



TAS OFFSHORE BERHAD

(Company No : 810179-T)

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2017

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 28 FEBRUARY 2017

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 28 FEB 2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 29 FEB 2016 RM'000	CURRENT YEAR TO DATE 28 FEB 2017 RM'000	PRECEDING YEAR TO DATE 29 FEB 2016 RM'000
Revenue	13,690	16,985	18,859	128,832
Cost of sales	(11,035)	(23,513)	(15,615)	(127,537)
Gross profit/(loss)	2,655	(6,528)	3,244	1,295
Other income	149	(474)	1,796	6,870
Administrative expenses	(935)	(6,103)	(3,066)	(8,331)
Operating profit/(loss)	1,869	(13,105)	1,974	(166)
Finance costs	(411)	(254)	(1,070)	(769)
Profit/(loss) before tax	1,458	(13,359)	904	(935)
Income tax expense	(163)	(99)	(249)	(2,127)
Profit/(Loss) for the period	1,295	(13,458)	655	(3,062)
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	342	(355)	657	30
- transfer to profit or loss on disposal	-	-	(171)	-
Foreign currency translation gain	(104)	(781)	1,716	5,706
Total other comprehensive income / (loss)	238	(1,136)	2,202	5,736
Total comprehensive income / (loss) for the period	1,533	(14,594)	2,857	2,674
Profit / (loss) for the period attributable to owners of the Parent	1,295	(13,458)	655	(3,062)
Total comprehensive income / (loss) attributable to owners of the Parent	1,533	(14,594)	2,857	2,674
Earnings per share (sen)				
- Basic	0.74	(7.66)	0.37	(1.74)
- Diluted	0.74	(7.66)	0.37	(1.74)

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 2016 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 28 FEB 2017 RM'000	CURRENT YEAR TO DATE 28 FEB 2017 RM'000
Interest income	17	46
Other income including investment income	482	793
Interest expense	790	1,070
Depreciation & amortization	889	1,332
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 and other receivable	-	-
Foreign exchange (gain)/loss - realised	(151)	(155)
Foreign exchange (gain)/loss - unrealised	(1,543)	(1,543)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2017

	UNAUDITED AS AT 28 FEB 2017 RM'000	AUDITED AS AT 31 MAY 2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	22,507	23,796
Available-for-sale investment	25,861	26,014
Deferred tax assets	20	20
	<u>48,388</u>	<u>49,830</u>
Current Assets		
Inventories	492,349	407,972
Amount due from contract customers	28,961	56,744
Trade and other receivables	38,229	30,190
Tax recoverable	484	2,906
Deposits, cash and bank balances	7,919	26,398
	<u>567,942</u>	<u>524,210</u>
Total Assets	<u>616,330</u>	<u>574,040</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	(1,777)	(1,777)
Reserves	60,167	57,310
Total Equity	<u>176,030</u>	<u>173,173</u>
Non-Current Liabilities		
Bank borrowings	59	162
Retirement benefits	845	845
Deferred tax liabilities	2,165	2,200
	<u>3,069</u>	<u>3,207</u>
Current Liabilities		
Trade and other payables	388,336	364,406
Bank borrowings	48,773	33,048
Current tax payable	122	206
	<u>437,231</u>	<u>397,660</u>
Total Liabilities	<u>440,300</u>	<u>400,867</u>
Total Equity and Liabilities	<u>616,330</u>	<u>574,040</u>
Net assets per share (RM)	1.0025	0.9860

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 2016 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 28 February 2017

	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 2016	90,001	27,639	(1,777)	983	7,698	48,629	173,173
Shares repurchased during the period							-
Profit/(loss) for the period						655	655
Other comprehensive income				486	1,716		2,202
Total comprehensive income for the period				486	1,716	655	2,857
Balance as at 28 February 2017	90,001	27,639	(1,777)	1,469	9,414	49,284	176,030

For the period ended 31 May 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	(1,662)	633	4,139	70,489	191,239
Shares repurchased during the period			(115)				(115)
Profit for the period						(21,860)	(21,860)
Other comprehensive income				350	3,559		3,909
Total comprehensive income for the period				350	3,559	(21,860)	(17,951)
Balance as at 31 May 2016	90,001	27,639	(1,777)	983	7,698	48,629	173,173

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 2016 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 28 FEBRUARY 2017

	CURRENT YEAR TO DATE 28 FEB 2017 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2016 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	904	(21,221)
Adjustments for:		
Defined benefit obligations	-	149
Depreciation of property, plant and equipment	1,332	1,836
Interest expense	1,070	1,264
Interest income	(46)	(35)
Dividend income	(793)	(622)
Property, plant and equipment written off	-	3
Loss/(Gain) on disposal of available-for-sale financial assets	(50)	(8)
Impairment loss on trade and other receivable	-	17,121
Deposit forfeited	-	170
Loss/(Gain) on disposal of property, plant and equipment	(3)	(8)
Unrealised foreign exchange (gain)/loss	(1,543)	(1,689)
Operating profit before changes in working capital	<u>871</u>	<u>(3,040)</u>
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(54,096)	(211,125)
(Increase)/Decrease in amount due from contract customers	29,130	114,512
(Increase)/Decrease in trade and other receivables	(5,590)	43,777
Increase/(decrease) in trade and other payables	(4,438)	79,651
Net cash from operations	<u>(34,123)</u>	<u>23,775</u>
Interest received	46	35
Interest paid	(1)	(19)
Tax refunded	2,812	51
Tax paid	(758)	(1,408)
Net cash from operating activities	<u>(32,024)</u>	<u>22,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend Received	793	622
Proceeds from disposal of available-for-sale investment	16,200	2,000
Proceeds from disposal of property, plant and equipment	3	12
Purchase of property, plant and equipment	(43)	(428)
Purchase of available-for-sale investment	(15,511)	(12,449)
Net cash used in investing activities	<u>1,442</u>	<u>(10,243)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	-	(115)
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	11,764	(10,879)
Interest paid on bankers' acceptances and revolving credit	(1,061)	(1,232)
Payments of hire-purchase instalments	(107)	(119)
Net cash used in financing activities	<u>10,596</u>	<u>(12,345)</u>
Net (decrease)/increase in cash and cash equivalents	(19,986)	(154)
Cash and cash equivalents at beginning of financial period	26,398	24,290
Effect of foreign exchange rate changes	617	2,262
Cash and cash equivalents at the end of financial period	<u>7,029</u>	<u>26,398</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 28 FEBRUARY 2017 (CONT'D)

	CURRENT YEAR TO DATE 28 FEB 2017 RM'000	PRECEDING YEAR TO DATE 31 MAY 2016 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	7,919	26,398
Bank overdrafts	(890)	-
	<u>7,029</u>	<u>26,398</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 2016 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 January 2016.

- Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 101 - Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 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 2017

- Amendments to MFRS 107 - Disclosure Initiative
- Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 12 - Disclosure of Interests in Other Entities ("Annual Improvements to MFRSs 2014-2016 Cycle")

Effective for annual periods beginning on or after 1 January 2018

- MFRS 15, Revenue from Contracts with Customers
- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards ("Annual Improvements to MFRSs 2014-2016 Cycle")
- Amendments to MFRS 128 - Investments in Associates and Joint Ventures ("Annual Improvements to MFRSs 2014-2016 Cycle")
- Amendments to MFRS 140 - Transfers of Investment Property
- IC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

Effective for annual periods beginning on or after a date to be determined by the MASB

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

The Group will apply the above new 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.

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

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 2016 were not qualified.

A3. Seasonal or cyclical factors

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

A4. Items of unusual nature and amount

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

A5. Material changes in estimates

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

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 28 February 2017, the total number of ordinary shares repurchased and retained as treasury shares are 4,405,400 shares.

A7. Dividends

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

A8. Segmental information

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

	Current Quarter 28 Feb 2017 RM'000	Current Period to date 28 Feb 2017 RM'000
Malaysia	712	1,762
Singapore	467	2,825
Indonesia	119	1,238
Saint Vincent Island	-	642
Switzerland	12,392	12,392
	<u>13,690</u>	<u>18,859</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 composition of the Group during the quarter under review.

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 28 FEBRUARY 2017

(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 RM13.7 million and profit before tax of RM1.5 million for the current quarter ended 28 February 2017.

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 2016 and the date of this report.

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

	Current quarter ended 28 Feb 2017 RM'000	Preceding quarter ended 30 Nov 2016 RM'000	Variance RM'000	
Revenue	13,690	2,924	10,766	368%
Profit/(Loss) before tax	1,458	497	961	193%

The Group recorded higher revenue of RM13.7 million representing an increase of RM10.8 million or 368% higher than the preceding quarter. The higher revenue in current quarter was attributable to sale of one unit of landing craft.

Profit before tax increased by 193% when compared with preceding quarter figures mainly due to the profit recognised on sale of one unit of landing craft during current quarter.

B3. Commentary on prospects

Fears of a global oil glut have returned to sink the oil prices in March to below US\$50 per barrel. The Opec members, non-Opec members and the global oil demand have yet to rebalance the oil prices to a sustainable level that benefits all players. The Opec members had met with the shale oil producers in the USA in early March for talk about the oil market as reported by The Edge Financial Daily on 16 March 2017. However, recent reports by Nasdaq and MarketWatch in March are both bullish about the oil market and are expecting the oil prices to potentially settle between US\$60 - US\$70 per barrel by 2018 once the market equilibrium is achieved.

Thus, in the long term, we envisage the oil price outlook to be positive due to the increase in demand for energy when industrial and development activities increase in tandem with the population growth and the demand for offshore support vessels will return.

The Indonesian government had eased the ban on export of unprocessed mineral ores since January 2017. As a consequence, Indonesia is expected to export about 30 million metric tons of bauxite alone in 2017. This may call for the demand for vessels required for such activities. This development augurs well for our company.

We are thus, optimistic of our prospects.

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	175	284
Deferred tax expense/(income)	(12)	(35)
Total tax expense	<u>163</u>	<u>249</u>
Effective tax rate	11%	28%

The effective tax rate for the current quarter was lower than the statutory tax rate in Malaysia due to adjustment for unrecognised deferred tax assets and over provision of tax in prior year.

B6. Group borrowings and debt securities

Total Group's borrowing as at 28 February 2017 were as follows:

	Secured RM'000	Total RM'000
1. <u>Short term borrowings</u>		
- Bank overdraft	890	890
- Revolving credit	47,746	47,746
- Hire purchase	137	137
2. <u>Long term borrowings</u>		
- Hire purchase	59	59
Total Borrowings	<u>48,832</u>	<u>48,832</u>

B7. Material litigation

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

B8. Dividends

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

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 28 FEBRUARY 2017

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

B9. Earnings per share

	Current Quarter ended 28 Feb 2017	Current Year-to-Date 28 Feb 2017
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>1,295</u>	<u>655</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	0.74	0.37
Diluted earnings per share (sen)	0.74	0.37

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 28 Feb 2017 RM'000	As At 31 May 2016 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	91,363	90,452
- Unrealised	<u>1,564</u>	<u>1,710</u>
	92,927	92,162
Less : Consolidation adjustments	<u>(43,643)</u>	<u>(43,533)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>49,284</u>	<u>48,629</u>