



TAS OFFSHORE BERHAD
(Company No : 810179-T)

**INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 AUGUST 2017**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 AUGUST 2017

	INDIVIDUAL		CUMULATIVE	
	CURRENT YEAR QUARTER 31 AUG 2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 AUG 2016 RM'000	CURRENT YEAR TO DATE 31 AUG 2017 RM'000	PRECEDING YEAR TO DATE 31 AUG 2016 RM'000
Revenue	10,429	2,245	10,429	2,245
Cost of sales	(7,537)	(1,762)	(7,537)	(1,762)
Gross profit/(loss)	<u>2,892</u>	<u>483</u>	<u>2,892</u>	<u>483</u>
Other income	797	34	797	34
Administrative expenses	(936)	(1,289)	(936)	(1,289)
Operating profit/(loss)	<u>2,753</u>	<u>(772)</u>	<u>2,753</u>	<u>(772)</u>
Finance costs	(466)	(280)	(466)	(280)
Profit/(loss) before tax	<u>2,287</u>	<u>(1,052)</u>	<u>2,287</u>	<u>(1,052)</u>
Income tax expense	(55)	(78)	(55)	(78)
Profit/(Loss) for the period	<u>2,232</u>	<u>(1,130)</u>	<u>2,232</u>	<u>(1,130)</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	160	312	160	312
- transfer to profit or loss on disposal	(637)	(159)	(637)	(159)
Foreign currency translation gain/(loss)	(40)	(402)	(40)	(402)
Total other comprehensive income / (loss)	<u>(517)</u>	<u>(249)</u>	<u>(517)</u>	<u>(249)</u>
Total comprehensive income / (loss) for the peirod	<u>1,715</u>	<u>(1,379)</u>	<u>1,715</u>	<u>(1,379)</u>
Profit / (loss) for the period attributable to owners of the Parent	2,232	(1,130)	2,232	(1,130)
Total comprehensive income / (loss) attributable to owners of the Parent	1,715	(1,379)	1,715	(1,379)
Earnings per share (sen)				
- Basic	1.27	(0.64)	1.27	(0.64)
- Diluted	1.27	(0.64)	1.27	(0.64)

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 2017 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 2017 RM'000	CURRENT YEAR TO DATE 31 AUG 2017 RM'000
Interest income	1	1
Other income including investment income	165	165
Interest expense	574	574
Depreciation & amortization	402	402
Provision for and write off of receivables	-	-
Inventories written down	-	-
(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	(65)	(65)
Foreign exchange (gain)/loss - unrealised	(56)	(56)
(Gain)/loss on derivatives	-	-
Exceptional items	-	-



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2017

	UNAUDITED AS AT 31 AUG 2017 RM'000	AUDITED AS AT 31 MAY 2017 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	21,664	22,065
Available-for-sale investment	12,335	26,388
Deferred tax assets	24	24
	<u>34,023</u>	<u>48,477</u>
Current Assets		
Inventories	477,365	474,062
Amount due from contract customers	23,858	29,439
Trade and other receivables	51,123	36,172
Tax recoverable	490	544
Deposits, cash and bank balances	1,212	3,722
	<u>554,048</u>	<u>543,939</u>
Total Assets	<u><u>588,071</u></u>	<u><u>592,416</u></u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	117,640	117,640
Treasury shares	(1,777)	(1,777)
Reserves	46,568	44,852
Total Equity	<u>162,431</u>	<u>160,715</u>
Non-Current Liabilities		
Bank borrowings	-	24
Retirement benefits	1,006	1,006
Deferred tax liabilities	2,142	2,153
	<u>3,148</u>	<u>3,183</u>
Current Liabilities		
Trade and other payables	368,472	375,346
Amount due to contract customers	1,317	-
Bank borrowings	52,703	53,172
	<u>422,492</u>	<u>428,518</u>
Total Liabilities	<u>425,640</u>	<u>431,701</u>
Total Equity and Liabilities	<u><u>588,071</u></u>	<u><u>592,416</u></u>
 Net assets per share (RM)	 0.9250	 0.9152

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 2017 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 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 2017	117,640	-	(1,777)	1,853	8,406	34,594	160,716
Profit/(loss) for the period						2,232	2,232
Other comprehensive income				(477)	(40)		(517)
Total comprehensive income for the period				(477)	(40)	2,232	1,715
Balance as at 31 August 2017	117,640	-	(1,777)	1,376	8,366	36,826	162,431

For the period ended 31 May 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
Adjustments for effects of Companies Act 2016 - Note (a)	27,639	(27,639)					-
Profit for the period						(14,035)	(14,035)
Other comprehensive income				870	708		1,578
Total comprehensive income for the period				870	708	(14,035)	(12,457)
Balance as at 31 May 2017	117,640	-	(1,777)	1,853	8,406	34,594	160,716

Note (a)

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM27,639,472 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its rights to use the credit amounts being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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 2017 and the accompanying explanatory notes attached to the interim financial statements.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2017

	CURRENT YEAR TO DATE 31 AUG 2017 RM'000	PRECEDING FINANCIAL YEAR 31 MAY 2017 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,287	(13,955)
Adjustments for:		
Defined benefit obligations	-	161
Depreciation of property, plant and equipment	402	1,776
Interest expense	574	1,522
Interest income	(1)	(46)
Income from unit trust funds	(165)	(978)
Property, plant and equipment written off	-	2
Loss/(Gain) on disposal of available-for-sale financial assets	(674)	(50)
Impairment loss on trade and other receivable	-	754
Deposit forfeited	-	76
Loss/(Gain) on disposal of property, plant and equipment	-	(3)
Unrealised foreign exchange (gain)/loss	(56)	(556)
Write down in value of inventories	-	7,389
Reversal of expenses over accrued	-	(7)
Operating profit before changes in working capital	<u>2,367</u>	<u>(3,915)</u>
<u>Changes in working capital</u>		
Decrease/(Increase) in inventories	(4,614)	(58,068)
(Increase)/Decrease in amount due from contract customers	5,582	27,997
(Decrease)/Increase in amount due to contract customers	1,317	-
(Increase)/Decrease in trade and other receivables	(14,834)	(5,683)
Increase/(decrease) in trade and other payables	(5,760)	(3,596)
Net cash from operations	<u>(15,942)</u>	<u>(43,265)</u>
Interest received	1	46
Interest paid	(30)	(17)
Tax refunded	90	2,812
Tax paid	(103)	(786)
Net cash from operating activities	<u>(15,984)</u>	<u>(41,210)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income from unit trust funds	165	978
Proceeds from disposal of available-for-sale investment	14,373	16,200
Proceeds from disposal of property, plant and equipment	-	3
Purchase of property, plant and equipment	-	(47)
Purchase of available-for-sale investment	(123)	(15,655)
Net cash used in investing activities	<u>14,415</u>	<u>1,479</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment of)/Proceeds from bankers' acceptances and revolving credit	(403)	16,320
Interest paid on bankers' acceptances and revolving credit	(542)	(1,494)
Payments of hire-purchase instalments	(36)	(143)
Net cash used in financing activities	<u>(981)</u>	<u>14,683</u>
Net (decrease)/increase in cash and cash equivalents	(2,550)	(25,048)
Cash and cash equivalents at beginning of financial period	1,491	26,398
Effect of foreign exchange rate changes	(47)	141
Cash and cash equivalents at the end of financial period	<u>(1,106)</u>	<u>1,491</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 AUGUST 2017 (CONT'D)

	CURRENT YEAR TO DATE 31 AUG 2017 RM'000	PRECEDING YEAR TO DATE 31 MAY 2017 RM'000
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term deposits and cash and bank balances	1,212	3,722
Bank overdrafts	(2,318)	(2,231)
	<u>(1,106)</u>	<u>1,491</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 2017 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 107 - Disclosure Initiative
- Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" :
 - Amendments to MFRS 12, Disclosure of Interests in Other Entities

The application of the Amendments has no 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 2018

- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts
- Amendments to MFRS 140 - Transfers of Investment Property
- Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" :
 - Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
 - Amendments to MFRS 128, Investments in Associates and Joint Ventures
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

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 IC Interpretations and amendments to MFRSs 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.

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2017

(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 2017 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 31 August 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 31 Aug 2017 RM'000	Current Period to date 31 Aug 2017 RM'000
Malaysia	3,432	3,432
Indonesia	4,655	4,655
Switzerland	2,342	2,342
	<u>10,429</u>	<u>10,429</u>

INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 AUGUST 2017

(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

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

	Transaction value for 3 months ended 31 Aug 2017 RM'000	Current Period-To-Date 31 Aug 2017 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	3	3
HCF Services Sdn Bhd - Purchase of filtrations systems	70	70
	<u>73</u>	<u>73</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 31 AUGUST 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 RM10.4 million and profit before tax of RM2.3 million for the current quarter ended 31 August 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 2017 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 2017 RM'000	Preceding quarter ended 31 May 2017 RM'000	Variance RM'000	
Revenue	10,429	1,845	8,584	465%
Profit/(Loss) before tax	2,287	(6,639)	8,926	134%

The Group recorded higher revenue of RM10.4 million representing an increase of RM8.6 million or 465% higher than the preceding quarter. The higher revenue in current quarter is attributable to sale of two units of tugboat.

Profit before tax for the current quarter amounting to RM2.3 million as compared with preceding quarter loss of RM6.6 million. The profit recorded during current quarter is mainly due to the profit recognised on sale of two units of tugboat whereas the loss for the preceding quarter was due to write down in inventories value and provision for foreseeable loss as the outcome of one shipbuilding contract cannot be reliably ascertained

B3. Commentary on prospects

By end of September 2017, oil prices have soared to the highest for more than two years after the output cut. Brent crude oil has risen above US\$59 per barrel. The rise in demand in China and the emerging economies, particularly the Asia Pacific region, and Eurozone, the production cut by the OPEC and non-OPEC countries, the damages to the US shale output caused by the typhoon and the threat by Turkey to block the Iraq's Kurdistan Regional Government oil export have all contributed to the lifting of oil price to the current level. Despite signs of demand and supply are finally coming to a balance, our Group will be cautious in our operation since the market is still uncertain due to the US shale industry.

However, 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.

We are thus, optimistic about our performance.

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	67	67
Deferred tax expense/(income)	(12)	(12)
Total tax expense	55	55
Effective tax rate	2%	2%

The effective tax rate was lower than the statutory tax rate in Malaysia due to adjustment made for reversal of expenses which were disallowed in preceding year of assessment.

B6. Group borrowings and debt securities

Total Group's borrowing as at 31 August 2017 were as follows:

	Secured RM'000	Total RM'000
<u>Short term borrowings</u>		
- Bank overdraft	2,318	2,318
- Revolving credit	45,038	45,038
- Bankers' Acceptance	5,219	5,219
- Hire purchase	128	128
Total Borrowings	52,703	52,703

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.

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

B9. Earnings per share

	Current Quarter ended 31 Aug 2017	Current Year-to-Date 31 Aug 2017
Net profit/(loss) attributable to ordinary equity holders of the Company (RM'000)	<u>2,232</u>	<u>2,232</u>
Weighted average number of shares in issue ('000)	<u>175,597</u>	<u>175,597</u>
Basic earnings per share (sen)	1.27	1.27
Diluted earnings per share (sen)	1.27	1.27

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 2017 RM'000	As At 31 May 2017 RM'000
Total retained profits / (accumulated losses) of the group		
- Realised	80,463	77,694
- Unrealised	<u>80</u>	<u>580</u>
	80,543	78,274
Less : Consolidation adjustments	<u>(43,717)</u>	<u>(43,680)</u>
Total group retained profits / (accumulated losses) as per financial statements	<u>36,826</u>	<u>34,594</u>