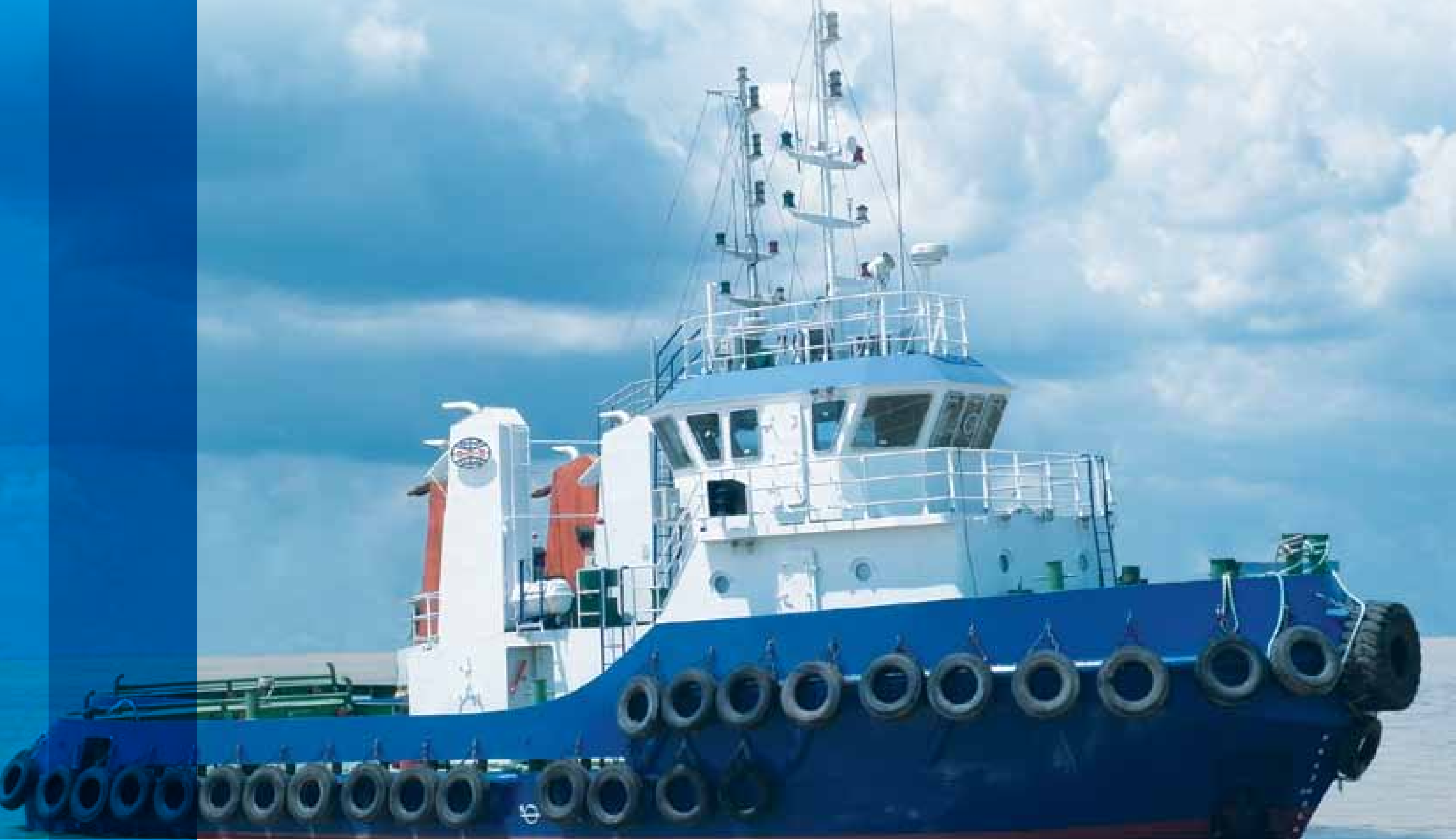
TAS OFFSHORE BERHAD
(810179-T)

ANNUAL REPORT **2017**

CONTENTS



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 trainings to enhance their knowledge and career advancement, and a safe and conducive working environment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datu Haji Mohammed Sepuan Bin Anu	*Independent Non-Executive Chairman*
Datuk Lau Nai Hoh	*Managing Director*
Lau Choo Chin	*Deputy Managing Director*
Tan Sri Dato' Seri Mohd Jamil Bin Johari	*Independent Non-Executive Director*
Lau Kiing Yiing	*Senior Independent Non-Executive Director*
Ling Ka Chuan	*Independent Non-Executive Director*

COMPANY SECRETARY

Pauline Kon Suk Khim
(MAICSA No. 7014905)
2nd Floor, Lot 144
Jalan Petanak
93100 Kuching
Sarawak
Tel:082-248491
Fax: 082-253857

REGISTERED AND HEAD OFFICE

Lot 199, Jalan Sg Maaw
Sg Bidut
96000 Sibu
Sarawak
Tel: 084-310211
Fax: 084-319139
Website: www.tasoffshore.com

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Tel: 03-7841 0777
Fax: 03-7841 8151

AUDITORS

Folks DFK & Co (AF 0502)
12th Floor, Wisma Tun Sambanthan
No. 2, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel: 03-2273 2688
Fax: 03-2274 2688

PRINCIPAL BANKERS

Bank of China (Malaysia) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

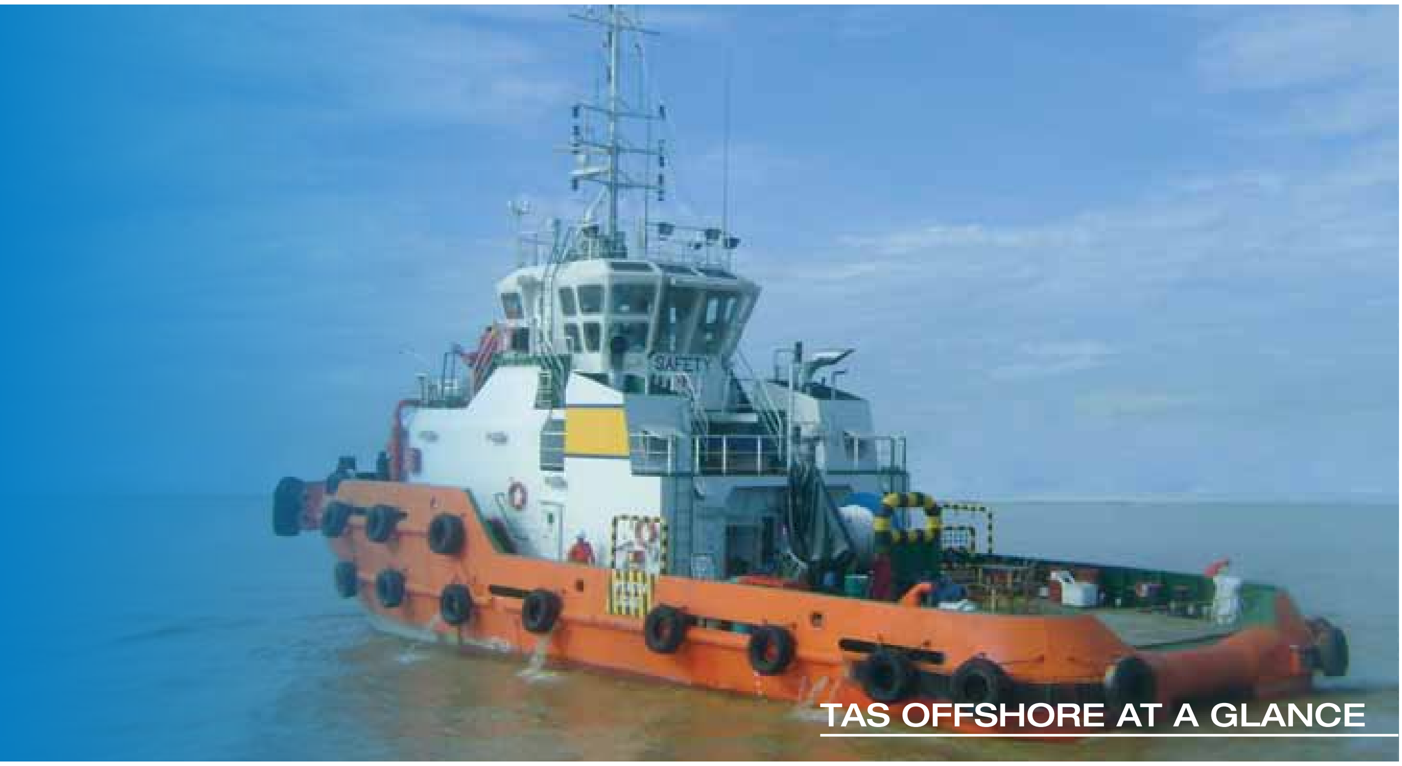
STOCK NAME

TAS

STOCK CODE

5149

CORPORATE **PROFILE**



TAS OFFSHORE AT A GLANCE

Well back in 1977, an enterprising young businessman 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 Sdn. Bhd., in 2002 to take care of the shipbuilding and ship repairing activities and has never looked back since.

On 18 March 2008, TAS Offshore Berhad ('TAS' or 'the Company') was incorporated as an investment holding company 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 Sdn. Bhd. on 3 April 2009. Through its wholly-owned subsidiaries, Tuong Aik Shipyard Sdn. Bhd. and TA Ventures (L) Ltd, TAS is involved in shipbuilding and ship repairing.

The principal business activity of TAS is shipbuilding and its 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 equipment 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. Through its subsidiary, TAS has also engaged shipyards in China for the construction of offshore support vessels.

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

FIVE-YEAR FINANCIAL HIGHLIGHTS as at 31 May

YEAR	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)
GROUP REVENUE & PROFIT					
REVENUE	137,996	254,271	275,873	115,789	20,705
PROFIT/(LOSS) BEFORE TAXATION	16,707	34,304	12,932	(21,221)	(13,955)
NET PROFIT/(LOSS) FOR THE YEAR	13,456	28,785	12,543	(21,861)	(14,035)
EQUITY ATTRIBUTABLE TO OWNERS					
SHARE CAPITAL	90,001	90,001	90,001	90,001	117,640
TREASURY SHARES	(1,613)	(1,645)	(1,661)	(1,777)	(1,777)
SHARES PREMIUM	27,639	27,639	27,639	27,639	-
OTHER RESERVES	36,226	58,692	75,261	57,310	44,852
FINANCIAL STATISTICS					
BASIC EARNINGS/(LOSS) PER SHARE (SEN)	7.65	16.37	7.13	(12.45)	(7.99)
NET ASSETS PER SHARE (RM)	0.87	0.99	1.09	0.99	0.92
GEARING RATIO	0.12	0.20	0.22	0.19	0.33

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)
100%	**TAS EPIC SDN. BHD.** (1185000-P)

DIRECTORS' PROFILE

Datu Haji Mohammed Sepuan Bin Anu
Independent Non-Executive Chairman (Male)
***Member:** Audit Committee*

Datuk Lau Nai Hoh
Non-Independent Managing Director (Male)
***Member:** Remuneration Committee*

Datu Haji Mohammed Sepuan Bin Anu, a Malaysian aged 71, was appointed as our Independent Non-Executive Chairman on 17 July 2014. He was reappointed during the 2016 Annual General Meeting. He graduated from Cranfield University of the United Kingdom in 1977 with a Bachelor of Science (Hons) in Agricultural Engineering. He started his career as an Assistant Agriculture Officer in the Department of Agriculture Sarawak in 1968. He was appointed as Director of the Integrated Agriculture Development Project Samarahan in 1994 and later served as Director of Agriculture from 2001 until March 2006. He later served as the Agriculture Advisor in the Ministry of Modernisation of Agriculture Sarawak till April 2007. He was appointed as a member of the Public Services Commission Malaysia from 2011 to 2014.

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

Datuk Lau Nai Hoh, a Malaysian aged 66, is the founder of TAS Group and was appointed as the Non-Independent Group Managing Director on 18 March 2008. He has been instrumental in the growth and development of the Group. He has approximately 27 years of experience in the marine industry. He first established Tuong Aik (Sarawak) Sdn. Bhd. in late 1977 dealing initially with marine paint and hardware. In the early 1990s he ventured into ship repairing and shipbuilding activities and in early 2002, Tuong Aik Shipyard Sdn. Bhd. was established to specialise in building various types of Tugboats to cater for the needs of the mining, timber and oil and gas industries. As the 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 financial statements. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

DIRECTORS' PROFILE (cont'd)

Lau Choo Chin
Non-Independent
Deputy Managing Director (Male)

Lau Choo Chin, a Malaysian aged 42, 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. Before joining Tuong Aik Shipyard Sdn. Bhd. in 2005, he was with Tuong Aik (Sarawak) Sdn. Bhd. for 8 years involving with the coordination of shipbuilding activities. He has more than 19 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 vessels used by the oil and gas industry. 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 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 financial statements. Except as disclosed therein, he has no personal interest in any other business arrangement with the Company.

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

Tan Sri Dato' Seri Mohd Jamil Bin Johari, a Malaysian aged 70, was appointed as our Independent Non-Executive Director effective from 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 has no family relationship with any Director or major shareholder of TAS Offshore Berhad and has 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 private limited companies.

DIRECTORS' PROFILE (cont'd)

Lau Kiing Yiing

Senior Independent Non-Executive Director (Male)
Chairman: *Audit Committee*
Member: *Remuneration and Nomination Committees*

Lau Kiing Yiing, a Malaysian aged 62, was appointed as our Independent Non-Executive Director on 1 June 2009. He graduated from the University of Canterbury, New Zealand, with a Bachelor of Commerce degree. 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 37 years of experience, he is well versed in corporate reporting, corporate finance, restructuring work, auditing and taxation matters. He was a partner of the accounting firm, Crowe Horwath.

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

He is a Non-Executive Director and a member of the Audit Committee and Nomination Committee of Hock Seng Lee Berhad.

Ling Ka Chuan

Independent Non-Executive Director (Male)
Chairman: *Remuneration Committee*
Member: *Audit and Nomination Committees*

Ling Ka Chuan, a Malaysian aged 59, 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 has no conflict of interest with the Group.

Notes :

- None of our Directors has been convicted of any offences within the past 5 years and no public sanction or penalty was imposed by the relevant regulatory bodies on our Directors during the financial year.
- Directors' attendance at Board meetings is listed on page 18 of this Annual Report.

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of TAS Offshore Berhad and its Group of Companies ('the Group') for the financial year ended 31 May 2017 ('FYE2017').

The business environment for the FYE2017 was extremely challenging and it was a test of our resilience. The prolonged slump in prices of and demand for oil and mineral ores, has greatly affected the operators of both these industries and industries related to them. The oil majors have reduced both their capital and operation expenditures which resulted in a glut in the availability of the offshore support vessels and the falls in the charter rates. The downward pressure on demand for mineral ores and export control imposed by the Indonesian government on unprocessed mineral ores had also affected the tugboats market.

The slump in oil prices had caused the Group to record a much lower revenue of RM20.7 million for FYE2017. The drop in revenue was mainly caused by the drop in the sales of the offshore support vessels due to the low demand of such vessels because of the low oil price and also the drop in selling price of the vessels due to keen market competition. The Board is however, pleased that the Group had reduced the loss figures for this financial year to RM14.0 million from RM21.8 million recorded for the previous financial year. The loss was mainly caused by a RM7.4 million write down in value of the Group's inventories of unsold vessels.

The oil price has remained in the range of US$45 to US$50 per barrel as a result of the production reduction by the OPEC and non-OPEC countries. The decision by these countries to extend the production reduction to March 2018 to rebalance the oil price will further improve the outlook of the oil price. However, increase in production by Libya and Nigeria, the increase in the number of rig deployments and the increase in shale oil production in the USA may affect the outcome of the effort taken by the OPEC and non-OPEC countries to balance the oil price. With Indonesian

MESSAGE TO SHAREHOLDERS (cont'd)

Government easing the ban on export of unprocessed mineral ores since January 2017 and the improvement of coal price, the prospects for sale of tugboats are expected to improve. Our Group's position is expected to benefit from both the upward movement of coal and oil prices and the ease on export control of unprocessed mineral ores.

It is indeed very encouraging to note that for FYE2017, the Group has secured contracts totalling about RM51.5 million (for 1 tugboat, 2 harbour tugs, 1 landing craft) as compared to the RM6.5 million secured for FYE2016.

The Group will continue to seek ways to improve the operation efficiency, cut costs and conserve cash. The Management is actively sourcing for buyers for vessels on hands. The Group is being managed prudently to ride out the current economic turbulence and we are cautiously optimistic of our prospect.

On behalf of the Board, I would like to thank you for your patience and support of the Group and wish to record my appreciation for the Management and staff for their hard work and dedication.

Datu Haji Mohammed Sepuan Bin Anu
Chairman

Management DISCUSSION AND ANALYSIS

Overview of Group's Business and Operation

Our Group is involved principally in the shipbuilding operations and secondary in the ship repairing activities. Shipbuilding generates about 87.5% of the revenue while ship repairing activities account for about 7.8% of the revenue. Though a small player in the global shipbuilding arena, the Group has established itself in the shipbuilding industry and has a well equipped shipyard located at the bank of Igan River at Sibu, Sarawak with engineers and skilled workers for construction of vessels in compliance with the standards of international classification societies.

In the Group's operation records, it has constructed vessels used by the transportation, timber, mining, and oil and gas industries, and harbour operation. These vessels include ferries, tugboats, harbour tugs, barges, landing craft, anchor handling tugs (AHT), anchor handling tug and supply vessels (AHTS), utility/support vessels and workboats. The Group has also engaged shipyards in China for the construction of offshore support vessels used by the oil and gas industry besides building them at its own yard.

Previously the middle-eastern countries, Singapore and Indonesia were the main markets when the oil and commodity prices were good. However, when oil and commodity prices took a tumble in recent years, the Group shifted its market focus to other regions. During FYE2017 the main markets for the Group are Switzerland (66.9%), Malaysia (20.0%) and Singapore (13.6%).

Our Group adds values to its vessels by being innovative in the designs of vessel, promoting green technology and savings on fuel consumption.

Review of Financial Results and Financial Condition

The Group recorded a revenue of RM20.7 million for FYE2017, a drop of RM95.1 million or 82.1% as compared to RM115.8 million recorded for financial year ended 31 May 2016 ('FYE2016'). The drop in revenue was mainly caused by the drop in sale of the offshore support vessel due to the low demand of offshore support vessel because of the low oil price and also the drop in selling price of the vessels due to keen market competition.

Loss before tax for FYE2017 stood at RM13.9 million, an improvement of 34.2%, as compared to a loss before tax of RM21.2 million for FYE2016. The improvement in performance was mainly due to the reduced impairment loss on trade and other receivables. For FYE2017, the loss after tax was RM14.0 million as compared to a loss of RM21.8 million recorded for FYE2016. The loss was mainly caused by the write down in value of inventories of unsold vessels amounted to RM7.4 million.

The increase in inventories by 16.2% to RM474.1 million during FYE2017 was mainly caused by an increase of vessels under construction amounted to RM65.6 million. Trade and other receivables for FYE2017 increased by 19.8% to RM36.2 million from RM30.2 million for FYE2016 due mainly to the increase in deposits paid to shipbuilding contractors.

Trade and other payables increased by RM10.9 million or 3.0% to RM375.3 million. The increase was mainly caused by accruals for work performed by shipbuilding contractors.

Capital Expenditure Requirements, Capital Structure and Resources

In view of the current depressing global economic condition, there is no plan to incur new capital expenditure as the Group maintains its current operation capacity. As for working capital requirement, currently the Group relies on funds generated internally and short term bank borrowing to finance the needs. In the long term, where implementation of business plan calls for substantial capital sum injection, the Group will contemplate sourcing the fund from equity market and may also seek synergic and reliable joint-venture partner.

Known Trend and Events

The Group is facing with a drop in sales, particularly the offshore support vessels, due mainly to the fall in oil price, reduction in capital expenditures by the oil majors and a glut of offshore support vessels in the market. Low mineral ores prices have also affected the sales of the tugboats. All the above factors resulted in keen competition among the ship builders which has suppressed the selling prices of the vessels and unfavourably affected the revenue and gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Review of Operation Activities

Our Group is actively involved with the principal business activity of shipbuilding which involves construction of offshore support vessels for the oil and gas industry, tugboats for the mineral ores industries, harbour tugs for the port operations and landing crafts which can be used by various industries for transportation purposes.

The low oil price has resulted in a decrease in demand of the offshore support vessels and adversely affected the sales of this type of vessel. The Group has since slow down or suspended the construction progress in this section. Upward movement in oil price will augur well for the Group's current position. The Group is actively scouting for new sale prospects and markets to improve the sales of offshore support vessels.

The sales of tugboats have slowed down in previous financial year since the fall in mineral ores prices and since the Indonesian Government put a control on export of unprocessed ores. However, the construction of such vessels is ongoing at our shipyard though at a slower pace. The sale is expected to improve as the Indonesian Government had relaxed the export control of unprocessed ores in January 2017. The construction of these tugboats is financed with fund internally generated. The Management is currently working through the network to market the tugboats on hand to parties involved with mining of mineral ores.

The construction of harbour tugs under contracts is underway at the yard under close supervision. These vessels are expected to be delivered in the fourth quarter of 2017.

The unit of landing craft built under contract secured in FYE2017, will be delivered by third quarter of 2017. We have built a reputation for construction of quality landing crafts and are currently talking to prospective buyer.

The contracts on hand for the construction of the harbour tugs and landing craft will contribute positively to financial year 2018.

Anticipated or Known Risks

The fall in the sales of offshore support vessels due to low oil price has created the risk of loss of the value of the inventories of unsold vessels, thus leading to the write down in value of those vessels during the FYE2017. This has affected the financial performance of the Group unfavourably. The Group's cash position will also be affected by both the fall in vessel sales and low selling price. To mitigate these risks, the Management is actively prospecting for new market for the vessels on hand to minimize the exposure to further impairment in value of those vessels and the Management has also taken steps to conserve the cash position by slowing down the construction progress of vessels built for sale, concentrating effort on those built under contracts, and implementing cost cutting measures such as reduction in contractors engaged and administration expenses.

Forward-looking Statement

The oil price has remained in the range of US$45 to US$50 per barrel as a result of the production reduction by the OPEC and non-OPEC countries. The decision by these countries to extend the production reduction, which brought about the current oil price and curtailed the increase in crude flow, to March 2018 to rebalance the oil price will further improved the outlook of the oil price. However, the increase in production by Libya and Nigeria, the increase in the number of rig deployments and the increase in shale oil production in the USA may affect the outcome of the effort taken by the OPEC and non-OPEC countries to balance the oil price.

Thus, the Group remains cautious about the oil price movements in the short term and will be prudent in its operation. However, in the long run, the global demand for oil is expected to exceed the production due to the growth in population, and industrial and development activities. Hence, the oil price is expected to recover and demand of offshore support vessels to return in the long run. The Group is well positioned to benefit from the oil price recovery. The outlook of the tugboat market has improved as the Indonesian Government had eased the export control on unprocessed mineral ores and the upward movement of coal price may drive the demand of tugboats. These developments augur well for the Group.

Overall, the Group is cautiously optimistic about its prospects and is prudently managed to weather the current economic turbulence.

REPORT ON
CORPORATE SOCIAL RESPONSIBILITY

TAS practises good Corporate Social Responsibility ('CSR') and these practices are imbedded as an integral part of its operations. We strive to be a socially responsible citizen, meeting globally recognised corporate responsibility standard by incorporating CSR as part of our Corporate Culture.

We are committed to treat CSR as a sustainable approach to business that would benefit all stakeholders.

The key initiatives and activities carried out during the year include:

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 FY2017 we took part in two job fairs organised by the Ministry of Human Resource Malaysia to provide information and job opportunities under Azam Kerja programme and to those residents of rural areas.

On the education front, an education fund had been set up. The fund is available to the children of TAS' employees and also other needy and deserving students to assist them in pursuing their education.

HUMAN RESOURCE

At TAS we perceive human resource as an important factor in ensuring the success of the TAS Group. We highly value our employees' contribution and believe that by developing the right employees and retaining their services will facilitate the future growth of the Group.

We provide not only fair and handsome monetary rewards in basic pay, allowance and bonuses but also medical benefits and insurance coverage. Workers' quarters and amenities are continually maintained 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.

We believe caring for the employees in their career developments and general welfare is a positive affirmation of showing our appreciation of their efforts.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (cont'd)

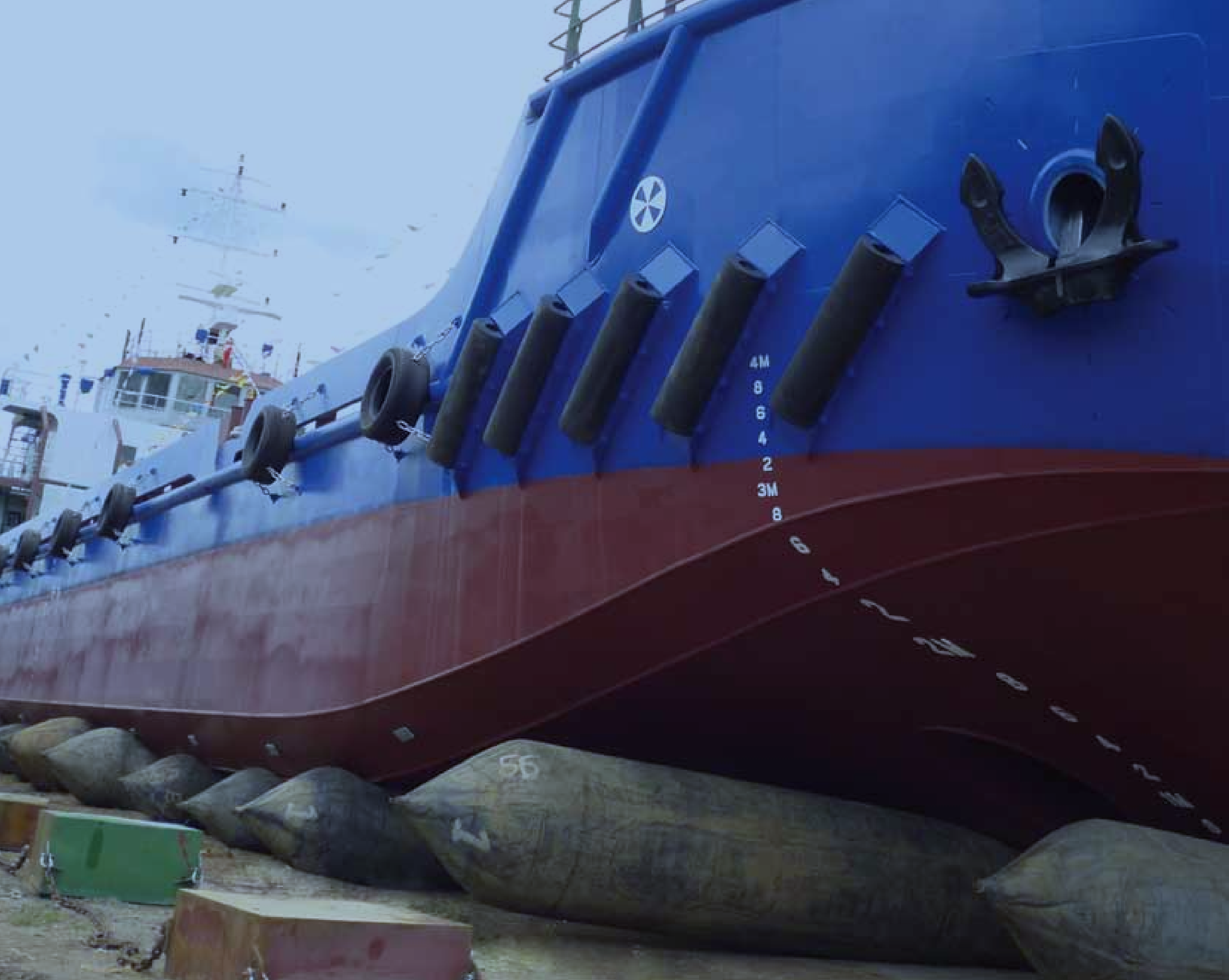
HEALTH AND SAFETY

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, guidelines and procedures generally cover:

- Safety procedures to be followed at the yard including wearing of protective and safety gears by the workers.
- Undertaking by Contractors working at the yard to abide to the health and safety policies and procedures implemented.
- Occupational Health and Safety Awareness.
- Cleanliness and tidiness of workers' quarters and compound.

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

We also conduct health and safety checks to ensure that the yard, quarters and their surrounding are well maintained and tidy at all times and that all safety equipment is operational and placed at 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 shareholders' 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 ('the Code'.)

The Board is pleased to provide the statement below setting out the manner in which the Group has applied the principles of the Code 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 ('the Listing Requirements') and the Code.

The Board plays an active role in directing management in an effective and responsible manner. 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:

a) **Strategic Direction**

The Board establishes the vision for the Group and sets overall objectives. The Board reviews the operation performances on quarterly basis to ensure that the performances are aligned to the Group's overall strategic direction and objectives.

b) **Overall Management**

The Board oversees the conduct of the Group's business to ensure that it has been properly managed and is sustainable. The Executive Directors are delegated with relevant approving authorities for the management of the business operations.

c) **Risk Management and Internal Control**

The Board through its Risk Management Committee oversees the efficiency and adequacy of the Group's risk management and internal control system by establishing risk management framework with ongoing process for identifying, evaluating and managing significant financial risks faced by the Group.

d) **Succession Planning**

The Board ensures high standard prevails in the processes of appointing, training, assessing of the right candidates in succession planning. The Nomination Committee monitors and evaluates the performances of the senior management and members of the Board with a view for continuous improvement and to plan for successors.

e) **Good Corporate Governance**

The Board ensures that corporate governance adopted and practised are in line with the principles of transparency, accountability and integrity so as to protect and enhance shareholders' interest and financial performance of the Group.

Statement on Corporate Governance (cont'd)

In the course of carrying out their responsibilities, the Board is guided by the Code of Ethics, an integral part of the Company's Board Charter ('the Charter'), codifying a standard of conduct expected from the Directors, protect the Group's business, maintain the Group's integrity and foster compliance with relevant legal and regulatory requirements. The Charter which is observed by all the Directors relies on the principles of integrity, accountability, and compliance with relevant regulatory requirements. Matters requiring Board's decision and those under the umbrella of the Executive Directors' delegated authorities are clearly specified therein and brought to the attention of the parties concerned.

A copy of the Charter can be found on the Company's website.

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. The term of reference for the Audit Committee, and the Nomination Committee uploaded on the Company's website were last reviewed in 2016.

Board Balance and Composition

As at the date of this statement, the Board has six (6) members, comprising two (2) Executive Directors and four (4) Independent Non-Executive Directors. The structure of composition is consistent with the Listing Requirements and the Code which requires that at least two (2) Directors or one third of the Board, whichever is the higher, are Independent Directors.

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 Independent Non-Executive Directors who are individuals of high calibre and standing, contribute significantly in enhancing the corporate governance and ensuring the objectivity in Board's decision making. They provide an effective independent and balanced view to the Board. Although all the Directors have an equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that 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.

Annual assessments of the Independent Directors' continuous ability to exercise independent and unbiased deliberation are performed by the Board based on a set of criteria. They are also assessed for their ability to continue to provide valuable contribution to the Board's deliberation.

Based on the evaluation conducted, the Board is satisfied that the Independent Directors have 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 Meetings

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.

Statement on Corporate Governance (cont'd)

During the financial year ended 31 May 2017, five (5) Board meetings were held. Details of attendance of Directors are set out below.

Name of Directors	Designation	Meeting Attendance
Datu Haji Mohammed Sepuan Bin Anu	Independent Non-Executive Chairman	5/5
Datuk Lau Nai Hoh	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	Senior Independent Non-Executive Director	5/5
Ling Ka Chuan	Independent Non-Executive Director	4/5

At the Board meetings, the Chairman of the Board will ensure that adequate time is given for each agenda item to be 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 issues discussed before arriving at those decisions are properly documented.

Access to 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 2 weeks prior to the Board and Board Committee meetings to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meetings.

The Directors are also consulted and briefed on any major announcements to be made to Bursa Malaysia.

Besides direct access to the Management, the 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 Company practises non-gender discrimination. Directors are recruited based on merit that will add value to and complement the Board in discharging its responsibilities in the best interest of the Group.

The Nomination Committee is responsible for selecting and recommending to the Board suitable candidate for the appointment as new director to the board in accordance with the Directors Selection Policy which takes into consideration: ethics and integrity, qualification and experience, elements of conflict of interest and independence and, devotion and time commitment.

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

In the process of appointing new directors, the Company provides an orientation and education programme for the new appointees to the Board.

Assessment and Re-Election of Directors

The Nomination Committee evaluates the performance of the Board and each of the Board Committees as a whole annually and also the performance of each director. Each member of the Nomination Committee is given a set of the questionnaires covering board and committees composition, operations, roles and responsibilities with evaluation emphasising on areas such as mix of skills, expertise and knowledge, access to and timeliness of information, roles in risk management and internal control, succession planning, and contribution to management decision making. The Nomination Committee reports to the Board with the evaluation results and recommendations for further deliberation by the Board. This formal and transparent evaluation process provides the basis for recommendation of Directors' training needs and re-election of existing Directors to the Board.

The re-election of existing directors at the annual general meeting by the shareholders provides shareholders an opportunity to reassess the composition of the Board.

The Nomination Committee also conducts annual evaluation on the performance of the Audit Committee based on the criteria set out in the Performance Evaluation Form covering areas such as experience, characters and initiative, analytical skill, and operational and financial knowledge.

Board Commitment

The Board is satisfied with the level of commitment of all the Directors which is reflected through their attendance at Board Meetings and Board Committee Meetings. In order to assist Directors commit their time for the Company, the annual corporate calendar is distributed to each Director at the beginning of each year to facilitate the Directors in planning their meeting schedule for the year.

The Directors are aware that they must not hold directorship in more than five (5) public listed companies. In any event, the Directors are reminded that they must inform the Company Secretary immediately of any new appointments that they accept.

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.

Statement on Corporate Governance (cont'd)

For Financial Year 2017, all Directors have attended training courses with details as follows:

Directors	Courses	Date of Attendance
Datu Haji Mohammed Sepuan Bin Anu	Recent Amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statement	15 July 2016
Datuk Lau Nai Hoh	Recent Amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statement	15 July 2016
Lau Choo Chin	Recent Amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statement	15 July 2016
Tan Sri Dato' Seri Mohd Jamil Bin Johari	Recent Amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statement	15 July 2016
Lau Kiing Yiing	Recent Amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statement	15 July 2016
Ling Ka Chuan	Companies Act 2016 & Interest Scheme Act 2016	4 May 2017

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 deliberated 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 four (4) members, comprising entirely of Independent Non-Executive Directors. Detailed information on Audit Committee can be found in the Audit Committee Report on page 28 to 29 of this Annual Report.

(ii) Nomination Committee

The Nomination Committee has three (3) 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

(ii) Nomination Committee (cont'd)

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 review the terms of office of Audit Committee and the performance of Audit Committee and each of its members to determine whether the Audit Committee have carried out their duties in accordance with their terms of reference.
- To facilitate training programmes for Directors.

The key activities of the Nomination Committee undertaken during the financial year were as follows:

- Reviewed and assessed the required size, composition, mix of skill, experience and other qualities of the Board.
- Assessed the effectiveness of the Board as a whole, the contribution of each Director and the Board Committees.
- Recommended to the Board for continuation the services of the Directors who were due for retirement by rotation.
- Reviewed the terms of office of Audit Committee and the performance of Audit Committee and each of its members to determine whether the Audit Committee have carried out their duties in accordance with their terms of reference.
- Facilitated training programmes for the Directors.

One (1) Nomination Committee meeting was held during the financial year ended 31 May 2017 and was attended by all the members.

(iii) Remuneration Committee

The Remuneration Committee has three (3) 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 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.

One (1) Remuneration Committee meeting was held during the financial year ended 31 May 2017 and was attended by all members.

Statement on Corporate Governance (cont'd)

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 and 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 received from both the Company and Subsidiary for the financial year ended 31 May 2017 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 - Company - Subsidiary	– –	132,804 1,195,236	– –	– –	53,250 309,410	186,054 1,504,646
Non-Executive Directors	147,000	–	–	27,400	–	174,400
Total	147,000	1,328,040	–	27,400	362,660	1,865,100

Note: Remuneration received was from Company, unless otherwise stated.

Range of Remuneration (RM)	Executive Director	Non-Executive Director	Total
1 – 50,000	–	4	4
450,000 – 500,000	1	–	1
1,350,000 – 1,400,000	1	–	1
Total	2	4	6

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 announcements made to the Bursa Malaysia Securities Berhad, annual reports, circulars issued to shareholders and press releases.

In this regard, 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 operations 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.

Poll voting will be conducted for all resolutions set out in the Notice of Annual General Meeting.

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 statements 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.

Statement on Corporate Governance (cont'd)

The Audit Committee is entrusted with the responsibility to oversee the internal control and risk management of the Company. The Company's risk management policy defines its approach to risk management, linkage to the corporate objective and integration into the business processes, while under the risk management framework, structures and procedures are set up to monitor and manage the risks faced by the Group. The Audit Committee is aided by both the internal auditor and the Risk Management Working Committee whose members are made up of all the departmental heads. The Risk Management Working Committee meets quarterly to review the identified inherent risks of respective departments. The review is done by rating or scoring the risks identified according to the matrix table. Rectifying actions are then determined and implemented to bring the risks to an acceptable level. A report is submitted to the Audit Committee quarterly for review and deliberation during the quarterly Audit Committee meeting. The Audit Committee will then report to the Board on key risk management issues and recommend where necessary, any further actions to be taken to mitigate the risks identified.

Detailed information on risk management and internal control is set out in the Statement on Risk Management and Internal Control on page 26.

Relationship with External Auditors

The Board has established a transparent, objective and professional relationship with the external 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 their audit plan, audit findings, highlight and discuss the internal controls and problems that may require the attention of the Board.

Policies and procedures are established by the Board to guide the Audit Committee in their annual assessment of the external auditors' independence and objectivity including monitoring the provision of non-audit related services to ensure that the external auditors' independence and objectivity are not, and are not perceived to be in conflict with their roles.

Written assurance is obtained from the external auditors confirming that the provision of their services to the Group do not impair their independence.

Details of the audit and non-audit fees paid or payable to the Company's external auditors, Messrs. Folks DFK & Co. for the FYE2017 are as follows:

	Company	Group
Statutory audit fees (RM)	30,000	63,588
Non-audit fees (RM)	4,500	4,500
	34,500	68,088

The Audit Committee, having appraised the performance and assessed the independence and objectivity of the external auditors, was satisfied with their competency and independence and had recommended to the Board for their reappointment for the ensuing year.

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 28 of this Annual Report.

Statement on Directors' Responsibility

The Directors are required by the Companies Act 2016, 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.

Statement on Corporate Governance (cont'd)

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 complied with;

(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 2016 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.

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.

Material Contracts

There was no material contract entered into by the Company or its subsidiaries involving the interest of the Directors, or major shareholders either still subsisting at the end of the financial year ended 31 May 2017 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions

The related party transactions are disclosed on page 93 and 94 of this Annual Report.

Statement on
Risk Management and Internal Control

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

Board's Responsibility

The Board of Directors is responsible for the Group's risk management and 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 risk management and internal control covers, inter alia, financial and operational activities, compliance controls and various risk areas identified. Because of the limitations that are inherent in any system of risk management and 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 recognises that as the Group grows, the system on risk management and internal control will continually need to be enhanced to suit the needs and requirements of the expanding Group.

The Board is of the view 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 and has received the same assurance from the Managing Director and Group Accountant.

Key Processes on Risk Management and Internal Control

The main features of the Group's risk management and internal control system and the key processes that have been applied in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

Internal Audit

The Group has outsourced the internal audit function. To ensure independent and impartial appraisal, the Internal Auditor is given unrestricted access to all records, information, property, personnel and other relevant resources of the TAS Group. The internal audit review covers all the key functional areas and processes of the Group.

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

Risk Management

The Board has formalised the risk management policy and control framework which 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. A Risk Management Report is compiled and submitted to the Audit Committee which has been entrusted by the Board to assist its risk management responsibility. Such processes and procedures have been put in place for the financial year under review and up to the date of approval of this statement for inclusion in the Annual Report.

Statement on Risk Management and Internal Control (cont'd)

Each department in the Group is responsible for the identification and assessment of its significant risks. The identified risks are assessed 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 to the Board of Directors. Emphasis is placed on reviewing and updating the significant risks affecting the business and business sustainability including policies and procedures by which these risks are managed.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement and reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

Audit Committee Report

Chairman:	
Lau Kiing Yiing	Senior Independent Non-Executive Director
Members:	
Datu Haji Mohammed Sepuan Bin Anu	Independent Non-Executive Director
Tan Sri Dato' Seri Mohd Jamil Bin Johari	Independent Non-Executive Director
Ling Ka Chuan	Independent Non-Executive Director

Composition

The Audit Committee has four (4) members, comprising of all independent non-executive directors, with the Chairman who is a member of the Malaysian Institute of Accountants. The structure of composition is consistent with the Listing Requirements.

Audit Committee Meeting held during the Financial Year 2017

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
Datu Haji Mohammed Sepuan Bin Anu	5/5
Tan Sri Dato' Seri Mohd Jamil Bin Johari	5/5
Ling Ka Chuan	4/5

In line with the terms of reference of the Audit Committee, the following works were carried out by the Committee during the financial year ended 31 May 2017:

(a) Reviewed and discussed with the management the quarterly unaudited financial results of the Group focusing of matters significantly affecting the Group's performance, compliance with the provisions of the Companies Act 2016, the applicable accounting standards, Bursa Malaysia Securities Berhad Main Market Listing Requirements and other relevant regulatory requirements, before recommending them to the Board for approval and subsequent release to Bursa Malaysia Securities Berhad;

(b) Reviewed and discussed the annual audited financial statements of the Company and its group with the management as to their compliance with the provisions of the Companies Act 2016, the applicable accounting standards, Bursa Malaysia Securities Berhad Main Market Listing Requirements, and other relevant regulatory requirements before recommending them to the Board for approval and subsequent release to Bursa Malaysia Securities Berhad;

(c) Reviewed the annual internal audit plan and the audit programme with the internal auditors to ensure adequate audit coverage of the key risk areas;

(d) Discussed the internal audit reports, their major findings, recommendations and the management's response in addressing the issues found to ensure that risk issues were adequately addressed;

(e) Reviewed and appraised the performance of the internal auditors before recommending their re-nomination to the Board;

Audit Committee Report (cont'd)

(f) Reviewed and discussed with the external auditors, their annual audit planning memorandum which is inclusive of their areas of audit emphasis and audit procedures prior to commencement of their annual audit for the financial year ended 31 May 2017;

(g) Reviewed with the external auditors and the management, the results and recommendations of the external auditors and any significant audit issues arising therefrom;

(h) Appraised the performance and evaluated the independence and objectivity of the external auditors in providing their services and made recommendation to the Board on their re-appointment and the quantum of audit fees;

(i) Met with the external auditors twice without the presence of the management for discussions of additional matters in relation to audit issues noted in the course of their audit;

(j) Reviewed on a quarterly basis the related party transaction within the Company or the Group including any transaction to ensure that the transactions were on normal commercial terms which were not detrimental to the interest of minority;

(k) Reviewed quarterly the Risk Management Report from the Risk Management Working Committee, any significant risks, mitigation actions and made relevant recommendation to the Board for necessary actions; and

(l) Reviewed the Statement on Risk Management and Internal Control to be published in the Annual Report.

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 risk 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 2017 were RM36,000.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors submit herewith their report and the audited financial statements of the Group and of the Company for the financial year ended 31 May 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities and details of its subsidiaries are set out 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
(Loss)/Profit for the year attributable to owners of the Company	(14,034,717)	816,081

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial year. The Directors do not recommend the payment of any dividends in respect of the current financial year ended 31 May 2017.

SHARE CAPITAL

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

Upon the commencement of the Companies Act 2016 ("the Act") on 31 January 2017 which removed the concept of authorised share capital and par value of share capital, the share premium of RM27,639,472 became part of the Company's share capital as of that date pursuant to the transitional provision set out in Section 618(2) of the Act. Consequently, the share capital of the Company as at 31 January 2017 became RM117,640,472 comprising 180,002,000 issued ordinary shares.

TREASURY SHARES

By an ordinary resolution passed at the Annual General Meeting held on 28 September 2016, the shareholders of the Company renewed the Directors' authority for the Company to repurchase its own shares up to ten percent (10%) of its issued and paid-up share capital.

There were no shares repurchased during the financial year. The shares previously repurchased are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016. None of the treasury shares were resold or cancelled during the financial year.

As at 31 May 2017, the Company held a total number of 4,405,400 treasury shares at a total carrying amount of RM1,776,765. Further details of the treasury shares are disclosed in Note 13 to the financial statements.

DIRECTORS' REPORT (cont'd)

DIRECTORS OF THE COMPANY

The names of the Directors during the financial year and during the period from the end of the financial year to the date of this report are :-

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

DIRECTORS' INTERESTS

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

Shareholdings in the Company

	Number of ordinary shares			
Names of Directors	**Balance at 01.06.2016**	**Acquired**	**Disposed**	**Balance at 31.05.2017**
Datu Haji Mohammed Sepuan Bin Anu				
- Direct interest	15,000	–	–	15,000
Datuk Lau Nai Hoh				
- Direct interest	90,525,671	–	–	90,525,671
- Indirect interest *	1,281,317	–	–	1,281,317
Lau Choo Chin				
- Direct interest	409,006	–	–	409,006
- Indirect interest *	40,000	–	–	40,000
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

* Interest held by spouses and children treated as interest of the Directors in accordance with Section 59(11)(c) of the Companies Act 2016.

Shareholdings in a wholly-owned subsidiary, TAS Epic Sdn. Bhd.

	Number of ordinary shares			
Names of Directors	**Balance at 01.06.2016**	**Acquired**	**Disposed**	**Balance at 31.05.2017**
Datuk Lau Nai Hoh and Lau Choo Chin				
- Indirect interest #	–	2	–	2

Through interest held in the Company

DIRECTORS' INTERESTS (CONT'D)

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 subsidiaries of the Company, namely Tuong Aik Shipyard Sdn. Bhd., Western Realty Sdn. Bhd. and TA Ventures (L) Ltd. 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 during the financial year.

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 28 to the financial statements.

DIRECTORS' REMUNERATION

The particulars of remuneration provided to the Directors of the Company are disclosed in Note 24 to the financial statements.

No indemnity was given to nor were there any insurance effected for the Directors or officers of the Company during the financial year.

AUDITORS' REMUNERATION

The details of remuneration paid or payable to the auditors of the Company are disclosed in Note 23 to the financial statements.

There were no indemnity given or insurance effected for the auditors of the Company during the financial year.

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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance 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 so to realise.

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

(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 allowance 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;

(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
25 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	22,065,236	23,796,141
Other investments	6	26,388,062	26,013,416
Deferred tax assets	17	24,135	20,279
		48,477,433	49,829,836
Current Assets			
Inventories	7	474,062,132	407,972,445
Amount due from contract customers	8	29,439,236	56,743,568
Trade and other receivables	9	36,171,724	30,190,460
Tax recoverable		544,254	2,905,583
Cash and bank balances	11	3,722,022	26,398,246
		543,939,368	524,210,302
Total Assets		592,416,801	574,040,138
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Company			
Share capital	12	117,640,472	90,001,000
Treasury shares	13	(1,776,765)	(1,776,765)
Reserves	14	44,852,244	84,948,946
Total Equity		160,715,951	173,173,181
Non-Current Liabilities			
Hire-purchase payable	15	23,679	162,182
Retirement benefits	16	1,005,644	844,962
Deferred tax liabilities	17	2,153,583	2,200,016
		3,182,906	3,207,160
Current Liabilities			
Trade and other payables	18	375,345,657	364,405,995
Tax payable		–	205,499
Hire-purchase payable	15	138,503	132,303
Short term borrowings :			
- Bank overdraft	19	2,231,159	–
- Other borrowings	19	50,802,625	32,916,000
		428,517,944	397,659,797
Total Liabilities		431,700,850	400,866,957
Total Equity and Liabilities		592,416,801	574,040,138

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Note	2017 RM	2016 RM
Revenue	20	20,704,738	115,789,256
Cost of sales	21	(21,536,213)	(115,906,791)
Gross loss		(831,475)	(117,535)
Other income		964,859	6,410,747
Administrative expenses		(4,363,544)	(4,974,543)
Other operating expenses		(8,219,739)	(21,408,592)
Operating loss		(12,449,899)	(20,089,923)
Finance costs	22	(1,504,677)	(1,131,075)
Loss before taxation	23	(13,954,576)	(21,220,998)
Income tax expense	25	(80,141)	(639,547)
Loss for the year		(14,034,717)	(21,860,545)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss, net of tax effects :			
Net gain on changes in fair value of available-for-sale financial assets		1,054,675	505,768
Transferred to profit or loss on disposal of available-for-sale financial assets		(185,290)	(155,947)
Gain on foreign currency translation		708,102	3,559,448
Total other comprehensive income for the year		1,577,487	3,909,269
Total comprehensive loss for the year		(12,457,230)	(17,951,276)
Attributable to owners of the Company :			
- Loss for the year		(14,034,717)	(21,860,545)
- Total comprehensive loss for the year		(12,457,230)	(17,951,276)
Loss per share attributable to owners of the Company (Sen) :			
- Basic	26	(7.99)	(12.45)

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

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Attributable to Owners of the Company						
			Non-Distributable			Distributable	
	Share Capital RM	Treasury Shares RM	Share Premium RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Retained Profits RM	Total RM
2017							
Balance at 1 June 2016	90,001,000	(1,776,765)	27,639,472	983,196	7,697,774	48,628,504	173,173,181
Loss for the year	–	–	–	–	–	(14,034,717)	(14,034,717)
Other comprehensive income for the year	–	–	–	869,385	708,102	–	1,577,487
Total comprehensive income/(loss) for the year	–	–	–	869,385	708,102	(14,034,717)	(12,457,230)
Effect of transition to no par value shares on 31 January 2017	27,639,472	–	(27,639,472)	–	–	–	–
Balance at 31 May 2017	117,640,472	(1,776,765)	–	1,852,581	8,405,876	34,593,787	160,715,951

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

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017 (CONT'D)

	Attributable to Owners of the Company						
			Non-Distributable			Distributable	
2016	Share Capital RM	Treasury Shares RM	Share Premium RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Retained Profits RM	Total RM
Balance at 1 June 2015	90,001,000	(1,661,467)	27,639,472	633,375	4,138,326	70,489,049	191,239,755
Loss for the year	–	–	–	–	–	(21,860,545)	(21,860,545)
Other comprehensive income for the year	–	–	–	349,821	3,559,448	–	3,909,269
Total comprehensive income/(loss) for the year	–	–	–	349,821	3,559,448	(21,860,545)	(17,951,276)
Shares repurchased (Note 13)	–	(115,298)	–	–	–	–	(115,298)
Balance at 31 May 2016	90,001,000	(1,776,765)	27,639,472	983,196	7,697,774	48,628,504	173,173,181

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

CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	2017 RM	2016 RM
Cash flows from operating activities		
Loss before taxation	(13,954,576)	(21,220,998)
Adjustments for :-		
Depreciation	1,775,785	1,836,441
Income from unit trust funds	(978,204)	(622,211)
Gain on disposal of available-for-sale financial assets	(49,971)	(8,257)
Gain on disposal of property, plant and equipment	(2,641)	(8,253)
Impairment loss on :		
- trade receivables	753,927	5,495,517
- other receivables	–	11,625,363
Interest expense	1,522,197	1,264,008
Interest income	(46,345)	(35,223)
Write down in value of inventories	7,389,360	–
Defined benefit cost	160,682	149,450
Deposit forfeited	76,452	170,554
Property, plant and equipment written off	1,668	2,933
Unrealised gain on foreign exchange	(556,347)	(1,689,333)
Reversal of expenses over accrued	(7,366)	–
Operating loss before working capital changes	(3,915,379)	(3,040,009)
Increase in inventories	(58,068,293)	(211,124,783)
Decrease in amount due from contract customers	27,996,912	114,512,331
(Increase)/Decrease in trade and other receivables	(5,682,808)	43,776,729
(Decrease)/Increase in trade and other payables	(3,595,295)	79,650,698
Cash (utilised in)/generated from operations	(43,264,863)	23,774,966
Interest paid	(17,059)	(18,836)
Interest received	46,345	35,223
Tax refunded	2,811,664	51,338
Tax paid	(786,263)	(1,408,738)
Net cash (used in)/from operating activities	(41,210,176)	22,433,953

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017 (CONT'D)

	2017 RM	2016 RM
Cash flows from investing activities		
Income from unit trust funds	978,204	622,211
Purchase of property, plant and equipment (Note 32)	(46,549)	(428,222)
Proceeds from disposal of property, plant and equipment	2,642	11,745
Purchase of available-for-sale financial assets	(15,655,421)	(12,448,751)
Proceeds from disposal of available-for-sale financial assets	16,200,131	2,000,000
Net cash from/(used in) investing activities	1,479,007	(10,243,017)
Cash flows from financing activities		
Shares repurchased	–	(115,298)
Net drawdown/(repayment) of bankers' acceptances and revolving credits	16,320,025	(10,879,000)
Interests paid on bankers' acceptances and revolving credits	(1,494,544)	(1,231,607)
Payments of hire-purchase instalments	(142,896)	(119,080)
Net cash from/(used in) financing activities	14,682,585	(12,344,985)
Net decrease in cash and cash equivalents	(25,048,584)	(154,049)
Cash and cash equivalents at beginning of year	26,398,246	24,290,163
Effect of changes in foreign exchange rates	141,201	2,262,132
Cash and cash equivalents at end of year	1,490,863	26,398,246
Cash and cash equivalents at end of year comprised :		
Cash and bank balances (Note 11)	3,722,022	26,398,246
Bank overdraft (Note 19)	(2,231,159)	–
	1,490,863	26,398,246

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017

	Note	2017 RM	2016 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	1	1
Investments in subsidiaries	5	80,102,754	80,102,752
Other investments	6	26,388,062	26,013,416
Deferred tax assets	17	24,135	20,279
		106,514,952	106,136,448
Current Assets			
Other receivables	9	6,006	4,862
Amount due from subsidiaries	10	17,802,986	16,468,767
Tax recoverable		129,352	118,920
Cash and bank balances	11	192,484	208,179
		18,130,828	16,800,728
Total Assets		124,645,780	122,937,176
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Company			
Share capital	12	117,640,472	90,001,000
Treasury shares	13	(1,776,765)	(1,776,765)
Reserves	14	8,479,438	34,433,444
Total Equity		124,343,145	122,657,679
Non-Current Liabilities			
Retirement benefits	16	100,565	84,497
Current Liabilities			
Other payables	18	202,070	195,000
Total Liabilities		302,635	279,497
Total Equity and Liabilities		124,645,780	122,937,176

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Note	2017 RM	2016 RM
Revenue	20	978,204	622,211
Other income		687,114	710,617
Administrative expenses		(748,051)	(699,948)
Profit before taxation	23	917,267	632,880
Income tax expense	25	(101,186)	(117,013)
Profit for the year		816,081	515,867
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss, net of tax effects :			
Net gain on changes in fair value of available-for-sale financial assets		1,054,675	505,768
Transferred to profit or loss on disposal of available-for-sale financial assets		(185,290)	(155,947)
Total other comprehensive income for the year		869,385	349,821
Total comprehensive income for the year		1,685,466	865,688

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	Attributable to Owners of the Company					
			Non-Distributable		Distributable	
	Share Capital RM	Treasury Shares RM	Share Premium RM	Fair Value Adjustment Reserve RM	Retained Profits RM	Total RM
2017						
Balance at 1 June 2016	90,001,000	(1,776,765)	27,639,472	983,196	5,810,776	122,657,679
Profit for the year	–	–	–	–	816,081	816,081
Other comprehensive income for the year	–	–	–	869,385	–	869,385
Total comprehensive income for the year	–	–	–	869,385	816,081	1,685,466
Effect of transition to no par value shares on 31 January 2017	27,639,472	–	(27,639,472)	–	–	–
Balance at 31 May 2017	117,640,472	(1,776,765)	–	1,852,581	6,626,857	124,343,145

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

STATEMENT OF **CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017 (CONT'D)

	Attributable to Owners of the Company					
			Non-Distributable		Distributable	
2016	**Share Capital RM**	**Treasury Shares RM**	**Share Premium RM**	**Fair Value Adjustment Reserve RM**	**Retained Profits RM**	**Total RM**
Balance at 1 June 2015	90,001,000	(1,661,467)	27,639,472	633,375	5,294,909	121,907,289
Profit for the year	–	–	–	–	515,867	515,867
Other comprehensive income for the year	–	–	–	349,821	–	349,821
Total comprehensive income for the year	–	–	–	349,821	515,867	865,688
Shares repurchased (Note 13)	–	(115,298)	–	–	–	(115,298)
Balance at 31 May 2016	90,001,000	(1,776,765)	27,639,472	983,196	5,810,776	122,657,679

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2017

	2017 RM	2016 RM
Cash flows from operating activities		
Profit before taxation	917,267	632,880
Adjustments for :-		
Income from unit trust funds	(978,204)	(622,211)
Gain on disposal of available-for-sale financial assets	(49,971)	(8,257)
Interest income	(634,912)	(702,360)
Defined benefit cost	16,068	14,945
Operating loss before working capital changes	(729,752)	(685,003)
Increase in receivables	(1,144)	(2,862)
Increase in payables	7,070	3,750
Cash utilised in operations	(723,826)	(684,115)
Interest received	634,912	702,360
Tax paid	(140,474)	(225,000)
Tax refunded	25,000	51,338
Net cash used in operating activities	(204,388)	(155,417)
Cash flows from investing activities		
Acquisition of a subsidiary (Note 5)	(2)	–
Net (advances to)/repayment from subsidiaries	(1,334,219)	9,786,050
Income from unit trust funds	978,204	622,211
Purchase of available-for-sale financial assets	(15,655,421)	(12,448,751)
Proceeds from disposal of available-for-sale financial assets	16,200,131	2,000,000
Net cash from/(used in) investing activities	188,693	(40,490)
Cash flows from financing activities		
Shares repurchased	–	(115,298)
Net cash used in financing activities	–	(115,298)
Net decrease in cash and cash equivalents	(15,695)	(311,205)
Cash and cash equivalents at beginning of year	208,179	519,384
Cash and cash equivalents at end of year	192,484	208,179
Cash and cash equivalents at end of year comprised :		
Cash and bank balances (Note 11)	192,484	208,179

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 MAY 2017

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.

These financial statements comprised the financial statements of the Group and the financial statements of the Company and they are presented in Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors on 25 August 2017.

2. BASIS OF PREPARATION AND 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 2016 in Malaysia.

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

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of a number of amendments to MFRSs as disclosed in Note 2.2 below.

2.2 Application of Amendments to MFRSs

During the financial year, the Group and the Company have applied the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") for the first time for the financial year beginning on 1 June 2016 :-

Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception *(effective on 1 January 2016)*
Amendments to MFRS 101 - Disclosure Initiative *(effective on 1 January 2016)*
Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation *(effective on 1 January 2016)*
Amendments to MFRS 127 - Equity Method in Separate Financial Statements *(effective on 1 January 2016)*
Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle" *(effective on 1 January 2016)*

The application of the Amendments has no impact on the Group's and on the Company's financial statements for the current and prior periods.

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

2.3 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective

The Group and the Company have not early adopted the following new MFRSs and IC Interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective :-

Effective for annual periods beginning on or after 1 January 2017
Amendments to MFRS 107 - Disclosure Initiative
Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" :
- Amendments to MFRS 12, Disclosure of Interests in Other Entities

Effective for annual periods beginning on or after 1 January 2018
MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
MFRS 15, Revenue from Contracts with Customers
Clarifications to MFRS 15, Revenue from Contracts with Customers
Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts
Amendments to MFRS 140 - Transfer of Investment Property
Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" :
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 128, Investments in Associates and Joint Ventures

IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019
MFRS 16, Leases
IC Interpretation 23, Uncertainty over Income Tax Treatments

Effective for annual periods beginning on or after 1 January 2021
MFRS 17, Insurance Contracts

Effective for annual periods beginning on or after a date to be determined by the MASB
Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company will apply the above new MFRSs and IC Interpretations and amendments to MFRSs that are applicable once they become effective. Their main features are summarised below.

(a) Effective for annual periods beginning on or after 1 January 2017

(i) Amendments to MFRS 107 - Disclosure Initiative

The Amendments to MFRS 107 *Statement of Cash Flows* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.3 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

(a) Effective for annual periods beginning on or after 1 January 2017 (Cont'd)

(ii) Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses

The Amendments to MFRS 112 *Income Taxes* clarify that :-

- decreases in value of a debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

- deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

(iii) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle" : Amendments to MFRS 12, Disclosure of Interests in Other Entities

The Amendments clarify the scope of the Standard by specifying that the disclosure requirements in the Standard apply to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

The Amendments also clarify that an entity is not required to disclose summarised financial information when its subsidiary, joint venture or associate is classified as held for sale in accordance with MFRS 5.

(b) Effective for annual periods beginning on or after 1 January 2018

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

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are :

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") 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 under MFRS 139 had been replaced.

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

2.3 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

(b) Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(i) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014) (Cont'd)

The key enhancements of MFRS 9 are (Cont'd) :

- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139 i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

(ii) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps :-

Step 1	Identify the contract(s) with a customer
Step 2	Identify the performance obligations in the contract
Step 3	Determine the transaction price
Step 4	Allocate the transaction price to the performance obligations in the contract
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.3 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

(b) Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(ii) MFRS 15, Revenue from Contracts with Customers (Cont'd)

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

(iii) Clarifications to MFRS 15, Revenue from Contracts with Customers

The Amendments clarify how certain principles should be applied in :

- identifying whether performance obligations are distinct;
- determining whether an entity is a principal or an agent; and
- assessing whether revenue from a licence of intellectual property is recognised over time or at a point in time.

(iv) Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions

The Amendments to MFRS 2 *Share-based Payment* provide specific guidance on how to account for the following situations :

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(v) Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts

The Amendments to MFRS 4 *Insurance Contracts* address concerns arising from implementing the new MFRS 9 *Financial Instruments* before the implementation of the new MFRS 17 *Insurance Contracts* which shall only become effective for annual periods beginning on or after 1 January 2021. These concerns include temporary volatility in reported results.

The Amendments have introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts.

The overlay approach involves option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance.

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

2.3 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

(b) Effective for annual periods beginning on or after 1 January 2018 (Cont'd)

(vi) Amendments to MFRS 140 - Transfers of Investment Property

The Amendments to MFRS 140 *Investment Property* clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

(vii) Amendments to MFRSs Classified as "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"

The *Annual Improvements to MFRS Standards 2014 - 2016 Cycle* include amendments to the following MFRSs :

- The Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* have removed certain provisions that have served their intended purposes.

- The Amendments to MFRS 128 *Investments in Associates and Joint Ventures* clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

(viii) IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

The IC Interpretation addresses which exchange rate to use in reporting foreign currency transactions that involve advance consideration paid or received.

(c) Effective for annual periods beginning on or after 1 January 2019

(i) MFRS 16, Leases

MFRS 16 will supersede the existing MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and it sets out the principles for the recognition, measurement, presentation and disclosures of leases.

Under the existing MFRS 117, lessees and lessors are required to classify their leases as either finance leases or operating leases and account for those two types of leases differently. It requires a lessee to recognise assets and liabilities arising from finance leases but not from operating leases.

The new MFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations arising from all leases and hence eliminates the distinction between finance leases and operating leases. As a consequence, a lessee recognises right-of-use assets and lease liabilities arising from operating leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss.

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

2.3 New MFRSs and IC Interpretations and Amendments to MFRSs That Are In Issue But Not Yet Effective (Cont'd)

(c) Effective for annual periods beginning on or after 1 January 2019 (Cont'd)

(ii) IC Interpretation 23, Uncertainty over Income Tax Treatments

MFRS 112 *Income Taxes*, includes requirements on recognition and measurement of tax assets and liabilities, but does not specify how to reflect uncertainty. As a result, entities apply diverse reporting methods when the application of tax law is uncertain.

When there is uncertainty over income tax treatments, the Interpretation addresses :

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

(d) Effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

MFRS 17 will supersede the existing MFRS 4 *Insurance Contracts* and related Interpretations. The new Standard introduces consistent accounting for all insurance contracts based on a current measurement model. MFRS 17 requires entities that issue insurance contracts to recognise and measure a group of insurance contracts at : (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts. Profits from the group of insurance contracts are recognised over the insurance coverage period. In addition, MFRS 17 changes the financial statements presentations of insurance service results whereby insurance revenue is presented separately from insurance finance income or expenses.

For insurance contracts with coverage period of one year or less, MFRS 17 allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

The initial application of MFRS 9, MFRS 15 and MFRS 16 may have a material impact on the financial statements of the Group and of the Company. However, the impact has yet to be quantified as at the date of these financial statements. The initial application of the other new MFRSs, IC Interpretations and amendments to MFRSs is not expected to have any significant impact on the Group's and on the Company's financial statements.

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

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group :

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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 external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses 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. Any 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 consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

2.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of an acquiree is measured at fair value which 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 expense in the periods in which the costs are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.5 Business Combinations (Cont'd)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. 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 interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Non-controlling interests represent 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 interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

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

2.6 Goodwill

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any 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 non-financial 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.

2.7 Foreign Currencies

2.7.1 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 i.e. the entity's functional currency. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.7.2 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.

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

2.7 Foreign Currencies (Cont'd)

2.7.2 Foreign currency transactions and balances (Cont'd)

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 to other comprehensive income.

2.7.3 Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows :-

(a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are recognised in other comprehensive income and are accumulated in foreign currency translation reserve within equity.

Exchange differences arising from monetary items that form part of the Company's net investment in a foreign operation and that are denominated in the functional currency of the Company or the foreign operation are recognised in profit or loss of the Company or of the foreign operation, as appropriate. In the Group's financial statements, such exchange differences are recognised initially in other comprehensive income and accumulated in equity under foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and taken to equity under foreign currency translation reserve will be reclassified to profit or loss.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investments is recognised as a gain or loss on disposal in the Company's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.9 Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated 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 profit or loss 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. Assets held under finance leases are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease terms. The estimated useful lives of the Group's property, plant and equipment are as follows :-

Buildings and workers' quarters	10 to 50 years
Office furniture, fittings and equipment	5 to10 years
Plant and machinery	5 to10 years
Motor vehicles	5 years
Slipway and jetty	10 years

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.

2.10 Non-current Assets (or Disposal Groups) Classified as Held for Sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, financial assets and inventories) are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.11 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than inventories, assets arising from construction contracts, deferred tax assets and non-current assets or disposal groups held for sale) 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 recognised in a business combination and that has 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.

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

2.11 Impairment of Non-Financial Assets (Cont'd)

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 arising from a business combination 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.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal 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.

An impairment loss is recognised in profit or loss in the period in which it arises.

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.

2.12 Construction Contracts

2.12.1Revenue 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.

2.12.2Gross 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 contracts-in-progress plus profit attributable to contracts-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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.13 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 and completed vessels 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.

2.14 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. All regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. 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. Trade date accounting refers to :

- the recognition of an asset to be received and the liability to pay for it on the trade date i.e. the date the Group 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.

2.14.1 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 is determined at the time of initial recognition.

(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.

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

2.14 Financial Assets (Cont'd)

2.14.1 Classification and measurement (Cont'd)

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

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 value cannot be reliably measured are measured at cost less any impairment losses.

(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 losses. Gains and losses are recognised in profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

(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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.14 Financial Assets (Cont'd)

2.14.1 Classification and measurement (Cont'd)

(d) Available-for-sale financial assets (Cont'd)

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that 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.

2.14.2 Impairment of financial assets

The Group assesses at the end of each reporting period 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 instrument, a significant or prolonged decline in the 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.

When an available-for-sale financial asset is impaired, the cumulative loss in relation to decline in fair value previously recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified 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.

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

2.14 Financial Assets (Cont'd)

2.14.2 Impairment of financial assets (Cont'd)

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.

2.14.3 Derecognition of financial assets

The Group derecognises a financial asset when, and only when, the contractual right 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.

2.15 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 2.14.1(c).

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.18 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.

2.18.1Classification 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.

(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 incurred 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 arising from changes in fair value 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.

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

2.18 Financial Liabilities (Cont'd)

2.18.2 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.

2.19 Offsetting Financial Instruments

Financial assets and financial liabilities are offset when the Group has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.20 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.

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.

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.22 Employee Benefits

2.22.1 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 in profit or loss or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

2.22.2 Post-employment benefits

(a) 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 profit or loss in the period to which the contributions relate or included in the costs of assets, where applicable.

(b) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The Group operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date together with adjustments for actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined on an annual basis by independent qualified actuaries using the Projected Unit Credit Method.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised as an expense in profit or loss in the period of a plan amendment or curtailment.

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

2.22 Employee Benefits (Cont'd)

2.22.3Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

2.23 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.

2.24 Income Taxes

Tax expense is the aggregate amount of current and deferred taxes. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate 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 profit for the year and is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised, using the liability method, on temporary differences at 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 each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

2.25 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of qualifying 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

2.26 Hire purchase and finance lease arrangements and operating lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership of the leased assets. All other leases are classified as operating lease.

Assets acquired under hire-purchase arrangements are recognised and measured in a similar manner as finance leases.

(i) Assets acquired under hire-purchase and finance lease arrangements

Assets acquired under hire-purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire-purchase of lease payments.

The corresponding obligations are taken up as hire-purchase or finance lease liabilities. Hire-purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are dealt with through the profit or loss over the period of the hire-purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each year.

The depreciation policy of property, plant and equipment acquired under hire-purchase and finance lease arrangements are consistent with the Group and the Company's depreciation policy as set out in Note 2.9 above.

(ii) Operating lease

Operating lease payments are recognised as expenses in the profit or loss on a straight line basis over the year of the relevant leases.

2.27 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 :-

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

2.27 Revenue (Cont'd)

(a) Ship construction contract income

Revenue from construction contracts is recognised using the percentage of completion method as described in Note 2.12.1.

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. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Vessel repair and service income

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

(c) Interest income

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

(d) Dividend income

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

2.28 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

2.29 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating segment results are reviewed by the chief operating decision maker i.e. the Group Managing Director who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

2.30 Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and leasing transactions, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

2.30 Fair Value Measurements (Cont'd)

When measuring fair value, the Group maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Fair value measurements are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique 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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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 is 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.

(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) Recognition of revenue and costs from shipbuilding construction contracts

The Group recognises shipbuilding construction contract revenue and costs in the profit or loss 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.

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

(b) Key sources of estimation uncertainty (Cont'd)

(i) Recognition of revenue and costs from shipbuilding construction contracts (Cont'd)

Significant judgement is required in determining the percentage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of amount due from customers. Total contract revenue 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.

As at 31 May 2017, the Group had several vessels that were under construction for customers or had been completed and were awaiting delivery to the customers. Due to the downturn in oil and gas industry, certain customers had requested for deferral of delivery dates of the vessels. The management assesses each construction contract individually to ensure that the recognition of revenue and profit is appropriate and the amount due from such customers is recoverable. Significant judgement is required in determining and assessing whether the Group's customers would be able to fulfill their contractual obligations and take delivery of the vessels. The amount due from contract customers as at 31 May 2017 where delivery dates have been deferred amounted to RM13,732,443 (2016 : RM7,529,537).

(ii) Accruals for costs in relation to shipbuilding contract works

The Group engages shipbuilders in China to undertake the construction of its offshore support vessels. Progress billings for the construction of the offshore support vessels are recognised by the Group as and when issued by the shipbuilders. In addition, costs are further accrued based on the progressive work performed by the shipbuilders as at reporting date pending billings to be rendered by the shipbuilders.

Accruals for costs are computed based on the contract prices of the vessels multiplied by their respective percentages of work completed as recorded in the construction progress reports issued by the shipbuilders and which have been verified by the Group's management. Significant judgement is required in assessing the reliability of the percentages of work completed which were estimated by the shipbuilders. The cumulative costs accrued as at 31 May 2017 amounted to RM312,988,654 (2016 : RM291,780,796).

(iii) Estimation of net realisable values of inventories

Inventories are stated at the lower of cost and net realisable value. The net realisable values are assessed based on the management's best estimate of the latest selling prices after taking into consideration of the economic condition relevant to the industry and/or pricing of similar assets transacted by the Group and other industry players subsequent to the reporting period. Where appropriate, the Group engages independent valuers to assess the net realisable values of its inventories. However, factors such as demand levels, technological advances and pricing competition may cause changes to the original estimate and which will impact the carrying amount of inventories. The carrying amount of the Group's inventories as at 31 May 2017 was approximately RM474,062,132 (2016 : RM407,972,445).

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

(b) Key sources of estimation uncertainty (Cont'd)

(v) 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.

(vi) Impairment losses on 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.

(vii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the availability of future taxable profits. The unrecognised deductible temporary differences are disclosed in Note 17(b) and the unrecognised deferred tax assets in connection thereto amounted to RM2,999,979 (2016 : RM1,833,690).

4. PROPERTY, PLANT AND EQUIPMENT

Group

2017	Long term leasehold land RM	Buildings and workers' quarters RM	Plant and machinery RM	Motor vehicles RM	Slipway and jetty RM	Office equipment, furniture and fittings RM	Total RM
Costs							
Balance at 1 June 2016	10,958,668	11,373,091	11,621,050	2,411,451	3,720,347	883,536	40,968,143
Additions	–	–	31,286	–	–	15,263	46,549
Disposals	–	–	–	(10,000)	–	–	(10,000)
Write-off	–	–	(4,430)	–	–	(14,175)	(18,605)
Balance at 31 May 2017	10,958,668	11,373,091	11,647,906	2,401,451	3,720,347	884,624	40,986,087
Accumulated depreciation							
Balance at 1 June 2016	2,169,814	2,927,301	6,288,125	1,835,029	3,182,561	769,172	17,172,002
Charge for the year	169,017	219,800	1,098,923	144,103	99,090	44,852	1,775,785
Disposals	–	–	–	(9,999)	–	–	(9,999)
Write-off	–	–	(4,427)	–	–	(12,510)	(16,937)
Balance at 31 May 2017	2,338,831	3,147,101	7,382,621	1,969,133	3,281,651	801,514	18,920,851
Net book value as at 31 May 2017	8,619,837	8,225,990	4,265,285	432,318	438,696	83,110	22,065,236

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

Group (Cont'd)

2016	**Long term leasehold land RM**	**Buildings and workers' quarters RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Slipway and jetty RM**	**Office equipment, furniture and fittings RM**	**Total RM**
Costs							
Balance at 1 June 2015	10,958,668	11,373,091	11,595,506	2,011,579	3,647,287	887,170	40,473,301
Additions	–	–	25,544	724,004	73,060	5,614	828,222
Disposals	–	–	–	(324,132)	–	–	(324,132)
Write-off	–	–	–	–	–	(9,248)	(9,248)
Balance at 31 May 2016	10,958,668	11,373,091	11,621,050	2,411,451	3,720,347	883,536	40,968,143
Accumulated depreciation							
Balance at 1 June 2015	2,000,797	2,708,252	5,154,188	2,011,566	3,081,118	706,595	15,662,516
Charge for the year	169,017	219,049	1,133,937	144,103	101,443	68,892	1,836,441
Disposals	–	–	–	(320,640)	–	–	(320,640)
Write-off	–	–	–	–	–	(6,315)	(6,315)
Balance at 31 May 2016	2,169,814	2,927,301	6,288,125	1,835,029	3,182,561	769,172	17,172,002
Net book value as at 31 May 2016	8,788,854	8,445,790	5,332,925	576,422	537,786	114,364	23,796,141

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

Company

	Motor vehicle	
	2017 RM	**2016 RM**
Cost		
At beginning and at end of year	428,470	428,470
Accumulated depreciation		
Balance at beginning of year	428,469	428,469
Charge for the year	–	–
Balance at end of year	428,469	428,469
Net book value as at 31 May	1	1

(a) Depreciation is charged to the profit or loss under the following line items :-

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Administrative expenses	227,412	314,317	–	–
Cost of sales	1,548,373	1,522,124	–	–
	1,775,785	1,836,441	–	–

(b) Property, plant and equipment include the following assets acquired under hire-purchase arrangements :-

	Net book value Group	
	2017 RM	**2016 RM**
Motor vehicles	359,196	478,929

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	**2016 RM**
Unquoted shares, at cost	80,102,754	80,102,752

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows :-

Name of companies	Principal activities	Country of incorporation	Effective equity interest (%) 2017	2016
Tuong Aik Shipyard Sdn. Bhd. *	Shipbuilding and provision of ship repairs and maintenance services	Malaysia	100	100
TA Ventures (L) Ltd.	Shipbuilding outside Malaysia	Malaysia	100	100
Western Realty Sdn. Bhd. *	Property investment and property development activities - dormant during the financial year	Malaysia	100	100
TAS Epic Sdn. Bhd. *	Agricultural development activities - dormant during the financial year	Malaysia	100	–

* Not audited by Folks DFK & Co.

On 1 July 2016, the Company acquired the entire equity interest in TAS Epic Sdn. Bhd. comprising 2 ordinary shares for a total cash consideration of RM2. The acquisition has not resulted in any significant financial impact to the Group's financial statements for the current financial year.

6. OTHER INVESTMENTS

	Group and Company 2017 RM	2016 RM
Available-for-sale financial assets		
Unit trust, at fair value	26,388,062	26,013,416

7. INVENTORIES

	Group 2017 RM	2016 RM
Raw materials and consumable stores	12,201,355	19,665,469
Work-in-progress - vessels under construction	267,451,313	201,867,536
Completed vessels	194,104,450	186,133,640
Goods-in-transit	305,014	305,800
	474,062,132	407,972,445

7. INVENTORIES (CONT'D)

Included in the above balances are the following inventories carried at their respective net realisable values :-

	Group	
	2017 RM	2016 RM
Work-in-progress - vessels under construction	184,491,522	–
Completed vessels	86,753,202	–
	271,244,724	–

During the financial year, a write down in value of inventories amounted to RM7,389,360 (2016 : NIL) has been recognised in the profit or loss.

8. AMOUNT DUE FROM CONTRACT CUSTOMERS

	Group	
	2017 RM	2016 RM
Contract costs incurred to-date	36,241,543	69,691,913
Attributable profits less recognised losses	6,368,237	5,823,984
	42,609,780	75,515,897
Progress billings	(13,170,544)	(18,772,329)
Amount due from contract customers	29,439,236	56,743,568

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	12,683,875	13,193,680	–	–
Other receivables, deposits and prepayments	23,487,849	16,996,780	6,006	4,862
	36,171,724	30,190,460	6,006	4,862

(a) The normal credit period of trade receivables relating to ship repairing is 60 days (2016 : 60 days). In respect of shipbuilding contracts, the debts arising are to be settled within a period of 7 to 15 days (2016 : 7 to 15 days) from the date the billings are rendered. Other credit terms are assessed and approved on a case-by-case basis.

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Ageing analysis

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

Group

2017	Gross RM	Individual impairment RM	Net RM
Not past due	626,287	–	626,287
0 to 30 days past due	150,043	–	150,043
31 to 120 days past due	92,277	–	92,277
More than 120 days past due	18,079,796	(6,264,528)	11,815,268
	18,948,403	(6,264,528)	12,683,875

2016	Gross RM	Individual impairment RM	Net RM
Not past due	701,648	–	701,648
0 to 30 days past due	253,761	–	253,761
31 to 120 days past due	4,466,231	–	4,466,231
More than 120 days past due	13,267,557	(5,495,517)	7,772,040
	18,689,197	(5,495,517)	13,193,680

Trade receivables that are individually determined to be impaired comprised those customers who have defaulted on their payments and are considered to have financial difficulties in repaying their debts.

As at 31 May 2017, the Group has trade receivables amounting to RM12,057,588 (2016 : RM12,492,032) that are past due but not impaired. They are considered to be creditworthy and are able to settle their debts. These balances are not secured except for debts relating to shipbuilding construction contracts where the Group will suspend delivery of vessels until the full settlement of the contracted sales value.

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

(c) The movements of allowance for impairment losses on trade receivables during the financial year are as follows :-

	Group 2017 RM	Group 2016 RM
Balance at beginning of year	5,495,517	–
Impairment loss recognised during the year	753,927	5,495,517
Effect of changes in exchange rates	15,084	–
Balance at end of year	6,264,528	5,495,517

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) The Group's trade receivables are denominated in the following currencies :-

	Group 2017 RM	Group 2016 RM
Ringgit Malaysia	1,527,745	1,171,429
United States Dollar	918,652	1,583,750
Singapore Dollar	10,237,478	10,438,501
	12,683,875	13,193,680

(e) Other receivables, deposits and prepayments are analysed as follows :-

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deposits paid to shipbuilding suppliers and contractors (Note 9(e)(i))	23,209,531	16,740,185	–	–
Advances to shipbuilding contractors (Note 9(e)(ii))	–	283	–	–
Sundry deposits	12,771	12,586	2,000	2,000
Other receivables (Note 9(e)(iii))	12,834,653	12,331,157	–	–
	36,056,955	29,084,211	2,000	2,000
Less : Impairment loss on other receivables	(12,834,653)	(12,331,157)	–	–
	23,222,302	16,753,054	2,000	2,000
Goods and services tax recoverable	136,670	174,592	–	–
Prepayments	128,877	69,134	4,006	2,862
	23,487,849	16,996,780	6,006	4,862

(i) 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.

(ii) 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 shipbuilding contracts. The amounts are unsecured, interest free and will be progressively deducted from the billings or claims made by the shipbuilding contractors over the duration of the contracts.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) Other receivables, deposits and prepayment are analysed as follows (Cont'd) :-

(iii) Other receivables

Other receivables as at 31 May 2017 amounting to RM12,834,653 (2016 : RM12,331,157) which is equivalent to USD2,997,000 (2016 : USD2,997,000) represent progress payments made by a subsidiary, namely TA Ventures (L) Ltd. ("TAV") to a shipbuilding contractor ("the shipbuilder") in accordance with the terms of a shipbuilding agreement. The amount paid has been fully impaired in the financial year 2016 due to the ongoing dispute arising from the termination of the shipbuilding agreement by TAV on the ground of late delivery of vessel by the shipbuilder and which has not been resolved to-date.

(f) The movements of allowance for impairment losses on other receivables during the financial year are as follows :-

	Group	
	2017 RM	2016 RM
Balance at beginning of year	12,331,157	–
Impairment loss recognised during the year	–	11,625,363
Effects of changes in exchange rates	503,496	705,794
Balance at end of year	12,834,653	12,331,157

(g) Other receivables, deposits and prepayments of the Group and of the Company are denominated in the following currencies :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	475,813	456,578	6,006	4,862
United States Dollar	22,062,475	16,173,363	–	–
Singapore Dollar	355,411	253,801	–	–
Japanese Yen	594,150	76,452	–	–
Euro	–	36,586	–	–
	23,487,849	16,996,780	6,006	4,862

10. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Interest bearing	9,950,000	9,050,000
Non-interest bearing	7,852,986	7,418,767
	17,802,986	16,468,767

10. AMOUNT DUE FROM SUBSIDIARIES (CONT'D)

The amounts due from 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 5.52% to 7.85% (2016 : 6.10% to 7.85%) per annum.

11. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash in hand	18,671	22,942	2,833	651
Cash at banks	3,703,351	26,375,304	189,651	207,528
	3,722,022	26,398,246	192,484	208,179

The Group's and the Company's cash and bank balances are denominated in the following currencies :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	243,316	7,362,132	192,484	208,179
United States Dollar	2,221,218	18,632,576	–	–
Singapore Dollar	1,247,897	385,672	–	–
Chinese Yuan Renminbi	6,847	15,166	–	–
Euro	2,744	2,700	–	–
	3,722,022	26,398,246	192,484	208,179

The effective interest rate of the Group's and the Company's cash in current accounts amounting to RM20,089 as at the end of the reporting period (2016 : Group - RM7,920,840 and Company - RM37,972) is 2% (2016 : 2%) per annum.

12. SHARE CAPITAL

		Group and Company			
		Number of shares		Amount (RM)	
		2017	2016	2017	2016
(a)	Authorised (Note 12(c))	–	200,000,000	–	100,000,000
(b)	Issued and fully paid-up				
	Balance at beginning of year	180,002,000	180,002,000	90,001,000	90,001,000
	Effect of transition to no par value shares on 31 January 2017 (Note 12(c))	–	–	27,639,472	–
	Balance at end of year	180,002,000	180,002,000	117,640,472	90,001,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. SHARE CAPITAL (CONT'D)

(c) The new Companies Act 2016 ("the Act") which became effective from 31 January 2017 removed the concept of authorised share capital and par value of share capital. Section 74 of the Act provides that all shares issued before or upon commencement of the Act shall have no par or nominal value. In accordance with the transitional provision under Section 618(2) of the Act, any amount outstanding in the credit of the share premium account shall become part of the share capital. Notwithstanding, the share premium amount can be utilised for purposes set out in the Section 618(3) within 24 months upon commencement of the Act. Pursuant to the aforesaid, the share premium of RM27,639,472 was transferred to the share capital account and formed part of the share capital of the Company upon commencement of the Act on 31 January 2017. The change to no par value shares has no effect on the number of ordinary shares in issue of the Company.

13. TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 28 September 2016, had renewed the approval granted 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.

The movements in treasury shares are as follows :-

	Number of treasury shares	Cost RM	Average cost per share RM
Balance at 1 June 2015	4,215,400	1,661,467	0.394
Repurchased during the financial year	190,000	115,298	0.607
Balance at 31 May 2016 / 1 June 2016	4,405,400	1,776,765	0.403
Repurchased during the financial year	–	–	–
Balance at 31 May 2017	4,405,400	1,776,765	0.403

The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016. 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 175,596,600 (2016 : 175,596,600) ordinary shares.

14. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Distributable				
Retained profits	34,593,787	48,628,504	6,626,857	5,810,776
Non-distributable				
Share premium (Note 12(c))	–	27,639,472	–	27,639,472
Fair value adjustment reserve	1,852,581	983,196	1,852,581	983,196
Foreign currency translation reserve	8,405,876	7,697,774	–	–
	10,258,457	36,320,442	1,852,581	28,622,668
	44,852,244	84,948,946	8,479,438	34,433,444

(a) Fair value adjustment reserve

	Group and Company	
	2017 RM	2016 RM
Balance at beginning of year	983,196	633,375
Gain on fair value changes of available-for-sale ("AFS") financial assets	1,054,675	505,768
Transfer to profit or loss on disposal of AFS financial assets	(185,290)	(155,947)
Balance at end of year	1,852,581	983,196

(b) Foreign currency translation reserve

	Group	
	2017 RM	2016 RM
Balance at beginning of year	7,697,774	4,138,326
Foreign currency translation gain	708,102	3,559,448
Balance at end of year	8,405,876	7,697,774

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. HIRE-PURCHASE PAYABLE

	Group	
	2017 RM	2016 RM
Future minimum payments :		
- within 1 year	142,896	142,896
- between 2 to 5 years	23,808	166,704
	166,704	309,600
Future finance charges	(4,522)	(15,115)
Present value of hire-purchase	162,182	294,485
Payable as follows :		
- within 1 year (included under current liabilities)	138,503	132,303
- between 2 to 5 years (included under non-current liabilities)	23,679	162,182
	162,182	294,485

The hire-purchase payable bears an effective interest rate at 4.55% (2016 : 4.55%) per annum.

16. RETIREMENT BENEFITS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Present value of unfunded defined benefit obligations	1,005,644	844,962	100,565	84,497

The Company implements an unfunded defined benefit plan for eligible Directors and an employee. The benefits are payable upon attaining normal retirement age of between 60 to 70 years old, death, or ill health. The actuarial valuation was performed on 31 May 2014.

The movements in the present value of employee benefits during the financial year are as follows :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Balance at beginning of year	844,962	695,512	84,497	69,552
Recognised in profit or loss				
Current service costs	119,628	115,280	11,963	11,528
Interest on obligation	41,054	34,170	4,105	3,417
	160,682	149,450	16,068	14,945
Balance at end of year	1,005,644	844,962	100,565	84,497

The amount recognised to the profit or loss has been included in administrative expenses.

16. RETIREMENT BENEFITS (CONT'D)

The significant actuarial assumptions used to determine the present value of the defined benefit obligations are as follows :-

	Group		Company	
	2017	2016	2017	2016
Discount rate	5.00%	5.00%	5.00%	5.00%
Future average salary increases	4.00%	4.00%	4.00%	4.00%

The sensitivity of the defined benefit obligations to changes in the significant actuarial assumptions is shown below.

	Increase/(Decrease) in defined benefit obligations			
	2017		2016	
	Group RM	Company RM	Group RM	Company RM
Discount rate increases by 1%	(57,078)	(5,708)	(54,809)	(5,481)
Discount rate decreases by 1 %	68,030	6,803	65,066	6,507
Future average salary growth increases by 1%	109,390	10,939	91,586	9,159
Future average salary growth decreases by 1%	(93,356)	(9,336)	(78,228)	(7,823)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Balance at beginning of year	(2,179,737)	(3,026,704)	20,279	17,388
Recognised in profit or loss	50,289	724,724	3,856	3,587
Effects of change in statutory tax rate	–	122,243	–	(696)
Balance at end of year	(2,129,448)	(2,179,737)	24,135	20,279
Presented after appropriate offsetting as follows :-				
Deferred tax assets	24,135	20,279	24,135	20,279
Deferred tax liabilities	(2,153,583)	(2,200,016)	–	–
	(2,129,448)	(2,179,737)	24,135	20,279

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

Group

2017	As at 01.06.2016 RM	Recognised in profit or loss RM	As at 31.05.2017 RM
Deferred tax liabilities			
Property, plant and equipment	(3,285,199)	14,668	(3,270,531)
Other taxable temporary differences	(155,513)	155,513	–
	(3,440,712)	170,181	(3,270,531)
Deferred tax assets			
Retirement benefits	202,791	38,563	241,354
Other deductible temporary differences	1,058,184	(158,455)	899,729
	1,260,975	(119,892)	1,141,083

2016	As at 01.06.2015 RM	Recognised in profit or loss RM	Effects of change in statutory tax rate RM	As at 31.05.2016 RM
Deferred tax liabilities				
Property, plant and equipment	(3,414,162)	(8,779)	137,742	(3,285,199)
Other taxable temporary differences	–	(155,513)	–	(155,513)
	(3,414,162)	(164,292)	137,742	(3,440,712)
Deferred tax assets				
Retirement benefits	173,878	35,869	(6,956)	202,791
Unutilised capital allowances	46,424	(44,567)	(1,857)	–
Other deductible temporary differences	167,156	897,714	(6,686)	1,058,184
	387,458	889,016	(15,499)	1,260,975

Company

2017	As at 01.06.2016 RM	Recognised in profit or loss RM	As at 31.05.2017 RM
Deferred tax assets			
Retirement benefits	20,279	3,856	24,135

17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

Company (Cont'd)

2016	As at 01.06.2015 RM	Recognised in profit or loss RM	Effects of change in statutory tax rate RM	As at 31.05.2016 RM
Deferred tax assets				
Retirement benefits	17,388	3,587	(696)	20,279

(b) As at the end of the reporting period, the Group has an amount of RM12,499,913 (2016 : RM7,640,375) of other deductible temporary differences for which no deferred tax assets have been recognised in the financial statements.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables	362,738,605	334,011,143	–	–
Other payables and accruals	12,607,052	30,394,852	202,070	195,000
	375,345,657	364,405,995	202,070	195,000

(a) The Group has engaged shipbuilders in China for the construction of its offshore support vessels. In addition to the progress billings made by the shipbuilders for the construction of the offshore support vessels, costs are further accrued by the Group based on the progressive work performed pending billings to be rendered by the shipbuilders. The costs accrued and pending billings which are included in trade payables as at 31 May 2017 amounted to RM312,988,654 (2016 : RM291,780,796).

(b) The Group's trade payables are denominated in the following currencies :-

	Group	
	2017 RM	2016 RM
Ringgit Malaysia	4,166,682	4,851,600
United States Dollar	357,825,719	329,063,359
Singapore Dollar	665,711	96,184
Euro	80,493	–
	362,738,605	334,011,143

(c) The normal credit period of trade payables granted to the Group ranges from 7 to 90 days (2016 : 7 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. TRADE AND OTHER PAYABLES (CONT'D)

(d) Other payables and accruals consist of the following :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	11,911,716	29,538,361	7,070	–
Deposit received	–	258,550	–	–
Accruals	670,835	567,514	195,000	195,000
Goods and services tax payable	24,501	30,427	–	–
	12,607,052	30,394,852	202,070	195,000

Other payables

In 2016, a customer of a subsidiary, namely TA Ventures (L) Ltd. ("TAV") initiated an action to terminate three (3) vessel sale and purchase agreements due to late delivery of vessels by TAV. On 20 June 2016, TAV and the customer entered into a Settlement Agreement whereby the customer agreed to take delivery of one (1) vessel and to terminate the other two (2) vessel sale and purchase agreements. In respect of the terminated agreements, TAV was required to refund the progress payments made by the customer amounting USD4,050,000 (approximately RM16,664,000) together with interest of USD350,000 (approximately RM1,440,000). These amounts have been fully settled by TAV during the current financial year.

The termination of the two (2) vessel sale and purchase agreements had resulted in a loss to the Group amounting to RM2,749,303 which had been recognised in the previous year's profit or loss as disclosed in Note 23.

(e) The other payables and accruals are denominated in the following currencies :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	523,888	782,100	202,070	195,000
United States Dollar	12,083,164	29,612,752	–	–
	12,607,052	30,394,852	202,070	195,000

19. SHORT-TERM BORROWINGS

	Group	
	2017 RM	2016 RM
Unsecured		
Bank overdrafts	2,231,159	–
Bankers' acceptance	5,194,000	–
Revolving credits	45,608,625	32,916,000
	53,033,784	32,916,000

The bank borrowings are denominated in the following currencies :-

	Group	
	2017 RM	2016 RM
Ringgit Malaysia	7,425,159	–
United States Dollar	45,608,625	32,916,000
	53,033,784	32,916,000

All the bank borrowings are granted by licensed banks to subsidiaries and are secured by way of a facility agreement, a Deed of Assignment of Contract Proceeds and Power of Attorney to cover all shipbuilding contracts/agreements financed by the lending banks and a corporate guarantee from the Company.

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

	Group's effective interest rate	
	2017 %	2016 %
Bank overdrafts	7.71	7.60 - 7.85
Revolving credits	2.70 - 4.22	2.36 - 5.52
Bankers' acceptance	4.56	4.91

20. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Shipbuilding construction contract income	18,114,752	113,325,705	-	-
Vessel repairs and service income	1,611,782	1,841,340	-	-
Income from unit trust funds	978,204	622,211	978,204	622,211
	20,704,738	115,789,256	978,204	622,211

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. COST OF SALES

	Group	
	2017 RM	2016 RM
Cost of construction contracts	20,652,540	114,899,000
Cost of service rendered	883,673	1,007,791
	21,536,213	115,906,791

22. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest on :-		
Bank overdrafts	17,059	18,836
Bankers' acceptances and revolving credits	1,494,544	1,231,607
Hire-purchase	10,594	13,565
	1,522,197	1,264,008

Finance costs are charged to the profit or loss under the following line items :-

	Group	
	2017 RM	2016 RM
Cost of sales	17,520	132,933
Administrative expenses	1,504,677	1,131,075
	1,522,197	1,264,008

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before taxation is arrived at after charging :-				
Auditors' remuneration :				
- Annual statutory audit :				
- current year	98,588	95,032	30,000	30,000
- Non-audit fees	4,500	4,500	4,500	4,500
Bad debts written off	11,429	476	–	–
Compensation for termination of vessel sale agreements	–	1,357,650	–	–
Defined benefit cost	160,682	149,450	16,068	14,945
Depreciation of property, plant and equipment	1,775,785	1,836,441	–	–
Deposit forfeited	76,452	170,554	–	–
Hire of plant and machinery	600	32,660	–	–
Inventories written off	1,744	9,729	–	–
Write down in value of inventories	7,389,360	–	–	–
Impairment loss on :				
- trade receivables	753,927	5,495,517	–	–
- other receivables	–	11,625,363	–	–
Land rental	19,200	19,200	–	–
Loss on termination of vessel sale agreements	–	2,749,303	–	–
Realised loss on foreign exchange	3,779	2,341	–	1,325
Rental of premises	27,710	29,868	–	–
Property, plant and equipment written off	1,668	2,933	–	–
Preliminary expenses	2,850	–	–	–
and crediting :-				
Income from unit trust funds	978,204	622,211	978,204	622,211
Gain on disposal of property, plant and equipment	2,641	8,253	–	–
Gain on disposal of available-for-sale financial assets	49,971	8,257	49,971	8,257
Gain on foreign exchange :				
- realised	296,329	4,659,678	2,231	–
- unrealised	556,347	1,689,333	–	–
Interest income from :				
- deposits with licensed banks	46,345	35,223	1,190	3,150
- a subsidiary	–	–	633,722	699,210
Reversal of expenses over accrued	7,366	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors of the Company				
Salaries, allowances and bonus	1,328,040	1,499,000	132,804	149,900
Defined contribution plan - Employees Provident Fund	159,372	177,797	15,937	17,780
Defined benefit cost	140,884	131,037	14,088	13,104
Other benefits	39,179	34,769	–	–
Estimated value of benefits-in-kind	23,225	41,350	23,225	41,350
	1,690,700	1,883,953	186,054	222,134
Non-executive Directors of the Company				
Fees	147,000	147,000	147,000	147,000
Allowances and other benefits	27,400	28,400	27,400	28,400
	174,400	175,400	174,400	175,400
Executive Directors of the subsidiaries				
Salaries, allowances and bonus	126,816	137,424	–	–
Defined contribution plan - Employees Provident Fund	15,264	16,548	–	–
Other benefits	8,238	7,880	–	–
	150,318	161,852	–	–
Non-executive Directors of the subsidiaries				
Fees	51,000	51,000	–	–
Allowances and other benefits	13,091	13,637	–	–
	64,091	64,637	–	–
Total remuneration	2,079,509	2,285,842	360,454	397,534

25. INCOME TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax :				
- for the year	170,088	1,472,692	101,195	106,082
- (over)/under provision in prior year	(39,658)	13,822	3,847	13,822
	130,430	1,486,514	105,042	119,904
Deferred tax (income)/expense resulting from origination and reversal of temporary differences :				
- Current year	(50,289)	(754,110)	(3,856)	(3,587)
- Under provision in prior year	–	29,386	–	–
- Effects of change in statutory tax rate	–	(122,243)	–	696
	(50,289)	(846,967)	(3,856)	(2,891)
Total tax expense	80,141	639,547	101,186	117,013

A reconciliation of tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to the tax expense at the effective income tax rate of the Group and of the Company is as follows :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before taxation	(13,954,576)	(21,220,998)	917,267	632,880
Taxation at applicable statutory tax rate of 24% (2016 : 24%)	(3,349,098)	(5,093,040)	220,144	151,891
Tax effect in respect of :-				
Expenses that are not deductible in determining taxable profit	278,135	419,220	45,098	46,561
Income not subject to tax	(370,109)	(452,069)	(167,903)	(95,957)
Current year tax losses of a subsidiary not eligible for carry forward	299,320	501,349	–	–
Current year deferred tax assets not recognised	1,166,289	1,833,690	–	–
Effect of differential in tax rates	–	3,509,432	–	–
Effects of change in statutory tax rate	2,095,262	(122,243)	–	696
(Over)/Under provision in prior year :				
- Current tax	(39,658)	13,822	3,847	13,822
- Deferred tax	–	29,386	–	–
Total tax expense	80,141	639,547	101,186	117,013

26. LOSS PER SHARE

(a) Basic

The basic loss per share is calculated on the Group's loss for the financial year attributable to equity holders of the Company of RM14,034,717 (2016 : RM21,860,545) and is based on the weighted number of ordinary shares outstanding during the financial year of 175,596,600 (2016 : 175,626,079).

(b) Diluted

Diluted loss per share is not presented as there are no dilutive potential ordinary shares outstanding as at 31 May 2017 (2016 : NIL).

27. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Staff costs comprised :-				
Salaries, wages and bonuses	3,380,247	3,784,567	172,082	194,925
Defined contribution plan - Employees Provident Fund	371,677	421,440	20,774	23,542
Defined benefit cost	160,682	149,450	16,068	14,945
Others	160,660	159,213	497	372
	4,073,266	4,514,670	209,421	233,784

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Administrative expenses	2,878,357	3,219,967	209,421	233,784
Cost of sales	1,194,909	1,294,703	-	-
	4,073,266	4,514,670	209,421	233,784

Included in employee benefits expense are remuneration provided to Executive Directors of the Group and of the Company amounting to RM1,817,793 (2016 : RM2,004,455) and RM162,829 (2016 : RM180,784) respectively.

28. 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 common control of another party.

(a) Transactions with related parties

Transactions with companies in which certain Directors have substantial interests are as follows :-

	Group 2017 RM	2016 RM
Expenditure incurred		
Purchase of marine paints	2,175	6,912
Purchase of raw materials	320	–
Rental of slipway	–	27,000

Transactions between the Company and its subsidiaries are as follows :-

	Company 2017 RM	2016 RM
Interest charged to subsidiaries	633,722	699,210

(b) Year-end outstanding balances with related parties

As at the end of the 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 2017 RM	2016 RM
Amount receivable from subsidiaries	17,802,986	16,468,767

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 subsidiaries.

(c) 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 and Non-executive Directors.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(c) 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors				
Short-term employee benefits	1,740,764	1,919,110	307,204	325,300
Post-employment benefits - contribution to Employees Provident Fund	174,636	194,345	15,937	17,780
Defined benefit cost	140,884	131,037	14,088	13,104
Estimated value of benefits-in-kind	23,225	41,350	23,225	41,350
	2,079,509	2,285,842	360,454	397,534
Other key management personnel				
Short-term employee benefits	192,623	212,855	19,262	21,286
Post-employment benefits - contribution to Employees Provident Fund	23,184	25,621	2,318	2,562
Defined benefit cost	19,798	18,413	1,980	1,841
	235,605	256,889	23,560	25,689
Total	2,315,114	2,542,731	384,014	423,223

29. 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 are reflected in the Group's profit or loss. 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 and deferred tax assets.

29. SEGMENT REPORTING (CONT'D)

(b) Geographical Information (cont'd)

	2017 Revenue RM	2017 Non-current assets RM	2016 Revenue RM	2016 Non-current assets RM
Malaysia	6,723,417	22,065,236	19,428,879	23,796,141
Indonesia *	(3,325,205)	–	7,491,379	–
Singapore *	2,824,873	–	(4,277,177)	–
Saint Vincent Island	628,389	–	82,993,125	–
Switzerland	13,853,264	–	–	–
Egypt	–	–	10,153,050	–
	20,704,738	22,065,236	115,789,256	23,796,141

* Includes a downward effect of RM4,576,834 (2016 : RM5,187,110) on revision in the estimate of contract revenue recognised as the outcome of the contracts cannot be reliably ascertained.

(c) Major Customers

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

	2017 RM	2016 RM	Segment
Customer A	13,853,264	65,602,800	Shipbuilding and ship repairing
Customer B	4,132,031	17,390,325	Shipbuilding and ship repairing
Customer C	–	16,942,708	Shipbuilding and ship repairing

30. CONTINGENT LIABILITIES - UNSECURED

	Company 2017 RM	Company 2016 RM
Corporate guarantees favouring banks for facilities granted to subsidiaries :		
- Facility limit	154,845,000	174,977,000
- Amount utilised	53,083,784	32,966,000

As at the reporting date, no values were placed on the unsecured corporate guarantees provided by the Company as the Directors regard the value of the credit enhancement provided by the corporate guarantees to be minimal and the likelihood of default to be low.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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 investments and cash and bank balances.

Financial liabilities of the Group include trade and other payables, hire-purchase payable and bank borrowings.

In respect of the Company, financial assets also include amount due from subsidiaries.

(a) Categories of Financial Instruments

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

(i) Financial assets as per statement of financial position

	Note	Carrying amount RM	2017 Loans and receivables RM	Available-for-sale financial assets RM
Group				
Other investments	6	26,388,062	–	26,388,062
Trade receivables	9	12,683,875	12,683,875	–
Other receivables #	9	23,222,302	23,222,302	–
Cash and bank balances	11	3,722,022	3,722,022	–
		66,016,261	39,628,199	26,388,062
Company				
Other investments	6	26,388,062	–	26,388,062
Other receivables	9	2,000	2,000	–
Amount due from subsidiaries	10	17,802,986	17,802,986	–
Cash and bank balances	11	192,484	192,484	–
		44,385,532	17,997,470	26,388,062

\# *Exclude goods and services tax recoverable and prepayments*

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

(i) Financial assets as per statement of financial position (Cont'd)

	Note	Carrying amount RM	2016 Loans and receivables RM	Available-for-sale financial assets RM
Group				
Other investments	6	26,013,416	–	26,013,416
Trade receivables	9	13,193,680	13,193,680	–
Other receivables #	9	16,753,054	16,753,054	–
Cash and bank balances	11	26,398,246	26,398,246	–
		82,358,396	56,344,980	26,013,416
Company				
Other investments	6	26,013,416	–	26,013,416
Other receivables	9	2,000	2,000	–
Amount due from subsidiaries	10	16,468,767	16,468,767	–
Cash and bank balances	11	208,179	208,179	–
		42,692,362	16,678,946	26,013,416

\# *Exclude goods and services tax recoverable and prepayments*

(ii) Financial liabilities as per statement of financial position

	Note	Carrying amount RM	2017 Other financial liabilities measured at amortised cost RM
Group			
Trade payables	18	362,738,605	362,738,605
Other payables *	18	12,582,551	12,582,551
Hire-purchase payable	15	162,182	162,182
Bank overdraft	19	2,231,159	2,231,159
Banker's acceptance	19	5,194,000	5,194,000
Revolving credits	19	45,608,625	45,608,625
		428,517,122	428,517,122
Company			
Other payables	18	202,070	202,070

* *Exclude goods and services tax payable*

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

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

(ii) Financial liabilities as per statement of financial position (Cont'd)

		2016	
	Note	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Group			
Trade payables	18	334,011,143	334,011,143
Other payables *	18	30,364,425	30,364,425
Hire-purchase payable	15	294,485	294,485
Revolving credits	19	32,916,000	32,916,000
		397,586,053	397,586,053
Company			
Other payables	18	195,000	195,000

* *Exclude goods and services tax payable*

(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 bank balances. The Company's exposure to credit risk arises principally from amount due from subsidiaries, bank balances and corporate guarantees given to banks for credit facilities of subsidiaries as disclosed in Note 30.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial Risk Management (Cont'd)

(i) Credit Risk (Cont'd)

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

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

(a) Amount due from three (3) (2016 : two (2)) major customers amounting to RM11,888,203 (2016 : RM11,011,971) representing 94% (2016 : 83%) of total trade receivables.

(b) Deposits and advances of RM22,943,441 (2016 : RM16,479,948) paid to five (5) (2016 : four (4)) suppliers and contractors representing 99% (2016 : 98%) of total deposits and advances paid to shipbuilding suppliers and contractors.

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

Information on the ageing of the Group's trade receivables is disclosed in Note 9(b).

Cash and cash equivalents are only placed with licensed banks.

The Company provides unsecured corporate guarantees to banks for facilities granted to subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and their ability to fulfill the financial obligations. The Company's maximum exposure to credit risk arising from the corporate guarantees provided is represented by the outstanding banking facilities utilised by the subsidiaries as at 31 May 2017 amounting RM53,083,784 (2016 : RM32,966,000). The fair value of the financial liability in respect of the corporate guarantees provided has not been recognised in the Company's financial statements as the fair value on initial recognition was not material. As at the end of the reporting period, there was no indication that any subsidiaries would default on repayment.

(ii) Liquidity and Cash Flow Risks

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 AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial Risk Management (Cont'd)

(ii) Liquidity and Cash Flow Risks (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 :-

2017	Maturity profile			
	Less than 1 year RM	More than 1 year and less than 5 years RM	Total RM	Effective interest rate %
Group				
Trade payables	362,738,605	–	362,738,605	–
Other payables *	12,582,551	–	12,582,551	–
Hire-purchase payable	142,896	23,808	166,704	4.55
Bank overdraft	2,403,181	–	2,403,181	7.71
Banker's acceptance	5,270,569	–	5,270,569	4.56
Revolving credits	46,034,019	–	46,034,019	3.23 - 4.19
Company				
Other payables	202,070	–	202,070	–

* *Exclude goods and services tax payable*

2016	Maturity profile			
	Less than 1 year RM	More than 1 year and less than 5 years RM	Total RM	Effective interest rate %
Group				
Trade payables	334,011,143	–	334,011,143	–
Other payables *	30,364,425	–	30,364,425	–
Hire-purchase payable	142,896	166,704	309,600	4.55
Revolving credits	33,194,864	–	33,194,864	2.70 - 3.66
Company				
Other payables	195,000	–	195,000	–

* *Exclude goods and services tax payable*

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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 Dollar ("USD"), Singapore Dollar ("SGD"), Japanese Yen ("YEN") 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.

Exposure to currency risk

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

	Denominated in foreign currency				
	USD RM	SGD RM	YEN RM	Others RM	Total RM
Group					
Functional currency : RM					
2017					
Trade and other receivables	1,067,092	10,592,889	594,150	–	12,254,131
Cash and bank balances	1,298,074	1,247,897	–	14,106	2,560,077
Trade and other payables	(378,077)	(665,711)	–	(80,493)	(1,124,281)
	1,987,089	11,175,075	594,150	(66,387)	13,689,927

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial Risk Management (Cont'd)

(iv) Currency Risk (Cont'd)

Exposure to currency risk (Cont'd)

	Denominated in foreign currency				
	USD RM	SGD RM	Euro RM	Others RM	Total RM
2016					
Trade and other receivables	1,912,655	10,692,302	36,586	76,452	12,717,995
Cash and bank balances	1,314,033	385,672	2,700	19,717	1,722,122
Trade and other payables	(600,561)	(96,184)	–	–	(696,745)
	2,626,127	10,981,790	39,286	96,169	13,743,372

The Company is not exposed to currency risk as all of its financial assets and liabilities are denominated in its functional currency.

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	
	2017 RM	2016 RM
USD	198,709	262,613
SGD	1,117,508	1,098,179
YEN	59,415	–
Euro	–	3,929
Others	(6,639)	9,617
	1,368,993	1,374,338

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.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial Risk Management (Cont'd)

(v) Interest Rate Risk

The Group has interest rate risk in respect of its hire-purchase financing, bank borrowings and investments in unit trust funds which investments are primarily in money market instruments.

The Group's hire-purchase financing and banker's acceptance facility are based on a fixed rate and its bank overdraft, revolving credit facilities and investments in unit trust funds are based on floating rates.

Market interest rate 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.

Exposure to interest rate risk

The interest rate exposure 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 follows :-

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Floating rate instruments				
Financial assets				
Other investments	26,388,062	26,013,416	26,388,062	26,013,416
Amount due from subsidiaries	–	–	9,950,000	9,050,000
Financial liabilities				
Bank overdraft	(2,231,159)	–	–	–
Revolving credits	(45,608,625)	(32,916,000)	–	–
	(21,451,722)	(6,902,584)	36,338,062	35,063,416

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial Risk Management (Cont'd)

(v) Interest Rate Risk (Cont'd)

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.

2017

	Equity		Profit or loss	
	100bp increase RM	100bp decrease RM	100bp increase RM	100bp decrease RM
Floating rate instruments				
Group				
Financial assets				
Other investments	263,881	(263,881)	–	–
Financial liabilities				
Bank overdraft	–	–	(22,312)	22,312
Revolving credits	–	–	(456,086)	456,086
Company				
Financial assets				
Other investments	263,881	(263,881)	–	–
Amount due from subsidiaries	–	–	99,500	(99,500)

2016

	Equity		Profit or loss	
	100bp increase RM	100bp decrease RM	100bp increase RM	100bp decrease RM
Floating rate instruments				
Group				
Financial assets				
Other investments	260,134	(260,134)	–	–
Financial liabilities				
Revolving credits	–	–	(329,160)	329,160
Company				
Financial assets				
Other investments	260,134	(260,134)	–	–
Amount due from subsidiaries	–	–	90,500	(90,500)

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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 value of other current financial assets and liabilities of the Group and of the Company 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 :-

2017

	Fair value measurement using			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
Group and Company				
Financial assets				
Available-for-sale investments	26,388,062	–	–	26,388,062

2016

	Fair value measurement using			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
Group and Company				
Financial assets				
Available-for-sale investments	26,013,416	–	–	26,013,416

32. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Property, plant and equipment were acquired by the following means :-

	Group	
	2017 RM	**2016 RM**
Aggregate cost of property, plant and equipment	46,549	828,222
Amount financed under hire purchase financing	–	(400,000)
Cash purchase	46,549	428,222

The principal amount of instalment payments for property, plant and equipment acquired by hire-purchase and leasing financing are reflected as cash outflows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base, to safeguard the Group's ability to continue as a going concern and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payout to shareholders, return capital to shareholders or issue new shares.

In the management of capital risk, the management takes into consideration the debt-to-equity ratio as well as the Group's working capital requirements.

The debt-to-equity ratio as at 31 May 2017 and 31 May 2016 were as follows :-

Debt-to-Equity ratio

	Group	
	2017 RM	**2016 RM**
Trade and other payables	375,345,657	364,405,995
Hire-purchase and bank borrowings	53,195,966	33,210,485
Less : Cash and bank balances	(3,722,022)	(26,398,246)
Net debts	424,819,601	371,218,234
Total equity	160,715,951	173,173,181
Debt-to-equity ratio	2.643	2.144

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

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

Realised and Unrealised Profits/(Losses)

The breakdown of retained profits of the Group and the Company as at 31 May 2017, into realised and unrealised profits/(losses), pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows :-

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Total retained profits of TAS Offshore Berhad and its subsidiaries :				
- Realised	77,693,623	90,452,175	6,602,722	5,790,497
- Unrealised	580,482	1,709,612	24,135	20,279
	78,274,105	92,161,787	6,626,857	5,810,776
Consolidation adjustments	(43,680,318)	(43,533,283)	-	-
Retained profits as per financial statements	34,593,787	48,628,504	6,626,857	5,810,776

The determination of realised and unrealised profits/(losses) 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 35 to 106 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 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 supplementary information set out in Note 34 on page 107 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 : 25 August 2017

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 accompanying financial statements set out on pages 35 to 106 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 25 August 2017)

....
HII CHAI HUNG

Before me,

....
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TAS OFFSHORE BERHAD, which comprise the statements of financial position as at 31 May 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 106.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 May 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
1. Accruals for costs in relation to shipbuilding contract works	
As disclosed in Note 18(a) to the financial statements, the Group has engaged shipbuilders in China for the construction of its offshore support vessels. The Group recognises progress billings made by the shipbuilders for the construction of the offshore support vessels. In addition, costs are further accrued based on the progressive work performed by the shipbuilders as at reporting date pending billings to be rendered by the shipbuilders. Cumulative costs accrued as at 31 May 2017 amounted to RM312,988,654.	Our procedures include the following : • We performed site visits to confirm the existence of the vessels constructed by the shipbuilders. We identified the relevant vessels on-site and matched those vessels to the respective shipbuillding contracts entered into with the shipbuilders.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
1. Accruals for costs in relation to shipbuilding contract works (Cont'd)	
Accruals for costs are computed based on the contract prices of the vessels multiplied by their respective percentages of work completed as recorded in the construction progress reports issued by the shipbuilders and which have been verified by the Group's management. As disclosed in Note 3(b)(ii) to the financial statements, significant judgement is required in assessing the reliability of the percentages of work completed which were estimated by the shipbuilders. In view of its significance and the subjectivity involved to determine the percentages of work completed and the accuracy of the amount accrued, we considered this area as a key audit matter for the Group.	Our procedures include the following (Cont'd) : • We conducted inquiries of the shipbuilders' officials on-site to establish the progress of the construction of the vessels and assessed the condition and the reasonableness of the stage of completion of such vessels against the stage of completion as recorded in the progress reports prepared by the shipbuilders. • We recomputed the percentages of work completed as recorded in the progress reports to assess their arithmetical accuracy and reviewed the workings prepared by the management to assess whether the application of the percentages of work completed to compute accruals were consistent with those reports. We also reviewed the workings to check the accuracy of contract prices extracted from the shipbuilding contracts and performed recomputation of the costs accrued to confirm their arithmetical accuracy.
2. Net realisable values of unsold vessels	
The fall in oil price and the reduction in capital expenditure by oil majors have caused a glut in the world market for offshore support vessels and this has resulted in a drop in demand for such vessels. The significant decline in sales of offshore support vessels has led the management to engage an independent external valuer to assess the net realisable values of the Group's unsold vessels, both completed and under construction, which were included in inventories as at 31 May 2017 as disclosed in Note 7 to the financial statements. These offshore support vessels were constructed by the shipbuilders in China as stated in item (1) above.	Our procedures include the following : • We performed site visits to confirm the existence of the unsold vessels (held at the shipyards of the contracted shipbuilders) and to assess the condition of such vessels. • We conducted a physical inspection of the vessels on-site and compared the condition of the vessels to the stage of completion recorded in the various verified progress reports prepared by the shipbuilders.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
2. Net realisable values of unsold vessels (Cont'd)	
The net realisable values of the unsold offshore support vessels were assessed on the basis of their respective completed state and after taking into consideration of the prevailing market conditions for the supply and demand for such vessels. The management has assessed the external valuation and has computed and recognised a write down in value inventories of RM7,389,360 for the current financial year as disclosed in Notes 7 and 23 to the financial statements. As disclosed in Note 3(b)(iii) to the financial statements, significant judgement is required to estimate the appropriate net realisable values of the Group's inventories. In view of the significance of the amount of unsold vessels and the high level of subjectivity involved to estimate the net realisable values, we considered this area as a key audit matter for the Group.	Our procedures include the following (Cont'd) : • We considered the qualifications, objectivity and competency of the independent valuer engaged in the valuation of the unsold vessels and assessed the reasonableness of the assumptions used in arriving at the valuation. • We reviewed the management's computation of the amount of costs written down based on the external valuations performed.
3. Contract revenue recognition using the percentage of completion method and recoverability of amount due from contract customers	
As disclosed in Notes 2.12.1 and 20 to the financial statements, the Group recognised RM18,114,752 of revenue from shipbuilding construction contracts using the percentage of completion ("POC") method. The POC was determined by reference to the proportion of contract costs incurred for work performed as at year-end in relation to the estimated total contract costs. In addition, with the downturn in the oil and gas industry, certain customers have requested for deferral of delivery dates of vessels. This would impact the appropriateness of revenue and profit recognised as well as the recoverability of amount due from customers in relation to the Group's vessel construction contracts. The amount due from contract customers as at 31 May 2017 where delivery dates have been deferred was RM13,732,443.	Our procedures include the following : • We performed site visits to confirm the existence of the vessels constructed by the Group and where relevant, matched these vessels to the respective sales agreements entered with customers. • We compared the POC as determined by the management against the vessels' condition to assess the appropriateness of the management's estimates. • We assessed the reasonableness of key inputs in the cost estimation and verified significant cost elements against their supporting documentation including contracts and workings for estimates of contract costs.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
3. Contract revenue recognition using the percentage of completion method and recoverability of amount due from contract customers (Cont'd)	
As disclosed in Note 3(b)(i) to the financial statements, significant judgement is required in: • determining the appropriate POC as it involved the estimation of total contract costs and the extent of actual costs incurred; and • determining and assessing whether the Group's customers would be able to fulfill their contractual obligations and take delivery of the vessels. In this regard, we considered these areas as key audit matters for the Group.	Our procedures include the following (Cont'd) : • We verified the actual costs incurred against the relevant supporting documentation. • We performed recomputation of the POC to assess the arithmetical accuracy of revenue and costs recognised for the current financial year and traced the revenue and costs recognised to the accounting records. • We reviewed the management's assessment of the risk of customers defaulting on their contractual obligations. • Where there were deferral of delivery dates, we discussed with the management to understand their assessment of the impact of the delay and the appropriateness of the judgement used on the recognition of revenue and associated profit.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises information contained in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)

Responsibilities of the Directors for the Financial Statements (Cont'd)

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. 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

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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.
FIRM NO. : AF 0502
CHARTERED ACCOUNTANTS

NG ENG KIAT
NO. : 01064/03/2019 J
CHARTERED ACCOUNTANT

Kuala Lumpur

Date : 25 August 2017

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 31.5.2017 (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	14	19.11.2008	Lease-hold 60 years expiring in 2070	17,033,676

Analysis of Shareholdings

Analysis of Shareholdings as at 11 August 2017

SHARE CAPITAL

Issued Shares	:	180,002,000 ordinary shares
Class of shares	:	Ordinary Shares
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	5	115	0.00 *
100 – 1,000 shares	323	267,991	0.15
1,001 – 10,000 shares	1,835	10,775,500	6.14
10,001 – 100,000 shares	1,195	38,788,800	22.09
100,001 – less than 5% of issue shares	126	35,238,523	20.07
5% and above of issued shares	4	90,525,671	51.55
Total	3,488	175,596,600 #	100.00

* Less than 0.01 %

\# Excluding 4,405,400 ordinary shares bought back by the Company and retained as treasury shares based on Record of Depositors as at 11 August 2017.

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Account Holders	Shareholdings	Percentage
1.	Lau Nai Hoh	30,000,000	17.08
2.	Lau Nai Hoh	30,000,000	17.08
3.	Lau Nai Hoh	20,000,000	11.39
4.	Lau Nai Hoh	10,525,671	5.99
5.	Tan Aik Choon	1,554,400	0.89
6.	Hii Sieng Teck	1,365,800	0.78
7.	Lau Chui Tai	1,324,700	0.75
8.	Hii Kiong Thai	1,241,317	0.71
9.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Kiing Ho (E-SDK)	995,900	0.57
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Christine Ang Chiew Mui (7001270)	953,000	0.54

Analysis of Shareholdings (cont'd)

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Account Holders	Shareholdings	Percentage
11.	Ng Teng Song	827,600	0.47
12.	Oui Kee Seng	754,500	0.43
13.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Soon Hiang (001)	630,700	0.36
14.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Wei Lik (E-MLB/PSG)	600,000	0.34
15.	Goh Yoke Choo	545,900	0.31
16.	Lee Kok Loong	516,400	0.29
17.	Ng Teng Song	511,000	0.29
18.	Loh Chwee Chew Mooring Services Private Limited	500,000	0.28
19.	Lau Choon Yee	470,000	0.27
20.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chuah Swee Huat (E-KLC)	466,600	0.27
21.	Tan Chia Chin	450,000	0.26
22.	Goh Ah Soi @ Goh Geok Swee	440,000	0.25
23.	Lau Choo Chin	409,006	0.23
24.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Faai @ Ng Yoke Pei (SRB/PMS)	407,000	0.23
25.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Vincent Phua Chee Ee	400,000	0.23
26.	W Ismail Bin W Nik	400,000	0.23
27.	Jasmin Villa Development Sdn Bhd	395,200	0.23
28.	Tok Ler	360,200	0.21
29.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Siok Wan	360,000	0.21
30.	Saw You Boon	335,000	0.19
	Total	107,739,894	61.36

Analysis of Shareholdings (cont'd)

SUBSTANTIAL SHAREHOLDER

The substantial shareholders' interests in shares in the Company as per the Register of substantial shareholders as at 11 August 2017 are as follows:-

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Datuk Lau Nai Hoh	90,525,671	51.55	1,281,317(i)	0.73

Note

(i) Deemed interested by virtue of the shareholdings of his spouse, Datin Hii Kiong Thai (1,241,317 shares) and his children, Mr Lau Choo Kuang (20,000 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 11 August 2017 are as follows:-

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Datuk Lau Nai Hoh	90,525,671	51.55	1,281,317 (i)	0.73
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	–	–
6.	Datu Haji Mohammed Sepuan bin Anu	15,000	0.01	–	–

Notes:

(i) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his spouse's and children's shareholdings in the Company.

(ii) Deemed interested under Section 8 of the Companies Act 2016 by virtue of his spouse's shareholdings in the Company.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Tanahmas Hotel, Jalan Kampung Nyabor, 96007 Sibu, Sarawak on Friday 6 October 2017 at 9.30 a.m. to transact the following business:-

AGENDA

ORDINARY BUSINESS

1	To lay before the meeting the Audited Financial Statements of the Company for the financial year ended 31 May 2017 together with the Reports of the Directors and Auditors thereon.	**Please refer to explanatory note (A)**
2	To approve the payment of Directors' fees in respect of the financial year ending 31 May 2018.	**Ordinary Resolution 1**
3	To approve the payment of Meeting Attendance Allowances and any other benefits payable to the Directors with effect from February 2017 until otherwise resolved.	**Ordinary Resolution 2**
4	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) Lau Kiing Yiing	**Ordinary Resolution 3**
	(ii) Ling Ka Chuan	**Ordinary Resolution 4**
5	To re-appoint Datu Haji Mohammed Sepuan Bin Anu to continue as a director of the Company	**Ordinary Resolution 5**
6	To re-appoint Messrs. FOLKS DFK & Co. as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Ordinary Resolution 6**

SPECIAL BUSINESS

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

7	**Authority to Issue and Allot shares**	**Ordinary Resolution 7**

"THAT pursuant to Section 76 of the Companies Act, 2016 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."

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8 Proposed Renewal of Authority for the Company to Purchase its Own Shares ("Proposed Share Buy-Back") **Ordinary Resolution 8**

"THAT subject always to the Companies Act 2016 ("the Act"), the Company's Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and any other relevant governmental and/or regulatory authorities, the Directors of the Company be and are hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia as the Directors may deemed fit and expedient in the interest of the Company provided that :

a) the aggregate number of shares to be purchased shall not exceed ten per cent (10%) of the issued and paid-up ordinary share capital of the Company;

b) the maximum funds to be allocated by the Company for the purpose of the Proposed Share Buy-Back shall not exceed the total retained profits of the Company for the time being;

c) the Directors of the Company may decide in their discretion to retain the shares purchased as treasury shares and/or to cancel them and/or to resell them and/or to distribute them as share dividends; and

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 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."

9 To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Articles of Association of the Company.

By order of the Board

Pauline Kon Suk Khim (MAICSA 7014905)
Company Secretary

Date : 13 September 2017

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

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 29 September 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 29 September 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any persons to be his/her proxy.*

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. *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.*

6. *If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

EXPLANATORY NOTES :

(A) Audited Financial Statements

The Audited Financial Statements are laid before the shareholders for discussion only as they do not require shareholders' approval pursuant to Section 340(1) of the Companies Act, 2016. Hence, this matter will not be put for voting.

(B) Ordinary Resolution 2 - Payment of Meeting Allowance and any other benefits to Directors

Section 230(1) of the Companies Act, 2016 requires the benefits payable to Directors of the Company to be approved at a general meeting. Shareholders' approval for the payment of annual meeting attendance allowance and any other benefits of up to RM38,000 is sought and shall take effect from February 2017 onwards until such time a revision is proposed.

(C) Ordinary Resolution 5 – Re-appointment of Director

With the coming into force of the Companies Act 2016 on 31 January 2017, there is no age limit for directors.

At the 9th Annual General Meeting (AGM) of TAS Offshore Berhad held on 28 September 2016, Datu Haji Mohammed Sepuan Bin Anu who was at the age of 70, was re-appointed pursuant to Section 129 of the Companies Act 1965 (which was then in force) to hold office until the conclusion of 10th AGM. Datu has offered himself for re-appointment.

The proposed Ordinary Resolution 5, if passed, will enable Datu Haji Mohammed Sepuan Bin Anu to continue to act as Director of the Company and he shall thereafter be subject to retirement by rotation in accordance to the Articles of Association of the Company.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(D) Ordinary Resolution 7 – 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 28 September 2016 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.

(E) Ordinary Resolution 8 - Proposed Renewal of Authority for the Company to Purchase its Own Shares

The Proposed Ordinary Resolution No. 8 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.

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 10th Annual General Meeting of the Company to be held at Tanahmas Hotel, Jalan Kampung Nyabor, 96007 Sibu, Sarawak on Friday 6th day of October 2017 at 9.30 am and, at any adjournment thereof for/against* the resolutions to be proposed thereat.

Resolution No	Ordinary Business	FOR	AGAINST
Ordinary Resolution 1	To approve the Directors' fees.		
Ordinary Resolution 2	To approve payment of meeting allowance and other benefits to Directors		
Ordinary Resolution 3	To re-elect Mr Lau Kiing Yiing as Director.		
Ordinary Resolution 4	To re-elect Mr Ling Ka Chuan as Director.		
Ordinary Resolution 5	To re-appointment of Datu Haji Mohammed Sepuan Bin Anu as Director		
Ordinary Resolution 6	To re-appoint Messrs. FOLKS DFK & Co. as Auditors for the ensuing year.		
	Special business		
Ordinary Resolution 7	To approve the authority to issue shares pursuant to Section 76 of the Company Act, 2016.		
Ordinary Resolution 8	To approve the proposed renewal of authority for the Company to purchase its own shares		

(Please indicate with an "X' or "✓" in the spaces provided above on how you wish your vote to be cast. 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:

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

*Strike out whichever is not desired. (unless otherwise instructed the proxy may vote as he thinks fit)

Dated this .... day of 2017

....
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 29 September 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 29 September 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
2. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any persons to be his/her proxy.*
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. *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.*
6. *If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here

www.tasoffshore.com

TAS OFFSHORE BERHAD (810179-T)

Lot 199, Sungai Maaw Road,
Sg. Bidut, P.O. Box 920, 96008 Sibu,
Sarawak, Malaysia.

Tel : 6-084-310211
Fax : 6-084-319139