

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

- iv. Tax Exemption on the Value of Increased Exports to a locally-owned manufacturing company with Malaysian equity of at least 60% is eligible for a tax exemption on the statutory income equivalent to 30% of the value of increased exports, provided the company achieves a significant increase in exports.

7.6.3 Environmental Regulation

During the normal course of our ship construction and ship repair activities, we mainly generate bulk waste in the form of steel scrap from the cutting of steel plates, steel bars and other steel products. Steel scrap is normally recycled by our Group.

As such, we do not generate any significant waste that is likely to have a negative impact on the environment during the normal course of our business operations.

7.7 Demand and Supply Conditions

7.7.1 Demand - Exports

As 89.1% of our revenue for the FYE 31 May 2008 and 98.8% of our revenue for the ten (10)-month FPE 31 March 2009 were derived from overseas sales, demand for our ships are primarily driven by exports, as set out below:-

- i. Export of Ships, Boats and Floating Structures

Between 2004 and 2008, the export value of ships, boats and floating structures declined at an average annual rate of 8.6%. In 2008, the export value of ships, boats and floating structures increased by 12.9% to reach RM1.1 billion.

- ii. Export of Tugs and Pusher Craft

Tugboats currently exported by us are primarily of tugs and pusher craft of more than 26 Gross Tonnages, but not more than 4,000 Gross Tonnages.

Between 2004 and 2008, the export value of tugs and pusher craft increased at an average annual rate of 11.2%. In 2008, the export value of tugs and pusher craft declined by 83.5% to RM28.8 million. In 2008, the UAE and Indonesia were the major export destinations for tugs and pusher craft, representing 67.9% and 17.9% of total exports under this category respectively. The other export markets for tugs and pusher craft in 2008 were Ireland and Saudi Arabia.

7.7.2 Demand Dependencies

A major proportion of the ships currently constructed by us are intended for use in the Oil and Gas Industry. During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, 53.3% and 48.6% of our total revenue respectively were from the construction of Anchor Handling Tugs and Anchor Handling Tug Supply Vessels, which are primarily used to provide supporting services to the offshore Oil and Gas Industry.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

The Anchor Handling Tugs and Anchor Handling Tug Supply Vessels constructed by us are primarily sold to customers in the UAE and the Middle East. The ships exported by us to the UAE are used to provide services to customers in the UAE and the wider Middle Eastern region.

As most of the imports and exports of goods in Malaysia are transported by sea, the level of Malaysia's international trade will provide an indication of the demand for ships in general, and Tugboats in particular, in Malaysia.

Similarly, the following section will provide an analysis of the total number of ships and Tugboats that are registered in Malaysia as an indication of the level of demand in Malaysia.

As Tugboats are used to tow and assist ships to navigate and dock, demand for Tugboats is, to a certain extent, dependent on the level of port activities. The following section will also provide an indication of the level of port activities at ports in Malaysia by analysing the number of ships calling at Malaysian ports. As Singapore and Indonesia are major export markets for Tugboats exported by us, demand for Tugboats will also be dependent upon the level of port activity in these two countries.

The following analysis will provide an indication of the above:-

i. Oil and Gas Industry in Malaysia

The level of Investment made by Petroliam Nasional Berhad and Petroleum Sharing Contract Operators in the exploration and production of oil and gas in Malaysia increased at an average annual rate of 18.5% between the financial years ended 31 March 2004 and 2008. For the FYE 31 March 2008, investment in exploration and production increased by 12.0% to reach RM21.5 billion.

For the FYE 31 March 2008, the average daily production of crude oil and condensates increased by 4.6% to 692,000 Barrels of Oil Equivalent ("BOE"). The average daily production of crude oil and condensates declined at an average annual rate of 2.0% between the financial years ended 31 March 2004 and 2008.

For the FYE 31 March 2008, the average daily production of natural gas in Malaysia increased by 3.3% to reach 982,000 BOE per day. Between the financial years ended 31 March 2004 to 2008, the average daily production of natural gas in Malaysia declined at an average annual rate of 0.5%.

Malaysia's exploration and production sector remained vibrant despite the increasingly challenging and costlier environment characterised by maturing hydrocarbon acreages and tightness in the supply of materials, equipment and experienced human capital.

ii. Oil and Gas Industry in the Middle East

Between 2003 and 2007, the production of crude oil in the Middle East increased at an average annual rate of 2.5%. In 2007, crude oil production in the Middle East declined by an estimated 1.7% to 22.5 million barrels per day.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

Between 2003 and 2007, the marketable production of natural gas in the Middle East increased at an average annual rate of 7.7%. In 2007, the marketable production of natural gas in the Middle East increased by an estimated 4.5% to reach 352.8 billion Standard Cubic Metres.

Between 2003 and 2007, the number of active rigs in the Middle East increased at an average annual rate of 10.8%. In 2007, the number of active rigs in the Middle East increased by an estimated 7.1% to a total of 258 rigs.

iii. Oil and Gas Industry in the UAE

Between 2003 and 2007, the production of crude oil in the UAE increased at an average annual rate of 3.0%. In 2007, crude oil production in the UAE declined by an estimated 1.5% to 2.5 million barrels per day.

Between 2003 and 2007, the marketable production of natural gas in the UAE increased at an average annual rate of 2.9%. In 2007, the marketable production of natural gas in the UAE increased by an estimated 3.1% to reach 50.3 billion Standard Cubic Metres.

Between 2003 and 2007, the number of active rigs in the UAE declined at an average annual rate of 3.3%. In 2007, the number of active rigs in the UAE declined by an estimated 6.7% to a total of 14 rigs.

iv. Total Exports and Imports of Goods from and to Malaysia

Between 2005 and 2008, Malaysia's trade account for the export of goods grew at an average annual rate of 7.2%. In 2008, it was estimated that it grew by 9.6% to reach RM664.2 billion.

Between 2005 and 2008, Malaysia's trade account for the import of goods grew at an average annual rate of 6.4%. In 2008, it was estimated that it grew by 3.3% to reach RM494.1 billion.

v. Total Number of Ships and Tugboats Registered in Malaysia

The total number of ships registered in Malaysia increased at an average annual rate of 4.2% between 2004 and 2008. In 2008, the total number of ships registered in Malaysia increased by 3.8% to 4,452 ships.

Between 2004 and 2008, the total number of Tugboats registered in Malaysia increased at an average annual rate of 5.1%. In 2008, the total number of Tugboats registered in Malaysia increased by 4.3% to 926 Tugboats.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

- vi. Total Number of Ships Calling at Ports in Malaysia, Singapore and Indonesia

Between 2004 and 2008, ships calling at Malaysian ports measured in terms of Gross Tonnage increased at an average annual rate of 4.0%. In 2008, ships calling at Malaysian ports measured in terms of Gross Tonnage declined by 4.1% to 533.3 million.

Between 2004 and 2008, vessel arrivals at Singapore ports measured in terms of Gross Tonnage increased at an average annual rate of 11.7%. In 2008, vessel arrivals at Singapore ports measured in terms of Gross Tonnage increased by 11.1% to reach 1.6 billion.

Between 2001 and 2005, the number of ship calls at sea ports in Indonesia increased at an average annual rate of 2.7%. In 2005, the number of ship calls at sea ports in Indonesia increased by 42.3% to 755,781.

7.7.3 Supply

We are primarily engaged in Shipbuilding and also engaged in providing ship repairing services as a secondary business activity. The supply conditions are set out below:-

- i. Building and Repairing of Ships

Between 2002 and 2006, the value of gross output for the building and repairing of ships increased at an average annual rate of 5.5%. In 2006, the value of gross output for the building and repairing of ships increased by 20.8% to RM3.4 billion (based on 165 establishments).

- ii. Manufacture of Tugs and Pusher Craft

Between 2002 and 2005, the sales value of the manufacture of tugs and pusher craft increased at an average annual rate of 46.8%. In 2005 (the most recent year for which data is available), the sales value for the manufacture of tugs and pusher craft increased by 141.2% to reach RM247.7 million (based on 20 establishments).

- iii. Manufacture of Multi-purpose Vessels

Between 2002 and 2005, the sales value of the manufacture of multi-purpose vessels increased at an average annual rate of 53.5%. In 2005 (the most recent year for which data is available), the sales value for the manufacture of multi-purpose vessels declined by 7.8% to RM141.8 million (based on 6 establishments).

- iv. Manufacture of Fishing Vessels, Factory Ships and Other Vessels

Between 2002 and 2005, the sales value of the manufacture of fishing vessels, factory ships and other vessels increased at an average annual rate of 39.2%. In 2005 (the most recent year for which data is available), the sales value for the manufacture of fishing vessels, factory ships and other vessels totalled RM15.5 million (based on 17 establishments).

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

v. Imports of Ships, Boats and Floating Structures

Between 2004 and 2008, the import value of ships, boats and floating structures declined at an average annual rate of 5.0%. In 2008, the import value of ships, boats and floating structures decreased by 57.6% to reach RM2.4 billion.

vi. Imports of Tugs and Pusher Craft

Between 2004 and 2008, the import value of tugs and pusher craft increased at an average annual rate of 136.4%. In 2008, the import value of tugs and pusher craft increased by 8.0% to RM15.4 million.

In 2008, India was the largest source of imports for tugs and pusher craft, accounting for 98.1% of imports by value. The remaining 1.9% of imports of tugs and pusher craft by value was made up of imports from the US.

7.7.4 Supply Dependencies

The main raw materials used in the Shipbuilding Industry include steel plates and bars and marine engines. The following provides the supply dependencies of the industry:-

i. Manufacture of Basic Iron and Steel Products

Between 2005 and 2008, the sales value of the manufacture of basic iron and steel products grew at an average annual rate of 15.4%. In 2008, the sales value of manufacture of basic iron and steel products increased by 22.9% to reach RM28.4 billion.

ii. Imports of Iron and Steel

Between 2004 and 2008, the import value of iron and steel grew at an average annual rate of 15.3%. In 2008, the import value of iron and steel increased by 17.4% to reach RM24.2 billion.

iii. Imports of Flat-rolled Products of Iron or Non-alloy Steel, Not Clad, Plated or Coated

Between 2004 and 2008, the import value of flat-rolled products of iron or non-alloy steel, not clad, plated or coated increased at an average annual rate of 17.0%. In 2008, the import value of flat-rolled products of iron or non-alloy steel, not clad, plated or coated increased by 41.9% to reach RM5.9 billion.

iv. Imports of Iron and Steel Bars, Rods, Angles, Shapes and Sections

Between 2004 and 2008, the import value of iron and steel bars, rods, angles, shapes and sections increased at an average annual rate of 19.4%. In 2008, the import value of iron and steel bars, rods, angles, shapes and sections increased by 24.6% to reach RM3.3 billion.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

v. Import Value of Marine Propulsion Engines

Between 2003 and 2007, the import value of marine propulsion engines increased by an average annual rate of 17.3%. In 2007, the import value of marine propulsion engines increased by 55.1% to reach RM386.0 million.

In 2007, the United States was the largest source of imports for marine propulsion engines, accounting for 37.3% of imports by value. Japan and the United Kingdom were the second and third largest sources of imports in 2007, accounting for 26.9% and 16.3% of imports by value respectively. Other sources of imports of marine propulsion engines include Germany, PRC, Norway, Hong Kong and Sweden.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

7.8 Substitute Products/ Services

In general, there are currently no practicable substitutes for marine vessels. Within the different types of vessels, there are also no practical substitutes as each type of vessel is designed to perform a specific function. For offshore Anchor Handling Vessels, there are no practicable substitutes as these types of vessels are required to provide anchor handling support for offshore Oil and Gas Industry platforms. Similarly, there are no practicable substitutes for Tugboats, as there are currently no other types of vessel in service that combine all of the characteristics of Tugboats, which are high manoeuvrability which enables Tugboats to navigate confined waterways such as ports and rivers, high power to weight ratio, relatively small in size and good sea-going characteristics.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

As such, we face no threat from substitutes for our principal business activities.

7.9 Vulnerability to and Reliance on Imports

The Shipbuilding Industry in Malaysia is reliant on imports for the supply of certain grades of steel used in Shipbuilding that are not produced in Malaysia. However, the Shipbuilding Industry is not vulnerable to imports of steel, as steel is a widely produced and traded commodity.

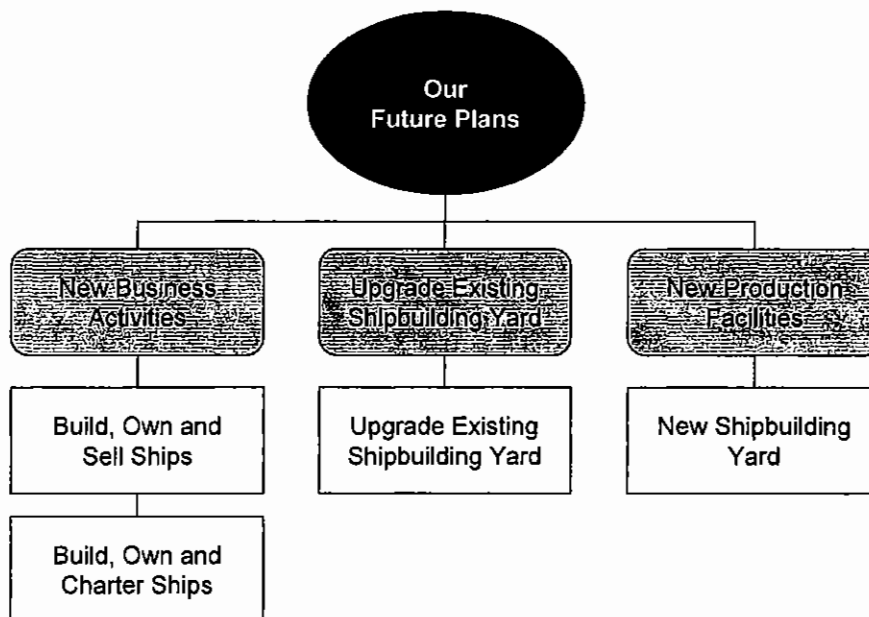
Nevertheless, the Shipbuilding Industry in Malaysia is reliant on imports for the supply of marine engines, as there are currently no producers of marine engines operating in Malaysia. As marine engines are available from a range of manufacturers located in a number of countries worldwide, any disruption to operations is therefore minimised.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.10 Future Plans and Strategies

In ensuring our continued growth, our future plans are focused in three areas as depicted in the diagram below:-



7.10.1 New Business Activities

7.10.1.1 Build, Own and Sell Ships

All of the ships currently constructed by us are constructed under contract from customers. We plan to build ships based on commonly used specifications for subsequent sale as we believe that it can earn a higher margin on our Shipbuilding activities using this business model.

We have commenced our build, own and sell operations in 2009. As at the LPD, there are six (6) vessels that are under this build, own and sell activity.

7.10.1.2 Build, Own and Charter Ships

As part of our future plans, we plan to build, own and charter offshore supply vessels, primarily to support the offshore Oil and Gas Industry. By building our own offshore supply vessels, we are able to minimise our initial capital investment as it internalise the value added created during the Shipbuilding process. We also leverage off the expertise gained from building similar ships for our customers.

We intend to diversify our business operations and create a steady stream of revenue from offshore supply vessel chartering services in Malaysia by forming a joint venture with an established ship chartering operator to provide our offshore supply vessel chartering service. In this aspect, we plan to begin our build, own and charter operations by 2010.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.10.2 Upgrading Existing Shipbuilding Yard

We plan to upgrade our existing Shipbuilding Yard at Sungai Bidut, Sarawak by investing in additional machinery and equipment and improving the Shipbuilding Yard's infrastructure. The major machinery and equipment we plan to invest in are one (1) unit of 50-tonne gantry cranes and two (2) units of 16-tonne gantry cranes.

We plan to improve our Shipbuilding Yard's infrastructure by strengthening and cementing an area measuring 280 feet by 450 feet over which the gantry cranes are to be installed. This will improve the efficiency of our Shipbuilding Yard by speeding up ship construction.

We plan to begin upgrading our existing Shipbuilding Yard in 2009 and expect to complete the upgrading exercise by 2010.

7.10.3 New Production Facilities

We plan to establish a new Shipbuilding Yard covering an area of at least 60 acres to cater for our future growth and business diversification. Establishing operations in a new and larger Shipbuilding Yard will enable us to increase our Shipbuilding capacity, as well as increase the maximum size of vessels that we can build.

We are currently assessing potential sites for the new Shipbuilding Yard and expect to establish the new Shipbuilding Yard by 2010.

7.10.4 Prospects of our Group

The following are some of the major factors that may impact on the prospects of our Group:

Positive Factors

- i. Our Group's competitive advantages;
- ii. Our Group's future plans; and
- iii. Significant growth opportunities for the business.

Moderating Factors

- i. Decline in the price of crude oil;
- ii. Downturn in the local and global economy; and
- iii. Decline in shipping charter rates.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.10.4.1 Positive Factors

Our competitive advantages, which include our established reputation and track record, predominantly export orientation, capability to build a wide range of vessels, long term customer relationships, fully equipped Shipbuilding Yard, compliance with international standards, strong financial position and timely vessel delivery will ensure business sustainability under normal market conditions as well as providing a sound platform for business growth. Further details on our competitive advantages were set out in Section 6.1.3 of this Prospectus.

In addition, our future plans are prudent and is able to provide growth for the business while simultaneously counter competition. Venturing into the building, owning and selling of ships will further enable us to command a higher selling price as compared to commencement of building only upon receiving a firm order. By further building, owning and chartering ships, this will provide a new revenue stream which is recurring in nature and will somewhat help to smoothen the cashflow.

By upgrading our existing Shipbuilding Yard, we aim to increase our efficiency and output, thus maximising our existing yard's capabilities. In addition, we will also identify the suitable location for new Shipbuilding Yard that will increase our capacity to take on more jobs in order to increase our revenue.

In view of the significant areas of growth in the business, there are various areas of growth from many end-user industries including the oil and gas, transportation, timber and port management industries. Furthermore, there are vast growth opportunities in export markets in the Middle East and surrounding neighbouring countries like Vietnam, Thailand, Indonesia and the Philippines. Other factors including the continuing economic growth, growth in international trade and continuing government support may further spur the growth of the Shipbuilding Industry and may place our Group in favourable business conditions.

7.10.4.2 Moderating Factors

The price of crude oil has dropped significantly from a high of approximately USD150 per barrel in early July 2008. The price of crude oil is approximately USD70 per barrel as at early June 2009. A sustained depressed price of crude oil may reduce activities within the Oil and Gas Industry and thus reduce demand for Offshore Support Vessels like Anchor Handling Tugs and Anchor Handling Tug Supply Vessels, which may ultimately impact on our Group.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

Any prolonged and/ or widespread downturn in the global economy is likely to have a negative effect on the Malaysian economy in general. A slowdown in the local and global economy resulting in a decrease in the level of international trade and economic activity is likely to reduce demand for transportation vessels as well as Offshore Support Vessels for the oil and gas industry, which may ultimately impact on our Group.

Since peaking at around 11,600 points during the first quarter of 2008, the BDI has declined to approximately 3,000 points, or by approximately 75%, as at early June 2009. Any prolonged and/ or steep decline in ship charter rates is likely to reduce demand for construction of transportation vessels as well as Offshore Support Vessels for the oil and gas industry, which may ultimately impact on our Group.

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8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.1.2 Profiles

The profiles of Datuk Lau Nai Hoh and Lau Choo Chin are set out in Section 8.2.2 of this Prospectus and the profile of Ng Cheng Lee is set out in Section 8.4.2 of this Prospectus.

Datin Hii Kiong Thai, a Malaysian aged 52, was formerly the Company Secretary of TAS. She obtained her Company Secretary License from the CCM in 1994. She began her career as a Director and the Company Secretary of TASSB in 1997. Subsequently, she joined TAS in 2002 as the Company Secretary and has since resigned in March 2009. She is currently the Director of TAS.

8.1.3 Directorships and substantial shareholdings in other Public Companies

None of our substantial shareholder or Promoters hold or held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in any other public companies for the past two (2) years up to the LPD.

8.1.4 Changes in shareholdings

The changes in our substantial shareholder and Promoters in their shareholdings in our Company since incorporation up to the date of this Prospectus are set out below:-

Substantial shareholder	As at 18 March 2008				As at the LPD			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Lau Nai Hoh	1,970	98.5	24 ¹	1.2	101,525,671	98.6	1,270,323 ¹	1.2
Promoters								
Datuk Lau Nai Hoh	1,970	98.5	24 ¹	1.2	101,525,671	98.6	1,270,323 ¹	1.2
Datin Hii Kiong Thai	18	0.9	1,976 ²	98.8	961,317	0.9	101,834,677 ²	98.9
Lau Choo Chin	6	0.3	1,988 ³	99.4	309,006	0.3	102,486,988 ³	99.5
Ng Cheng Lee	4	0.2	-	-	206,004	0.2	-	-

Notes:-

¹ Deemed interested by virtue of his spouse's and son's shareholdings in TAS Offshore

² Deemed interested by virtue of her spouse's and son's shareholdings in TAS Offshore

³ Deemed interested by virtue of his parent's shareholdings in TAS Offshore

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.2.2 Profiles

The profiles of our Directors are set out below:-

Datu Haji Mohammed Sepuan Bin Anu, a Malaysian aged 63, was appointed as our Independent Non-Executive Chairman on 1 June 2009. He graduated from the Cranfield University of United Kingdom in 1977 with a Bachelor of Science (Hons) Degree in Agricultural Engineering. He started his career as an Assistant Agricultural Officer in Simunjan in 1968. He was appointed as a Director of the Integrated Agriculture Development Project Samarahan in 1994 and later served as Director of Agriculture in 2001 until the end of his tenure in March 2006. He later served as an Agriculture Advisor in the Ministry of Modernisation of Agriculture till April 2007. He has held directorships in several companies including company listed on the Main Market of Bursa Securities. His experience in both the corporate and public arena will benefit us.

Datuk Lau Nai Hoh, a Malaysian aged 58, is our founder and was appointed as our Managing Director on 18 March 2008. He has been instrumental in our growth and development. He has approximately 20 years of experience in the marine industry. He established TASSB in late 1977 dealing initially with marine paint and hardware but ventured into ship repairing and Shipbuilding activities in the early 1990s. In early 2002, he established TAS, a company specialised in building various types of Tugboats to cater for the needs of the mining, timber and oil and gas industries, to take over the Shipbuilding and repairing activities from TASSB. As our founder, he brings with him not only the technical and management expertise from his extensive experience in Shipbuilding Industry but also the valuable network of business contacts that he established over the years. He is primarily responsible for planning and developing our strategic business direction.

Lau Choo Chin, a Malaysian aged 34, was appointed as our Deputy Managing Director on 18 March 2008. He graduated with a Diploma in Marketing Management from the Institute of Marketing Malaysia in 2001. He joined TASSB in 1997 as Assistant Manager responsible for the coordination of Shipbuilding activities and was subsequently promoted to Manager in 2004 before joining TAS in 2005. He has more than 11 years of experience in Shipbuilding and project management related especially to the Oil and Gas Industry. He has been instrumental in developing the Middle-East market and in spearheading the development of engineering design for big vessels. His in-depth knowledge in vessel manufacturing and established business network will continue to benefit us.

Tan Sri Dato' Seri Mohd Jamil Bin Johari, a Malaysian aged 62, was appointed as our Independent Non-Executive Director on 1 June 2009. He is a graduate from the University of Malaya with a Bachelor of Arts (Hons) Degree and a Diploma in Education. He also obtained a Master of Arts Degree 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 the Chairman and Independent Non-Executive Director of a company listed on the Main Market of Bursa Securities and Chairman of a private limited company involved in the information technology services. His experience in both the corporate and public arena will be valuable to us.

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Ling Ka Chuan, a Malaysian aged 51, was appointed as our Independent Non-Executive Director on 1 June 2009. He graduated with a Bachelor of Engineering (Mechanical) Degree 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 holds directorships in several private companies, which involved in manufacturing, real estate development and general trading.

Lau Kiing Yiing, a Malaysian aged 55, was appointed as our Independent Non-Executive Director on 1 June 2009. He holds a Bachelor of Commerce Degree from the University of Canterbury, New Zealand. He holds professional memberships in the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He is also a Fellow member of CPA Australia and a Member of the Institute of Chartered Accountants, New Zealand. His working experience commenced with auditing various business while with Ernst and Whinney (now known as Ernst and Young). With over 29 years of experience, he is currently a partner of an accounting firm, Hii & Lee. He also has extensive knowledge in corporate finance and restructuring work. He also holds directorship in a company listed on the Main Market of Bursa Securities. His vast experience in his profession and corporate arena is of significant value to our Group.

8.2.3 Directorships and Substantial Shareholdings in other Public Companies

Save as disclosed below, none of our Directors hold or held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in any other public companies for the past two (2) years up to the LPD:-

Directors	Company	Designation	Date of Appointment	Shareholdings			
				Direct		Indirect	
				No. of shares	%	No. of shares	%
Datu Mohammed Sepuan Bin Anu	Haji Sarawak Plantation Berhad	Director	01.05.2007	25,000	~*	-	-
Tan Sri Dato' Mohd Jamil Johari	Seri Bin Dolomite Corporation Berhad	Director	25.07.2005	-	-	-	-
Lau Kiing Yiing	Hock Seng Lee Berhad	Director	23.03.1996	276,000	~*	-	-

Note:-

* *Negligible*

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.2.4 Directors' remuneration and benefits**

The aggregate remuneration, fees and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) paid and proposed to be paid to our Directors for their services rendered for the FYE 31 May 2009 and FYE 31 May 2010 are set out below:-

Directors	←-----Remuneration Band-----→	
	FYE 31 May 2009 RM'000	Proposed for FYE 31 May 2010 RM'000
Datuk Lau Nai Hoh	1,200 – 1,250	1,300 – 1,350
Lau Choo Chin	100 – 150	350 – 400
Datu Haji Mohammed Sepuan Bin Anu	-	0 – 50
Tan Sri Dato' Seri Mohd Jamil Bin Johari	-	0 – 50
Ling Ka Chuan	-	0 – 50
Lau Kiing Yiing	-	0 – 50

Our Directors' remuneration is approved by our Board and the shareholders of our Company following recommendations made by our Remuneration and Nomination Committee.

8.2.5 Term of office

According to our Articles of Association, all our Directors shall retire from office at the first AGM, and at the AGM in every subsequent year, one-third (or the number nearest to one third) of our Directors are required to retire from office at each AGM. Further, all our Directors are required to retire from office at least once every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he or she retires. An election of Directors shall take place each year.

Any person appointed as Directors, either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next AGM, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Accordingly, Lau Choo Chin and Ling Ka Chuan shall retire at our 2010 AGM in accordance with Article 86 of our Articles of Association and shall then be eligible for re-election provided that there is no change in the directorship from the date of issue of this Prospectus.

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.3 Audit, Remuneration and Nomination Committee****8.3.1 Audit Committee**

The composition of our Audit Committee is set out below:-

Name	Designation	Directorship
Lau Kiing Yiing	Chairman	Independent Non-Executive Director
Ling Ka Chuan	Member	Independent Non-Executive Director
Datu Haji Mohammed Sepuan Bin Anu	Member	Independent Non-Executive Chairman

Amongst the terms of reference of the Audit Committee are set out below:-

- i. Recommends to our Board regarding the selection of the external auditors;
- ii. Reviews the results and scope of the audit and other services provided by our external auditors;
- iii. Reviews and evaluates our internal audit and control functions; and
- iv. Assess the financial risk and matters relating to related party transactions and conflict of interests.

The Audit Committee may obtain advice from independent parties and other professionals in discharging their duties.

8.3.2 Remuneration Committee

The composition of our Remuneration Committee is set out below:-

Name	Designation	Directorship
Ling Ka Chuan	Chairman	Independent Non-Executive Director
Lau Kiing Yiing	Member	Independent Non-Executive Director
Datuk Lau Nai Hoh	Member	Managing Director/ Executive Director

Amongst the terms of reference of the Remuneration Committee are set out below:-

- i. Recommends to our Board regarding the remuneration of our Directors;
- ii. Assist our Board in assessing the responsibility and commitment undertaken by our Board members; and
- iii. Establish the performance criteria to evaluate the performance of our Directors.

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.3.3 Nomination Committee

The composition of our Nomination Committee is set out below:-

Name	Designation	Directorship
Ling Ka Chuan	Chairman	Independent Non-Executive Director
Lau Kiing Yiing	Member	Independent Non-Executive Director
Datuk Lau Nai Hoh	Member	Managing Director/ Executive Director

Amongst the terms of reference of the Nomination Committee are set out below:-

- i. Reviews the structure, size and composition of our Board;
- ii. Reviews the nomination for the appointment or reappointment of our Board members;
- iii. Recommends Directors who are retiring by rotation to be put forward for re-election; and
- iv. Ensures that all Board appointees undergo an appropriate introduction and training programmes.

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8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.4 Key Management****8.4.1 Shareholdings**

As at the date of this Prospectus, the direct and indirect interests of our key management are as set out below:-

Name	Nationality	As at LPD		After Public Issue		After Offer for Sale							
		Direct No. of Shares	%	Direct No. of Shares	%	Direct No. of Shares	%						
Datuk Lau Nai Hoh	Malaysian	101,525,671	98.6	1,270,323 ¹	1.2	101,525,671	56.4	1,270,323 ¹	0.7	90,525,671	50.3	1,270,323 ¹	0.7
Lau Choo Chin	Malaysian	309,006	0.3	102,486,988 ²	99.5	309,006	0.2	102,486,988 ²	56.9	309,006	0.2	91,486,988 ²	50.8
Ng Cheng Lee	Malaysian	206,004	0.2	-	-	206,004	0.1	-	-	206,004	0.1	-	-
Tan Shang Hai	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Hli Chai Hung	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Christina Wong Siew Ping	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Lau Choo Kuang	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Lau Siew Ling	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-
Lau Chu Hua	Malaysian	-	-	-	-	-	-	-	-	-	-	-	-

Notes:-

¹ Deemed interested by virtue of his spouse's and son's shareholdings in TAS Offshore

² Deemed interested by virtue of his parent's shareholdings in TAS Offshore

³ The shareholdings shown in the table above do not include the pink form allocation under the Public Issue

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.4.2 Profiles

The profiles of Datuk Lau Nai Hoh and Lau Choo Chin were set out in Section 8.2.2 of this Prospectus.

Ng Cheng Lee, a Malaysian aged 45, is the Senior Production Manager of TAS. He obtained his Diploma of Science Degree from Tunku Abdul Rahman College, Malaysia in 1988. He also obtained a Bachelor of Science Degree conferred by Campbell University, US in 1988. He began his career in 1989 as a Chemist-Branch Executive with Caleb Brett (Malaysia) Sdn Bhd, where he was responsible for overseeing daily branch operations. He joined TASSB as a Manager in 1993 and was promoted to the position of Senior Manager in 2004. In 2005, he joined TAS in his current capacity as Senior Manager, where he is responsible for overseeing overall project management. He is also a Director of a subsidiary of our Group.

Tan Shang Hai, a Malaysian aged 51, is the Corporate Planning & Development Manager of TAS. He obtained his Diploma in Commerce from Tunku Abdul Rahman College, Malaysia in 1982. He subsequently obtained his Masters in Business Administration Degree from the University of Southern California for Professional Studies, US in 2002. He began his career as an Officer with Hock Hua Bank Bhd in 1982, where he was responsible for operations and internal audit. He then joined Delta Finance Co. Bhd in 1988 as a Senior Officer responsible for internal audit. In 1990, he joined Hock Hua Bank Bhd as a Senior Officer, where he was responsible for internal audit. He was promoted to the position of Assistant Manager in 1995 and to the position of Manager in 1997. Subsequently in 2001, he joined Public Bank Bhd as a Manager, where he was responsible for internal audit. In 2003, he joined Pan Sarawak Co. Sdn Bhd as a Manager where he was responsible for internal audit. In 2007, he joined TAS in his current capacity as Corporate Planning & Development Manager. He is currently responsible for the corporate management and for overseeing the Shipbuilding Yard's operations.

Hii Chai Hung, a Malaysian aged 37, is the Group Accountant of TAS. She obtained her Diploma in Management Accounting from Tunku Abdul Rahman College, Malaysia in 1996. She was admitted as an Associate Member of the Chartered Institute of Management Accountants in 2005. She began her career as an Accounts Executive with SBC Corporation Bhd in 1997, where she was responsible for accounting functions. She subsequently joined Jasa Infra Sdn Bhd as an Accounts Manager in 2003, where she was responsible for managing the accounts. In 2006, she joined Value Hospitality Management Sdn Bhd as an Accountant, where she was responsible for preparing various accounting statements and financial reports. Subsequently in 2007, she joined TAS as the Group Accountant. She is currently responsible for overseeing the overall functions of the Accounts Department.

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Christina Wong Siew Ping, a Malaysian aged 35, is the Human Resources and Administration Manager of TAS. She obtained her Bachelor's Degree in Property from the University of Auckland, New Zealand in 1998. She obtained a Salesperson Certificate from the Real Estate Institute of New Zealand in 1999. She began her career as a Mail Officer with New Zealand Post Limited Business Mail Centre, New Zealand in 1995, where she was responsible for internal distribution and customer services. In 1998, she joined Kira Ora Jewellery Crafts & Souvenirs, New Zealand as a Sole Charge Administrator, where she was responsible for packing and despatching orders, invoicing accounts and answering telephone enquiries. In 1999, she joined TASSB as the Administration Coordinator, where she was responsible for coordinating office administrative functions. In 2003, she joined TAS as the Administration Coordinator, where she was responsible for coordinating office administrative functions. She was promoted to her current position as Human Resources and Administration Manager and is responsible for the human resources management and for coordinating office administrative functions.

Lau Choo Kuang, a Malaysian aged 27, is the Procurement and Inventory Manager of TAS. He obtained his High School Bursary from Senior College, New Zealand in 2000. In 2002, he began his career with TASSB as Project Assistant, where he was responsible for supporting the operational aspects of vessel construction projects. In 2006, he joined TAS as a Purchasing Officer where he was responsible for purchasing functions. He was promoted to his current position as Procurement and Inventory Manager in 2007, where he is responsible for managing the procurement functions and inventory.

Lau Siew Ling, a Malaysian aged 32, is the Finance Manager of TAS. She obtained her Bachelor of Commerce Degree from the University of Auckland, New Zealand in 2000, and subsequently obtained a Graduate Diploma in Commerce from the same institution in 2001. She began her career with TASSB in 2003 as an Accounts Administrator. In 2006, she joined TAS as an Accounts Administrator, where she was responsible for ensuring accounting entries were taken up correctly. She was promoted to her current position as Finance Manager in 2006, where she is responsible for overseeing the functions of Finance Department.

Lau Chu Hua, a Malaysian aged 46, is the Electronic Data Processing Manager of TAS. He obtained a Bachelor of Arts (Hons) Degree in Computer Science from Southern Illinois University, US in 1987. He subsequently obtained a Bachelor of Science (Hons) Degree in Engineering Technology from the same institution in 1988. He began his career in 1989 with Delta Finance Bhd/ RHB Delta Finance Bhd, where he was responsible for setting up, maintaining and improving the information technology system, before leaving the company with the position of Senior Executive. He joined TAS in 2007 in his current capacity as Electronic Data Processing Manager, where he is responsible for the smooth running of the information technology system.

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.4.3 Involvement in other Business or Corporations

As at the LPD, save as disclosed below, none of our Executive Directors and/or key management are involved in other businesses or corporations, save and except for the operations of our Company:-

Datuk Lau Nai Hoh is a substantial shareholder of NMDSB, which is principally engaged in the provision of ship repair services. Our revenue from ship repairing for the FYE 31 May 2008 was relatively small amounting to RM1.5 million, representing 1.3% of our total revenue. We rent Shipbuilding Yard space from NMDSB on an *ad hoc* basis, typically when our Shipbuilding Yard is fully utilised. However, the rental paid by us to NMDSB during the FYE 31 May 2008 totalled RM0.1 million, representing a small proportion of our total purchases. Furthermore, all business transactions between us and NMDSB were carried out on an arm's length basis and are based on normal business terms. For the ten (10)-month FPE 31 March 2009, there were no business transactions entered into between us and NMDSB.

8.5 Declaration from Our Substantial Shareholder, Promoters, Directors and Key Management

As at the LPD, none of our substantial shareholder, Promoters, Directors and key management is or was involved in the following events (whether in or outside Malaysia):-

- i. A petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he or she was a partner or any corporation of which he or she was a director or key personnel;
- ii. Was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- iii. Was charged and/ or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- iv. Any judgement was entered against he or she involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- v. Was the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him or her from engaging in any type of business practice or activity.

8.6 Relationship and Associations

Save as disclosed below, there are no family relationships or associations between our substantial shareholder, Promoters, Directors and key management:-

- i. Lau Choo Chin, Lau Siew Ling and Lau Choo Kuang are the children of Datuk Lau Nai Hoh;
- ii. Datin Hii Kiong Thai is the spouse of Datuk Lau Nai Hoh;
- iii. Christina Wong Siew Ping is the spouse of Lau Choo Chin; and
- iv. Lau Chu Hua is the nephew of Datuk Lau Nai Hoh.

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.7 Service Agreements**

As at the LPD, none of our Directors and key management has any existing or proposed service agreement with our Company.

8.8 Employees**8.8.1 Number of Employees**

As at the LPD, our Company has a total workforce of 168 permanent employees excluding our Board members, of which Malaysians accounted for 86.3% of total employees while the remaining 13.7% were foreign nationals. Our Company does not have any contractual or temporary employees. None of our employees belong to any trade unions and there have been no industrial dispute since we commenced operations.

The breakdowns of our employees by categories are as follows:-

	No. of Employees	Average No. of Years in Service
Management and Professionals	7	4
Technical Professionals		
- Engineers	7	3
- Quality Assurance	5	1
Sales and Marketing	3	4
Clerical and Administrative	20	3
Shipyards Workers		
- Technical Workers ¹	70	4
- General Workers	56	4
Total workforce	168	

Note:-

¹ *Technical workers include fitters, welders and pipe fitters, as well as workers undergoing training in these fields*

8.8.2 Training and Development Programmes

Our Company believes that the ability to retain a team of highly skilled and knowledgeable workforce is instrumental to our success. Hence, we emphasise the importance of providing training and development programmes for our employees. These programmes relate to in-house workshops and external training programmes to update our employees on the latest developments within our Group and the industries that we are involved in. Our employees also receive technical and production training as well as safety training from our in-house experts.

Our training plan for our employees for the 2009 calendar year includes the following courses:-

Training/ Course Title	Month
ISO 9001:2000 awareness	January
Project planning & scheduling using MS Project – Basic	August
Occupational safety and health at workplace	August
Leadership & managerial skills	August

8. SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Training/ Course Title	Month
Enhance skills & production productivity	September
Human resource management	September
Prime working skills – Report writing, writing letters & communication	September
Planning, organising and teamwork	October
Effective purchasing and inventory management	October
Essential project implementation, monitoring & controlling	October
Clerical skills development programme	November
ISO 9001:2000 Lead Assessor	November
Scaffolding competency	November
Practical managerial skills	December

8.8.3 Management Succession Plans

Our business is organised along functional lines where department managers are responsible for the execution of their duties. Our Group practices management empowerment whereby department managers are relatively autonomous, and have significant decision-making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our Managing Director/ Executive Director to be involved in all the details and aspects of the operational and functional areas. This allows our Managing Director/ Executive Director to focus on strategic matters and on further developing the business for growth and success.

Nevertheless, to ensure business continuity, our Group has put in place a management succession plan which includes:-

- i. Identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management position in line with the business goals, strategies and culture of our Group; and
- ii. Taking a positive approach towards addressing talent management to ensure the organisation has talent readily available from a capability perspective to undertake leadership positions throughout the organisation.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision-making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

9. APPROVALS AND CONDITIONS

9.1 Conditions and Approvals

The approval of the SC, pursuant to the CMSA and the FIC pursuant to the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests for our Listing Scheme was obtained on 11 March 2009. The conditions imposed by the SC for the approval of our Listing Scheme and status of compliance are set out below:-

Conditions	Status of compliance
i. TAS Offshore should rectify the unapproved structure on its land within 1 year from the date of SC's approval letter;	To be complied
ii. TAS Offshore should provide an undertaking letter to SC that it will pay the enhanced premium for the amalgamation and Application for Variation of Title Condition (AVTC) for Lot Nos. 22, 100, 111, 112, Block 1, Sibul Town District; Sibul Grant Nos. 1217 and 1218; Sibul Occupation Ticket Nos. 2202 and 20175 immediately upon receiving the notification from the Land and Survey Department, Sibul;	Complied. TAS Offshore has forwarded the said undertaking letter to the SC on 1 July 2009
iii. TAS Offshore should fully disclose in its listing prospectus the following matter:	
(a) In light of the current poor economic conditions and low level of crude oil price, which may persist for an extended period of time in the future, how its business would be affected (including, amongst others, in the event its customers are unable to fulfil their contract obligations for the purchase of vessels), the measures to mitigate such a situation and to discuss the viability of each measure taken or to be taken;	Complied. Please refer to Sections 4.3.1 and 4.3.7 of this Prospectus
(b) Detailed allocation of the working capital amount of RM67.31 million with the respective timelines to fully utilise the amount including the following:	Complied. Please refer to Section 3.9 of this Prospectus
(1) What it intends to do with the funds in the event the planned utilisation could not be carried out;	-
(2) What it intends to do upon receipt until the utilisation of the funds given that some of the planned utilisation would only be carried out many months into the future; and	-
(3) If the funds are to be utilised to finance its "build, own, sell" and "build, own and charter" ventures, how these ventures could be justified given the following factors:	-
• Current poor economic conditions and low level of crude oil price may persist for an extended period of time in the future; and	
• TAS Offshore's limited experience in these ventures in the past; and	

9. APPROVALS AND CONDITIONS (CONT'D)

Conditions	Status of compliance
(c) With respect to its land:	Complied. Please refer to Section 11.1 of this Prospectus
(1) The undertaking letter to SC; and	
(2) The status of the enhanced premium payment and the steps taken to settle it;	
iv. TAS Offshore should also make an announcement on Bursa Malaysia upon payment of the enhanced premium and to update SC when the announcement is made;	To be complied
v. TAS Offshore should comply with the National Development Policy ("NDP") requirements, whereby the Bumiputera investors holding at least 30% of its enlarged issued and paid-up share capital be recognised and approved by the MITI. In the event that TAS Offshore/ MITI is unable to allocate the shares from the offer for sale portion to the identified Bumiputera investors, the unsubscribed shares shall be immediately offered to the public Bumiputera investors via balloting;	To be complied
vi. OSK/ TAS Offshore should provide SC with the status of compliance with the NDP requirement upon completion of the proposed flotation; and	To be complied
vii. OSK/ TAS Offshore should fully comply with the relevant requirements pertaining to the implementation of the proposed flotation under the Guidelines on the Offering of Equity and Equity-Linked Securities.	To be complied

The SC, on behalf of the FIC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in TAS Offshore would change arising from the implementation of our Listing Scheme are set out below:-

	Before the Listing Scheme ^{*1} %	After the Listing Scheme %
Bumiputera	0.0	32.1 ^{*2}
Non-Bumiputera	100.0	67.9
Foreigners	0.0	0.0
Total	100.0	100.0

Notes:-

*1 As at incorporation

*2 Subject to approval by MITI

The approval of the MITI for our Listing Scheme was obtained on 22 January 2009. The condition imposed by the MITI for the approval of our Listing Scheme and the status of compliance are set out below:-

Conditions	Status of compliance
i. SC's approval and compliance with the Guidelines on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests.	Complied. The SC had vide its letter dated 11 March 2009 approved the Listing Scheme

9. APPROVALS AND CONDITIONS (CONT'D)**9.2 Moratorium on Promoters' Shares**

Pursuant to the SC Guidelines, our Shares that are held by our Promoters amounting to 51.1% of our nominal issued and paid-up capital as at our date of admission to the Official List be placed under moratorium. Our Promoters whose Shares are subject to moratorium are set out below:-

Promoters	Number of Shares held after the Offer for Sale	Number of Shares to be held under moratorium after the Public Issue	Percentage of share capital %
Datuk Lau Nai Hoh	90,525,671	90,525,671	50.3
Datin Hii Kiong Thai	961,317	961,317	0.5
Lau Choo Chin	309,006	309,006	0.2
Ng Cheng Lee	206,004	206,004	0.1
Total	92,001,998	92,001,998	51.1

Our Promoters have provided an undertaking letter to the SC that they will not sell, transfer or assign any part of their interest in the Shares under the moratorium within six (6) months from our date of admission to the Official List.

The moratorium, which has been fully accepted by our Promoters, is specifically endorsed on the Share certificates representing our Promoters' respective shareholdings which are under moratorium to ensure that our Company's share registrar does not register any transfer not in compliance with the restriction imposed by the SC.

The endorsement, which will be affixed on the Share certificate are set out below:-

"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the SC ("Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificates will be issued to replace this certificate during the Moratorium period unless the same shall be endorsed with this restriction."

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1 Related Party Transactions and Conflict Of Interest

Save as disclosed in Section 8.4.3 of this Prospectus and below, there are no other related party transactions, existing or potential, entered or to be entered into by our Group which involved the interest, direct or indirect, of our Directors, substantial shareholder, key management and/ or persons connected with such Directors, substantial shareholder and key management for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009:-

Related parties	Nature of Transaction	Potential conflict of interest	Transaction Value FYE 31 May			Ten (10)- month FPE 31 March 2009
			2006 RM'000	2007 RM'000	2008 RM'000	RM'000
TASSB	Sales of vessel to TASSB	Datuk Lau Nai Hoh is the director and substantial shareholder of TASSB	1,350	-	-	-
TASSB	Rental of office to TASSB	Datuk Lau Nai Hoh is the director and substantial shareholder of TASSB	-	9	7	-
TASSB	Purchase of marine paint by TAS	Datuk Lau Nai Hoh is the director and substantial shareholder of TASSB	673	529	557	75
TASSB	Hiring of equipment by TAS	Datuk Lau Nai Hoh is the director and substantial shareholder of TASSB	231	171	-	-
NMDSB	Rental of shipbuilding yard by TAS	Datuk Lau Nai Hoh is the substantial shareholder of NMDSB	37	48	80	-

Our Directors are of the opinion that all the business transactions which involve the interests of our Directors, substantial shareholder, key management and/ or persons connected with them were based on normal commercial terms and are on arm's length basis which are not more favourable to the related parties than those generally available to the public, and which are not detrimental to the minority shareholders. Our Audit Committee will supervise the terms of all related party transactions, and our Directors will report such related party transactions, if any, annually in our Company's annual reports.

10.2 Transactions that are Unusual in their Nature or Conditions

Our Directors have confirmed that to their best knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/ or our subsidiary is a party for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)**10.3 Outstanding Loans Made for the Benefit of the Related Parties**

Save as disclosed below, our Directors have confirmed that to their best knowledge and belief, there are no outstanding loans (including guarantees of any kind) made by our Company and/ or our subsidiary to or for the benefits of our Directors, substantial shareholder, key management and/ or persons connected to them for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009:-

Related party	Nature of Transaction	Potential conflict of interest	Transaction Value FYE 31 May			Ten (10)- month FPE 31 March 2009
			2006 RM'000	2007 RM'000	2008 RM'000	RM'000
Lau Heng Tieng & Sons Sdn Bhd	Short term advance by TAS	Datuk Lau Nai Hoh is the director of Lau Heng Tieng & Sons Sdn Bhd and has an indirect interest held through Lau Nai Hoh Sdn Bhd	-	1	-	-
Lau Nai Hoh Sdn Bhd	Short term advance by TAS	Datuk Lau Nai Hoh is the director and substantial shareholder of Lau Nai Hoh Sdn Bhd	8	148	-	-
Seatrade Sdn Bhd	Short term advance by TAS	Lau Choo Chin is the director of Seatrade Sdn Bhd Datuk Lau Nai Hoh is the substantial shareholder of Seatrade Sdn Bhd	55	48	-	-
TA Marine Engineering Sdn Bhd	Short term advance by TAS	Datuk Lau Nai Hoh is the director and substantial shareholder of TA Marine Engineering Sdn Bhd	1	2	-	-
Zencom Power Sdn Bhd	Short term advance by TAS	Datuk Lau Nai Hoh is the director and substantial shareholder of Zencom Power Sdn Bhd	-	500	-	-
Cara Timur Transport Sdn Bhd	Short term advance by TAS	Datuk Lau Nai Hoh is the director and substantial shareholder of Cara Timur Transport Sdn Bhd	1	1	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Related party	Nature of Transaction	Potential conflict of interest	Transaction Value FYE 31 May			Ten (10)- month FPE 31 March 2009
			2006 RM'000	2007 RM'000	2008 RM'000	RM'000
Togo Shipping Sdn Bhd	Short term advance by TAS	Lau Choo Chin has been appointed as director of Togo Shipping Sdn Bhd since 28.10.08 Datuk Lau Nai Hoh and Lau Choo Chin are the substantial shareholders of Togo Shipping Sdn Bhd	- ¹	- ¹	-	-

Note:-

¹ Negligible.

10.4 Interest in Similar Business

Save as disclosed in Section 8.4.3 of this Prospectus, as at the LPD, none of our Directors or substantial shareholder has any interest, direct or indirect, in any businesses and corporations carrying on a similar trade as our Group.

10.5 Promotions of Material Assets

Save as disclosed in Section 5.5.1 of this Prospectus, none of our Directors or substantial shareholder have any interest, directly or indirectly, in any promotion of, or in any material assets acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009.

10.6 Interest in Contracts or Arrangements

As at the LPD, there are no contracts or arrangements, existing or potential, entered or to be entered into by us which involved the interest, direct or indirect, of our Directors, substantial shareholder and key management and/ or persons connected with such Directors, substantial shareholder and key management.

10.7 Declaration of the Advisers to the IPO**i. Adviser**

OSK confirms that, as at the date of this Prospectus, there is no other existing or potential conflict of interest in its capacity as the Adviser, Sole Underwriter and Sole Placement Agent for the IPO.

ii. Legal Advisor

Messrs Alvin Chong & Partners Advocates has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Legal Advisor for the IPO.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

iii. Reporting Accountants

Messrs Folks DFK & Co. has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Reporting Accountants for the IPO.

iv. Valuer

VPC Alliance (Sarawak) Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Valuer for the IPO.

v. Independent Business and Market Research Consultants

Vital Factor Consulting Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants for the IPO.

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11. OTHER INFORMATION CONCERNING OUR GROUP

11.1 Information on Land and Buildings

A summary of the Property Assets owned by our Group are as follows:-

Registered Owner/ Lessor	Title Description/ Postal Address/	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Description and Existing Use	Land Area	Restrictions and Special Conditions/ Encumbrances	Whether COF has been issued	Market Value as at 19 November 2008 RM
TAS	Lot 22 Block 1 Sibul Town District Postal address:- Lot 111 -112, Sungai Mataw Road, Sg. Bidut, 96008 Sibul, Sarawak	60 years from 24.08.1978 to 23.08.2038	Leasehold industrial land The property is currently used as slipway and shipyard	12,464 square metres	i. This land is to be used only for industrial purposes; ii. The development of this land shall be in accordance with plans sections and elevations approved by the Superintendent of Lands and Surveys, Third Division; and iii. The erection of a building shall be in accordance with detailed drawings and specifications approved by the Sibul Urban District Council and shall be completed within eighteen (18) months from the date of registration of this lease.	Not applicable	17,000,000 for the Property Assets

Charged to United Overseas Bank (Malaysia) Bhd

11. OTHER INFORMATION CONCERNING OUR GROUP (CONT'D)

Registered Owner/ Lessor	Title Description/ Postal Address/	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Description and Existing Use	Land Area	Restrictions and Special Conditions/ Encumbrances	Whether COF has been issued	Market Value as at 19 November 2008 RM
TAS	Lot 100 Block 1 Sibul Town District Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	1 & 4 years for walk-up flat and 1 year for utility hangar and toilet block. 60 years from 23.01.1951 to 22.01.2011	Leasehold agricultural - titled land with two (2) 3-storey walk-up flat, a single-storey open sided utility hangar and a single-storey toilet block erected thereon The property is currently used as utility hangar and workers' quarters	6,150 square metres	This land is to be used only for agricultural purposes	Yes	
TAS	Lot 111 Block 1 Sibul Town District Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	2 years 99 years from 24.01.1930 to 31.12.2029	Leasehold agricultural - titled land with a single-storey guard house erected thereon The property is currently part of the shipyard	2,890 square metres	This land is to be used only for agricultural purposes	Yes	
TAS	Lot 112 Block 1 Sibul Town District Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	5 years 99 years from 15.12.1934 to 31.12.2033	Leasehold agricultural - titled land with 3-storey office cum utility and a single-storey utility hangar erected thereon The property is currently used as administrative office and utility hangar	9,440 square metres	This land is to be used only for agricultural purposes and purposes incidental to the production and processing of crops grown thereon and such other purposes as may be from time to time approved by the Director of Lands and Surveys.	Yes	

Charged to United Overseas Bank (Malaysia) Bhd

11. OTHER INFORMATION CONCERNING OUR GROUP (CONT'D)

Registered Owner/ Lessor	Title Description/ Postal Address/	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Description and Existing Use	Land Area	Restrictions and Special Conditions/ Encumbrances	Whether COF has been issued	Market Value as at 19 November 2008 RM
TAS	Sibu Grant 1217 Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	999 years from 15.11.1915 to 31.12.2914	Leasehold agricultural titled land The property is currently part of the shipyard	1,542 square metres	i. Bona Fide operations must be carried on by the grantee; ii. The land to revert to Government if abandoned; and iii. The land may not be sold without the consent of the Government.	Not applicable	
TAS	Sibu Grant 1218 Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	999 years from 15.11.1915 to 31.12.2914	Leasehold agricultural titled land The property is currently part of the shipyard	7,122 square metres	i. Bona Fide operations must be carried on by the grantee; ii. The land to revert to Government if abandoned; and iii. The land may not be sold without the consent of the Government.	Not applicable	
TAS	Sibu Occupation Ticket 2202 Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	99 years from 04.11.1925 to 31.12.2024	Leasehold agricultural titled land The property is currently part of the shipyard	5,625 square metres	This land is subject to be used only for agricultural purposes.	Not applicable	

11. OTHER INFORMATION CONCERNING OUR GROUP (CONT'D)

Registered Owner/ Lessor	Title Description/ Postal Address/	Approximate Age of Building/ Tenure/ Date of Expiry of Lease	Description and Existing Use	Land Area	Restrictions and Special Conditions/ Encumbrances	Whether COF has been issued	Market Value as at 19 November 2008 RM
TAS	Sibu Occupation Ticket 20175 Postal address:- Lot 111 -112, Sungai Ma'aw Road, Sg. Bidut, 96008 Sibul, Sarawak	99 years from 24.01.1930 to 31.12.2029	Leasehold agricultural titled land The property is part of the shipyard	4,298 square metres	This land is subject to be used only for agricultural purposes.	Not applicable	

Notes:-

¹ The valuation of the abovementioned Property Assets have been carried out by the Valuer in arriving at the market value for the computation of the purchase consideration for the Acquisition.

² The Valuation Certificate is set out in Section 17 of this Prospectus.

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11. OTHER INFORMATION CONCERNING OUR GROUP (CONT'D)

A net revaluation surplus on the Property Assets owned by us are computed as follows:-

	RM
Open market value of the Property Assets as at 19 November 2008	17,000,000
• Less: NBV of Property Assets as at 31 May 2008	(5,517,434)
• Less: Estimated premium for conversion of land title	(600,000)
• Less: Deferred tax	(2,720,642)
Revaluation surplus*	<u>8,161,924</u>

Note:-

- * *The above revaluation surplus had been taken into consideration in arriving at the purchase consideration for the Acquisition.*

Our Directors wish to highlight that, to the best of their knowledge and belief, the Property Assets stated in Section 11.1 above:-

- i. Have not breached any of the land-use conditions/ permissible land use;
- ii. Where buildings are involved, there has not been any non-compliance with current statutory requirements, land rules or building regulations; and
- iii. Approval has been granted by Land and Survey Department, SibU for the amalgamation and variation of title condition for the above eight (8) titles to industrial purpose (shipyard) and the new subsisting title to carry a 60 years lease issued on 11 May 2009 with an enhanced premium of RM671,828. As at the date of this Prospectus, the title for the amalgamation land title has yet to be issued. Nonetheless, we had, on 1 July 2009 provided a Letter of Undertaking to the SC informing that we will pay the enhanced premium for the amalgamation and variation of title condition for the above Property Assets upon receiving the notification from Land and Survey Department, SibU. We expect to receive the aforementioned notification, the payment of enhanced premium and issuance of new title within one (1) year from 11 May 2009.

11.2 Acquisitions of Properties during the Two (2) Years Preceding the Date of this Prospectus

We have not acquired any properties during the two (2) years preceding the date of this Prospectus.

11.3 Material Plant and Equipment

Save as disclosed below, all the other plant and equipment utilised by our Group are individually immaterial to be disclosed separately:-

Registered Owner	Description/ Existing Use	Audited Net Book Value/ Market value as at 31 March 2009 RM'000
TAS	Cranes	2,246
TAS	Slipway	808
TAS	Welding machines	661
TAS	CNC machine	374

12. FINANCIAL INFORMATION

12.1 Historical Financial Information

12.1.1 Income statements

The following table sets out a summary of the proforma consolidated income statements of our Group for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2008 and 31 March 2009, prepared based on the assumption that our Group has been in existence throughout the periods under review. The proforma consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the Accountants' Report and the Reporting Accountants' Letter included in the proforma consolidated financial information set out in Sections 13 and 15 of this Prospectus.

	FYE 31 May 2006 RM'000	FYE 31 May 2007 RM'000	FYE 31 May 2008 RM'000	Ten (10)- month FPE 31 March 2008 ¹ RM'000	Ten (10)- month FPE 31 March 2009 RM'000
Revenue	68,808	74,239	121,346	82,276	110,056
Gross profit	9,981	16,218	19,967	14,408	22,117
Other operating income	103	1,193	1,536	1,241	1,920
Operating profit	8,175	15,382	17,954	13,023	20,603
Finance costs	(36)	(40)	(47)	(42)	(57)
PBT	8,139	15,342	17,907	12,981	20,546
Taxation	(296)	(613)	(1,869)	(1,133)	(4,792)
PAT	<u>7,843</u>	<u>14,729</u>	<u>16,038</u>	<u>11,848</u>	<u>15,754</u>
EBIDTA	9,429	16,572	19,294	14,079	21,953
Number of ordinary shares in TAS Offshore had TAS Offshore Group been in existence ('000) ²	103,002	103,002	103,002	103,002	103,002
Gross profit margin (%)	14.51	21.85	16.45	17.51	20.10
PAT margin (%)	11.40	19.84	13.22	14.40	14.31
EPS (sen)					
- Basic	7.61	14.30	15.57	11.50	15.29
- Diluted ³	-	-	-	-	-

Notes:-

¹ Unaudited and included for the purpose of comparison only

² Based on the issued and paid-up share capital of 103,002,000 ordinary shares of RM0.50 each immediately prior to the Public Issue

³ Diluted earnings per share is not provided as there were no potential ordinary shares to be issued throughout the financial years and period under review

⁴ There were no exceptional or extraordinary items throughout the financial years and period under review

12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Balance sheets**

The following table sets out a summary of the proforma consolidated balance sheets based on our audited consolidated financial statements as at 31 March 2009 to show the effects of the Acquisition, the Public Issue, the Offer for Sale and the proposed utilisation of proceeds from our Public Issue on the assumption that the transactions were completed on 31 March 2009. The proforma consolidated balance sheets are presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter together with the notes and assumptions accompanying in the proforma consolidated financial information set out in Section 15 of this Prospectus.

	As at 31 March 2009 RM'000	Proforma I After the Acquisition RM'000	Proforma II After I and the Public Issue and Offer for Sale RM'000	Proforma III After II and utilisation of proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	12,772	12,772	22,772
Prepaid land lease payments	-	10,096	10,096	10,096
	-	22,868	22,868	32,868
Current assets				
Inventories	-	20,284	20,284	20,284
Amount due from contract customers	-	42,870	42,870	42,870
Trade receivables	-	13,503	13,503	13,503
Other receivables	890	14,218	14,218	13,328
Tax recoverable	-	- ^{*1}	- ^{*1}	- ^{*1}
Cash and bank balances	- ¹	7,055	76,355	64,245
	890	97,930	167,230	154,230
TOTAL ASSETS	890	120,798	190,098	187,098
EQUITY AND LIABILITIES				
Share capital	1	51,501	90,001	90,001
Share premium	-	-	30,800	27,800
(Accumulated losses)/ Retained profits	(17)	1,230	1,230	1,230
Total equity	(16)	52,731	122,031	119,031
Non-current liabilities				
Hire purchase payables	-	69	69	69
Term loans (secured)	-	1,001	1,001	1,001
Deferred tax liabilities	-	2,870	2,870	2,870
	-	3,940	3,940	3,940
Current liabilities				
Amount due to contract customers	-	11,102	11,102	11,102
Trade payables	-	24,767	24,767	24,767
Other payables	906	3,097	3,097	3,097
Hire purchase payables	-	167	167	167
Term loans (secured)	-	281	281	281
Bank overdraft (secured)	-	2,164	2,164	2,164
Other bank borrowings (secured)				
- Bankers' acceptances	-	645	645	645
- Revolving credit	-	19,663	19,663	19,663
Taxation	-	2,241	2,241	2,241
	906	64,127	64,127	64,127

12. FINANCIAL INFORMATION (CONT'D)

	As at 31 March 2009 RM'000	Proforma I After the Acquisition RM'000	Proforma II After I and the Public Issue and Offer for Sale RM'000	Proforma III After II and utilisation of proceeds RM'000
Total liabilities	906	68,067	68,067	68,067
TOTAL EQUITY AND LIABILITIES	890	120,798	190,098	187,098
Number of shares ('000)	2	103,002	180,002	180,002
(NL)/ NA (RM'000)	(16)	52,731	122,031	119,031
(NL)/ NA per share (RM)	(8.00)	0.51	0.68	0.66
(NTL)/ NTA (RM'000) ²	(16)	42,635	111,935	108,935
(NTL)/ NTA per share (RM)	(8.00)	0.41	0.62	0.61
Total borrowings (RM'000)	-	23,990	23,990	23,990
Gearing ratio (times)	-	0.45	0.20	0.20

Notes:-

¹ Negligible

² For the purposes of calculating NTA, the prepaid land lease payments have been excluded as such payments are treated as intangible assets

12.1.3 Cash Flows

The following table sets out a summary of the proforma consolidated cash flow statement of our Group for the ten (10)-month FPE 31 March 2009, prepared based on the assumption that our Group has been in existence throughout the period under review. The proforma consolidated cash flow statement is presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter together with the notes and assumptions accompanying in the proforma consolidated financial information set out in Section 15 of this Prospectus.

	RM'000
Cash flows from operating activities	
PBT	20,546
Adjustments for:-	
Depreciation of property, plant and equipment	969
Amortisation of prepaid land lease payments	45
Unrealised loss on foreign exchange	167
Interest income	(52)
Interest expense	445
Operating profit before working capital changes	22,120
Increase in inventories	(9,523)
Increase in amount due from customers on contract	(1,786)
Increase in amount due to customers on contract	7,413
Increase in trade and other receivables	(15,348)
Decrease in trade and other payables	(17,019)
Cash utilised in operations	(14,143)

12. FINANCIAL INFORMATION (CONT'D)

	RM'000
Cash flows from operating activities (cont'd)	
Tax paid	(3,967)
Tax refunded	21
Interest paid	(43)
Net cash used in operating activities	<u>(18,132)</u>
Cash flows from investing activities	
Additional prepaid land lease payments	(675)
Interest received	52
Purchase of property, plant and equipment	(2,961)
Net cash used in investing activities	<u>(3,584)</u>
Cash flows from financing activities	
Repayment of hire purchase liabilities	(185)
Hire purchase interest paid	(13)
Net repayment of term loans	(218)
Loan interest paid	(43)
Increase in other bank borrowings	20,308
Interest paid on other bank borrowings	(345)
Dividend paid	(14,200)
Net cash from financing activities	<u>5,304</u>
Net decrease in cash and cash equivalents	(16,412)
Cash and cash equivalents at beginning of period	21,488
Foreign exchange difference on opening balance	(185)
Cash and cash equivalents at end of period¹	<u>4,891</u>

Note:-

¹ Components of cash and cash equivalents at end of period:-

	RM'000
Cash and bank balances	7,055
Bank overdraft	(2,164)
	<u>4,891</u>

12. FINANCIAL INFORMATION (CONT'D)**12.2 Capitalisation and Indebtedness**

The following table summarises our capitalisation and indebtedness:-

- i. As at 31 March 2009 based on our proforma consolidated financial information after the Acquisition; and
- ii. As adjusted for the net proceeds arising from the issuance of 77,000,000 new TAS Offshore Shares pursuant to our Public Issue as well as the utilisation of proceeds as set out in Section 3.9 of this Prospectus.

	Proforma as at 31 March 2009 after the Acquisition RM'000	After adjustment for the Public Issue, Offer for Sale and utilisation of proceeds RM'000
Indebtedness		
Short-term indebtedness:-		
• Hire purchase payable	167	167
• Term loans (Secured and guaranteed)	281	281
• Bank overdraft (Secured and guaranteed)	2,164	2,164
• Other bank borrowings (secured and guaranteed):-		
- Bankers' acceptances	645	645
- Revolving credit	19,663	19,663
Long-term indebtedness		
• Hire purchase payable	69	69
• Term loans (Secured and guaranteed)	1,001	1,001
Total indebtedness	23,990	23,990
Capitalisation		
Total shareholders' equity	52,731	119,031
Total capitalisation	52,731	119,031
Total capitalisation and indebtedness	76,721	143,021

The indirect and contingent liabilities of our Group are set out in Section 12.4.9 of this Prospectus.

12.3 Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects

The following management's discussion and analysis of our financial condition, results of operations and prospects as set out in Sections 12.3 of this Prospectus have been made based on our proforma consolidation financial information for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009 which have been prepared for illustrative purposes to reflect what our financial position would have been throughout the years and period under review and should be read in conjunction with the Accountants' Report and the Reporting Accountants' Letter included in the proforma consolidated financial information set out in Sections 13 and 15 of this Prospectus. The information relating to the ten (10)-month FPE 31 March 2008 have not been audited and have been included for comparison purposes only.

12. FINANCIAL INFORMATION (CONT'D)**12.3.1 Overview of Operations****FYE 31 May 2006*****Revenue***

Revenue had increased by RM28.66 million or 71.4% to RM68.81 million mainly due to higher revenue from overseas Shipbuilding contracts which registered an increase of RM42.05 million or 168.8%. Revenue from local Shipbuilding contracts however had decreased by RM12.49 million during the year as most of the local contracts which were previously subcontracted from TASSB had been substantially completed.

Revenue from Shipbuilding for the FYE 31 May 2006 was recognised based on the construction of the following vessels:-

FYE 31 May	2006		2005	
	Units	RM'000	Units	RM'000
Completed during the year	25	43,226	14	27,637
Work-in-progress as at end of year	9	24,595	10	10,623
Total	34	67,821	24	38,260

The overall increase in revenue was mainly due to an increase in the total number of vessels completed as indicated in the above table and the procurement of a Shipbuilding contract from a customer in UAE amounting to RM16.7 million which was 75% completed as at the end of the financial year.

Gross Profit

Gross profit had increased by RM5.59 million or 127% from RM4.39 million in the FYE 31 May 2005 to RM9.98 million in the FYE 31 May 2006 due to the increase in revenue as explained above and an increase in the overall gross profit margin.

The average gross profit margin from Shipbuilding activities for the FYE 31 May 2006 was 14.5% as compared to 10.5% in the FYE 31 May 2005. The higher profit margin was largely attributable to the increase in overseas Shipbuilding contracts which gave a better margin than local contracts. The gross profit margin from local Shipbuilding contracts had decreased from 12.0% in the FYE 31 May 2005 to 4.6% in the FYE 31 May 2006 mainly because revenue recognised from the vessels that were completed in the FYE 31 May 2006 were not substantial in value and due to a loss of approximately RM185,000 suffered on one of the vessels.

PBT

FYE 31 May	2006 RM'000	2005 RM'000	Increase/ (Decrease) RM'000
Gross profit	9,981	4,394	5,587
Other operating income	103	2	101
Operating expenses	(1,909)	(828)	1,081
Finance expenses	(36)	(10)	26
PBT	8,139	3,558	4,581
Taxation	(296)	(297)	(1)
PAT	7,843	3,261	4,582

12. FINANCIAL INFORMATION (CONT'D)

Other operating income had increased in the FYE 31 May 2006 due to gains arising from foreign exchange and increase in interest income.

The increase in operating expenses was mainly due to the following:-

- i. Increase in payroll costs amounting to RM1.07 million arising from an increase in the number of employees employed and higher bonus payout during the financial year;
- ii. Increase in electricity, communication and travelling expenses amounting to RM113,529 in tandem with the increase in turnover and business activity; and
- iii. Increase in depreciation charge amounting to RM175,705 due to additions to items of Property, Plant and Equipment.

However, during the year there was no write off of Property, Plant and Equipment and foreign exchange losses and this had partly off-set the increase in the total operating expense.

Effective Tax Rate

	FYE 31 May 2006 RM'000
Current financial year	
- income tax	324
- deferred tax	(3)
Under/(over) provision in previous financial year	
- income tax	10
- deferred tax	(35)
	296
Effective tax rate	3.6%

The effective tax rate is lower than statutory tax rate of 28% due to the 85% tax exemption of statutory income that is derived from Shipbuilding activities which has been granted with a pioneer status incentive.

FYE 31 May 2007***Revenue***

Revenue increased by approximately RM5.43 million or 7.9% from RM68.81 million in the FYE 31 May 2006 to RM74.24 million mainly due to an increase in revenue from overseas Shipbuilding contracts secured mainly from customers in Singapore.

Revenue from Shipbuilding for the FYE 31 May 2007 was recognised based on the construction of the following vessels:-

FYE 31 May	2007		2006	
	Units	RM'000	Units	RM'000
Completed during the year	19	47,090	25	43,226
Work-in-progress as at end of year	16	26,060	9	24,595
Total	35	73,150	34	67,821

12. FINANCIAL INFORMATION (CONT'D)

In addition, revenue recognised in the FYE 31 May 2007 from Shipbuilding contracts comprised more vessels with longer length and which carried a higher sales value as compared with the previous financial year. The following table summarises the revenue recognised by the length of vessels:-

FYE 31 May Length of vessels	2007		2006	
	Completed & incomplete Units	Revenue RM'000	Completed & incomplete Units	Revenue RM'000
23 to 29 metres	28	39,452	32	49,442
31 to 49 metres	7	33,698	2	18,379
Total	35	73,150	34	67,821

Gross Profit

In the FYE 31 May 2007, gross profit had increased by RM6.24 million from RM9.98 million in the FYE 31 May 2006 to RM16.22 million. The increase was a result of the increase in revenue as explained above and the overall gross profit margin which had increased from 14.5% in the FYE 31 May 2006 to 21.9%.

The improvement in the gross profit margin was mainly due to an increased number of larger vessels, measuring between 31 to 49 metres in length, sold to overseas customers in the FYE 31 May 2007. In addition, our Group was able to enjoy better economies of scale through the spreading of fixed or common costs over increased activities.

PBT

FYE 31 May	2007 RM'000	2006 RM'000	Increase/ (Decrease) RM'000
Gross profit	16,218	9,981	6,237
Other operating income	1,193	103	1,090
Operating expenses	(2,029)	(1,909)	120
Finance expenses	(40)	(36)	4
PBT	15,342	8,139	7,203
Taxation	(613)	(296)	317
PAT	14,729	7,843	6,886

PBT had increased as a result of the increase in gross profit as elaborated above and due to the increase in gains on foreign exchange by RM1.01 million and increase in interest income earned by RM84,153 which were included in other income.

12. FINANCIAL INFORMATION (CONT'D)**Effective Tax Rate**

	FYE 31 May 2007
	RM'000
Current financial year	
- income tax	626
- deferred tax	-
Under/(over) provision in previous financial year	
- income tax	(10)
- deferred tax	3
Effects of change in tax rate	(6)
	<u>613</u>
Effective tax rate	4.0%

The effective tax rate is lower than statutory tax rate of 27% mainly due to the 85% tax exemption of statutory income that is derived from Shipbuilding activities.

FYE 31 May 2008**Revenue**

Revenue had increased by RM47.11 million or 63.5% with revenue from overseas Shipbuilding contracts registering an increase of RM37.49 million or 53.0% while revenue from local Shipbuilding contracts increased by RM9.18 million or 372.1%.

Revenue from Shipbuilding for the FYE 31 May 2008 was recognised based on the construction of the following vessels:-

FYE 31 May	2008		2007	
	Units	RM'000	Units	RM'000
Completed during the year	19	36,634	19	47,090
Work-in-progress as at end of year	34	83,185	16	26,060
Total	53	119,819	35	73,150

The breakdown of revenue recognised by the length of vessels is as follows:-

FYE 31 May Length of vessels	2008		2007	
	Completed & incomplete Units	Revenue RM'000	Completed & incomplete Units	Revenue RM'000
23 to 29 metres	40	51,109	28	39,452
31 to 49 metres	7	30,788	7	33,698
50 to 60 metres	6	37,922	-	-
Total	53	119,819	35	73,150

As indicated in the above tables, the increase in Shipbuilding revenue in the FYE 31 May 2008 was mainly due to the increase in the number of vessels being constructed during the financial year. In addition, there was an increase in the number of larger vessels constructed in the FYE 31 May 2008 such as those measuring 50 metres and above which provided additional revenue to our Group.

12. FINANCIAL INFORMATION (CONT'D)

In order to meet the demand for more vessels from our customers, our Group has outsourced the construction of five (5) units of vessels (three (3) units of 47 metres length and two (2) units of 50 metres length) to a shipbuilder in Nanjing, Jiangsu, PRC. The total consideration sum of these vessels amounted to RM89.53 million of which RM20.60 million was recognised as revenue during the financial year.

Gross Profit

Gross profit had increased by RM3.75 million or 23.1% to RM19.97 million in the FYE 31 May 2008 on the back of the increase in revenue. The overall gross profit margin however decreased from 21.85% in the FYE 31 May 2007 to 16.5% in the FYE 31 May 2008 which was largely attributable to the decrease in profitability from Shipbuilding activities.

The gross profit margin from Shipbuilding activities had decreased from 21.6% in the FYE 31 May 2007 to 16.1% mainly due to:-

- i. The construction of five (5) units of vessels that had been subcontracted to a shipbuilder in the PRC that generates profit margins ranging between 9% to 13% only. These margins are generally lower than the average gross profit margin of a vessel that is constructed by our Group; and
- ii. There were three (3) units of completed Tugboats and one (1) unit which was under construction as at the end of the financial year which contributed low profit margins ranging between 3.2% to 7.4% only. These vessels were sold to several local customers at lower prices in order to attract repeats orders from them.

PBT

FYE 31 May	2008 RM'000	2007 RM'000	Increase/ (Decrease) RM'000
Gross profit	19,967	16,218	3,749
Other operating income	1,536	1,193	343
Operating expenses	(3,549)	(2,029)	1,520
Finance costs	(47)	(40)	7
PBT	17,907	15,342	2,565
Taxation	(1,869)	(613)	1,256
PAT	16,038	14,729	1,309

The increase in other operating income in the FYE 31 May 2008 was mainly due to dividend income received from investment in unit trusts amounting to RM193,716 and gains arising from the disposal of the investment amounting to RM144,917. Such increase was partly offset by the decrease in gains from foreign exchange by RM118,805.

The increase in operating expenses was mainly due to:-

- i. Increase in payroll costs amounting to RM0.81 million arising from increase in management personnel of RM0.36 million, and directors' emoluments of RM0.38 million and higher bonus pay out (increased by RM0.27 million) during the financial year;

12. FINANCIAL INFORMATION (CONT'D)

- ii. Increase in legal and professional charges by RM0.23 million incurred mainly in connection with the securing of additional banking facilities; and
- iii. Increase in depreciation charge of RM0.17 million due to additions to items of Property, Plant and Equipment.

Effective Tax Rate

	FYE 31 May 2008 RM'000
Current financial year	
- income tax	1,853
- deferred tax	3
Under/(over) provision in previous financial year	
- income tax	(1)
- deferred tax	20
- effect of reduction in tax rate	(6)
	1,869
Effective tax rate	10.4%

The effective tax rate of 10.4% is lower than the statutory rate of 26% mainly due to the exemption of tax on our Group's statutory income which is granted under the pioneer status incentive. However, the current effective tax rate of 10.4% is higher than the rate of 4% in the FYE 31 May 2007 mainly because profits accruing to vessels that are being constructed in PRC and other dockyard do not enjoy pioneer status tax incentive as such tax incentive is only allowed on profits from Shipbuilding activities carried out in our Group's premises in Sibul.

FPE 31 March 2009**Revenue**

Revenue for the ten (10)-month FPE 31 March 2009 had increased by RM27.78 million or 33.8% when compared with the revenue of RM82.28 million generated for the previous corresponding ten (10)-month FPE 31 March 2008.

Revenue from Shipbuilding for the ten (10)-month FPE 31 March 2009 was recognised based on the construction of the following vessels:-

FPE 31 March	2009		2008	
	Units	RM'000	Units	RM'000
Completed during the period	17	28,299	16	29,957
Work-in-progress as at end of period	31	80,694	29	51,073
Total	48	108,993	45	81,030

12. FINANCIAL INFORMATION (CONT'D)

The breakdown of revenue recognised by the length of vessels is as follows:-

FPE 31 March Length of vessels	2009		2008	
	Completed & incomplete Units	Revenue RM'000	Completed & incomplete Units	Revenue RM'000
23 to 29 metres	33	47,906	35	38,424
31 to 49 metres	6	11,111	6	21,212
50 to 60 metres	9	49,976	4	21,394
Total	48	108,993	45	81,030

The increase in revenue is mainly due to an increase in the number of large vessels measuring 50 metres and above constructed during the period as compared with the previous corresponding period. Revenue recognised from such vessels had increased by RM28.58 million or 133.6%. In addition, the revenue recognised from vessels ranging from 23 to 29 metres in length had also increased by 24.7% or RM9.48 million which was mainly attributable to a general increase in the values contracted for these categories of vessels during the current period.

Gross Profit

Gross profit for the ten (10)-month FPE 31 March 2009 had increased by RM7.71 million or 53.5% to RM22.12 million when compared to the previous corresponding period. The overall gross profit margin had also increased from 17.5% in FPE 31 March 2008 to 20.1% in the ten (10)-month FPE 31 March 2009.

The increase in gross profit margin was mainly due to the following factors:-

- i. Increase in profitability from vessels measuring 23 to 29 metres due to a general increase in the contract value of such vessels during the period; and
- ii. The general appreciation of the USD against the RM during the period has resulted in an overall increase in the value of several contracts which were denominated in USD.

PBT

FPE 31 March	2009 RM'000	2008 RM'000	Increase/ (Decrease) RM'000
Gross profit	22,117	14,408	7,709
Other operating income	1,920	1,241	679
Operating expenses	(3,434)	(2,626)	808
Finance costs	(57)	(42)	15
PBT	20,546	12,981	7,565
Taxation	(4,792)	(1,133)	3,659
PAT	15,754	11,848	3,906

The increase in other operating income in the ten (10)-month FPE 31 March 2009 was mainly due to increase in realised gain on foreign exchange amounting to RM1.18 million. Such increase was partly offset by a decrease in dividend and interest income amounting to RM0.33 million and decrease in gain on disposal of investment of RM0.14 million.

12. FINANCIAL INFORMATION (CONT'D)

The increase in operating expenses was mainly due to increase in remuneration paid to executive directors and senior management by RM0.7 million.

Effective Tax Rate

	FPE 31 March 2009 RM'000
Current financial year	
- income tax	4,775
- deferred tax	24
Under/(over) provision in previous financial year	
- income tax	.1
- deferred tax	-
- effect of reduction in tax rate	(7)
	<u>4,792</u>
Effective tax rate	23.3%

Note:-

* Negligible

The effective tax rate of 23.3% is higher than the rate of 10.4% in the FYE 2008 mainly due to the expiry of pioneer status incentive which was granted from 1 August 2003 to 31 July 2008 which resulted in all income earned from Shipbuilding activity subsequent to that date being taxable.

12.3.2 Factors Affecting Future Financial Condition and Results

After taking into consideration the risk factors relating to our business, industry and our ability to mitigate such risk factors as set out in Section 4 of this Prospectus, we are of the opinion that our future financial condition and results will remain profitable.

Whilst the on-going global economic crisis may have some impact on our business in the short term, we strongly believe that our competitive strengths and advantages as set out in Section 6.1.3 of this Prospectus provide the fundamental for the sustainability of our future business and financial growth. Our future plans as set out in Section 7.10 of this Prospectus, to venture into new business activities, expand our production capacity and establish new production facilities will further contribute to sustainable growth in our financial performance.

12.3.3 Segmental Analysis

The following is the segmental analysis of the proforma consolidated results of our Group for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009. The proforma consolidated results are provided for illustrative purposes only and on the assumption that the current structure of our Group had been in existence throughout the financial years under review.

12. FINANCIAL INFORMATION (CONT'D)**Revenue**

The breakdowns of our Group's revenue by division are set out below:-

	←-----FYE 31 May-----→						←-FPE 31 March-→	
	2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	67,821	98.6	73,151	98.5	119,819	98.7	108,993	99.0
Ship repairing	987	1.4	1,088	1.5	1,527	1.3	1,063	1.0
	68,808	100.0	74,239	100.0	121,346	100.0	110,056	100.0

The breakdowns of our Group's revenue by geographical location are set out below:-

	←-----FYE 31 May-----→						←-FPE 31 March-→	
	2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Export	66,964	97.3	70,682	95.2	108,168	89.1	108,698	98.8
Local	1,844	2.7	3,557	4.8	13,178	10.9	1,358	1.2
	68,808	100.0	74,239	100.0	121,346	100.0	110,056	100.0

The breakdowns of our Group's revenue by types of vessels (for Shipbuilding activities only) are set out below:-

	←-----FYE 31 May-----→						←-FPE 31 March-→	
	2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Tugboats	55,293	81.5	59,417	81.2	55,110	46.0	55,433	50.9
Anchor Handling Tug	12,528	18.5	13,734	18.8	33,889	28.3	13,987	12.8
Anchor Handling Tug Supply Vessel	-	-	-	-	30,820	25.7	39,573	36.3
	67,821	100.0	73,151	100.0	119,819	100.0	108,993	100.0

Revenue from Shipbuilding activities have grown significantly throughout the periods under review and are our main source of revenue, contributing approximately 99% to our revenue for the past three (3) financial years up to 31 May 2008. This growth is in line with our Group's objective of expanding our Shipbuilding activity. Although the percentage contribution from ship repairing to our revenue has remained fairly consistent throughout the financial years under review, the amount of revenue has increased gradually for the past three (3) financial years due to an increase in value of service orders secured.

12. FINANCIAL INFORMATION (CONT'D)

The strong growth in our Group's revenue for the past three (3) financial years under review was mainly due to our endeavour to develop overseas markets. The export market continues to be our primary source of revenue, contributing approximately at least 89% of our revenue for the past three (3) financial years, with UAE, Singapore and Indonesia being our primary markets. Revenue from the local market has been increasing over the past three (3) financial years as the Group has been able to source additional local customers particularly from East Malaysia. However, for the ten (10)-month FPE 31 March 2009, the revenue recorded was RM1.36 million. On an annualised basis, the revenue for FYE 31 May 2009 is lower as compared to FYE 31 May 2008 as our shipyard was fully utilised for overseas contracts.

Historically, our source of revenue is mainly derived from construction of Tugboats. However, the increase in oil and gas activities in recent years has resulted in high demand for Offshore Support Vessels worldwide. As a result, we have expanded our Shipbuilding activities to cater for the high demand of Offshore Support Vessels in the oil and gas industry. Besides constructing Tugboats and Anchor Handling Tug, we commenced to construct Anchor Handling Tug Supply Vessels in 2008.

Gross Profit

The breakdowns of our Group's gross profit by division are set out below:-

	←-----FYE 31 May----->						←-FPE 31 March->	
	2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding	9,847	98.7	15,825	97.6	19,268	96.5	21,638	97.8
Ship repairing	134	1.3	393	2.4	699	3.5	479	2.2
	9,981	100.0	16,218	100.0	19,967	100.0	22,117	100.0

Margin

Shipbuilding	14.5%	21.6%	16.1%	19.9%
Ship repairing	13.6%	36.1%	45.8%	45.1%

The breakdowns of our Group's gross profit by geographical location are set out below:-

	←-----FYE 31 May----->						←-FPE 31 March->	
	2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Shipbuilding								
- Export	9,808	98.3	15,762	97.2	18,421	92.3	21,799	98.5
- Local	39	0.4	63	0.4	847	4.2	(161) ¹	(0.7)
Ship repairing								
- Local	134	1.3	393	2.4	699	3.5	479	2.2
	9,981	100.0	16,218	100.0	19,967	100.0	22,117	100.0

12. FINANCIAL INFORMATION (CONT'D)

Margin	←-----FYE 31 May-----→			←-FPE 31 March-→
	2006	2007	2008	2009
Shipbuilding				
- Export	14.6%	22.3%	17.0%	20.1%
- Local	4.6%	2.6%	7.3%	(54.7%)* ¹
Ship repairing				
- Local	13.6%	36.1%	45.8%	45.1%

The breakdowns of our Group's gross profit by types of vessels (for Shipbuilding activities only) are set out below:-

	←-----FYE 31 May-----→						←-FPE 31 March-→	
	2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Tugboats	9,534	96.8	13,906	87.9	9,616	49.9	13,062	60.4
Anchor Handling Tug	313	3.2	1,919	12.1	5,224	27.1	1,770	8.2
Anchor Handling Tug Supply Vessel	-	-	-	-	4,428	23.0	6,806	31.4
	9,847	100.0	15,825	100.0	19,268	100.0	21,638	100.0

Margin				
Tugboats	17.2%	23.4%	17.4%	23.6%
Anchor Handling Tug	2.5%	14.0%	15.4%	12.7%
Anchor Handling Tug Supply Vessel	-	-	14.4%	17.2%

Note:-

*¹ includes an adjustment for profit over-recognised on vessels under construction in FYE 31 May 2008 of RM176,706

The total gross profit from Shipbuilding activities had increased significantly over the past three (3) financial years under review, representing at least 96% of our Group's total gross profit. This was in line with our focus on the Shipbuilding activities. The gross profit margin for Shipbuilding activities for FYE 31 May 2007 had increased to 21.6% from 14.5% in FYE 31 May 2006 mainly due to the increased number of larger vessels sold and that the Group was able to enjoy better economies of scale through the spreading of fixed or common costs over increased activities. In FYE 31 May 2008, the gross profit margin had decreased to 16.1% mainly because of the construction of several vessels had been subcontracted to a shipbuilder in the PRC due to a constraint in the Group's capacity and the gross profit margins derived from these vessels were generally lower than the average gross profit margin of a vessel that is constructed by the Group itself.

12. FINANCIAL INFORMATION (CONT'D)

In addition, the Group had sold several units of vessels to local customers in FYE 31 May 2008 at lower prices to promote repeat orders and as a consequence, the gross profit derived from such vessels was low. However, the gross profit margin for the ten (10)-month FPE 31 March 2009 had increased to 19.9% mainly because our Group had been able to secure higher selling prices for vessels measuring 23 metres to 29 metres in length and due to the general appreciation of the USD against RM which had resulted in an overall increase in the value of several contracts which were denominated in USD. The gross profit margin from ship repairing services varies with the type of repair works requested by customers. The fluctuations in the gross profit margins for ship repairing over the past three (3) financial years and the ten (10)-month FPE 31 March 2009 were mainly attributable to the different types of repair works undertaken by the Group.

Export market for the Shipbuilding activities has consistently contributed at least 90% to our Group' total gross profit, which is in line with our focus on expanding our overseas presence. The gross profit contributed from local market is insignificant over the past three (3) financial years and for the ten (10)-month FPE 31 March 2009. The gross profit margin generated from export market has been consistently higher than the local market over the past three (3) financial years and for the ten (10)-month FPE 31 March 2009 mainly because the contract values of vessels secured from the local market were generally lower than export markets as our Group was making efforts to expand our local customers base and to promote repeat orders.

In terms of vessels constructed, Tugboats have predominantly been the major contributor over the past three (3) financial years and the ten (10)-month FPE 31 March 2009. Nonetheless, due to the increase in oil and gas activities in recent years, our Group has focused on constructing Offshore Support Vessels to cater for the high demand in the oil and gas industry. The gross profit margin for the Anchor Handling Tugs and Anchor Handling Tug Supply Vessels has been increasing over the years.

12.3.4 Exceptional and Extraordinary Items

There were no exceptional and extraordinary items for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009.

12.3.5 Material Changes in Sales/ Revenue

A discussion on the reasons on material changes in our revenue for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009 is set out in Section 12.3.1 of this Prospectus.

12.3.6 Impact of Foreign Exchange/ Interest Rates/ Commodity Prices on Operating Profits

We have business transactions in foreign currencies in the normal course of our business, which include purchases of raw materials and supplies, and the export of our products. Given this, our exposure to movements in foreign exchange has a "natural" hedge, to a certain extent.

There is no material impact of foreign exchange, interest rates and commodity prices on our historical profits for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009.

12. FINANCIAL INFORMATION (CONT'D)

12.3.7 Impact of Inflation

There is no material impact of inflation on our historical profits for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009.

12.3.8 Government/ Economic/ Fiscal or Monetary Policies

Risk relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, is as set out in Sections 4.4.1 of this Prospectus.

There is no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009.

12.4 Liquidity and Capital Resources

12.4.1 Working Capital

Our Group has been financing our operations through cash generated from our operations and external sources of funds. Our Group's external source of funds mainly comprises of shareholders' equity and bank borrowings.

Our Directors are of the opinion that, after taking into consideration the cash flow position, banking facilities available and the net proceeds from the Public Issue, our Company will have adequate working capital for a period of 12 months from the date of this Prospectus.

12.4.2 Cash Flow

A summary of our Group's proforma cash flow statement for the ten (10)-month FPE 31 March 2009 based on the proforma consolidated cash flow statement as disclosed in Section 15 of this Prospectus is set out below:-

Cash Flow	FPE 31 March 2009 RM'000
Net cash used in operating activities	(18,132)
Net cash used in investing activities	(3,584)
Net cash from financing activities	5,304
Net decrease in cash and cash equivalents	<u>(16,412)</u>
Cash and cash equivalents at the beginning of the period	21,488
Foreign exchange difference on opening balance	(185)
Cash and cash equivalents at end of period	<u>4,891</u>

There are no legal or economic restrictions on the ability of our subsidiary to transfer funds to our Company in the form of cash dividends. Some of our bankers, however, require us to seek their prior approval for dividend payments. We do not expect such approval to be unreasonably withheld by our bankers, therefore, we are confident that we can meet our cash obligations.

12. FINANCIAL INFORMATION (CONT'D)

Net Cash Used in Operating Activities

The amount generated from operations but before working capital changes during the ten (10)-month FPE 31 March 2009 was RM22.12 million. However, during the same period, we had used RM36.26 million to finance our working capital and RM3.99 million to pay our income tax liabilities and bank interests which resulted in a net cash outflow in operating activities of RM18.13 million. Funds used to finance working capital include:-

- i. An amount of RM9.72 million used to finance the increase in trade and other receivables and net amount due from contract customers. Such increase was mainly attributable to an extension of credit period to some customers, a substantial amount of billings on Shipbuilding contracts which were raised only towards the end of the financial period and an increase in deposits paid to Shipbuilding suppliers. Trade receivables are monitored by our Group's management and as at the LPD, a total amount of RM5.14 million has been collected from the debts due to our Group as at 31 March 2009;
- ii. An amount of RM9.52 million used to finance the increase in inventories which in turn was due to the buying and storing of additional Shipbuilding materials for use in future contracts and the construction of six (6) units vessels which have not been sold; and
- iii. An amount of RM17.02 million used to reduce the amount due to trade and other payables.

Our Group actively manages our operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. Other than the funds generated from its operations, funds used in our Group's operating activities during the financial period were also sourced from the amount of cash and cash equivalents at the beginning of the financial period and from the drawdown of our bank borrowings facilities. As at 31 March 2009, our Group has a total credit facilities amounting to RM34 million of which a total amount of RM 23.75 million had been utilised.

Net Cash Used in Investing Activities

The net cash used in investing activities of approximately RM3.58 million for the ten (10)-month FPE 31 March 2009 was mainly due to capital expenditure incurred arising from purchase of property, plant and equipment of RM2.96 million.

Net Cash From Financing Activities

The net cash from financing activities of approximately RM5.30 million for the ten (10)-month FPE 31 March 2009 was mainly due to proceeds from other bank borrowings of RM20.31 million which include bankers' acceptances and revolving credit to finance the purchase of raw materials and the payment of dividend of RM14.2 million.

12. FINANCIAL INFORMATION (CONT'D)**12.4.3 Borrowings**

As at 31 March 2009, the total outstanding bank borrowings in the form of bank overdrafts, term loans and trade finance facilities amounted to approximately RM24.0 million. The borrowings can be analysed further as follows:-

Outstanding Borrowings	Amount RM'000
Short term borrowings	
• Interest bearing	
- Hire purchase payable	167
- Term loans	281
- Bank overdraft	2,164
- Other bank borrowings	
- Bankers' acceptance	645
- Revolving credit	19,663
- Non-interest bearing	-
Long term borrowings	
• Interest bearing	
- Hire purchase payable	69
- Term loans	1,001
• Non-interest bearing	-
Total interest-bearing borrowings	23,990
Gearing ratio as at 31 March 2009 ¹	0.45
Gearing ratio after Public Issue ²	0.20

Notes:-

¹ Based on borrowings and proforma shareholders' funds as at 31 March 2009 of approximately RM52.7 million upon completion of the Acquisition

² Based on borrowings and proforma shareholders' funds as at 31 March 2009 of approximately RM119.0 million upon completion of the Public Issue as set out in Section 3.9 of this Prospectus

Our Group has not defaulted on payments of either interest and/ or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof up to 31 March 2009.

12.4.4 Breach of Terms and Conditions/ Covenants Associated with Credit Arrangement/ Bank Loan

To the best of our Directors' knowledge, as at 31 March 2009, our Group is not in breach of any terms and conditions or covenants associated with credit arrangement or bank loan, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

12.4.5 Type of Financial Instruments Used

Our Group is exposed to fluctuations in foreign exchange rates through the revenue earned and purchases made that were transacted in foreign currencies.

12. FINANCIAL INFORMATION (CONT'D)

For the ten (10)-month FPE 31 March 2009, our Group has not entered into any forward exchange contracts but will undertake to regularly monitor and review the need to hedge our foreign currency exposure. As at the LPD, we have a forward foreign exchange line which allows our Group to enter into forward contracts of up to RM30 million.

12.4.6 Treasury Policies and Objectives

We have been financing our operations through cash generated from our operations and external sources of funds. Our external source of funds mainly comprises shareholders' funds and bank borrowings.

We have short-term and long-term bank borrowings facilities available to our Group. Our short-term bank borrowing is mainly bank overdrafts which are used to redeem Lot 22 & Lot 112 of Block 1, Sibu Town District from Public Bank Berhad and to finance working capital requirements. The interest rates for our short-term bank borrowings are based on the base lending rate prevailing at the dates of the respective transactions as well as the base lending rate plus a margin agreed upon by our bankers when the respective loans were granted.

Our long-term bank borrowings are mainly fixed loans and revolving credits which are used to redeem Lot 22 & Lot 112 of Block 1, Sibu Town District from Public Bank Berhad and to finance Shipbuilding contract/ agreement on contract specific basis respectively. The interest rates for our long-term bank borrowings are based on the base lending rate plus a margin agreed upon by our bankers when the respective loans were granted.

We conduct our operations in RM, as well as other foreign currencies, which mainly include the USD and SGD. Therefore, we maintain cash accounts in RM and multi currencies.

Our imports are mainly denominated in USD and SGD. For sales, domestic sales are mainly in RM, whilst export sales are mainly in USD and SGD. Where purchases are in USD and SGD, we would pay our suppliers by natural hedging using export proceeds in USD and SGD. By natural hedging, we minimise our foreign exchange exposure risk.

Our Group mitigates against foreign exchange risk by using our foreign currency earnings to pay for purchases denominated in the same foreign currency, where possible. This could provide some natural hedge against foreign exchange fluctuations.

Our Group has not entered into any interest rate swap to hedge against the fluctuations in the interest rates. We manage our interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

12.4.7 Material Commitment

As at the LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group.

12. FINANCIAL INFORMATION (CONT'D)**12.4.8 Material Litigation**

As at the LPD, our Company has not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on our Company's financial position. Our Directors have no knowledge of any proceedings pending or threatened against our Company or any fact likely to give rise to any proceeding which might materially and adversely affect our financial position and business.

12.4.9 Contingent Liabilities

As at the LPD, our Directors are not aware of any contingent liabilities which, upon becoming enforceable might materially and adversely affect our financial position and business.

12.4.10 Key Financial Ratios

The table below sets out the key financial ratios of our Company for the three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009 which have been prepared for illustrative purposes only based on our audited financial statements and on the assumption that the current structure of our Company has been in existence throughout the financial years/ period under review:-

	FYE 31 May		Ten (10)-month FPE 31 March	
	2006	2007	2008	2009
Trade receivables turnover period (days)	39	19	22	36
Trade payables turnover period (days)	130	144	157	109
Inventories turnover period (days)	12	42	54	89

Trade receivables turnover

Our Group's normal credit period given to our trade debtors ranges from seven (7) days to 60 days. Other credit terms are assessed and approved on a case-by-case basis after taking into consideration, inter-alia, the background and credit-worthiness of the customer, payment history of the customer and our relationship with our customer.

Our Group trade receivables turnover period has been consistently within our normal credit period. However, the increase in trade receivable turnover period for the ten (10)-month FPE 31 March 2009 was due to some of the customers had requested for an extension of credit period and approximately 30% of the total receivable was billed towards end of the financial period.

12. FINANCIAL INFORMATION (CONT'D)

The trade receivables of our Group as at 31 March 2009 are set out below:-

Credit Period	Within credit period		Exceeding	Total
	0 – 30 days RM'000	31 – 60 days RM'000	credit period Over 60 days RM'000	
Trade receivables	4,001	4,415	5,087	13,503
% of total trade receivables	29.6	32.7	37.7	100.0

As at the LPD, 38.1% or RM5.14 million of the total trade receivable for the ten (10)-month FPE 31 March 2009 has been subsequently collected.

Trade payables turnover

The normal credit terms granted to us by our trade suppliers range from seven (7) days to 90 days. In view of the good relationship with our trade suppliers, we enjoy credit periods that are longer than the stipulated period.

For the past three (3) FYE 31 May 2008, our Group's trade payable turnover has been increasing, attributable to the longer payment period extended by our suppliers.

The trade payable of our Group as at 31 March 2009 are set out below:-

Credit period	Within credit period			Exceeding	Total
	0 – 30 days RM'000	31 – 60 days RM'000	61 – 90 days RM'000	credit period Over 90 days RM'000	
Trade payables	14,766	3,731	2,234	4,036	24,767
% of total trade payables	59.6	15.1	9.0	16.3	100.0

The increase in trade payables during the financial years under review is in tandem with the increase in purchases. The trade payable turnover period had decreased from 157 days to 109 days for the ten (10)-month FPE 31 March 2009 as we have utilised our banking facilities such as bankers' acceptance and revolving credit to pay our trade suppliers.

As at 31 March 2009, we are not aware of any actions, legal or otherwise, that have been taken against us by the trade suppliers for the recovery of debts due to them or due to any defaults in payment.

Inventories turnover

Our inventories consist of consumable stores and spare parts, raw materials and work-in-progress.

12. FINANCIAL INFORMATION (CONT'D)

Raw materials in the FYE 31 May 2008 and FYE 31 May 2007 comprised mainly Shipbuilding materials such as steel plates which have yet to be allocated to any specific contract. The balance of inventories and turnover period increased in the FYE 31 May 2007 as we started to practise a policy of buying and storing additional Shipbuilding materials for use in future contracts instead of buying the required materials as and when only a contract has been secured as practised previously. The balance of raw materials as at the FYE 31 May 2008 has increased as compared with the FYE 31 May 2007 mainly because we expect more Shipbuilding contracts will be secured after the FYE 31 May 2008.

The increase in level of inventories and turnover period was due to substantial amount of raw materials and consumable stores were purchased for use in existing contracts which have not been completed as at 31 March 2009, where approximately 30% of the raw materials had been used within two (2) months after FPE 31 March 2009. In addition, the work in progress had increased by 107.8% as compared to FYE 31 May 2008 as we have commenced construction work on six (6) units of new vessels during the period which have not been completed as at 31 March 2009.

We are of the view that there are no material slow-moving or obsolete inventories as at ten (10)-month FPE 31 March 2009.

12.5 Trend Information

Based on our segmental analysis of revenue and profitability by our business activities, our overview of operations for the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, our Board is of the opinion that:-

- i. Based on our existing contracts in hand, we have approximately 28 on-going contracts (including nine (9) new contracts secured since 1 June 2008 until the LPD) for our Shipbuilding activities, which will last until year 2011 and hence we expect our Group's operations to remain profitable. These on-going contracts comprise of 18 units of Tugboats, six (6) units of Anchor Handling Tugs and four (4) units of Anchor Handling Tug Supply Vessels.

Moving forward, we expect our Group's revenue from Shipbuilding activities to be sustainable with a slight upward trend, primarily supported by the new business activities as set out in Section 7.10.1 of this Prospectus that we planned to venture into. We have commenced our "build, own and sell ships" activity in 2009 and planned to commence our "build, own and charter ships" activity in 2010.

- ii. The demand for new vessels will increase in tandem with the increase spending on deepwater exploration, production and development in the oil and gas industry given the recent recovery of global crude oil price to approximately USD70 per barrel as at early June 2009.
- iii. The current challenging economic conditions will not have a significant impact on our Group's future financial performance given that all the vessels constructed by us caters for various industries apart from the Oil and Gas Industry which include amongst others, timber industry, coal mining industry, shipping and logistic industry.

12. FINANCIAL INFORMATION (CONT'D)

- iv. Steel plates form a major component of our raw materials and an increase in the price of steel plates will increase our cost of Shipbuilding. We do not expect any fluctuation in the prices of steel plates to significantly affect our Group's profitability as there is a pass-through mechanism for such cost to our customers. Based on our strong financial position, we are able to purchase and store the steel plates as appropriate in order to reduce or mitigate significant increases in our cost of Shipbuilding.
- v. Our liquidity is expected to improve further subsequent to our Listing given that fresh funds are injected into our Company to enable us to carry out our future plans as stated in Section 7.10 of this Prospectus.
- vi. Previously, we were granted a pioneer status by the MITI where portion of our Group's income was exempted from taxation. However, with the expiry of our pioneer status incentive on 31 July 2008, our Group have to incur tax expense based on the prevailing statutory tax rate which may result in the decrease of our net profit margin from its previous level.

In addition to the above and barring any unforeseen circumstances, our Board is not aware of any circumstances which would result in a significant decline in our revenue and gross profit margins.

Further, save as disclosed above, to the best knowledge and belief of our Directors, our operations have not been and are not expected to be affected by any of the following:-

- i. Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and in Sections 4 and 6 of this Prospectus;
- ii. Material commitment for capital expenditure as disclosed in Section 12.4.7 of this Prospectus;
- iii. Unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed in this section and in Section 4 of this Prospectus;
- iv. Known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/ or profits save for those that have been disclosed in this section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 7.10 of this Prospectus;
- v. Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 4 of this Prospectus; and
- vi. Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those discussed in this section and in Section 4 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

Information on our Group's business and financial prospects, significant trends in sales, production and costs are set out in this section and Section 4, Section 5, Section 6 and Section 16 of this Prospectus. Discussion on the overview of the Shipbuilding Industry, its prospects and outlook are further elaborated in Section 7 of this Prospectus.

Given the favourable outlook of the Shipbuilding Industry as set out in Section 7.4 of this Prospectus, our Group's competitive strengths and advantages as set out in Section 6.1.3 of this Prospectus and our future plans as set out in Section 7.10 of this Prospectus, our Board is optimistic about the future prospects of our Group.

12.6 Dividend Policy

TAS had, on 2 April 2009 declared a tax-exempt dividend amounted to RM14,200,000 from its PAT generated between 1 June 2008 to 31 March 2009 to its shareholders.

The declaration of interim dividends and the recommendation of final dividend are subject to the discretion of our Board and any final dividend for the year is subject to our shareholders' approval. It is our intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, availability of tax credits, general financial conditions and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cashflow of our Group, and may be waived if the payment of the dividends would adversely affect the cashflow and operations of our Group.

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13. ACCOUNTANTS' REPORT

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Date : 7 July 2009

The Board of Directors
TAS Offshore Berhad
Lot 111 & 112
Jalan Sg. Ma'aw
Sg. Bidut
96000 Sibul
Sarawak

Dear Sirs,

TAS Offshore Berhad ("TAS Offshore" or "the Company")
Accountants' Report

1. Introduction

This report has been prepared by Folks DFK & Co., an approved company auditor, for the purpose of inclusion in the Prospectus of TAS Offshore to be dated 31 July 2009, in connection with the listing and quotation of the entire issued and paid-up share capital of TAS Offshore on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2. Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report :-

FRS	Financial Reporting Standards
FY / FP	Financial year / Financial period
FYE / FPE	Financial year ended / Financial period ended
Guidelines	The Securities Commission's Prospectus Guidelines in respect of Public Offerings
MASB	Malaysian Accounting Standards Board
TAS Offshore	TAS Offshore Berhad
TAS	Tuong Aik Shipyard Sendirian Berhad

3. General Information

3.1 Background

TAS Offshore was incorporated in Malaysia under the Companies Act, 1965 as a public limited liability company on 18 March 2008 under the name of TAS Offshore Berhad.

The principal activity of TAS Offshore is that of an investment holding.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

3.2 Restructuring and Listing Scheme

The transactions in conjunction with and as an integral part of the listing and quotation of the entire issued and paid-up share capital of TAS Offshore on the Main Market of Bursa Securities are as follows :-

(a) Acquisition of the Entire Issued and Paid-up Share Capital of Tuong Aik Shipyard Sendirian Berhad ("TAS")

On 26 November 2008, TAS Offshore and the vendors of TAS entered into a Conditional Share Sale Agreement ("CSSA") to acquire the entire issued and paid-up share capital of TAS comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM51,500,000 which is to be satisfied by the issuance of 103,000,000 new ordinary shares of RM0.50 each in TAS Offshore ("TAS Offshore Shares") at par to the respective vendors of TAS ("Acquisition of TAS").

The purchase consideration of RM51,500,000 for the Acquisition of TAS was agreed upon on a willing buyer-willing seller basis after taking into consideration the audited net assets value ("NAV") of TAS of RM43,143,466 as at 31 May 2008 and a net fair value adjustment arising from the revaluation of TAS's land and building amounting to RM8,161,924. The valuation was performed on 19 November 2008 by a firm of professional independent registered valuers, namely VPC Alliance (Sarawak) Sdn Bhd.

The Acquisition of TAS was completed on 3 April 2009. The completion of the Acquisition of TAS resulted in the issued and paid-up share capital of TAS Offshore being increased from RM1,000 comprising 2,000 TAS Offshore Shares to RM51,501,000 comprising 103,002,000 TAS Offshore Shares.

The 103,000,000 new TAS Offshore Shares issued pursuant to the Acquisition of TAS rank pari passu in all respects with the existing ordinary shares of TAS Offshore and carry all rights to receive, in full, all dividends and other distributions declared and paid subsequent to the allotment thereof.

(b) Initial Public Offering ("IPO")***Public Issue***

Upon completion of the Acquisition of TAS, TAS Offshore shall undertake the Public Issue of 77,000,000 new TAS Offshore Shares ("Public Issue Shares"), representing approximately 42.8% of its enlarged issued and paid-up share capital at an issue price of RM0.90 per TAS Offshore Share ("Public Issue Price"). The Public Issue Shares are to be allocated in the following manner :-

(i) Malaysian Public via Ballotting

9,000,000 Public Issue Shares will be reserved for application by the Malaysian Public.

(ii) Selected Investors via Placement

64,500,000 Public Issue Shares will be made available for application by selected investors via placement of which 43,000,000 Public Issue Shares are to be set aside strictly for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

3. General Information (Cont'd)**3.2 Restructuring and Listing Scheme (Cont'd)****(b) Initial Public Offering ("IPO") (Cont'd)*****Public Issue (Cont'd)*****(iii) Eligible Directors, Employees and Persons**

3,500,000 Public Issue Shares will be reserved for application by the eligible Directors, employees and persons who have contributed to the success of the Group.

The Public Issue shall increase the issued and paid-up share capital of TAS Offshore from 103,002,000 TAS Offshore Shares to 180,002,000 TAS Offshore Shares.

All new TAS Offshore Shares to be issued pursuant to the Public Issue shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of TAS Offshore, except that they will not be entitled to any dividends, rights, allotment or other distribution, the entitlement of which is prior to the date of allotment of the said TAS Offshore Shares.

Offer for Sale

Datuk Lau Nai Hoh ("the Offeror") will offer for sale 11,000,000 TAS Offshore Shares ("Offer Shares"), representing approximately 6.1% of TAS Offshore's enlarged issued and paid-up share capital at an offer price of RM0.90 per TAS Offshore Share to Bumiputera investors approved by MITI via placement ("Offer for Sale").

(The Public Issue and Offer for Sale shall hereinafter collectively be referred to as the "IPO").

(c) Listing and Quotation on the Main Market of Bursa Securities

Upon completion of the Acquisition of TAS, Public Issue and Offer for Sale, TAS Offshore will seek a listing and quotation of its entire enlarged issued and paid-up share capital of RM90,001,000 comprising 180,002,000 ordinary shares of RM0.50 each on the Main Market of Bursa Securities.

The above Restructuring and Listing Scheme has been approved by the Securities Commission on 11 March 2009.

3.3 Subsidiary

On the completion of the Restructuring and Listing Scheme, the subsidiary of TAS Offshore is as follows :-

Company	Date of incorporation	Issued and paid-up ordinary share capital	Effective equity interest	Principal activities
TAS	27.03.2002	RM1,000,000	100%	Shipbuilding, ship repairs and maintenance services

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

3. General Information (Cont'd)**3.4 Share Capital****(a) TAS Offshore**

The share capital of TAS Offshore prior to the IPO are as follows :-

	Number of shares	RM
Authorised	200,000,000	100,000,000
Issued and paid-up	103,002,000	51,501,000

Authorised capital

TAS Offshore was incorporated with an authorised capital of 200,000 ordinary shares of RM0.50 each. On 3 April 2009, the authorised capital of the Company was increased from RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each by the creation of 199,800,000 ordinary shares of RM0.50 each.

Issued and paid-up share capital

Details of the changes in the issued and paid-up share capital of TAS Offshore since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative issued and paid-up share capital RM
18.03.2008	2,000	0.50	Cash (Subscribers' shares)	1,000
03.04.2009	103,000,000	0.50	Acquisition of TAS	51,501,000

(b) TAS

As at the date of this report, the share capital of TAS are as follows :-

	Number of shares	RM
Authorised	10,000,000	10,000,000
Issued and paid-up	1,000,000	1,000,000

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

3. General Information (Cont'd)**3.4 Share Capital (Cont'd)****(b) TAS (Cont'd)**

Details of the changes in the issued and paid-up share capital of TAS since its date of incorporation to the date of this report are as follows :-

Date of allotment	Number of ordinary shares	Nominal value RM	Consideration	Cumulative issued and paid-up share capital RM
27.03.2002	20,000	1.00	Cash (Subscribers' shares)	20,000
18.08.2004	280,000	1.00	Cash	300,000
15.12.2004	700,000	1.00	Cash	1,000,000

4. Dividends

No dividend has been paid by TAS Offshore since its date of incorporation.

Dividends paid by TAS since its date of incorporation are as follows :-

Date of payment	Type of dividend	Dividend rate	Net amount RM
15.12.2004	Interim for FYE 31 May 2005	70%, tax exempt	700,000
03.07.2009	Interim for FYE 31 May 2009	1420%, tax exempt	14,200,000

5. Financial Statements and Auditors

We were the auditors of TAS Offshore for the ten (10)-month FPE 31 March 2009. Our audit report on the financial statements of the Company was not subject to any qualification.

The financial statements of TAS for the financial years and period under review were audited by a firm of chartered accountants, namely Philip Tong & Co. in Sib. The auditors' reports on the financial statements of TAS for all the financial years and period under review were not subject to any qualification.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

5. Financial Statements and Auditors (Cont'd)

The auditors' reports on the financial statements of TAS Offshore and TAS for the FYE 2006 to 2008 and for the FPE 31 March 2009 are set out in the following appendices :-

Appendix I	- Auditors' report on the financial statements of TAS Offshore for the two (2)-month FPE 31 May 2008
Appendix II	- Auditors' report on the financial statements of TAS Offshore for the ten (10)-month FPE 31 March 2009
Appendix III	- Auditors' report on the financial statements of TAS for the FYE 31 May 2006
Appendix IV	- Auditors' report on the financial statements of TAS for the FYE 31 May 2007
Appendix V	- Auditors' report on the financial statements of TAS for the FYE 31 May 2008
Appendix VI	- Auditors' report on the financial statements of TAS for the ten (10)-month FPE 31 March 2009

6. Basis of Preparation

The financial information of TAS Offshore and TAS as set out in the following sections are based on their audited financial statements for the relevant financial years and periods covered in this report.

The financial statements comply with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. The financial statements of TAS Offshore and TAS are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies under Note 9.1.

The scope of work conducted in the preparation of this report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this report, we have relied upon information and representations given to us by directors, officers, and employees of the respective companies and sought explanations for apparent discrepancies, if any.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

7. Summarised Financial Statements of TAS Offshore**7.1 Summarised Balance Sheets of TAS Offshore**

The following balance sheets are based on the audited financial statements of TAS Offshore for the FPE 31 May 2008 and 31 March 2009 :-

	Note	As at 31 May 2008 RM	As at 31 March 2009 RM
ASSETS			
Current Assets			
Other receivables	7.5.2	238,615	889,895
Cash in hand		1,000	220
Total Assets		<u>239,615</u>	<u>890,115</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000	1,000
Accumulated losses		(3,000)	(16,615)
Total Equity		<u>(2,000)</u>	<u>(15,615)</u>
Current Liabilities			
Other payables and accruals	7.5.3	241,615	905,730
Total Equity and Liabilities		<u>239,615</u>	<u>890,115</u>

7.2 Summarised Income Statements of TAS Offshore

The following income statements are based on the audited financial statements of TAS Offshore for the FPE 31 May 2008 and 31 March 2009 :-

	FPE 31 May 2008 RM	FPE 31 March 2009 RM
Revenue	-	-
Auditors' remuneration	(1,000)	(3,000)
Other operating expenses	(2,000)	(10,615)
Loss for the period	<u>(3,000)</u>	<u>(13,615)</u>

Note :

The income statement for the financial period ended 31 March 2008 has not been presented as the Company was only incorporated on 18 March 2008.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

7. Summarised Financial Statements of TAS Offshore (Cont'd)**7.3 Summarised Statements of Changes in Equity of TAS Offshore**

The following statements of changes in equity are based on the audited financial statements of TAS Offshore for the FPE 31 May 2008 and 31 March 2009 :-

	Share Capital RM	Accumulated Losses RM	Total RM
Balance at 18 March 2008	1,000	-	1,000
Loss for the period	-	(3,000)	(3,000)
Balance at 31 May 2008	1,000	(3,000)	(2,000)
Loss for the period	-	(13,615)	(13,615)
Balance at 31 March 2009	1,000	(16,615)	(15,615)

7.4 Summarised Cash Flow Statements of TAS Offshore

The following cash flow statements are based on the audited financial statements of TAS Offshore for the FPE 31 May 2008 and 31 March 2009 :-

	FPE 31 May 2008 RM	FPE 31 March 2009 RM
Cash flows used in operating activities		
Loss for the period	(3,000)	(13,615)
Increase in other receivables	(238,615)	(651,280)
Increase in other payables	241,615	664,115
Net cash used in operating activities	-	(780)
Cash flows from financing activity		
Proceeds from issuance of new shares	1,000	-
Net increase/(decrease) in cash and cash equivalents	1,000	(780)
Cash and cash equivalents at beginning of period	-	1,000
Cash and cash equivalents at the end of period	1,000	220