg Maaw
Sg Bidut
96000 Sibu
Sarawak
Tel : 084-310211
Fax : 084-319139
Website : www.tasoffshore.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia
Tel : +60-3-7890 4700
Fax : +60-3-7890 4670

AUDITORS

Folks DFK & Co (AF 0502)
12th Floor, Wisma Tun Sambanthan
No. 2, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-2273 2688
Fax : 03-2274 2688

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK NAME

TAS

STOCK CODE

5149

CORPORATE PROFILE

TAS OFFSHORE AT A GLANCE....

Well back in 1977, an enterprising young businessman Datuk Lau Nai Hoh formed a small trading company dealing in marine paint and shipping services. The Company grew and diversified into ship repairing and eventually into shipbuilding in 1991. As the shipbuilding activities grew, another company, namely Tuong Aik Shipyard Sdn. Bhd. was set up in 2002 to take care of the shipbuilding and ship repairing activities and has never looked back since.

On 18 March 2008, TAS Offshore Berhad ("TAS" or "the Company") was incorporated as an investment holding company and listed on the Main Market of Bursa Malaysia Securities Berhad on 28 August 2009. It commenced operations as an investment holding company through the acquisition of Tuong Aik Shipyard Sdn. Bhd. on 3 April 2009. Through its wholly-owned subsidiaries, Tuong Aik Shipyard Sdn. Bhd., TAS is involved in shipbuilding and ship repairing.

The principal business activity of TAS is shipbuilding and its secondary business is in the provision of ship repair services. TAS has in place all the resources and facilities including engineers and skilled workers, and machinery and equipment for the construction of vessels in compliance with the standards of International Classification Societies at its shipyard located along the riverbank of Igan River at Sungai Bidut, Sibu.

TAS has in its records, constructed tugboats, harbour tugs, anchor handling tugs (AHT), anchor handling tug supply vessels (AHTS), landing craft, utility/support vessels, barges, ferries and workboats.

FIVE-YEAR FINANCIAL HIGHLIGHTS AS AT 31 MAY

YEAR	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)
GROUP REVENUE & PROFIT					
Revenue	20,705	48,460	36,880	16,182	**34,903**
(Loss)/Profit Before Taxation	(13,955)	465	5,344	(75,221)	**2,831**
Net (Loss)/Profit For The Year	(14,035)	789	3,989	(74,907)	**1,887**
EQUITY ATTRIBUTABLE TO OWNERS					
Share Capital	117,640	117,640	117,640	117,640	**117,640**
Treasury Shares	(1,777)	(1,777)	(1,777)	(1,913)	**(1,913)**
Other Reserves	44,852	44,321	46,588	(29,553)	**(22,719)**
FINANCIAL STATISTICS					
Basic (Loss)/Earnings per Share (Sen)	(7.99)	0.45	2.27	(42.70)	**1.08**
Net Assets per Share (RM)	0.92	0.91	0.93	0.49	**0.53**
Gearing Ratio	0.33	0.25	0.20	0.1 7	**0.11**

CORPORATE STRUCTURE

TAS OFFSHORE BERHAD
200801008892 (810179-T)

- 100% **TUONG AIK SHIPYARD SDN. BHD.** 200201007489 (575152-H)
- 100% **WESTERN REALTY SDN. BHD.** 201001002926 (887507-X)
- 100% **TA VENTURES (L) LTD.** (LL07438)
- 100% **TAS EPIC SDN. BHD.** 201601014069 (1185000-P)
- 100% **PANTAS MARINE SDN. BHD.** 201001018555 (902261-M)

DIRECTORS' PROFILE

DATU HAJI MOHAMMED SEPUAN BIN ANU

Independent Non-Executive Chairman (Male)

Member:
Audit Committee

Datu Haji Mohammed Sepuan Bin Anu, a Malaysian aged 75, was appointed as our Independent Non-Executive Chairman on 17 July 2014. He graduated from Cranfield University of the United Kingdom in 1977 with a Bachelor of Science (Hons) in Agricultural Engineering. He started his career as an Assistant Agriculture Officer in the Department of Agriculture Sarawak in 1968. He was appointed as Director of the Integrated Agriculture Development Project Samarahan in 1994 and later served as Director of Agriculture from 2001 until March 2006. He later served as the Agriculture Advisor in the Ministry of Modernisation of Agriculture Sarawak till April 2007. He was appointed as a member of the Public Services Commission Malaysia from 2011 to 2014.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and has no conflict of interest with the Group.

DATUK LAU NAI HOH

Non-Independent Managing Director (Male)

Member:
Remuneration Committee

Datuk Lau Nai Hoh, a Malaysian aged 70, is the founder of TAS Group and was appointed as the Non-Independent Group Managing Director on 18 March 2008. He has been instrumental in the growth and development of the Group. He has approximately 31 years of experience in the marine industry. He first established Tuong Aik (Sarawak) Sdn. Bhd. in late 1977 dealing initially with marine paint and hardware. In the early 1990s, he ventured into ship repairing and shipbuilding activities and in early 2002, Tuong Aik Shipyard Sdn. Bhd. was established to specialise in building various types of Tugboats to cater for the needs of the mining, timber and oil and gas industries. As the founder, he brings with him not only the technical and management expertise from his extensive experience in the shipbuilding industry but also the valuable network of business contacts that he established over the years. He is primarily responsible for planning and developing our strategic business direction.

He is the major shareholder of TAS Offshore Berhad and the father of Lau Choo Chin, the Deputy Managing Director of TAS Offshore Berhad.

He is deemed interested in the transactions entered into with the related parties which are carried out in the ordinary course of business, as detailed in the notes to the financial statements. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

DIRECTORS' PROFILE (CONT'D)

LAU CHOO CHIN

Non-Independent Deputy Managing Director (Male)

Lau Choo Chin, a Malaysian aged 46, was appointed as our Non-Independent Deputy Managing Director on 18 March 2008. He graduated with a Diploma in Marketing Management from the Institute of Marketing Malaysia in 2001. Before joining Tuong Aik Shipyard Sdn. Bhd. in 2005, he was with Tuong Aik (Sarawak) Sdn. Bhd. for 8 years and involved in the coordination of shipbuilding activities. He has more than 23 years of experience in shipbuilding and project management related especially in the oil and gas industry. He has been instrumental in developing the Middle-East market and in spearheading the development of engineering design for vessels used by the oil and gas industry. His in-depth knowledge in vessel manufacturing and established business network will continue to benefit us.

He is the son of Datuk Lau Nai Hoh, the Non-Independent Managing Director and major shareholder of TAS Offshore Berhad. As such, he is deemed interested in the transactions entered into with the related parties which are carried out in the ordinary course of business, as detailed in the notes to the financial statements. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

TAN SRI DATO' SERI MOHD JAMIL BIN JOHARI

Independent Non-Executive Director (Male)

Chairman:
Nomination Committee

Member:
Audit Committee

Tan Sri Dato' Seri Mohd Jamil Bin Johari, a Malaysian aged 74, was appointed as our Independent Non-Executive Director effective from 1 June 2009. He is a graduate from the University of Malaya with a Bachelor of Arts (Hons) degree and a Diploma in Education. He also obtained a Master of Arts in Political Science from the University of Washington, Washington State, USA. He joined the Royal Malaysian Police in January 1971 as Chief Inspector and retired with the rank of Deputy Inspector General of Police in May 2003. Thereafter, he was appointed as High Commissioner of Malaysia to Brunei until July 2004. He is a member of the Board of Trustees of Yayasan Pengamanan, an NGO dedicated to matters concerning law and order issues and also a member of the Board of Trustees for the First Division Malay Charitable Trust Board.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and has no conflict of interest with the Group.

DIRECTORS' PROFILE (CONT'D)

LAU KIING YIING

Senior Independent Non-Executive Director (Male)

Chairman:
Audit Committee

Member:
Remuneration and Nomination Committees

Lau Kiing Yiing, a Malaysian aged 66, was appointed as our Independent Non-Executive Director on 1 June 2009. He graduated from the University of Canterbury, New Zealand, with a Bachelor of Commerce degree. He holds professional memberships in the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He is also a Fellow member of CPA Australia, a Member of the Chartered Accountants, Australia and New Zealand. His working experience commenced with auditing various businesses while with Ernst and Whinney (now known as Ernst and Young). With over 41 years of experience, he is well versed in corporate reporting, corporate finance, restructuring work, auditing and taxation matters.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and has no conflict of interest with the Group.

He is a Non-Executive Director and a member of the Audit Committee and Nomination Committee of Hock Seng Lee Berhad.

LING KA CHUAN

Independent Non-Executive Director (Male)

Chairman:
Remuneration Committee

Member:
Audit and Nomination Committees

Ling Ka Chuan, a Malaysian aged 63, was appointed as our Independent Non-Executive Director on 1 June 2009. He graduated with a Bachelor of Engineering (Mechanical) from the University of Auckland, New Zealand in 1983. He started his career with Jabatan Kerja Raya in Kuching in 1983 and was the Senior Executive Engineer when he left in 1998 to venture into the private sector.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and has no conflict of interest with the Group.

Notes:

- None of our Directors has been convicted of any offences within the past 5 years and no public sanction or penalty was imposed by the relevant regulatory bodies on our Directors during the financial year.
- Directors' attendance at Board meetings is listed on page 23 of this Annual Report.

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of TAS Offshore Berhad and its Group of Companies ("the Group") for the financial year ended 31 May 2021 ("FYE2021").

PERFORMANCE REVIEW

The business environment for the FYE2021 remained challenging and it was a test of our resilience. The Group recorded revenues of RM34.90 million for FYE2021, which were mainly attributable to sales of tugboats, ferry, garbage collection craft and flotsam retrieval craft to Indonesia and Singapore. Profit after taxation for FYE2021 stood at RM1.89 million, as compared to a loss of RM74.91 million for FYE2020. For FYE2021, we registered net earnings per share of 1.08 sen and net assets per share of 53.21 sen as compared to net loss per share of 42.70 sen and net assets per share of 49.12 sen recorded for FYE2020.

The COVID-19 pandemic is perhaps the prime factor that has affected the world economy adversely in 2020. During the pandemic, most industries are required to adhere to the Standard Operating Procedures (SOPs) set by the government and enforce strict physical distancing measures to prevent the outbreak. In doing so, companies are burdened with additional operational costs while struggling to cope with the weakening demand as a result of the pandemic.

Despite all the negativity, the Indonesian coal market is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 5.8% during the forecast period of 2020-2025 (*Source: Mordor Intelligence*). Coal prices have been on an upward trend driven by strong demand from China, Japan and South Korea. Indonesia producers are looking to maximise revenue from the coal sales this year when coal prices are near a historical high. The bright outlook for the coal mining industry in Indonesia will bring positive impacts on the transportation activities and is expected to spur demand for more tugboats. Our Group is looking forward to reaping further benefits from this development.

MESSAGE TO SHAREHOLDERS (CONT'D)

As per the latest market research report by Technavio, the tugboats market is projected to grow by 259 units at a CAGR of 14% during 2021–2025. Our Group's position is expected to benefit from the positive outlook of the tugboats market. During FYE2021, the Group has secured shipbuilding contracts for 3 units of tugboats.

The global economic climate remains challenging and the Board will continue to cautiously work towards securing more projects and profits for the shareholders. We remain committed to our tradition of being prudent in steering the Group to ride out the current economic turbulence.

On behalf of the Board, I would like to thank you for your patience and support of the Group and wish to record my appreciation for the Management and staff for their hard work and dedication.

Datu Haji Mohammed Sepuan Bin Anu
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Group's Business and Operation

Our Group is involved principally in the shipbuilding operations and secondary in the ship-repairing activities. Shipbuilding generates about 97.29% of the revenue while ship repairing activities contribute approximately 1.29% of the FYE2021's revenue. Though a small player in the global shipbuilding arena, the Group has established itself in the shipbuilding industry and has a well-equipped shipyard located at the bank of Igan River at Sibu, Sarawak with engineers and skilled workers for the construction of vessels in compliance with the standards of the International Association of Classification Societies.

In the Group's operation records, it has constructed vessels used by the transportation, timber, mining, and oil and gas industries, and harbour operation. These vessels include ferries, tugboats, harbour tugs, barges, landing craft, anchor handling tugs (AHT), anchor handling tug and supply (AHTS), utility/support vessels, workboats, garbage collection crafts and flotsam retrieval crafts.

During FYE2021 the main markets for the Group are Singapore (65.29%) and Indonesia (33.41%).

Our Group adds value to its vessels by being innovative in the designs of vessels, promoting green technology and savings on fuel consumption.

Review of Financial Results and Financial Condition

The Group recorded revenues of RM34.90 million for FYE2021, an increase of RM18.72 million or 115.70% as compared to RM16.18 million recorded for FYE2020. The increase in revenue was mainly caused by the increase in the number of vessels being delivered.

Profit before tax for FYE2021 stood at RM2.83 million, as compared to a loss before tax of RM75.22 million for FYE2020. The preceding year loss was mainly due to the write-down in the value of inventories and impairment losses on deposits paid.

The decrease in inventories by 86.19% to RM58.29 million during FYE2021 was mainly due to the termination of shipbuilding contracts entered into by the Group with the shipbuilders. Trade and other receivables for FYE2021 decreased by 52.39% to RM7.08 million from RM14.87 million for FYE2020 due mainly to the derecognition of the deposit paid to shipbuilding contractors arising from the termination of shipbuilding contracts. Trade and other payables decreased by RM364.73 million or 94.51% to RM21.18 million. The decrease was also mainly caused by the termination of shipbuilding contracts where the amount payable to the shipbuilders had been derecognised in the financial statements for FYE2021.

Capital Expenditure Requirements, Capital Structure and Resources

In view of the current depressing global economic condition, there is no plan to incur new capital expenditure as the Group maintains its current operating capacity. As for working capital requirements, currently, the Group relies on funds generated internally and short term bank borrowing to finance the needs. In the long term, where implementation of a business plan calls for substantial capital sum injection, the Group will contemplate sourcing the fund from the equity market and may also seek a synergic and reliable joint-venture partner.

Known Trend and Events

Coal is the most important energy source for electricity generation and also forms an essential fuel for the production industries. The Indonesian coal market is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 5.8% during the forecast period of 2020-2025. Factors such as an increase in demand for electricity, supportive government regulations, and the presence of large coal reserves are driving the growth of the coal market in Indonesia (*Source: Mordor Intelligence*).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Indonesia coal miners are expected to benefit from the memorandum of understanding (MoU) signed by the Indonesia Coal Mining Association (APBI-ICMA) and its counterpart China Coal Transportation and Distribution Association (CCTDA) to facilitate the export of coal from Indonesia to China. In the MoU which is valid for three years, the two parties agreed to enhance their cooperation to boost coal export from Indonesia which is targeted to reach 200 million tonnes. The bright outlook for the coal mining industry in Indonesia is expected to spur demand for more tugboats and our Group is looking forward to reaping further benefits from this development.

As per the latest market research report by Technavio, the tugboats market is projected to grow by 259 units at a CAGR of 14% during 2021–2025. Our Group is well-positioned to benefit from the positive outlook of the tugboats market.

Review of Operation Activities

Our group is actively involved with the principal business activity of shipbuilding which involves the construction of offshore support vessels for the oil and gas industry, tugboats for the mineral ores industries, harbour tugs for the port operations and landing crafts which can be used by various industries for transportation purposes.

Following a record decline of oil demand in 2020 as COVID-19 took hold around the world, temporary closure of factories and interrupted trade, the oil price slumped into negative for the first time in history. The low oil price has resulted in a decrease in demand for offshore support vessels and has adversely affected the sales and price of this type of vessel. In FYE 2021 the Group terminated the shipbuilding contracts for offshore support vessels which were then under construction. The Group is actively scouting for new sale prospects and markets for other types of vessels.

During FYE2020, the Group managed to secure contracts for new types of vessels which include garbage collection craft and flotsam retrieval craft. The construction of these vessels is financed with funds internally generated. We have successfully delivered five units of garbage collection craft, two units of tugboat and one unit of ferry to the customers during FYE2021. The remaining contracts on hand will contribute positively to the financial year 2022.

Anticipated or Known Risks

The outlook for the oil and gas market will continue to be uncertain. The prolonged pandemic amid the surge in COVID-19 cases may hinder the demand for oil and pose challenges for the oil and gas industry to ramp up activities level for the time being. To mitigate the risks of low demand for vessels and the potential loss of value of vessels held in inventories, the Management is concentrating efforts on building vessels under contracts and actively prospecting for new markets and new business activities. The Management has also taken steps to prudently manage the operational costs to weather the economic turbulence.

Forward-looking Statement

The Group will focus on the transportation, ports operations and mining industries in the short and medium-term.

Indonesia coal prices are hovering near a historical high driven by strong demand from China, which is the world's biggest coal importer. Indonesia producers are looking to maximise revenue from their coal sales this year when the coal prices are high. The Indonesian coal market is expected to grow at a CAGR of more than 5.8% during the forecast period of 2020-2025, supported by the increase in demand for electricity, supportive government regulations and the presence of large coal reserves. These developments will bring a positive impact on the demand for tugboats which are essential in transporting coal.

In view of the expected recovery of the global economy, the Group is actively prospecting for new clients from new market segments to add to our customer base to enhance the sale growth. At the same time, the Group is looking at workforce optimization and concentrating efforts on building the vessels under contracts. Overall, the Group is positive about our ability to navigate through the current economic turbulence.

SUSTAINABILITY REPORT

We endeavor to meet the needs of our people and our communities as well as to balance our business objectives in line with our goal to protect the environment. Our philosophy is to build quality and price competitive vessels in an environmentally friendly workplace while delivering exceptional value to our customers and stakeholders.

TAS has embarked on its journey of incorporating sustainability into our business. This provides a balance for continuously meeting our business objectives while incorporating economic, environmental and social (EES) considerations into our business practices to ensure long-term success for our sustainable future.

With that, we are happy to present our Sustainability Report 2021. This statement outlines TAS Group's approach to and management of the risks and opportunities associated with the EES pillars and how we have initialized these approaches into our practices and operations. These are elaborated under the sections – Governance, Materiality, Stakeholder Engagement and Sustainability Management (encompassing economic, environmental and social considerations).

Unless otherwise stated, our Sustainability Report 2021 mainly covers our business operations dealing with shipbuilding and ship repairing, located in Sibu, Sarawak. Our Sustainability Report 2021 is in accordance with Bursa Malaysia's requirements and its Sustainability Reporting Guidelines.

Sustainability Governance

The TAS Board of Directors is responsible for promoting and embedding sustainability into our business strategy. Since 2019 we had appointed key personnel to oversee the incorporation of sustainability strategies and reporting. TAS always looks into developing a longer-term governance structure for improving allocation of roles and responsibilities as well as appropriate resources for sustainability. One of our long-term goals is to reduce business and EES risks through good governance. Our governance policy and procedures are elaborated in further detail within our Annual Report 2021.

A significant aspect of good governance is communicating with our key stakeholders. This enables TAS to develop relations with the various stakeholder groups and take into account their respective sustainability concerns for our common future.

Stakeholder Engagement

At TAS, we value our stakeholders. Our philosophy centres on our customers, shareholders, society and our employees as elaborated below:

- We value our customers' feedbacks and improve the quality of our vessels and services to cater for their present and future needs.
- We aim to grow our share of the market and to maximise the returns on investment for our shareholders.
- We assume our role as a responsible corporate citizen by sharing and growing with the community in a tangible way through corporate social responsibility.
- We care for the well-being of our employees through attractive remuneration and fringe benefits, providing relevant trainings to enhance their knowledge and career advancement, and a safe and conducive working environment.

We thus are dependent on our stakeholders and their concerns for our continued sustainability. Such concerns need to be identified and prioritised so that appropriate engagement methods can be utilised.

In our various engagements with stakeholders we have been able to identify our key stakeholders and prioritise their influences on our organisation. These key stakeholders are those who are highly dependent and have most influence on our operations and activities. They include both internal and external stakeholders, i.e. Customers, our Employees, Our Board of Directors, Shareholders, Government agencies, Certification bodies, Financiers and vendors, as shown in the following prioritisation matrix.

Stakeholders Prioritisation Matrix

Stakeholder Dependence on the organisation	Stakeholder Influence on the organization			
	No Influence	**Low Influence**	**Some Influence**	**High Influence**
High Dependence				• Customers • Employees • Government Agencies • Certification Bodies • Board of Directors
High Dependence			• Shareholders • Financiers • Vendors/ Suppliers	
Low Dependence				
Low Dependence	• Media • Universities • Local communities			

Following from the identification and prioritisation of our key stakeholders, TAS is pleased to report that we continue to engage with these key stakeholders on regular and/or on ad hoc basis.

Our current stakeholder engagement methods are summarised in the following tables.

Internal Stakeholders	Engagement Methods
Employees	• Employment agreements and contracts • Annual performance review • Daily operations
Board of Directors	• Appointment letters • Regular Board Meetings and Committee meetings
Shareholders	• Annual General Meetings • Annual Reports • Quarterly announcements • Corporate Governance Report

SUSTAINABILITY REPORT (CONT'D)

External Stakeholders	Engagement Methods
Customers	• Proposals/Quotations • Agreements • Deliveries
Government Enforcement Agencies	• Reporting & Submissions, eg. Income Tax, Annual Returns to Registrar of Companies, • Legal Compliance
Certification Bodies/Industry	• Annual audits for certification renewal • Assurance for vessels' compliance to maritime organisation regulations and adherence to design and specification
Financiers	• Regular banking and insurance needs
Suppliers	• Purchase Orders • Agreements • Supply of goods and services
Industry	• A member of Sibu Shipyard Association and Association of Marine Industry Malaysia • Annual subscription
Media	• Ad-hoc advertising
Research Organisations	• Obtain monthly statistics • Obtain quarterly statistics from Bank Negara
Local Communities	• Ad-hoc donations and sponsorship

Sustainability Management

- **Economic**

Despite a highly challenging year that followed the spread of COVID-19 pandemic, the Group generated a higher revenue and profit before taxation for FYE 2021 compared to the preceding financial year. The slow down of the global economic climate had affected the financial performance of most industries. However TAS has remained resilient. TAS will continue the contribution towards community events and donating to worthy charitable courses. Further elaboration on our community involvement is provided under the Social Section below.

Over the years, we have invested in equipment necessary to improve the safety features of our shipyard. We have also upgraded our communication systems and technology to increase our capacity and efficiency. These investments have enabled us to provide better service to our customers and to better meet the needs of our other stakeholders now and in the future.

The Board of Directors continued to support the Management through looking into business opportunities to ensure business continuity. We apply continuous improvement efforts under our ISO 9001 standard operating procedures by improving operational efficiency as well as implementing cost-cutting measures.

In terms of indirect economic impact, TAS has provided employment opportunities for the local communities, especially for those living in the nearby Sg. Bidut area. The priority placed on local hiring has helped boost the economic value and livelihood of these communities. TAS has also participated in job fairs for recruitment opportunities for those from local communities, the local universities and educational institutions.

Additionally, TAS supports local suppliers through purchasing mostly from these local suppliers. This encourages local economic growth and development for the local business and industry stakeholders. Besides supporting our immediate procurement needs, such arrangements enable TAS to maintain our carbon footprint.

- **Environmental**

The shipbuilding and ship repair industry can be considered as a heavy industry, with a high possibility of impacting the environment. TAS is aware of the industry's impact on the environment which includes generation of industrial wastes, water and air pollution and depletion of natural resources, such as energy and water.

In awareness of our key environmental issues, which have to be managed to minimise their possible impact, TAS is committed towards compliance with local environmental legislations and regulations, performance review, waste minimisation, continuous improvement and resource efficiency.

In upholding our environmental policy, our current areas of concern are centred on energy consumption, material consumption, wastes management and water resource management.

The shipbuilding and ship repairing operations utilise materials such as iron and steel. In addition to material consumption, operations such as welding and cutting generate solid wastes, especially scrap metal. As these have economic value such scraps are recycled and reused. This helps to increase our resource efficiency for materials consumption.

There is also the potential for spillages from hazardous substances such as oils and paints used in our operations. Our activities are mainly dry processes that have minimum discharge of wastewater. In our daily operations and activities over the years, we have managed to prevent any spillages from flowing into the waterways that eventually flow into Sg Rajang.

At the same time, environmental monitoring and our 5S approach will enable us to ensure that our employees pay attention to our use of resources, maintain a clean yard, reduce emissions and discharges and reduce wastes. This will also ensure clean and safe premises for our employees and our visitors.

TAS will continue to look for opportunities to improve on its resource management as well as its environmental management in line with its sustainability philosophy.

- **Social**

Throughout the year, we continued to emphasise the need for awareness on health and safety for our employees who are our human capital and valued resources.

OCCUPATIONAL SAFETY AND HEALTH

As the safety, health and welfare of our employees at the workplace have always been of paramount importance, TAS seeks to continuously improve in providing a safe work environment as far as practicable for our employees and those who may be affected by the work activities. We are thus committed towards compliance with the relevant laws and regulations prescribed by the Department of Occupational Safety and Health ("DOSH").

To ensure compliance and a safe working environment, TAS has established an Occupational Safety & Health Committee, which involves all departments in the organisation. The Safety & Health Committee assists in the development of safety and health rules and system of work. The committee meets regularly to review the measures taken to ensure the safety and health of persons at the place of work.

According to the Prevention and Control of Infectious Diseases Act 1988, it is the duty of the employer to ensure that employee is able to work in a reasonably safe workplace which include a workplace that is safe from COVID-19 exposure. In compliance with the regulation amid the spread of COVID-19 pandemic, TAS has ensured that the guidelines and standard operating procedures (SOPs) are followed strictly and staff are encouraged to maintain social distancing and good personal hygiene practices. Various precautionary measures such as contactless temperature scanning, availability of hand sanitizers at strategic locations, routine disinfection within the office premises are carried out to maintain a safe working environment. Notices and latest news updates on COVID-19 are posted at the bulletin boards to create awareness among the employees. TAS is proud to announce that with the co-operation of all members of the Group, we have achieved 100% vaccinated workforce.

SUSTAINABILITY REPORT (CONT'D)

TAS thus believes in a proactive approach in managing health and safety-related issues. We continually review the system that is in place. If necessary, new measures are introduced to improve safe and hygienic working conditions and/or minimise workplace accidents. Regular maintenance of safety equipment is conducted. Key personnel have been trained in coping with basic safety and health issues, such as first aid. In addition briefings on Occupational Safety and Health Policy and Toolbox are provided to our staff.

OUR PEOPLE

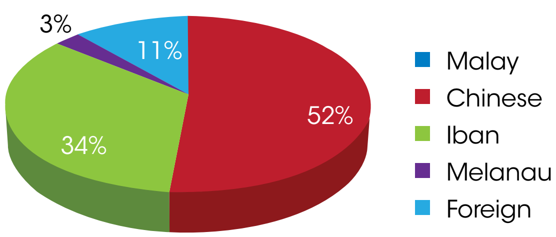
People are a treasured asset of TAS as we realise that without them, the Group will not grow from strength-to-strength. We take care of our people as far as possible within our means and capability to do so. We provide the necessary training opportunities for their development in order to achieve their best. Their success is our success.

We do not discriminate in employing people. We hire the most suitable person for the job to ensure that the job will be performed to a satisfactory level. This will ensure that we can always deliver quality products to meet the customers' satisfaction.

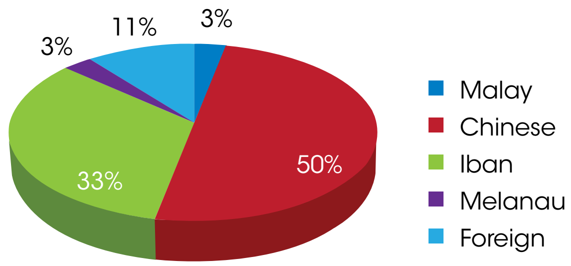
We are proud that our employee mix is truly a reflection of the population mix of Sarawak, in particular, Sibu.

Foreign workers are employed in the general worker category where it is difficult to hire Malaysians.

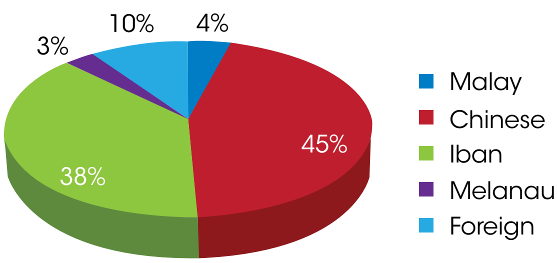
Staff by Ethnicity as of 31 May 2017



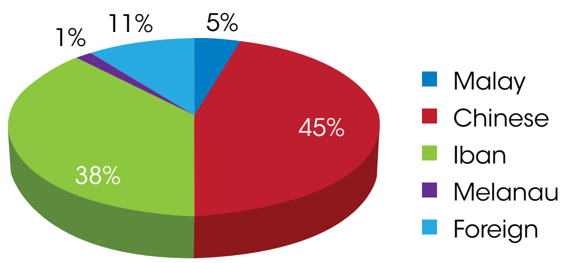
Staff by Ethnicity as of 31 May 2018



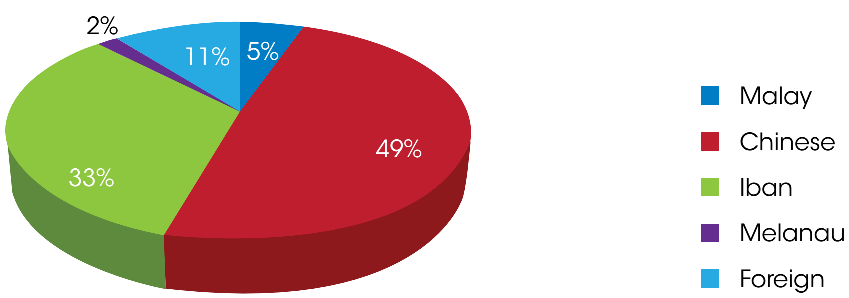
Staff by Ethnicity as of 31 May 2019



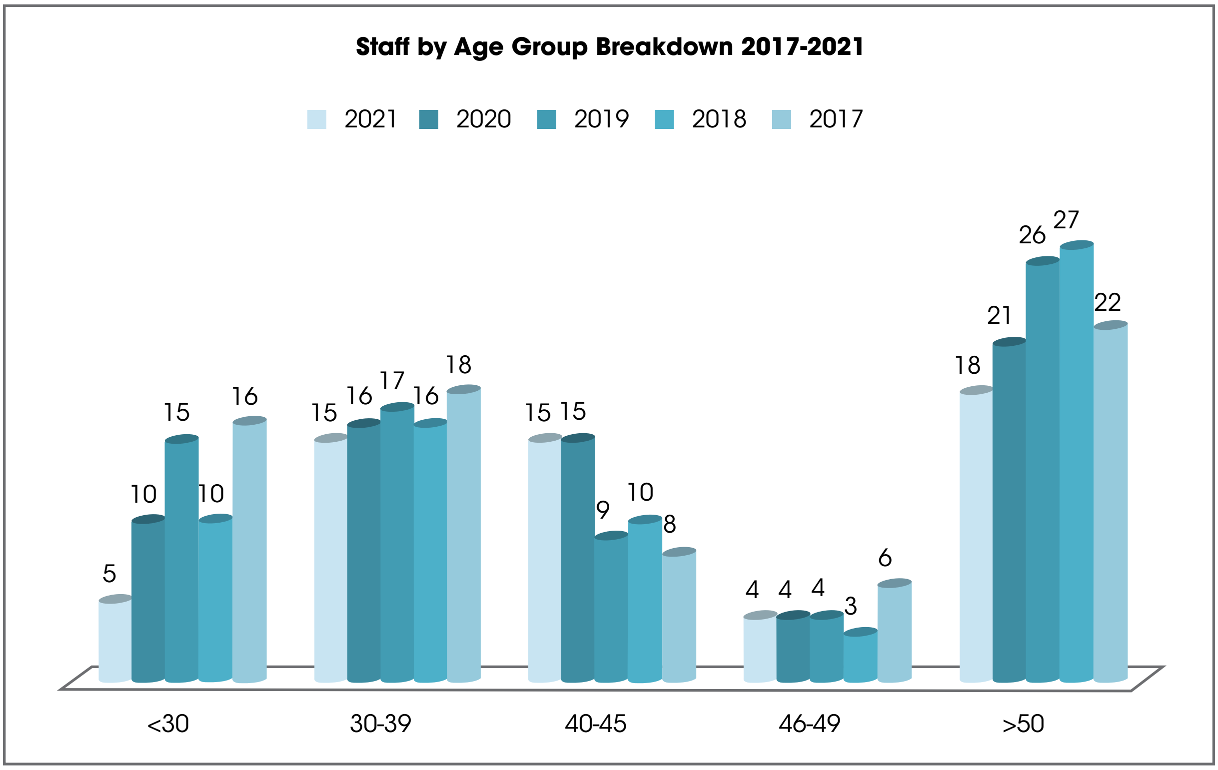
Staff by Ethnicity as of 31 May 2020



Staff by Ethnicity as of 31 May 2021

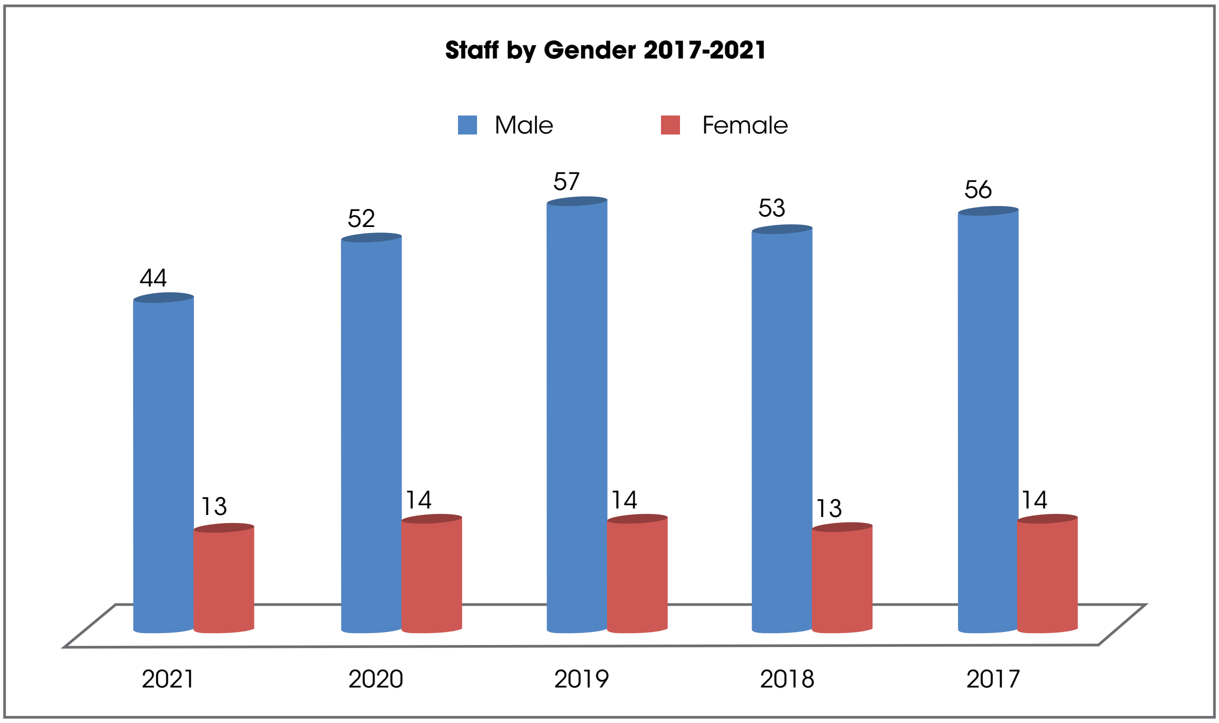


The above chart reflects our total employee population by category from 31 May 2017 to 31 May 2021. As can be seen, we only have a staff population of 57 as of 31 May 2021. We have a relatively small employee population as we out-source should we require specialised or short-term services. The small staff population is actually part of our business strategy as we want to ensure that we can maintain all of our employees should there be a business down turn. Our executive level staff just comprises 26% of our total staff with the balance of 74% being non-executive as that is where our business focus is.



The above chart shows our staff by age group. We have slightly more mature staff than the younger staff. More than 32% of our employees are aged 50 and above. We appreciate having the older staff as they serve to guide the younger staff with their experience and knowledge. This is very important in our industry as experience is a very big factor in ensuring a quality end product which will satisfy our customers.

SUSTAINABILITY REPORT (CONT'D)



The chart above shows that our company is staffed mostly by males. This is inevitable as our business falls in the heavy industry sector. Our female employees form 23% of our staff and they are all office based.

- **Staff Engagement**

  An annual performance review is conducted for all executives and those at supervisory level. Their performance is reviewed against set KPIs. Discussion will be carried out on what their strengths and weaknesses are and where improvements can be made in order for them to reach their full potential.

  Our annual lunch and dinner events are other avenues for us to engage with our staff on an informal manner to forge better relationships between management and staff.

- **Staff Benefits**

  TAS offers competitive staff benefits and they include:

  - Health coverage
  - Maternity and paternity leave
  - Travel allowance
  - Mobile line
  - Insurance
  - Laptop usage
  - Company car
  - Training development

- **Training**

  The training programs that employees have attended include the following:

Courses	Number of courses conducted				
	2017	2018	2019	2020	2021
Health & Safety	4	8	4	9	10
Finance & Accounts	6	12	2	5	3
Technical	1	2	0	2	0
Human Resources & Administration	4	9	5	5	2

We realise that having competent staff is very important for our success. As such, we place strong emphasis on our training plan. Despite the enforcement of restricted movement due to COVID-19 outbreaks, training courses continued online.

Our training plan is developed annually according to annual training needs assessment and current needs development. Our goal in training is to provide employee with development opportunities and effective training for continuous improvement.

SOCIAL ACTIVITIES

As a good corporate citizen, we try to give back to society whenever and wherever we can. We see it as our responsibility to try to create positive changes and to lend a helping hand to bring joy to the underprivileged, as well as support the social activities of our industry NGOs.

Listed below are our charity contributions :

Year 2017
Majlis Amal Ramadhan
Malaysia-China Chamber of Commerce Anniversary Dinner
Year 2018
Malaysia-China Chamber of Commerce Conference & Gala Dinner
Malaysia-China Chamber of Commerce MCCC-AAET Green Award 2015
Malaysia-China Chamber of Commerce Anniversary Luncheon
Sibu Shipyard Association's Dinner Event
Donation to the Malaysia-China Chamber of Commerce
Year 2019
Donation to Methodist Children Home
Donation to the Sibu Kidney Foundation
Donation to the Association for Children with Special Needs Sibu
Sponsorship towards Sibu Shipyard Association's New Year Lunch
Year 2020
Donation to National Cancer Society of Malaysia
Donation to the Sibu Kidney Foundation
Donation to the Association for Children with Special Needs Sibu
Year 2021
Sponsorship towards Sarawak Heart Foundation for purchase of Magnetic Resonance Imaging (MRI) Machine for Sibu Hospital

The TAS Group will continue its effort to formalise and further integrate the sustainability elements of Economic, Environmental and Social into its Corporate Governance and Operations in the years to come. This will increase our transparency and performance, as well as build up more confidence and trust from our stakeholders for TAS' long-term sustainability, profitability and success.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors is committed to ensuring that the core values such as accountability, transparency and integrity are practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value of TAS Group.

This Statement is prepared based on the key corporate governance principles as set out in the Malaysian Code on Corporate Governance 2017 ("the Code") and is prepared in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR"). It is to be read together with the Corporate Governance Report 2021 of the Company which is available on the Company's website at *www.tasoffshore.com.*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is primarily responsible for determining the Company's strategic objectives and policies and monitoring the progress toward achieving the objectives and policies. In this regard, the Board is guided by the principles and practices set out in the approved Board Charter to ensure that all Board members, acting collectively and individually on behalf of the Company, are aware of the specific functions of the Board, their duties and responsibilities, the principles and practices of good corporate governance are applied in all their dealings in respect of and on behalf of the Company.

The Board has the following major responsibilities:

a) Strategic Direction

The Board establishes the vision for the Group and sets overall objectives. The Board reviews the operation performances quarterly to ensure that the performances are aligned to the Group's overall strategic direction and objectives.

b) Overall Management

The Board oversees the conduct of the Group's business to ensure that it has been properly managed and is sustainable. The Executive Directors are delegated with relevant approving authorities for the management of the business operations.

c) Risk Management and Internal Control

The Board has entrusted the Audit Committee to oversee the efficiency and adequacy of the Group's risk management and internal control system by establishing a risk management framework with an ongoing process for identifying, evaluating and managing significant financial risks faced by the Group.

d) Succession Planning

The Board ensures high standard prevails in the processes of appointing, training, assessing the right candidates in succession planning. The Nomination Committee monitors and evaluates the performances of the Senior Management and members of the Board with a view for continuous improvement and to plan for successors.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board Responsibilities (Cont'd)

The Board has the following major responsibilities: (Cont'd)

e) Good Corporate Governance

The Board ensures that corporate governance adopted and practised are in line with the principles of transparency, accountability and integrity to protect and enhance shareholders' value and financial performance of the Group. To further enhance good governance, an Anti-Corruption and Bribery Policy and Whistleblowing Policy have been established to enable employees and stakeholders to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity in an appropriate manner.

To ensure the effectiveness in discharging its duties and responsibilities, the Board has delegated certain responsibilities to the Management and the committees appointed by the Board. The Board has established and delegated certain responsibilities to the following three (3) Board Committees, namely:

(a) Audit Committee ("AC")
(b) Nomination Committee ("NC")
(c) Remuneration Committee ("RC")

Each committee operates its functions within their terms of reference approved by the Board which are reviewed by the Board as and when necessary.

The positions of the Chairman, an Independent Non-Executive member of the Board and the Managing Director are distinctly segregated. There is a clear division of responsibility between the Chairman and the Managing Director to ensure an appropriate balance of power and authority and accountability at the Board level.

The Management of TAS Group's operational activities is delegated by the Board to the Managing Director who has in-depth knowledge of the business to drive the daily business activities of the Group. The Managing Director is well supported by management committees of various functions as he leads the Senior Management in the daily business and operations of the Group and the implementation of strategies and policies approved by the Board. The functions and powers of the Management are governed by approved Limits of Authority adopted throughout the Group and embedded in the control systems. The delegation of the Board authority to the Managing Director is reviewed as and when the need arises.

During the FYE 2021, six (6) Board meetings were held. Details of attendance of Directors are set out below.

Name of Directors	Designation	Meeting Attendance
Datu Haji Mohammed Sepuan Bin Anu	Independent Non-Executive Chairman	6/6
Datuk Lau Nai Hoh	Managing Director	6/6
Lau Choo Chin	Deputy Managing Director	6/6
Tan Sri Dato' Seri Mohd Jamil Bin Johari	Independent Non-Executive Director	6/6
Lau Kiing Yiing	Senior Independent Non-Executive Director	6/6
Ling Ka Chuan	Independent Non-Executive Director	6/6

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board Responsibilities (Cont'd)

The Board is supported by a qualified Company Secretary who ensures that meeting procedures and all applicable rules and regulations are complied with. Deliberations of the Directors in these meetings and their conclusions and/or resolutions are properly recorded by the Company Secretary in the form of minutes of meeting and these minutes are kept in the Minutes Book of the Company.

The Company Secretary, besides performing the statutory duties under the Companies Act 2016, provide sound governance advices. All Board members have unlimited access to the professional advice and services of the Company Secretary.

2. Board Composition

TAS Group is led and controlled by an effective and well-balanced Board, whose members are of diverse backgrounds and have vast experience. As at the date of this Statement, the Board has six (6) members, comprising two (2) Executive Directors and four (4) Independent Non-Executive Directors. The structure of the composition is consistent with the MMLR and the Code.

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to election by shareholders at the first Annual General Meeting of the Company after their appointment. Thereon, an election of Directors shall take place every year where one-third (1/3) of the Directors for the time being or, if their number is not three (3) or multiple of three (3), then the number nearest to one-third (1/3) shall retire but shall be eligible for re-election; provided always that all Directors shall retire from office at least once in every three (3) years.

During the financial year, the NC has carried out the following activities :

- reviewed and assessed the required size, composition, mix of skill, experience and other qualities of the Board;
- assessed the effectiveness of the Board as a whole, the contribution of each Director and the Board Committees;
- recommended to the Board for continuation the services of the Directors who were due for retirement;
- reviewed the terms of office of AC and the performance of the AC and each of its members to determine whether they have carried out their duties in accordance with their terms of reference; and
- facilitated training programmes for the Directors.

Pursuant to its recent annual review, the NC is satisfied that the current size and composition of the Board with a wide range of technical, management and accounting experience is appropriate and vital for the effective functioning of the Board.

Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring the independence of judgement and objectivity are exercised in board room deliberations, taking into account the long term interest, not only of the Group but also of the shareholders and other stakeholders.

The Board has identified Mr Lau Kiing Yiing as the Senior Independent Non-Executive Director. Being the Chairman of the AC, he is the most appropriate spokesperson for all Independent Non-Executive Directors as well as a channel for other stakeholders to convey their concerns if any.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Board Composition (Cont'd)

All Directors have completed the mandatory accreditation programme. During FYE2021, the Directors have attended the following training to better equip themselves to carry out their duties and responsibilities:

Directors	Courses	Date of Attendance
Datu Haji Mohammed Sepuan Bin Anu	The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ["MACCA" 2018] – Corporate Liability Provision	18 May 2021
Datuk Lau Nai Hoh	The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ["MACCA" 2018] – Corporate Liability Provision	18 May 2021
Lau Choo Chin	The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ["MACCA" 2018] – Corporate Liability Provision	18 May 2021
Tan Sri Dato' Seri Mohd Jamil Bin Johari	The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ["MACCA" 2018] – Corporate Liability Provision	18 May 2021
Lau Kiing Yiing	MIA Webinar Series: The New Companies (Amendment) Act 2019	17 August 2020
	MIA Webinar Series: Accounting Considerations of the COVID-19 Pandemic and Economic Recession	18 August 2020
	MIA Webinar Series: Audit Series Workshop 5 – Auditing of Property Developers and Contractors	2 November 2020 – 3 November 2020
	2021 Budget Seminar	3 December 2020
	MIA Webinar Series: Tax Issues and Law Relating to Property Developers, JMB/MC and Investors	7 December 2020
	MIA Webinar Series: Transfer Pricing Documentation: Do's and Don'ts	11 December 2020
	MIA Webinar Series: Tax Issues for SMEs	16 December 2020
	The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ["MACCA" 2018] – Corporate Liability Provision	18 May 2021
Ling Ka Chuan	The Malaysian Anti-Corruption Commission (Amendment) Act 2018 ["MACCA" 2018] – Corporate Liability Provision	18 May 2021

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Remuneration

The Group's policy on Directors' remuneration is structured to attract and retain directors needed to run the Group successfully.

The RC recommends to the Board the framework of the Executive Directors' remuneration and their remuneration package. The remuneration of these Directors, however, is determined by the Board as a whole with the Director concerned abstained from deliberation in respect of his remuneration.

In formulating the remuneration policy and package, the RC takes into consideration the responsibility and job function, individual and corporate performance, and remuneration packages of comparable companies in the same industry.

The remuneration package for the Executive Directors and Independent Non-Executive Directors consists of the following:

- Salaries

  Executive Directors' salaries are formulated taking into account their responsibilities, functions and performance, competitive to a comparable role in a similar organisation. An annual review is conducted on these remuneration packages and salaries are adjusted to reflect performances, responsibilities, job function and market trends.

- Fees

  Fees for Independent Non-Executive Directors are determined by the Board as a whole and subject to the shareholders' approval at the Annual General Meeting.

- Allowances for Independent Non-Executive Directors

  Meeting Allowances are paid to Independent Non-Executive Directors for their meeting attendance at various Board and Board Committees.

- Bonus and Other Benefits

  Bonus and incentives are paid to the Executive Directors, in line with the Group's remuneration policy, depending on individual and corporate performance.

  Other benefits include allowances, vehicles, telecommunication facilities, medical and insurance coverage and retirement benefits.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Remuneration (Cont'd)

A summary of remuneration provided to the Directors for the FYE 2021 distinguishing between Executive and Non-Executive Directors, with categorisation into appropriate components are set out below:

	Fees		Salaries		Meeting Allowances		Bonus and Other Benefits		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
	Company	Group	Company	Group	Company	Group	Company	Group	Company	Group
Executive Director										
Datuk Lau Nai Hoh	-	-	100,920	1,009,200	-	-	37,802	235,660	138,722	1,244,860
Lau Choo Chin	-	-	32,664	326,640	-	-	16,642	86,156	49,306	412,796
Non-Executive Directors										
Datu Haji Mohammed Sepuan Bin Anu	46,000	46,000	-	-	8,600	8,600	-	-	54,600	54,600
Tan Sri Dato' Seri Mohd Jamil Bin Johari	35,000	35,000	-	-	7,300	7,300	-	-	42,300	42,300
Lau Kiing Yiing	35,000	35,000	-	-	9,300	9,300	-	-	44,300	44,300
Ling Ka Chuan	35,000	35,000	-	-	7,800	7,800	-	-	42,800	42,800
TOTAL	**151,000**	**151,000**	**133,584**	**1,335,840**	**33,000**	**33,000**	**54,444**	**321,816**	**372,028**	**1,841,656**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee ("AC")

The AC was established by the Board to assist the Board of Directors in fulfilling statutory and fiduciary responsibilities with regard to the financial reporting process, reviewing the scope and results of internal and external auditing processes and monitoring the effectiveness of the internal controls and risk management.

The AC has four (4) members, comprising of all Independent Non-Executive Directors, with the Chairman who is a member of the Malaysian Institute of Accountants. The structure of the composition is consistent with the MMLR.

Chairman:

Lau Kiing Yiing — Senior Independent Non-Executive Director

Members:

Datu Haji Mohammed Sepuan Bin Anu — Independent Non-Executive Director
Tan Sri Dato' Seri Mohd Jamil Bin Johari — Independent Non-Executive Director
Ling Ka Chuan — Independent Non-Executive Director

More details on the activities of the AC can be found in the Audit Committee Report on page 31 of the Annual Report. The terms of reference of the AC is found on the Company's website at *www.tasoffshore.com*.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

1. Audit Committee ("AC") (Cont'd)

Risk Management and Internal Control

The Board recognises that proper risk management and internal control are important aspects of a company's governance, management and operation.

The Board has the overall responsibility of identifying, assessing, managing and monitoring the material business risks. This is to safeguard shareholders' investments and the Group's assets.

Detailed information on risk management and internal control is set out in the Statement on Risk Management and Internal Control on page 29 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

The Company recognises the importance of maintaining transparency and effective communication with the shareholders, stakeholders and investors and keeping them abreast of all developments concerning the TAS Group. As such, the Board is committed to ensuring timely, accurate and proper dissemination of information on the operations, activities and performance of the Group to its shareholders, stakeholders and investors.

The Company strictly adheres to the disclosure requirements stipulated in the MMLR and due care is taken to ensure material and market-sensitive information are not unduly disclosed before an official announcement is made to Bursa Malaysia for public release.

2. Conduct of General Meetings

The Company's General Meetings remain the main channel of communication with the Company's shareholders. At each General Meeting shareholders are encouraged and given sufficient time and opportunity to participate in the proceedings, to raise questions and participate in discussions pertaining to the operation and financial aspects of the Group. They may seek clarifications on the Group's performance, major development as well as on the resolutions being proposed. All Board members, Senior Management team as well as the Company's External Auditors are available to respond to shareholders' relevant questions raised at the meeting.

In line with good corporate governance practice, the notice of the Annual General Meeting ("AGM") of the Company was issued more than 28 days before the AGM date.

The Company's AGMs have always been held at easily accessible venues for the convenience of the shareholders. The Company will explore the leveraging of technology, enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

This Statement is made in accordance with the resolution of the Board of Directors dated 15 September 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to maintaining a sound system of risk management and internal control in the Group to safeguard shareholders' interest and the Group's assets. The following statement outlines the nature and scope of the risk management and internal control of the Group.

Board's Responsibility

The Board of Directors is responsible for the Group's risk management and internal control system including the establishment of a control environment and framework and reviewing the adequacy, effectiveness and integrity of the system. The system of risk management and internal control covers, inter alia, financial and operational activities, compliance controls and various risk areas identified. Because of the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board recognises that as the Group grows, the system of risk management and internal control will continually need to be enhanced to suit the needs and requirements of the expanding Group.

The Board is of the view that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group and has received the same assurance from the Managing Director and Group Accountant.

Key Processes on Risk Management and Internal Control

The main features of the Group's risk management and internal control system and the key processes that have been applied in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

Internal Audit

The Group has outsourced the Internal Audit function. To ensure independent and impartial appraisal, the Internal Auditor is given unrestricted access to all records, information, property, personnel and other relevant resources of the TAS Group. The Internal Audit review covers all the key functional areas and processes of the Group.

The Internal Auditor independently reviews and evaluates the adequacy and integrity of the internal controls put in place and the risk management processes, and reports the findings together with any remedial recommendations directly to the Audit Committee. The Audit Committee considers the Internal Audit Report before making necessary recommendations to improve the risk management and internal control system to the Board of Directors periodically or as and when the situation requires.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Key Processes on Risk Management and Internal Control (Cont'd)

Risk Management

The Board has formalised the risk management policy and control framework which is embedded in the Group's management system. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group to ensure that all high risks are adequately addressed at various levels within the Group. The above exercise is monitored by the Management with the assistance of the Internal Auditor. A Risk Management Report is compiled and submitted to the Audit Committee which has been entrusted by the Board to assist its risk management responsibility. Such processes and procedures have been put in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

Each department in the Group is responsible for the identification and assessment of its significant risks. The identified risks are assessed for the likelihood of the risks occurring and the effect of impact. A risk rating [from 1 (lowest risk) to 9 (highest risk)] is then accorded to each of the risks identified. The control effectiveness is considered and further risk control measures or action plans are taken to mitigate the risks to the desired level.

The above exercise is monitored by the Risk Management Working Committee and reported to the Audit Committee. The Risk Management Report is reviewed by the Audit Committee to ensure the adequacy and integrity of the system of internal control before making necessary recommendations to the Board of Directors. Emphasis is placed on reviewing and updating the significant risks affecting the business and business sustainability including policies and procedures by which these risks are managed.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosure required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

AUDIT COMMITTEE REPORT

Chairman:

Lau Kiing Yiing	Senior Independent Non-Executive Director

Members:

Datu Haji Mohammed Sepuan Bin Anu	Independent Non-Executive Director
Tan Sri Dato' Seri Mohd Jamil Bin Johari	Independent Non-Executive Director
Ling Ka Chuan	Independent Non-Executive Director

Composition

The Audit Committee has four (4) members, comprising of all Independent Non-Executive Directors, with the Chairman who is a member of the Malaysian Institute of Accountants.The structure of the composition is consistent with the Listing Requirements.

The Audit Committee held six (6) meetings during the financial year under review with the following attendance record:

Name of Director	Attendance
Lau Kiing Yiing	6/6
Datu Haji Mohammed Sepuan Bin Anu	6/6
Tan Sri Dato' Seri Mohd Jamil Bin Johari	6/6
Ling Ka Chuan	6/6

Summary of Works of the Audit Committee

In line with the terms of reference of the Audit Committee, the following works were carried out by the Committee during the FYE2021:

(a) Reviewed and discussed with the Management the quarterly unaudited financial results of the Group focusing on matters affecting the Group's performance significantly, compliance with the provisions of the Companies Act 2016, the applicable accounting standards, Bursa Malaysia Securities Berhad Main Market Listing Requirements and other relevant regulatory requirements, before recommending them to the Board for approval and subsequent release to Bursa Malaysia Securities Berhad;

(b) Reviewed and discussed the annual audited financial statements of the Company and its group with the Management as to their compliance with the provisions of the Companies Act 2016, the applicable accounting standards, Bursa Malaysia Securities Berhad Main Market Listing Requirements, and other relevant regulatory requirements before recommending them to the Board for approval and subsequent release to Bursa Malaysia Securities Berhad;

(c) Reviewed the annual Internal Audit Plan and the audit programme with the Internal Auditors to ensure adequate audit coverage of the key risk areas;

(d) Discussed the Internal Auditors' Reports, their major findings and recommendations and the Management's response in addressing the issues raised to ensure that the associated risks were adequately addressed;

(e) Reviewed or appraised the performance of the Internal Auditors before recommending their re-nomination to the Board;

(f) Reviewed and discussed with the External Auditors, their annual audit planning memorandum encompassing areas of focus, key audit matters to be included in the auditors' report, audit methodology and time-table and audit materiality prior to commencement of their annual audit for the FYE2021;

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Works of the Audit Committee (Cont'd)

(g) Reviewed and discussed with the External Auditors and the Management, the significant audit findings and recommendations by the External Auditors and any significant audit issues arising therefrom;

(h) Appraised the performance and evaluated the independence and objectivity of the External Auditors in providing their services and made recommendations to the Board on their re-appointment and the quantum of audit fees;

(i) Met with the External Auditors twice without the presence of the Management for discussions of additional matters in relation to audit issues noted in the course of their audit;

(j) Reviewed quarterly the related party transaction within the Company or the Group to ensure that the transactions were on normal commercial terms which were not detrimental to the interest of minority;

(k) Reviewed quarterly the Risk Management Report from the Risk Management Working Committee, any significant risks, mitigation actions and made relevant recommendations to the Board for necessary actions; and

(l) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report.

Internal Audit Function

We have appointed an external firm to carry out the Internal Audit function.

The Internal Audit is responsible for the independent assessment on the adequacy and effectiveness of the internal control systems in place in anticipation of the risk exposures of key business processes. It also provides assurance on the systems and recommends improvements to the systems if necessary, to enable the Group to achieve its corporate objectives.

The main activities carried out by the Internal Auditor involve:

(a) Reviewing and appraising the adequacy, effectiveness and application of accounting, financial, operational and other controls, recommending improvement in control and promoting effective control in the Group at a reasonable cost;

(b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;

(c) Ascertaining the extent to which the Group's assets are accounted for and safeguarded from losses;

(d) Appraising the reliability and usefulness of data and information generated for management; and

(e) Reviewing the Risk Management Report from the Risk Management Working Committee.

During the financial year, reviews of the existing internal controls covered under the audit plan revealed that they were generally satisfactory. In areas where controls were deemed inadequate, additional measures were recommended for implementation to address any weakness in the systems.

The costs incurred by the Internal Audit function in respect of FYE2021 were RM36,000.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 2016, to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia to give a true and fair view of the financial state of affairs of the Company and the Group at the end of the financial year.

In preparing the financial statements, the Directors have:

(i) adopted appropriate accounting policies, which are applied consistently;

(ii) ensured that all applicable accounting standards have been complied with;

(iii) made judgements and estimates that are reasonable and prudent; and

(iv) prepared financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group keep accounting records that disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 2016 and applicable approved accounting standards.

The Directors are also responsible for taking reasonable steps to prevent and detect fraud and other irregularities to safeguard the assets of the Group.

Status of Utilisation of Proceeds

The gross proceeds derived from the Public Issue in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad on 28 August 2009 had been fully utilised.

Material Contracts

There was no material contract entered into by the Company or its subsidiaries involving the interest of the Directors, or major shareholders either still subsisting at the end of the financial year ended 31 May 2021 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions

The related party transactions are disclosed on page 96 and 97 of this Annual Report.

Audit and Non-Audit Fees

Details of the audit and non-audit fees paid or payable to the Company's External Auditors, Messrs. FOLKS DFK & CO. for the FYE2021 are as follows:

	Company	Group
Statutory audit fees (RM)	40,000	52,737
Non-audit fees (RM)	5,000	5,000
i. Review of Statement on Risk Management and Internal Control; and		
ii. Limited review on TAS' quarterly announcements.		
	45,000	57,737

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities and details of its subsidiaries are set out in Note 5.1 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to owners of the Company	1,886,891	32,988,016

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves and provisions during the financial year ended 31 May 2021 other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial year. The Directors do not recommend the payment of any dividends in respect of the current financial year.

SHARE CAPITAL

The Company did not issue any shares or debentures during the financial year.

TREASURY SHARES

By an ordinary resolution passed at the Annual General Meeting held on 22 October 2020, the shareholders of the Company renewed the Directors' authority for the Company to repurchase its own shares up to ten percent (10%) of its issued and paid-up share capital.

There were no shares repurchased during the financial year. The shares previously repurchased are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016. None of the treasury shares were resold or cancelled during the financial year.

As at 31 May 2021, the Company held a total number of 5,192,900 treasury shares at a total carrying amount of RM1,913,025. Further details of the treasury shares are disclosed in Note 14 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY

The names of the Directors during the financial year and during the period from the end of the financial year to the date of this report are:-

Datu Haji Mohammed Sepuan Bin Anu
Datuk Lau Nai Hoh
Tan Sri Dato' Seri Mohd Jamil Bin Johari
Lau Choo Chin
Ling Ka Chuan
Lau Kiing Yiing

The names of the directors of the Company's subsidiaries who served during the financial year to the date of this report, not including those Directors mentioned above are as follows:-

Tan Sri Dato' Shahril @ Shahrir Bin AB. Samad
Datin Hii Kiong Thai
Ng Cheng Lee

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in the ordinary shares of the Company and its subsidiary during the financial year were as follows:-

Shareholdings in the Company

	Number of ordinary shares			
	Balance at	During the financial year		Balance at
Names of Directors	**01.06.2020**	**Acquired**	**Disposed**	**31.05.2021**
Datu Haji Mohammed Sepuan Bin Anu				
- Direct interest	15,000	–	–	15,000
Datuk Lau Nai Hoh				
- Direct interest	90,525,671	–	–	90,525,671
- Indirect interest *	1,281,317	–	–	1,281,317
Lau Choo Chin				
- Direct interest	409,006	–	–	409,006
- Indirect interest *	40,000	–	–	40,000
Tan Sri Dato' Seri Mohd Jamil Bin Johari				
- Direct interest	10,000	–	–	10,000
Ling Ka Chuan				
- Direct interest	10,000	–	–	10,000
Lau Kiing Yiing				
- Direct interest	10,000	–	–	10,000

* Interest held by spouses and children treated as interest of the Directors in accordance with Section 59(11)(c) of the Companies Act 2016.

DIRECTORS' INTERESTS (CONT'D)

Shareholdings in a subsidiary, TA Ventures (L) Ltd.

	Number of ordinary shares			
	Balance at	During the financial year		Balance at
Names of Directors	01.06.2020	Acquired	Disposed	31.05.2021
Datuk Lau Nai Hoh and Lau Choo Chin				
- Indirect interest **	–	100	–	100

** Interest held through a wholly-owned subsidiary, Tuong Aik Shipyard Sdn. Bhd.

By virtue of their shareholdings in the Company, Datuk Lau Nai Hoh and Lau Choo Chin are deemed to be interested in the shares of the wholly-owned subsidiaries of the Company, namely Tuong Aik Shipyard Sdn. Bhd., TA Ventures (L) Ltd., Pantas Marine Sdn. Bhd., Western Realty Sdn. Bhd. and TAS Epic Sdn. Bhd. for which there were no movements in interests in the shares held during the financial year.

Other than as disclosed above, no other Directors in office at the end of the financial year held any interests in shares in the Company and its subsidiaries during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business and as disclosed in Note 27 to the financial statements.

DIRECTORS' REMUNERATION

The particulars of remuneration provided to the Directors of the Group and of the Company are disclosed in Note 23 to the financial statements.

No indemnity was given to nor was there any insurance effected for the Directors or officers of the Group and of the Company during the financial year.

AUDITORS' REMUNERATION

The details of remuneration paid or payable to the auditors of the Group and of the Company are disclosed in Note 22 to the financial statements.

No indemnity was given to nor was there any insurance effected for the auditors during the financial year.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:-

(i) which would render the amount written off for bad debts and the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

(ii) which would render the values of current assets in the financial statements of the Group and of the Company misleading;

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and

(iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist:-

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:-

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Messrs. Folks DFK & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....	....
DATUK LAU NAI HOH	**LAU CHOO CHIN**
Director	Director

Sibu, Sarawak

15 September 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	17,360,161	18,059,867	1	1
Investments in subsidiaries	5	–	–	77,500,004	61,510,043
Other investments	6	30,224,883	30,499,887	27,522,122	25,386,909
Deferred tax assets	7	770,449	554,302	31,084	28,406
Amount due from subsidiaries	8	–	–	16,750,791	6,344,437
		48,355,493	49,114,056	121,804,002	93,269,796
Current Assets					
Inventories	9	58,292,148	422,246,073	–	–
Contract assets	10	1,912,882	520,599	–	–
Trade and other receivables	11	7,080,524	14,871,094	2,000	2,000
Amount due from subsidiaries	8	–	–	309,899	98,086
Tax recoverable		423,338	777,755	57,518	41,769
Fixed deposits, cash and bank balances	12	11,676,788	4,998,319	4,605,677	391,268
		79,385,680	443,413,840	4,975,094	533,123
Total Assets		127,741,173	492,527,896	126,779,096	93,802,919

The annexed notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	13	117,640,472	117,640,472	117,640,472	117,640,472
Treasury shares	14	(1,913,025)	(1,913,025)	(1,913,025)	(1,913,025)
(Accumulated losses)/ Retained profits		(34,400,654)	(36,287,545)	10,713,131	(22,274,885)
Foreign currency translation reserve		11,681,592	6,734,783	–	–
Total Equity		93,008,385	86,174,685	126,440,578	93,452,562
Non-Current Liabilities					
Bank borrowings (Secured)	15	6,523,565	10,062,306	–	–
Retirement benefits	16	1,295,169	1,183,560	129,518	118,357
Deferred tax liabilities	7	1,967,852	2,014,285	–	–
		9,786,586	13,260,151	129,518	118,357
Current Liabilities					
Trade and other payables	17	21,178,950	385,908,848	209,000	232,000
Contract liabilities	10	–	2,271,041	–	–
Bank borrowings (Secured)	15	3,453,752	4,356,902	–	–
Derivative financial liabilities	18	268,922	534,229	–	–
Taxation		44,578	22,040	–	–
		24,946,202	393,093,060	209,000	232,000
Total Liabilities		34,732,788	406,353,211	338,518	350,357
Total Equity and Liabilities		127,741,173	492,527,896	126,779,096	93,802,919

The annexed notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM	RM	RM	RM
Revenue	19	34,903,322	16,182,472	497,773	1,154,293
Cost of sales	20	(25,564,892)	(13,892,299)	–	–
Gross profit		9,338,430	2,290,173	497,773	1,154,293
Other income		3,777,543	5,948,896	33,199,460	373,095
Administrative expenses		(8,594,004)	(5,644,211)	(643,093)	(1,118,205)
Other operating expenses		(1,095,427)	(76,815,316)	–	(35,541,920)
Operating profit/(loss)		3,426,542	(74,220,458)	33,054,140	(35,132,737)
Finance costs	21	(595,083)	(1,000,245)	–	–
Profit/(Loss) before taxation	22	2,831,459	(75,220,703)	33,054,140	(35,132,737)
Taxation	24	(944,568)	313,577	(66,124)	(27,687)
Profit/(Loss) for the year		1,886,891	(74,907,126)	32,988,016	(35,160,424)
Other comprehensive income					
Item that will be reclassified subsequently to profit or loss, net of tax effects:					
Gain/(Loss) on foreign currency translation		4,946,809	(1,233,791)	–	–
Total comprehensive income/(loss) for the year		6,833,700	(76,140,917)	32,988,016	(35,160,424)
Attributable to owners of the Company:					
- Profit/(Loss) for the year		1,886,891	(74,907,126)	32,988,016	(35,160,424)
- Total comprehensive income/(loss) for the year		6,833,700	(76,140,917)	32,988,016	(35,160,424)
Earnings/(Loss) per share attributable to owners of the Company (Sen):					
- Basic	25	1.08	(42.70)		

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Attributable to Owners of the Company				
			Non-Distributable	Distributable	
Group	**Share Capital RM**	**Treasury Shares RM**	**Foreign Currency Translation Reserve RM**	**(Accumulated Losses)/ Retained Profits RM**	**Total RM**
2021					
Balance at 1 June 2020	117,640,472	(1,913,025)	6,734,783	(36,287,545)	86,174,685
Profit for the year	–	–	–	1,886,891	1,886,891
Gain on foreign currency translation	–	–	4,946,809	–	4,946,809
Total comprehensive income for the year	–	–	4,946,809	1,886,891	6,833,700
Balance at 31 May 2021	117,640,472	(1,913,025)	11,681,592	(34,400,654)	93,008,385
2020					
Balance at 1 June 2019	117,640,472	(1,776,765)	7,968,574	38,619,581	162,451,862
Loss for the year	–	–	–	(74,907,126)	(74,907,126)
Loss on foreign currency translation	–	–	(1,233,791)	–	(1,233,791)
Total comprehensive loss for the year	–	–	(1,233,791)	(74,907,126)	(76,140,917)
Shares repurchased (Note 14)	–	(136,260)	–	–	(136,260)
Balance at 31 May 2020	117,640,472	(1,913,025)	6,734,783	(36,287,545)	86,174,685

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Attributable to Owners of the Company			
			Distributable	
Company	Share Capital RM	Treasury Shares RM	(Accumulated Losses)/ Retained Profits RM	Total RM
2021				
Balance at 1 June 2020	117,640,472	(1,913,025)	(22,274,885)	93,452,562
Total comprehensive income comprising profit for the year	–	–	32,988,016	32,988,016
Balance at 31 May 2021	117,640,472	(1,913,025)	10,713,131	126,440,578
2020				
Balance at 1 June 2019	117,640,472	(1,776,765)	12,885,539	128,749,246
Total comprehensive loss comprising loss for the year	–	–	(35,160,424)	(35,160,424)
Shares repurchased (Note 14)	–	(136,260)	–	(136,260)
Balance at 31 May 2020	117,640,472	(1,913,025)	(22,274,885)	93,452,562

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2021

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities				
Profit/(Loss) before taxation	2,831,459	(75,220,703)	33,054,140	(35,132,737)
Adjustments for:-				
Depreciation of property, plant and equipment	1,196,457	1,309,474	–	–
Defined benefit cost	111,609	156,036	11,161	15,604
Income from unit trust funds	(585,841)	(1,241,502)	(497,773)	(1,154,293)
Impairment losses on:				
- deposits paid to shipbuilding contractors	–	17,141,231	–	–
- investments in subsidiaries	–	–	–	35,092,711
- amount due from subsidiaries	–	–	–	449,209
Write-down in value of inventories	1,095,427	58,306,628	–	–
Net reversal of allowance for impairment losses on:				
- trade receivables	(43,157)	(1,256,285)	–	–
- investment in a subsidiary	–	–	(30,489,961)	–
(Gain)/Loss on changes in fair value of:				
- investments measured at fair value through profit or loss	(2,138,382)	(170,698)	(2,135,307)	(144,930)
- derivative instruments	(265,307)	534,229	–	–
(Gain)/Loss on disposal of:				
- property, plant and equipment	(1,999)	(51,999)	–	–
- investments measured at fair value through profit or loss	(773)	355,719	(2,133)	355,719
Property, plant and equipment written off	3,332	139,318	–	–
Interest expense	660,217	1,053,329	–	–
Interest income	(16,143)	(321,900)	(572,059)	(224,453)
Unrealised loss/(gain) on foreign exchange	4,758,320	(2,419,261)	–	(1,712)
Forfeiture of deposits on termination of a vessel sale agreement	–	(854,509)	–	–
Waiver of debts	(708,183)	(895)	–	–
Operating profit/(loss) before working capital changes	6,897,036	(2,541,788)	(631,932)	(744,882)

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Operating profit/(loss) before working capital changes	6,897,036	(2,541,788)	(631,932)	(744,882)
Decrease/(Increase) in inventories	354,403,923	(16,576,591)	–	–
(Increase)/Decrease in contract assets	(1,392,283)	44,333	–	–
(Decrease)/Increase in contract liabilities	(2,271,041)	2,271,041	–	–
Decrease/(Increase) in trade and other receivables	7,833,286	(1,218,629)	–	1,650
(Decrease)/Increase in trade and other payables	(355,410,958)	9,487,800	(23,000)	27,000
Cash generated from/(utilised in) operations	10,059,963	(8,533,834)	(654,932)	(716,232)
Interest paid	(29,430)	(9,267)	–	–
Interest received	16,143	321,900	572,059	224,453
Tax refunded	–	527,548	–	77,404
Tax paid	(830,193)	(968,102)	(84,551)	(78,328)
Net cash from/(used in) operating activities	9,216,483	(8,661,755)	(167,424)	(492,703)
Cash flows from investing activities				
Return of capital by a subsidiary (Note 5.2)	–	–	14,500,000	–
Income from investments in unit trust funds	585,841	1,241,502	497,773	1,154,293
Purchase of property, plant and equipment	(500,084)	(203,546)	–	–
Proceeds from disposal of property, plant and equipment	2,000	52,000	–	–
Investments in unit trust funds	(10,585,841)	(11,644,378)	(10,497,773)	(6,557,168)
Proceeds from disposal of investments in unit trust funds	13,000,000	9,379,468	10,500,000	9,379,468
Decrease/(Increase) in fixed deposits pledged as security	96,047	(124,210)	–	–
Net advances to subsidiaries	–	–	(10,618,167)	(3,343,177)
Net cash from/(used in) investing activities	2,597,963	(1,299,164)	4,381,833	633,416

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM	**RM**	**RM**	**RM**
Cash flows from financing activities				
Shares repurchased	–	(136,260)	–	(136,260)
Net repayment of bank borrowings (Note 31)	(4,441,891)	(18,040,392)	–	–
Interests paid on bank borrowings	(630,787)	(1,044,062)	–	–
Net repayment to a subsidiary	–	–	–	(118,671)
Net cash used in financing activities	(5,072,678)	(19,220,714)	–	(254,931)
Net increase/(decrease) in cash and cash equivalents	6,741,768	(29,181,633)	4,214,409	(114,218)
Cash and cash equivalents at beginning of year	2,797,171	31,335,806	391,268	505,486
Effect of changes in foreign exchange rates	32,748	642,998	–	–
Cash and cash equivalents at end of year (Note 12)	9,571,687	2,797,171	4,605,677	391,268

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 MAY 2021

1. GENERAL INFORMATION

TAS Offshore Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and the principal place of business is located at Lot 199, Jalan Sg. Ma'aw, Sg. Bidut, 96000 Sibu, Sarawak.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 5.1 to the financial statements.

These financial statements comprised the financial statements of the Group and the financial statements of the Company and they are presented in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors on 15 September 2021.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of the amendments to MFRSs as disclosed in Note 2.2 below.

2.2 Application of Amendments to MFRSs

During the financial year, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period beginning on or after 1 June 2020:-

Amendments to MFRS 3 - Definition of a Business *(effective on 1 January 2020)*
Amendments to MFRS 101 and Amendments to MFRS 108 - Definition of Material *(effective on 1 January 2020)*
Amendments to MFRS 9, MFRS 139 and MFRS 7 - Interest Rate Benchmark Reform *(effective on 1 January 2020)*
Amendments to MFRS 16 - Covid-19-Related Rent Concessions *(effective on 1 June 2020)*

The initial application of amendments to MFRSs did not have any significant impact on the Group's and the Company's financial statements for the current and prior financial periods and is not expected to have a material impact on future periods.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 New MFRS and Amendments to MFRSs That Are In Issue But Not Yet Effective

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

Effective for annual periods beginning on or after 1 January 2021
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - Interest Rate Benchmark Reform - Phase 2

Effective for annual periods beginning on or after 1 April 2021
Amendment to MFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022
Amendments to MFRS 3 - Reference to the Conceptual Framework
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":
- Amendment to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
- Amendment to MFRS 9, Financial Instruments
- Amendment to MFRS 16, Leases
- Amendment to MFRS 141, Agriculture

Effective for annual periods beginning on or after 1 January 2023
MFRS 17, Insurance Contracts
Amendments to MFRS 17 - Insurance Contracts
Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current
Amendments to MFRS 101 - Disclosure of Accounting Policies
Amendments to MFRS 108 - Definition of Accounting Estimates
Amendments to MFRS 112 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 and the Company will apply the above new MFRS and amendments to MFRSs that are applicable once they become effective and the adoption is not expected to have any material impact on the Group's and on the Company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group:

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2.6 Goodwill

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non-financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Foreign Currencies

2.7.1 Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates i.e. the entity's functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.7.2 Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are recognised to other comprehensive income.

2.7.3 Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:-

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are recognised in other comprehensive income and are accumulated in foreign currency translation reserve within equity.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Foreign Currencies (Cont'd)

2.7.3 Foreign operations (Cont'd)

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under foreign currency translation reserve will be reclassified to profit or loss.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

2.9 Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Capital work-in-progress is not amortised. All other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Property, Plant and Equipment (Cont'd)

The estimated useful lives of the Group's property, plant and equipment are as follows:-

Buildings and workers' quarters	10 to 50 years
Office furniture, fittings and equipment	5 to10 years
Plant and machinery	5 to10 years
Motor vehicles	5 years
Slipway and jetty	10 years

The residual values and useful lives of assets are reviewed at each financial year end with the effect of any changes in estimate accounted for on a prospective basis. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

2.10 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, financial assets and inventories) are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.11 Contract Assets and Contract Liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date. Contract assets are reviewed for impairment in accordance with the Group's accounting policy on impairment as disclosed in Note 2.16.1.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. In the case of construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Contract Costs

Contract costs are recognised as an asset when the following criteria are met:-

(a) In relation to incremental costs of obtaining a contract, the Group recognises the costs as an asset if the Group expects to recover those costs.

(b) In relation to costs to fulfil a contract, the Group recognises the contract costs as an asset if (i) they relate directly to a contract or to an anticipated contract that the Group can specifically identify; (ii) when the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (iii) the costs are expected to be recovered.

These assets are initially measured at cost and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration expected to be received less the remaining costs expected to be incurred. A reversal of impairment loss is recognised in profit or loss when the impairment conditions no longer exist or have improved. The increased carrying amount does not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

2.13 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of raw materials and consumables comprise the original costs of purchase and incidental costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress, cost include costs of direct materials, direct labour and attributable production overheads.

The cost of raw materials and consumables is determined using the weighted average cost method whereas cost of work-in-progress and completed vessels is determined using specific identification of their individual costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. Trade date accounting refers to:-

- the recognition of an asset to be received and the liability to pay for it on the trade date i.e. the date the Group commits itself to purchase or sell an asset; and

- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial Assets (Cont'd)

2.14.1 Classification

The Group classifies its financial assets into the following measurement categories depending on the business models used for managing the financial assets and the contractual cash flow characteristics of the financial assets:-

(a) at amortised cost;

(b) fair value through other comprehensive income; and

(c) fair value through profit or loss.

Financial assets are reclassified when and only when the Group changes its business model for managing the financial assets and the reclassification of all affected financial assets is applied prospectively from the reclassification date i.e. on the first day of the first reporting period following the change in business model.

2.14.2 Measurement

At initial recognition, trade receivables without a significant financing component are measured at their transaction price when they are originated.

Other financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets at fair value through profit or loss are expensed to profit or loss when incurred.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business models for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's debt instruments are categorised into the following measurement categories:-

(i) Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met and it is not designated as at fair value through profit or loss at initial recognition:-

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are measured at amortised cost using the effective interest method less any impairment losses. Interest income, gains or losses on derecognition, foreign exchange gains or losses and impairment are recognised in profit or loss.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial Assets (Cont'd)

2.14.2 Measurement (Cont'd)

(a) Debt instruments (Cont'd)

(ii) Fair value through other comprehensive income ("FVOCI")

A financial asset is measured at FVOCI if both of the following conditions are met and it is not designated as FVTPL at initial recognition:-

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in fair value of these financial assets are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income calculated using the effective interest method, foreign exchange gains or losses and impairment are recognised in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss and other comprehensive income.

(iii) Fair value through profit or loss ("FVTPL")

A financial asset is measured at FVTPL if it does not meet the criteria for amortised cost or FVOCI. This includes all derivative financial assets.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL that otherwise meets the criteria for amortised cost or FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value of financial assets at FVTPL and interest or dividend income are recognised in profit or loss.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value.

For equity investments at FVTPL, changes in fair value are recognised in profit or loss. Where the Group has elected to present the changes in fair value in other comprehensive income, the amounts presented are not subsequently transferred to profit or loss when the equity investments are derecognised. The cumulative gains or losses is transferred to retained profits instead. The election is made on an instrument-by-instrument basis and it is irrevocable. The amount presented in other comprehensive income includes the related foreign exchange gains or losses.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial Assets (Cont'd)

2.14.2 Measurement (Cont'd)

(b) Equity instruments (Cont'd)

Dividend income from equity investments at FVTPL and FVOCI is recognised in profit or loss as other income when the Group's right to receive payment has been established.

Changes in the fair value of equity investments at FVTPL are recognised in other income or expenses, as applicable, in the profit or loss. Impairment losses or reversal of impairment losses on equity instruments measured at FVOCI are recognised in other comprehensive income and are not reported separately from other changes in fair value.

2.14.3 Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the date of derecognition and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2.15 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, bank balances, deposits with licensed banks, bank overdrafts and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The statements of cash flows are prepared using the indirect method.

2.16 Impairment

2.16.1 Financial assets and contract assets

The Group recognises loss allowance for expected credit losses ("ECLs") on:-

(a) financial assets measured at amortised cost;

(b) debt instruments measured at fair value through other comprehensive income ("FVOCI"); and

(c) contract assets.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment (Cont'd)

2.16.1 Financial assets and contract assets (Cont'd)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months i.e. a 12-month ECL. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default i.e. a lifetime ECL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Refer to Note 30.2(a)(ii) for further details.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

An impairment loss in respect of financial assets measured at amortised cost and contract assets is recognised in profit or loss and the carrying amount of the assets is reduced through the use of an allowance account.

An impairment loss in respect of debt instruments measured at FVOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flow in its entirety or a portion thereof.

2.16.2 Non-financial assets

The carrying amounts of non-financial assets (other than inventories, contract assets and assets arising from costs to obtain and fulfil a contract, deferred tax assets and non-current assets or disposal groups held for sale) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill recognised in a business combination and that has an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill arising from a business combination allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment (Cont'd)

2.16.2 Non-financial assets (Cont'd)

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.17 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the reporting date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.18 Treasury Shares

Shares repurchased by the Company are held as treasury shares and are measured and carried at the cost of purchase. Treasury shares are presented in the financial statements as a set-off against equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Should such shares be re-issued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity. Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable retained profits.

2.19 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

2.19.1 Classification and measurement

Financial liabilities are initially measured at fair value minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial liabilities at fair value through profit or loss are expensed to profit or loss when incurred.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Financial Liabilities (Cont'd)

2.19.1 Classification and measurement (Cont'd)

(a) Fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL upon initial recognition or derivatives that are liabilities.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial liabilities at FVTPL are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. If a financial liability is designated as at FVTPL, the change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining change in fair value of the liability is presented in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at FVTPL are recognised separately in profit or loss as part of other income or other expenses.

(b) Amortised cost

All financial liabilities, other than those categorised as FVTPL are subsequently measured at amortised cost using the effective interest method.

A gain or loss on financial liabilities at amortised cost is recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

2.19.2 Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability is substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are measured at the higher of (i) the amount determined in accordance with the expected credit loss model; and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

2.22 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset and derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

Embedded derivatives

Embedded derivatives are separated from host contract and accounted for separately if the host contract is not a financial asset and when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

2.23 Employee Benefits

2.23.1 Short-term employee benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Employee Benefits (Cont'd)

2.23.2 Post-employment benefits

(a) Defined contribution plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

(b) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The Group operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date together with adjustments for actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined on an annual basis by independent qualified actuaries using the Projected Unit Credit Method.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised as an expense in profit or loss in the period of a plan amendment or curtailment.

2.23.3 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

2.25 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable profit for the year and is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.26 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of qualifying assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Leases as a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset of the Group comprises acquired leasehold land which is included under the line item of Property, Plant and Equipment (Note 4) and is depreciated over the remaining lease period of 60 years.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liability.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:-

- fixed lease payments (including in-substance fixed payments), less lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amount expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Variable lease payment that does not depend on an index or a rate is recognised as an expense in the period in which it is incurred.

The Group has elected not to recognised the right-of-use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Revenue from Contracts with Customers

The Group recognises revenue from a contract with customer when it satisfies a performance obligation by transferring control of a promised good or service to the customer. Performance obligations may be satisfied over time or at a point in time. Revenue is measured based on the consideration specified in the contract which the Group expects to be entitled in exchange for transferring the good or service, excluding the amounts collected on behalf of third parties.

The Group recognises revenue from the following business activities:-

2.28.1 Sales of vessels

Depending on the terms of a contract with customer, control of the vessel under construction may transfer over time or at a point in time.

The Group satisfies a performance obligation over time and therefore transfers control of a vessel under construction over time if the Group's performance:-

(a) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date; or

(b) creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) provide benefits that the customer simultaneously receives and consumes as the Group performs.

Where any one of the above conditions is met, the Group recognises revenue over time. Otherwise, revenue is recognised at a point in time when control of a completed vessel is transferred upon delivery and acceptance by the customer.

If control of the vessel under construction transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group recognises revenue over time using the input method, which is based on the level of proportion that the construction costs incurred for work performed to-date bear to the estimated total costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Revenue is the amount of transaction price agreed under a vessel sale agreement and variations in contract works. When it is probable that the contract cannot be fulfilled on time, liquidated ascertained damages will be estimated based on expected value method and deducted from the contract transaction price. An upfront deposit is collected from the customer upon the signing of vessel sale agreement and the remaining balance is to be collected upon the achievement of agreed milestones.

There is no significant financing component in contracts with customers as the payment term is less than twelve (12) months from the date of milestone payment or transfer of promised goods to customers. Therefore, no adjustment is made to the promised amount of consideration for the effects of time value of money.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Revenue from Contracts with Customers (Cont'd)

2.28.2 Vessel repair services

Revenue from vessel repair services comprise multiple deliverables which are highly integrated and are therefore recognised as a single performance obligation.The Group recognises revenue from vessel repair services on an over time basis using an input method to measure the progress towards complete satisfaction of the service when the customer simultaneously receives and consumes the benefits from the services provided. Otherwise, revenue is recognised at point in time when the customer obtains control of the asset or services.

2.28.3 Vessel chartering services

Revenue from vessels under charter is recognised on a straight-line basis over the lease term determined at the inception of the lease.

Certain charter income is recognised when services are rendered and are computed at the contracted daily rate.

2.29 Revenue from other Sources and Other Income

2.29.1 Dividend income

Dividend income is recognised when the right to receive payment has been established.

2.29.2 Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.30 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

2.31 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating segment results are reviewed by the chief operating decision maker i.e. the Group Managing Director who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.32 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and leasing transactions, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Significant judgements made in the process of applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Recognition of revenue and costs from shipbuilding construction contracts

The Group recognises revenue from shipbuilding construction contracts over time or at a point in time depending on the terms of contracts with customers. Where revenue is recognised over time, the Group uses the input method also known as the percentage of completion method which is based on the proportion of contract costs incurred for work performed to-date bear to the estimated total costs for that contract.

Significant judgement is required in determining the percentage of completion, the extent of the contract costs incurred and the estimated total contract revenue and costs. Total contract revenue includes an estimation of the amount of variation works that are recoverable from customers. In making this judgement, the Group evaluates based on past experience of the management on similar contract work undertaken by the Group and the expertise of specialists.

The management also assess each construction contract individually to ensure that the recognition of revenue and profit is appropriate and that the amounts due from customers are recoverable. Significant judgement is required in determining and assessing whether the Group's customers would be able to fulfill their contractual obligations and take delivery of their respective vessels. The carrying amounts of the Group's contract assets and contract liabilities as at the end of the reporting period are disclosed in Note 10.

(b) Impairment of investments in subsidiaries

The Company assesses impairment of investments in subsidiaries when the events or changes in circumstances indicate that their carrying amounts may not be recoverable. The determination of the recoverable amount requires an estimation of value in use of the cash-generating units which is derived from the use of discounted future cash flows method. Significant judgement is required to estimate the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's investments in subsidiaries as at the end of the reporting period is disclosed in Note 5.

(c) Estimation of net realisable values of inventories - vessels

The net realisable values of vessels are assessed based on the management's best estimate of the latest selling prices after taking into consideration of the economic condition relevant to the industry and/or pricing of similar assets transacted by the Group and other industry players subsequent to the reporting period. Where appropriate, the Group engages independent external valuers to assess the net realisable values of its vessels. However, factors such as demand levels, technological advances and pricing competition may cause changes to the original estimate and which will impact the carrying amount of the vessels. The carrying amount of the Group's vessels as at 31 May 2021 was RM48,590,789 (2020 : RM409,163,655) as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

3.2 Key sources of estimation uncertainty (Cont'd)

(d) Impairment losses on receivables including amount due from subsidiaries

The Group and the Company make allowances for impairment losses on receivables based on their assessment that involves making assumptions about the default risk and expected loss rate of the counterparty and the collaterals held, if any. Significant judgement is required in making these assumptions and in determining the inputs used for impairment calculation. Where the actual outcome is different from the estimates, the difference will impact the carrying value of the receivables. The carrying amounts of the Group's trade and other receivables as at the end of the reporting period are disclosed in Note 11 and the amount due from subsidiaries to the Company is disclosed in Note 8.

(e) Depreciation of property, plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimate the useful lives of these plant and equipment to be within 5 to 10 years. These are common life expectancies applied in the vessels construction, vessels chartering and transportation industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment as at the end of the reporting period are disclosed in Notes 4.1 and 4.2 respectively.

(f) Impairment of property, plant and equipment

The Group assesses impairment of property, plant and equipment when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 The movements of property, plant and equipment during the financial year are as follows:-

Group

2021

	Right-of-use asset Long-term leasehold land RM	Buildings and workers' quarters RM	Plant and machinery RM	Motor vehicles RM	Slipway and jetty RM	Office equipment, furniture and fittings RM	Total RM
Costs							
Balance at 1 June 2020	10,958,668	11,151,415	11,033,790	2,368,689	3,720,347	733,611	39,966,520
Additions	–	–	487,640	–	–	12,444	500,084
Disposal	–	–	–	(23,000)	–	–	(23,000)
Write-off	–	–	(34,170)	–	–	(61,154)	(95,324)
Balance at 31 May 2021	10,958,668	11,151,415	11,487,260	2,345,689	3,720,347	684,901	40,348,280
Accumulated depreciation							
Balance at 1 June 2020	2,845,881	3,719,041	8,815,585	2,301,479	3,547,799	676,868	21,906,653
Charge for the year	169,017	215,505	687,356	22,400	81,346	20,833	1,196,457
Disposal	–	–	–	(22,999)	–	–	(22,999)
Write-off	–	–	(34,169)	–	–	(57,823)	(91,992)
Balance at 31 May 2021	3,014,898	3,934,546	9,468,772	2,300,880	3,629,145	639,878	22,988,119
Net book value as at 31 May 2021	7,943,770	7,216,869	2,018,488	44,809	91,202	45,023	17,360,161

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

4.1 The movements of property, plant and equipment during the financial year are as follows (Cont'd):-

Group (Cont'd)

2020

	Right-of-use asset Long-term leasehold land RM	Buildings and workers' quarters RM	Plant and machinery RM	Motor vehicles RM	Slipway and jetty RM	Office equipment, furniture and fittings RM	Total RM
Costs							
Balance at 1 June 2019	10,958,668	11,373,091	10,854,524	2,506,068	3,720,347	722,777	40,135,475
Additions	–	–	185,766	–	–	17,780	203,546
Disposal	–	–	(6,500)	(137,379)	–	–	(143,879)
Write-off	–	(221,676)	–	–	–	(6,946)	(228,622)
Balance at 31 May 2020	10,958,668	11,151,415	11,033,790	2,368,689	3,720,347	733,611	39,966,520
Accumulated depreciation							
Balance at 1 June 2019	2,676,864	3,585,909	8,166,632	2,272,356	3,466,455	662,145	20,830,361
Charge for the year	169,017	215,505	655,453	166,501	81,344	21,654	1,309,474
Disposal	–	–	(6,500)	(137,378)	–	–	(143,878)
Write-off	–	(82,373)	–	–	–	(6,931)	(89,304)
Balance at 31 May 2020	2,845,881	3,719,041	8,815,585	2,301,479	3,547,799	676,868	21,906,653
Net book value as at 31 May 2020	8,112,787	7,432,374	2,218,205	67,210	172,548	56,743	18,059,867

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

4.1 The movements of property, plant and equipment during the financial year are as follows (Cont'd):-

Company

	Motor vehicle 2021 RM	Motor vehicle 2020 RM
Cost		
At beginning and at end of year	428,470	428,470
Accumulated depreciation		
Balance at beginning of year	428,469	428,469
Charge for the year	–	–
Balance at end of year	428,469	428,469
Net book value as at 31 May	1	1

4.2 Depreciation is charged to the profit or loss under the following line items:-

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Administrative expenses	224,422	332,594	–	–
Cost of sales	972,035	976,880	–	–
	1,196,457	1,309,474	–	–

5. INVESTMENTS IN SUBSIDIARIES

	Company 2021 RM	Company 2020 RM
Unquoted shares, at cost (Note 5.2)	82,102,754	96,602,754
Accumulated impairment losses (Note 5.3)	(4,602,750)	(35,092,711)
	77,500,004	61,510,043

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.1 Details of subsidiaries

Details of the subsidiaries are as follows:-

Names of companies	Principal activities	Country of incorporation	Effective equity interest (%) 2021	2020
Tuong Aik Shipyard Sdn. Bhd. *	Shipbuilding and provision of ship repairs and maintenance services	Malaysia	100	100
TA Ventures (L) Ltd.	Shipbuilding outside Malaysia	Malaysia	100	100
Western Realty Sdn. Bhd. *	Property investment and property development activities - dormant during the financial year	Malaysia	100	100
TAS Epic Sdn. Bhd. *	Agricultural development activities - dormant during the financial year	Malaysia	100	100
Pantas Marine Sdn. Bhd. *	Ship repairing, maintenance and provision of vessel chartering services	Malaysia	100	100

* *Not audited by Folks DFK & Co.*

5.2 Return of capital by a subsidiary, Pantas Marine Sdn. Bhd. ("Pantas Marine")

Pursuant to its share capital reduction exercise, on 21 May 2021, Pantas Marine returned RM14,500,000 of the capital previously contributed by the Company which represents an excess of Pantas Marine's operating requirements.The share capital reduction exercise has no impact on the Company's effective equity interest In Pantas Marine which remained at 100% as at 31 May 2021.

5.3 Impairment losses

The movements in the Company's allowance for impairment losses on the investments in its subsidiaries during the financial year are as follows:-

	2021 RM	2020 RM
Balance at beginning of year	35,092,711	–
Reversal	(30,489,961)	–
Addition	–	35,092,711
Balance at end of year	4,602,750	35,092,711

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

5.3 Impairment losses (Cont'd)

The Company assessed its subsidiaries at the end of each financial year for any indication of impairment which includes considering the financial performance and changes in shareholders' fund of the subsidiaries. Where such indication for an investment in subsidiary exists, the recoverable amount for the subsidiary concerned shall be determined and the excess of the carrying amount of the investment over its recoverable amount is recognised as an impairment loss.

During the financial year, the Company has recorded a reversal of impairment loss of RM30,489,961 on investment in a subsidiary as a result of higher recoverable amount which was determined based on the subsidiary's value in use. The reversal has been recognised under the line item other income of the Company's profit or loss.

6. OTHER INVESTMENTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Investments in unit trust funds classified as financial assets at fair value through profit or loss	30,224,883	30,499,887	27,522,122	25,386,909

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance at beginning of year	(1,459,983)	(1,787,325)	28,406	24,660
Recognised in profit or loss	262,580	327,342	2,678	3,746
Balance at end of year	(1,197,403)	(1,459,983)	31,084	28,406

Presented after appropriate offsetting as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deferred tax assets	770,449	554,302	31,084	28,406
Deferred tax liabilities	(1,967,852)	(2,014,285)	–	–
	(1,197,403)	(1,459,983)	31,084	28,406

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

7.1 The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting of balances are as follows:-

Group

2021	**As at 01.06.2020 RM**	**Recognised in profit or loss RM**	**As at 31.05.2021 RM**
Deferred tax liabilities			
Property, plant and equipment	(1,865,437)	155,857	(1,709,580)
Right-of-use asset	(1,199,275)	24,985	(1,174,290)
	(3,064,712)	180,842	(2,883,870)
Deferred tax assets			
Retirement benefits	284,054	26,786	310,840
Unutilised capital allowances	334,428	(334,428)	–
Unabsorbed tax losses	87,522	(87,522)	–
Other deductible temporary differences	898,725	476,902	1,375,627
	1,604,729	81,738	1,686,467

2020	**As at 01.06.2019 RM**	**Effect of adoption of MFRS 16 RM**	**Recognised in profit or loss RM**	**As at 31.05.2020 RM**
Deferred tax liabilities				
Property, plant and equipment	(3,207,590)	1,224,260	117,893	(1,865,437)
Right-of-use asset	–	(1,224,260)	24,985	(1,199,275)
	(3,207,590)	–	142,878	(3,064,712)
Deferred tax assets				
Retirement benefits	246,605	–	37,449	284,054
Unutilised capital allowances	–	–	334,428	334,428
Unabsorbed tax losses	–	–	87,522	87,522
Other deductible temporary differences	1,173,660	–	(274,935)	898,725
	1,420,265	–	184,464	1,604,729

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

7.1 The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting of balances are as follows (Cont"d):-

Company

2021	As at 01.06.2020 RM	Recognised in profit or loss RM	As at 31.05.2021 RM
Deferred tax assets			
Retirement benefits	28,406	2,678	31,084

2020	As at 01.06.2019 RM	Recognised in profit or loss RM	As at 31.05.2020 RM
Deferred tax assets			
Retirement benefits	24,660	3,746	28,406

7.2 As at the end of the reporting period, no deferred tax asset has been recognised in respect of the Group's unabsorbed tax losses amounting to NIL (2020 : RM2,898,030).

8. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2021 RM	2020 RM
Non-current		
Interest bearing	17,200,000	6,793,646
Allowance for impairment losses	(449,209)	(449,209)
	16,750,791	6,344,437
Current		
Non-interest bearing	309,899	98,086
	17,060,690	6,442,523

The amounts due from subsidiaries are non-trade in nature, unsecured, repayable on demand and settlement is expected to be in cash. The amounts due have been classified as current and non-current based on the expected timing of settlement of debts.

Interest charged on interest-bearing amount due from a subsidiary during the financial year was calculated at rates ranging from 4.80% to 6.57% (2020 : 4.80% to 7.82%) per annum.

The allowance for impairment losses recognised in the previous financial year was included under the line item other operating expenses of the Company's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INVENTORIES

	Group 2021 RM	Group 2020 RM
Raw materials and consumable stores	9,696,877	12,471,078
Work-in-progress - vessels under construction	11,527,242	208,106,241
Completed vessels	37,063,547	201,057,414
Goods-in-transit	4,482	611,340
	58,292,148	422,246,073

Included in the above balances are the following inventories carried at their respective net realisable values:-

	Group 2021 RM	Group 2020 RM
Work-in-progress - vessels under construction	–	192,094,723
Completed vessels	6,449,025	176,509,604
	6,449,025	368,604,327

9.1 During the financial year, the Group has derecognised vessels under construction and completed vessels with an aggregate carrying amount of USD83,050,850 or equivalent to RM357,824,588 (2020 : NIL) which were given up to shipbuilders pursuant to the termination agreements entered into between the Group through a subsidiary, TA Ventures (L) Ltd. ("TAV") and its shipbuilders on 17 July 2020 ("Termination Agreements"). The details of the Termination Agreements are further explained in Note 33.1.

9.2 The movements in write-down in value of the Group's inventories of vessels during the financial year are as follows:-

	Group 2021 RM	Group 2020 RM
Balance at beginning of year	68,833,342	9,161,024
Additional write-down	1,095,427	58,564,610
Reversal of write-down	–	(257,982)
Adjustment for derecognition of vessels	(67,006,291)	–
Effect of changes in exchange rates	(1,606,624)	1,365,690
Balance at end of year	1,315,854	68,833,342

The Group has written down the carrying amounts of certain vessels under construction and completed vessels as at end of the financial year to their estimated net realisable values in accordance with the Group's accounting policy. These net realisable values have been determined by the management with reference to the latest selling prices for similar vessels or valuation performed by independent external valuer and the management's estimates of the costs to complete the vessels and costs to make the sale, where appropriate. The additional write-down in the previous financial year, included an amount of RM53,446,883 that was recognised as a result of the Termination Agreements entered into between the Group and its shipbuilders.

9. INVENTORIES (CONT"D)

9.2 (Cont"d)

The adjustment for derecognition of vessels represents the elimination of the aggregate amount of write-down for vessels which were derecognised during the financial year pursuant to the Termination Agreements.

9.3 Inventories recognised as an expense during the financial year amounted to RM9,400,163 (2020 : 6,089,990). This expense is included under cost of sales of the Group's profit or loss.

10. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	Group	
	2021 RM	**2020 RM**
Contract assets	1,912,882	520,599
Contract liabilities	–	(2,271,041)
	1,912,882	(1,750,442)

The contract assets and contract liabilities of the Group are analysed as follows:-

	Group	
	2021 RM	**2020 RM**
Balance at beginning of year	(1,750,442)	564,932
Add : Contract revenue recognised during the year	22,463,117	6,997,489
Less : Progress billings issued during the year	(18,799,793)	(9,312,863)
Balance at end of year	1,912,882	(1,750,442)

Contract assets primarily relate to the Group's rights to consideration for vessels delivered to customers but not yet billed at end of the reporting date. The contract assets are transferred to receivables when rights to consideration become unconditional. Contract liabilities primarily relate to the Group's obligations to transfer completed vessels to customers for which the consideration has been received or receivable from the customers.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Trade receivables (Note 11.1)	6,517,902	6,768,042	–	–
Other receivables, deposits and prepayments (Note 11.2)	562,622	8,103,052	2,000	2,000
	7,080,524	14,871,094	2,000	2,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.1 Trade receivables

The normal credit period of trade receivables relating to ship repairing activities is 60 days (2020 : 60 days). In respect of shipbuilding contracts, the debts arising are to be settled within a period of 7 days (2020 : 7 days) from the date the billings are rendered. Other credit terms are assessed and approved on a case-by-case basis.

The Group's exposure to credit risk and allowance on expected credit losses ("ECLs") for trade receivables are summarised below:-

2021

	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM
Not credit impaired			
Current - Not past due	1,440	–	1,440
0 to 30 days past due	335,992	–	335,992
31 to 120 days past due	765,630	(4,286)	761,344
More than 120 days past due	1,693,769	(35,000)	1,658,769
	2,796,831	(39,286)	2,757,545
Credit impaired	4,803,333	(1,042,976)	3,760,357
	7,600,164	(1,082,262)	6,517,902

2020

	Gross carrying amount RM	Loss allowance RM	Net carrying amount RM
Not credit impaired			
Current - Not past due	191,149	–	191,149
0 to 30 days past due	96,439	(23,787)	72,652
31 to 120 days past due	1,751,379	(17,116)	1,734,263
More than 120 days past due	1,492,100	(41,540)	1,450,560
	3,531,067	(82,443)	3,448,624
Credit impaired	4,362,394	(1,042,976)	3,319,418
	7,893,461	(1,125,419)	6,768,042

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.1 Trade receivables (Cont'd)

The movements in the Group's allowance on ECLs during the financial year are as follows:-

	Lifetime ECLs RM	Credit impaired RM	Total RM
2021			
Balance at 1 June 2020	82,443	1,042,976	1,125,419
Net gain on remeasurement of loss allowance	(43,157)	–	(43,157)
Balance at 31 May 2021	39,286	1,042,976	1,082,262
2020			
Balance at 1 June 2019	184,423	2,197,281	2,381,704
Net gain on remeasurement of loss allowance	(101,980)	(1,154,305)	(1,256,285)
Balance at 31 May 2020	82,443	1,042,976	1,125,419

The gain on remeasurement of loss allowance has been included under the line item other income of the Group's profit or loss.

The Group's trade receivables are denominated in the following currencies:-

	Group 2021 RM	Group 2020 RM
Ringgit Malaysia	245,769	456,844
Singapore Dollar	6,272,133	6,311,198
	6,517,902	6,768,042

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.2 Other receivables, deposits and prepayments

These comprised:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deposits paid to shipbuilding suppliers and contractors (Note 11.2(a))	482,022	24,539,942	–	–
Sundry deposits	5,640	16,122	2,000	2,000
Other receivables	23,576	9,210	–	–
	511,238	24,565,274	2,000	2,000
Allowance for impairment losses on deposits paid to shipbuilding contractors (Note 11.2(a))	–	(17,448,257)	–	–
	511,238	7,117,017	2,000	2,000
Goods and Services Tax recoverable	–	908,624	–	–
Prepayments	51,384	77,411	–	–
	562,622	8,103,052	2,000	2,000

(a) Deposits paid to shipbuilding suppliers and contractors

These comprised deposits paid to suppliers for purchase of materials and equipment and initial payments paid to contractors in accordance with the terms of shipbuilding contracts. Such deposits will be used to offset against the costs of materials or contract services provided by the suppliers or contractors.

The Group has recognised impairment losses amounting to RM17,141,231 in the previous financial year for those deposits which would not be refunded or recoverable as a result of the Termination Agreements entered into between the Group and the shipbuilders on 17 July 2020. The residual deposits with a net carrying amount of USD1,100,400 or equivalent to RM4,741,073 have been derecognised in the financial statements for the financial year ended 31 May 2021 pursuant to the termination.

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.2 Other receivables, deposits and prepayments (Cont'd)

(b) The movements in the Group's allowance for impairment losses on other receivables during the financial year are as follows:-

	Group 2021 RM	Group 2020 RM
Balance at beginning of year	17,448,257	–
Addition	–	17,141,231
Adjustment for derecognition of deposits	(17,039,692)	–
Effects of changes in exchange rates	(408,565)	307,026
Balance at end of year	–	17,448,257

The allowance for impairment losses recognised in the previous financial year had been included under the line item of other operating expenses of the Group's profit or loss.

(c) Other receivables, deposits and prepayments of the Group and of the Company are denominated in the following currencies:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	274,865	1,977,626	2,000	2,000
United States Dollar	4,955	4,805,154	–	–
Japanese Yen	282,802	653,254	–	–
Singapore Dollar	–	595,223	–	–
Euro	–	71,795	–	–
	562,622	8,103,052	2,000	2,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. FIXED DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash in hand	7,514	10,743	1,386	1,786
Cash at banks	9,564,173	2,786,428	4,604,291	389,482
Fixed deposits with a licensed bank	2,105,101	2,201,148	–	–
Total as per the statements of financial position	11,676,788	4,998,319	4,605,677	391,268
Less : Fixed deposits pledged to a licensed bank	(2,105,101)	(2,201,148)	–	–
Cash and cash equivalents as per the statements of cash flows	9,571,687	2,797,171	4,605,677	391,268

The fixed deposits as at the end of the financial year have been pledged to a licensed bank as consideration for credit facilities granted to the Group as disclosed in Note 15. The effective interest rate of these fixed deposits is 0.48% (2020 : 0.48%) per annum with original maturity period of 12 months (2020 : 12 months).

The effective interest rate of the Group's and the Company's cash in current accounts amounting to RM7,926,654 and RM4,490,055 respectively as at the end of the reporting period (2020 : RM1,603,334 and RM223,790 respectively) is 0.25% (2020 : 1.30%) per annum.

The Group's and the Company's fixed deposits, cash and bank balances are denominated in the following currencies:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	8,005,821	1,426,532	4,605,677	391,268
United States Dollar	2,151,308	3,135,319	–	–
Singapore Dollar	1,519,659	436,468	–	–
	11,676,788	4,998,319	4,605,677	391,268

13. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount (RM)	
	2021	2020	2021	2020
Issued and fully paid-up				
Balance at beginning and at end of year	180,002,000	180,002,000	117,640,472	117,640,472

Ordinary shares of the Company have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

14. TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 22 October 2020, had renewed the Directors' authority for the Company to buy back its own shares up to ten percent (10%) of the total issued and paid-up share capital of the Company.

The balance of RM1,913,025 (2020 : RM1,913,025) comprised the cost of treasury shares acquired as at end of the reporting period.

The movements in treasury shares are as follows:-

	Number of treasury shares	Cost RM	Average cost per share RM
Balance at 1 June 2019	4,405,400	1,776,765	0.403
Repurchased during the year	787,500	136,260	0.173
Balance at 31 May 2020 / 1 June 2020	5,192,900	1,913,025	0.368
Repurchased during the year	–	–	–
Balance at 31 May 2021	5,192,900	1,913,025	0.368

The total consideration paid during the previous financial year for repurchase transactions include transaction costs and was financed by internally generated funds. None of the treasury shares was resold or cancelled during the current and previous financial year. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As at 31 May 2021, the number of the Company's shares in issue after deducting treasury shares is 174,809,100 (2020 : 174,809,100) ordinary shares.

15. BANK BORROWINGS (SECURED)

	Group	
	2021 RM	2020 RM
Non-current		
Term loan	6,523,565	10,062,306
Current		
Term loan	3,453,752	3,258,902
Bankers' acceptances	–	1,098,000
	3,453,752	4,356,902
	9,977,317	14,419,208

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. BANK BORROWINGS (SECURED) (CONT'D)

The Group's borrowings are denominated in the following currencies:-

	Group 2021 RM	Group 2020 RM
Ringgit Malaysia	9,977,317	14,419,208

All the credit facilities granted by licensed banks to a subsidiary of the Group are secured by fixed deposits pledged, a facility agreement, a Deed of Assignment of Contract Proceeds and Power of Attorney to cover all shipbuilding contracts/agreements financed by the lending banks and a corporate guarantee from the Company.

Interest rates charged on the borrowings utilised by the Group during the financial year are as follows:-

	Group's effective interest rate 2021 %	Group's effective interest rate 2020 %
Term loan	2.85 - 3.69	3.68 - 4.19
Bankers' acceptances	3.17 - 3.52	3.85 - 4.67

16. RETIREMENT BENEFITS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Present value of unfunded defined benefit obligations	1,295,169	1,183,560	129,518	118,357

The Group implements an unfunded defined benefit plan for eligible Directors. The benefits are payable upon attaining normal retirement age of between 60 and 70 years old, death, or ill health. The actuarial valuation was performed on 31 May 2018.

The movements in the present value of employee benefits during the financial year are as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance at beginning of year	1,183,560	1,027,524	118,357	102,753
Recognised in profit or loss				
Current service costs	76,837	103,357	7,684	10,336
Interest on obligation	34,772	52,679	3,477	5,268
	111,609	156,036	11,161	15,604
Balance at end of year	1,295,169	1,183,560	129,518	118,357

16. RETIREMENT BENEFITS (CONT'D)

The amount recognised in profit or loss has been included under administrative expenses.

The significant actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:-

	Group		Company	
	2021	2020	2021	2020
Discount rate	5.30%	5.30%	5.30%	5.30%
Future average salary increases	4.00%	4.00%	4.00%	4.00%

The sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions is shown below.

	Increase/(Decrease) in defined benefit obligations			
	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Discount rate increases by 1%	(51,372)	(50,781)	(5,137)	(5,078)
Discount rate decreases by 1 %	64,689	63,437	6,469	6,344
Future average salary growth increases by 1%	73,109	80,995	7,311	8,099
Future average salary growth decreases by 1%	(57,688)	(67,404)	(5,769)	(6,740)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables	5,606,878	362,255,815	–	–
Other payables and accruals	15,572,072	23,653,033	209,000	232,000
	21,178,950	385,908,848	209,000	232,000

17.1 Previously, the Group through its subsidiary TAV, engaged shipbuilders in China for the construction of its offshore support vessels. In addition to the progress billings issued by the shipbuilders for the construction of vessels, costs were further accrued by the Group based on the progress of work performed by these shipbuilders.The costs accrued and pending billings which were included in trade payables as at 31 May 2020 amounted to RM317,739,211.

Pursuant to the Termination Agreements entered into between the shipbuilders and the Group through its subsidiary TAV on 17 July 2020, both the shipbuilders and the Group have irrevocably and unconditionally released and forever discharged each other absolutely of and from all obligations and liabilities. Accordingly, the amount payable to the shipbuilders and the costs accrued under the terminated shipbuilding contracts amounting to USD81,400,250 or equivalent to RM350,712,977 have been derecognised in the financial statements for the financial year ended 31 May 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. TRADE AND OTHER PAYABLES (CONT'D)

17.2 The Group's trade payables are denominated in the following currencies:-

	Group	
	2021 RM	2020 RM
Ringgit Malaysia	4,742,402	6,252,540
United States Dollar	201,711	354,824,219
Singapore Dollar	355,321	929,105
Euro	307,444	249,951
	5,606,878	362,255,815

17.3 The normal credit period of trade payables granted to the Group ranges from 7 to 90 days (2020 : 7 to 90 days).

17.4 Other payables and accruals

These comprised:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Other payables	27,081	12,002,449	–	–
Deposits received from customers for shipbuilding contracts	15,167,865	11,196,038	–	–
Accruals	377,126	454,546	209,000	232,000
	15,572,072	23,653,033	209,000	232,000

Other payables as at 31 May 2020 include contributions received from a third party amounting to USD2,751,000 or equivalent to RM11,959,973 pursuant to two (2) joint venture agreements ("the JVAs") entered into between the subsidiary TAV and the third party in September and October 2014.

On 17 July 2020, TAV and the third party entered into two (2) agreements to terminate the JVAs which resulted in the non-refund of the contributions made by the third party. Accordingly, the contributions received of USD2,751,000 or equivalent to RM11,852,684 have been derecognised in the financial statements for the financial year ended 31 May 2021.

17.5 The other payables and accruals are denominated in the following currencies:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	391,775	11,655,237	209,000	232,000
Singapore Dollar	15,167,865	–	–	–
United States Dollar	12,432	11,997,796	–	–
	15,572,072	23,653,033	209,000	232,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. DERIVATIVE FINANCIAL LIABILITIES

	Group	
	2021 RM	**2020 RM**
Non-hedging derivatives at fair value through profit and loss:		
- Interest rate swaps	268,922	479,553
- Forward exchange contracts	–	54,676
	268,922	534,229
Nominal amounts:		
- Interest rate swaps	10,137,596	13,335,248
- Forward exchange contracts	–	3,787,177
	10,137,596	17,122,425

The Group enters into interest rate swaps to hedge its exposure to fluctuations in interest rates in respect of a floating-rate term loan facility obtained from a licensed bank.

The forward exchange contracts were used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in foreign currencies.

19. REVENUE

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Revenue from contracts with customers	34,405,549	15,028,180	–	–
Revenue from other sources:				
- Income from unit trust funds	497,773	1,154,292	497,773	1,154,293
	34,903,322	16,182,472	497,773	1,154,293

19.1 Disaggregation of revenue from contracts with customers

	Group	
	2021 RM	**2020 RM**
Nature of contracts with customers		
Shipbuilding contracts	33,956,521	14,234,055
Vessel repair services	449,028	794,125
	34,405,549	15,028,180

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. REVENUE (CONT'D)

19.1 Disaggregation of revenue from contracts with customers (Cont'd)

	Group	
	2021 **RM**	**2020** **RM**
Geographical markets		
Malaysia	449,028	794,125
Indonesia	11,493,404	7,095,390
Singapore	22,463,117	7,138,665
	34,405,549	15,028,180
Timing of recognition		
At a point in time	11,942,432	8,030,691
Over time	22,463,117	6,997,489
	34,405,549	15,028,180

19.2 Unsatisfied performance obligations

The aggregate amount of transaction prices allocated to unsatisfied performance obligations as of the end of the reporting period and the periods in which they are expected to be recognised are as follows:-

	Revenue recognition		
	At a point in time **RM**	**Over time** **RM**	**Total** **RM**
Group - 2021			
Within one year	37,789,372	1,167,118	38,956,490
Between one and two years	–	–	–
	37,789,372	1,167,118	38,956,490
Group - 2020			
Within one year	54,325,474	17,631,052	71,956,526
Between one and two years	–	–	–
	54,325,474	17,631,052	71,956,526

As a practical expedient, the Group has not disclosed the remaining performance obligations that have an original expected duration of one year or less or where the Group recognises revenue at the amount to which the Group has the right to invoice for services rendered.

20. COST OF SALES

	Group 2021 RM	Group 2020 RM
Cost of shipbuilding contracts	25,235,253	13,417,625
Cost of services rendered	329,639	474,674
	25,564,892	13,892,299

21. FINANCE COSTS

	Group 2021 RM	Group 2020 RM
Interest on:-		
Bank overdrafts	29,430	9,267
Bankers' acceptances and revolving credits	65,134	431,843
Term loan	565,653	612,219
	660,217	1,053,329

Finance costs are charged to the profit or loss under the following line items:-

	Group 2021 RM	Group 2020 RM
Cost of sales	65,134	53,084
Administrative expenses	595,083	1,000,245
	660,217	1,053,329

22. PROFIT/(LOSS) BEFORE TAXATION

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Profit/(Loss) before taxation is arrived at after charging:-				
Auditors' remuneration:				
- Annual statutory audit:				
- current year	96,737	116,158	40,000	40,000
- under provided in prior year	–	1,580	–	–
- Non-audit fees	5,000	42,000	5,000	42,000
Defined benefit cost	111,609	156,036	11,161	15,604
Depreciation of property, plant and equipment	1,196,457	1,309,474	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before taxation is arrived at after charging (Cont'd):-				
Property, plant and equipment written off	3,332	139,318	–	–
Inventories written off	5,588	6,755	–	–
Net write down in value of inventories	1,095,427	58,306,628	–	–
Short-term leases:				
- Rental of premises	–	23,491	–	–
- Rental of land	–	6,400	–	–
Loss on foreign exchange:				
- realised	3,625	1,324	3,625	–
- unrealised	4,758,320	–	–	–
Loss on:				
- disposal of investments measured at fair value through profit or loss	–	355,719	–	355,719
- changes in fair value of derivative instruments	–	534,229	–	–
Impairment losses on:				
- deposits paid to shipbuilding contractors	–	17,141,231	–	–
- investments in subsidiaries	–	–	–	35,092,711
- amount due from subsidiaries	–	–	–	449,209
and crediting:-				
Income from unit trust funds	585,841	1,241,502	497,773	1,154,293
Gain on changes in fair value of:				
- investments measured at fair value through profit or loss	2,138,382	170,698	2,135,307	144,930
- derivative instruments	265,307	–	–	–
Gain on disposal of:				
- property, plant and equipment	1,999	51,999	–	–
- investments measured at fair value through profit or loss	773	–	2,133	–
Gain on foreign exchange:				
- realised	203,448	472,707	–	–
- unrealised	–	2,419,261	–	1,712
Net reversal of allowance for impairment losses on:				
- trade receivables	43,157	1,256,285	–	–
- investment in a subsidiary	–	–	30,489,961	–
Interest income from:				
- fixed and short-term deposits with licensed banks	16,143	321,900	855	3,394
- a subsidiary	–	–	571,204	221,059
Waiver of debts	708,183	895	–	–
Forfeiture of deposits on termination of a vessel sale agreement	–	854,509	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. DIRECTORS' REMUNERATION

The details of remuneration provided to the Directors of the Group and of the Company during the financial year are as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Executive Directors of the Company				
Salaries, allowances and bonus	1,335,840	1,445,210	133,584	144,521
Defined contribution plan - Employees Provident Fund	160,308	173,432	16,031	17,343
Defined benefit cost	111,609	156,036	11,161	15,604
Other benefits	22,799	22,758	152	151
Estimated value of benefits-in-kind	27,100	23,225	27,100	23,225
	1,657,656	1,820,661	188,028	200,844
Non-executive Directors of the Company				
Fees	151,000	151,000	151,000	151,000
Allowances and other benefits	33,000	23,800	33,000	23,800
	184,000	174,800	184,000	174,800
Executive Directors of the subsidiaries				
Salaries, allowances and bonus	128,280	135,744	–	–
Defined contribution plan - Employees Provident Fund	15,408	16,332	–	–
Other benefits	5,475	5,887	–	–
Estimated value of benefits-in-kind	1,650	–	–	–
	150,813	157,963	–	–
Non-executive Directors of the subsidiaries				
Fees	51,000	51,000	–	–
Allowances and other benefits	11,212	11,891	–	–
	62,212	62,891	–	–
Total remuneration	2,054,681	2,216,315	372,028	375,644

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. TAXATION

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current tax:				
- for the year	1,197,768	124,427	67,509	31,558
- under/(over) provision in prior year	9,380	(110,662)	1,293	(125)
	1,207,148	13,765	68,802	31,433
Deferred tax (income)/expense resulting from origination and reversal of temporary differences:				
- for the year	(262,580)	(338,060)	(2,678)	(3,746)
- prior year	–	10,718	–	–
	(262,580)	(327,342)	(2,678)	(3,746)
Total tax expense/(tax income)	944,568	(313,577)	66,124	27,687

A reconciliation of tax expense/(tax income) applicable to the profit/(loss) before taxation at the applicable statutory tax rate to the tax expense/(tax income) at the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before taxation	2,831,459	(75,220,703)	33,054,140	(35,132,737)
Taxation at applicable statutory tax rate of 24% (2020 : 24%)	679,550	(18,052,969)	7,932,994	(8,431,857)
Tax effect in respect of:-				
Expenses that are not deductible in determining taxable profit	1,274,823	387,251	31,598	8,671,211
Income not subject to tax	(667,638)	(876,128)	(7,899,761)	(211,542)
Current year tax losses of a subsidiary not eligible for carry forward	367,707	18,996,134	–	–
Tax savings arising from utilisation of previously unrecognised deductible temporary differences	(719,254)	(667,921)	–	–
Under/(Over) provision in prior year:				
- Current tax	9,380	(110,662)	1,293	(125)
- Deferred tax	–	10,718	–	–
Total tax expense/(tax income)	944,568	(313,577)	66,124	27,687

24. TAXATION (CONT'D)

Subject to agreement by the tax authorities, as at the end of the reporting period the Group has available unutilised capital allowances and unabsorbed tax losses for set-off against future taxable income, which expire as follows:-

	Expiry year	2021 RM	2020 RM
Unutilised capital allowances	Unlimited	–	1,393,449
Unabsorbed tax losses	2025	–	1,773,198
Unabsorbed tax losses	2027	–	1,489,507
		–	4,656,154

25. EARNINGS/(LOSS) PER SHARE

25.1 Basic

The basic earnings/(loss) per share is calculated on the Group's profit/(loss) for the financial year attributable to equity holders of the Company of RM1,886,891 (2020 : Group's loss of RM74,907,126) and is based on the weighted number of ordinary shares outstanding during the financial year of 174,809,100 (2020 : 175,433,497).

25.2 Diluted

Diluted earnings per share is not presented as there are no dilutive potential ordinary shares outstanding as at 31 May 2021 (2020 : NIL).

26. EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Staff costs comprised:-				
Salaries, wages and bonuses	2,964,070	3,319,647	160,104	172,575
Defined contribution plan - Employees Provident Fund	350,374	382,604	19,391	20,898
Defined benefit cost	111,609	156,036	11,161	15,604
Others	101,176	100,624	488	488
	3,527,229	3,958,911	191,144	209,565

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. EMPLOYEE BENEFIT EXPENSES (CONT'D)

The employee benefit expenses have been charged to the profit or loss under the following line items:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Administrative expenses	2,640,696	2,870,616	191,144	209,565
Cost of sales	886,533	1,088,295	–	–
	3,527,229	3,958,911	191,144	209,565

Included in employee benefit expenses are remuneration provided to Executive Directors of the Group and of the Company amounting to RM1,779,719 (2020 : RM1,955,399) and RM160,927 (2020 : RM177,619) respectively.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or when both parties are under the common control of another party.

27.1 Transactions with related parties

Transactions with companies in which certain Directors have substantial interests are as follows:-

	Group	
	2021 RM	2020 RM
Expenditure incurred		
Purchase of marine paints	6,195	7,026
Purchase of raw materials	46,590	41,500
Disposal of used motor vehicle	–	14,000

Transaction between the Company and its subsidiary is as follows:-

	Company	
	2021 RM	2020 RM
Interest charged to a subsidiary	571,204	221,059

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

27.2 Year-end outstanding balances with related parties

As at the end of the reporting period, the Group has no significant outstanding balances with its related parties other than the following indebtedness between the Company and its subsidiaries:-

	Company	
	2021 RM	2020 RM
Amount receivable from subsidiaries	17,060,690	6,442,523

The terms and conditions of the above indebtedness are disclosed in Note 8.

Other than as disclosed in Note 8, no bad and doubtful debt expense has been recognised during the financial year in respect of amount due from the subsidiaries.

27.3 Key management personnel compensation

Key management personnel of the Group comprise persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and include the Executive and Non-executive Directors.

The remuneration of the Directors and other key management personnel for the financial year are as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Directors				
Short-term employee benefits	1,738,606	1,847,290	317,735	319,472
Post-employment benefits - contribution to Employees Provident Fund	175,716	189,764	16,031	17,343
Defined benefit cost	111,609	156,036	11,161	15,604
Estimated value of benefits-in-kind	28,750	23,225	27,100	23,225
	2,054,681	2,216,315	372,027	375,644
Other key management personnel				
Short-term employee benefits	60,593	60,593	6,059	6,059
Post-employment benefits - contribution to Employees Provident Fund	7,800	7,800	780	780
	68,393	68,393	6,839	6,839
Total	2,123,074	2,284,708	378,866	382,483

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. SEGMENT REPORTING

28.1 Operating Segment

The Group's operations comprise mainly of shipbuilding and ship repairing activities which collectively are considered as one business segment. Accordingly, the operating revenue and results of this segment are reflected in the Group's profit or loss. The segment assets and liabilities are as presented in the Group's statement of financial position.

28.2 Geographical Information

In determining geographical segments of the Group, "Revenue" is based on the geographical location of customers and "Non-current assets" are based on the geographical location of the assets. The non-current assets do not include financial instruments and deferred tax assets.

	2021 Revenue RM	2021 Non-current assets RM	2020 Revenue RM	2020 Non-current assets RM
Malaysia	946,801	17,360,161	1,948,417	18,059,867
Indonesia	11,493,404	–	7,095,390	–
Singapore	22,463,117	–	7,138,665	–
	34,903,322	17,360,161	16,182,472	18,059,867

28.3 Major Customers

Revenue from transactions with major customers who individually accounted for 10 percent or more of the Group's revenue are summarised below:-

	2021 RM	2020 RM
Customer A	18,073,618	4,443,384
Customer B	7,294,560	4,229,058
Customer C	4,389,499	2,797,952
Customer D	4,081,840	2,554,104

29. CONTINGENT LIABILITIES - UNSECURED

	Company 2021 RM	Company 2020 RM
Corporate guarantees favouring banks for facilities granted to subsidiaries:		
- Facility limit	44,277,000	44,277,000
- Amount utilised	10,027,317	14,469,208

As at the reporting date, no values were placed on the unsecured corporate guarantees provided by the Company as the Directors regard the value of the credit enhancement provided by the corporate guarantees to be minimal and the likelihood of default to be low.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include trade and other receivables, other investments and fixed deposits, cash and bank balances.

Financial liabilities of the Group include trade and other payables, derivative financial liabilities and bank borrowings.

In respect of the Company, financial assets also include amount due from subsidiaries.

30.1 Categories of Financial Instruments

The Group's and the Company's financial instruments are categorised as follows:-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Financial assets				
At fair value through profit or or loss				
Investments in unit trust funds	30,224,883	30,499,887	27,522,122	25,386,909
At amortised cost				
Trade receivables	6,517,902	6,768,042	–	–
Other receivables #	511,238	7,117,017	2,000	2,000
Amount due from subsidiaries	–	–	17,060,690	6,442,523
Fixed deposits, cash and bank balances	11,676,788	4,998,319	4,605,677	391,268
	48,930,811	49,383,265	49,190,489	32,222,700
Financial liabilities				
At fair value through profit or or loss				
Derivative financial liabilities	268,922	534,229	–	–
At amortised cost				
Trade payables	5,606,878	362,255,815	–	–
Other payables	15,572,072	23,653,033	209,000	232,000
Term loan	9,977,317	13,321,208	–	–
Bankers' acceptances	–	1,098,000	–	–
	31,425,189	400,862,285	209,000	232,000

Exclude Goods and Services Tax recoverable and prepayments

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management

The Group's financial instruments are subject to a variety of financial risks including currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its input material price, liquidity, interest rate, foreign exchange and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(a) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade and other receivables, fixed deposits placed with a licensed bank and bank balances.The Company's exposure to credit risk arises principally from amount due from subsidiaries, bank balances and corporate guarantees given to banks for credit facilities of subsidiaries as disclosed in Note 29.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. In addition, credit risk is minimised and monitored by limiting the Group's association to business partners with low creditworthiness.

The Group's fixed deposits and bank balances and investments in unit trust funds are only placed with licensed banks and financial institutions and the management considers the risk of material loss in the event of non-performance by the financial counterparty to be unlikely.

The Group's and the Company's maximum exposure to credit risk as at 31 May 2021 is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Company provides unsecured corporate guarantees to banks for facilities granted to subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and their ability to fulfill the financial obligations. The Company's maximum exposure to credit risk arising from the corporate guarantees provided is represented by the outstanding banking facilities utilised by the subsidiaries as at 31 May 2021 amounting RM10,027,317 (2020 : RM14,469,208) as disclosed in Note 29. The fair value of the financial liability in respect of the corporate guarantees provided has not been recognised in the Company's financial statements as the fair value on initial recognition was not material. As at the end of the reporting period, there was no indication that any subsidiaries would default on repayment.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(i) Concentration of credit risk

As at the end of the reporting period, the Group has significant concentration of credit risk arising from the exposure as disclosed below:-

(a) Amount due from three (3) (2020 : three (3)) major customers amounting to RM5,997,641 (2020 : RM6,311,198) representing 92% (2020 : 93%) of total trade receivables.

(b) Deposits of RM481,572 (2020 : RM6,661,451) paid to three (3) (2020 : six (6)) suppliers and contractors representing 99% (2020 : 94%) of total deposits paid to shipbuilding suppliers and contractors.

The amounts due from the above receivables are monitored by the management on an on-going basis. Deposits paid to suppliers and contractors will be used to offset against the value of future purchases of goods or services by the Group.

(ii) Recognition and measurement of loss allowance on expected credit losses ("ECLs")

The Group has contract assets and the following financial assets which are subject to ECLs impairment model:-

- Trade receivables and other receivables; and
- Fixed deposits and bank balances.

In respect of the Company, this includes the amount due from subsidiaries.

Fixed deposits and bank balances and investments in unit trust funds have a low credit risk as they are placed with reputable banks and financial institutions with high quality external credit ratings. Consequently, no allowance for impairment loss has been provided for in the financial statements.

Trade receivables and contract assets

The Group applies the MFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance on trade receivables and contract assets.

The Group has two types of trade receivables which comprise receivables from shipbuilding contracts and receivables from ship repairing services.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor is having significant financial difficulty and does not have sufficient cash flows to repay its debts. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

The Group's exposure to credit risk and allowance on ECLs for trade receivables are disclosed in Note 11.1.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(ii) Recognition and measurement of loss allowance on expected credit losses ("ECLs") (Cont'd)

Trade receivables and contract assets (Cont'd)

Trade receivables that are individually determined to be impaired comprised those customers who have defaulted on their payments and are considered to have financial difficulties in repaying their debts.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables and contract assets from shipbuilding contracts

The Group will withhold delivery of vessels to the customers until full settlement of the billings raised. When measuring ECLs, the assessment is performed on individual customer and the Group takes into account the cash flows expected from the realisation of the vessels held, the historical payment trends and the customer's financial strength. Contract assets which represent the unbilled work-in-progress will be grouped to the related trade receivables for the same types of contracts when assessing ECLs.

Receivables from ship repairing services

Trade receivables of this category are not collateralised. In measuring ECLs, the Group establishes a provision matrix that is based on the historical credit loss experience.

The historical loss rates are derived from the payment profiles of sales over a period of 36 months before 31 May 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts. The Group has identified the GDP of the country to be the most relevant factor and accordingly adjusts the historical loss rates based on expected change in this factor.

Where the credit risk of a debtor has increased significantly and past due more than 1 year, it is excluded from the provision matrix and its ECLs is assessed individually by considering historical payment trends and financial strength of the debtor.

Other receivables

Impairment of other receivables is recognised on the general approach within MFRS 9 using the forward-looking ECL model. The methodology used to determine the amount of impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial assets.

Based on the management's assessment, the probability of default by other receivables is low and hence, no loss allowance has been made in the financial statements.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(a) Credit Risk (Cont'd)

(ii) Recognition and measurement of loss allowance on expected credit losses ("ECLs") (Cont'd)

Deposits paid to suppliers and shipbuilders

Deposits paid to suppliers and shipbuilders are to be used for offset against the value of future purchases of goods and services of the Group. Except for those deposits for which impairment losses have been recognised as disclosed in Note 11.2(a), the Group considered that other deposits to have low credit risk as the suppliers are able to meet their obligations in the near term and hence no loss allowance has been recognised in the financial statements.

Amount due from subsidiaries

The Company provides unsecured advances to subsidiaries and monitors their financial performances regularly.

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. Since the Company is able to determine the timing of repayments of the advances, the Company considers the advances to be in default if the subsidiaries are not able to pay when demanded. This is normally evidenced by the subsidiaries' continuing losses and/or having a deficit in shareholders' fund.

The Company determines that the probability of default for the amount due from subsidiaries individually using internal information. The Company's exposure to credit risk and loss allowance on amount due from subsidiaries are disclosed in Note 8. Other than those already impaired, no loss allowance has been recognised on the remaining amount due from subsidiaries as the Company considers them as low credit risk.

(b) Liquidity and Cash Flow Risks

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. In view of prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital and capital expenditure requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(b) Liquidity and Cash Flow Risks (Cont'd)

Maturity Analysis

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows:-

	Maturity profile			
	Less than 1 year RM	More than 1 year and less than 5 years RM	Total RM	Effective interest rate %
Group				
2021				
Trade payables	5,606,878	–	5,606,878	–
Other payables	15,572,072	–	15,572,072	–
Term loan	3,696,000	6,704,013	10,400,013	2.88
2020				
Trade payables	362,255,815	–	362,255,815	–
Other payables	23,653,033	–	23,653,033	–
Term loan	3,696,000	10,623,422	14,319,422	3.69
Bankers' acceptances	1,098,000	–	1,098,000	4.67
Company				
2021				
Other payables	209,000	–	209,000	–
2020				
Other payables	232,000	–	232,000	–

(c) Market Risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market prices.

The Group's market risk exposure to currency and interest rate fluctuations are discussed under the respective risk headings.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(d) Currency Risk

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("YEN") and European Union Euro ("Euro"). Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level. The movements in the rates of foreign currencies are monitored by the management and where considered necessary, the Group will enter into forward foreign currency exchange contracts to limit its exposure on foreign currency receipts and payments.

The Group does not speculate in foreign currency derivatives.

Exposure to currency risk

The foreign currency exposure profiles of financial assets and liabilities of the Group are as follows:-

	Denominated in foreign currency			
	USD RM	SGD RM	Others RM	Total RM
Functional currency : RM				
2021				
Trade and other receivables	–	6,272,133	282,802	6,554,935
Fixed deposits, cash and bank balances	2,133,255	1,519,658	–	3,652,913
Trade and other payables	(201,711)	(15,523,186)	(307,444)	(16,032,341)
	1,931,544	(7,731,395)	(24,642)	(5,824,493)

	Denominated in foreign currency			
	USD RM	SGD RM	Others RM	Total RM
Functional currency : RM				
2020				
Trade and other receivables	–	6,906,421	725,049	7,631,470
Fixed deposits, cash and bank balances	3,039,209	436,468	42,792	3,518,469
Trade and other payables	(211,469)	(929,105)	(249,951)	(1,390,525)
	2,827,740	6,413,784	517,890	9,759,414

The Company is not exposed to currency risk as all of its financial assets and liabilities are denominated in its functional currency.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(d) Currency Risk (Cont'd)

Currency risk sensitivity analysis

A 10 percent strengthening of the major foreign currencies against the functional currency, RM, at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2021 RM	**2020 RM**
USD	193,154	282,774
SGD	(773,140)	641,378
Others	(2,464)	51,789
	(582,450)	975,941

A 10 percent weakening of the foreign currency against the RM currency at the end of the reporting period would have an equal but opposite effect on the profit or loss, assuming that all other variables remain constant.

(e) Interest Rate Risk

The Group has interest rate risk in respect of its fixed deposits with licensed bank, bank borrowings and investments in unit trust funds which investments are primarily in money market instruments.

The Group's fixed deposits and bankers acceptance are based on a fixed rate while its term loan, revolving credits and investments in unit trust funds are based on floating rates.

In respect of the Company, its interest rate risk includes the interest-bearing amount due from subsidiaries which are based on floating rates.

Market interest rate movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing instruments are restructured or reduced.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(e) Interest Rate Risk (Cont'd)

Exposure to interest rate risk

The interest rate exposure profile of the Group's and of the Company's significant interest-bearing financial instruments, based on the carrying amounts as at the end of the reporting period is as follows:-

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Floating rate instruments				
Financial assets				
Other investments	30,224,883	30,499,887	27,522,122	25,386,909
Amount due from subsidiaries	–	–	16,750,791	6,344,437
Financial liabilities				
Term loan	(9,977,317)	(13,321,208)	–	–
Bankers' acceptances	–	(1,098,000)	–	–
	20,247,566	16,080,679	44,272,913	31,731,346

Interest rate risk sensitivity analysis

A 100 basis points increase in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Impact on profit or loss [Increase/(Decrease)]			
	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Floating rate instruments				
Financial assets				
Other investments	302,249	304,999	275,221	253,869
Amount due from subsidiaries	–	–	167,508	63,444
Financial liabilities				
Term loan	(99,773)	(133,212)	–	–
Bankers' acceptances	–	(10,980)	–	–

A 100 basis points drop in interest rates at the end of the reporting period would have an equal but opposite effect on the profit or loss, assuming that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.2 Financial Risk Management (Cont'd)

(f) Other Price Risk

The Group is exposed to price risk arising from its investments in unit trust funds which are classified as financial assets at fair value through profit or loss. These investments are managed by licensed asset management companies and the Group does not engage in any speculative trading in respect of those investments.

30.3 Fair Value of Financial Instruments

(a) Financial instruments that are carried at fair value

The table below analyses financial instruments at the end of the reporting period which are measured at fair value by the various levels within a fair value hierarchy:-

	Fair value measurement using			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
2021				
Financial assets				
Investments measured at fair value through profit or loss				
- Group	30,224,883	–	–	30,224,883
- Company	27,522,122	–	–	27,522,122
Derivative financial liabilities				
- Group	–	268,922	–	268,922
2020				
Financial assets				
Investments measured at fair value through profit or loss				
- Group	30,499,887	–	–	30,499,887
- Company	25,386,909	–	–	25,386,909
Derivative financial liabilities				
- Group	–	534,229	–	534,229

The fair value of the investments in unit trust funds is determined by reference to market price at the end of the reporting period.

The fair value of derivative financial liabilities comprising interest rate swaps and forward currency contracts are valued by reference to the third-party pricing information without adjustment.

There were no transfer in between fair value levels during the financial year ended 31 May 2021 and 31 May 2020.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

30.3 Fair Value of Financial Instruments (Cont'd)

(b) Financial instruments that are not carried at fair value

The carrying amounts of the Group's and of the Company's other financial assets and financial liabilities measured at amortised cost are reasonable approximation of their fair values, either due to their short-term nature or that they are priced to market interest rates.

31. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Liabilities arising from financing activities

Changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes, during the financial year are analysed in the table below:-

	As beginning of year RM	Net cash flows RM	Effects of changes in exchange rates RM	As end of year RM
2021				
Term loan	13,321,208	(3,343,891)	–	9,977,317
Bankers' acceptances	1,098,000	(1,098,000)	–	–
	14,419,208	(4,441,891)	–	9,977,317
2020				
Term loan	–	13,321,208	–	13,321,208
Bankers' acceptances	–	1,098,000	–	1,098,000
Revolving credits	31,878,200	(32,459,600)	581,400	–
	31,878,200	(18,040,392)	581,400	14,419,208

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base, to safeguard the Group's ability to continue as a going concern and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payout to shareholders, return capital to shareholders or issue new shares.

In the management of capital risk, the management take into consideration the debt-to-equity ratio as well as the Group's working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. CAPITAL MANAGEMENT (CONT'D)

The debt-to-equity ratio as at 31 May 2021 and 31 May 2020 is as follows:-

	Group	
	2021 RM	2020 RM
Trade and other payables	21,178,950	385,908,848
Bank borrowings	9,977,317	14,419,208
Less : Fixed deposits, cash and bank balances	(11,676,788)	(4,998,319)
Net debts	19,479,479	395,329,737
Total equity	93,008,385	86,174,685
Debt-to-equity ratio	0.209	4.588

There were no changes in the Group's strategy and approach to capital management from the previous financial year.

33. MATERIAL EVENTS

33.1 In the previous financial year, the Group through its subsidiary namely TA Ventures (L) Ltd. ("TAV"), had entered into a series of negotiations with their shipbuilders in China ("the Shipbuilders") which were finally concluded on 17 July 2020 when TAV and the Shipbuilders entered into sixteen (16) individual agreements ("Termination Agreements") to terminate their respective shipbuilding contracts entered into previously between 2013 and 2015 for the construction and purchase of various types of offshore support vessels.

The salient terms of the Termination Agreements are as follows:-

(a) Both parties agree to terminate the shipbuilding contracts and the Shipbuilders are now the owners of the vessels.

(b) The Shipbuilders, at their sole discretion, complete and sell the vessels free from any rights or claims of TAV.

(c) Any instalments or deposits already paid by TAV to the Shipbuilders shall not be refunded, whether a balance is obtained or not, in the Shipbuilders' new sale.

(d) The Shipbuilders shall not request TAV to pay any deficiency where the proceeds from the new sale are insufficient to pay the Shipbuilders' costs, expenses and loss of profit.

(e) The Shipbuilders and TAV irrevocably and unconditionally release and forever discharge each other absolutely of and from all obligations, liabilities, representations, warranties, undertakings, claims, demands, actions and causes of action, in law or in equity, losses, costs or expenses, known or unknown, whatsoever under, or arise out of, or are in any way related to the shipbuilding contracts and acknowledged that there shall be no claim of past, present and future whatsoever against the other party under on in connection with the shipbuilding contracts.

33. MATERIAL EVENTS (CONT'D)

33.2 Following the termination of the shipbuilding contracts on 17 July 2020 as mentioned above, TAV had also, on even date, entered into another two (2) agreements to terminate two (2) joint venture agreements ("JVAs") which were previously entered into with a third party in September and October 2014. Under these JVAs, both TAV and the third party had agreed to contribute towards the costs of construction of six (6) units of offshore support vessels which were included in the now terminated shipbuilding contracts and to share the profits from their subsequent sales thereof based on an agreed sharing ratio of 60 : 40 respectively.

The salient terms of the termination of JVAs are as follows:-

(a) All financial contributions made by the third party to TAV pursuant to the JVAs shall not be refundable; and

(b) Both parties irrevocably and unconditionally release and forever discharge each other absolutely of and from all obligations, liabilities, representations, warranties, undertakings, claims, demands, actions and causes of action, in law or in equity, losses, costs or expenses, known or unknown, whatsoever under, or arise out of, or are in any way related to the shipbuilding contracts and acknowledged that there shall be no claim of past, present and future whatsoever against the other party under or in connection with the JVAs.

33.3 As a result of the termination of agreements as detailed in Notes 33.1 and 33.2 above, the Group has derecognised the assets and liabilities which were affected by the terminations in the financial statements for the financial year ended 31 May 2021, summarised as follows:-

	Assets/(Liabilities) derecognised	
		Equivalent
	USD	**RM**
Discharge of amount payable to the Shipbuilders and costs accrued (Note 17.1)	81,400,250	350,712,977
Non-refund of contributions received from third party (Note 17.4)	2,751,000	11,852,684
Vessels given up to the Shipbuilders (Note 9.1)	(83,050,850)	(357,824,588)
Forfeiture of deposits paid to the Shipbuilders (Note 11.2(a))	(1,100,400)	(4,741,073)
	–	–

The following write-down and impairment losses were recognised in the financial statetements of the Group for the financial year ended 31 May 2020 in line with the outcome of agreement reached between the parties upon conclusion of their negotiations:-

	RM
Write-down in value of vessels under construction or completed (Note 9.2)	53,446,883
Impairment losses on deposits paid to the Shipbuilders (Notes 11.2(a) and (b))	17,141,231
	70,588,114

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

33. MATERIAL EVENTS (CONT'D)

33.4 On 11 March 2020, the World Health Organization ("WHO") had declared the outbreak of coronavirus disease 2019 ("COVID-19") as a global pandemic. To curb the spread of this disease, the Government of Malaysia has imposed various restrictions on certain business activities and movements within and outside of the country on 18 March 2020 which is currently still in effect. The outbreak and restrictions have caused disruption in the completion and delivery of certain vessels to customers by the Group.

The Group has considered the effects of COVID-19, where relevant, on the judgements and assumptions used in the preparation of these financial statements. Since the COVID-19 situation is still evolving as at the date of issuance of these financial statements, the Group will continue to monitor its impact on Group's operations and will assess and revise, where appropriate, the judgements and assumptions used for purpose of financial reporting.

STATEMENT BY DIRECTORS

We, **DATUK LAU NAI HOH** and **LAU CHOO CHIN**, being two of the Directors of **TAS OFFSHORE BERHAD** do hereby state on behalf of the Directors that in our opinion, the financial statements set out on pages 40 to 112 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2021 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....
DATUK LAU NAI HOH
Director

....
LAU CHOO CHIN
Director

Sibu, Sarawak

Date: 15 September 2021

STATUTORY DECLARATION

I, **HII CHAI HUNG**, being the Officer primarily responsible for the accounting records and financial management of **TAS OFFSHORE BERHAD** do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 112 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Sibu in the state of)
Sarawak this 15 September 2021)

....
HII CHAI HUNG

Before me,

....
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TAS OFFSHORE BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TAS OFFSHORE BERHAD, which comprise the statements of financial position as at 31 May 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 40 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
1. Revenue recognition from sales of vessels	
As disclosed in the Group's accounting policies, Note 2.28.1, depending on the terms of contract with customers, revenue from sales of vessels may be recognised at a point in time or over time basis. For a sale of vessel which is recognised using the over time basis, the progress of work done or percentage of completion as at the end of the reporting period is determined by reference to the proportion of contract costs incurred for work performed to-date bear to the estimated total contract costs. Management's estimates are used to evaluate the total contract cost to complete and total contract revenue for a vessel under construction. Note 19 to the financial statements discloses the revenue amounts recognised under the respective basis during the financial year. We considered revenue recognition from sales of vessels as a key audit matter due to the significant estimates used in the evaluation of revenue for recognition purpose and which could have a material impact on the Group's financial performance for the financial year.	The audit procedures include the following: • Reviewed selected sales contracts with customers to understand their contractual terms especially on the performance obligations of the Group and ascertained whether the basis of revenue recognition used by the Group for each contract was consistent with its accounting policies; • Obtained management estimates of the costs to complete for selected contracts in progress as at end of reporting period and compared these estimates to purchases contracts, suppliers' quotations or invoices where applicable to determine their reasonableness; • Performed substantive test procedures over contract revenue and contract costs incurred by checking against the underlying supporting documents including contracts for sales and purchases; and • Performed recomputation of the percentage of completion to assess the arithmetical accuracy of revenue and costs recognised for the current financial year and traced the revenue and costs recognised to the accounting records.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
2. Assessment of impairment losses for investment in subsidiaries	
As disclosed in Note 5 to the financial statements, the carrying amount of the investments in subsidiaries as at 31 May 2021 is RM77,500,004, after deducting cumulative impairment losses of RM4,602,750. The Company carried out an impairment assessment for its investments in subsidiaries as at the end of the reporting period and where applicable, determined the recoverable amounts of these investments by estimating their value in use ("VIU"). As disclosed in Note 3.2(b) to the financial statements, the determination of VIU which uses the discounted future cash flows method is highly subjective as significant judgement is required to determine the appropriate future cash flows discount rates and growth rates. Due to the involvement of high estimation uncertainty, the impairment assessment of the investments in subsidiaries is considered to be a key audit matter.	The audit procedures include the following: • Compared the cash flow projections estimated by management against recent performance and assessed the reasonableness of the key assumptions used in the preparation of the projections; • With regard to future cash flow amounts from shipbuilding activities, we assessed their reasonableness by comparing them against the values of on-going and unfulfilled shipbuilding contracts at hand, where available, and the expected timing of completion of the contracts; and • Performed sensitivity analysis on a reasonable possible change in key assumptions used by the Company to determine the VIU.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises information contained in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5.1 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

FOLKS DFK & CO.
FIRM NO. : AF 0502
CHARTERED ACCOUNTANTS

LEONG KOK TONG
NO. : 02973/11/2021 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Date: 15 September 2021

LANDED PROPERTY OF THE GROUP

Location/ Address	Description/ Existing Use	Land Area (Acres)	Approx. Age of Building (Years)	Date of Revaluation	Tenure	Net Book Value as at 31.5.2021 (RM)
Lot 199 Block 1 Sibu Town District	Shipyard with 3-storey office, two 3-storey workers' quarters, two utility hangers cum workshop, store, 1-storey guard house and a slipway.	12.23	18	19.11.2008	Lease-hold 60 years expiring in 2070	15,160,681

ANALYSIS OF SHAREHOLDINGS

AS AT 6 SEPTEMBER 2021

SHARE CAPITAL

Issued share capital	:	180,002,000 ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Holdings	No. of Shareholders	No. of Shares Held	% of Shareholdings
Less than 100 shares	10	284	0.00*
100 – 1,000 shares	327	247,834	0.14
1,001 – 10,000 shares	1,550	9,097,988	5.20
10,001 – 100,000 shares	1,037	33,936,800	19.41
100,001 – less than 5% of issue shares	121	41,000,523	23.45
5% and above of issued shares	4	90,525,671	51.79
Total	3,049	174,809,100 #	100.00

* Less than 0.01 %

Excluding 5,192,900 ordinary shares bought back by the Company and retained as treasury shares based on Record of Depositors as at 6 September 2021.

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS

No.	Account Holder	No. of Shares Held	Percentage (%)
1.	Lau Nai Hoh	30,000,000	17.16
2.	Lau Nai Hoh	30,000,000	17.16
3.	Lau Nai Hoh	20,000,000	11.44
4.	Lau Nai Hoh	10,525,671	6.02
5.	Tan Aik Choon	2,677,300	1.53
6.	Shin Kao Jack	2,072,100	1.19
7.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Hock Soon (MY1055)	1,962,100	1.12
8.	Teh Ann Na	1,390,000	0.80
9.	Hii Kiong Thai	1,241,317	0.71
10.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Cheah Chee Siong (PB)	1,037,900	0.59
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for See Kok Wah	874,500	0.50
12.	Ng Teng Song	827,600	0.47
13.	Tang Seng Huat	822,000	0.47
14.	Lau Chui Tai	698,700	0.40
15.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tang Jee Eng	646,000	0.37
16.	Lee Bee Geok	630,000	0.36
17.	Hii Sieng Teck	605,800	0.35
18.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Wei Lik (E-MLB/PSG)	600,000	0.34
19.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Kiing Ho (E-SDK)	595,900	0.34
20.	Lim Siew Heong	586,600	0.34
21.	Ng Teng Song	511,000	0.29

ANALYSIS OF SHAREHOLDINGS (CONT'D)

LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Account Holder	No. of Shares Held	Percentage (%)
22.	Lim Yau Chong	501,000	0.29
23.	Loh Chwee Chew Mooring Services Private Limited	500,000	0.29
24.	Saw You Boon	500,000	0.29
25.	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt An for Phillip Capital Management Sdn Bhd (EPF)	499,500	0.29
26.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for W Ismail Bin W Nik	475,000	0.27
27.	Lau Choon Yee	470,000	0.27
28.	Lee Wah Kue	450,000	0.26
29.	Tan Chia Chin	450,000	0.26
30.	Sharil @ Shahrir Bin Ab. Samad	435,000	0.25
	Total	**112,584,988**	**64.42**

SUBSTANTIAL SHAREHOLDER

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 6 September 2021 are as follows:-

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Datuk Lau Nai Hoh	90,525,671	51.79	1,281,317 [(i)]	0.73

Note:

(i) Deemed interested by virtue of the shareholdings of his spouse, Datin Hii Kiong Thai (1,241,317 shares) and his children, Mr Lau Choo Kuang (20,000 shares) and Ms Lau Siew Ling (20,000 shares) in the Company.

DIRECTORS' INTEREST

The Directors' interests in shares in the Company and related corporations as per the Register of Directors' Shareholdings as at 6 September 2021 are as follows:-

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Datuk Lau Nai Hoh	90,525,671	51.79	1,281,317 [(i)]	0.73
2.	Lau Choo Chin	409,006	0.23	40,000 [(ii)]	0.02
3.	Datu Haji Mohammed Sepuan Bin Anu	15,000	0.01	–	–
4.	Tan Sri Dato' Seri Mohd Jamil Bin Johari	10,000	0.01	–	–
5.	Ling Ka Chuan	10,000	0.01	–	–
6.	Lau Kiing Yiing	10,000	0.01	–	–

Notes:

(i) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his spouse and children's shareholdings in the Company.

(ii) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his spouse's shareholdings in the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting ("AGM") of TAS Offshore Berhad ("the Company") will be held at Kingwood Hotel Sibu, Lorong Lanang 4, 96000 Sibu, Sarawak on Wednesday 27 October 2021 at 10.00 a.m. to transact the following business:-

AGENDA

ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the financial year ended 31 May 2021 together with the Reports of the Directors and Auditors thereon. — **Please refer to Explanatory Note (A)**

2. To approve the payment of Directors' fees in respect of the financial year ending 31 May 2022. — **Ordinary Resolution 1**

3. To approve the payment of Directors' meeting attendance allowance and any other benefits from the date of the passing of this Ordinary Resolution until the next AGM. — **Ordinary Resolution 2**

4. To re-elect the following Directors who retire pursuant to Clause 91 of the Company's Constitution, and being eligible offer themselves for re-election:-

   a) Datuk Lau Nai Hoh — **Ordinary Resolution 3**

   b) Mr Lau Kiing Yiing — **Ordinary Resolution 4**

   c) Datu Haji Mohammed Sepuan Bin Anu — **Ordinary Resolution 5**

5. To re-appoint Messrs. FOLKS DFK & Co. as Auditors of the Company for the ensuing year and to authorize the Board of Directors to fix their remuneration. — **Ordinary Resolution 6**

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary Resolutions:

6. Continuation in Office as Independent Non-Executive Director — **Ordinary Resolution 7**

"THAT approval be and is hereby given to Mr Ling Ka Chuan who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

7. Continuation in Office as Independent Non-Executive Director — **Ordinary Resolution 8**

"THAT approval be and is hereby given to Tan Sri Dato' Seri Mohd Jamil Bin Johari who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

8. Continuation in Office as Independent Non-Executive Director — **Ordinary Resolution 9**

"THAT approval be and is hereby given to Mr Lau Kiing Yiing who has served as an Independent Non-Executive Director for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. Authority to Issue and Allot shares **Ordinary Resolution 10**

"THAT pursuant to Section 76 of the Companies Act, 2016 and subject always to the Company's Constitution and approvals of the relevant regulatory authorities, the Directors of the Company be hereby empowered to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being AND THAT the Directors be hereby empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

10. Proposed Renewal of Authority for the Company to Purchase its Own Shares ("Proposed Share Buy-Back") **Ordinary Resolution 11**

"THAT subject always to the Companies Act 2016 ("the Act"), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and any other relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorized to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia as the Directors may deemed fit and expedient in the interest of the Company provided that:

a) the aggregate number of shares to be purchased shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company;
b) the maximum funds to be allocated by the Company for the purpose of the Proposed Share Buy-Back shall not exceed the total retained profits of the Company for the time being;
c) the Directors of the Company may decide in their discretion to retain the shares purchased as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends; and

AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next AGM of the Company unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting;

AND THAT the Directors be and are hereby authorized to act and to take all steps and do all things as they may deem necessary or expedient in order to implement, finalize and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and amendments as may be imposed by the relevant authorities."

11. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

By order of the Board

Pauline Kon Suk Khim
(MAICSA 7014905)
Company Secretary
Date: 28 September 2021

Notes:-

1. *For the purpose of determining a member who shall be entitled to attend this Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 65 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 October 2021. Only a depositor whose name appears on the General Meeting Record of Depositors as at 20 October 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any persons to be his/her proxy.*

3. *To be valid, the proxy form, duly completed must be deposited at the registered office of the Company at Lot 199, Jalan Sg. Maaw, Sungai Bidut, P. O. Box 920, 96008 Sibu, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*

4. *Where a member of the company is an exempt authorized nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

5. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

6. *If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorized.*

EXPLANATORY NOTES:

(A) Audited Financial Statements

The Audited Financial Statements are laid before the shareholders for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act, 2016. Hence, this matter will not be put for voting.

(B) Ordinary Resolution 2 - Payment of Meeting Allowance and any other benefits to Directors

Section 230(1) of the Companies Act, 2016 requires the benefits payable to Directors of the Company must be approved at a general meeting. Accordingly, shareholders' approval for the payment of Directors' meeting attendance allowance and any other benefits of up to RM40,000 is sought.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(C) Ordinary Resolution 7, 8 and 9 - Continuation in Office as Independent Non-Executive Directors

The proposed resolution is to seek the shareholders' approval to retain Mr Ling Ka Chuan, Tan Sri Dato' Seri Mohd Jamil Bin Johari and Mr Lau Kiing Yiing, all of whom have served on the Board as Independent Non-Executive Directors for a cumulative term of more than 9 years.

The Board through its Nomination Committee had assessed the independence of Mr Ling Ka Chuan, Tan Sri Dato' Seri Mohd Jamil Bin Johari and Mr Lau Kiing Yiing. They have remained objective and independent in communicating their opinions and in contributing to the deliberation and decision making of the Board and Board Committees. Their length of services on the Board do not in any way interfere with their exercise of independent judgement and capability to act in the best interests of the Company. In addition, they have satisfied all the criteria of an Independent Director set out in Paragraph 1.01 of the Main Market Listing Requirements. The Board, therefore, recommend that the approval of the shareholders be sought to retain Mr Ling Ka Chuan, Tan Sri Dato' Seri Mohd Jamil Bin Johari and Mr Lau Kiing Yiing as the Independent Non-Executive Directors of the Company.

The proposed resolutions, if passed, will enable Mr Ling Ka Chuan, Tan Sri Dato' Seri Mohd Jamil Bin Johari and Mr Lau Kiing Yiing to continue to act as Independent Directors of the Company until the conclusion of the next AGM of the Company.

(D) Ordinary Resolution 10 - Authority to Issue and Allot shares

This Ordinary Resolution, if passed, is a renewal of the general mandate to empower the Directors of the Company from the date of this AGM, authority to issue and allot ordinary shares in the Company up to an aggregate of ten percent (10%) of the issued share capital of the Company for the time being, for such purposes as the Directors consider in their absolute discretion to be in the best interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next AGM. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the cost to be incurred will also be lower as the need to convene an extraordinary general meeting will be dispensed with.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Thirteenth (13th) AGM held on 22 October 2020 and which will lapse at the conclusion of the Fourteenth (14th) AGM to be held on 27 October 2021.

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

(E) Ordinary Resolution 11 - Proposed Share Buy-Back

The Proposed Ordinary Resolution 11, if passed, will authorize the Company to purchase up to ten percent (10%) of the issued share capital of the Company through Bursa Malaysia Securities Berhad. This authority will, unless revoked or varied by the Company in a general meeting, expire at the next AGM of the Company.

Please refer to the Statement to Shareholders dated 28 September 2021 for further details.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

STATEMENT ACCOMPANYING NOTICE OF AGM

There is no person seeking election as a Director of the Company at this Fourteenth (14^{th}) AGM.

Personal Data Privacy:

By submitting proxy form(s) appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

TAS OFFSHORE BERHAD

Registration No. 200801008892 (810179-T)
(Incorporated in Malaysia)

No. of Shares held

PROXY FORM

I/We, ... of ....being a member/ members of the abovenamed Company hereby appoint .... of .... or failing him, ... of .... or *the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 14th Annual General Meeting of the Company to be held at Kingwood Hotel Sibu, Lorong Lanang 4, 96000 Sibu, Sarawak on Wednesday, 27th day of October 2021 at 10.00 am and, at any adjournment thereof for/against* the resolutions to be proposed thereat.

Resolution No	**Ordinary Business**	**FOR**	**AGAINST**
Ordinary Resolution 1	Approval for payment of Directors' fees		
Ordinary Resolution 2	Approval for payment of meeting allowance and other benefits to Directors		
Ordinary Resolution 3	Re-election of Datuk Lau Nai Hoh as Director		
Ordinary Resolution 4	Re-election of Mr Lau Kiing Yiing as Director		
Ordinary Resolution 5	Re-election of Datu Haji Mohammed Sepuan Bin Anu as Director		
Ordinary Resolution 6	Re-appoint Messrs. FOLKS DFK & Co. as Auditors for the ensuing year		
	Special Business		
Ordinary Resolution 7	Continuation as Independent Director - Mr Ling Ka Chuan		
Ordinary Resolution 8	Continuation as Independent Director - Tan Sri Dato' Seri Mohd Jamil Bin Johari		
Ordinary Resolution 9	Continuation as Independent Director - Mr Lau Kiing Yiing		
Ordinary Resolution 10	Authority to issue shares pursuant to Section 76 of the Companies Act 2016		
Ordinary Resolution 11	Approval for the renewal of authority to purchase its own shares		

(Please indicate with an "X' or "✓" in the spaces provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The proportions of my holdings to be presented by my *proxy/our proxies are as follows:

	Numbers of Shares	**Percentage**
First named proxy A		%
Second named proxy B		%
Total		100%

In case of a vote taken by a show of hands, the First Proxy A/Second Proxy B shall vote on * my/our behalf.
*Strike out whichever is not desired. (unless otherwise instructed the proxy may vote as he thinks fit)

Dated this..................... day of 2021

....
Signature of Member(s)/Common Seal

Notes:

1. *To determine a member who shall be entitled to attend this Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 65 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 20 October 2021. Only a depositor whose name appears on the General Meeting Record of Depositors as at 20 October 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any persons to be his/her proxy.*
3. *To be valid, the proxy form, duly completed must be deposited at the registered office of the Company at Lot 199, Jalan Sg. Maaw, Sungai Bidut, P. O. Box 920, 96008 Sibu, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies that the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
6. *If the appointer is a corporation, this form must be executed under its common seal or the hand of an officer or attorney duly authorised.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARY
TAS OFFSHORE BERHAD
Registration No. 200801008892
(810179-T)
Lot 199 Jalan Sg. Maaw
Sungai Bidut
P. O. Box 920,
96008 Sibu, Sarawak

1st fold here

TAS OFFSHORE BERHAD
200801008892 (810179-T)

Lot 199, Sungai Ma'aw Road, Sg. Bidut, P.O. Box 920, 96008 Sibu, Sarawak, Malaysia.
Tel : 6-084-310211 **Fax :** 6-084-319139

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