



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2016

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 29 FEBRUARY 2016

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 29 FEB 2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 28 FEB 2015 RM'000	CURRENT YEAR TO DATE 29 FEB 2016 RM'000	PRECEDING YEAR TO DATE 28 FEB 2015 RM'000
Revenue	16,985	74,372	128,832	201,972
Cost of sales	(23,513)	(73,650)	(127,537)	(189,665)
Gross profit/(loss)	<u>(6,528)</u>	<u>722</u>	<u>1,295</u>	<u>12,307</u>
Other income	(474)	1,779	6,870	3,508
Administrative expenses	(6,103)	(1,706)	(8,331)	(3,941)
Operating profit/(loss)	<u>(13,105)</u>	<u>795</u>	<u>(166)</u>	<u>11,874</u>
Finance costs	(254)	(217)	(769)	(565)
Profit/(loss) before tax	<u>(13,359)</u>	<u>578</u>	<u>(935)</u>	<u>11,309</u>
Income tax expense	(99)	98	(2,127)	(1,031)
Profit/(Loss) for the period	<u>(13,458)</u>	<u>676</u>	<u>(3,062)</u>	<u>10,278</u>
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	(355)	166	30	375
- transfer to profit or loss on disposal	-	-	-	-
Foreign currency translation gain	(781)	1,911	5,706	3,064
Total other comprehensive income / (loss)	<u>(1,136)</u>	<u>2,077</u>	<u>5,736</u>	<u>3,439</u>
Total comprehensive income / (loss) for the period	<u>(14,594)</u>	<u>2,753</u>	<u>2,674</u>	<u>13,717</u>
Profit / (loss) for the period attributable to owners of the Parent	(13,458)	676	(3,062)	10,278
Total comprehensive income / (loss) attributable to owners of the Parent	(14,594)	2,753	2,674	13,717
Earnings per share (sen)				
- Basic	(7.66)	0.38	(1.74)	5.85
- Diluted	(7.66)	0.38	(1.74)	5.85

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 29 FEB 2016 RM'000	CURRENT YEAR TO DATE 29 FEB 2016 RM'000
Interest income	2	26
Other income including investment income	341	494
Interest expense	322	911
Depreciation & amortization	453	1,358
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	-	-
Impairment loss on trade receivable	4,710	4,710
Foreign exchange (gain)/loss - realised	261	(4,739)
Foreign exchange (gain)/loss - unrealised	(2,087)	(2,087)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 29 FEBRUARY 2016

	UNAUDITED AS AT 29 FEB 2016 RM'000	AUDITED AS AT 31 MAY 2015 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	24,137	24,811
Available-for-sale investment	25,557	15,207
Deferred tax assets	17	17
	<u>49,711</u>	<u>40,035</u>
Current Assets		
Inventories	289,043	167,987
Amount due from contract customers	167,518	160,736
Trade and other receivables	43,169	87,693
Tax recoverable	2,405	2,852
Deposits, cash and bank balances	22,329	26,810
	<u>524,464</u>	<u>446,078</u>
Total Assets	<u>574,175</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	(1,773)	(1,661)
Reserves	77,935	75,261
Total Equity	<u>193,802</u>	<u>191,240</u>
Non-Current Liabilities		
Bank borrowings	196	-
Retirement benefits	696	696
Deferred tax liabilities	3,337	3,044
	<u>4,229</u>	<u>3,740</u>
Current Liabilities		
Trade and other payables	333,414	248,801
Bank borrowings	42,705	42,311
Current tax payable	25	21
	<u>376,144</u>	<u>291,133</u>
Total Liabilities	<u>380,373</u>	<u>294,873</u>
Total Equity and Liabilities	<u>574,175</u>	<u>486,113</u>
Net assets per share (RM)	1.10	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 29 February 2016

	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			(112)				(112)
Profit/(loss) for the period						(3,062)	(3,062)
Other comprehensive income				30	5,706		5,736
Total comprehensive income for the period				30	5,706	(3,062)	2,674
Balance as at 29 February 2016	90,001	27,639	(1,773)	663	9,844	67,428	193,802

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 29 FEBRUARY 2016

	CURRENT YEAR TO DATE 29 FEB 2016 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	(935)	12,932
Adjustments for:		
Defined benefit obligations	-	139
Depreciation of property, plant and equipment	1,358	1,747
Interest expense	911	1,231
Interest income	(26)	(234)
Dividend income	(494)	(598)
Property, plant and equipment written off	3	10
Impairment loss on trade receivable	4,710	-
Loss/(Gain) on disposal of property, plant and equipment	(10)	-
Unrealised foreign exchange (gain)/loss	(2,087)	(1,177)
Operating profit before changes in working capital	<u>3,430</u>	<u>14,050</u>
Changes in working capital		
Decrease/(Increase) in inventories	(94,054)	(72,993)
(Increase)/Decrease in amount due from contract customers	12,729	(42,068)
(Decrease)/Increase in amount due to contract customers	-	(731)
(Increase)/Decrease in trade and other receivables	44,930	21,575
Increase/(decrease) in trade and other payables	42,910	89,734
Net cash (used in)/from operations	<u>9,945</u>	<u>9,567</u>
Interest received	26	234
Interest paid	(14)	(156)
Tax refunded	-	241
Tax paid	<u>(1,386)</u>	<u>(3,608)</u>
Net cash (used in)/from operating activities	8,571	6,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	494	598
Proceeds from disposal of available-for-sale investment	2,000	2,913
Proceeds from disposal of property, plant and equipment	10	-
Purchase of property, plant and equipment	(688)	(345)
Purchase of available-for-sale investment	(12,320)	(3,233)
Net cash (used in)/from investing activities	<u>(10,504)</u>	<u>(67)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid	-	(3,516)
Repurchase of shares	(111)	(16)
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	(2,700)	3,571
Interest paid on bankers' acceptances and revolving credit	(887)	(1,075)
Net movement in hire purchase payable	327	-
Hire purchase interest paid	(10)	-
Net cash used in financing activities	<u>(3,381)</u>	<u>(1,036)</u>
Net (decrease)/increase in cash and cash equivalents	(5,314)	5,175
Cash and cash equivalents at beginning of financial period	24,290	18,449
Effect of foreign exchange rate changes	2,830	666
Cash and cash equivalents at the end of financial period	<u>21,806</u>	<u>24,290</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 29 FEBRUARY 2016 (CONT'D)

	CURRENT YEAR TO DATE 29 FEB 2016 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	22,329	26,810
Bank overdrafts	(523)	(2,520)
	<u>21,806</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.

(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 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
The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

Effective for annual periods beginning on or after 1 January 2018

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

Effective date deferred to a date to be announced

- Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will apply the above new 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 29 FEBRUARY 2016

(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

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period under review.

As at 29 February 2016, the total number of ordinary shares repurchased and retained as treasury shares are 4,395,400 ordinary shares of RM0.50 each.

A7. Dividends

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

A8. Segmental information

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

	Current Quarter 29 Feb 2016 RM'000	Current Period to date 29 Feb 2016 RM'000
Malaysia	3,005	17,473
Singapore	(79)	2,299
Egypt	1,707	58,911
Indonesia	5,469	7,347
Saint Vincent Island	6,883	42,802
	<u>16,985</u>	<u>128,832</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

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

	Transaction value for 3 months ended 29 Feb 2016 RM'000	Current Period-To-Date 29 Feb 2016 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	2	3
	<u>2</u>	<u>3</u>

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 29 FEBRUARY 2016

(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 RM17.0 million for the current quarter ended 29 February 2016. However, the Group suffered loss before tax of RM13.3 million for the quarter under review after taken up the impairment loss on trade receivable and provision for termination of contracts which is still disputed by the company.

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 29 Feb 2016 RM'000	Preceding quarter ended 30 Nov 2015 RM'000	Variance RM'000	
Revenue	16,985	36,330	(19,345)	-53%
Profit/(Loss) before tax	(13,359)	2,016	(15,375)	-763%

The Group recorded lower revenue of RM17.0 million representing a decrease of RM19.3 million or 53% lower than the preceding quarter. The lower revenue reported in current quarter was attributable to slowdowns in shipbuilding activities which had affected the revenue recognition on projects on hand.

Profit before tax decreased by 763% when compared with preceding quarter figures mainly due to the impairment loss on trade receivable and provision for termination of contracts which is still disputed by the company.

B3. Commentary on prospects

The current range of oil price has resulted in a substantial reduction in the number of oil rigs being deployed, a drastic fall in demand for the OSV and lower charter rates. Thus, we expect, in the short term, the demand for both platform support vessels and anchor handling tug supply vessels to remain weak.

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

Income tax expense:	Current Quarter RM'000	Current Period to date RM'000
Current tax	153	1,833
Deferred tax expense/(income)	(54)	293
Total tax expense	<u>99</u>	<u>2,126</u>
Effective tax rate	-1%	-227%

The high effective tax rate was attributed to provision taken up during the period under review that are not deductible in determining taxable profit.

B6. Group borrowings and debt securities

Total Group's borrowing as at 29 February 2016 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	522	522
- Revolving credit	33,816	33,816
- Bankers' Acceptance	8,235	8,235
- Hire purchase	131	131
2. <u>Long term borrowings</u>		
- Hire purchase	196	196
Total Borrowings	<u>42,900</u>	<u>42,900</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. Save for the termination of contracts which the company disputes, the 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 29 FEBRUARY 2016

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

B9. Earnings per share

	Current Quarter ended 29 Feb 2016	Current Year-to-Date 29 Feb 2016
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>(13,458)</u>	<u>(3,062)</u>
Weighted average number of shares in issue ('000)	<u>175,637</u>	<u>175,637</u>
Basic earnings per share (sen)	(7.66)	(1.74)
Diluted earnings per share (sen)	(7.66)	(1.74)

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 29 Feb 2016 RM'000	As At 31 May 2015 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	107,241	113,479
- Unrealised	<u>3,775</u>	<u>491</u>
	111,016	113,970
Less : Consolidation adjustments	<u>(43,588)</u>	<u>(43,480)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>67,428</u>	<u>70,490</u>