



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2015

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 AUGUST 2015

| | INDIVIDUAL | | CUMULATIVE | |
|--|--|--|--|--|
| | CURRENT YEAR QUARTER 31 AUG 2015 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2014 RM'000 | CURRENT YEAR TO DATE 31 AUG 2015 RM'000 | PRECEDING YEAR TO DATE 31 AUG 2014 RM'000 |
| Revenue | 75,518 | 76,318 | 75,518 | 76,318 |
| Cost of sales | (70,305) | (68,128) | (70,305) | (68,128) |
| Gross profit | 5,213 | 8,190 | 5,213 | 8,190 |
| Other income | 6,606 | 278 | 6,606 | 278 |
| Administrative expenses | (1,144) | (1,724) | (1,144) | (1,724) |
| Operating profit | 10,675 | 6,744 | 10,675 | 6,744 |
| Finance costs | (267) | (237) | (267) | (237) |
| Profit before tax | 10,408 | 6,507 | 10,408 | 6,507 |
| Income tax expense | (1,678) | (1,056) | (1,678) | (1,056) |
| Profit for the period | 8,730 | 5,451 | 8,730 | 5,451 |
| Other comprehensive income / (loss) | | | | |
| <i>Items that may be subsequently reclassified to profit or loss :</i> | | | | |
| Net gain/(loss) on available-for-sale financial assets | | | | |
| - gain/(loss) on fair value changes | (249) | 200 | (249) | 200 |
| - transfer to profit or loss on disposal | - | - | - | - |
| Foreign currency translation gain | 5,660 | (396) | 5,660 | (396) |
| Total other comprehensive income | 5,411 | (196) | 5,411 | (196) |
| Total comprehensive income for the period | 14,141 | 5,255 | 14,141 | 5,255 |
| Profit for the period attributable to owners of the Parent | 8,730 | 5,451 | 8,730 | 5,451 |
| Total comprehensive income attributable to owners of the Parent | 14,141 | 5,255 | 14,141 | 5,255 |
| Earnings per share (sen) | | | | |
| - Basic | 4.97 | 3.10 | 4.97 | 3.10 |
| - Diluted | 4.97 | 3.10 | 4.97 | 3.10 |

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 2015 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | CURRENT YEAR QUARTER 31 AUG 2015 RM'000 | CURRENT YEAR TO DATE 31 AUG 2015 RM'000 |
|---|---|---|
| Interest income | 21 | 21 |
| Other income including investment income | 56 | 56 |
| Interest expense | 319 | 319 |
| Depreciation & amortization | 451 | 451 |
| Provision for and write off of receivables | - | - |
| Provision for and write off of inventories | - | - |
| (Gain)/loss on disposal of quoted investments | - | - |
| (Gain)/loss on disposal of unquoted investments | - | - |
| (Gain)/loss on disposal of properties | - | - |
| Impairment of assets | - | - |
| Reversal of impairment loss on trade receivable | - | - |
| Foreign exchange (gain)/loss - realised | (2,431) | (2,431) |
| Foreign exchange (gain)/loss - unrealised | (4,150) | (4,150) |
| (Gain)/loss on derivatives | - | - |
| Exceptional items | - | - |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2015

| | UNAUDITED AS AT 31 AUG 2015 RM'000 | AUDITED AS AT 31 MAY 2015 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 24,997 | 24,811 |
| Available-for-sale investment | 25,014 | 15,207 |
| Deferred tax assets | 17 | 17 |
| | <u>50,028</u> | <u>40,035</u> |
| Current Assets | | |
| Inventories | 227,355 | 167,987 |
| Amount due from contract customers | 223,467 | 160,736 |
| Trade and other receivables | 54,959 | 87,693 |
| Tax recoverable | 2,255 | 2,852 |
| Deposits, cash and bank balances | 29,124 | 26,810 |
| | <u>537,160</u> | <u>446,078</u> |
| Total Assets | <u>587,188</u> | <u>486,113</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 | (1,765) | (1,661) |
| Reserves | 89,402 | 75,261 |
| Total Equity | <u>205,277</u> | <u>191,240</u> |
| Non-Current Liabilities | | |
| Bank borrowings | 284 | - |
| Retirement benefits | 696 | 696 |
| Deferred tax liabilities | 3,580 | 3,044 |
| | <u>4,560</u> | <u>3,740</u> |
| Current Liabilities | | |
| Trade and other payables | 339,515 | 248,801 |
| Bank borrowings | 37,806 | 42,311 |
| Current tax payable | 30 | 21 |
| | <u>377,351</u> | <u>291,133</u> |
| Total Liabilities | <u>381,911</u> | <u>294,873</u> |
| Total Equity and Liabilities | <u>587,188</u> | <u>486,113</u> |
| Net assets per share (RM) | 1.17 | 1.09 |

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 2015 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 2015

| | 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 2015 | 90,001 | 27,639 | (1,661) | 633 | 4,138 | 70,490 | 191,240 |
| Shares repurchased during the period | | | (104) | | | | (104) |
| Profit for the period | | | | | | 8,730 | 8,730 |
| Other comprehensive income | | | | (249) | 5,660 | | 5,411 |
| Total comprehensive income for the period | | | | (249) | 5,660 | 8,730 | 14,141 |
| Balance as at 31 August 2015 | 90,001 | 27,639 | (1,765) | 384 | 9,798 | 79,220 | 205,277 |

For the period ended 31 May 2015

| | 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 2014 | 90,001 | 27,639 | (1,645) | 132 | 613 | 57,947 | 174,687 |
| Shares repurchased during the period | | | (16) | | | | (16) |
| Profit for the period | | | | | | 12,543 | 12,543 |
| Other comprehensive income | | | | 501 | 3,525 | | 4,026 |
| Total comprehensive income for the period | | | | 501 | 3,525 | 12,543 | 16,569 |
| Balance as at 31 May 2015 | 90,001 | 27,639 | (1,661) | 633 | 4,138 | 70,490 | 191,240 |

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 2015 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2015

| | CURRENT YEAR TO DATE 31 AUG 2015 RM'000 | PRECEDING YEAR TO DATE 31 MAY 2015 RM'000 |
|--|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 10,408 | 12,932 |
| Adjustments for: | | |
| Defined benefit obligations | - | 139 |
| Depreciation of property, plant and equipment | 451 | 1,747 |
| Interest expense | 319 | 1,231 |
| Interest income | (21) | (234) |
| Dividend income | (56) | (598) |
| Property, plant and equipment written off | - | 10 |
| Unrealised foreign exchange (gain)/loss | (4,150) | (1,177) |
| Operating profit before changes in working capital | 6,951 | 14,050 |
| <u>Changes in working capital</u> | | |
| Decrease/(Increase) in inventories | (36,287) | (72,993) |
| (Increase)/Decrease in amount due from contract customers | (39,529) | (42,068) |
| (Decrease)/Increase in amount due to contract customers | - | (731) |
| (Increase)/Decrease in trade and other receivables | 38,302 | 21,575 |
| Increase/(decrease) in trade and other payables | 49,587 | 89,734 |
| Net cash (used in)/from operations | 19,024 | 9,567 |
| Interest received | 21 | 234 |
| Interest paid | (5) | (156) |
| Tax refunded | - | 241 |
| Tax paid | (539) | (3,608) |
| Net cash (used in)/from operating activities | 18,501 | 6,278 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividend Received | 56 | 598 |
| Proceeds from disposal of available-for-sale investment | 2,000 | 2,913 |
| Purchase of property, plant and equipment | (637) | (345) |
| Purchase of available-for-sale investment | (12,056) | (3,233) |
| Net cash (used in)/from investing activities | (10,637) | (67) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend Paid | - | (3,516) |
| Repurchase of shares | (104) | (16) |
| (Repayment of)/Proceeds from bankers' acceptances and revolving credit | (6,928) | 3,571 |
| Interest paid on bankers' acceptances and revolving credit | (313) | (1,075) |
| Net movement in hire purchase payable | 389 | - |
| Hire purchase interest paid | (1) | - |
| Net cash used in financing activities | (6,957) | (1,036) |
| Net (decrease)/increase in cash and cash equivalents | 907 | 5,175 |
| Cash and cash equivalents at beginning of financial period | 24,290 | 18,449 |
| Effect of foreign exchange rate changes | 3,927 | 666 |
| Cash and cash equivalents at the end of financial period | 29,124 | 24,290 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2015 (CONT'D)

| | CURRENT YEAR TO DATE 31 AUG 2015 RM'000 | PRECEDING YEAR TO DATE 31 MAY 2015 RM'000 |
|--|--|--|
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Short term deposits and cash and bank balances | 29,124 | 26,810 |
| Bank overdrafts | - | (2,520) |
| | <u>29,124</u> | <u>24,290</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 2015 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2015

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

A1. Basis of reporting preparation

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

The interim financial 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 Malaysian Financial Reporting Standards ("MFRS").

The Group has applied the following new MFRSs and amendments to MFRSs that have been issued by MASB and are effective for annual periods beginning on or after 1 July 2014.

- Amendments to MFRS 119 - Defined Benefit Plans : Employee Contributions
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2010 - 2012 Cycle"
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2011 - 2013 Cycle"

The initial application of the above new MFRSs and amendments to MFRSs did not have any significant impact on the financial statements of the Group.

The Group has not early adopted the following new MFRSs and amendments to MFRSs that are not yet effective :-

Effective for annual periods beginning on or after 1 January 2016

- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 - Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 - Agriculture : Bearer Plants
- Amendments to MFRS 127 - Equity Method in Separate Financial Statements
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"

Effective for annual periods beginning on or after 1 January 2017

- MFRS 15, Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Group will apply the above new MFRSs and amendments that are applicable once they become effective. The adoption of the above new MFRSs and amendments to MFRSs is not expected to have any significant impact on the financial statements of the Group.

A2. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements of the Company and its subsidiaries for the financial year ended 31 May 2015 were not qualified.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2015

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

A3. Seasonal or cyclical factors

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

A4. Items of unusual nature and amount

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

A5. Material changes in estimates

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

A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

For the period ended 31 August 2015, 170,000 ordinary shares of RM0.50 each were repurchased from the open market at an average price of RM0.61 per share. The total consideration paid for the repurchase including transaction costs amounted to RM103,692 was funded by internally generated funds. The shares repurchased are retained as treasury shares of the Company. As at 31 August 2015, the total number of ordinary shares repurchased and retained as treasury shares are 4,385,400 ordinary shares of RM0.50 each.

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

A7. Dividends

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

A8. Segmental information

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

| | Current Quarter 31 Aug 2015 RM'000 | Current Period to date 31 Aug 2015 RM'000 |
|----------------------|---|--|
| Malaysia | 1,838 | 1,838 |
| Singapore | 2,224 | 2,224 |
| Egypt | 8,012 | 8,012 |
| Indonesia | 1,615 | 1,615 |
| Saint Vincent Island | 61,829 | 61,829 |
| | <u>75,518</u> | <u>75,518</u> |

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

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

There was no material capital commitment as at the end of the current quarter.

A11. Material events subsequent to the end of period reported

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

A12. Changes in composition of the group

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

A13. Contingent Liabilities and Contingent Assets

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

A14. Significant related party transactions

There were no related parties transaction during the financial period under review.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2015

(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 RM75.5 million and profit before tax of RM10.4 million for the current quarter ended 31 August 2015.

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 2015 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 August 2015 | Preceding quarter ended 31 May 2015 | Variance | |
|-------------------|---|--|----------|------|
| | RM'000 | RM'000 | RM'000 | |
| Revenue | 75,518 | 73,902 | 1,616 | 2% |
| Profit before tax | 10,408 | 1,623 | 8,785 | 541% |

Profit before tax increased by 541% when compared with preceding quarter figures mainly due to the gain on foreign exchange recorded during current quarter as United States Dollar and Singapore Dollar strengthened.

B3. Commentary on prospects

The unwillingness of oil producing nations to reduce their production, coupled with the impending return of Iran to the oil market and a lower global demand for oil, has resulted in a glut of oil supply and the current depressing oil price of about US\$50 per barrel.

As the offshore support vessel (OSV) market depends highly on the price of oil, the drastic fall in oil price since the second half of 2014, had caused most oil majors to scale down their capital expenditures and also exploration and production activities. This has resulted in the reduction in demand for the OSV and lower charter rates. The number of oil rig being deployed had also fallen substantially and this had affected the demand for anchor handling tug supply vessels (AHTS). Thus, we expect, in the short term, the demand for both platform support vessels and anchor handling tug supply vessels to remain weak and we foresee that it will take some time for the demand of these vessels to return.

However, in the long term, we expect the oil price to recover due to the increase in demand for energy when industrial activities increase in tandem with the population growth. Thus, we are cautiously optimistic that in the long term outlook the demands for both the offshore support vessels with higher technical specifications suitable for deep sea operation and offshore support vessels for the Enhanced Oil Recovery projects which allow optimum extraction of oil resources, will return.

We are positive of our prospect and remain cautious in our operation.

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 | 1,142 | 1,142 |
| Deferred income tax | 536 | 536 |
| Total tax expense | <u>1,678</u> | <u>1,678</u> |
| Effective tax rate | 16% | 16% |

The lower effective tax rate for the period to date under review was attributed to the different income tax rate applicable to subsidiary company in other jurisdictions.

B6. Group borrowings and debt securities

Total Group's borrowing as at 31 August 2015 were as follows:

| | Secured RM'000 | Total RM'000 |
|---------------------------------|-------------------|-----------------|
| 1. <u>Short term borrowings</u> | | |
| - Revolving credit | 37,700 | 37,700 |
| - Hire purchase | 106 | 106 |
| 2. <u>Long term borrowings</u> | | |
| - Hire purchase | 284 | 284 |
| Total Borrowings | <u>38,090</u> | <u>38,090</u> |

B7. Material litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board 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.

B8. Dividends

No interim dividend has been proposed or declared for the current quarter and financial period to-date.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2015

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

B9. Earnings per share

| | Current Quarter ended 31 Aug 2015 | Current Year-to-Date 31 Aug 2015 |
|--|--------------------------------------|-------------------------------------|
| Net profit attributable to ordinary equity holders of the Company (RM'000) | <u>8,730</u> | <u>8,730</u> |
| Weighted average number of shares in issue ('000) | <u>175,642</u> | <u>175,642</u> |
| Basic earnings per share (sen) | 4.97 | 4.97 |
| Diluted earnings per share (sen) | 4.97 | 4.97 |

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.

B10. Disclosure of realised and unrealised profits/losses

| | As At 31 Aug 2015 RM'000 | As At 31 May 2015 RM'000 |
|---|------------------------------------|------------------------------------|
| Total retained profits / (accumulated losses) of the group | | |
| - Realised | 119,821 | 113,479 |
| - Unrealised | <u>2,915</u> | <u>491</u> |
| | 122,736 | 113,970 |
| Less : Consolidation adjustments | <u>(43,516)</u> | <u>(43,480)</u> |
| Total group retained profits / (accumulated losses) as per financial statements | <u>79,220</u> | <u>70,490</u> |