

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The First Quarter Ended 31 March 2012

	Individual Period		Cumulative Period	
	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000
Revenue	66,345	62,315	66,345	62,315
Loss before taxation from continuing operations	(981)	(6,268)	(981)	(6,268)
Profit before taxation from discontinued operations	7,880	3,679	7,880	3,679
Net Profit/(Loss) for the period	6,155	(3,105)	6,155	(3,105)
Profit/(Loss) attributable to ordinary equity holders of the Parent	5,432	(3,287)	5,432	(3,287)
Basic earnings/(losses) per share (sen)				
-Continuing operations	(0.66)	(2.40)	(0.66)	(2.40)
-Discontinued operations	2.53	1.26	2.53	1.26
	1.87	(1.14)	1.87	(1.14)
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)	1.10	1.08

Remarks:

The calculation of basic earnings per ordinary share for both the current quarter and year-to-date ended 31 March 2012 is based on the weighted average number of ordinary shares of 290,097,381 and 290,182,666 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000
Interest income	2	3,393	2	3,393
Amortisation of intangible assets	63	-	63	-
Interest expense	9,238	11,199	9,238	11,199
Depreciation of property, plant and equipment	3,253	10,357	3,253	10,357
Gain on disposal of property, plant and equipment	3	90	3	90
Provision for and write off of receivables	167	-	167	-

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NOTES TO THE QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2012

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements as at and for the year ended 31 December 2011. The financial statements of the Group as at and for the year ended 31 December 2011 were prepared in accordance with Financial Reporting Standards ("FRS").

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

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 period ended 31 March 2012.

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 March 2012, the details of the ESOS options outstanding for the period under review are as follows:-

No Options Granted up to 31 March 2012	Exercised	Cancelled	No of Options Outstanding as at 31 December 2011	Date of expiry
24,876,390	19,622,490	1,270,400	3,983,500	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

Segmental analysis for the current quarter is set out below:

31 March 2012	Marine	-----Non Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	4,507	50,129	11,179	530	66,345
Segment results					1,059
Finance cost					(2,155)
Share of profit from associate					115
Loss before taxation from continuing operations					(981)
Taxation					(207)
Net loss from continuing operations					(1,188)
Net profit from discontinued operations					7,343
Net profit for the period					6,155

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	8,832
Tanjung Citech UK Ltd.	(30)
Citech Energy Recovery Systems UK Limited	(1,459)
	7,343

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Quarter Ended 31 March 2011	Marine	-----Non Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	4,041	40,447	17,827	-	62,315
Segment results					(5,648)
Finance cost					(4,047)
Share of profit from associate					3,427
Loss before taxation from continuing operations					(6,268)
Taxation					(491)
Net loss from continuing operations					(6,759)
Net profit from discontinued operations					3,654
Net loss for the period					(3,105)

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	6,718
Tanjung Citech UK Ltd.	(169)
Citech Energy Recovery Systems UK Limited	(2,895)
	3,654

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 £10,000,000.0 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.

On 23 April 2012, Tanjung had announced that it had entered into a Sale and Purchase agreement with Kota Bayu Ekuiti Sdn Bhd (KBE), (a wholly-owned subsidiary of E-Cap Internal One Sdn Bhd, which in turn is a major shareholder of Tanjung) for the disposal of its entire equity interest in Tanjung Kapal Services Sdn Bhd (TKS) to KBE for a cash consideration of RM220.0 million.

The consolidated revenue and results of TKS and Citech were as follows:

	Period Ended 31 March 2012 RM'000	Period Ended 31 March 2011 RM'000
Revenue	32,239	38,256
Profit before taxation	7,880	3,679
Taxation	(537)	(25)
Profit for the period from discontinued operation	7,343	3,654

The major classes of assets and liabilities classified as held for sale and discontinued operations as at 31 March 2012 are as follows:

	RM'000
Assets	
Property, plant and equipments	753,641
Deferred tax assets	4,440
Inventories	8,946
Trade and other receivables	3,702
Cash and bank balances	<u>20,616</u>
	<u>791,345</u>
Liabilities	
Trade and other payables	98,523
Short term borrowings	51,745
Hire purchase and finance lease payables	188
Provision for taxation	99
Term loan	184,656
Syndicated Term Financing Facility	<u>220,812</u>
	<u>556,023</u>
Net assets attributable to discontinued operations and held for sale	<u><u>235,322</u></u>

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.

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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 March 2012 and 31 March 2011 as well as balances with related parties as of 31 March 2012 and 31 March 2011.

	Sales to related parties	Purchases from related parties	Amount owing by related parties	Amount owing to related parties
	RM'000	RM'000	RM'000	RM'000
2012	-	10,934	-	8,290
2011	770	17,461	770	14,353

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 March 2012.

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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 March 2012, the Group recorded consolidated revenue of approximately RM66.34 million. This represents an increase of RM4.02 million or 6.45% as compared to RM62.32 million recorded in the corresponding year quarter ended 31 March 2011. In the current quarter under review, the Group recorded a net profit after tax of RM6.16 million as compared to a net loss of RM3.10 million recorded in the preceding year quarter ended 31 March 2011.

Non Marine Division

The non marine division which consists of mainly packaging of gas generators, agency business and maintenance services registered total revenue of RM61.31 million during the year. This represents a slight increase of RM3.04 million or 5.21% higher than the preceding year quarter of RM58.27 million. The increase in revenue during the current quarter is mainly due to the Group's ongoing efforts to capture higher market share in the near future.

The loss before tax from this division has been reduced significantly to RM0.98 million in the current quarter as compared to RM6.27 million in the preceding year quarter. This improvement is mainly due to ongoing cost reduction and business rationalization exercise undertaken within the Group.

Offshore Support Vessels

Total revenue of RM4.51 million registered in the current quarter reflects the three (3) units of vessels that are in Tanjung Offshore Services Sdn Bhd (to be transferred to Tanjung Kapal Services Sdn Bhd due to the SPA signed between Tanjung and E-Cap Internal One Sdn Bhd on 23 April 2012).

Total revenue for the abovementioned vessels of RM4.51 million registered during the current quarter is slightly higher as compared to RM4.04 million registered in the preceding year quarter, which reflects higher utilization of vessels in an improving market within the industry.

TKS (Discontinued Operations) registered a higher total revenue of RM32.69 million as compared to RM27.33 million registered in the preceding year quarter. Profit after tax during the current quarter of RM8.83 million is higher by 31.40% as compared to RM6.72 million registered in the preceding year quarter. The improved financial performance is mainly due to better demand and higher utilization of its vessels.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 31 March 2012, the Group recorded consolidated revenue of approximately RM66.34 million. This represents a decrease of RM20.15 million or 23.30% as compared to RM86.49 million recorded in the corresponding quarter ended 31 December 2011. The reduction in revenue is mainly due to the reclassification of revenue at TKS to discontinued operations.

The Group recorded a profit after tax of RM6.15 million or an increase of more than 100% during the current quarter under review as compared to a net loss after tax of RM58.55 million in the preceding quarter. The turnaround in profitability is mainly due to improved utilization of vessels in the current quarter and ongoing business rationalization exercise undertaken within the Group.

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. We are currently in the midst of implementing our business rationalisation exercise for the non-marine division and the demerger exercise of TKS with the aim of reducing our overall costs and gearing so as to 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 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000
a. Income Tax Expenses	175	496	175	496
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities / (Assets)	32	(5)	32	(5)
d. Total	207	491	207	491

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 March 2012, the details of the ESOS options outstanding for the period under review are as follows:-

No Options Granted up to 31 March 2012	Exercised	Cancelled	No of Options Outstanding as at 31 December 2011	Date of expiry
24,876,390	19,622,490	1,270,400	3,983,500	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.

Tanjung had, on 23 April 2012 entered into a sale and purchase agreement with Kota Bayu Ekuiti Sdn Bhd (KBE) (a wholly-owned subsidiary of E-Cap Internal One Sdn Bhd (E-Cap), which in turn is a major shareholder of Tanjung) for the disposal of its entire equity interest in Tanjung Kapal Services Sdn Bhd (TKS) to KBE for a cash consideration of RM220.0 million (Proposed Disposal).

The Group also announced that it intends to distribute an amount of approximately RM130.0 million out of the proceeds from the Proposed Disposal to its shareholders via a cash dividend for each Tanjung Share held by shareholders whose names appear on the Company's Record of Depositors at an entitlement date to be announced in due course (Proposed Distribution). The Proposed Distribution is conditional upon the completion of the Proposed Disposal but not vice versa.

Furthermore, it was announced that E-Cap intends to undertake the proposed offer for sale by E-Cap of such number of redeemable convertible preference share of RM0.01 each in KBE (RCPS) to the remaining shareholders which is to be determined based on the aggregate percentage of the total issued and paid-up capital held by the remaining shareholders as at the offer for sale date of entitlement to be determined in due course, multiplied by RM220.0 million, at an offer price of RM1.00 per RCPS on a non-renounceable basis based on the shareholdings of the remaining shareholders in Tanjung at the offer for sale date of entitlement to be announced in due course.

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

	RM'000
a) <u>Short term borrowings</u>	
i) Hire purchase & lease payables	729
ii) Overdraft/Revolving credit	79,170
Sub Total	79,899
b) <u>Long term borrowings</u>	
i) Hire purchase & lease payables	2,967
ii) Term loans	898
Sub Total	3,865
TOTAL BORROWINGS	83,764

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	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
Net profit/(loss) attributable to ordinary shareholders (RM'000)				
Continuing operations	(1,911)	(6,941)	(1,911)	(6,941)
Discontinued operations	7,343	3,654	7,343	3,654
	5,432	(3,287)	5,432	(3,287)
Basic				
Total number of ordinary shares ('000)	292,621	291,933	292,621	291,933
Adjusted weighted average number of ordinary shares ('000)	290,097	289,369	290,097	289,369
	290,097	289,369	290,097	289,369
Basic earnings/(losses) per ordinary share (cent)				
Continuing operations	(0.66)	(2.40)	(0.66)	(2.40)
Discontinued operations	2.53	1.26	2.53	1.26
	1.87	(1.14)	1.87	(1.14)
Diluted				
Adjusted weighted average number of ordinary shares ('000)	290,097	289,369	290,097	289,369
ESOS:				
No of unissued shares ('000)#	618	3,055	618	3,055
WARRANTS:				
No of unexercised warrant A ('000)#	-	30,583	-	30,583
No of unexercised warrant B ('000)#	-	-	-	-
	-	30,583	-	30,583
Diluted weighted average number of ordinary shares ('000)	290,183	301,724	290,183	301,724
Diluted earnings/(losses) per ordinary share (cent)				
Continuing operations	(0.66)	(2.40)	(0.66)	(2.40)
Discontinued operations	2.52	1.21	2.52	1.21
	1.86	(1.19)	1.86	(1.19)

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 2011.

B12 Realised and Unrealised Profits or Losses

The breakdown of retained profits of the Group as at 31 March 2012 and 31 March 2011 divided into realised and unrealised profits are as disclosed, pursuant to the directive, is as follows :-

	As at 31 March 2012 RM'000	As at 31 March 2011 RM'000
Total retained profits of the Group :-		
- Realised	21,493	60,051
- Unrealised	5,991	8,318
	<hr/>	<hr/>
Total Group retained profits as per consolidated accounts	27,484	68,369
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B13 Limited Review by External Auditors

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