(Prepared for inclusion in the Prospectus)

Partners:
Dato' Syed Amin Aljeffri
Neoh Chin Wah
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AljeffriDean

Chartered Accountants (M)
Firm No: AF 1366

Principals:
Ghazali Hj. Mohd Yahya
Leong Woay Hong
Kamarul Azhar Dahaman Huri

Date : 29 APR 2005

The Board of Directors
TANJUNG OFFSHORE BERHAD
2-6-13, 6th Floor Menara KLH
(Business Centre)
No. 2 Jalan Kasipillay
51200 Kuala Lumpur

Dear Sirs,

ACCOUNTANTS' REPORT ON TANJUNG OFFSHORE BERHAD AND ITS SUBSIDIARIES AND ASSOCIATED COMPANY ("COMPANY" OR "TANJUNG GROUP")

1.0 INTRODUCTION

This report has been prepared by AljeffriDean, an approved company auditor, for inclusion in the Prospectus of Tanjung Offshore Berhad dated 6 May 2005 in connection with the listing of and quotation for the entire enlarged issued and fully paid-up share capital of Tanjung comprising 84,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

2.0 GENERAL INFORMATION

2.1 Incorporation

Tanjung was incorporated in Malaysia under the Companies Act, 1965 as a public company limited by shares on 11 August 2004.

2.2 Principal Activities

Tanjung is principally an investment holding company and has not undertaken any income producing activities as of the date of this report.

The principal activities of the subsidiaries and associated company are set out in Note 2.4 of this report.

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2.3 Share Capital

Tanjung was incorporated with an authorised share capital of RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 (**"Tanjung Share"**) each and an issued and paid-up share capital of RM100 comprising 200 Tanjung Shares.

The details of the authorised and issued and paid-up share capital of Tanjung from the date of incorporation to the date of this report are as follows:

Authorised Share Capital

Date of Creation	No. of Tanjung Shares	Total RM
11 August 2004	100,000,000	50,000,000

Issued and Paid-Up Share Capital

Date of Allotment	No. of Tanjung Shares	Cumulative Issued and Fully Paid-up Share Capital RM	Type of Issue/Consideration
11 August 2004	200	100	Subscribers' shares
8 March 2005	36,422,936	18,211,568	Shares issued in consideration for the Acquisition of TOS
28 April 2005	27,576,864	32,000,000	Rights Issue of 27,576,864 new Tanjung Shares

The issued and fully-paid up share capital will be enlarged to RM42,000,000 comprising 84,000,000 ordinary shares of RM0.50 each upon completion of the Public Issue.

2.4 Subsidiaries And Associated Company

Tanjung does not have any existing subsidiaries or associated companies at the date of this report. However, after the Listing, the subsidiaries and associated company of Tanjung will be as follows:

	Effective Equity Interest (%)	Date and Place of Incorporation	Issued and Fully Paid-up Share Capital	Principal Activities
Direct Subsidiaries of Tanjung:-				
Tanjung Offshore Services Sdn Bhd ("TOS")	100	28.4.1983 Malaysia	RM7,500,000	Integrated service provider to the oil and gas and related industries.
Tanjung Kapal Services Sdn Bhd ("TKS")	100	17. 9.1994 Malaysia	RM2	Provision of ship management services to the oil and gas and related industries.
Subsidiaries of TOS:-				
Tanjung Maintenance Services Sdn Bhd ("TMS")	97.5	24.5.1996 Malaysia	RM2,000,000	Provision of maintenance services to the oil and gas and related industries.
Tanjung NewEnergy Services Sdn Bhd ("TNE")	65	7.3.1997 Malaysia	RM100,000	Provision of project management services to the engineering and energy industries.
Tanjung PetroConsult Sdn Bhd ("TPC")	100	17.10.1991 Malaysia	RM450,000	Provision of engineering and professional manpower services to the oil and gas and related industries.
Associated Company of TOS:				
Forsayth Offshore Private Limited ("FOP")	50	3.6.2003 Malaysia	USD50,000	Ownership of Vessel.

At the date of this report, the authorised share capital of TOS is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each. The authorised share capital of TKS is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The authorised share capital of TMS is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The authorised share capital of TNE is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The authorised share capital of TPC is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

3.0 LISTING SCHEME

In conjunction with the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the Bursa Securities, the Company undertook the following listing scheme:

3.1 Acquisition of TOS

On 11 October 2004, Tanjung entered into a conditional Share Sale Agreement with the vendors of TOS for the acquisition of the entire equity interest in TOS, comprising 7,500,000 ordinary shares of RM1.00 each, for a purchase consideration of RM18,211,468, satisfied wholly by the issuance of 36,422,936 new ordinary shares of RM0.50 each in Tanjung, credited as fully paid-up, at an issue price of RM0.50 per share. The Acquisition of TOS was completed on 8 March 2005.

The purchase consideration of RM18,211,468 for the Acquisition of TOS was agreed upon on a willing-buyer willing-seller basis after taking into consideration the audited NTA of RM18,211,468 as at 30 June 2004. The 36,422,936 new Tanjung Shares issued pursuant to the Acquisition of TOS ranks pari passu in all respects with the existing ordinary shares of Tanjung and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisition of TOS on 8 March 2005, the issued and fully paid-up share capital of Tanjung increased from RM100 comprising 200 ordinary shares of RM0.50 each to RM18,211,568 comprising 36,423,136 ordinary shares of RM0.50 each.

3.2 Acquisition of TKS

On 11 October 2004, Tanjung had also entered into a conditional Share Sale Agreement with TOS for the acquisition of the entire equity interest in TKS, comprising 2 ordinary shares of RM1.00 each, for a purchase consideration of RM2 satisfied in whole by a cash payment of RM2.00 to TOS, subsequent to the completion of the Acquisition of TOS. The Acquisition of TKS was completed on 8 March 2005.

The purchase consideration of RM2.00 for the Acquisition of TKS was agreed upon on a willing-buyer willing-seller basis after taking into consideration the audited liability position of TKS of RM24,533 as at 30 June 2004.

3.3 Rights Issue

Upon completion of the Acquisitions, Tanjung implemented a Rights Issue of 27,576,864 new Tanjung Shares at an issue price of RM0.50 per Tanjung Share on the basis of approximately three (3) new Tanjung Shares for every four (4) existing Tanjung Shares held.

The Rights Issue which was completed on 28 April 2005 resulted in the issued and paid up share capital of Tanjung being further increased from 36,423,136 Tanjung Shares to 64,000,000 Tanjung Shares.

3.4 Public Issue

In conjunction with the Listing, Tanjung will undertake a Public Issue of 20,000,000 new Tanjung Shares, representing approximately 23.81% of its enlarged issued and fully paid-up share capital at an issue price of RM1.30 per Tanjung Share.

3.5 Offer for Sale

In aggregate, Omar bin Khalid and Abdullah bin Hashim (collectively "**the Offerors**"), will offer for sale, 9,400,000 Tanjung Shares, representing approximately 11.19% of the enlarged issued and fully paid-up share capital of Tanjung, at an offer price of RM1.30 per Tanjung Share to selected investors, which have been identified, via private placement. The details of the Offerors for sale are as follows:

Offeror	No. of Tanjung Shares
Omar bin Khalid	7,050,000
Abdullah bin Hashim	2,350,000
Total	9,400,000

3.6 Listing and Quotation

The admission and the listing of and quotation for the entire enlarged issued and fully paid-up share capital of Tanjung comprising 84,000,000 Tanjung Shares on the Second Board of Bursa Malaysia Securities Berhad.

The Listing Scheme was approved on 25 February 2005 and 28 March 2005 by the Securities Commission ("SC") and Equity Compliance Unit of SC ("ECU") respectively and MITI on 9 November 2004 and 24 March 2005.

4.0 AUDITORS' REPORTS

We were appointed to act as auditors of Tanjung on 10 September 2004. Its first set of audited financial statements were prepared from 11 August 2004 (date of incorporation) to 31 December 2004.

We have acted as auditors of TOS, TKS and TMS for the FYE 31 December 2004. The financial statements of TOS, TKS and TMS for the FYE 31 December 2000 to 2003 were audited by MGI-Aljeffri. We have acted as auditors of TNE and TPC for the FYE 31 December 2004. The financial statements of TNE and TPC for the FYE 31 December 2003 were audited by MGI-Aljeffri. The financial statements of TNE and TPC for the FYE 31 December 2000 to 2002 were audited by other firm of Chartered Accountants.

The financial statements of all the companies within the Tanjung Group for all the years/period relevant to this report were not subject to any qualification.

5.0 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of Tanjung Group included in this report have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued and adopted by the Malaysian Accounting Standards Board and using the same accounting principles and policies as were used in the preparation of the statutory financial statements of Tanjung and it subsidiary companies.

There were no changes in accounting policies or accounting estimates by Tanjung Group for the financial years/period under review except for the adoption of MASB Standard No. 25: Income Taxes in the FYE 31 December 2003. However, this accounting change has no significant effect on the financial statements of the Tanjung Group.

6.0 DIVIDENDS

No dividends have been paid or declared by Tanjung Group since their incorporation. Pursuant to the listing, TOS declared a special interim dividend amounting to RM4,265,148 (RM231,555 tax exempt dividend and RM4,033,593 net of tax dividend) on 28 February 2005 made payable to the shareholders/vendors of TOS.

AF : 1366 AljeffriDean

7.0 SUMMARISED INCOME STATEMENTS

7.1 Proforma Consolidated Income Statement

The summarised proforma consolidated income statements of Tanjung Group for the five (5) financial years ended 31 December 2004 as set out below have been prepared for illustrative purpose only, on the assumption that Tanjung Group has been in existence throughout the financial years under review and should be read in conjunction with the notes thereto.

	←--------- Financial years ended 31 December------>				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	90,804	117,560	254,211	210,856	223,800
Gross Profit	2,764	4,540	9,336	13,973	15,532
Profit before finance costs, taxation, depreciation and amortisation	1,734	2,464	5,972	8,982	9,872
Net finance costs	(8)	(23)	(49)	(29)	(107)
Depreciation and Amortisation	(85)	(271)	(450)	(577)	(678)
Profit before taxation and share of associated company's result	1,641	2,170	5,473	8,376	9,087
Share of associated company's result	-	-	-	599	1,788
Net profit before taxation	1,641	2,170	5,473	8,975	10,875
Taxation	(417)	(598)	(1,991)	(2,577)	(2,529)
Adjustment pursuant to MASB 25	-	(64)	(2)	(18)	-
Profit from ordinary activities	1,224	1,508	3,480	6,380	8,346
Minority interest	-	39	11	24	(12)
Net profit for the year	1,224	1,547	3,491	6,404	8,334
Number of Tanjung Shares assumed in issue (units '000) *	36,423	36,423	36,423	36,423	36,423
Gross earnings per ordinary share (sen)	4.51	5.96	15.03	24.64	29.86
Net earnings per ordinary share (sen)	3.36	4.25	9.58	17.58	22.88
Gross dividend rate %	-	-	-	-	-

* *The number of ordinary shares assumed in issue throughout the financial years under review is the number of ordinary shares in issue after acquisition of TOS i.e 36,423,136 ordinary shares of RM0.50 each.*

Notes to the Summarised Proforma Consolidated Income Statements:-

a) Basis of Consolidation

The summarised proforma consolidated income statements of the Tanjung Group are prepared after making such adjustments considered necessary by consolidating the audited financial statements of Tanjung, TOS, TMS, TNE, TPC and TKS for the respective years and are provided for illustrative purposes only, and have been presented on the basis that the Tanjung Group has been in existence throughout the relevant years under review.

The summarised proforma consolidated income statements of the Tanjung Group for the five (5) financial years ended 31 December 2004 are prepared based on the audited financial statements of Tanjung, TOS, TMS, TNE, TPC and TKS, and the management account of FOP for the respective financial years under review.

b) There were no changes in accounting policies or accounting estimates for the financial years under review except for the adoption of MASB Standard No. 25: Income Taxes in financial year ended 31 December 2003. The change in accounting policy was applied retrospectively and has no significant effect on the financial statements of the Tanjung Group for the financial years under review.

c) FYE 31 December 2000

The increase in revenue by approximately 32% from the previous financial year was mainly due to the increase in revenue of TOS and TMS by approximately 32% and 90% respectively. The significant increase in the revenue of TOS was attributable to the provision of a jack up rig and its related services for contract drilling purposes to Sarawak Shell and Sabah Shell for 16 months or 486 days at USD36,299 per day. For TMS, the significant increase mainly due to the increase in selling of oil and gas equipment to Petronas Carigali.

The consolidated profit after tax and minority interests ("**MI**") has also increased by more than 100% mainly due to the increase in profit of TOS and TMS, in line with the increase in revenue as explained above.

d) FYE 31 December 2001

Total revenue for FYE 2001 registered a further increase of 29% to approximately RM117.6 million as compared to RM90.8 million in FYE 2000. This is mainly due to the provision of a new range of equipment such as switchgears and control valves wherein the Tanjung Group managed to secure the exclusive agencies from the respective principals. These switchgears and control valves were supplied mainly to Petronas Carigali, Nippon Oil Exploration Company Ltd and Sarawak Shell for various oil and gas platforms.

Further thereto, the charter/leasing rate for the jack up rig that was leased to Sarawak Shell has been revised upwards from USD36,299 per day to USD63,000 per day for 2 years in the 4th quarter of 2001 and as a result, total revenue derived from the jack up rig increased to RM56 million per year. Apart from that, the Tanjung Group also manage to secure the contract for the provision of a KNDP-ALP compressor to Sabah Shell, which amounted to RM0.33 million.

In view of the increase in revenue, the profit after tax and MI for the Tanjung Group had increased by approximately 27% to RM1.55 million in FYE 2001 as compared to RM1.22 million in FYE 2000.

e) FYE 31 December 2002

The total revenue for the FYE 2002 increased significantly by more than 100% to approximately RM254 million as compared to only RM117 million in FYE 2001. This is mainly due to the supply of the Ebara compressor for the Resak platform operated by Petronas Carigali. The total contract value was approximately RM150 million which was to be implemented over one and a half year period with approximately 70% of work completed in the FYE 2002. Furthermore, there were additional contracts for switchgears and control valves for various oil and gas fields at platforms such as Larut-A, Resak, South Furious Platform, Malaysia Liquefied Natural Gas 3 and E11.

As a result of the significant increase in revenue by more than 100%, the total profit after tax and MI has also increased by more than 100% to approximately RM3.5 million for the FYE 2002 as compared to only approximately RM1.5 million for FYE 2001.

f) FYE 31 December 2003

Total revenue for the FYE 2003 reduced slightly by approximately 17% to RM211 million as compared to RM254 million in FYE 2002. This is mainly due to the completion of the supply of compressors for the Resak platform in the second quarter of FYE 2003. Approximately 30% of the revenue for the provision of the compressor for the said Resak platform that generated approximately RM150 million was recognised in FYE 2003 i.e. approximately RM45 million. Notwithstanding that total revenue experienced a decrease, the overall net profitability of the Tanjung Group increased by 83% from RM3.5 million in FYE 2002 to RM6.4 million in FYE 2003. With the acquisition of a vessel under FOP in 2003, the Tanjung Group manage to reap in the higher profit margins generated from the charter of the vessel, Tanjung Jara which totalled approximately RM600,000. Further thereto, TMS also reported net profits amounting to approximately RM143,000 for FYE 2003 as compared to a loss of RM806,000 in FYE 2002. There were also additional contracts secured such as the overhaul and maintenance of the Resak platform's compressor for Petronas Carigali which further enhanced the revenue of the Tanjung Group as well as contracts secured for provision of switchgears and control valves to other oil and gas fields in FYE 2003.

g) FYE 31 December 2004

Total revenue for FYE 2004 increased by 6.14% to RM223.80 million as compared to RM210.86 million in FYE 2003. The increase in revenue for FYE 2004 is mainly due to additional major projects secured during the year. These projects include the provision of the recycled gas compressor to Talisman Malaysia Limited for the Bunga Raya E (CO2 Removal Platform) for an oilfield named Block PM-3 as well as the Asean Bintulu Fertilizer Revamping project.

During the financial year, the Tanjung Group also supplied 3 units of new and overhauled gas generators namely the Siemens range of gas generators turbines to Petronas Carigali amounting to over RM10.0 million in total. The Tanjung Group further supplied the Siemens TB5000 and Tornado PT range of gas turbines to Petronas Carigali to facilitate the oil and gas extraction and production processes at various oil platforms held under the aforesaid oil and gas operator.

The Tanjung Group also managed to maintain favourable drilling rates for the charter of its Pride Hawaii drilling rig in Sarawak Shell, which totalled over RM60.0 million for FYE 2004.

With the additional contracts secured, the profitability levels also increased in tandem with additional revenue secured. The Tanjung Group registered net profits after tax and MI of RM8.33 million, which is approximately 30% higher as compared to FYE 2003. The profitability level for the Group is higher for FYE 2004 due to the Group's focus on strategic sectors within the oil and gas industry such as the provision of marines services, engineering equipment and maintenance services.

h) The statutory tax rate for the financial years under review was 28%.

The effective tax rate for the FYE 2000 was lower than statutory tax rate mainly due to the unrealised gain on foreign exchange and the gain on disposal of property, plant and equipment that is not subjected to tax, while the lower effective tax rate in the FYE 2001 is due to higher capital allowance deduction as compared to depreciation.

From FYE 2002 to 2003, the effective tax rate was higher than the statutory tax rate mainly due to certain expenses, which were not deductible for tax purposes.

The effective tax rate in 2004 was lower than the statutory tax rate mainly due to utilisation of previously unabsorbed capital allowances.

i) The Tanjung Group does not have any extraordinary items and exceptional items in all the financial years under review.

j) The share of profit in the associated company, FOP, which is included in the profit for Tanjung Group for FYE 2004 is based on its management accounts.

k) Earnings per ordinary share

The proforma gross earnings per ordinary share ("**EPS**") is computed based on the proforma consolidated profit before taxation over the enlarged issued and paid-up share capital of 36,423,136 ordinary shares of RM0.50 each following the acquisition of TOS in connection with the listing exercise.

The proforma net EPS is computed based on the proforma consolidated profit after taxation and MI over the enlarged issued and paid-up share capital of 36,423,136 ordinary shares of RM0.50 each following the acquisition of TOS in connection with the listing exercise.

7.2 Tanjung Offshore Berhad

The summarised income statement of Tanjung set out below is based on the audited financial statements for the period from 11 August 2004 (date of incorporation) to 31 December 2004.

	11 August 2004 (date of incorporation) to 31 December 2004
	RM'000
Revenue	-
Loss before finance costs, taxation, depreciation and amortisation	-
Finance costs	-
Depreciation	-
Loss before taxation	(17)
Taxation	-
Net loss for the period	(17)
Weighted average no. of ordinary shares of RM0.50 each	*83
Gross loss per ordinary share (RM)	(205)
Net loss per ordinary share (RM)	(205)
Gross dividend rate %	-

* *Weighted average no. of ordinary share as at 31 December is 83 only.*

Notes to the results of Tanjung:

a) No provision for taxation has been made for the period from 11 August 2004 (date of incorporation) to 31 December 2004 as Tanjung does not have any chargeable income.

b) The gross loss per ordinary share of Tanjung for the period under review is calculated based on the loss before taxation over the weighted average number of shares in issue of 83 ordinary shares of RM0.50 each.

c) The net loss per ordinary share of Tanjung for the period under review is calculated based on the net for the period over the weighted average number of shares in issue of 83 ordinary shares of RM0.50 each.

d) There were no extraordinary or exceptional items during the period under review.

e) There were no changes in accounting policies or accounting estimates for the period under review.

f) Tanjung was incorporated on 11 August 2004. Accordingly, there is no comparative information to be disclosed in this report.

7.3 Tanjung Offshore Services Sdn. Bhd.

Tabulated below are the summarised income statements of TOS based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<------- Financial years ended 31 December-------->				
	2000 RM'000	**2001 RM'000**	**2002 RM'000**	**2003 RM'000**	**2004 RM'000**
Revenue	90,527	117,506	253,178	207,327	219,956
Gross profit	2,728	4,499	8,806	11,850	13,298
Profit before finance costs, taxation, depreciation and amortisation	1,705	2,870	6,513	8,758	9,005
Net finance costs	(8)	(13)	(2)	23	(54)
Depreciation and amortisation	(85)	(180)	(232)	(316)	(364)
Net profit before taxation	1,612	2,677	6,279	8,465	8,587
Taxation	(417)	(598)	(1,991)	(2,577)	(2,509)
Adjustment pursuant to MASB 25	-	(64)	(2)	(18)	-
Net profit after taxation	1,195	2,015	4,286	5,870	6,078
Weighted average number of ordinary shares of RM1.00 each (units '000)	1,500	1,500	3,375	6,875	7,500
Gross earnings per ordinary share (sen)	107.47	178.47	186.04	123.13	114.49
Net earnings per ordinary share (sen)	79.67	134.33	126.99	85.38	81.04
Gross dividend rate %	-	-	-	-	-

Notes to the results of TOS:

a) The audited income statements of TOS have been prepared based on accounting policies consistent with those previously adopted in the preparation of TOS's audited financial statements unless otherwise disclosed in Note 7.3 (b).

b) There were no changes in accounting policies or accounting estimates for the financial years under review except for the adoption of MASB Standard No. 25: Income Taxes in financial year ended 31 December 2003. The change in accounting policy was applied retrospectively and has no significant effect on the financial statements of TOS for the financial years under review.

c) There were no extraordinary items or exceptional items in all the financial years under review.

d) FYE 31 December 2000

The increase in revenue by approximately 32% from the previous financial year was mainly due to the provision of a jack up rig and its related services for contract drilling purposes to Sarawak Shell and Sabah Shell for 16 months or 486 days at USD36,299 per day.

The profit after tax has also increased by more than 100%, which is in line with the increase in revenue as explained above.

e) FYE 31 December 2001

Total revenue for FYE 2001 registered a further increase of 30% to approximately RM117.6 million as compared to RM90.5 million in FYE 2000. This is mainly due to the provision of a new range of equipment such as switchgears and control valves wherein TOS managed to secure the exclusive agency from the respective principals. These switchgears and control valves were supplied mainly to Petronas Carigali, Nippon Oil Exploration Company Ltd and Sarawak Shell for various oil and gas platforms.

Further thereto, the charter/leasing rate for the jack up rig that was leased to Sarawak Shell has been revised upwards from USD36,299 per day to USD63,000 per day for 2 years in the 4th quarter of FYE 2001 and as a result, total revenue derived from the jack up rig increased to RM56 million per year. Apart from that, the TOS also manage to secure the contract for the provision of a KNDP-ALP compressor to Sabah Shell, which amounted to RM0.33 million.

In view of the increase in revenue, the profit after tax for TOS also increased by approximately 67% to RM2.0 million in FYE 2001 as compared to RM1.2 million in FYE 2000.

f) FYE 31 December 2002

The total revenue for the FYE 2002 increased significantly by more than 100% to approximately RM253 million as compared to approximately RM118 million in FYE 2001. This is mainly due to the supply of the Ebara compressor for the Resak platform operated by Petronas Carigali. The total contract value was approximately RM150 million which was to be implemented over one and a half year period with approximately 70% of work completed in the FYE 2002. Furthermore, there were additional contracts for switchgears and control valves for various platforms such as Larut-A, Resak, South Furious, Malaysia Liquefied Natural Gas 3 and E11.

As a result of the significant increase in revenue by more than 100%, the total profit after tax also increased by more than 100% to approximately RM4.3 million for the FYE 2002 as compared to approximately RM2.0 million for FYE 2001.

g) FYE 31 December 2003

Total revenue for the FYE 2003 reduced slightly by approximately 18% to RM207 million as compared to RM253 million in FYE 2002. This is mainly due to the completion of the supply of compressors for the Resak platform in the second quarter of FYE 2003. Approximately 30% of the revenue for the provision of the compressor for the said Resak platform that generate approximately RM150 million was recognised in FYE 2003 i.e. approximately RM45 million. Notwithstanding that total revenue experienced a decrease, the overall net profitability of TOS increased by 37% from RM4.3 million in FYE 2002 to RM5.9 million in FYE 2003. There were also additional contracts secured such as the overhaul and maintenance of the Resak platform's compressor for Petronas Carigali, which further enhanced the revenue of the Company as well as contracts secured for provision of switchgears and control valves to other oil and gas fields in FYE 2003.

h) FYE 31 December 2004

Total revenue for FYE 2004 increased by 6.14% to RM223.80 million as compared to RM210.86 million in FYE 2003. The increase in revenue for FYE 2004 is mainly due to additional major projects secured during the year. These projects include the provision of the recycled gas compressor to Talisman Malaysia Limited for the Bunga Raya E (CO2 Removal Platform) for an oilfield named Block PM-3 as well as the Asean Bintulu Fertilizer Revamping project.

During the financial year, TOS also supplied 3 units of new and overhauled gas generators namely the Siemens range of gas generators turbines to Petronas Carigali amounting to over RM10.0 million in total. TOS further supplied the Siemens TB5000 and Tornado PT range of gas turbines to Petronas Carigali to facilitate the oil and gas extraction and production purposes at various oil platforms held under the aforesaid oil and gas operator.

TOS also managed to maintain favourable drilling rates for the charter of its Pride Hawaii drilling rig in Sarawak Shell, which totalled over RM60.0 million for FYE 2004.

With the additional contracts secured, the profitability levels also increased in tandem with additional revenue secured. TOS registered net profits after tax of RM8.33 million, which is approximately 30% higher as compared to FYE 2003.

i) The statutory tax rate for the financial years under review was 28%.

The effective tax rate for the FYE 2000 was lower than statutory tax rate mainly due to the unrealised gain on foreign exchange and the gain on disposal of property, plant and equipment that is not subjected to tax, while the lower effective tax rate in the FYE 2001 is due to higher capital allowance deduction as compared to depreciation.

From FYE 2002 to 2004, the effective tax rate was higher than the statutory tax rate mainly due to certain expenses, which were not deductible for tax purposes.

j) The gross EPS of TOS for the financial years ended 31 December 2000 and 2001 is calculated based on the profit before taxation over the number of shares in issue of 1,500,000 ordinary shares of RM1.00 each. The gross EPS of TOS for the FYE 31 December 2002 is calculated based on the profit before taxation over the weighted average number of shares of 3,375,000 ordinary shares of RM1.00 each. The gross EPS of TOS for the FYE 31 December 2003 is calculated based on the profit before taxation over the weighted average number of shares of 6,875,000 ordinary shares of RM1.00 each. The gross EPS of TOS for the FYE 31 December 2004 is calculated based on the profit before taxation over the number of shares in issue of 7,500,000 ordinary shares of RM1.00 each.

The net EPS of TOS for the financial years ended 31 December 2000 and 2001 is calculated based on the profit after taxation over the number of shares in issue of 1,500,000 ordinary shares of RM1.00 each. The net EPS of TOS for the FYE 31 December 2002 is calculated based on the profit after taxation over the weighted average number of shares of 3,375,000 ordinary shares of RM1.00 each. The net EPS of TOS for the FYE 31 December 2003 is calculated based on the profit after taxation over the weighted average number of shares of 6,875,000 ordinary shares of RM1.00 each. The net EPS of TOS for the FYE 31 December 2004 is calculated based on the profit after taxation over the number of shares in issue of 7,500,000 ordinary shares of RM1.00 each.

7.4 Tanjung Kapal Services Sdn. Bhd.

Tabulated below are the summarised income statements of TKS based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<-------- Financial years ended 31 December----->				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Gross profit	-	-	-	-	-
Loss before finance costs, taxation depreciation and amortisation	-	(19)	(3)	(2)	(2)
Finance costs	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Net loss before taxation	-	(19)	(3)	(2)	(2)
Taxation	-	-	-	-	-
Net loss after taxation	-	(19)	(3)	(2)	(2)
Number of ordinary shares of RM1.00 each (units)	2	2	2	2	2
Gross loss per ordinary share (RM'000)	-	(9.5)	(1.5)	(1)	(1)
Net loss per ordinary share (RM'000)	-	(9.5)	(1.5)	(1)	(1)
Gross dividend rate %	-	-	-	-	-

Notes to results of TKS:

a) The audited income statements of TKS have been prepared based on accounting policies consistent with those previously adopted in the preparation of TKS's audited financial statements unless otherwise disclosed in Notes 7.4 (b) and 7.4 (c).

b) In the FYE 31 December 2001, TKS changed its accounting policy on the treatment of deferred expenditure relating to preliminary expenses and pre-operating expenses. The deferred expenditure which were previously capitalised and will be written-off against future profits generated from operations, are now recognised immediately as an expense in the income statement and written-off during the year.

c) In the FYE 31 December 2003, TKS changed its accounting policy on the treatment of deferred tax in accordance with the requirements of MASB Standard No. 25: Income Taxes. This accounting change has no effect on the financial statements of TKS.

d) The principal activity of TKS is provision of ship management services. No revenue was recorded for the years under review. The significant loss before taxation from the FYE 31 December 2002 onwards mainly relates to auditors' remuneration, license fee and secretarial fee.

e) There is no taxation during the financial years under review as TKS has no chargeable income.

f) There were no extraordinary items or exceptional items in all the financial years under review.

g) The gross loss per ordinary share of TKS for the respective financial years under review is calculated based on the loss before taxation over the number of shares in issue of 2 ordinary shares of RM1.00 each.

The net loss per ordinary share of TKS for the respective financial years under review is calculated based on the loss after taxation over the number of shares in issue of 2 ordinary shares of RM1.00 each.

7.5 Tanjung Maintenance Services Sdn Bhd

Tabulated below are the summarised income statements of TMS based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<-------- Financial years ended 31 December---->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	277	54	1,060	3,523	3,775
Gross profit	35	36	530	2,117	2,222
Profit/(loss) before finance costs, taxation, depreciation and amortisation	29	(406)	(541)	436	1,012
Finance costs	-	(9)	(47)	(51)	(53)
Depreciation and amortisation	-	(91)	(218)	(241)	(293)
Profit/(loss) before taxation	29	(506)	(806)	144	666
Taxation	-	-	-	-	-
Net profit/(loss) for the year	29	(506)	(806)	144	666
Weighted average number of ordinary shares of RM1.00 each (units '000)	100	421	1,066	1,500	1,750
Gross earnings/(loss) per ordinary share (sen)	29.00	(120.19)	(75.61)	9.60	38.06
Net earnings/(loss) per ordinary share (sen)	29.00	(120.19)	(75.61)	9.60	38.06
Gross dividend rate %	-	-	-	-	-

Notes to the results of TMS:

a) The audited income statements of TMS have been prepared based on accounting policies consistent with those previously adopted in the preparation of TMS's audited financial statements unless otherwise disclosed in Note 7.5(b) .

b) In the FYE 2003, TMS changed its accounting policy on the treatment of deferred tax in accordance with the requirements of MASB Standard No. 25: Income Taxes. This accounting change has no effect on the financial statements of TMS.

c) In the FYE 2000, TMS operations consisted of mainly the provision of spare parts for the onshore petrochemical plants and certain offshore equipment to the oil and gas operators. The revenue was derived from sale of the aforesaid spare parts to Petronas Carigali Sdn Bhd ("**Petronas Carigali**").

From FYE 2001 onwards, TMS has reorganised its business operations to specialise in the provision of maintenance services to the oil and gas industry and related industries. These include the provision of a comprehensive range of maintenance and workshop facilities such as fabrication, cleaning, balancing of equipment and provision of a complete range of spare parts for the engineering equipment that are supplied by the Tanjung Group. Total revenue generated has been on an increasing trend from RM277,000 in FYE 2000 to RM3.78 million in FYE 2004. TMS has registered increased services, sales to various companies within the PETRONAS Group such as Petronas Carigali, BASF Petronas Chemicals Sdn Bhd, Petronas Dagangan Sdn Bhd, Petronas Gas Berhad, Petronas Penapisan (Terengganu) Sdn Bhd and other petrochemicals plants situated in Terengganu. Apart from that, TMS also provide maintenance services to offshore facilities.

d) There was no taxation charge over the financial years under review as TMS was in a tax loss position. TMS had sufficient capital allowances and business losses to set-off against the tax chargeable income.

e) There were no extraordinary items and exceptional items in all the financial years under review.

f) The gross earnings per ordinary share of TMS for the FYE 31 December 2000 is calculated based on the profit before taxation over the number of shares in issue of 100,000 ordinary shares of RM1.00 each. The gross loss per ordinary share of TMS for the FYE 31 December 2001 is calculated based on the loss before taxation over the number of shares in issue of 650,000 ordinary shares of RM1.00 each. The gross loss per ordinary share of TMS for the FYE 31 December 2002 is calculated based on the loss before taxation over the weighted average number of shares of 1,066,000 ordinary shares of RM1.00 each. The gross earnings per ordinary share of TMS for the FYE 31 December 2003 and 2004 is calculated based on the profit before taxation over the number of shares in issue of 1,500,000 ordinary shares of RM1.00 each.

The net earnings per ordinary share of TMS for the FYE 31 December 2000 is calculated based on the profit after taxation over the number of shares in issue of 100,000 ordinary shares of RM1.00 each. The net loss per ordinary share of TMS for the FYE 31 December 2001 is calculated based on the loss after taxation over the number of shares in issue of 650,000 ordinary shares of RM1.00 each. The net loss per ordinary share of TMS for the FYE 31 December 2002 is calculated based on the loss after taxation over the weighted average number of shares of 1,066,000 ordinary shares of RM1.00 each. The net earnings per ordinary share of TMS for the FYE 31 December 2003 and 2004 is calculated based on the profit after taxation over the number of shares in issue of 1,500,000 ordinary shares of RM1.00 each.

7.6 Tanjung NewEnergy Sdn Bhd

Tabulated below are the summarised income statements of TNE based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<-------- Financial years ended 31 December------>				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	-	-	-	-	69
Gross profit	-	-	-	-	13
Loss before finance costs, taxation, depreciation and amortisation	(1)	(1)	(2)	(50)	(2)
Finance costs	-	-	-	-	-
Depreciation and amortisation	(1)	(1)	(1)	(10)	(9)
Net loss before taxation	(2)	(2)	(3)	(60)	(11)
Taxation	-	-	-	-	-
Net loss for the year	(2)	(2)	(3)	(60)	(11)
Weighted average number of ordinary shares of RM1.00 each (units '000)	25	25	25	62.5	100
Gross loss per ordinary share (sen)	(8.00)	(8.00)	(12.00)	(96.00)	(11.00)
Net loss per ordinary share (sen)	(8.00)	(8.00)	(12.00)	(96.00)	(11.00)
Gross dividend rate %	-	-	-	-	-

Notes to results of TNE:

a) The audited income statements of TNE have been prepared based on accounting policies consistent with those previously adopted in the preparation of TNE's audited financial statements.

b) The principal activity of TNE is the provision of project management services to the engineering and energy industries.

The losses before taxation from the FYE 31 December 2000 to 2002 mainly relates to auditors' remuneration and depreciation of computers.

The loss before taxation in the FYE 31 December 2003 mainly relates to staff costs, depreciation of motor vehicles and office equipment and other administrative expenses.

c) There was no taxation charge over the financial years under review, as TNE has no chargeable income.

d) There were no extraordinary items or exceptional items in all the financial years under review.

e) The gross loss per ordinary share of TNE is calculated based on the loss before taxation over the number of shares in issue during each of the respective financial years under review.

The net loss per ordinary share of TNE is calculated based on the loss after taxation over the number of shares in issue during each of the respective financial years under review.

7.7 Tanjung PetroConsult Sdn Bhd

Tabulated below are the summarised income statements of TPC based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<--------- Financial years ended 31 December-------->				
	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	36	44	49	6	-
Gross profit	26	8	28	6	-
Profit/(loss) before finance costs, taxation, depreciation and amortisation	19	(1)	(55)	(106)	(106)
Finance costs	(4)	(3)	(4)	-	-
Depreciation and amortisation	(26)	(26)	(21)	(11)	(11)
Net loss before taxation	(11)	(30)	(80)	(117)	(117)
Taxation	-	-	-	-	- *
Net loss for the year	(11)	(30)	(80)	(117)	(117)
Weighted average number of ordinary shares of RM1.00 each (units '000)	350	350	350	350	383
Gross loss per ordinary share (sen)	(3.14)	(8.57)	(22.86)	(33.43)	(30.55)
Net loss per ordinary share (sen)	(3.14)	(8.57)	(22.86)	(33.43)	(30.55)
Gross dividend rate %	-	-	-	-	-

** Tax under provision in previous year of RM460.*

Notes to results of TPC:

a) The audited income statements of TPC have been prepared based on accounting policies consistent with those previously adopted in the preparation of TPC's audited financial statements.

b) The principal activity of TPC is the provision of engineering and professional manpower services to the oil and gas and related industries. TPC's revenue for the FYE 31 December 2000 to the FYE 31 December 2003, the year in which TPC ceased its business operation, comprises of revenue from engineering consultancy services.

   TOS acquired TPC during FYE 2003 upon which, TPC then ceased its business operations. Overall, total revenue generated by TPC were consistent throughout the financial years under review.

c) There was no taxation charge over the years under review as TPC was in a tax loss position.

d) There were no extraordinary items or exceptional items in all the financial years under review.

e) The gross loss per ordinary share of TPC for the financial years ended 31 December 2000 to 2003 is calculated based on the loss before taxation over the number of shares in issue of 350,000 ordinary shares of RM1.00 each. The gross loss per ordinary share of TPC for the financial year ended 31 December 2004 is calculated based on the loss before taxation over the weighted average number of shares of 383,000 ordinary shares of RM1.00 each.

   The net loss per ordinary share of TPC for the financial years ended 31 December 2000 to 2003 is calculated based on the loss after taxation over the number of shares in issue of 350,000 ordinary shares of RM1.00 each. The net loss per ordinary share of TPC for the financial year ended 31 December 2004 is calculated based on the loss after taxation over the weighted average number of shares of 383,000 ordinary shares of RM1.00 each.

8.0 SUMMARISED BALANCE SHEETS

8.1 Tanjung Offshore Berhad

Tanjung was incorporated on 11 August 2004. Accordingly, there is no comparative information to be disclosed in this report.

The summarised balance sheets of Tanjung set out below is based on the audited financial statements as at 31 December 2004:

	As at 31 December 2004 RM'000
Current asset	0.1
Current liabilities	(16.9)
Net current liabilities	(16.8)
	(16.8)
Financed by:	
Share capital	0.1*
Accumulated loss	(16.9)
Shareholder's equity	(16.8)
Net liability per ordinary share of RM0.50 each based on issued share capital at balance sheet date (RM)	(168.0)

** Denotes 200 ordinary shares of RM0.50 each*

8.2 Tanjung Offshore Services Sdn Bhd

The summarised balance sheets of TOS set out below, are based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<——As At 31 December ——>				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	1,479	1,664	3,509	4,744	34,536
Subsidiary company	184	1,160	1,450	1,620	2,220
Associated company	*	*	*	95	95
Current assets	38,433	18,728	40,409	52,387	36,793
Current liabilities	(36,925)	(16,341)	(35,928)	(43,551)	(35,418)
Net current assets	1,508	2,387	4,481	8,836	1,375
	3,171	5,211	9,440	15,295	38,226
Financed by:					
Share capital	1,500	1,500	5,000	7,500	7,500
Accumulated profit	1,440	3,455	4,241	7,611	13,689
Shareholders' equity	2,940	4,955	9,241	15,111	21,189
Long term liabilities	231	192	133	100	16,931
Deferred tax	-	64	66	84	106
	3,171	5,211	9,440	15,295	38,226
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	1.96	3.30	1.85	2.01	2.83

** Investment in associated company as at 31 December 2000 to 2002 is RM1 only.*

8.3 Tanjung Maintenance Services Sdn Bhd

The summarised balance sheets of TMS set out below, are based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<---------- As at 31 December---------->				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Property, plant and equipment	-	1,384	1,505	1,567	1,843
Current assets	*	83	573	1,638	1,597
Current liabilities	(85)	(781)	(1,253)	(2,376)	(1,528)
Net current assets/(liabilities)	(85)	(698)	(680)	(738)	69
	(85)	686	825	829	1,912
Financed by:					
Share capital	100	650	1,500	1,500	2,000
Accumulated loss	(185)	(691)	(1,497)	(1,354)	(688)
Shareholders' equity	(85)	(41)	3	146	1,312
Long term liabilities	-	727	822	683	600
	(85)	686	825	829	1,912
Net tangible assets/(liability) per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	(0.85)	(0.06)	-	0.10	0.66

* *Current assets as at 31 December 2000 is RM357 only.*

8.4 Tanjung NewEnergy Services Sdn Bhd

The summarised balance sheets of TNE set out below, are based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<---------- As at 31 December---------->				
	2000	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Plant and equipment	1	1	-	33	23
Current assets	7	7	5	58	108
Current liabilities	(1)	(2)	(2)	(73)	(124)
Net current assets/(liabilities)	6	5	3	(15)	(16)
	7	6	3	18	7
Financed by:					
Share capital	25	25	25	100	100
Accumulated loss	(18)	(19)	(22)	(82)	(93)
Shareholders' equity	7	6	3	18	7
Net tangible assets per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	0.28	0.24	0.12	0.18	0.07

8.5 Tanjung PetroConsult Sdn Bhd

The summarised balance sheets of TPC set out below, are based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<——— As at 31 December———>				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Plant and equipment	36	21	-	-	-
Intangible assets	99	88	77	66	55
Current assets	106	95	-	8	8
Current liabilities	(32)	(31)	(1)	(115)	(121)
Net current assets/(liabilities)	74	64	(1)	(107)	(113)
Non current liabilities	(23)	(17)	-	-	-
	186	156	76	(41)	(58)
Financed by:					
Share capital	350	350	350	350	450
Accumulated loss	(164)	(194)	(274)	(391)	(508)
Shareholders' equity	186	156	76	(41)	(58)
Net tangible assets/(liability) per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	0.53	0.45	0.22	(0.12)	(0.13)

8.6 Tanjung Kapal Services Sdn Bhd

The summarised balance sheets of TKS set out below, are based on the audited financial statements for the five (5) financial years ended 31 December 2004:

	<---------- As at 31 December---------->				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Current assets	*	*	*	*	1
Current liabilities	(16)	(19)	(21)	(24)	(27)
Net current liabilities	(16)	(19)	(21)	(24)	(26)
Deferred expenses ***	16	-	-	-	-
	-	(19)	(21)	(24)	(26)
Financed by:					
Share capital	**	**	**	**	**
Accumulated loss	-	(19)	(21)	(24)	(26)
Shareholders' equity	-	(19)	(21)	(24)	(26)
Net liability per ordinary share of RM1.00 each based on issued share capital at balance sheet date (RM)	-	(9.5)	(10.5)	(12.0)	(13.0)

* *Current asset is RM2 only.*
** *Share capital is RM2 only.*
*** *Deferred expenses consist of preliminary expenses and pre-operating expenses*

9.0 PROFORMA STATEMENTS OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2004

The following Proforma Statements of Assets and Liabilities of Tanjung Group (**"The Proforma"**) have been prepared based on the audited financial statements as at 31 December 2004 .The Proforma is presented, for illustrative purposes only, to show the effects of all the transactions stated in Section 3 of this report. The Proforma should be read in conjunction with the notes thereto.

	Note	Tanjung Group RM'000	The Company RM'000
PROPERTY, PLANT AND EQUIPMENT	10.3	36,403	-
INTANGIBLE ASSETS		55	-
SUBSIDIARY COMPANIES	10.4	-	18,212
ASSOCIATED COMPANY	10.5	2,459	-
CURRENT ASSETS			
Inventories	10.6	720	-
Trade receivables	10.7	28,410	-
Other receivables and deposits		3,807	-
Amount owing by associates	10.5	2,795	-
Fixed deposits with licensed banks	10.8	1,009	-
Cash and bank balances		38,581	38,088
		75,322	38,088
CURRENT LIABILITIES			
Trade payables	10.9	25,354	-
Other payables and accruals		1,038	17
Special dividend payable	10.10	4,265	-
Hire purchase and lease payables	10.11	118	-
Amount owing to director		1,000	-
Short term borrowings	10.12	5,912	-
Provision for taxation		2,541	-
		40,228	17
NET CURRENT ASSETS		35,094	38,071
		74,011	56,283
Financed by:			
SHARE CAPITAL	10.13	42,000	42,000
SHARE PREMIUM	10.14	14,300	14,300
ACCUMULATED PROFIT/(LOSS)		38	(17)
SHAREHOLDERS' EQUITY		56,338	56,283
MINORITY INTEREST		36	-
LONG TERM AND DEFERRED LIABILITIES			
Hire purchase and lease payables	10.11	122	-
Term loan	10.15	17,409	-
Deferred tax liabilities	10.16	106	-
		74,011	56,283
NET TANGIBLE ASSETS ("NTA")		56,283	56,283
NTA PER SHARE (RM)	11.0	0.67	0.67

Notes to the preparation of the proforma statements of assets and liabilities of the Tanjung Group and of the Company as at 31 December 2004

a) The proforma statements of assets and liabilities of the Tanjung Group and of the Company as at 31 December 2004 have been prepared based on the audited financial statements of Tanjung, TOS, TKS, TMS, TNE and TPC for the financial years ended 31 December 2004 are for illustrative purposes only after making such adjustments necessary on the assumptions that the acquisitions of TOS and TKS, Rights Issue and Public Issue are completed on 31 December 2004.

b) TOS has acquired an additional 5% equity in TNE subsequent to FYE 31 December 2004. No adjustment on the said acquisition was shown in the proforma statements of assets and liabilities of the Tanjung Group as its impact is immaterial.

c) The amount owing by the Tanjung Group to director of RM1 million has been subsequently repaid on 21 February 2005.

d) The proforma statements of assets and liabilities should be read in conjunction with the Notes set out in section 10 of this report.

10.0 NOTES TO THE PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

10.1 Significant Accounting Policies

The principal accounting policies of the Tanjung Group and of the Company are summarised below:

a) Basis of Consolidation

The consolidated financial statements include the audited financial statements of the subsidiary companies made up to the end of the financial year. The results of the subsidiary companies acquired are included in the consolidated financial statements from the date of acquisition. All significant inter-company transactions and balances are eliminated on consolidation.

The excess of the value of the net assets of the subsidiary companies over the cost of investment at the date of acquisition is recognised as negative goodwill arising on consolidation and is written off to reserve in the period of acquisition.

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of the subsidiary company at the date of acquisition and is written off to reserve in the period of acquisition.

b) Subsidiary Companies

Subsidiary companies are the company in which the Tanjung Group has long-term equity interest of more than 50% or has power to exercise control over the financial and operating policies as to obtain benefit from its activity.

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost unless, in the opinion of the directors, there has been a permanent decline in value in which case provision is made for diminution in value.

c) Associated Companies

An associated company is defined as an investment where the Tanjung Group holds for long-term purposes between 20% to 50% of the issued equity share capital of the company, and exercises significant influence over the company's management.

d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The depreciation of property, plant and equipment is computed on the straight-line basis based on the estimated useful lives of the assets concerned.

The annual rates of depreciation are as follows:

	%
Freehold building	2
Furniture and fittings	10
Renovations	10
Office equipment	10
Machinery	10
Computer	20
Motor vehicles	20 - 25

e) Impairment of assets

At each balance sheet date, the Tanjung Group and the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the assets are carried at a revalued amount. Any impairment loss of revalued assets is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

f) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on a review of all outstanding amounts at the period end.

g) Trade and Other Payables

Trade and other payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

h) Property, Plant and Equipment Under Hire Purchase Arrangements

Property, plant and equipment acquired under hire purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. Finance costs are allocated to the income statements to give a constant periodic rate of interest on the remaining hire purchase liabilities.

i) **Borrowing Costs**

Borrowing costs incurred that are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for their intended use.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

j) **Equity Instrument**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

k) **Foreign Currency Transactions**

Transactions in foreign currencies during the period are translated into Malaysian Ringgit at rates ruling on the date of transactions. Assets and liabilities in foreign currencies as at 31 December 2004 are translated at the period end rate. All gains and losses arising from current transactions are included in the income statement.

l) **Inventories**

Inventories comprising turbine compressor spare parts and work in progress, which is stated at the lower of cost (first-in, first-out basis) and net realisable value. Cost of turbine compressor spare parts comprises the original cost of purchase plus cost of bringing the inventories to its location. Cost of work-in-progress includes direct materials, direct labour and an appropriate portion of overhead.

m) **Income Tax**

Income tax on the profit or loss comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the enacted tax rates relevant to the financial periods.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

n) **Cash Flow Statements**

The Tanjung Group and the Company adopt the indirect method in the preparation of cash flow statements.

Cash and cash equivalents comprise of cash in hand and bank balances, demand deposits and deposits with licensed bank, which are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

o) **Financial Instruments**

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition method adopt for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

10.2 Financial Risk Management Objective and Policies

The Tanjung Group's activities expose it to a variety of financial risk, including credit risk, liquidity risk, cash flow risk, interest rate risk and foreign currency exchange risk. The Tanjung Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders.

The main areas of financial risk faced by the Tanjung Group and the Company are as follows:

a) Credit risk

The Tanjung Group has no major concentration of credit risk and extends credit to its customers based upon careful evaluation of the customer's financial condition and credit history.

b) Liquidity and cash flow risk

The Tanjung Group actively manages its debts maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met.

c) Interest rate risk

The Tanjung Group has cash and bank balances and deposits placed with creditworthy licensed banks. The Tanjung Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Tanjung Group is exposed to interest rate risk through the impact of rate changes on interest-bearing fixed deposits and bank borrowings. The Tanjung Group's interest rate risk management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuations.

d) Foreign currency exchange risk

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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10.3 Property, Plant and Equipment

Proforma Tanjung Group 31.12.2004

	Freehold Building RM'000	Furniture and fittings RM'000	Renovation RM'000	Office equipment RM'000	Motor vehicles RM'000	Machinery RM'000	Computer RM'000	Vessel under commissioning RM'000	Total RM'000
Net Book Value 1.1.2004	3,148	291	969	488	290	1,159	-	-	6,345
Addition	-	97	282	203	82	368	-	29,702	30,734
Disposal	-	-	-	-	(10)	-	-	-	(10)
Depreciation	(66)	(46)	(125)	(76)	(180)	(173)	-	-	(666)
Net Book Value 31.12.2004	3,082	342	1,126	615	182	1,354	-	29,702	36,403
As at 31.12.2004									
At cost	3,303	530	1,453	847	757	1,818	3	29,702	38,413
Accumulated depreciation	(221)	(188)	(327)	(232)	(575)	(464)	(3)	-	(2,010)
Net Book Value	3,082	342	1,126	615	182	1,354	-	29,702	36,403

Motor vehicle with net book value amounting RM158,096 has been purchased under hire purchase scheme.

Finance costs amounting RM174,893 as arising on financing entered into for the commissioning of new vessels were capitalised during the year.

10.4 Subsidiary Companies

	Proforma The Company 31.12.2004 RM'000
Unquoted shares - at cost	18,212

Details of the subsidiary companies, which were incorporated in Malaysia are as follows:

Subsidiary Companies	Group Effective Interest %	Principal Activities
Direct subsidiaries of Tanjung:		
Tanjung Offshore Services Sdn Bhd ("TOS")	100	Integrated service provider to the oil and gas and related industries
Tanjung Kapal Services Sdn Bhd ("TKS")	100	Provision of ship management services to the oil and gas and related industries
Subsidiaries of TOS:		
Tanjung Maintenance Services Sdn Bhd ("TMS")	97.5	Provision of maintenance services to the oil and gas industry and related industries
Tanjung NewEnergy Services Sdn Bhd ("TNE")	65	Provision of project management services to the engineering and energy industries
Tanjung PetroConsult Sdn Bhd ("TPC")	100	Provision of engineering and professional manpower services to the oil and gas and related industries

10.5 Associated Company

	Proforma Tanjung Group 31.12.2004 RM'000
Unquoted shares at cost	95
Share of attributable post acquisition profit after taxation	2,364
	2,459
Represented by:	
Share of net tangible assets	2,459

The details of the associated company are as follows:

Associated Company	Country of Incorporation	Group Effective Interest %	Principal Activity
Forsayth Offshore Pte Ltd*	Malaysia	50	Ownership of vessel

* The associated company is not audited by AljeffriDean.

The amount owing by associated company is unsecured, interest free and has no fixed term of repayments.

10.6 Inventories

	Proforma Tanjung Group 31.12.2004 RM'000
At cost:	
Turbine compressor spare parts	325
Work-in-progress	395
	720

10.7 Trade Receivables

Trade receivables ageing analysis as at 31 December 2004 is as follows:

Number of days outstanding	Proforma Tanjung Group 31.12.2004 RM'000
0 – 30	27,095
31 – 60	397
61 – 90	206
Over 90	712
Total	28,410

Credit terms of trade receivables range from no credit to 90 days.

10.8 Fixed Deposits With Licensed Banks

Fixed deposits with licensed banks amounting to RM1,003,981 has been pledged as security for the Group's banking facilities.

10.9 Trade Payables

Credit terms of trade payables granted to the Tanjung Group range from 30 days to 90 days.

10.10 Special Dividend

Pursuant to the listing, TOS declared a special interim dividend amounting to RM4,265,148 (RM231,555 tax exempt dividend and RM4,033,593 net of tax dividend) on 28 February 2005 made payable to the shareholders/vendors of TOS.

10.11 Hire Purchase and Lease Payables

	Proforma Tanjung Group 31.12.2004 RM'000
Minimum payment:	
-Not later than 1 year	141
-Later than 1 year and not later than 5 years	173
	314
Future finance charges	(74)
	240
Principal portion payables:	
-Not later than 1 year	118
-Later than 1 year and not later than 5 years	122
	240

10.12 Short Term Borrowings

	Proforma Tanjung Group 31.12.2004 RM'000
Short term loan – not later than 1 year (Note 10.15)	3,684
Bank overdraft	2,228
	5,912

The bank overdraft is secured by:

i) The building of the subsidiary company;

ii) Sinking fund of RM200,000 quarterly to bank until the Islamic overdraft is fully secured.

The interest rate is at 2% per annum above the bank's base lending rate and the Islamic overdraft profit rate is at 5% per annum.

10.13 Share Capital

	Proforma Tanjung Group 31.12.2004 RM'000
Ordinary shares of RM0.50 each	
Authorised:	
200,000 ordinary shares at date of incorporation	100
Created 99,800,000 ordinary shares on 8 March 2005	49,900
	50,000
Issued and fully paid:	
At date of incorporation	*
Pursuant to the TOS acquisition	18,212
Pursuant to the Rights Issue	13,788
Pursuant to the Public Issue	10,000
	42,000

* The existing issued and paid-up share capital is RM100 only.

10.14 Share Premium

Share premium of the Tanjung Group and the Company arose from the following:

	Proforma Tanjung Group and the Company 31.12.2004 RM'000
20,000,000 shares of RM0.50 each issued pursuant to the Public Issue at an issue price of RM1.30 per share	16,000
Less: Estimated listing expenses	(1,700)
	14,300

10.15 Term Loan

	Proforma Tanjung Group 31.12.2004 RM'000
Repayment terms:	
- Not later than 1 year (Note 10.12)	5,912
- Between 1 to 2 years	7,127
- Between 2 to 5 years	10,282
	23,321

Term loan by TOS:

The term loan is obtained from a financial institution by TOS under Bai Bithaman Ajil Term Financing to finance the purchase of newly built vessel. The loan is repayable by 120 monthly installments of RM336,727 commencing one month from the date of first drawdown. The loan profit rate is at 7.4% per annum.

The loan is secured by:

i) Debenture over fixed and floating assets of the subsidiary company up to RM42,232,075 only.

ii) Letter of guarantee for RM42,232,075 by the directors of the subsidiary company.

iii) The first legal charge over the newly built vessel.

Term loan by TMS:

The term loan is obtained from a financial institution by TMS to partly finance the purchase of certain machinery and equipment. It was granted under the New Entrepreneurs Fund (NEF 2) Scheme, which is repayable by 96 monthly installments of RM12,900 commencing 1 month after the date of drawdown. The loan bears interest at 5% per annum.

The loan is secured by:

i) Debenture over fixed and floating assets of the subsidiary company, present and future.

ii) Letter of guarantee by Credit Corporation (M) Bhd (CGC) under Flexi Guarantee Scheme (FGS) for 50% of the clean exposure.

iii) Letter of guarantee for RM1,000,000 to be executed by the directors of the subsidiary company.

iv) Corporate Guarantee for RM1,000,000 by the subsidiary company.

10.16 Deferred Tax Liabilities

The net deferred tax liabilities of the Tanjung Group are in respect of the following:

	Proforma Tanjung Group 31.12.2004 RM'000
Representing the tax effects of:	
Temporary differences arising from property, plant and equipment	106

10.17 Capital Commitment

Amounts approved but not provided for in respect of property, plant and equipment:

	Proforma Tanjung Group 31.12.2004 RM'000
Commissioning of Vessels	26,544

11.0 Proforma Consolidated Net Tangible Assets Per Ordinary Share

Based on the proforma statement of assets and liabilities of the Tanjung Group as at 31 December 2004, the proforma consolidated net tangible assets per ordinary shares of RM0.50 each is calculated as follows:

	Proforma Tanjung Group 31.12.2004 RM'000
Proforma net tangible assets of the Tanjung Group as at 31 December 2004 (RM'000)	56,283
Number of ordinary shares of RM0.50 each assumed in issue as at 31 December 2004 after the public issue (units '000)	84,000
Proforma net tangible assets per ordinary share of RM0.50 each (RM)	0.67

12.0 STATEMENT OF CHANGES IN EQUITY

	Accumulated Loss RM'000	Share Capital RM'000	Share Premium RM'000	Total RM'000
As at August 2004 (being date incorporation)	-	0.1	-	0.1
Proposed Acquisition of TOS and TKS	-	18,212	-	18,212
Loss during the period	(17)	-	-	(17)
As per Proforma (I)	(17)	18,212	-	18,195
Proposed Rights Issue	-	13,788	-	13,788
As per Proforma (II)	(17)	32,000	-	31,983
Proposed Public Issue	-	10,000	16,000	26,000
Less: Estimated listing expenses	-	-	(1,700)	(1,700)
As per Proforma (III)	(17)	42,000	14,300	56,283

13.0 CONTINGENT LIABILITIES

	Proforma Tanjung Group 31.12.2004 RM'000
Tax penalty	1,029

On 18th October 2004, the Inland Revenue Board (IRB) has notified the Company of the possibility of imposing a withholding tax penalty totalling RM1,028,709. As of to date, the Company has sought an extension of time up to 2nd March 2005 to submit the relevant information pertaining to the aforesaid withholding tax issue. Hence, no provision has been made for the aforesaid withholding tax liability as the Company is still in the midst of procuring the relevant information and awaiting a decision to be made by the IRB at a later date.

14.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENTS

The following proforma consolidated cash flow statement has been prepared for illustrative purposes only, based on the audited financial statements of TOS, TKS, TPC, TNE and TMS for the financial year ended 31 December 2004, on assumption that the acquisition of subsidiary companies and the restricted issue had been effected at the Group level as at 31 December 2004.

	Note	Proforma Tanjung Group 31.12.2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation		10,858
Adjustments for:		
Depreciation of property, plant and equipment		667
Goodwill written off		35
Amortisation of intangible asset		11
Share of profit from associated company		(1,788)
Gain on disposal of property, plant and equipment		1
Interest expenses		119
Operating profit before changes in working capital		9,903
Increase in inventories		(303)
Decrease in receivables		15,783
Decrease in payables		(13,462)
Cash generated from operations		11,921
Tax paid		(2,497)
Net cash generated from operating activities		9,424

14.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENTS (CONTD.)

	Note	Proforma Tanjung Group 31.12.2004 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(30,672)
Proceed from disposal of property, plant and equipment		9
Increase in fixed deposits pledged as security		(732)
Net cash used in investing activities		(31,395)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of hire purchase		(139)
Proceeds from the IPO		39,788
Listing expenses		(1,700)
Repayment of term loan		(1,286)
Proceeds from term loan		21,646
Interest paid		(119)
Net cash generated from financing activities		58,190
Net increase in cash and cash equivalents		**36,219**
Cash and cash equivalents at the beginning of period		**139**
Cash and cash equivalents at the end of period		**36,358**
Represented by:		
Cash and bank balances		38,581
Bank overdraft		(2,228)
Fixed deposits with licensed banks		1,009
		37,362
Fixed deposits pledged as security		(1,004)
Cash and cash equivalents at the end of period		**36,358**

AF : 1366 AljeffriDean

15.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements of Tanjung Group have been prepared in respect of any period subsequent to 31 December 2004.

16.0 SIGNIFICANT POST BALANCE SHEET EVENTS

Based on the audited financial statements for the year/period ended 31 December 2004 and other than the Listing Exercise as mentioned in Section 3.0 and declaration of special dividend as mentioned in Note 10.10, no events have arisen subsequent to the balance sheet date, which require disclosure in this report.

Yours faithfully

AljeffriDean
Firm No: AF 1366
Chartered Accountants (M)

Mohd Neezal Noordin
Approval Number: 2162/06/05 (J)
Partner

Kuala Lumpur, Malaysia

Tanjung Offshore Berhad (662315-U)

TANJUNG

Date: 29 APR 2005

Registered Office
2-6-13, 6th Floor Menara KLH
(Business Centre)
No. 2 Jalan Kasipillay
51200 Kuala Lumpur

The Shareholders of
TANJUNG OFFSHORE BERHAD

Dear Sir/Madam,

On behalf of the Board of Directors of Tanjung Offshore Berhad ("**Tanjung**"), I wish to report after due enquiries that between the period from 31 December 2004 *(being the date to which the last audited financial statements of Tanjung and its subsidiaries ("**Group**") have been made up)* to 29 APR 2005 being a date not earlier than 14 days before the issue of this Prospectus, that:-

(a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;

(b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;

(c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;

(e) since the last audited accounts of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in relation to any borrowings in which the Directors are aware of; and

(f) save as disclosed in the Proforma Consolidated Balance Sheets and the Accountants' Report set out in Sections 9.8 and 11 of this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

Yours faithfully
For and on behalf of
TANJUNG OFFSHORE BERHAD

....
OMAR BIN KHALID
Managing Director

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