



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2012

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 AUGUST 2012

| | INDIVIDUAL | | CUMULATIVE | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER 31 AUG 2012 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2011 RM'000 | CURRENT YEAR TO DATE 31 AUG 2012 RM'000 | PRECEDING YEAR TO DATE 31 AUG 2011 RM'000 |
| Revenue | 17,772 | 17,673 | 17,772 | 17,673 |
| Cost of sales | (13,060) | (15,449) | (13,060) | (15,449) |
| Gross profit | <u>4,712</u> | <u>2,224</u> | <u>4,712</u> | <u>2,224</u> |
| Other income | 705 | 128 | 705 | 128 |
| Administrative expenses | (1,694) | (786) | (1,694) | (786) |
| Operating profit | <u>3,723</u> | <u>1,566</u> | <u>3,723</u> | <u>1,566</u> |
| Finance costs | (3) | - | (3) | - |
| Profit before tax | <u>3,720</u> | <u>1,566</u> | <u>3,720</u> | <u>1,566</u> |
| Income tax expense | (1,015) | (290) | (1,015) | (290) |
| Profit for the period | <u>2,705</u> | <u>1,276</u> | <u>2,705</u> | <u>1,276</u> |
| Other comprehensive income | | | | |
| Available-for-sale financial assets | | | | |
| - Net change in fair value | 108 | (92) | 108 | (92) |
| - Transfer to profit or loss on disposal | (26) | - | (26) | - |
| - Foreign currency translation | 16 | - | 16 | - |
| Total other comprehensive income | <u>98</u> | <u>(92)</u> | <u>98</u> | <u>(92)</u> |
| Total comprehensive income for the peirod | <u>2,803</u> | <u>1,184</u> | <u>2,803</u> | <u>1,184</u> |
| Profit for the period attributable to owners of the Parent | 2,705 | 1,276 | 2,705 | 1,276 |
| Total comprehensive income attributable to owners of the Parent | 2,803 | 1,184 | 2,803 | 1,184 |
| Earnings per share (sen) | | | | |
| - Basic | 1.54 | 0.72 | 1.54 | 0.72 |
| - Diluted | 1.54 | 0.72 | 1.54 | 0.72 |

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 May 2012 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | CURRENT YEAR QUARTER 31 AUG 2012 RM'000 | CURRENT YEAR TO DATE 31 AUG 2012 RM'000 |
|---|---|---|
| Interest income | 14 | 14 |
| Other income including investment income | 166 | 166 |
| Interest expense | 19 | 19 |
| Depreciation & amortization | 343 | 343 |
| Provision for and write off of receivables | - | - |
| Provision for and write off of inventories | - | - |
| (Gain)/loss on disposal of quoted investments | (27) | (27) |
| (Gain)/loss on disposal of unquoted investments | - | - |
| (Gain)/loss on disposal of properties | - | - |
| Impairment of assets | - | - |
| Foreign exchange (gain)/loss - realised | (343) | (343) |
| Foreign exchange (gain)/loss - unrealised | 405 | 405 |
| (Gain)/loss on derivatives | 105 | 105 |
| Exceptional items | - | - |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2012

| | UNAUDITED AS AT 31 AUG 2012 RM'000 | AUDITED AS AT 31 MAY 2012 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 25,932 | 25,974 |
| Available-for-sale investment | 10,786 | 10,579 |
| | <u>36,718</u> | <u>36,553</u> |
| Current Assets | | |
| Inventories | 31,820 | 22,338 |
| Amount due from contract customers | 28,012 | 39,540 |
| Trade and other receivables | 59,813 | 71,863 |
| Deposits, cash and bank balances | 29,782 | 21,057 |
| | <u>149,427</u> | <u>154,798</u> |
| Total Assets | <u>186,145</u> | <u>191,351</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Owners of the Parent | | |
| Share capital | 90,001 | 90,001 |
| Share premium | 27,639 | 27,639 |
| Treasury shares | (1,606) | (1,494) |
| Reserves | 28,000 | 25,196 |
| Total Equity | <u>144,034</u> | <u>141,342</u> |
| Non-Current Liabilities | | |
| Borrowings | - | 7 |
| Deferred tax liabilities | 2,802 | 3,154 |
| | <u>2,802</u> | <u>3,161</u> |
| Current Liabilities | | |
| Trade and other payables | 31,518 | 38,508 |
| Amount due to contract customers | 3,055 | 4,402 |
| Borrowings | 1,350 | 1,555 |
| Derivative financial liabilities | 873 | 760 |
| Current tax payable | 2,513 | 1,623 |
| | <u>39,309</u> | <u>46,848</u> |
| Total Liabilities | <u>42,111</u> | <u>50,009</u> |
| Total Equity and Liabilities | <u>186,145</u> | <u>191,351</u> |
| | | |
| Net assets per share (sen) | 80.02 | 78.50 |

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 May 2012 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 31 August 2012

| | Share Capital RM'000 | Share Premium RM'000 | Attributable to Owners of the Parent | | | Retained Profits RM'000 | Total RM'000 |
|---|-------------------------|-------------------------|--------------------------------------|---|---|----------------------------|-----------------|
| | | | Treasury Shares RM'000 | Fair Value Adjustment Reserve RM'000 | Foreign Currency Translation Reserve RM'000 | | |
| Balance as at 1 June 2012 | 90,001 | 27,639 | (1,494) | (180) | (1) | 25,377 | 141,342 |
| Shares repurchased during the period | | | (112) | | | | (112) |
| Profit for the period | | | | | | 2,705 | 2,705 |
| Other comprehensive income | | | | 82 | 17 | | 99 |
| Total comprehensive income for the period | | | | 82 | 17 | 2,705 | 2,804 |
| Balance as at 31 August 2012 | 90,001 | 27,639 | (1,606) | (98) | 16 | 28,082 | 144,034 |

For the period ended 31 May 2012

| | Share Capital RM'000 | Share Premium RM'000 | Attributable to Owners of the Parent | | | Retained Profits RM'000 | Total RM'000 |
|---|-------------------------|-------------------------|--------------------------------------|---|---|----------------------------|-----------------|
| | | | Treasury Shares RM'000 | Fair Value Adjustment Reserve RM'000 | Foreign Currency Translation Reserve RM'000 | | |
| Balance as at 1 June 2011 | 90,001 | 27,639 | - | 125 | - | 14,178 | 131,943 |
| Shares repurchased during the period | | | (1,494) | | | | (1,494) |
| Profit for the period | | | | - | | 11,199 | 11,199 |
| Other comprehensive income | | | | (305) | (1) | | (306) |
| Total comprehensive income for the period | | | | (305) | (1) | 11,199 | 10,893 |
| Balance as at 31 May 2012 | 90,001 | 27,639 | (1,494) | (180) | (1) | 25,377 | 141,342 |

The unaudited condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 May 2012 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2012

| | CURRENT YEAR TO DATE 31 AUG 2012 RM'000 | PRECEDING YEAR TO DATE 31 AUG 2011 RM'000 |
|---|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 3,720 | 1,566 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 343 | 388 |
| Interest expense | 19 | 97 |
| Interest income | (14) | (23) |
| Dividend income | (166) | (239) |
| Property, plant and equipment written off | 5 | - |
| Loss/(Gain) on disposal of investment | (27) | - |
| Unrealised foreign exchange (gain)/loss | 405 | 36 |
| Loss/(gain) on fair value changes of derivative financial liabilities | 105 | (288) |
| Operating profit before changes in working capital | 4,390 | 1,537 |
| Changes in working capital | | |
| Increase in inventories | (9,483) | (1,204) |
| Decrease in amount due from contract customers | 11,528 | 1,918 |
| Decrease in amount due to contract customers | (1,347) | (1,053) |
| Decrease/(Increase) in trade and other receivables | 11,740 | (6,481) |
| Increase/(decrease) in trade and other payables | (6,963) | (1,150) |
| Net cash (used in)/from operations | 9,865 | (6,433) |
| Interest received | 14 | 23 |
| Interest paid | (3) | - |
| Tax refunded | 241 | - |
| Tax paid | (717) | (267) |
| Net cash (used in)/from operating activities | 9,400 | (6,677) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend Received | 166 | 239 |
| Proceeds from disposal of investment | 2,000 | 5,268 |
| Purchase of property, plant and equipment | (306) | (170) |
| Purchase of other investment | (2,123) | (239) |
| Net cash (used in)/from investing activities | (263) | 5,098 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repurchase of shares | (112) | (1,392) |
| Net movements in trade financing | 146 | (6,453) |
| Repayment of term loans | (87) | (87) |
| Net cash used in financing activities | (53) | (7,932) |
| Net (decrease)/increase in cash and cash equivalents | 9,084 | (9,511) |
| Cash and cash equivalents at beginning of financial period | 20,771 | 29,419 |
| Effect of foreign exchange rate changes | (73) | (18) |
| Cash and cash equivalents at the end of financial period | 29,782 | 19,890 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2012 (CONT'D)

| | CURRENT YEAR TO DATE 31 AUG 2012 RM'000 | PRECEDING YEAR TO DATE 31 AUG 2011 RM'000 |
|--|--|--|
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Short term deposits and cash and bank balances | 29,782 | 21,280 |
| Bank overdrafts | - | (1,390) |
| | <u>29,782</u> | <u>19,890</u> |

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 May 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

A1. Basis of reporting preparation

The unaudited interim financial statements have been prepared in accordance with the Financial Reporting Standards 134 (FRS 134): "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial report contains condensed consolidated financial statement and selected explanatory notes. The notes include an explanation of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group ("TAS Offshore and its subsidiaries"). The interim financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with Financial Reporting Standards ("FRS").

A2. Changes in accounting policies

The Group has adopted MFRSs with effect from current period. There is no significant financial effects arising from the adoption of MFRSs.

A3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 May 2012 were not qualified.

A4. Seasonal or cyclical factors

The Group do not experience any material seasonality in its business, as its business operations are relatively stable throughout the year, with the exception of minor slowdowns in business activity during the festive seasons at the beginning and end of each calendar year.

A5. Items of unusual nature and amount

There were no items affecting the assets, liabilities, equity, net income or cash flow of the Group that are unusual in their nature, size or incidence for the current financial period under review.

A6. Material changes in estimates

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

A7. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

For the period ended 31 August 2012, 283,900 ordinary shares of RM0.50 each were repurchased from the open market at an average price of RM0.393 per share. The total consideration paid for the repurchase including transaction costs amounted to RM111,641 was funded by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 August 2012, the total number of treasury shares held are 4,145,400 ordinary shares of RM0.50 each.

Save as disclosed above, there were no other issue, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2012

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

A8. Dividends

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

A9. Segmental information

The Company's operations comprise mainly of shipbuilding and ship repairing activities which collectively are considered as one business segment. Accordingly, segment reporting by business segment has not been disclosed. The revenue from external customers by location of customers is set out below :-

| | Current Quarter 31 Aug 2012 RM'000 | Current Period to date 31 Aug 2012 RM'000 |
|----------------------|--|---|
| Malaysia | 5,390 | 5,390 |
| Singapore | 8,933 | 8,933 |
| United Arab Emirates | 1,160 | 1,160 |
| Indonesia | 1,770 | 1,770 |
| Panama | 519 | 519 |
| | <u>17,772</u> | <u>17,772</u> |

A10. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current quarter under review and financial year-to-date.

A11. Capital commitments

| | 31.08.2012 RM'000 |
|---------------------------------|------------------------------|
| Approved but not contracted for | <u>2,162</u> |

A12. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter and financial period to date.

A13. Changes in composition of the group

There were no changes in the composition of the group during the current quarter and financial period to date.

A14. Contingent Liabilities and Contingent Assets

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

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

A15. Significant related party transactions

The Company entered into the following transactions with related parties during the financial period :

| | Transaction value for 3 months ended 31 Aug 2012 RM'000 | Current Period-To-Date 31 Aug 2012 RM'000 |
|--|--|--|
| (i) Transaction with companies in which certain directors of the Company have substantial interest : | | |
| Tuong Aik (Sarawak) Sdn Bhd - Purchase of marine paint | * | * |
| Nguong Mee Dockyard Sdn Bhd - Rental of slipway | 27 | 27 |
| | <u>27</u> | <u>27</u> |

* Negligible

In the opinion of the directors, the above transactions have been entered into in the ordinary course of business and have been established under terms no less favourable than those transacted with unrelated parties.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2012

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B1. Review of performance of the Company and its subsidiaries

The Group recorded a turnover of RM17.8 million and profit before tax of RM3.7 million for the current quarter ended 31 August 2012.

In the opinion of the directors, the result for the current quarter and financial period to date have not been affected by any transactions or events of a material nature which has arisen between 31 May 2012 and the date of this report.

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

| | Current quarter ended 31 Aug 2012 RM'000 | Preceding quarter ended 31 May 2012 RM'000 | Variance RM'000 | |
|-------------------|---|---|---------------------------|------|
| Revenue | 17,772 | 33,416 | (15,644) | -47% |
| Profit before tax | 3,720 | 9,045 | (5,325) | -59% |

The Group recorded lower revenue of RM17.8 million representing a decrease of RM15.6 million or 47% over the preceding quarter. The favourable results in preceding quarter was attributed to contract revenue recognised on sale of one unit harbour tug.

Profit before tax decreased by RM5.3 million, or 59% when compared with preceding quarter figures mainly due to lower revenue being recognised as explained above. Loss on foreign exchange also contributed to the lower profit before tax where the group suffered net loss on foreign exchange of RM62,000 during the current quarter whereas a gain on foreign exchange of RM2.2 million was recorded in the preceding quarter.

B3. Commentary on prospects

The global recovery pace remains subdued amidst the slow economic recovery in the United States, turbulence in the Euro Zone sovereign debt markets and the slowdown in some of the major economies like China, India and Japan. However, high resilient crude oil price of above US\$90 per barrel has continued to spur oil majors to increase their offshore deep sea exploration and production activities. The demand for offshore support vessels is expected to increase in tandem with the increase in offshore deep sea exploration and production activities.

Our healthy order book is expected to contribute positively to our revenue and profits for financial year 2013 and 2014. We are optimistic in our outlook that new orders for offshore support vessels are going to resurface.

The demand for tugboats from Indonesia is sustainable judging from the orders we received from those related to coal and iron ore industries.

2013 remains to be challenging as the global recovery is still uncertain. However, we are of the opinion that 2013 will be a better year and the Board will continue to cautiously work towards securing better and more projects and profits for the shareholders.

B4. Variance between actual profit from forecast profit

The Group did not issue any profit forecast for the current financial period or in the prior financial period and therefore no comparison is available.

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B5. Taxation

| | | |
|----------------------|-------------------------------------|--|
| Current tax expense: | Current Quarter RM'000 | Current Period to date RM'000 |
| Malaysian income tax | 1,367 | 1,367 |
| Deferred income tax | (352) | (352) |
| Total tax expense | <u>1,015</u> | <u>1,015</u> |
| Effective tax rate | 27% | 27% |

B6. Status of utilisation of proceeds

As at the end of the current quarter and financial period to date, the status of utilisation of proceeds as compared to the proposed utilisation is as follows:

| Purpose | Intended Timeframe for Utilisation | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Surplus / (Deficit) RM'000 | Remarks |
|--------------------------------------|---|---------------------------------------|-------------------------------------|--------------------------------------|-------------------|
| (i) Expansion of existing operations | within 36 months | 10,000 | 7,677 | 2,323 | Available for use |
| (ii) Working capital | within 36 months | 56,300 | 56,300 | - | Available for use |
| (iii) Estimated listing expenses | upon listing | 3,000 | 3,161 | (161) | * |
| | | <u>69,300</u> | <u>67,138</u> | <u>2,162</u> | |

* The excess of actual utilisation over proposed utilisation will be deducted from the funds available for use in (i).

B7. Group borrowings and debt securities

Total Group's borrowing as at 31 August 2012 were as follows:

| | | |
|---------------------------------|--------------------------|------------------------|
| | Secured RM'000 | Total RM'000 |
| 1. <u>Short term borrowings</u> | | |
| - Term loan | 260 | 260 |
| - Bankers' Acceptance | 1,090 | 1,090 |
| | <u>1,350</u> | <u>1,350</u> |
| Total Borrowings | <u>1,350</u> | <u>1,350</u> |

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2012

(B) ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES'S LISTING REQUIREMENTS

B8. Material litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board are not aware of any proceedings pending or threatened against our Group or any facts likely to give rise to any proceedings which might materially and adversely affect our Group's financial position or business.

B9. Dividends

The Board of Directors has on 24 July 2012 declared a single-tier interim dividend of 1.5 sen per ordinary share for the financial year ended 31 May 2012, payable on 10 October 2012 to depositors whose names appear in the Record of Depositors on 18 September 2012.

B10. Earnings per share

| | Current Quarter ended 31 Aug 2012 | Current Year-to-Date 31 Aug 2012 |
|--|--------------------------------------|-------------------------------------|
| Net profit attributable to ordinary equity holders of the Company (RM'000) | <u>2,705</u> | <u>2,705</u> |
| Weighted average number of shares in issue ('000) | <u>175,905</u> | <u>175,905</u> |
| Basic earnings per share (sen) | 1.54 | 1.54 |
| Diluted earnings per share (sen) | 1.54 | 1.54 |

Basic earnings per share of the Company is calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

The computation of diluted earnings per share is the same as basic earnings per share as there were no potential shares to be issued as at the end of the reporting period.

B11. Disclosure of realised and unrealised profits/losses

| | As At 31 May 2012 RM'000 | As At 31 May 2012 RM'000 |
|---|------------------------------------|------------------------------------|
| Total retained profits / (accumulated losses) of the group | | |
| - Realised | 71,972 | 69,039 |
| - Unrealised | <u>(790)</u> | <u>(598)</u> |
| | 71,182 | 68,441 |
| Less : Consolidation adjustments | <u>(43,100)</u> | <u>(43,064)</u> |
| Total group retained profits / (accumulated losses) as per financial statements | <u>28,082</u> | <u>25,377</u> |