

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The First Quarter Ended 31 March 2013

	Individual Period		Cumulative Period	
	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000
Revenue from continuing operations	90,020	66,394	90,020	66,394
Revenue from discontinued operations	-	32,239	-	32,239
Profit/(Loss) before taxation from continuing operations	4,867	(981)	4,867	(981)
(Loss)/Profit before taxation from discontinued operations	(109)	7,880	(109)	7,880
Net profit for the year	3,239	6,155	3,239	6,155
Profit attributable to ordinary equity holders of the Company	2,634	5,432	2,634	5,432
Basic earnings per ordinary share (cent)				
- Continuing operations	0.95	(0.66)	0.95	(0.66)
- Discontinued operations	(0.04)	2.53	(0.04)	2.53
	0.91	1.87	0.91	1.87
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)	0.54	0.53

Remarks:

The calculation of basic earnings per ordinary share for both the current quarter and period-to-date ended 31 March 2013 is based on the weighted average number of ordinary shares of 290,833,198 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000
Interest income				
- Continuing operations	939	2	939	2
Interest expense				
- Continuing operations	689	2,155	689	2,155
- Discontinued operations	-	7,083	-	7,083
Depreciation and amortisation of assets				
- Continuing operations	4,661	3,316	4,661	3,316
- Discontinued operations	-	6,950	-	6,950
Gain on disposal of property, plant and equipment				
- Continuing operations	-	3	-	3
Provision for and write off of receivables				
- Continuing operations	-	167	-	167

NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 31 MARCH 2013

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 2012.

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 2013.

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”) which was implemented on 2 August 2005 was terminated on 20 November 2012. Concurrently, Tanjung had announced the establishment of a new share issuance scheme (SIS Scheme) of up to fifteen percent (15%) of the issued and paid-up share capital of Tanjung (excluding Treasury shares) at any one time during the duration of the SIS Scheme for eligible employees of Tanjung.

The aforesaid SIS Scheme was approved at an extraordinary general meeting held on 7 February 2013. The ESOS Committee shall determine the allocation of options under the SIS Scheme in due course.

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:

Cumulative as at 31 March 2013	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	51,011	12,117	26,892	90,020
Segment results	2,310	1,587	1,675	5,572
Finance cost				(689)
Share of loss from associate				(16)
Profit before taxation from continuing operations				4,867
Taxation				(1,519)
Net profit from continuing operations				3,348
Net loss from discontinued operations				(109)
Net profit for the period				3,239

Net loss from discontinued operations comprise of:

	Total RM'000
Tanjung Citech UK Ltd.	(19)
Citech Energy Recovery Systems UK Limited	(90)
	(109)

Cumulative as at 31 March 2012	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	43,854	11,179	11,361	66,394
Segment results	(516)	(111)	1,686	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

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

Cessation of business of Citech Energy Recovery Systems UK Limited

On 10 February 2012, Tanjung Offshore Berhad (“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 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:

	Quarter Ended 31 March 2013 RM’000	Quarter Ended 31 March 2012 RM’000
Revenue	-	32,239
(Loss)/Profit before taxation	(109)	7,880
Taxation	-	(537)
(Loss)/Profit for the period from discontinued operations	(109)	7,343

The major classes of assets and liabilities classified as discontinued operations as at 31 March 2013 are as follows:

	RM'000
Assets	
Inventories	3,397
Trade and other receivables	1,227
Cash and bank balances	46
	<hr/>
	4,670
Liabilities	
Trade and other payables	16,232
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	16,232
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Net liabilities attributable to discontinued operations	(11,562)

Winding up of PT Tanjung Offshore Nusantara (PTTON)

The highly fragmented and competitive market in Indonesia has affected the business of PTTON in recent years. As part of Tanjung's rationalization plan, the Board of Directors of Tanjung has decided to wind-up the business of PTTON in 2012 and focus on its businesses in Malaysia.

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, previously, 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 quarter ended 31 March 2013 and 31 March 2012 as well as balances with related parties as of 31 March 2013 and 31 March 2012.

	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
2013	678	10,214	3,678	14,371
2012	-	10,934	-	8,290

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 2013.

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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 2013, the Group recorded consolidated revenue of approximately RM90.02 million. This represents an increase of 35.69% as compared to RM66.34 million recorded in the corresponding year quarter ended 31 March 2012. In the current quarter under review, the Group recorded a net profit after tax of RM2.63 million as compared to a net profit after tax of RM5.43 million (including vessel division, which has been disposed of in 2012) recorded in the preceding year quarter ended 31 March 2012.

The increase in revenue by 35.69% is mainly due to additional engineering packages contracts secured from oil majors in the region. The Group also registered a turnaround in profitability of RM2.63 million in the current quarter for its engineering and products and services division as compared to losses registered in the corresponding year quarter on the back of higher revenue and reduction in overall operating costs as part of the rationalization exercise undertaken by the Group in FYE 2012.

Engineered Packages

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore platform equipment packages of RM26.89 million was higher by more than 100% as compared to revenue of RM11.36 million registered in the preceding year quarter. This is mainly due to additional contracts secured from oil majors domestically and internationally.

Maintenance Services

The maintenance services division also registered slightly higher revenue of RM12.12 million in the current quarter as compared to RM11.18 million in the preceding year quarter. The slight increase in revenue is due to the extension of wellhead maintenance contract from PETRONAS.

Products & Services

The products and services division registered higher revenue of RM51.01 million in the current quarter as compared to RM43.85 million registered in the preceding year quarter. The increase in revenue is mainly due to additional manpower services contracts and provision of spare parts to oil majors within Malaysia. We have also signed new collaboration with local and overseas principals to further enhance our product range and services to the industry.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 31 March 2013, the Group recorded consolidated revenue of approximately RM90.02 million. This represents an increase of 57.85% as compared to RM57.03 million recorded in the preceding quarter ended 31 December 2012. In the current quarter under review, the Group recorded a net profit after tax of RM2.63 million as compared to a net loss after tax of RM4.02 million recorded in the preceding quarter ended 31 December 2012.

The increase in revenue by 57.85% is mainly due to additional engineering packages contracts secured from oil majors in the region. The Group also registered a turnaround in profitability of RM2.63 million for its engineering and products and services division in the current quarter as compared to losses registered in the preceding quarter ended 31 December 2012. This is mainly due to higher revenue and reduction in overall operating costs as part of the rationalization exercise undertaken by the Group in FYE 2012.

Engineered Packages

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore platform equipment packages of RM26.89 million was higher as compared to the revenue registered in the preceding quarter. This is mainly due to additional contracts secured from oil majors domestically and internationally.

Maintenance Services

The maintenance services division also registered slightly higher revenue of RM12.12 million in the current quarter as compared to the preceding quarter. The slight increase is due to the extension of wellhead maintenance contract from PETRONAS and overall costs reduction exercise undertaken in FYE 2012.

Products & Services

The products and services division registered higher revenue of RM51.01 million in the current quarter as compared to the preceding quarter. The increase in revenue is mainly due to additional manpower services contracts and provision of spare parts to oil majors within Malaysia. We have also signed new collaboration with local and overseas principals to further enhance our product range and services to the industry.

B3 Current Year Prospects

The Board of Directors of Tanjung is optimistic on the prospects of oil and gas industry in Malaysia and the region. Notwithstanding a competitive and fragmented market, we believe we can penetrate into niche areas within the industry for growth with a wider range of products and services. With the completion of our business rationalisation exercise in FYE 2012 we aim to enhance our revenue and profitability in the near term.

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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 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000	Current Year Quarter 31/03/2013 RM'000	Preceding Year Corresponding Quarter 31/03/2012 RM'000
a. Income Tax Expenses	758	175	758	175
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	761	32	761	32
d. Total	1,519	207	1,519	207

Note: The Group's tax rate is lower than that of the statutory tax rate. This is mainly due to the utilisation of previously unabsorbed capital allowances and unutilised business losses.

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B6 Status of Corporate Proposal

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 the distribution 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.

The Employee Share Options Scheme (“ESOS Scheme”) which was implemented on 2 August 2005 was terminated on 20 November 2012. Concurrently, Tanjung had announced the establishment of a new share issuance scheme (SIS Scheme) of up to fifteen percent (15%) of the issued and paid-up share capital of Tanjung (excluding Treasury shares) at any one time during the duration of the SIS Scheme for eligible employees of Tanjung.

The aforesaid SIS Scheme was approved at an extraordinary general meeting held on 7 February 2013. The ESOS Committee shall determine the allocation of options under the SIS Scheme 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	1,261
ii) Overdraft	22,004
iii) Revolving credit/Trade facility	17,641
Sub Total	40,906
b) <u>Long term borrowings</u>	
i) Hire purchase & lease payables	298
ii) Term loans	688
Sub Total	986
TOTAL BORROWINGS	41,892

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 quarter under review.

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B10 Earnings per share

	Quarter Ended		Period to Date Ended	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Net profit attributable to ordinary shareholders (RM'000)				
Continuing operations	2,743	(1,911)	2,743	(1,911)
Discontinued operations	(109)	7,343	(109)	7,343
	<u>2,634</u>	<u>5,432</u>	<u>2,634</u>	<u>5,432</u>
Basic				
Total number of ordinary shares ('000)	293,310	292,621	293,310	292,621
Adjusted weighted average number of ordinary shares ('000)	<u>290,833</u>	<u>290,097</u>	<u>290,833</u>	<u>290,097</u>
	<u>290,833</u>	<u>290,097</u>	<u>290,833</u>	<u>290,097</u>
Basic earnings per ordinary share (cent)				
Continuing operations	0.95	(0.66)	0.95	(0.66)
Discontinued operations	(0.04)	2.53	(0.04)	2.53
	<u>0.91</u>	<u>1.87</u>	<u>0.91</u>	<u>1.87</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	290,833	290,097	290,833	290,097
ESOS:				
No of unissued shares ('000)#	-	618	-	618
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)	290,833	290,183	290,833	290,183
Diluted earnings per ordinary share (cent)				
Continuing operations	0.95	(0.66)	0.95	(0.66)
Discontinued operations	(0.04)	2.52	(0.04)	2.52
	<u>0.91</u>	<u>1.86</u>	<u>0.91</u>	<u>1.86</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 2012.

B12 Realised and Unrealised Losses or Profits

The breakdown of accumulated (losses)/profits of the Group as at 31 March 2013 and 31 March 2012 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows :-

	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Total accumulated (losses)/profits of the Group :-		
- Realised	(51,429)	21,493
- Unrealised	-	5,991
	<hr/>	<hr/>
Total Group accumulated (losses)/profits as per consolidated accounts	(51,429)	27,484
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