TAS OFFSHORE BERHAD
(810179-T)

ANNUAL 2013 REPORT

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Corporate Mission and Philosophy

To build Quality Price Competitive Vessels in an Environmental Friendly Work Place so as to deliver Exceptional Value to our Customers and Stakeholders.

Philosophy

For our customers

- We value our customers' feedbacks and improve the quality of our vessels and services to cater for their present and future needs.

For our shareholders

- We aim to grow our share of the market and to maximise the returns on investment for our shareholders.

For the society

- We assume our role as a responsible corporate citizen by sharing and growing with the community in a tangible way through corporate social responsibility.

For our employees

- We care for the well-being of our employees through attractive remuneration and fringe benefits, providing relevant training to enhance their knowledge and career advancement, and a safe and conducive working environment.

Corporate Information

BOARD OF DIRECTORS

Datuk Lau Nai Hoh
Executive Chairman/Managing Director

Lau Choo Chin
Deputy Managing Director

Tan Sri Dato' Seri Mohd Jamil Bin Johari
Independent Non-Executive Director

Lau Kiing Yiing
Independent Non-Executive Director

Ling Ka Chuan
Independent Non-Executive Director

COMPANY SECRETARY

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(MAICSA No. 7014905)
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REGISTERED AND HEAD OFFICE

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96000 Sibu
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Tel : 084-310211
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SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
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Selangor
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AUDITOR

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12th Floor, Wisma Tun Sambanthan
No. 2, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-2273 2688
Fax : 03-2274 2688

PRINCIPAL BANKERS

United Overseas Bank (M) Berhad
Hong Leong Bank Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad

STOCK NAME

TAS

STOCK CODE

5149

Corporate Profile

TAS Offshore At A Glance….

TAS Offshore Berhad was incorporated on 18 March 2008 as an investment holding company under the Companies Act 1965 and listed on the Main Market of Bursa Malaysia Securities Berhad on 28 August 2009. It commenced operations as an investment holding company through the acquisition of Tuong Aik Shipyard Sendirian Berhad on 3 April 2009. Through its wholly-owned subsidiary, Tuong Aik Shipyard Sendirian Berhad, it is involved in shipbuilding and ship repairing.

Our history can be traced well back to 1977 when an enterprising young business man Datuk Lau Nai Hoh formed a small trading company dealing in marine paint and shipping services. The company grew and diversified into ship repairing and eventually into ship building in 1991. As the ship building activities grew, Datuk Lau Nai Hoh set up another company, Tuong Aik Shipyard Sendirian Berhad, in 2002 to take care of the shipbuilding and ship repairing activities and has never looked back since.

The principal business activity of TAS is shipbuilding and our secondary business is in the provision of ship repair services. TAS has in place all the resources and facilities including engineers and skilled workers, and machineries and equipments for the construction of vessels in compliance with the standards of International Classification Societies at its shipyard located along the river bank of Igan River at Sungai Bidut, Sibu.

TAS has in its records, constructed tugboats, anchor handling tugs (AHT), anchor handling tug supply vessels (AHTS), landing craft, utility/support vessels, barges, ferries and workboats.

TAS with more than 110 employees and together with the workforce of more than 400 workers from its contractors, is committed to its stakeholders to strive to achieve its corporate mission.

Corporate Structure

TAS OFFSHORE BERHAD
(810179-T)

- 100% **TUONG AIK SHIPYARD SDN BHD** (575152-H)
- 100% **TA VENTURES (L) LTD** (LL07438)
- 100% **WESTERN REALTY SDN BHD** (887507-X)

Directors' Profile

Datuk Lau Nai Hoh

Non-Independent Executive Chairman/ Managing Director

***Member**: Remuneration Committee*

Datuk Lau Nai Hoh, a Malaysian aged 62, is our founder and was appointed as our Non-Independent Group Managing Director on 18 March 2008 and Non-Independent Executive Chairman on 27 January 2011. He has been instrumental in the growth and development of the Group. He has approximately 23 years of experience in the marine industry. He established Tuong Aik (Sarawak) Sdn Bhd in late 1977 dealing initially with marine paint and hardware but ventured into ship repairing and shipbuilding activities in the early 1990s. In early 2002, he established Tuong Aik Shipyard Sdn Bhd, a company specialised in building various types of Tugboats to cater for the needs of the mining, timber and oil and gas industries, to take over the shipbuilding and repairing activities from Tuong Aik (Sarawak) Sdn Bhd. As our founder, he brings with him not only the technical and management expertise from his extensive experience in Shipbuilding Industry but also the valuable network of business contacts that he established over the years. He is primarily responsible for planning and developing our strategic business direction.

He is the major shareholder of TAS Offshore Berhad and the father of Lau Choo Chin, the Deputy Managing Director of TAS Offshore Berhad.

He is deemed interested in the transactions entered into with the related parties, which are carried out in the ordinary course of business, as detailed in the notes to the account and breakdown of recurrent related party transactions. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

Lau Choo Chin

Non-Independent Deputy Managing Director

Lau Choo Chin, a Malaysian aged 38, was appointed as our Non-Independent Deputy Managing Director on 18 March 2008. He graduated with a Diploma in Marketing Management from the Institute of Marketing Malaysia in 2001. He joined Tuong Aik (Sarawak) Sdn Bhd in 1997 as Assistant Manager responsible for the coordination of shipbuilding activities and was subsequently promoted to Manager in 2004 before joining Tuong Aik Shipyard Sdn Bhd in 2005. He has more than 15 years of experience in shipbuilding and project management related especially to the Oil and Gas Industry. He has been instrumental in developing the Middle-East market and in spearheading the development of engineering design for big vessels. His in-depth knowledge in vessel manufacturing and established business network will continue to benefit us.

He is the son of Datuk Lau Nai Hoh, the Non-Independent Executive Chairman/ Managing Director and major shareholder of TAS Offshore Berhad. As such, he is deemed interested in the transactions entered into with the related parties, which are carried out in the ordinary course of business, as detailed in the notes to the account and breakdown of recurrent related party transactions. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

Directors' Profile

Tan Sri Dato' Seri Mohd Jamil Bin Johari
Independent Non-Executive Director
Chairman: *Nomination Committee*
Member: *Audit Committee*

Tan Sri Dato' Seri Mohd Jamil Bin Johari, a Malaysian aged 66, was appointed as our Independent Non-Executive Director on 1 June 2009. He is a graduate from the University of Malaya with a Bachelor of Arts (Hons) degree and a Diploma in Education. He also obtained a Master of Arts in Political Science from the University of Washington, Seattle, Washington, US. He joined the Royal Malaysian Police in January 1971 as Chief Inspector and retired with the rank of Deputy Inspector General of Police in May 2002. Thereafter, he was appointed as High Commissioner of Malaysia to Brunei until July 2004. He is a member of the Board of Trustees of Yayasan Pengamanan, an NGO dedicated to matters concerning law and order issues. He is also a member of the Task Force appointed by the Enforcement Agency Independent Commission to conduct enquiry concerning death in Police Custody in Kuala Lumpur and Penang.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and no conflict of interest with the Group.

He is the Independent Non-Executive Chairman as well as a member of the Audit Committee of Dolomite Corporation Berhad and also holds directorship in three private limited companies.

Lau Kiing Yiing
Senior Independent Non-Executive Director
Chairman: *Audit Committee*
Member: *Remuneration and Nomination Committees*

Lau Kiing Yiing, a Malaysian aged 58, was appointed as our Independent Non-Executive Director on 1 June 2009. He holds a Bachelor of Commerce degree from the University of Canterbury, New Zealand. He holds professional memberships in the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He is also a Fellow member of CPA Australia, a Member of the Institute of Chartered Accountants, Australia and a Member of the New Zealand Institute of Chartered Accountants. His working experience commenced with auditing various business while with Ernst and Whinney (now known as Ernst and Young). With over 33 years of experience, he is currently a partner of the accounting firm, Crowe Horwath. He also has extensive knowledge in corporate finance and restructuring work.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and no conflict of interest with the Group.

He also holds directorship in Hock Seng Lee Berhad.

Ling Ka Chuan
Independent Non-Executive Director
Chairman: *Remuneration Committee*
Member: *Audit and Nomination Committees*

Ling Ka Chuan, a Malaysian aged 55, was appointed as our Independent Non-Executive Director on 1 June 2009. He graduated with a Bachelor of Engineering (Mechanical) from the University of Auckland, New Zealand in 1983. He started his career with Jabatan Kerja Raya in Kuching in 1983 and was the Senior Executive Engineer when he left in 1998 to venture into the private sector.

He has no family relationship with any Director or major shareholder of TAS Offshore Berhad and no conflict of interest with the Group.

Note

- *None of our Directors have been convicted of any offences.*
- *Directors' attendance at Board meetings is listed on page 13 of this Annual Report.*

Message to Shareholders

Dear Shareholders

The Board of Directors is pleased to present the Annual Report of TAS Offshore Berhad and its Group of Companies for the financial year ended 31 May 2013 (FYE2013).

Performance Review

TAS Group recorded a revenue of RM138 million for FYE2013, an increase of RM36 million or 35 percent as compared to RM102 million recorded for financial year ended 31 May 2012(FYE2012). Profit before taxation for FYE2013 improved by RM1.30 million to RM16.7 million, as compared to FYE2012. For FYE2013, the profit after taxation rose to RM13.5 million, an increase of RM2.3 million or 20% as compared to RM11.2 million reported for FYE2012. The improvement in performance was mainly due to the increase in the sale of anchor handling tug supply vessels which carry higher sale value and thus, resulted in better profit figures. The improvement enables us to register a better earnings per share of 7.65 sen and to increase net asset per share to 84.58 sen as compared to the corresponding figures of 6.34 sen and 78.52 sen recorded for FYE2012.

Dividend

In view of the satisfactory result and taking into consideration of the challenging global economic situation, the Board had declared a single tier interim dividend of 2 sen per share for our shareholders on 24 July 2013.

Outlook

Global economic prospects have improved in 2013 though the recovery pace remains subdued. In the European Union, though turbulence in sovereign debt markets and the unrests caused by the implementation of fiscal measures have dampened the overall outlook, the strong actions by the European Union policy makers and the defusing of a breakup of the European Union have improved the confidence and financial situation in Europe. The United States has moved away from the 'fiscal cliff' and posted a slow growth while the Japanese economy has slightly improved due to the new monetary policy. In addition, the economic activities have already picked up steam in emerging markets and developing economies. We foresee a better second half of 2013 and 2014.

The expected growth in overall demand for oil and gas, driven by the growth in population and better living standard, together with the high resilient crude oil price of about US$100 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.

We are optimistic in our outlook that new demand for offshore support vessels with higher technical specifications suitable for deep sea operation will grow. We are pleased to inform that we have already moved along this direction to cater for the demand growth and going forward, we will expand our built-for-sale activities.

We are also pleased to announce that besides expanding our tugboats market in Indonesia, we have further improved our customer base by moving into Papua New Guinea. The demand for tugboats from the mining and timber industries in Indonesia is still very encouraging.

Based on the contracts secured by us and those of other shipyards, it seems that the demand for offshore support vessels and tug boats remains positive. We will seek to enhance our market share growth by focusing on our shipbuilding activities. Growth is expected to be supported by the demand in tugboats coming from the mining and timber industries, and offshore support vessels sought after by the oil majors for the deep sea oil exploration and production activities. It is heartening to note that our current contracts on hand will last into financial year 2015. In addition, we are involved with the build-for-sale business model which provides better returns.

Besides actively prospecting for new clients from new market segments to add to our customer base to enhance our sale growth, we are also searching for good opportunities to diversify our business activities.

2014 remains to be challenging as the global recovery is still uncertain. However, we are of the opinion that 2014 will be a better year and the Board will continue to cautiously work towards securing better and more projects and profits for the shareholders. We remain committed to our tradition of being prudent in steering the Company to another bright and fruitful year.

Message to Shareholders

Vessel Type	Vessels Delivered In FY2013 (Unit)	Projects On Hand as at August 2013 (RM'000)
Tugboat	12	4,532
Harbour Tug	1	15,600
Anchor Handling Tug Supply	1	269,874
Offshore Construction	–	73,200
Landing Craft	1	–

Year	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)	2013 (RM'000)
Group Revenue and Profit				
Revenue	140,114	119,562	101,573	137,996
Profit Before Tax	11,371	5,323	15,384	16,707
Net Profit	8,332	3,879	11,198	13,456

Acknowledgement

We would like to thank our valued clients and business associates for their continuous support and guidance and we look forward to serve them better in the fruitful forthcoming year.

To our shareholders, we would like to extend our sincere thanks to each of you, for your support and confidence in us and our capabilities to continue to grow the company.

Our sincere appreciation and gratitude also goes to the management and staff for their hard work, commitment and dedication which has resulted in the Group's satisfactory performance for the financial year ended 31 May 2013.

Datuk Lau Nai Hoh
Chairman

Tan Sri Dato' Seri Mohd Jamil Bin Johari
Director

Ling Ka Chuan
Director

Lau Choo Chin
Deputy Managing Director

Lau Kiing Yiing
Director

Report on Corporate Social Responsibility

We are mindful of our responsibility as a good corporate citizen and treat corporate social responsibility as an integral part of our corporate activities.

At TAS, we take a three-pronged approach in carrying out our corporate social responsibility by caring for the community, workforce, and health and safety management.

COMMUNITY CARE

Sharing with society

We practice the policy of 'sharing with society' and promote our care for community by engaging in activities involving with the needy groups and the well-being of the community. During the year, TAS has contributed to and participated in the activities of:

- Sibu Kidney Foundation.
- Methodist Children Home.

On education front, an education fund was set up to cater for the needs of those needy and deserving students in pursuing their education. The fund will be made available to the children of the workers and also other needy and deserving students.

HUMAN RESOURCE

We always perceive human resource as an important factor in ensuring the success of the TAS Group. We value our employees' contribution and believe that caring for the employees is a positive affirmation to show our appreciation of their efforts and will further help to secure their loyalty to the organisation.

We care for them by providing not only fair and handsome monetary rewards in basic pay, allowance and bonuses but also medical benefits and insurance coverage. Improvement in workers' quarters and amenities are also carried out to ensure that the living conditions of the yard workers are well taken care of.

In addition, TAS also values highly the development of sustainable human resources by placing high emphasis on executive succession planning and development. In-house trainings and external courses pertaining to enhancement of both technical and management skills and knowledge are provided for selected staff to improve their practical knowledge and field exposure.

HEALTH AND SAFETY

TAS Group is aware of the importance of health and safety at work place. In our quest to provide a conducive working environment where workers' health and safety are treated with utmost priority, various health and safety policies and procedures are adopted and implemented. These health and safety policies and procedures generally cover:

- Guidelines on protective and safety gears to be worn by the workers, and safety procedures to be followed.
- Undertaking by Contractors working at the yard to abide to the health and safety policies and procedures implemented.
- Occupational Health and Safety Awareness.

Internal courses on Health and Safety Awareness are conducted for office staff, yard workers and contractors.

Health and safety checks are carried out to ensure that the yard, quarters and their surrounding are well maintained and tidy all the time. Safety checks are also conducted to ensure that all the safety equipments are operational and placed at the strategic places.

Statement on Corporate Governance

The Board of Directors is committed to ensure that the core values such as accountability, transparency and integrity are incorporated into the corporate governance and practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder's value and the financial performance of TAS Group.

The Board subscribes to the principles and recommendations prescribed by the Malaysian Code of Corporate Governance 2012 (MCCG 2012) except for the recommendation that the chairman must be a non-executive member of the Board.

The Board is pleased to provide the statement below setting out the manner in which the Group has applied the principles of MCCG 2012 and the extent of compliance with recommendations advocated therein.

BOARD OF DIRECTORS

TAS Group is led and controlled by an effective and well balanced Board, whose members are of diverse background and have vast experience; the structure of composition of which is consistent with the Bursa Malaysia Securities Berhad Listing Requirements ('Listing Requirements') and MCCG 2012.

The Board plays an active role in directing management in an effective and responsible manners. The Directors, collectively and individually, has a legal and fiduciary duty to act in the best interest of the Group and to effectively represent and promote the interests of the shareholders and stakeholders with a view to achieve its vision towards corporate sustainability.

The Board has the following major responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Group:

a) Establishing and reviewing the strategic direction of the Group;
b) Overseeing the conduct of the Group's businesses to evaluate whether the business is being properly managed and sustained;
c) Overseeing the efficiency and adequacy of the Group's risk management and internal controls system;
d) Establishing a succession plan; including appointing, training, fixing the remuneration of and where appropriate, replacing senior management of the Group; and
e) Ensuring the corporate governance adopted and practised are in line with the principles of transparency, accountability and integrity so as to protect and enhance shareholder's value and the financial performance of the Group.

The code of ethics adopted by the Board form an integral part of the Company's Board Charter. It is observed by all the Directors and it relies on the principles of integrity, accountability, and compliance with relevant regulatory requirements. In addition, various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee have been established and delegated with specific responsibilities to assist the Board in discharging some of its functions.

BOARD BALANCE AND COMPOSITION

As at the date of this statement, the Board has five (5) members, comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. The structure of composition is consistent with the Listing Requirements and MCCG 2012 which requires that at least two (2) Directors or one third of the Board, whichever is the higher, are independent Director.

The Directors have a wide range of technical, management, accounting and financial experience. The mix of skills and exposure is vital for the effective functioning of the Board. The Nomination Committee, pursuant to its recent annual review, is satisfied that the current size and composition of the Board is appropriate and well balanced to adequately reflect the interest of minority shareholders in the Company.

The Chairman is also the Managing Director. The Board believes that the combination of the roles of Chairman and Managing Director does not affect the independent element of the Board as the Board comprises of a majority of independent Directors to ensure balance of power and authority on the Board. The Board also believes that the current 3 Independent Non-Executive Directors are of high calibre and credibility, and have the experience, knowledge and ability to exercise independent judgement in the best interests of the Group.

The presence of Independent Non-Executive Directors, who do not engage in the day-to-day management nor participate in any business dealings of the Group, provides an effective independent and balanced view to the Board. Although all the Directors have an equal responsibility for the Group's operation, the role of the Independent Non-Executive Directors is particularly important in ensuring independence of judgement and objectivity are exercised in board room deliberations, taking into account the long term interest, not only of the Group but also of the shareholders and other stakeholders.

The Board has conducted an annual assessment of the independence of its independent directors and is satisfied that the Independent Directors are independent as they fulfilled the required criteria stipulated in the Bursa Securities Listing Requirements.

The Board has identified Mr Lau Kiing Yiing as the Senior Independent Non-Executive Director. Being the Chairman of the Audit Committee, he is the most appropriate spokesperson for all Independent Non-Executive Directors as well as channel for other stakeholders to convey their concerns, if any.

BOARD MEETING

Board meetings are scheduled for every quarter with additional meetings convened as and when necessary. The annual Board meeting calendar is prepared and circulated to Directors at the beginning of each year so that the Directors can plan accordingly and fit the year's meetings into their respective schedules. The calendar provides the scheduled dates for meetings of the Board, Board Committees and Annual General Meeting as well as the closed period for dealings in TAS's shares by Directors and principal officers.

During the financial year ended 31 May 2013, five (5) Board meetings were held. Details of attendance of Directors are set out below.

Name of Directors	Designation	Meeting Attendance
Datuk Lau Nai Hoh	Executive Chairman/ Managing Director	5/5
Lau Choo Chin	Deputy Managing Director	5/5
Tan Sri Dato' Seri Mohd Jamil Bin Johari	Independent Non-Executive Director	5/5
Lau Kiing Yiing	Independent Non-Executive Director	5/5
Ling Ka Chuan	Independent Non-Executive Director	5/5

At the Board meeting, the Chairman of the Board will ensure that each agenda item is adequately reviewed and deliberated. The Chairman of the respective Board Committee will report on the deliberation at the Committee meetings held earlier The Board ensures that its decisions as well as the deliberations and issues discussed before arriving at those decisions are properly documented.

SUPPLY OF INFORMATION

The Board has unrestricted access to the Senior Management and timely, accurate financial, management and operation information for the discharge of its duties.

Each Director is provided with an agenda and a set of Board papers prior to the Board meetings. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

All Directors have access to the advice and service of the Company Secretary, Internal and External Auditors and where necessary, independent professional advice at the Company's expense.

APPOINTMENT TO THE BOARD

The Nomination Committee is responsible for recommending to the Board suitable candidate for the appointment as new Director. The candidate will be evaluated by the Nomination Committee in accordance with the Company's Policy on Selection of Directors before the Nomination Committee presents the recommendation to the Board for consideration and approval.

The Nomination Committee will also consider a mix of Board members that represents a diversity of background and experience. The Company practices non-gender discrimination wherein Directors are recruited based on their experience, skills, independence and diversity to meet the Company's needs.

The Company secretary will ensure that all appointments are properly made and all legal and regulatory requirements are complied with.

The Company will provide an orientation and education programme for the new appointees to the Board.

BOARD COMMITMENT

The Board is satisfied with the level of commitment of all the Directors which is reflected through their attendance at Board Meeting and committee meetings. The Directors are aware they must not hold directorship in more than five (5) public listed companies. In order to assist Directors commit their time for the Company, the annual corporate calendar will be distributed to each director at the beginning of each year. The dates of the scheduled Board meetings, Board committee meetings, annual general meeting and closed period dates are stated in the annual corporate calendar for Directors to take note.

DIRECTORS' TRAINING

All Directors have attended the Mandatory Accreditation Programme. The Directors are encouraged to attend training courses and seminars organised by the regulatory authorities and professional bodies as a continuous learning programme to keep abreast with new developments in the business and to effectively discharge their duties.

For Financial Year 2013, the Directors have attended the following training:

Directors	Courses	Date of Attendance
Datuk Lau Nai Hoh	Understanding and Interpreting Financials for Non Finance Personnel	16 April 2013
Lau Choo Chin	Understanding and Interpreting Financials for Non Finance Personnel	16 April 2013
Tan Sri Dato' Seri Mohd Jamil Bin Johari	Understanding and Interpreting Financials for Non Finance Personnel	16 April 2013
Lau Kiing Yiing	Enhancing Synergy To Face New Challenges In Public Sector Auditing Diagnosis on CP58 with Tax Planning and Limited Liability Partnership Seminar on Risk Management and Internal Control	12 December 2012 13 December 2012 23 May 2013
Ling Ka Chuan	Understanding and Interpreting Financials for Non Finance Personnel	16 April 2013

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association provides that all Directors who are appointed by the Board are subject to election by shareholders at the First Annual General Meeting of the Company after their appointment. The Articles of Association also provide that one third of the Directors, or if their number is not three or multiple of three, then the number nearest to one third are to retire and subject to re-election at each Annual General Meeting and that all Directors including the Group Managing Director, are subject to re-election at least once in every three (3) years.

The Nomination Committee reviews and assesses annually the proposed reappointment and re-election of existing Directors who are seeking reappointment and re-election at the annual general meeting of the Company. The Nomination Committee will, upon review and assessment, submit its recommendation to the Board for approval, before tabling such proposals to the shareholders at the annual general meeting.

The reappointment and re-election of Directors provide shareholders an opportunity to reassess the composition of the Board.

BOARD COMMITTEES

The following Board Committees have been established to assist the Board in discharging its duties. These Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision, however, lies with the Board. The functions and terms of reference of the committees as well as authority delegated by the Board to these Committees are clearly defined.

(i) Audit Committee

The Audit Committee has three members, comprising entirely of Independent Non-Executive Directors. Detailed information on Audit Committee can be found in the Audit Committee section on page 22 to 26 of this report.

(ii) Nomination Committee

The Nomination Committee has three members, all of whom are Independent Non-Executive Directors. The Nomination Committee is currently made up of the following Directors:

Chairman: Tan Sri Dato' Seri Mohd Jamil Bin Johari
Independent Non-Executive Director

Members: Lau Kiing Yiing
Senior Independent Non-Executive Director

Ling Ka Chuan
Independent Non-Executive Director

The key terms of reference approved for the Committee are as follows:

- To identify and nominate for the approval of the Board, candidates to fill board vacancies as and when the need arises.
- To review the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the contribution of each Director and the Board Committees.
- To recommend to the Board for continuation the service of Executive Director(s) and Non-Executive Director(s) who are due for retirement by rotation.
- To facilitate training programmes for Directors.

(iii) Remuneration Committee

The Remuneration Committee has three members, comprising two Independent Non-Executive Directors and one Executive Director. The Remuneration Committee is currently made up of the following Directors:

Chairman: Ling Ka Chuan
Independent Non-Executive Director

Members: Lau Kiing Yiing
Senior Independent Non-Executive Director

Datuk Lau Nai Hoh
Non-Independent Executive Chairman/Managing Director

The key terms of reference approved for the Committee are as follows:

- To set the policy framework and to make recommendations for approval by the Board with respect to matters relating to the remuneration of Directors and senior executives.
- To oversee the integrity of the incentive based assessment process.

DIRECTORS REMUNERATION

The Group's policy on Directors' remuneration is structured with the objective to attract and retain directors needed to run the Group successfully.

The Remuneration Committee recommends to the Board the framework of the Executive Directors' remuneration and their remuneration package. The remuneration of these Directors however, is determined by the Board as a whole with the Director concerned abstained from deliberation in respect of his individual remuneration.

In formulating the remuneration policy and package, the Remuneration Committee takes into consideration the responsibility and job function, individual and corporate performance, and remuneration packages of comparable companies in the same industry.

The remuneration package for the Executive Directors and Independent Non-Executive Directors consists of the following:

- Salaries

  Executive Directors' salaries are formulated taking into account their responsibilities, functions and performance, competitive to a comparable role in a similar organisation.

  An annual review is conducted on these remuneration packages and salaries are adjusted to reflect performances, responsibilities, job function and market trends.

- Fees

  Fees for Independent Non-Executive Directors are determined by the Board as a whole and subject to the shareholders' approval at the Annual General Meeting.

- Allowances for Independent Non-Executive Directors

  Allowances are paid to Independent Non-Executive Directors in accordance with their responsibilities and involvement in the Board Committees.

- Bonus and Other Benefits

  Bonus and incentives are paid to the Executive Directors, in line with the Group's remuneration policy, depending on individual and corporate performance.

  Other benefits include allowances, vehicles, telecommunication facilities, medical and insurance coverage.

A summary of the remuneration of the Directors for the financial year ended 31 May 2013 distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are set out below:

	Fees (RM)	Salary (RM)	Bonus (RM)	Allowance (RM)	Other Benefits (RM)	Total (RM)
Executive Directors	–	1,320,000	305,000	–	83,795	1,708,795
Non-Executive Directors	93,000	–	–	20,000	–	113,000
Total	93,000	1,320,000	305,000	20,000	83,795	1,821,795

Range of Remuneration (RM)	Executive Director	Non-Executive Director	Total
1 – 50,000	–	3	3
50,001 – 100,000	–	–	–
350,000 – 400,000	1	–	1
1,300,000 – 1,350,000	1	–	1
Total	2	3	5

DIALOGUE WITH INVESTORS

The Company recognises the importance of maintaining good relationship and communication flow with the investors. As such, the Board is committed to disseminate all important issues and developments in the Group timely, adequately and properly through announcement made to the Bursa Malaysia Securities Berhad, annual report, circulars issued to shareholders and press releases.

In this regards, the Company strictly adheres to disclosure requirements in the Listing Requirements and its Internal Corporate Disclosure Policies and Procedures to ensure that material and market sensitive information are not unduly disclosed before an official announcement is made to Bursa Malaysia Securities Berhad for public release.

The Company maintains a website at www.tasoffshore.com that allows all shareholders and investors to gain access to information about the Group to encourage strengthening of effective communication and engagement with the shareholders.

ANNUAL GENERAL MEETING

The Company uses the Annual General Meeting (AGM) as the main avenue to communicate and interact with the shareholders of the Company. The shareholders are encouraged to participate actively during the question and answer sessions with the Directors to better inform themselves with the financial performance and operation of the Group.

Notices of each general meeting are issued on a timely manner to all giving the shareholders sufficient time to prepare for attendance at the meeting. In the case of special businesses, a statement explaining the effect of the proposed resolution is provided accordingly.

FINANCIAL REPORTING

In presenting the financial results, the Directors are mindful of the needs to present a balanced assessment of the Group's financial position to the shareholders, investors and regulatory authorities. The quarterly results and annual financial statements are reviewed by the Audit Committee and approved by the Board before release to the public. A Statement of Directors' Responsibility in preparing the financial statement is set out below.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board affirms the importance of maintaining a sound system of internal control and risk management practices. It acknowledges its overall responsibility over these areas and in reviewing the effectiveness and adequacy of the internal control system.

Detailed information on internal control is set out in the Statement on Risk Management and Internal Control on page 21.

RELATIONSHIP WITH AUDITORS

The Board has established a transparent and appropriate relationship with both the external and internal auditors through the Audit Committee in discussing with them their audit plans, audit findings and financial statements. The Audit Committee invites the external auditors to attend its scheduled meetings to present the audited financial statements of the Group, highlight and discuss the internal controls and problems that may require the attention of the Board.

Details on the roles of Audit Committee in relation to both the external and internal auditors can be found in the Audit Committee Report laid out on page 22.

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 1965, to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial state of affairs of the Company and the Group at the end of the financial year.

In preparing the financial statements, the Directors have

(i) adopted appropriate accounting policies, which are applied consistently;

(ii) ensured that all applicable accounting standards have been followed;

(iii) made judgements and estimates that are reasonable and prudent; and

(iv) prepared financial statements on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1965 and applicable approved accounting standards.

The Directors are also responsible for taking reasonable steps to prevent and detect fraud and other irregularities so as to safeguard the assets of the Group.

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements:

STATUS OF UTILISATION OF PROCEEDS

The gross proceeds derived from the Public Issue in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad on 28 August 2009 had been fully utilised.

SHARE BUY-BACKS

During the financial year and up to the date of this report a total of 303,900 of the Company's own shares were purchased and retained as treasury shares. The monthly breakdown of the shares bought back is set out below:

Month	No. of Shares	Price		Average Cost (RM)	Total Cost (RM)
		Lowest (RM)	Highest (RM)		
June 2012	87,000	0.360	0.390	0.3751	32,637
July 2012	102,400	0.390	0.400	0.3963	40,576
August 2012	94,500	0.400	0.410	0.4066	38,428
April 2013	20,000	0.375	0.375	0.3778	7,555

As at the date of this report, a total of 4,165,400 shares were held as treasury shares.

No resale of treasury shares took place during the financial year ended 31 May 2013 and up to the date of this report.

No shares were cancelled during the financial year ended 31 May 2013 and up to the date of this report.

OPTIONS OR CONVERTIBLE SECURITIES

The Company has not issued any options, or convertible securities during the financial year.

DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year.

SANCTIONS AND PENALTIES

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Company during the financial year amounted to RM3,500.00.

PROFIT GUARANTEE

During the financial year, there was no profit guarantee given by the Company and its subsidiaries.

MATERIAL CONTRACTS

There was no material contract entered into by the Company or its subsidiaries involving Directors or major shareholders either still subsisting at the end of the financial year ended 31 May 2013 or entered into since the end of the previous financial year.

VARIATION IN RESULTS

There were no material variances between the audited results of the financial year ended 31 May 2013 and the announced unaudited results.

RECURRENT RELATED PARTY TRANSACTIONS

The related party transactions are disclosed on page 78 and 79 of the Annual Report.

Statement on Risk Management and Internal Control

The Board is committed to maintain a sound system of internal control in the Group to safeguard shareholders' investment and the Group's assets. The following statement outlines the nature and scope of internal control of the Group.

BOARD RESPONSIBILITY

The Board of Directors is responsible for the Group's internal control system including the establishment of a control environment and framework, and reviewing the adequacy, effectiveness and integrity of the system. The system of internal control covers, inter alia, financial and operational activities, compliance controls and risk management. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board recognizes that as the Group grows, the system on internal control will continually need to be enhanced to suit the needs and requirements of the expanding Group.

The Board has received assurance from the Managing Director and Group Accountant that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

INTERNAL AUDIT

We have outsourced the internal audit function. The Internal Auditor presents the annual internal audit plan to the Audit Committee for approval before carrying out the review and audit. To facilitate independent and impartial appraisal, the Internal Auditor is given full, free and unrestricted access to all records, information, property, personnel and other relevant resources of the TAS Group.

The Internal Auditor independently reviews the adequacy and integrity of the internal controls put in place and the risk management processes and reports directly to the Audit Committee. The Audit Committee considers the Internal Audit Report before making necessary recommendations to improve the internal control system to the Board of Directors periodically or as and when the situation requires.

RISK MANAGEMENT

Risk management is embedded in the Group's management system. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group to ensure that all high risks are adequately addressed at various levels within the Group. The above exercise is monitored by the Management with the assistance of the Internal Auditor. The Risk Management Report is submitted to the Audit Committee who has been entrusted by the Board to assist its risk management responsibility. Risk management framework and policy has been formalized and implemented by the Board.

Each department in the Group is responsible for the identification and assessment of the significant risks applicable thereto. The identified risks are then scored for likelihood of the risks occurring and the effect of impact. A risk rating [from 1 (lowest risk) to 9 (highest risk)] is then accorded to each of the risk identified. The control effectiveness is considered and further risk control measures or action plans are taken to mitigate the risks to the desired level.

The above exercise is monitored by the Risk Management Working Committee and reported to the Audit Committee. The Risk Management Report is reviewed by the Audit Committee to ensure the adequacy and integrity of the system of internal control before making necessary recommendations for improvement to the Board of Directors. Emphasis is placed on reviewing and updating the significant risks affecting the business and business continuity including policies and procedures by which these risks are managed.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this statement for inclusion in the Annual Report of the Group for the current financial year and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and system of internal controls.

Audit Committee Report

Chairman: Lau Kiing Yiing
Senior Independent Non-Executive Director

Members: Tan Sri Dato' Seri Mohd Jamil Bin Johari
Independent Non-Executive Director

Ling Ka Chuan
Independent Non-Executive Director

TERMS OF REFERENCE

1. Composition

The Board of Directors shall elect an Audit Committee from among themselves comprising of not less than three (3) members which fulfill the following requirements:

(a) All the audit committee members must be non-executive directors, with a majority of them being independent directors.

(b) At least one (1) member :–

i. must be a member of the Malaysian Institute of Accountants; or

ii. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and :-

- he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

- he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

iii. fulfills such other requirements as prescribed or approved by the Exchange.

(c) Alternate director shall not be appointed as a member of the Audit Committee.

(d) If membership of the Committee for any reason falls below three (3) members, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to fulfill the minimum requirement.

2. Objectives

- Provide assistance to the Board of Directors in fulfilling its statutory and fiduciary responsibilities for examinations of the company and in monitoring its accounting and financial reporting practices.

- Determine that the company has adequate administrative, operational, and internal accounting controls and that the company is operating in accordance with its prescribed procedures.

- Assist the Board to fulfill its corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure of the Group.

- Serve as an independent and objective party in the review of the financial information presented by management for distribution to shareholders and the general public.

- Provide direction and controls over the internal audit function and the external auditors.

3. Chairman

The members of the Audit Committee shall elect a chairman from amongst themselves who shall be an independent director.

4. Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee.

5. Quorum

A majority of the members, who are independent directors, present, being not less than two (2), shall form a quorum.

6. Frequency of Meetings

Meetings shall be held not less than four (4) times a year. Additional meetings may be held as and when necessary, upon request by any Committee member, the Management, Internal or External Auditors.

7. Meeting and Minutes

The Group Accountant, the Internal Auditors, and a representative of the External Auditors are normally invited to attend meetings. Other members of the Board of Directors and employees shall attend the meetings only at the Committee's invitation.

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

A resolution in writing signed or approved by letter or via facsimile transmission by all Audit Committee members shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member. Any such resolution may consist of several documents in like form, each signed by one (1) or more Audit Committee member.

The Audit Committee shall meet with the external auditors without the presence of Executive Directors and the management at least once a year.

Minutes of Committee meetings shall be kept and circulated to each member of the Audit Committee and to the Chairman of the Board and made available on request to other members of the Board.

8. Review of the Composition of the Audit Committee

The term of office and performance of the Audit Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

9. Authority

(a) The Committee is authorised by the Board to investigate any activity within its terms of reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.

(b) The Committee is also authorised to obtain outside legal or other independent professional advice as it considers necessary.

(c) The Committee is allowed to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).

(d) The Committee shall have all the necessary resources to perform its duties.

(e) The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

(f) The Committee shall make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements of Bursa Malaysia Securities Berhad occurred.

(g) The Committee will make recommendations to the Board in risk related matters in advisory capacity.

10. Duties and Responsibilities

(a) To review the maintenance of an effective accounting system and internal controls in the business processes.

(b) To review the company's accounting policies and reporting requirements to ensure compliance with the relevant laws and standards.

(c) To assess the adequacy of management reporting.

(d) To review company compliance with relevant law and listing requirements.

(e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

(f) To review the assistance given by the company's officers to the auditors.

(g) To consider the appointment, resignation and dismissal of External Auditors and the audit fee.

(h) To liaise directly between the external auditors, the management and the Board as a whole, particularly with regard to the audit plan and audit report.

(i) To review the findings of internal and external auditors (as the case may be) on internal controls and other audit comments.

(j) To review the internal audit plan and their reports and to ensure that appropriate actions are taken on the recommendations of the internal audit reports.

(k) To review the quarterly results and year end financial statements of the Company and its group, prior to the approval by the Board, focusing particularly on:-

- changes in major accounting policies or implementation of the changes;
- significant and unusual events; and
- compliance with accounting standards and other legal requirements.

(l) To review any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

(m) To verify the allocation of Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the By Law of ESOS of the Company, if any.

(n) To review the Statement on Risk Management and Internal Control to be published in the Annual Report.

(o) Review and recommend the Group Risk Management Policy Framework which specifies key policies and strategies, for approval of the Board.

(p) Review the Risk Management Report from the Risk Management Working Committee, any significant risks, mitigation actions and make relevant recommendation to the Board for necessary actions.

11. **Reporting of Breaches to the Exchange**

    Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad Listing Requirements, the Committee has the responsibility to promptly report such matter to Bursa Malaysia Securities Berhad.

AUDIT COMMITTEE MEETING HELD DURING THE FINANCIAL YEAR 2013

The Audit Committee held five meetings during the financial year under review with the following attendance record:

Name of Director	Attendance
Lau Kiing Yiing	5/5
Ling Ka Chuan	5/5
Tan Sri Dato' Seri Mohd Jamil Bin Johari	5/5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Committee during the financial year ended 31 May 2013:

(a) Review of audit plans for the year prepared by the internal and external auditors;

(b) Review of audit reports prepared by the internal auditors, their major findings and recommendations and appraise the adequacy of management's response thereto;

(c) Review of the quarterly financial results and the audited financial statements of the Company and the Group prior to submission to the Board for consideration and approval;

(d) Review the External Auditors' audit fee;

(e) Review the Statement on Risk Management and Internal Control to be published in the Annual Report;

(f) Review of transactions with related parties by the Company and the Group;

(g) Meeting with external auditors without the presence of the management;

(h) Review or appraise the performance of the internal and external auditors before recommending their re-nomination to the Board; and

(i) Review the Risk Management Reports from the Risk Management Working Committee and make relevant recommendation to the Board for necessary actions.

INTERNAL AUDIT FUNCTION

We have appointed an external firm to carry out the internal audit function.

Internal audit is responsible for the independent assessment of the adequacy and effectiveness of the internal control systems in place in anticipation of the risks exposures of key business processes and to provide assurance on the systems and recommend improvements to the systems if necessary, so as to enable the Group to achieve its corporate objectives.

The main activities carried out by the internal auditor involve:

(a) Reviewing and appraising the adequacy, effectiveness and application of accounting, financial, operational and other controls, recommending improvement in control and promoting effective control in the Group at reasonable cost;

(b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;

(c) Ascertaining the extent to which the Group's assets are accounted for and safeguarded from losses;

(d) Appraising the reliability and usefulness of data and information generated for management; and

(e) Review the Risk Management Report from the Risk Management Working Committee.

During the year, reviews of the existing internal controls covered under the audit plan revealed that they were generally satisfactory. In areas where controls were deemed inadequate, additional measures were recommended for implementation to address any weakness in the systems.

The costs incurred by the internal audit function in respect of financial year ended 31 May 2013 were RM36,000.00.

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Directors' Report

The Directors have pleasure in presenting herewith their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to owners of the Company	13,455,618	4,433,339

DIVIDENDS

Dividends proposed, declared or paid since the end of the Company's previous financial year are as follows :-

i) In respect of the financial year ended 31 May 2012, a single-tier interim dividend of 1.5 sen per ordinary share amounting to RM 2,637,849 was paid on 10 October 2012.

ii) On 24 July 2013, the Directors declared a single-tier interim dividend of 2 sen per ordinary share in respect of the financial year ended 31 May 2013, payable on 27 September 2013 to depositors whose names appear in the Company's Record of Depositors on 28 August 2013. This dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 May 2014.

The Directors do not recommend any final dividend to be paid in respect of the financial year ended 31 May 2013.

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves and provisions during the financial year other than as shown in the financial statements.

SHARE CAPITAL

The Company did not issue any shares or debentures during the financial year under review.

TREASURY SHARES

During the financial year, the Company repurchased 303,900 of its issued ordinary shares of RM0.50 each listed and quoted on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average buy-back price of RM0.392 per share. The total consideration paid including transaction costs amounting to RM119,196 was financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

TREASURY SHARES (CONT'D)

As at 31 May 2013, the number of shares in issue after the share buy-back is 175,836,600 ordinary shares of RM0.50 each.

None of the treasury shares had been sold or cancelled. Further relevant details are disclosed in Note 14(b) to the financial statements.

DIRECTORS OF THE COMPANY

The directors who served since the date of the last directors' report are :-

Datuk Lau Nai Hoh
Lau Choo Chin
Tan Sri Dato' Seri Mohd Jamil Bin Johari
Ling Ka Chuan
Lau Kiing Yiing

In accordance with Article 86 of the Company's Articles of Association, Lau Choo Chin and Lau Kiing Yiing shall retire from the board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Company and its subsidiaries during the financial year were as follows :-

The Company	**Number of ordinary shares of RM0.50 each**			
Name of director	**Balance at 01.06.2012**	**Acquired**	**Disposed**	**Balance at 31.05.2013**
Datuk Lau Nai Hoh				
- Direct interest	90,525,671	–	–	90,525,671
- Indirect interest *	1,301,317	–	–	1,301,317
Lau Choo Chin				
- Direct interest	409,006	–	–	409,006
Tan Sri Dato' Seri Mohd Jamil Bin Johari				
- Direct interest	10,000	–	–	10,000
Ling Ka Chuan				
- Direct interest	10,000	–	–	10,000
Lau Kiing Yiing				
- Direct interest	10,000	–	–	10,000

<u>Subsidiary - Tuong Aik Shipyard Sdn Bhd ("TASSB")</u>

	Number of ordinary shares of RM1.00 each			
Name of director	**Balance at 01.06.2012**	**Acquired**	**Disposed**	**Balance at 31.05.2013**
Datuk Lau Nai Hoh and Lau Choo Chin				
- Indirect interest	1,000,000	24,000,000	–	25,000,000

DIRECTORS OF THE COMPANY (CONT'D)

Subsidiary - TA Ventures (L) Ltd

	Interest in share capital denominated in United States Dollar (USD)			
Name of director	**Balance at 01.06.2012 USD**	**Acquired USD**	**Disposed USD**	**Balance at 31.05.2013 USD**
Datuk Lau Nai Hoh and Lau Choo Chin - Indirect interest	1	1,499,999	–	1,500,000

* Interest held by spouses and children treated as interest of the Directors in accordance with Section 134(12)(c) of the Companies Act, 1965.

By virtue of their shareholdings in the Company, Datuk Lau Nai Hoh and Lau Choo Chin are deemed to be interested in the shares of the other wholly-owned subsidiary of the Company, namely Western Realty Sdn Bhd and for which there were no movements in interests in the shares held during the financial year.

Other than as disclosed above, no other Directors in office at the end of the financial year held any interests in shares in the Company and its subsidiaries.

DIRECTORS' BENEFITS

As at the end of the financial year and during the financial year, there did not subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business and as disclosed in Note 27 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps :-

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets, which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected to realise.

(b) At the date of this report, the Directors are not aware of any circumstances :-

  (i) which would render the amount written off for bad debts and the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;

  (ii) which would render the values of current assets in the financial statements of the Group and of the Company misleading;

OTHER STATUTORY INFORMATION (CONT'D)

(b) (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and

(iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist :-

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors :-

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Messrs. Folks DFK & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

DATUK LAU NAI HOH
DIRECTOR

LAU CHOO CHIN
DIRECTOR

Sibu, Sarawak

Date:

Consolidated Statement of Financial Position

as at 31 May 2013

	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	26,311,204	25,973,560	22,891,883
Other investments	6	15,257,582	10,579,483	20,857,187
Deferred tax assets	7	779,906	–	–
		42,348,692	36,553,043	43,749,070
CURRENT ASSETS				
Inventories	8	48,804,713	22,337,644	27,535,681
Amount due from contract customers	9	51,885,225	39,540,222	46,471,785
Trade and other receivables	10	51,950,404	71,862,485	19,208,639
Derivative financial assets	12	–	–	798,215
Tax recoverable		–	–	243,371
Cash and bank balances	13	26,840,311	21,057,433	29,419,560
		179,480,653	154,797,784	123,677,251
TOTAL ASSETS		221,829,345	191,350,827	167,426,321

The annexed notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	14	90,001,000	90,001,000	90,001,000
Treasury shares	14	(1,613,314)	(1,494,118)	–
Reserves	15	63,865,408	52,835,350	41,942,289
TOTAL EQUITY		152,253,094	141,342,232	131,943,289
LIABILITIES				
NON-CURRENT LIABILITIES				
Term loan	16	–	6,760	343,161
Deferred tax liabilities	7	2,436,786	3,154,224	2,914,040
		2,436,786	3,160,984	3,257,201
CURRENT LIABILITIES				
Trade and other payables	17	46,654,673	38,508,058	21,378,767
Amount due to contract customers	9	102,382	4,401,889	1,601,395
Derivative financial liabilities	12	36,210	760,333	848,903
Current tax payable		1,511,329	1,622,720	50,085
Short term borrowings				
- Bank overdrafts	18	2,656,853	286,876	–
- Other borrowings	18	16,178,018	1,267,735	8,346,681
		67,139,465	46,847,611	32,225,831
TOTAL LIABILITIES		69,576,251	50,008,595	35,483,032
TOTAL EQUITY AND LIABILITIES		221,829,345	191,350,827	167,426,321

The annexed notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2013

	Note	2013 RM	2012 RM
Revenue	19	137,996,200	101,572,534
Cost of sales	19	(114,497,744)	(82,621,080)
Gross profit		23,498,456	18,951,454
Other income		2,123,990	2,380,188
Administrative and other expenses		(8,835,097)	(5,888,889)
Operating profit		16,787,349	15,442,753
Finance costs	20	(80,838)	(59,177)
Profit before taxation	21	16,706,511	15,383,576
Income tax expense	22	(3,250,893)	(4,185,319)
Profit for the year attributable to owners of the Company		13,455,618	11,198,257
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets			
- gain/(loss) on fair value changes		299,895	(240,559)
- transfer to profit or loss on disposal		(25,782)	(64,060)
Foreign currency translation loss		(61,824)	(577)
Total comprehensive income for the financial year attributable to owners of the Company		13,667,907	10,893,061
Profit per share attributable to equity holders of the Company (Sen) :-			
- Basic	23	7.65	6.34

The annexed notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 May 2013

		Non-Distributable					Distributable	
	Note	Share Capital RM	Share Premium RM	Treasury Shares RM	Foreign Currency Translation Reserve RM	Fair Value Adjustment Reserve RM	Retained Profit RM	Total RM
2013								
Balance at 1 June 2012		90,001,000	27,639,472	(1,494,118)	(577)	(179,838)	25,376,293	141,342,232
Profit for the financial year		–	–	–	–	–	13,455,618	13,455,618
Net gain on changes in fair value of available-for-sale financial assets		–	–	–	–	274,113	–	274,113
Foreign currency translation differences for foreign operation		–	–	–	(61,824)	–	–	(61,824)
Total comprehensive income for the financial year		–	–	–	(61,824)	274,113	13,455,618	13,667,907
Purchase of treasury shares	14(b)	–	–	(119,196)	–	–	–	(119,196)
Dividends	24	–	–	–	–	–	(2,637,849)	(2,637,849)
Balance at 31 May 2013		90,001,000	27,639,472	(1,613,314)	(62,401)	94,275	36,194,062	152,253,094

The annexed notes form an integral part of the financial statements.

	Note	Non-Distributable					Distributable	
		Share Capital RM	Share Premium RM	Treasury Shares RM	Foreign Currency Translation Reserve RM	Fair Value Adjustment Reserve RM	Retained Profit RM	Total RM
2012								
Balance at 1 June 2011		90,001,000	27,639,472	–	–	124,781	14,178,036	131,943,289
Profit for the financial year		–	–	–	–	–	11,198,257	11,198,257
Net loss on changes in fair value of available-for-sale financial assets		–	–	–	–	(304,619)	–	(304,619)
Foreign currency translation differences for foreign operation		–	–	–	(577)	–	–	(577)
Total comprehensive income for the financial year		–	–	–	(577)	(304,619)	11,198,257	10,893,061
Purchase of treasury shares	14(b)	–	–	(1,494,118)	–	–	–	(1,494,118)
Balance at 31 May 2012		90,001,000	27,639,472	(1,494,118)	(577)	(179,838)	25,376,293	141,342,232

The annexed notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 May 2013

	Note	2013 RM	2012 RM
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit before taxation		16,706,511	15,383,576
Adjustments for :-			
Depreciation		1,426,550	1,716,950
Dividend income		(569,134)	(330,672)
Gain on disposal of available-for-sale investment		(1,538)	(51,614)
Loss/(Gain) on disposal of property, plant and equipment		–	171
(Gain)/Loss on fair value changes of derivative financial instruments		(727,325)	709,645
Impairment loss on trade receivables		3,261,725	–
Interest expense		350,838	246,301
Interest income		(415,456)	(72,100)
Property, plant and equipment written off		12,644	7,234
Unrealised gain on foreign exchange		(35,429)	(754,473)
Operating profit before working capital changes		20,009,386	16,855,018
(Increase)/Decrease in inventories		(26,467,069)	5,198,037
(Increase)/Decrease in amount due from contract customers		(12,345,003)	6,931,563
(Decrease)/Increase in amount due to contract customers		(4,299,507)	2,800,494
Decrease/(Increase) in trade and other receivables		17,022,830	(51,839,483)
Increase in trade and other payables		8,142,707	17,080,255
Cash from/(used in) operations		2,063,344	(2,974,116)
Interest paid		(69,663)	(25,872)
Interest received		92,872	72,100
Tax paid		(4,859,180)	(2,129,129)
Net cash used in operating activities		(2,772,627)	(5,057,017)

The annexed notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

	Note	2013 RM	2012 RM
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Dividend received		569,134	330,672
Purchase of property, plant and equipment		(1,776,838)	(4,811,032)
Acquisition of available-for-sale investment		(6,402,448)	(3,243,294)
Proceeds from disposal of property, plant and equipment		–	5,000
Proceeds from disposal of investment		2,000,000	13,267,993
Net cash (used in)/from investing activities		(5,610,152)	5,549,339
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Dividend paid		(2,637,849)	–
Acquisition of treasury shares		(119,196)	(1,494,118)
Increase/(Decrease) in banker acceptance and revolving credit		15,240,000	(7,101,000)
Bankers' acceptance and revolving credit interest paid		(270,000)	(187,124)
Repayment of term loans		(336,477)	(314,347)
Loan interest paid		(11,175)	(33,305)
Net cash from/(used in) financing activities		11,865,303	(9,129,894)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,482,524	(8,637,572)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(69,623)	(11,431)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		20,770,557	29,419,560
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 25(a))		24,183,458	20,770,557

The annexed notes form an integral part of the financial statements.

Statement of Financial Position

as at 31 May 2013

	Note	31.5.2013 RM	31.5.2012 RM	1.6.2011 RM
ASSETS				
NON-CURRENT ASSETS				
Property,plant and equipment	4	85,694	171,388	257,082
Investments in subsidiaries	5	80,102,752	79,000,005	79,000,005
Other investments	6	15,257,582	10,579,483	20,857,187
		95,446,028	89,750,876	100,114,274
CURRENT ASSETS				
Other receivables	10	2,000	12,000	2,000
Amount due from subsidiaries	11	25,435,634	30,292,320	19,145,428
Dividend receivable from a subsidiary		3,000,000	2,000,000	–
Cash and bank balances	13	211,277	57,939	1,708,392
		28,648,911	32,362,259	20,855,820
TOTAL ASSETS		124,094,939	122,113,135	120,970,094
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14(a)	90,001,000	90,001,000	90,001,000
Treasury shares	14(b)	(1,613,314)	(1,494,118)	–
Reserves	15	35,494,469	33,424,866	30,808,595
TOTAL EQUITY		123,882,155	121,931,748	120,809,595
CURRENT LIABILITIES				
Other payables	17	136,000	115,000	110,100
Amount due to a subsidiary	11	–	–	314
Current tax payable		76,784	66,387	50,085
		212,784	181,387	160,499
TOTAL LIABILITIES		212,784	181,387	160,499
TOTAL EQUITY AND LIABILITIES		124,094,939	122,113,135	120,970,094

The annexed notes form an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 May 2013

	Note	2013 RM	2012 RM
Revenue	19	3,569,134	2,330,672
Other income		2,118,816	1,697,311
Administrative and other expenses		(768,369)	(746,662)
Profit before taxation	21	4,919,581	3,281,321
Income tax expense	22	(486,242)	(360,431)
Profit for the year		4,433,339	2,920,890
Other comprehensive income			
Net gain/(loss) on available-for-sale financial assets			
- gain/(loss) on fair value changes		299,895	(240,559)
- transfer to profit or loss on disposal		(25,782)	(64,060)
Total comprehensive income for the financial year		4,707,452	2,616,271

The annexed notes form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 31 May 2013

	Note	Non-Distributable				Distributable	
		Share Capital RM	Share Premium RM	Treasury Shares RM	Fair Value Adjustment Reserve RM	Retained Profit RM	Total RM
2013							
Balance at 1 June 2012		90,001,000	27,639,472	(1,494,118)	(179,838)	5,965,232	121,931,748
Profit for the financial year		–	–	–	–	4,433,339	4,433,339
Gain on changes in fair value of available-for-sale financial assets		–	–	–	274,113	–	274,113
Total comprehensive income for the financial year		–	–	–	274,113	4,433,339	4,707,452
Purchase of treasury shares	14(b)	–	–	(119,196)	–	–	(119,196)
Dividends	24	–	–	–	–	(2,637,849)	(2,637,849)
Balance at 31 May 2013		90,001,000	27,639,472	(1,613,314)	94,275	7,760,722	123,882,155
2012							
Balance at 1 June 2011		90,001,000	27,639,472	–	124,781	3,044,342	120,809,595
Profit for the financial year		–	–	–	–	2,920,890	2,920,890
Loss on changes in fair value of available-for-sale financial assets		–	–	–	(304,619)	–	(304,619)
Total comprehensive income for the financial year		–	–	–	(304,619)	2,920,890	2,616,271
Purchase of treasury shares	14(b)	–	–	(1,494,118)	–	–	(1,494,118)
Balance at 31 May 2012		90,001,000	27,639,472	(1,494,118)	(179,838)	5,965,232	121,931,748

The annexed notes form an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 May 2013

	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,919,581	3,281,321
Adjustments for :-		
Depreciation	85,694	85,694
Dividend income from		
- A subsidiary company	(3,000,000)	(2,000,000)
- Unit trust funds	(569,134)	(330,672)
Gain on disposal of investment	(1,538)	(51,614)
Loss/(Gain) on foreign exchange - unrealised	86,132	(19,200)
Interest income	(2,117,278)	(1,626,497)
Operating loss before working capital changes	(596,543)	(660,968)
Decrease/(Increase) in receivables	10,000	(10,000)
Increase in payables	21,000	4,900
Cash used in operations	(565,543)	(666,068)
Interest received	2,117,278	1,626,497
Tax paid	(475,845)	(344,129)
Net cash from operating activities	1,075,890	616,300
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Decrease/(Increase) in advances to subsidiaries	3,667,807	(11,128,006)
Dividend received	2,569,134	330,672
Proceeds from disposal of other investment	2,000,000	13,267,993
Acquisition of other investment	(6,402,448)	(3,243,294)
Net cash from/(used in) investing activities	1,834,493	(772,635)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Dividend paid	(2,637,849)	–
Acquisition of treasury shares	(119,196)	(1,494,118)
Net cash used in financing activities	(2,757,045)	(1,494,118)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	153,338	(1,650,453)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	57,939	1,708,392
CASH AND CASH EQUIVALENTS CARRIED FORWARD (Note 25(a))	211,277	57,939

The annexed notes form an integral part of the financial statements.

Notes to the Financial Statements

31 May 2013

1. GENERAL INFORMATION

TAS Offshore Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and the principal place of business is located at Lot 199, Jalan Sg. Ma'aw, Sg. Bidut, 96000 Sibu, Sarawak.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors on 15 August 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

These financial statements of the Group and of the Company are the first set of financial statements prepared in accordance with MFRSs and, MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards, has been applied. Previously, the financial statements of the Group and the Company were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia. The transition to MFRSs did not result in any impact to the financial position, financial performance and cash flows of the Company.

The accounting policies disclosed below have been consistently applied in the preparation of financial statements of the Group and of the Company for the year ended 31 May 2013, the comparative figures for the year ended 31 May 2012 and the opening MFRS statement of financial position as at 1 June 2011 (date of transition to MFRSs).

The estimates in accordance with MFRS at the date of transition are consistent with the estimates for the same date in accordance with previous FRS.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

2.2 New MFRSs, IC Interpretations and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Early Adopted

The Group has not early adopted the following new MFRSs, IC Interpretations and amendments to MFRSs which have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective :-

		Effective for financial period beginning on or after
Amendments to MFRS 101	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New MFRSs, IC Interpretations and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)

		Effective for financial period beginning on or after
MFRS 119 (Revised)	Employee Benefits	1 January 2013
MFRS 127 (Revised)	Separate Financial Statements	1 January 2013
MFRS 128 (Revised)	Investments in Associates and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans	1 January 2013
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 -2011 Cycle)	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance	1 January 2013
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
Amendments to MFRS 132	Financial Instruments : Presentation (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009 - 2011 Cycle)	1 January 2013
Amendments to MFRS 132	Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)	1 January 2015
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The Group and Company plan to apply the above MFRSs, IC Interpretations and amendments that are applicable to their business operations once they become effective. The main features of these standards are summarised below :-

(a) Amendments to MFRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income

The main change resulting from the amendments was a requirement to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI.

The adoption of these amendments will not have any financial impact other than the changes in the presentation of OCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New MFRSs, IC Interpretations and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)

(b) MFRS 10, Consolidated Financial Statements

MFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This standard replaces MFRS 127, Consolidated and Separate Financial Statements, on the definition of control and requirements for consolidation.

(c) MFRS 13, Fair Value Measurements

MFRS 13 establishes the definition of fair value and a single framework for measuring fair value and requirements for disclosures about fair value measurements. This MFRS applies when another MFRS requires or permits fair value measurements or disclosures about fair value measurements. As a result, MFRS 13 remedy the inconsistencies in the requirements for measuring fair value and disclosures about fair value measurements across the MFRSs.

(d) MFRS 9, Financial Instruments

MFRS 9 is intended to replace MFRS 139 in its entirety. Under MFRS 9, financial assets are classified as subsequently measured at either amortised cost or fair value on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets in MFRS 139 had been replaced. Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9. The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

(e) MFRS 119, Employee Benefits (Revised)

The revised MFRS 119 changes the accounting for defined benefits plan and termination benefits. The revised standard requires the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous standard and accelerate the recognition of past service costs. The revised MFRS 119 also requires all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net defined benefit liability or asset recognised on the statement of financial position to reflect the full value of the plan deficit or surplus.

(f) Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities

Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The amendments also introduce new disclosure requirements for investment entities in MFRS 12, Disclosure on Interests in Other Entities and MFRS 127, Separate Financial Statements.

The above standards are not expected to have any material financial impact on the financial statements of the Group and of the Company in the year of initial adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are those entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is measured at fair value and is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expenses in the periods in which the costs are incurred.

In a business combination achieved in stages, any previously held equity interests is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except for non-current assets that are classified as held for sale which shall be recognised at fair value less costs to sell.

For acquisitions on or after 1 June 2011, goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of any previously held equity interests over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. For acquisitions prior to 1 June 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interests is recognised immediately in profit or loss.

The Group has elected not to restate its past business combinations which occured before 1 June 2011 upon transition to the MFRS framework.

Non-controlling interest represents that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interest is measured at its fair value at the acquisition date or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets. Non-controlling interest in the net assets of consolidated subsidiaries comprised the amount of non-controlling interest at the date of original combination and its share of changes in equity since the date of acquisition.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect transactions and balances with external parties only. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation (Cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. If the Group losses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. An investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of the consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2.4 Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset and is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

2.5 Investments in Subsidiaries

Investment in subsidiaries are stated at cost less impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

2.6 Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in statement of comprehensive income during the financial period in which they are incurred.

Capital work-in-progress is not amortised. Leasehold land is amortised on a straight line basis over the remaining lease period of 60 years. All other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The estimated useful lives of the Group's property, plant and equipment are as follows :-

	Years
Buildings and workers' quarters	10 to 50
Office furniture, fittings and equipments	5 to 10
Plant and machinery	5 to 10
Motor vehicles	5
Slipway and jetty	10

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, Plant and Equipment (Cont'd)

The residual values and useful lives of assets are reviewed at each financial year end with the effect of any changes in estimate accounted for on a prospective basis. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

2.7 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than inventories, assets arising from construction contracts and deferred tax assets) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of raw materials and consumables comprise the original costs of purchase and incidental costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress, cost include costs of direct materials, direct labour and attributable production overheads.

The cost of raw materials and consumables is determined using the weighted average cost method whereas cost of work-in-progress is determined using specific identification of their individual costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Construction Contracts

Revenue and expense recognition

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised over the period of the contract as revenue and expenses respectively using the percentage of completion method, determined by reference to surveys of work performed or to the proportion that contract costs incurred for work performed to-date bear to the estimated total costs for the contract, where appropriate.

When the outcome of a construction contract cannot be ascertained reliably, contract revenue is recognised only to the extent of contract costs incurred that are estimated to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is estimated that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Gross amount due from/(to) customers for contract work

Amount due from/(to) customers for contract work is the net amount of cost incurred for construction and engineering contracts-in-progress plus profit attributable to contract-in-progress less foreseeable losses, if any, and progress billings. Contract costs incurred to-date include costs directly related to the contract or attributable to contract activities in general and costs specifically chargeable to the customers under the terms of the contract.

2.10 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, bank balances, deposits with licensed banks, bank overdrafts and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The statements of cash flows are prepared using the indirect method.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2.19(c).

2.11 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the reporting date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.12 Treasury Shares

Shares repurchased by the Company are held as treasury shares and are measured and carried at the cost of purchase. Treasury shares are presented in the financial statements as a set-off against equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Should such shares be re-issued by re-sale in the open market, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity. Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable retained profits or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

2.14 Employee Benefits

(a) Short-term employee benefits

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

(b) Post-employment benefits

Defined contribution plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income in the period to which the contributions relate or included in the costs of assets, where applicable.

2.15 Income Taxes

Tax expense/(income) is the aggregate amount of current and deferred tax. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided by using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Income Taxes (Cont'd)

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.16 Foreign Currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of foreign currency non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are recognised in other comprehensive income.

(c) Translation to Presentation Currency

The results and financial position of a Group entity whose functional currency is not the currency of a hyperinflationary economy is translated into the Group's presentation currency (RM) as follows :-

- assets and liabilities for each statement of financial position presented are translated at the closing rate of the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production and preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.18 Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue is recognised when it can be measured reliably and to the extent that it is probable that the economic benefits associated to the transactions will flow to the Group. The following specific recognition criteria must also be met before revenue is recognised :-

Ship construction contract income

Revenue from construction contracts is recognised using the percentage of completion method as described in Note 2.9.

Revenue relating to sale of completed vessels is recognised upon the transfer of significant risks and rewards of ownership to the buyer of the goods, net of discounts and returns.

Vessel repair and service income

Revenue from provision of services is recognised upon rendering of services.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment has been established.

2.19 Financial Assets

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Classification and Measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and are determined at the time of initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Financial Assets (Cont'd)

Classification and Measurement (Cont'd)

(a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if :-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from change in fair value recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment losses. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and other receivables and cash and cash equivalents (other than bank overdrafts) are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Financial Assets (Cont'd)

Classification and Measurement (Cont'd)

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets comprise quoted and unquoted equity and debt instruments that are not held-for-trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value. A gain or loss from changes in fair value is recognised in other comprehensive income, except for impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Regular way purchases or sales of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of asset within the time frame established generally by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised and derecognised using trade data accounting. Trade date accounting refers to :-

- the recognition of an asset to be received and the liability to pay for it on the trade date which is the date the Company commits itself to purchase or sell an asset; and

- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instruments, a significant or prolonged decline in fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate i.e. the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Financial Assets (Cont'd)

Impairment of financial assets (Cont'd)

When an available-for-sale financial asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

If the fair value of a debt instrument classified as available-for-sale, increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal is recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset without retaining control or transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.20 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Classification and Measurement

Financial liabilities are initially measured at fair value plus, in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Financial Liabilities (Cont'd)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if :-

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses from changes in fair value arising on remeasurement recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

All financial liabilities other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group comprise trade and other payables, loans and borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability is substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss.

2.21 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Financial Guarantee Contracts (Cont'd)

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are amortised in profit or loss using the straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets. If the carrying amount of the financial guarantee is lower than the obligation estimated, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.22 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign currency risks.

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset and derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

Embedded derivatives

Derivatives embedded in financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Significant judgements made in the process of applying accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Construction contracts

The Group recognises construction contract revenue and expense in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by reference to the surveys of work performed or to the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs, where appropriate.

Significant judgement is required in estimating the outcome of a construction contract including the stage of completion, the estimated total contract revenue and costs, as well as the recoverability of amount due from customers. Total contract revenue also includes an estimation of the amount of variation works that are recoverable from customers. In making the judgement, the Group evaluates based on past experience of the management on similar contract work undertaken by the Group and the expertise of specialists.

(ii) Depreciation of property, plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 10 years. These are common life expectancies applied in the vessels construction and transportation industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.

(iii) Impairment of property, plant and equipment

The Group assesses impairment of property, plant and equipment when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

(iv) Impairment losses of trade receivables

The Group makes an allowance for impairment losses based on assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables.

(v) Fair value estimates of financial instruments

Where the fair values of financial instruments cannot be derived from active markets, the Company determines such fair values by using a variety of valuation techniques including discounted cash flow analysis and option pricing models. Whilst the Company makes maximum use of market observable inputs in its valuation models, judgement is used where market observable inputs are not available. Such judgement incorporates various factors that market participants would consider in pricing the financial instruments including making assumptions about interest rate yield curves, exchange rates, volatilities and timing of future cash flows.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

31.5.2013

	Long term leasehold land RM	Building and workers' quarters RM	Plant and machinery RM	Motor vehicles RM	Slipway and jetty RM	Office equipment, furniture and fittings RM	Capital work-in-progress RM	Total RM
Cost:								
At 1 June 2012	10,958,668	11,207,433	5,937,858	2,011,579	3,337,687	846,866	2,674,222	36,974,313
Additions	–	128,811	407,138	–	–	45,579	1,195,310	1,776,838
Disposals/Write off	–	–	–	–	–	(30,413)	–	(30,413)
At 31 May 2013	10,958,668	11,336,244	6,344,996	2,011,579	3,337,687	862,032	3,869,532	38,720,738
Accumulated Depreciation:								
At 1 June 2012	1,493,869	2,047,253	2,496,020	1,679,444	2,760,534	523,633	–	11,000,753
Charge for the year	169,013	220,589	657,394	176,467	110,022	93,065	–	1,426,550
Disposals/Write off	–	–	–	–	–	(17,769)	–	(17,769)
At 31 May 2013	1,662,882	2,267,842	3,153,414	1,855,911	2,870,556	598,929	–	12,409,534
Net Book Value:								
as at 31 May 2013	9,295,786	9,068,402	3,191,582	155,668	467,131	263,103	3,869,532	26,311,204

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

31.5.2012

	Long term leasehold land RM	Building and workers' quarters RM	Plant and machinery RM	Motor vehicles RM	Slipway and jetty RM	Office equipment, furniture and fittings RM	Capital work-in-progress RM	Total RM
Cost:								
At 1 June 2011	10,958,668	10,665,416	4,821,628	2,020,197	2,906,884	817,008	–	32,189,801
Additions	–	542,017	1,116,230	–	430,803	47,760	2,674,222	4,811,032
Disposals/Write off	–	–	–	(8,618)	–	(17,902)	–	(26,520)
At 31 May 2012	10,958,668	11,207,433	5,937,858	2,011,579	3,337,687	846,866	2,674,222	36,974,313
Accumulated Depreciation:								
At 1 June 2011	1,324,854	1,829,882	1,902,258	1,382,769	2,426,773	431,382	–	9,297,918
Charge for the year	169,015	217,371	593,762	300,122	333,761	102,919	–	1,716,950
Disposals/Write off	–	–	–	(3,447)	–	(10,668)	–	(14,115)
At 31 May 2012	1,493,869	2,047,253	2,496,020	1,679,444	2,760,534	523,633	–	11,000,753
Net Book Value:								
as at 31 May 2012	9,464,799	9,160,180	3,441,838	332,135	577,153	323,233	2,674,222	25,973,560
Net Book Value:								
as at 1 June 2011	9,633,814	8,835,534	2,919,370	637,428	480,111	385,626	–	22,891,883

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

31.5.2013	**Motor vehicle RM**	**Total RM**
Cost		
At 01.06.2012 and at 31.05.2013	428,470	428,470
Accumulated Depreciation		
At 01.06.2012	257,082	257,082
Charge for the year	85,694	85,694
At 31.05.2013	342,776	342,776
Net book value 31.05.2013	85,694	85,694
31.5.2012		
Cost		
At 01.06.2011 and at 31.05.2012	428,470	428,470
Accumulated Depreciation		
At 01.06.2011	171,388	171,388
Charge for the year	85,694	85,694
At 31.05.2012	257,082	257,082
Net book value as at 31.05.2012	171,388	171,388
Net book value as at 1.6.2011	257,082	257,082

Depreciation is charged to the statement of comprehensive income under the following line items :-

	Group		**Company**	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Administrative expenses	444,672	581,154	85,694	85,694
Cost of sales	981,878	1,135,796	–	–
	1,426,550	1,716,950	85,694	85,694

5 INVESTMENTS IN SUBSIDIARIES

	Company		
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Unquoted shares, at cost	80,102,752	51,500,005	51,500,005
Deemed capital contribution	–	27,500,000	27,500,000
	80,102,752	79,000,005	79,000,005

(i) Details of the subsidiaries are as follows :-

Name of Company	Principal activities	Country of incorporation	Effective equity interest (%) 31.05.2013	31.05.2012	01.06.2011
Tuong Aik Shipyard Sdn. Bhd. * ("TASSB")	Shipbuilding and provision of ship repairs and maintenance services	Malaysia	100	100	100
TA Ventures (L) Ltd. ("TAV")	Labuan trading activities	Malaysia	100	100	100
Western Realty Sdn. Bhd. *	Property investment and property development activities - dormant during the period	Malaysia	100	100	100

* Not audited by Folks DFK & Co.

(ii) The increase in cost of unquoted shares in subsidiaries during the financial year is due to the subscription of additional shares issued by TASSB and TAV amounting to RM24,000,000 and RM4,602,747 respectively. The remaining unutilised balance of the deemed capital contribution of RM3,500,000 that was made to TASSB, after deducting for the cost of subscription of additional shares issued during the year, is expected to be repaid to the Company on demand, and accordingly has been re-classified as amount due from subsidiaries.

6. OTHER INVESTMENTS

	Group and Company		
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Available-for-sale financial assets			
Unit trust, at fair value	15,257,582	10,579,483	20,857,187
Market value of unit trust	15,257,582	10,579,483	20,857,187

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Group 31.05.2013 RM	31.05.2012 RM
Balance at beginning of financial year	(3,154,224)	(2,914,040)
Amount recognised in profit or loss	1,497,344	(240,184)
Balance at end of financial year	(1,656,880)	(3,154,224)

Presented after appropriate offsetting as follows :-

	31.05.2013 RM	Group 31.05.2012 RM	01.06.2011 RM
Deferred tax assets	779,906	–	–
Deferred tax liabilities	(2,436,786)	(3,154,224)	(2,914,040)
	(1,656,880)	(3,154,224)	(2,914,040)

The components and movements of deferred tax assets and liabilities of the Group prior to offsetting of balances during the financial year are as follows :-

Group **31.5.2013**	**As at 1.6.2012 RM**	**Recognised in profit or loss RM**	**As at 31.5.2013 RM**
Deferred tax liabilities			
Property, plant and equipment	3,009,488	54,226	3,063,714
Other taxable temporary differences	144,736	(144,736)	–
	3,154,224	(90,510)	3,063,714
Deferred tax assets			
Other deductible temporary differences	–	(1,406,834)	(1,406,834)

Group **31.5.2012**	**As at 1.6.2011 RM**	**Recognised in profit or loss RM**	**As at 31.5.2012 RM**
Deferred tax liabilities			
Property, plant and equipment	2,982,173	27,315	3,009,488
Other taxable temporary differences	67,065	77,671	144,736
	3,049,238	104,986	3,154,224
Deferred tax assets			
Other deductible temporary differences	(135,198)	135,198	–

8. INVENTORIES

	Group		
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
At cost :-			
Raw material and consumable stores	25,653,964	12,635,067	13,183,107
Work in progress - unsold vessels	22,730,335	8,422,507	11,986,190
Goods-in-transit	420,414	1,280,070	2,366,384
	48,804,713	22,337,644	27,535,681

9. AMOUNT DUE FROM/(TO) CONTRACT CUSTOMERS

	Group		
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Contract costs incurred to date	88,958,313	58,493,986	78,644,302
Attributable profits	15,904,822	7,312,419	8,682,539
	104,863,135	65,806,405	87,326,841
Less: Allowance for foreseeable loss	–	–	(238,911)
Progress billings	(53,080,292)	(30,668,072)	(42,217,540)
	51,782,843	35,138,333	44,870,390
Represented by:			
Amount due from contract customers	51,885,225	39,540,222	46,471,785
Amount due to contract customers	(102,382)	(4,401,889)	(1,601,395)
	51,782,843	35,138,333	44,870,390

10. TRADE AND OTHER RECEIVABLES

	Group		
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Trade receivables	27,771,080	47,339,538	16,270,792
Less: Allowance for impairment loss	(3,261,725)	–	–
	24,509,355	47,339,538	16,270,792
Other receivables, deposits and prepayments	27,441,049	24,522,947	2,937,847
	51,950,404	71,862,485	19,208,639

10. TRADE AND OTHER RECEIVABLES (CONT'D)

	Company 31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Other receivables, deposits and prepayments	2,000	12,000	2,000

(i) The normal credit term of trade receivables relating to ship repairing is 60 days. In respect of shipbuilding contracts, the debts arising are to be settled within a period of 7 to 15 days from the date the billings are rendered. Other credit terms are assessed and approved on a case-by-case basis.

(ii) Ageing Analysis

The ageing analysis of trade receivables as at end of the reporting period is as follows :-

Group

31.05.2013	**Gross RM**	**Individual Impairment RM**	**Net RM**
Not past due	7,762,599	–	7,762,599
Past due:-			
0-30 days	1,517,265	–	1,517,265
31-120 days	16,460,082	(3,261,725)	13,198,357
more than 120 days	2,031,134	–	2,031,134
	27,771,080	(3,261,725)	24,509,355
31.05.2012			
Not past due	5,130,762	–	5,130,762
Past due:-			
0-30 days	8,372,336	–	8,372,336
31-120 days	22,339,636	–	22,339,636
more than 120 days	11,496,804	–	11,496,804
	47,339,538	–	47,339,538
01.06.2011			
Not past due	149,458	–	149,458
Past due:-			
0-30 days	2,848,442	–	2,848,442
31-120 days	10,242,696	–	10,242,696
more than 120 days	3,030,196	–	3,030,196
	16,270,792	–	16,270,792

Trade receivables that are not impaired are considered to be creditworthy and are able to settle their debts.

The Group does not hold any collateral as security for the trade receivables as at the end of the reporting period.

During the financial year, the Group did not renegotiate the terms of any trade receivable.

10. TRADE AND OTHER RECEIVABLES (CONT'D)

(iii) Other receivables, deposits and prepayment are analysed as follows :-

	Group 31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Deposits paid to shipbuilding suppliers and contractors	17,133,514	23,678,986	2,507,852
Advances to shipbuilding contractors	10,156,730	762,682	356,089
Sundry deposits	3,500	3,500	3,500
Prepayments	122,449	52,749	64,279
Other receivables	24,856	25,030	6,127
	27,441,049	24,522,947	2,937,847

	Company 31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Sundry deposits	2,000	2,000	2,000
Other receivables	–	10,000	–
	2,000	12,000	2,000

Deposits paid to shipbuilding suppliers and contractors

These comprise deposits paid to suppliers for purchase of materials and equipment and initial payments paid to contractors in accordance with the terms of shipbuilding contracts.

Such deposits will be used to offset against the costs of materials or contract services provided by the suppliers or contractors.

Advances to shipbuilding contractors

These advances are made to shipbuilding contractors for the purpose of procurement of materials and equipment under the terms of the contracts. The amounts are unsecured and will be progressively deducted from the billings or claims made by shipbuilding contractors over the duration of the contracts. Such advances are interest free except for an advance to a foreign shipbuilding contractor as at 31 May 2013 amounting to RM 9,195,203 (31.05.2012 & 31.05.2011 : Nil) against which interest calculated at the London Interbank Offered Rate (LIBOR) plus 400 basis points per annum is charged.

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company 31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Amount due from subsidiaries :			
- Interest bearing	20,300,000	22,300,000	17,300,000
- Non-interest bearing	5,135,634	7,992,320	1,845,428
	25,435,634	30,292,320	19,145,428

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES (CONT'D)

	31.05.2013 RM	Company 31.05.2012 RM	01.06.2011 RM
Amount due to a subsidiary :			
- Non-interest bearing	–	–	(314)

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, repayable on demand and settlement is expected to be in cash.

Interest charged on interest bearing amount due from subsidiaries during the financial year was calculated at rates ranging from 2.74% to 7.60% (2012: 7.60%) per annum.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	31.05.2013 RM	Group 31.05.2012 RM	01.06.2011 RM
Non-hedging derivatives, at fair value :-			
Current			
Forward foreign currency contracts			
- Notional amount			
- SGD600,000 (31.5.2012:Nil; 1.6.2011 : SGD1,000,000)	(7,658)	–	(69,392)
- JPY38,058,400 (31.5.2012:Nil; 1.6.2011 : Nil)	(1,255)	–	–
- USD500,000 (31.5.2012: USD600,000; 1.6.2011 : USD3,500,000)	(27,297)	(43,057)	(28,478)
	(36,210)	(43,057)	(97,870)
Embedded derivatives :			
- contracts with foreign buyers;			
- notional amount : Nil (31.5.2012: Nil; 1.6.2011:USD5,425,000)	–	–	798,215
- contracts with foreign suppliers;			
- notional amount : Nil (31.5.2012:USD8,491,500; 1.6.2011 : USD3,861,000)	–	(717,276)	(751,033)
	(36,210)	(760,333)	(50,688)
Represented by			
Derivative financial assets	–	–	798,215
Derivative financial liabilities	(36,210)	(760,333)	(848,903)
	(36,210)	(760,333)	(50,688)

12. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(a) Forward foreign currency contracts

The Group enters into forward foreign currency contracts to manage its exposure to sales and purchases transaction that are denominated in foreign currencies.

(b) Embedded derivatives

In the ordinary course of its business operations, the Group entered into shipbuilding contracts with foreign buyers and labour and equipment supply contracts with foreign contractors in China. The contract sums in these shipbuilding contracts are mainly denominated in USD and SGD while the labour and equipment supply contracts are denominated in USD. In the previous financial year, several of these contracts contain embedded foreign exchange derivatives and which had been separated and accounted for at fair value through profit or loss.

During the financial year, the Group recognised a gain of RM 727,325 (2012: loss of RM709,645) arising from fair value changes of derivative financial instruments. The fair value changes were attributable to changes in foreign exchange spot and forward rate.

(c) Measurement of derivatives

The above derivative financial instruments are categorised as fair value through profit or loss and are measured at their fair value with gains or losses recognised in the profit or loss.

13. CASH AND BANK BALANCES

Cash and bank balances of the Group and Company include deposits pledged with licensed banks :-

	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Deposits with licensed banks			
- Group	–	409,020	4,642,439
- Company	–	–	1,607,898

14. SHARE CAPITAL AND TREASURY SHARES

		Group and Company	
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
(a) Share Capital			
(i) Authorised			
Ordinary shares of RM0.50 each :-			
At beginning and end of financial year			
Number of shares	200,000,000	200,000,000	200,000,000
Nominal value - RM	100,000,000	100,000,000	100,000,000

14. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

	Group and Company		
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
(a) Share Capital			
(ii) Issued and fully paid-up			
Ordinary shares of RM0.50 each :-			
At beginning and end of financial year			
Number of shares	180,002,000	180,002,000	180,002,000
Nominal value - RM	90,001,000	90,001,000	90,001,000

(b) Treasury Shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting on 8 November 2012, had granted an approval to the Company to buy back its own shares up to 10% of the total issued and paid-up share capital of the Company.

The balance comprised the cost of treasury shares acquired as at end of the reporting period.

Movements in the treasury shares are as follows:

	Number of shares	Consideration RM	Average cost per share RM
As at 1 June 2011	–	–	–
Repurchased during the year	3,861,500	1,494,118	0.387
As at 31 May 2012 / 1 June 2012	3,861,500	1,494,118	0.387
Repurchased during the year	303,900	119,196	0.392
As at 31 May 2013	4,165,400	1,613,314	0.387

The total consideration paid during the financial year including transaction costs amounting to RM119,196 (2012: RM1,494,118) was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the treasury shares were sold or cancelled during the financial year.

The number of shares in issue after the share buy-back is 175,836,600 (31.5.2012: 176,140,500 and 1.6.2011: 180,002,000) ordinary shares of RM0.50 each.

15. RESERVES

	Group 31.05.2013 RM	Group 31.05.2012 RM	Group 01.06.2011 RM
Distributable			
Retained profits	36,194,062	25,376,293	14,178,036
Non-distributable			
Share premium	27,639,472	27,639,472	27,639,472
Fair value adjustment reserve	94,275	(179,838)	124,781
Foreign currency translation reserve	(62,401)	(577)	–
	27,671,346	27,459,057	27,764,253
	63,865,408	52,835,350	41,942,289

	Company 31.05.2013 RM	Company 31.05.2012 RM	Company 01.06.2011 RM
Distributable			
Retained profits	7,760,722	5,965,232	3,044,342
Non-distributable			
Share premium	27,639,472	27,639,472	27,639,472
Fair value adjustment reserve	94,275	(179,838)	124,781
	27,733,747	27,459,634	27,764,253
	35,494,469	33,424,866	30,808,595

(a) Pursuant to Section 49 of the Finance Act 2007, the Company has moved to the single tier tax system and accordingly, the Company may distribute all of its retained profits as at 31 May 2013 as single tier dividends.

(b) Fair Value Adjustment Reserve

	Group and Company 31.05.2013 RM	Group and Company 31.05.2012 RM
At beginning of financial year	(179,838)	124,781
Gain/(Loss) on fair value changes of available-for-sale ("AFS") financial assets	299,895	(240,559)
Transfer to profit or loss on disposal of AFS financial assets	(25,782)	(64,060)
At end of financial year	94,275	(179,838)

15. RESERVES (CONT'D)

(c) Foreign currency translation reserve

	Group	
	31.05.2013 RM	31.05.2012 RM
At beginning of the financial year	(577)	–
Foreign currency translation loss	(61,824)	(577)
At end of financial year	(62,401)	(577)

16. TERM LOAN - SECURED

		Company	
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Repayable as follows:-			
Within one year			
- Included under Short Term Borrowings in current liabilities (Note 18)	5,018	334,735	312,681
Non-current liabilities			
Between one to two years	–	6,760	334,618
Between two to three years	–	–	8,543
	–	6,760	343,161
	5,018	341,495	655,842

Term loan is repayable by 60 monthly instalments commencing from July 2008.

The other terms and conditions of term loan are disclosed in Note 18 to the financial statements.

17. TRADE AND OTHER PAYABLES

		Group	
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Trade payables	29,349,645	27,600,769	20,573,174
Other payables and accruals	17,305,028	10,907,289	805,593
	46,654,673	38,508,058	21,378,767

		Company	
	31.05.2013 RM	31.05.2012 RM	01.06.2011 RM
Other payables and accruals	136,000	115,000	110,100

The normal credit terms of trade payables granted to the Group range from 7 to 90 days.

18. SHORT TERM BORROWINGS

	Group		
	31.05.2013 RM	**31.05.2012 RM**	**01.06.2011 RM**
Bank overdraft - unsecured	2,656,853	286,876	–
Other borrowings - secured :-			
Current portion of term loan (Note 16)	5,018	334,735	312,681
Bankers' acceptance	11,173,000	933,000	3,034,000
Revolving credit	5,000,000	–	5,000,000
	16,178,018	1,267,735	8,346,681
	18,834,871	1,554,611	8,346,681

The secured term loan and other bank borrowings are granted by a licensed bank to a subsidiary and are secured by way of a Deed of Assignment of Contract Proceeds and Power of Attorney to cover all shipbuilding contracts/ agreements financed by the lending bank and a corporate guarantee from the Company.

Interest rates charged on the bank borrowings during the financial year are as follow :-

	Group's effective interest rate		
	31.05.2013 %	**31.05.2012 %**	**01.06.2011 %**
Term loan	6.8	6.8	6.25 – 6.80
Revolving credit	5.35	5.30 - 5.39	4.58 – 5.03
Bankers' acceptance	4.25 - 4.36	3.18 - 4.39	2.94 – 3.97
Bank overdraft	7.60	7.60	–

19. REVENUE AND COST OF SALES

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Revenue				
Shipbuilding construction contract income	135,134,453	99,717,596	–	–
Vessel repairs and service income	2,292,613	1,524,266	–	–
Dividend income from :				
- a subsidiary	–	–	3,000,000	2,000,000
- unit trust funds	569,134	330,672	569,134	330,672
	137,996,200	101,572,534	3,569,134	2,330,672

19. REVENUE AND COST OF SALES (CONT'D)

	Group 2013 RM	Group 2012 RM
Cost of sales		
Cost of construction contracts	112,739,729	81,611,184
Cost of service rendered	1,758,015	1,009,896
	114,497,744	82,621,080

20. FINANCE COSTS

	Group 2013 RM	Group 2012 RM
Interest on :-		
Bank overdrafts	69,663	25,872
Bankers' acceptance and revolving credit	270,000	187,124
Term loan	11,175	33,305
	350,838	246,301
Less : Included in cost of sales	(270,000)	(187,124)
	80,838	59,177

21. PROFIT BEFORE TAXATION

(i) Profit before taxation is arrived at after charging :-

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Auditors' remuneration :				
- statutory audit				
- current year	71,694	59,300	25,000	25,000
- underprovision in prior year	–	2,000	–	–
Bad debts written off	46,034	–	–	–
Depreciation of property, plant and equipment	1,426,550	1,716,950	85,694	85,694
Hire of plant and machinery	53,972	80,000	–	–
Land rental	18,800	18,000	–	–
Loss on disposal of property plant and equipment	–	171	–	–
Loss on fair value changes of derivative financial instruments	–	709,645	–	–
Loss on foreign exchange				
- unrealised	–	–	86,132	–
Property, plant and equipment written off	12,644	7,234	–	–
Directors' remuneration (Note 21(ii))	2,223,574	2,200,615	295,000	288,000
Impairment loss on trade receivables	3,261,725	–	–	–
Inventories written off	42,806	79,066	–	–

21. PROFIT BEFORE TAXATION (CONT'D)

(i) Profit before taxation is arrived at after charging :- (Cont'd)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
and crediting :-				
Dividend income from:				
- unit trust funds	569,134	330,672	569,134	330,672
- a subsidiary	–	–	3,000,000	2,000,000
Gain on fair value changes of on financial instruments derivative	727,325	–	–	–
Gain on disposal of other investment	1,538	51,614	1,538	51,614
Gain on foreign exchange				
- realised	977,323	1,013,343	–	–
- unrealised	35,429	754,473	–	19,200
Interest income from :				
- deposits with licensed bank	92,872	72,100	23,582	16,588
- subsidiary	–	–	2,093,696	1,609,909
- shipbuilding contractors	322,584	–	–	–

(ii) Analysis of Directors' Remuneration

The details of remuneration receivable by Directors of the Group and of the Company during the financial year are as follows:-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive Directors' Remuneration :				
Salaries, allowances and bonus	1,787,450	1,779,200	162,500	162,500
Defined contribution plan				
- Employees' Provident Fund	214,560	213,900	19,500	19,500
Other Benefits	62,564	61,515	–	–
	2,064,574	2,054,615	182,000	182,000
Non-Executive Directors' Remuneration :				
Fees	139,000	130,000	93,000	90,000
Allowance	20,000	16,000	20,000	16,000
	159,000	146,000	113,000	106,000
Total Directors' Remuneration	2,223,574	2,200,615	295,000	288,000
Estimated value of benefits-in-kind	41,350	41,350	41,350	41,350
Total Directors' Remuneration including benefits-in-kind	2,264,924	2,241,965	336,350	329,350

Notes to the Financial Statements

22. INCOME TAX EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current income tax :-				
Malaysian income tax	4,776,777	3,932,424	476,784	350,387
(Over)/Under provision in prior year	(28,540)	12,711	9,458	10,044
	4,748,237	3,945,135	486,242	360,431
Deferred tax expense resulting from origination and reversal of temporary differences :-				
- Current year	(1,517,645)	240,184	–	–
- Under provision in prior year	20,301	–	–	–
	(1,497,344)	240,184	–	–
Tax expense	3,250,893	4,185,319	486,242	360,431

A reconciliation of tax expense applicable to the profit before taxation at the statutory tax rate to the tax expense at the effective income tax rate is as follows :-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit before taxation	16,706,511	15,383,576	4,919,581	3,281,321
Taxation at applicable statutory tax rate of 25% (2012 : 25%)	4,176,628	3,845,894	1,229,895	820,330
Tax effect in respect of :				
- Expenses not deductible	200,209	350,550	53,104	49,844
- Income not subject to tax	(56,215)	(23,836)	(806,215)	(519,787)
Effect of differential in tax rate for Labuan subsidiary	(1,061,490)	–	–	–
(Over)/Under provision in prior year :				
- Current income tax	(28,540)	12,711	9,458	10,044
- Deferred tax	20,301	–	–	–
Total tax expense	3,250,893	4,185,319	486,242	360,431

23. EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated on the Group's profit for the financial year attributable to equity holders of the Company of RM13,455,618 (2012 : RM11,198,257) and is based on the weighted number of ordinary shares outstanding during the financial year of 175,902,875 (2012 : 176,732,983).

(b) Diluted

Diluted profit per share is not presented as there are no dilutive potential ordinary shares outstanding as at 31 May 2013.

24. DIVIDEND

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Interim single tier dividend, in respect of the financial year ended 31 May 2012 of 1.5 sen per ordinary share of RM0.50 each	2,637,849	–	2,637,849	–

i) In respect of the financial year ended 31 May 2012, a single-tier interim dividend of 1.5 sen per ordinary share amounting to RM 2,637,849 was paid on 10 October 2012.

ii) On 24 July 2013, the Directors declared a single-tier interim dividend of 2 sen per ordinary share in respect of the financial year ended 31 May 2013, payable on 27 September 2013 to depositors whose names appear in the Company's Record of Depositors on 28 August 2013. This dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 31 May 2014.

25. NOTES TO STATEMENTS OF CASH FLOWS

(a) Cash and cash equivalents

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
These comprised :-				
Cash and bank balances	26,840,311	21,057,433	211,277	57,939
Bank overdrafts (Note 18)	(2,656,853)	(286,876)	–	–
	24,183,458	20,770,557	211,277	57,939

25. NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

(b) Increase in investments in subsidiaries

The increase in investments in subsidiaries during the financial year amounting to RM1,102,747 (2012: Nil) is due to the following :-

	2013 RM	2012 RM
Cost capitalised from amount due from subsidiaries	4,602,747	–
Capital contribution re-classified to amount due from subsidiaries (Note 5 (ii))	(3,500,000)	–
Net increase in investment in subsidiaries	1,102,747	–

The net increase in investments in subsidiaries during the financial year did not give rise to any cash inflows or outflows.

26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Staff cost:				
Salaries, wages and bonuses	4,325,275	4,359,401	215,911	211,872
Amount contributed under defined contribution plan :				
- Employees' Provident Fund contribution	501,241	491,887	26,095	25,530
Others	170,382	178,396	372	372
	4,996,898	5,029,684	242,378	237,774

The employee benefits expense have been charged to the profit or loss under the following line items :-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Administrative expense	3,471,730	3,317,705	242,378	237,774
Cost of sales	1,525,168	1,711,979	–	–
	4,996,898	5,029,684	242,378	237,774

Included in employee benefits expense of the Group and of the Company are remuneration paid to executive directors amounting to RM2,064,574 (2012: RM 2,054,615) and RM182,000 (2012: RM182,000).

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or when both parties are under the control of another party.

(a) Transactions with companies in which certain directors have substantial interests :-

	Group	
	2013	**2012**
	RM	**RM**
Expenditure incurred		
Purchase of marine paints	4,530	5,262
Rental of slipway	27,000	70,000

(b) Inter-company transactions :-

	Company	
	2013	**2012**
	RM	**RM**
Interest charged to subsidiaries	2,093,696	1,609,909
Dividend income from a subsidiary	3,000,000	2,000,000

(c) As at end of reporting period, the Group has no significant outstanding balances with its related parties other than the indebtedness between the Company and its subsidiaries as follows :-

	Company	
	2013	**2012**
	RM	**RM**
Amount due from subsidiaries	25,435,634	30,292,320

The terms and conditions of the above indebtednesses are disclosed in Note 10.

No expense has been recognised during the financial year in respect of bad and doubtful debts due from the related parties.

(d) Key Management Personnel Compensation

Key management personnel of the Group comprise persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and include the executive/ non-executive Directors.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(d) Key Management Personnel Compensation (Cont'd)

The remuneration of the Directors and other key management personnel for the financial year are as follows :-

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors				
Short-term employee benefits	2,009,014	1,986,715	275,500	268,500
Post-employment benefit				
- Contribution to Employees' Provident Fund	214,560	213,900	19,500	19,500
Estimated value of benefit-in-kind	41,350	41,350	41,350	41,350
	2,264,924	2,241,965	336,350	329,350
Other key management personnel				
Short-term employee benefits	240,324	303,780	24,032	22,428
Post-employment benefit				
- Contribution to Employees' Provident Fund	28,919	26,914	2,892	2,691
	269,243	330,694	26,924	25,119
Total	2,534,167	2,572,659	363,274	354,469

28. SEGMENT REPORTING

(a) Operating Segment

The Group's operations comprise mainly of shipbuilding and ship repairing activities which collectively are considered as one business segment. Accordingly, the operating revenue and results of this segment is reflected in the Group's statement of comprehensive income. The segment assets and liabilities are as presented in the Group's statement of financial position.

(b) Geographical Information

In determining geographical segments of the Group, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets. The non-current assets do not include financial instruments.

2013	Revenue RM	Non-current assets RM
Malaysia	17,989,824	26,311,204
Singapore	57,724,892	–
United Arab Emirates	38,404,769	–
Papua New Guinea	14,296,141	–
Indonesia	9,061,645	–
Panama	518,929	–
	137,996,200	26,311,204

28. SEGMENT REPORTING (CONT'D)

(b) Geographical Information (Cont'd)

2012	Revenue RM	Non-current assets RM
Malaysia	19,879,125	25,973,560
Singapore	51,866,673	–
United Arab Emirates	7,375,659	–
Papua New Guinea	63,772	–
Indonesia	14,907,303	–
Panama	7,480,002	–
	101,572,534	25,973,560

(c) Major Customers

Revenue from transactions with major customers who individually accounted for 10 percent or more of Group's revenue as summarised below :-

	Revenue		Segment
	2013 RM	2012 RM	
Customer A	38,404,769	47,386,032	Shipbuilding and ship repairing
Customer B	31,878,765	17,819,467	Shipbuilding and ship repairing
Customer C	25,846,126	10,591,519	Shipbuilding and ship repairing

29. CONTINGENT LIABILITIES - UNSECURED

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Corporate guarantees favouring banks for facilities granted to subsidiaries				
- Facility limit	–	–	68,777,000	68,777,000
- Amount utilised	–	–	22,331,852	4,748,381

30. CAPITAL COMMITMENT

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Approved but not contracted for	1,010,000	2,741,000	–	–

31. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include trade and other receivables, other investment, derivative financial assets and cash and bank balances.

Financial liabilities of the Group include trade and other payables, bank borrowings and derivative financial liabilities.

In respect of the Company, financial asset and liabilities also include amount due from/to subsidiaries.

(a) Categories of Financial Instruments

The Group's financial instruments are categorised as follows :-

31.5.2013

Financial Assets per Statement of Financial Position

	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss - Held for trading RM	Available-for-sale financial assets RM
Group				
Other investments	15,257,582	–	–	15,257,582
Trade receivables	24,509,355	24,509,355	–	–
Other receivables	27,318,600	27,318,600	–	–
Cash and bank balances	26,840,311	26,840,311	–	–
	93,925,848	78,668,266	–	15,257,582
Company				
Other investments	15,257,582	–	–	15,257,582
Other receivables	2,000	2,000	–	–
Dividend receivable from a subsidiary	3,000,000	3,000,000	–	–
Amount due from subsidiaries	25,435,634	25,435,634	–	–
Cash and bank balances	211,277	211,277	–	–
	43,906,493	28,648,911	–	15,257,582

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (Cont'd)

31.5.2013

Financial Liabilities per Statement of Financial Position

	Carrying amount RM	Fair value through profit or loss - Held for trading RM	Other financial liabilities measured at amortised cost RM
Group			
Bank overdraft	2,656,853	–	2,656,853
Term loans	5,018	–	5,018
Trade payables	29,349,645	–	29,349,645
Other payables	17,305,028	–	17,305,028
Other bank borrowings	16,173,000	–	16,173,000
Derivative financial liabilities	36,210	36,210	–
	65,525,754	36,210	65,489,544
Company			
Other payables	136,000	–	136,000

31.5.2012

Financial Assets per Statement of Financial Position

	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss - Held for trading RM	Available-for-sale financial assets RM
Group				
Other investments	10,579,483	–	–	10,579,483
Trade receivables	47,339,538	47,339,538	–	–
Other receivables	24,470,198	24,470,198	–	–
Cash and bank balances	21,057,433	21,057,433	–	–
	103,446,652	92,867,169	–	10,579,483

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (Cont'd)

31.5.2012

Financial Assets per Statement of Financial Position

	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss - Held for trading RM	Available-for-sale financial assets RM
Company				
Other investments	10,579,483	–	–	10,579,483
Other receivables	12,000	12,000	–	–
Dividend receivable from a subsidiary	2,000,000	2,000,000	–	–
Amount due from subsidiaries	30,292,320	30,292,320	–	–
Cash and bank balances	57,939	57,939	–	–
	42,941,742	32,362,259	–	10,579,483

Financial Liabilities per Statement of Financial Position

	Carrying amount RM	Fair value through profit or loss - Held for trading RM	Other financial liabilities measured at amortised cost RM
Bank overdraft	286,876	–	286,876
Term loans	341,495	–	341,495
Trade payables	27,600,769	–	27,600,769
Other payables	10,907,289	–	10,907,289
Other bank borrowings	933,000	–	933,000
Derivative financial liabilities	760,333	760,333	–
	40,829,762	760,333	40,069,429
Company			
Other payables	115,000	–	115,000

31. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (Cont'd)

1.6.2011

Financial Assets per Statement of Financial Position

	Carrying amount RM	Loans and receivables RM	Fair value through profit or loss - Held for trading RM	Available-for-sale financial assets RM
Group				
Other investments	20,857,187	–	–	20,857,187
Trade receivables	16,270,792	16,270,792	–	–
Other receivables	2,873,568	2,873,568	–	–
Derivative financial assets	798,215	–	798,215	–
Cash and bank balances	29,419,560	29,419,560	–	–
	70,219,322	48,563,920	798,215	20,857,187
Company				
Other investments	20,857,187	–	–	20,857,187
Other receivables	2,000	2,000	–	–
Amount due from subsidiaries	19,145,428	19,145,428	–	–
Cash and bank balances	1,708,392	1,708,392	–	–
	41,713,007	20,855,820	–	20,857,187

Financial Liabilities per Statement of Financial Position

	Carrying amount RM	Fair value through profit or loss - Held for trading RM	Other financial liabilities measured at amortised cost RM
Group			
Term loans	655,842	–	655,842
Trade payables	20,573,174	–	20,573,174
Other payables	805,593	–	805,593
Other bank borrowings	8,034,000	–	8,034,000
Derivative financial liabilities	848,903	848,903	–
	30,917,512	848,903	30,068,609
Company			
Other payables	110,100	–	110,100
Amount owing to a subsidiary	314	–	314
	110,414	–	110,414

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management

The Group's financial instruments are subject to a variety of financial risks including currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its input material price, liquidity, interest rate, foreign exchange and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(i) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade and other receivables and cash deposits.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credits limits and monitoring procedures. In addition, credit risk is minimised and monitored by limiting the Group's associations to business partners with high creditworthiness.

Cash and cash equivalents are only placed with licensed banks.

As at end of reporting period, the Group has significant concentration of credit risk arising from the exposures as disclosed below :-

(a) Amount due from three (2012 : five) major customers amounting to RM21,919,133 (2012 : RM46,599,762) representing 89% (2012 : 98%) of total trade receivables.

(b) Deposits paid of RM 16,759,685 (2012 : RM 21,842,234) to ten (2012: six) suppliers representing 98% (2012 : 92%) of total deposits paid to shipbuilding suppliers and contractors.

(c) Advance payment of RM9,195,203 (2012: Nil) to one (2012: Nil) shipbuilding contractor representing 90% (2012: Nil) of total advance payment to shipbuilding contractors.

The amounts due from the above receivables are monitored by the management on an ongoing basis.

Information on the ageing of trade receivables is disclosed in Note 10(ii).

(ii) Liquidity and Cash Flow Risk

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. In view of prudent liquidity management, the Group maintains sufficient level of cash to meet its working capital and capital expenditure requirements.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management (Cont'd)

(ii) Liquidity and Cash Flow Risk (Cont'd)

Maturity Analysis

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows :-

Group

	Maturity profile			
31.5.2013	**Less than 1 year RM**	**More than 1 year and less than 5 years RM**	**Total RM**	**Effective interest rate %**
Financial liabilities				
Bank overdraft	2,656,853	–	2,656,853	7.60
Term loans	5,045	–	5,045	6.80
Trade and other payables	46,654,673	–	46,654,673	–
Other bank borrowings	16,309,619	–	16,309,619	4.25 - 5.35
Derivative financial liabilities	36,210	–	36,210	–
31.5.2012				
Financial liabilities				
Bank overdraft	286,876	–	286,876	7.60
Term loans	347,652	6,798	354,450	6.80
Trade and other payables	38,508,058	–	38,508,058	–
Other bank borrowings	939,322	–	939,322	4.28 - 7.60
Derivative financial liabilities	760,333	–	760,333	–

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management (Cont'd)

(ii) Liquidity and Cash Flow Risk (Cont'd)

Maturity Analysis (Cont'd)

Group

	Maturity profile			
1.6.2011	**Less than 1 year RM**	**More than 1 year and less than 5 years RM**	**Total RM**	**Effective interest rate %**
Financial liabilities				
Term loans	347,652	356,243	703,895	6.80
Trade and other payables	21,378,767	–	21,378,767	–
Other bank borrowings	8,091,190	–	8,091,190	3.10 - 5.03
Derivative financial liabilities	848,903	–	848,903	–
Company				
31.5.2013				
Financial liabilities				
Other payables	136,000	–	136,000	–
31.5.2012				
Financial liabilities				
Other payables	115,000	–	115,000	–
1.6.2011				
Financial liabilities				
Other payables	110,100	–	110,100	–
Amount due to a subsidiary	314	–	314	–

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management (Cont'd)

(iii) Market risk

Market risk is the risk that the value of financial instruments will fluctuate due to changes in market prices.

The Group's market risk exposure to currency and interest rate fluctuations are discussed under the respective risk headings.

(iv) Currency Risk

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Singapore Dollars ("SGD") and European Union Euro ("EURO"). Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level. The movements in the rates of foreign currencies are monitored by the management and where considered necessary, the Group will enter into forward foreign currency exchange contracts to limit its exposure on foreign currency receipts and payments.

The Group does not speculate in foreign currency derivatives.

The foreign currency exposure profiles of financial assets and liabilities of the Group and the Company are as follows :-

	Denominated in foreign currency				
	USD RM	SGD RM	EURO RM	Others RM	Total RM
Functional currency : RM					
31.5.2013					
Trade and other receivables	1,637,194	10,074,601	203,096	206,598	12,121,489
Cash and bank balances	7,999,132	16,540,814	685,972	–	25,225,918
Trade and other payables	(508,056)	(781,803)	(620,262)	–	(1,910,121)
	9,128,270	25,833,612	268,806	206,598	35,437,286
31.5.2012					
Trade and other receivables	17,978,001	14,973,869	1,145,538	–	34,097,408
Cash and bank balances	6,002,106	8,835,060	3,844,635	–	18,681,801
Trade and other payables	(4,462,108)	(741,000)	(756,770)	(2,236)	(5,962,114)
	19,517,999	23,067,929	4,233,403	(2,236)	46,817,095
1.6.2011					
Trade and other receivables	6,996,595	6,594,979	–	52,862	13,644,436
Cash and bank balances	17,489,867	7,529,325	–	–	25,019,192
Trade and other payables	(5,642,392)	(2,643,994)	(610,120)	–	(8,896,506)
	18,844,070	11,480,310	(610,120)	52,862	29,767,122

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management (Cont'd)

(iv) Currency Risk (Cont'd)

Company	Denominated in USD RM
Functional currency : RM	
31.5.2013	
Amount due from subsidiaries	73,499
31.5.2012	
Amount due from subsidiaries	4,686,926
1.6.2011	
Amount due from subsidiaries	NIL

Currency Risk Sensitivity Analysis

A 10 percent strengthening of the major foreign currencies against the functional currency, RM, at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2013	2012	2013	2012
	Profit or loss		Profit or loss	
	RM	RM	RM	RM
USD	759,557	1,765,122	7,350	468,693
SGD	2,437,111	2,306,793	–	–
EURO	26,881	423,340	–	–
OTHERS	138,828	–	–	–
	3,362,377	4,495,255	7,350	468,693

A 10 percent weakening of the foreign currency against the RM currency at the end of the reporting period would have an equal but opposite effect on the profit or loss, assuming that all other variables remain constant.

(v) Interest Rate Risk

The Group has interest rate risks in respect of its bank borrowings, advances to shipbuilding contractors, deposits with licensed bank and investments in unit trust funds which investments are primarily in money market instruments.

Market interest rates movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing instruments are restructured or reduced.

31. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Risk Management (Cont'd)

(v) Interest Rate Risk (Cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and Company's significant interest-bearing financial instruments, based on the carrying amounts as at the end of the reporting period is as follow :-

	Group		Company	
	31.5.2013 RM	**31.5.2012 RM**	**31.5.2013 RM**	**31.5.2012 RM**
Floating rate instruments				
Financial assets	24,452,785	10,988,503	35,557,582	32,879,483
Financial liabilities	(18,834,871)	(1,561,371)	–	–
	5,617,914	9,427,132	35,557,582	32,879,483

Interest Rate Risk Sensitivity Analysis

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) equity or post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2013

	Equity		Profit or loss	
	100bp increase RM	**100bp decrease RM**	**100bp increase RM**	**100bp decrease RM**
Group				
Floating rate instruments	152,576	(152,576)	56,179	(56,179)
Company				
Floating rate instruments	152,576	(152,576)	355,576	(355,576)

2012

Group				
Floating rate instruments	105,795	(105,795)	94,271	(94,271)
Company				
Floating rate instruments	105,795	(105,795)	328,795	(328,795)

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments

(i) The fair value of the investment in unit trust funds is determined by reference to market price at the end of the reporting period.

(ii) The fair values of forward foreign exchange contracts is based on quotation by a licensed financial institution whilst the fair values of embedded foreign currency derivatives are obtained using valuation techniques such as discounted cash flow analysis and option pricing models.

(iii) The fair values of term loans approximate to their respective carrying amounts.

(iv) The fair value of other current financial assets and liabilities of the Group at the reporting date approximate to their carrying amounts in the statement of financial position due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments at the end of the reporting period which are measured at fair value by the various levels within a fair value hierarchy as required by MFRS 7, Financial Instruments: Disclosures. The levels in the fair value hierarchy are defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

31.5.2013

Group	Fair value measurement using :-			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets				
Available-for-sale investments	15,257,582	–	–	15,257,582
Financial liabilities				
Derivative financial liabilities	–	36,210	–	36,210

31.5.2012

Financial assets				
Available-for-sale investments	10,579,483	–	–	10,579,483
Financial liabilities				
Derivative financial liabilities	–	760,333	–	760,333

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value of financial instruments (Cont'd)

1.6.2011

Group	Level 1 RM	Fair value measurement using :- Level 2 RM	Level 3 RM	Total RM
Financial assets				
Available-for-sale investments	20,857,187	–	–	20,857,187
Derivative financial assets	–	798,215	–	798,215
	20,857,187	798,215	–	21,655,402
Financial liabilities				
Derivative financial liabilities	–	848,903	–	848,903

31.5.2013

Company	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial assets				
Available-for-sale investments	15,257,582	–	–	15,257,582
31.5.2012				
Available-for-sale investments	10,579,483	–	–	10,579,483
1.6.2011				
Available-for-sale investments	20,857,187	–	–	20,857,187

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio on an on-going basis.

The debt-to-equity ratio as at 31 May 2013 and 31 May 2012 were as follows :-

Debt-to-Equity ratio

	Group	
	2013 RM	**2012 RM**
Trade and other payables	46,654,673	38,508,058
Bank borrowings	18,834,871	1,561,371
Less: Cash and bank balances	(26,840,311)	(21,057,433)
Total Net Debt	38,649,233	19,011,996
Total equity	152,253,094	141,342,232
Debt-to-equity ratio	0.254	0.135

There were no changes in the Group's strategy and approach to capital management from the previous financial year.

33. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

Realised and Unrealised Profits/(Loss)

The breakdown of retained profits of the Group and the Company as at 31 May 2013, into realised and unrealised profits/(loss), pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows :-

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Total retained profits of TAS Offshore Berhad and its subsidiaries :				
- Realised	78,569,154	69,038,760	7,760,722	5,946,032
- Unrealised	814,554	(598,218)	–	19,200
	79,383,708	68,440,542	7,760,722	5,965,232
Less: Consolidation adjustments	(43,189,646)	(43,064,249)	–	–
Retained profits as per financial statements	36,194,062	25,376,293	7,760,722	5,965,232

The determination of realised and unrealised profits/(loss) is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Statement by Directors

We, **DATUK LAU NAI HOH** and **LAU CHOO CHIN**, being two of the directors of **TAS OFFSHORE BERHAD** do hereby state on behalf of the directors that in our opinion, the financial statements set out on pages 32 to 93 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2013 and of the results of operations and cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 33 to the financial statements on page 94 have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors.

DATUK LAU NAI HOH
DIRECTOR

LAU CHOO CHIN
DIRECTOR

Sibu, Sarawak

Date : 15 August 2013

Statutory Declaration

I, **HII CHAI HUNG**, being the officer primarily responsible for the accounting records and financial management of TAS OFFSHORE BERHAD do solemnly and sincerely declare that the financial statements set out on pages 32 to 93 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at Sibu in the state of Sarawak this)

HII CHAI HUNG

Date : 15 August 2013

Before me :-

Independent Auditors' Report

to the members of TAS OFFSHORE BERHAD (810179-T)

Report on the Financial Statements

We have audited the financial statements of TAS Offshore Berhad, which comprise the statements of financial position as at 31 May 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 93.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

Other Reporting Responsibilities

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

1. As stated in Note 2 to the financial statements, TAS Offshore Berhad adopted Malaysian Financial Reporting Standards on 1 June 2012 with a transition date of 1 June 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 May 2012 and 1 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 May 2012 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 May 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 June 2012 do not contain misstatements that materially affect the financial position as of 31 May 2013 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

FOLKS DFK & CO.
NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
No. : 996/03/14(J/PH)
CHARTERED ACCOUNTANT

Kuala Lumpur,

Date : 15 August 2013

Landed Property of the Group

Location/ Address	Description/ existing use	Land area (Acres)	Approx. age of building (Years)	Date of revaluation	Tenure	Net book value as at 31.5.2013 (RM)
Lot 199 Block 1 Sibu Town District	Shipyard with 3-storey office, two 3-storey workers' quarters, two utility hangers cum workshop, store, 1-storey guard house and a slipway.	12.23	10	19.11.2008	Leasehold 60 years expiring in 2070	18,788,920

Analysis of Shareholdings

as at 20 August 2013

Authorise Share Capital	:	RM100,000,000.00 divided into 200,000,000 shares of RM0.50 each
Issued and fully paid-up capital	:	RM90,001,000.00 divided into 180,002,000 shares of RM0.50 each
Class of shares	:	Ordinary Shares of RM0.50 each
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Holdings	No. of Holders	Total Holdings	Percentage of issued capital
Less than 100 shares	7	214	0.00*
100 – 1,000 shares	363	324,888	0.19
1,001 – 10,000 shares	1,542	8,984,600	5.11
10,001 – 100,000 shares	892	29,105,100	16.55
100,001 – less than 5% of issue shares	115	46,896,127	26.67
5% and above of issued shares	4	90,525,671	51.48
Total	2,923	175,836,600 #	100.00

* Less than 0.01 %

Excluding 4,165,400 ordinary shares of RM0.50 each bought back by the Company and retained as treasury shares based on Record of Depositors as at 20 August 2013.

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Account Holders	Shareholdings	Percentage
1.	Lau Nai Hoh	30,000,000	17.06
2.	Lau Nai Hoh	30,000,000	17.06
3.	Lau Nai Hoh	20,000,000	11.37
4.	Lau Nai Hoh	10,525,671	5.99
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Koh Kin Lip (8058900)*	4,300,000	2.45
6.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Koh Kin Lip*	3,000,000	1.71
7.	Ng Swee Hai	2,778,500	1.58
8.	Lau Kiing Ho	2,220,900	1.26
9.	Hii Sieng Teck	1,965,800	1.12
10.	Lau Chui Tai	1,905,600	1.08
11.	Lau Chii Hieng	1,896,200	1.08
12.	Hii Kiong Thai	1,241,317	0.71
13.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Angkasa Aman Sdn Bhd*	1,012,100	0.58
14.	Loh Chwee Chew Mooring Services Private Limited	1,000,000	0.57
15.	Yit Siew Shinng	894,800	0.51
16.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Goh Sin Bong (MP0081)*	800,000	0.45
17.	Chen Hing Jee (Tan Hing Yee)	789,000	0.45
18.	Ling Chiong Soon	755,200	0.43
19.	Pan Sarawak Holdings Sdn Bhd	750,000	0.43
20.	Hii Sieng Teck	729,700	0.41
21.	Kenneth Soh Kong Ming	622,000	0.35
22.	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Ah Kow (M07)*	586,000	0.33
23.	Ong Huat Lai	566,000	0.32
24.	JF Apex SecuritiesBerhad *IVT (DA1)*	500,000	0.28
25.	Lau Choo Chin	409,006	0.23
26.	Maria Francesca Hermawan Ong	400,000	0.23
27.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Faai @ Ng Yoke Pei (SRB/PMS)*	371,200	0.21
28.	Joseph Ling Yeo Kong	370,000	0.21
29.	Tee Alek @ Tee Bee Soon	320,500	0.18
30.	Ooi Leng Hwa	320,000	0.18
	Total	121,029,494	68.83

SUBSTANTIAL SHAREHOLDER

The substantial shareholders' interests in shares in the Company as per the Register of substantial shareholders as at 20 August 2013 are as follows:-

		No. of Ordinary Shares of RM0.50 each			
		Direct	**%**	**Indirect**	**%**
1.	Lau Nai Hoh	90,525,671	51.48	1,301,317 (i)	0.74

Note

(i) Deemed interested by virtue of the shareholdings of his spouse, Datin Hii Kiong Thai (1,241,317 shares) and children, Mr Lau Choo Kuang (40,000 shares) and Ms Lau Siew Ling (20,000 shares) in the Company.

DIRECTORS' INTEREST

The directors' interests in shares in the Company and related corporations as per the Register of Directors' shareholdings as at 20 August 2013 are as follows:-

		No. of Ordinary Shares of RM0.50 each			
		Direct	**%**	**Indirect**	**%**
1.	Lau Nai Hoh	90,525,671	51.48	1,301,317 (i)	0.74
2.	Lau Choo Chin	409,006	0.23	40,000 (ii)	0.02
3.	Tan Sri Dato' Seri Mohd Jamil Bin Johari	10,000	0.01	–	–
4.	Ling Ka Chuan	10,000	0.01	–	–
5.	Lau Kiing Yiing	10,000	0.01	–	–

Notes:

(i) Deemed interested under Section 134(12)(c) of the Act by virtue of his spouse and children's shareholdings in the Company.

(ii) Deemed interested under Section 134(12)(c) of the Act by virtue of his spouse's shareholdings in the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at the Tanahmas Hotel, Jalan Kampung Nyabor, 96007 Sibu, Sarawak on Wednesday 9 October 2013 at 10.00 a.m. to transact the following business:-

AGENDA

ORDINARY BUSINESS

1 To receive the Audited Financial Statements of the Company for the financial year ended 31 May 2013 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2 To approve the payment of directors' fees in respect of the financial year ending 31 May 2014. **Ordinary Resolution 2**

3 To re-elect the following Directors retiring pursuant to Article 86 of the Company's Articles of Association, and being eligible offer themselves for re-election :-

(i) Mr Lau Choo Chin **Ordinary Resolution 3**
(ii) Mr Lau Kiing Yiing **Ordinary Resolution 4**

4 To re-appoint Messrs. FOLKS DFK & Co. as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions:

5 Authority to Issue and Allot shares **Ordinary Resolution 6**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the Company's Articles of Association and approvals of the relevant authorities, the Directors be hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the issued share capital of the Company for the time being AND THAT the Directors be hereby empowered to obtain approval for the listing and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company."

6 Proposed Renewal of Authority for the Company to Purchase its Own Shares ("Proposed Share Buy-Back") **Ordinary Resolution 7**

"THAT subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and any other relevant authorities, the Directors be and are hereby authorised to utilise an amount not exceeding the total audited share premium and retained profits of the Company as at 31 May 2013 respectively to purchase such number of ordinary shares of the Company provided that the ordinary shares so purchased shall [in aggregate with the treasury shares as defined under Section 67A of the Act then still held by the Company] not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company for the time being;

AND THAT such authority shall commence upon the passing of this resolution until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting;

AND THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the ordinary shares purchased by the Company pursuant to the Proposed Share Buy-Back as treasury shares or subsequently to be distributed as share dividends or resold on Bursa Malaysia, or to cancel the shares so purchased, or a combination of the above AND FURTHER THAT the Directors be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and amendments as may be imposed by the relevant authorities."

7 **Proposed Amendments to the Articles of Association of the Company (Proposed Amendments)** **Special Resolution**

"THAT the Proposed Amendments to the Articles of Association of the Company as set in Appendix A of the Circular to Shareholders dated 17 September 2013 ('Circular") be and is hereby approved and adopted AND THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things as are necessary and /or expedient in order to give effect to the Proposed Amendments with full power to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

8 **To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Articles of Association of the Company.**

By order of the Board

Pauline Kon Suk Khim (MAICSA 7014905)
Company Secretary

Date : 17 September 2013

Notes :-

1. *For the purpose of determining a member who shall be entitled to attend this Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 60 of the Company's Article of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 2 October 2013. Only a depositor whose name appears on the General Meeting Record of Depositors as at 2 October 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
2. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.*
3. *To be valid, the proxy form, duly completed must be deposited at the registered office of the Company at Lot 199, Jalan Sg. Maaw, Sungai Bidut, P. O. Box 920, 96008 Sibu, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.*
4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
5. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.*
6. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

EXPLANATORY NOTES ON SPECIAL BUSINESS:

(a) Ordinary Resolution 6 – Authority to Issue and Allot shares

This Ordinary Resolution, if passed, is a renewal of the general mandate to empower the Directors of the Company from the date of this Annual General Meeting, authority to issue and allot Ordinary Shares from the unissued capital of the Company up to an aggregate of ten per cent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as the Directors consider in their absolute discretion to be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next annual general meeting. With this authority, the Company will be able to raise capital from the equity market in a shorter period of time and the cost to be incurred will also be lower as the need to convene an extraordinary general meeting will be dispensed with.

As at the date of this Notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the last Annual General Meeting held on 8 November 2012 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s) working capital and/or acquisitions.

(b) Ordinary Resolution 7 - Proposed Renewal of Authority for the Company to Purchase its Own Shares

The Proposed Ordinary Resolution No. 7 if passed, will authorise the Company to purchase up to ten per cent (10%) of the issued and paid-up share capital of the Company through Bursa Malaysia Securities Berhad.

(c) Special Resolution
Proposed Amendments to the Articles of Association of the Company

This proposed Special Resolution, if passed will allow the Company to incorporate the amendments made to the Listing Requirements of Bursa Malaysia securities Berhad to ensure compliance. Please refer to the Circular to Shareholders dated 17 September 2013 for further details.

Statement accompanying Notice of Annual General Meeting

There is no person seeking election as Director of the Company at this Annual General Meeting.

TAS OFFSHORE BERHAD
(Company No 810179-T)
(Incorporated in Malaysia)

No. of Shares held

PROXY FORM

I/We, ... of .... being a member/

members of the abovenamed Company hereby appoint .... of ....

.... or failing him, ... of .... or *the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 6th Annual General Meeting of the Company to be held at Tanahmas Hotel, Jalan Kampung Nyabor, 96007 Sibu, Sarawak on Wednesday 9th day of October 2013 at 10.00 am and, at any adjournment thereof for/against* the resolutions to be proposed thereat.

Resolution No	Ordinary Business	FOR	AGAINST
Ordinary Resolution 1	To receive the Audited Financial Statements and Directors' and Auditor's Reports.		
Ordinary Resolution 2	To approve the Directors' fees.		
Ordinary Resolution 3	To re-elect Mr Lau Choo Chin as Director.		
Ordinary Resolution 4	To re-elect Mr Lau Kiing Yiing as Director.		
Ordinary Resolution 5	To re-appoint Messrs. FOLKS DFK & Co. as Auditors for the ensuing year.		
	Special business		
Ordinary Resolution 6	To approve the authority to issue shares pursuant to Section 132D of the Company Act, 1965.		
Ordinary Resolution 7	Proposed renewal of authority for the Company to purchase its own shares.		
Special Resolution	To approve the proposed amendments to the Articles of Association of the Company.		

(Please indicate with an "X" in the spaces provided above on how you wish your vote to be casted. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

The proportions of my holdings to be presented by my *proxy/our proxies are as follows:

	Number of shares	Percentage
First named proxy A		%
Second named proxy B		%
Total		100%

In case of a vote taken by a show of hands, the First Proxy A /Second Proxy B shall vote on * my/our behalf.
*Strike out whichever is not desired. (unless otherwise instructed the proxy may vote as he thinks fit)

Dated this...................day of..............................2013

....
Signature of Member(s) /Common Seal

Notes:

1. *For the purpose of determining a member who shall be entitled to attend this Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 60 of the Company's Article of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 2 October 2013. Only a depositor whose name appears on the General Meeting Record of Depositors as at 2 October 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
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6. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

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AFFIX
STAMP

THE COMPANY SECRETARY
TAS OFFSHORE BERHAD (810179-T)
Lot 199, Jalan Sg. Maaw
Sungai Bidut
P. O. Box 920,
96008 Sibu, Sarawak

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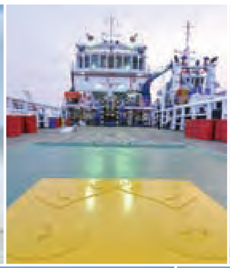

www.tasoffshore.com

Lot 199, Sungai Ma'aw Road, Sg. Bidut, P.O. Box 920, 96008 Sibu, Sarawak, Malaysia.
Tel : 6-084-310211 Fax : 6-084-319139