

**Tanjung Offshore Berhad**  
**Company No: 662315-U**

**Interim Financial Report For The Fourth Quarter Ended 31 December 2011**

	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2011 RM'000	Preceding Year Corresponding Quarter 31/12/2010 RM'000	Current Year Quarter 31/12/2011 RM'000	Preceding Year Corresponding Quarter 31/12/2010 RM'000
Revenue	86,489	139,857	459,045	541,807
(Loss)/Profit before taxation from continuing operations	(47,436)	(1,461)	(22,092)	8,014
Loss before taxation from discontinued operation	(10,366)	-	(29,605)	-
Net (Loss)/Profit for the period	(58,548)	(81)	(54,356)	7,588
(Loss)/Profit attributable to ordinary equity holders of the Company	(58,815)	(308)	(55,395)	6,813
Basic (losses)/earnings per share (sen)				
-Continuing operations	(16.73)	(0.11)	(8.91)	2.55
-Discontinued operation	(3.57)	-	(10.23)	-
	(20.30)	(0.11)	(19.14)	2.55
Proposed/Declared Dividend per share (sen)	0.00	0.00	0.00	0.00

	As at End of Current Quarter	As at Preceding Financial Year End
Net assets per share attributable to ordinary equity holders of the Company (RM)	1.08	1.26

Remarks:

The calculation of basic earnings per ordinary share for both the current quarter and year-to-date ended 31 December 2011 is based on the weighted average number of ordinary shares of 289,666,914 and 289,496,648 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2011 RM'000	Preceding Year Corresponding Quarter 31/12/2010 RM'000	Current Year Quarter 31/12/2011 RM'000	Preceding Year Corresponding Quarter 31/12/2010 RM'000
Interest income	208	268	613	322
Amortisation of intangible assets	4,238	-	4,317	1,060
Interest expense	10,454	8,976	35,712	33,403
Depreciation of property, plant and equipment	9,091	9,611	40,213	37,261
Goodwill written off	1,624	-	1,624	-
(Gain)/Loss on disposal of property, plant and equipment	2,367	(287)	2,265	(287)
Loss on disposal of associate company	-	-	4,715	-
Inventories written off	335	-	335	-
Provision for and write off of receivables	15,010	5,204	16,949	5,204
Provision for warranty	7,541	-	7,541	-
Foreign exchange loss	5,042	182	4,153	182

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**NOTES TO THE QUARTERLY REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

**A1 Basis of Preparation**

The interim financial statements have been prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by Tanjung Offshore Berhad and its subsidiaries ("Tanjung" or "Group" or "Company") in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 December 2010 except for the adoption of new FRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 01 January 2011. The adoption of these FRSs, amendments and interpretations do not have a material impact on the interim financial information of the Group.

**A2 Seasonal or Cyclical Factors**

The business operations of the Group were not affected by any seasonal or cyclical factors in the oil and gas industry.

**A3 Extraordinary and Exceptional Items**

Save for the cessation expenses of Citech Energy Recovery Systems UK Limited ("Citech") as highlighted in Section A9 and B1, there were no extraordinary and exceptional items of unusual nature affecting assets, liabilities, equity, net income or cash flows in the interim financial report for the financial year ended 31 December 2011.

**A4 Change in Estimates of Amounts Reported Previously**

There were no changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect on the current interim financial period.

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**A5 Issues of Debt & Equity Securities**

The Employee Share Options Scheme ("ESOS Scheme") was implemented on 2 August 2005. As at 31 December 2011, the details of the ESOS options outstanding for the period under review are as follows:-

<b>No Options Granted up to 31 December 2011</b>	<b>Exercised</b>	<b>Cancelled</b>	<b>No of Options Outstanding as at 31 December 2011</b>	<b>Date of expiry</b>
24,876,390	19,553,490	1,270,400	4,052,500	1 August 2015

As at 31 March 2011, the Company has an outstanding RM80.59 million Serial Fixed Rate Bonds which were fully drawn down and utilized to finance the construction of three (3) units of offshore support vessels. The Company also has an outstanding RM110.0 million Islamic Medium Term Notes ("IMTN") which has been utilized to part finance the construction of six (6) units of offshore support vessels. On 29 June 2011, the Company has successfully completed the refinancing of the entire Serial Fixed Rate Bonds and IMTN with a new term loan of RM240.0 million. The new term loan is for a period of eight (8) years from the disbursement date on 29 June 2011.

Save as disclosed above, there were no issuance of debt and equity securities for the current financial period under review.

**A6 Dividends Declared or Paid**

No dividend was declared or paid during the current financial quarter under review.

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**A7 Segmental Information**

Segment analysis for the current quarter is set out below:

<b>31 December 2011</b>	<b>Engineering Equipment Supply RM'000</b>	<b>Offshore Support Vessels Services RM'000</b>	<b>Maintenance Services RM'000</b>	<b>Drilling and Platform Services RM'000</b>	<b>Total RM'000</b>
Revenue	181,909	139,547	40,989	96,600	459,045
Segment results	(39,597)	55,601	2,639	(8,998)	9,645
Finance cost					(35,602)
Share of profit from associate					3,865
Loss before taxation from continuing operations					(22,092)
Taxation					(2,659)
Net loss from continuing operations					(24,751)
Net loss from discontinued operation					(29,605)
Net loss for the period					(54,356)

<b>31 December 2010</b>	<b>Engineering Equipment Supply RM'000</b>	<b>Offshore Support Vessels Services RM'000</b>	<b>Maintenance Services RM'000</b>	<b>Drilling and Platform Services RM'000</b>	<b>Total RM'000</b>
Revenue	206,348	144,726	45,943	144,790	541,807
Segment results	(15,082)	56,929	(2,249)	(1,229)	38,369
Finance cost					(33,403)
Share of profit from associate					3,048
Profit before taxation					8,014
Taxation					(426)
Net profit for the period					7,588

**A8 Events After the Interim Period**

No material event was registered after the interim period which will materially affect the earnings or income of the Group.

**A9 Changes in the Composition of the Group**

On 10 February 2012, Tanjung has commenced the cessation of business of its wholly-owned subsidiary, Citech Energy Recovery Systems UK Limited (Citech), incorporated in the United Kingdom ("UK").

Citech is a wholly-owned subsidiary of Tanjung Citech UK Ltd. Citech was incorporated in the United Kingdom on the 15th August 2008. Its current authorised share capital is £10,000,000.00 divided into 10,000,000 ordinary shares of £1.00 each. Its current paid-up share capital is £6,700,000.00 divided into 6,700,000 ordinary shares of £1.00 each.

As at todate, Citech is principally involved in the manufacturing and marketing of waste heat recovery units to major oil and gas customers in the European and US markets. The total cost of investments of Tanjung in Citech is approximately £6.70 million.

The sluggish North American and European markets and the highly competitive industry in recent years have affected the business of Citech. Apart from that, the Board of Directors of Tanjung has decided to focus its businesses in Malaysia as part of the Group's rationalization plan.

The Board of Directors of Tanjung estimated that the cessation of operations of Citech will result in cessation expenses of approximately £6 million. These expenses include redundancy/termination payments to affected employees of Citech, professional fees, costs associated with termination of lease for office premise, factory and rentals of manufacturing equipment and provisions for warranties on completed contracts. The abovementioned cessation of operation costs will reduce the shareholders funds, net assets and consolidated earnings of Tanjung for the financial year ended 31 December 2011.

The revenue, results and cash flows were as follows:

	<b>2011</b> <b>RM'000</b>
Revenue	<u>39,075</u>
Loss before taxation	(29,605)
Taxation	<u>-</u>
Loss for the period from discontinued operation	<u>(29,605)</u>
Cash flow from operating activities	(208)
Cash flow from investing activities	(141)
Cash flow from financing activities	<u>(110)</u>
Total cash flows	<u>(459)</u>

The major classes of assets and liabilities classified as held for sale and discontinued operations as at 31 December 2011 are as follows:

	<b>2011</b> <b>RM'000</b>
<b>Assets</b>	
Inventories	17,399
Trade receivables	11,744
Other receivables	1,100
Cash and bank balances	48
	<hr/>
	30,291
<b>Liabilities</b>	
Trade payables	18,867
Other payables	19,264
Short term borrowings	603
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	38,734
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<b>Net liabilities attributable to discontinued operation</b>	<b>(8,443)</b>

Save as disclosed above, there were no significant changes in the composition of the Group in the interim financial report, including business combinations, obtaining and losing control of subsidiaries and long term investments, restructurings and discontinuing operations other than disclosed below:

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**A10 Capital Commitment**

On 30 September 2011, Tanjung Kapal Services Sdn Bhd, a wholly owned subsidiary of Tanjung Offshore Berhad, signed two shipbuilding contracts with Labuan Shipyard & Engineering Sdn Bhd and Muhibbah Marine Engineering Sdn Bhd respectively for the construction of two (2) units of Platform Supply Vessels totaling RM200.0 million.

Save as disclosed above, there are no capital commitments in the current quarter under review.

**A11 Related Party Transactions**

The followings tables provides the total amount of transactions which have been entered into with related parties during the periods ended 31 December 2011 and 31 December 2010 as well as balances with related parties as of 31 December 2011 and 31 December 2010.

	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amount owing by related parties</b>	<b>Amount owing to related parties</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2011</b>	885	130,059	2,422	26,176
<b>2010</b>	2,090	196,471	4,341	26,162

**A12 Contingent Liabilities**

There were no significant changes in contingent liabilities since the last annual statement of financial position date and there were no additional contingent liabilities reported in the current financial quarter ended 31 December 2011.

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**B ADDITIONAL INFORMATION REQUIRED UNDER LISTING REQUIREMENTS**

**B1 Variance of Results Against Preceding Year Quarter**

For the current year quarter ended 31 December 2011, the Group recorded consolidated revenue of approximately RM86.49 million. This represents a decrease of RM53.37 million or 38.16% as compared to RM139.86 million recorded in the corresponding year quarter ended 31 December 2010. In the current quarter under review, the Group recorded a net loss after tax of approximately RM58.81 million as compared to a net loss of RM0.31 million recorded in the preceding year quarter ended 31 December 2010.

These losses are mainly due to operational losses and impairment of receivables of the engineering equipment division which encompass mainly Tanjung Offshore Services Sdn Bhd (TOS), Tanjung CSI Sdn Bhd (TCSI) and Tanjung PetroConsult Services Sdn Bhd (TPC).

Further thereto, cessation of business of Citech resulted in expenses incurred in cessation of business of Citech of £6 million or approximately RM30 million. These expenses include redundancy/termination payments to affected employees of Citech, professional fees, costs associated with termination of lease for office premise, factory and rentals of manufacturing equipment and provisions for warranties on completed contracts.

**Current financial year ended 31 December 2011 (FYE 2011) compared to 31 December 2010 (FYE 2010)**

The Group registered total revenue of RM459.04 million during the year which represents a 15.28% or RM82.77 million reduction as compared to total revenue of RM541.81 million registered during FYE 2010. The Group registered total loss after taxation of RM54.36 million in FYE 2011 as compared to a profit after tax of RM7.59 million registered in FYE 2010.

**Engineering Equipment and Maintenance Services**

The engineering equipment which includes the manufacturing of waste heat recovery units, packaging of control panel and valves, packaging of gas generators and agency/trading business and maintenance services registered total revenue of RM222.90 million during the year. This represents a decrease of RM29.39 million or 11.64% lower than the preceding year of RM252.29 million. The reduction in revenue during the year is mainly due to the completion of various equipment packages, and lower sales due to a competitive environment.

This division also suffered losses before tax of RM36.95 million as compared to a loss before tax of RM17.33 million registered in FYE 2010. These losses are mainly due to operational losses and impairment of receivables at the engineering equipment division which encompass mainly Tanjung Offshore Services Sdn Bhd (TOS), Tanjung CSI Sdn Bhd (TCSI) and Tanjung PetroConsult Services Sdn Bhd (TPC).

The cessation of business at Citech which incurred expenses of £6 million or approximately RM30 million has resulted in higher losses for FYE 2011. These expenses include redundancy/termination payments to affected employees of Citech, professional fees, costs associated with termination of lease for office premise, factory and rentals of manufacturing equipment and provisions for warranties on completed contracts.

### **Offshore Support Vessels**

The Group registered total revenue of RM139.55 million for the offshore support vessels in FYE 2011, which is 3.58% lower as compared to RM144.73 million registered in FYE 2010. The offshore support vessel division registered a lower profit before tax of RM55.60 million or 2.33% in the current financial year as compared to RM56.93 million registered in FYE 2010.

The lower revenue and profitability in the current quarter are mainly due to higher drydocking expenses incurred for 2 vessels during the year under review.

### **Drilling & Platform Services**

In FYE 2011, this division recorded total revenue of RM96.60 million which is 33.28% lower as compared to RM144.79 million recorded in FYE 2010. The losses before tax of RM8.99 million registered in FYE 2011 is higher than the losses registered in FYE 2010 of RM1.23 million.

The lower revenue and higher losses registered in FYE 2011 are mainly due to the discontinuation of the long term charter of "THE 208" jack-up rig in the third quarter of FYE 2011. The lower utilization rate for MV Tanjung Gelang, well testing vessel during the year has also affected overall revenue and profitability of this division.

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**B2 Variance of Results Against Preceding Quarter**

For the current year quarter ended 31 December 2011, the Group recorded consolidated revenue of approximately RM86.49 million. This represents a decrease of RM31.15 million or 26.48% as compared to RM117.64 million recorded in the corresponding quarter ended 30 September 2011. In the current quarter under review, the Group recorded a net loss after tax of approximately RM58.81 million as compared to a net loss of RM0.24 million recorded in the preceding quarter ended 30 September 2011.

The lower revenue is mainly due to completion of various engineering equipment amidst a competitive environment. The losses registered in the current quarter are mainly due to expenses in relation to the cessation of the business of Citech of £6 million or approximately RM30 million. These expenses include redundancy/termination payments to affected employees of Citech, professional fees, costs associated with termination of lease for office premise, factory and rentals of manufacturing equipment and provisions for warranties on completed contracts.

There were also operating losses and impairment of receivables registered mainly at Tanjung Offshore Services Sdn Bhd (TOS), Tanjung CSI Sdn Bhd (TCSI) and Tanjung PetroConsult Services Sdn Bhd (TPC).

**B3 Current Year Prospects**

The Board of Directors of Tanjung is cautiously optimistic of the prospects of oil and gas industry in Malaysia and the region as the market remains fragmented and competitive. Whilst we are experiencing a more robust demand for our offshore support vessels, we are undertaking a business rationalisation exercise for the non-marine division so as to reduce costs and seek strategic growth within our core business divisions.

We shall continue to enhance our services to the oil majors in their exploration, development of new oilfields, upgrade and maintenance of the existing and new offshore platforms, in particular various development programmes spearheaded by the national oil company, PETRONAS.

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**B4 Variance of Actual and Profit Estimates**

The Group has not provided any quarterly profit forecasts and therefore no comparison is available.

**B5 Taxation**

	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2011 RM'000	Preceding Year Corresponding Quarter 31/12/2010 RM'000	Current Year Quarter 31/12/2011 RM'000	Preceding Year Corresponding Quarter 31/12/2010 RM'000
a. Income Tax Expenses	253	(1,220)	882	654
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities / (Assets)	493	(160)	1,777	(228)
d. Total	746	(1,380)	2,659	426

**Note:** The Group's tax rate is lower than that of the statutory tax rate. This is mainly due to the utilisation of capital allowances of newly completed vessels.

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**B6 Status of Corporate Proposal**

The Employee Share Options Scheme ("ESOS Scheme") was implemented on 2 August 2005. As at 31 December 2011, the details of the ESOS options outstanding for the period under review are as follows:-

<b>No Options Granted up to 31 December 2011</b>	<b>Exercised</b>	<b>Cancelled</b>	<b>No of Options Outstanding as at 31 December 2011</b>	<b>Date of expiry</b>
24,876,390	19,553,490	1,270,400	4,052,500	1 August 2015

As at 31 March 2011, the Company has an outstanding RM80.59 million Serial Fixed Rate Bonds which were fully drawn down and utilized to finance the construction of three (3) units of offshore support vessels. The Company also has an outstanding RM110.0 million Islamic Medium Term Notes ("IMTN") which has been utilized to part finance the construction of six (6) units of offshore support vessels. On 29 June 2011, the Company has successfully completed the refinancing of the entire Serial Fixed Rate Bonds and IMTN with a new term loan of RM240.0 million. The new term loan is for a period of eight (8) years from the disbursement date on 29 June 2011.

Save as disclosed above, there were no issuance of debt and equity securities for the current financial period under review.

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**B7 Bank Borrowings**

	<b>(RM'000)</b>
<b>a) <u>Short term borrowings</u></b>	
i) Hire purchase & lease payables	1,580
ii) Overdraft/Revolving credit	86,700
iii) Term loans	37,017
iv) Syndication Term Financing	14,111
Sub Total	139,408
<b>b) <u>Long term borrowings</u></b>	
i) Hire purchase & lease payables	3,036
ii) Term loans	211,178
iii) Syndication Term Financing	211,315
Sub Total	425,529
<b>TOTAL BORROWINGS</b>	<b>564,937</b>

**B8 Material Litigation**

The Group is not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Group, and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give any proceedings which might materially and/or adversely affect the position or business of the Group.

**B9 Dividend Declared or Paid**

No dividend was declared or paid during the current financial quarter under review.

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**B10 Earnings per share**

	Quarter Ended		Year to Date Ended	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
<b>Net (loss)/profit attributable to ordinary shareholders (RM'000)</b>				
Continuing operations	(48,449)	(308)	(25,790)	6,813
Discontinued operation	(10,366)	-	(29,605)	-
	<u>(58,815)</u>	<u>(308)</u>	<u>(55,395)</u>	<u>6,813</u>
<b>Basic</b>				
Total number of ordinary shares ('000)	292,552	291,783	292,552	291,783
Adjusted weighted average number of ordinary shares ('000)	289,667	289,267	289,497	267,089
	<u>289,667</u>	<u>289,267</u>	<u>289,497</u>	<u>267,089</u>
<b>Basic (losses)/earnings per ordinary share (cent)</b>				
Continuing operations	(16.73)	(0.11)	(8.91)	2.55
Discontinued operation	(3.57)	-	(10.23)	-
	<u>(20.30)</u>	<u>(0.11)</u>	<u>(19.14)</u>	<u>2.55</u>
<b>Diluted</b>				
Adjusted weighted average number of ordinary shares ('000)	289,667	289,267	289,497	267,089
<b>ESOS:</b>				
No of unissued shares ('000)#	379	3,172	379	3,172
<b>WARRANTS:</b>				
No of unexercised warrant A ('000)#	-	30,620	-	30,620
No of unexercised warrant B ('000)#	-	-	-	-
	<u>-</u>	<u>30,620</u>	<u>-</u>	<u>30,620</u>
Diluted weighted average number of ordinary shares ('000)	289,707	304,717	289,536	282,539
<b>Diluted (losses)/earnings per ordinary share (cent)</b>				
Continuing operations	(16.73)	(0.10)	(8.91)	2.41
Discontinued operation	(3.57)	-	(10.23)	-
	<u>(20.30)</u>	<u>(0.10)</u>	<u>(19.14)</u>	<u>2.41</u>

# Certain diluted earnings per ordinary share are not presented, as the computation would result in anti-dilutive earnings per ordinary share.

**B11 Qualification of Financial Statements**

There was no qualification made on the preceding audited financial statements for the financial year ended 31 December 2010.

**B12 Realised and Unrealised Profits or Losses**

The breakdown of retained profits of the Group as at 31 December 2011 divided into realised and unrealised profits are as disclosed, pursuant to the directive, is as follows :-

	<b>As at 31 December 2011 RM'000</b>
Total retained profits of the Group :-	
- Realised	14,068
- Unrealised	<u>6,536</u>
Total Group retained profits as per consolidated accounts	<u>20,604</u>

**B13 Limited Review by External Auditors**

The quarterly financial accounts and the accompanying notes have been reviewed by the external auditors, Messrs. AljeffriDean.