

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The Third Quarter Ended 30 September 2012

	Individual Period		Cumulative Period	
	Current Year Quarter 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000	Current Year Quarter 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000
Revenue from continuing operations	73,999	76,368	204,695	279,117
Revenue from discontinued operations	9,677	41,274	83,208	122,219
Loss before taxation from continuing operations	(6,391)	(13,314)	(18,704)	(23,081)
Profit before taxation from discontinued operations	319	13,647	15,561	29,186
Net (Loss)/Profit for the period	(6,730)	(241)	(5,312)	4,192
(Loss)/Profit attributable to ordinary equity holders of the Parent	(6,940)	(429)	(7,556)	3,420
Basic earnings/(losses) per ordinary share (cent)				
- Continuing operations	(2.44)	(4.63)	(7.54)	(8.43)
- Discontinued operations	0.05	4.48	4.94	9.61
	(2.39)	(0.15)	(2.60)	1.18
Proposed/Declared Dividend per share (sen)	44.00	0.00	44.00	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 Parent (RM)	0.55	1.08

Remarks:

The calculation of basic earnings per ordinary share for both the current quarter and year-to-date ended 30 September 2012 is based on the weighted average number of ordinary shares of 290,603,219 and 290,273,660 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000	Current Year Quarter 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000
Interest income				
- Continuing operations	1,251	123	1,330	363
- Discontinued operations	6	35	20	42
Interest expense				
- Continuing operations	804	1,965	3,476	9,982
- Discontinued operations	2,597	7,417	17,846	16,143
Depreciation and amortisation of assets				
- Continuing operations	2,496	3,570	7,799	10,351
- Discontinued operations	2,866	6,960	17,133	20,771
(Loss)/Gain on disposal of property, plant and equipment				
- Continuing operations	338	(13)	338	102
Loss on disposal of subsidiary company	5,479	-	5,479	-
Loss on disposal of associate				
- Continuing operations	-	-	-	4,714
Provision for and write off of receivables				
- Continuing operations	(99)	1,939	68	1,939
Revaluation (surplus)/deficit				
- Continuing operations	(2,898)	-	12,664	-

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NOTES TO THE QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 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 30 September 2012, the details of the ESOS options outstanding for the period under review are as follows:-

No Options Granted up to 30 September 2012	Exercised	Cancelled	No of Options Outstanding as at 30 September 2012	Date of expiry
24,876,390	19,711,490	1,270,400	3,894,500	1 August 2015

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

Save for the special dividend of RM0.44 per share which was paid on 18 September 2012, 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:

Cumulative as at 30 September 2012	Marine	-----Non-Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages/ Products and Services RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	-	163,643	41,052	-	204,695
Segment results	-	(16,241)	1,122	-	(15,119)
Finance cost					(3,476)
Share of profit from associate					(109)
Loss before taxation from continuing operations					(18,704)
Taxation					(927)
Net loss from continuing operations					(19,631)
Net profit from discontinued operations					14,319
Net loss for the period					(5,312)

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	17,136
Tanjung Citech UK Ltd.	(212)
Citech Energy Recovery Systems UK Limited	(2,605)
	14,319

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Cumulative as at 30 September 2011	Marine	-----Non-Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages/ Products and Services RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	10,238	145,595	30,742	92,542	279,117
Segment results	(2,737)	(6,967)	1,539	(8,208)	(16,373)
Finance cost					(9,982)
Share of profit from associate					3,274
Loss before taxation from continuing operations					(23,081)
Taxation					(539)
Net loss from continuing operations					(23,620)
Net profit from discontinued operations					27,812
Net loss for the period					4,192

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	27,513
Tanjung Citech UK Ltd.	(566)
Citech Energy Recovery Systems UK Limited	865
	27,812

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 todote, 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 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 aforesaid exercise was completed on 20 July 2012.

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

	Period Ended 30 September 2012 RM'000	Period Ended 30 September 2011 RM'000
Revenue	83,208	122,219
Profit before taxation	15,561	29,186
Taxation	(1,242)	(1,374)
Profit for the period from discontinued operations	14,319	27,812

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The major classes of assets and liabilities classified as held for sale and discontinued operations as at 30 September 2012 are as follows:

	RM'000
Assets	
Inventories	6,023
Trade and other receivables	2,200
Cash and bank balances	<u>1,610</u>
	<u>9,833</u>
Liabilities	
Trade and other payables	<u>27,997</u>
	<u>27,997</u>
Net liabilities attributable to discontinued operations and held for sale	<u><u>(18,164)</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.

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 aforesaid exercise was completed on 20 July 2012.

In view of the completion of the disposal of TKS to KBE, the abovementioned capital commitment has been transferred to KBE on 20 July 2012.

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 30 September 2012 and 30 September 2011 as well as balances with related parties as of 30 September 2012 and 30 September 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	8,600	30,881	-	9,628
2011	1,012	117,634	885	26,450

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 30 September 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 30 September 2012, the Group recorded consolidated revenue of approximately RM74.0 million. This represents a reduction of 3.10% as compared to RM76.37 million recorded in the corresponding year quarter ended 30 September 2011. In the current quarter under review, the Group recorded a net loss after tax of RM6.93 million as compared to a net loss after tax of RM0.43 million recorded in the preceding year quarter ended 30 September 2011.

The reduction in revenue by 3.10% is mainly due to the completion of outstanding engineering equipment contracts. The higher loss after tax of RM6.73 million registered in the current quarter is mainly due to the completion of outstanding engineering contracts at lower than expected net profitability margins and one off loss due to the revaluation deficit of approximately RM12.67 million arising from the transfer of three (3) units of offshore support vessels from Tanjung Offshore Services Sdn Bhd to Tanjung Kapal Services Sdn Bhd (TKS) as part of the demerger exercise of TKS from Tanjung Group.

Engineered Packages, Products & Services

Total revenue for the engineered packages, products & services division which consists of mainly packaged engineering equipment, gas generators and agency businesses is similar to that registered in the preceding year quarter ended 30 September 2011. The slight reduction in revenue is mainly due to the slower completion of outstanding engineering equipment that resulted in lower than expected net profitability margins due to higher execution costs.

Maintenance Services

The maintenance services division registered a higher revenue in the current quarter due to additional wellhead contracts awarded by oil majors. This has resulted in higher profitability levels for this division for the current quarter under review.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 30 September 2012, the Group recorded consolidated revenue of approximately RM74.0 million. This represents an increase of revenue of approximately 15% as compared to RM64.35 million recorded in the preceding quarter ended 30 June 2012. In the current quarter under review, the Group recorded a net loss after tax of RM6.93 million as compared to a net loss after tax of approximately RM6.05 million recorded in the preceding quarter ended 30 June 2012. Notwithstanding the increase in revenue which is mainly due to completion of outstanding engineering equipment contracts, the Group registered a higher loss after tax in the current quarter as compared to a loss after tax of approximately RM6.05 million registered in the preceding quarter.

This is mainly due to the lower than expected net profitability margins from the engineering equipment contracts and a one off loss due to the revaluation deficit of approximately RM12.67 million arising from the transfer of three (3) units of offshore support vessels from Tanjung Offshore Services Sdn Bhd to Tanjung Kapal Services Sdn Bhd (TKS) as part of the demerger exercise of TKS from Tanjung Group.

Engineered Packages, Products & Services

Total revenue from the engineered packages, products & services division which consists of mainly packaged engineering equipment, gas generators and agency businesses for the current quarter remained consistent with that registered in the preceding quarter ended 30 June 2012. However, net profitability margins were lower due to higher execution and completion costs.

Maintenance Services

The maintenance services division registered higher revenue due to additional wellhead contracts awarded by oil majors. This has resulted in higher profitability levels for this division for the current quarter under review.

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 have implemented our business rationalisation exercise in the past nine (9) months with the aim of reducing our overall costs and registering growth in our profitability in the near term.

With the recent disposal of Tanjung Kapal Services Sdn Bhd (TKS) to Kota Bayu Ekuiti Sdn Bhd (KBE), (a wholly-owned subsidiary of E-Cap Internal One Sdn Bhd (E-Cap), Tanjung will increase its focus on the non-marine business especially the offshore engineering services.

Premised on the success in nurturing and growing TKS from a mere vessel agent to an owner/operated subsidiary managing 16 offshore support vessels, we shall continue to register growth as a provider of offshore engineering service provider to the oil and gas industry and in the longer term, seek strategic growth in niche markets.

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 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000	Current Year Quarter 30/09/2012 RM'000	Preceding Year Corresponding Quarter 30/09/2011 RM'000
a. Income Tax Expenses	(754)	(19)	(334)	629
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	1,234	(81)	1,261	(90)
d. Total	480	(100)	927	539

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

No Options Granted up to 30 September 2012	Exercised	Cancelled	No of Options Outstanding as at 30 September 2012	Date of expiry
24,876,390	19,711,490	1,270,400	3,894,500	1 August 2015

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. The aforesaid exercise was completed on 20 July 2012.

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 (Proposed Distribution). The special dividend distribution was completed on 18 September 2012.

E-Cap also announced an 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. The aforesaid exercise was completed on 20 September 2012.

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	1,134
ii) Overdraft	26,769
iii) Revolving credit/Trade facility	27,615
Sub Total	55,518
b) <u>Long term borrowings</u>	
i) Hire purchase & lease payables	1,752
ii) Term loans	726
Sub Total	2,478
TOTAL BORROWINGS	57,996

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

Save for the special dividend of RM0.44 per share which was paid on 18 September 2012, 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	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Net (loss)/profit attributable to ordinary shareholders (RM'000)				
Continuing operations	(7,080)	(13,402)	(21,875)	(24,392)
Discontinued operations	140	12,973	14,319	27,812
	<u>(6,940)</u>	<u>(429)</u>	<u>(7,556)</u>	<u>3,420</u>
Basic				
Total number of ordinary shares ('000)	293,310	291,940	293,310	291,940
Adjusted weighted average number of ordinary shares ('000)	<u>290,603</u>	<u>289,463</u>	<u>290,274</u>	<u>289,440</u>
Basic earnings/(losses) per ordinary share (cent)				
Continuing operations	(2.44)	(4.63)	(7.54)	(8.43)
Discontinued operations	0.05	4.48	4.94	9.61
	<u>(2.39)</u>	<u>(0.15)</u>	<u>(2.60)</u>	<u>1.18</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	290,603	289,463	290,274	289,440
ESOS:				
No of unissued shares ('000)#	-	990	-	990
WARRANTS:				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diluted weighted average number of ordinary shares ('000)	290,603	289,543	290,274	289,520
Diluted earnings/(losses) per ordinary share (cent)				
Continuing operations	(2.44)	(4.63)	(7.54)	(8.43)
Discontinued operations	0.05	4.49	4.94	9.60
	<u>(2.39)</u>	<u>(0.14)</u>	<u>(2.60)</u>	<u>1.17</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 2011.

B12 Realised and Unrealised Profits or Losses

The breakdown of retained profits of the Group as at 30 September 2012 and 30 September 2011 divided into realised and unrealised profits are as disclosed, pursuant to the directive, is as follows :-

	As at 30 September 2012 RM'000	As at 30 September 2011 RM'000
Total retained (losses)/profits of the Group :-		
- Realised	(52,659)	70,791
- Unrealised	1,518	7,029
	<hr/>	<hr/>
Total Group retained (losses)/profits as per consolidated accounts	<u>(51,141)</u>	<u>77,820</u>