

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The Third Quarter Ended 30 September 2013

	Individual Period		Cumulative Period	
	Current Year Quarter 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000	Current Year Quarter 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000
Revenue from continuing operations	62,987	73,999	234,820	204,695
Revenue from discontinued operations	143	9,677	979	83,208
(Loss)/Profit before taxation from continuing operations	(1,421)	(6,391)	9,656	(18,704)
Profit before taxation from discontinued operations	167	319	743	15,561
Net (loss)/profit for the period	(1,103)	(6,730)	8,800	(5,312)
(Loss)/Profit attributable to ordinary equity holders of the Company	(1,969)	(6,940)	6,393	(7,556)
Basic (losses)/earnings per ordinary share (cent)				
- Continuing operations	(0.70)	(2.44)	1.91	(7.54)
- Discontinued operations	0.06	0.05	0.25	4.94
	(0.64)	(2.39)	2.16	(2.60)
Proposed/Declared Dividend per share (sen)	0.00	44.00	0.00	44.00

	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)	0.55	0.53

Remarks:

The calculation of basic (losses)/earnings per ordinary share for both the current quarter and period-to-date ended 30 September 2013 is based on the weighted average number of ordinary shares of 306,747,125 and 296,376,951 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000	Current Year Quarter 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000
Interest income				
- Continuing operations	720	1,251	2,423	1,330
- Discontinued operations	-	6	-	20
Interest expense				
- Continuing operations	778	804	2,063	3,476
- Discontinued operations	-	2,597	-	17,846
Depreciation and amortisation of assets				
- Continuing operations	12,079	2,496	18,448	7,799
- Discontinued operations	-	2,866	-	17,133
Gain on disposal of property, plant and equipment				
- Continuing operations	79	338	79	338
Loss on disposal of subsidiary company	-	5,479	-	5,479
Allowance for doubtful debts/(written back)				
- Continuing operations	(2,553)	(99)	(1,076)	68
Revaluation (surplus)/deficit				
- Continuing operations	-	(2,898)	-	12,664

NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2013

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with IAS 34 Interim Financial Reporting, 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.

The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the audited financial statements as at and for the year ended 31 December 2012 under the Malaysian Financial Reporting Standards (MFRS) framework.

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 Unusual Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flow

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 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 allocation and status of the SIS Scheme is as follows:-

No SIS Options Granted up to 31 Dec 2015	No of SIS exercised as at 30 September 2013	No of SIS Options Outstanding as at 30 September 2013	Date of expiry Of SIS Scheme
45,018,000	2,079,500	42,568,500	8 February 2015

On 23 July 2013, we have announced a Private Placement of up to ten percent (10%) of the issued and paid-up share capital of Tanjung in accordance to Section 132D of the Companies Act 1965. The Private Placement exercise was approved by Bursa Securities on 20 August 2013.

The proceeds from the Private Placement exercise may be utilised to pay for deposits and/or repay any borrowings undertaken for potential strategic acquisition(s). The strategic acquisition(s) may require approval from the shareholders of Tanjung pursuant to Chapter 10 of the MMLR. If shareholders approval is required for the strategic acquisition(s), then the utilisation of proceeds from the Private Placement to fund the future strategic acquisition(s) may only be utilised after approval from the shareholders has been obtained. However, in the event that such strategic acquisition(s) do not materialise, Tanjung shall utilise the proceeds from Private Placement to repay its bank borrowings and/or trade payables. The proceeds from Private Placement will also be utilized for expenses that consist of professional fees, fees payable to authorities and other miscellaneous expenses. Any variation in the actual amount of expenses will be adjusted to/from the amount allocated for the strategic acquisition(s).

The said Private Placement was completed upon the listing of and quotation for the 29,816,000 Placement Shares on the Main Market of Bursa Securities on 13 September 2013.

Pursuant to the terms and conditions stipulated in the Deed Poll dated 8 September 2008, all outstanding Warrants B 2008/2013 expired on 11 October 2013. All unexercised Warrants B 2008/2013 remaining in a depositor’s CDS account as at 11 October 2013 has been withdrawn from the respective depositor’s CDS account on 14 October 2013.

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.

A7 Segmental Information

Segmental analysis for the current quarter is set out below:

Cumulative as at 30 September 2013	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	146,188	27,619	61,013	234,820
Segment results	12,840	(950)	1,295	13,185
Finance cost				(2,063)
Share of loss from associate				(1,466)
Profit before taxation from continuing operations				9,656
Taxation				(1,599)
Net profit from continuing operations				8,057
Net profit from discontinued operations				743
Net profit for the period				8,800

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Citech UK Ltd.	(20)
Citech Energy Recovery Systems UK Limited	763
	743

Cumulative as at 30 September 2012	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	143,091	41,052	20,552	204,695
Segment results	(20,119)	1,677	3,323	(15,119)
Finance cost				(3,476)
Share of loss 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

A8 Events After the Interim Period

On 21 October 2013, we have announced that Tanjung has entered into a share sale agreement with Appolusa Sdn Bhd to acquire the remaining 49% equity interest in Gas Generators (Malaysia) Sdn Bhd ("Gastec"), comprising 2,347,804 ordinary shares of RM1.00 each for a total cash consideration of RM34.30 million ("Purchase Price").

The Purchase Price will be settled by cash via internally generated funds. The Purchase Price was arrived at based on a willing buyer-willing seller basis after taking into consideration the following:-

- (i) historical performance of the Gastec and its subsidiaries ("Gastec Group");
- (ii) current financial position of the Gastec Group; and
- (iii) future earnings potential of Gastec Group.

The acquisition of Gastec will enable Tanjung to consolidate the future earnings potential of Gastec on a 100% basis. Tanjung can capitalise on the technological & market leadership of Gastec and capturing new markets in the Asia Pacific region thus improving its profitability margins. The acquisition of Gastec was completed on 21 October 2013.

Save for the abovementioned acquisition of Gastec, no other 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

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

No capital commitments were recorded in the current quarter under review.

A11 Related Party Transactions

The following tables provides the total amount of transactions which have been entered into with related parties during the period ended 30 September 2013 and 30 September 2012 as well as balances with related parties as of 30 September 2013 and 30 September 2012.

	Sales to related parties RM'000	Purchases from related parties RM'000	Amount owing by related parties RM'000	Amount owing to related parties RM'000
2013	7,329	26,679	4,867	6,275
2012	8,600	30,881	-	9,628

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 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 30 September 2013, the Group recorded consolidated revenue of approximately RM62.99 million. This represents a decrease of approximately 14.87% as compared to RM73.99 million recorded in the corresponding year quarter ended 30 September 2012. In the current quarter under review, the Group recorded a net loss after tax of approximately RM1.10 million as compared to a net loss after tax of RM6.73 million recorded in the preceding year quarter ended 30 September 2012.

The decrease in revenue by 14.87% is mainly due to completion of certain engineering contracts during the quarter under review. The Group registered a net loss of RM1.10 million in the current quarter due to recognition of legacy contracts which were completed in the current quarter under review.

Engineered Packages

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore equipment packages of RM23.60 million was slightly lower as compared to revenue registered in the preceding year quarter. This is mainly due to completion of certain packages during the quarter under review.

Maintenance Services

The maintenance services division registered a lower revenue of RM5.76 million in the current quarter as compared to the preceding year quarter. The decrease in revenue is mainly due to the completion of the wellhead maintenance contract from PETRONAS.

Products & Services

The products and services division registered a lower revenue of approximately RM33.62 million in the current quarter as compared to the preceding year quarter. The decrease in revenue is mainly due to completion of legacy contracts in the current quarter under review.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 30 September 2013, the Group recorded consolidated revenue of approximately RM62.99 million. This represents a decrease of approximately 23.0% as compared to RM81.81 million recorded in the preceding quarter ended 30 June 2013. In the current quarter under review, the Group recorded a net loss after tax of RM1.10 million as compared to a net profit after tax of RM6.67 million recorded in the preceding quarter ended 30 June 2013.

The decrease in revenue by approximately 23.0% is mainly due to completion of various engineering packages in the current quarter under review. The Group registered a loss after tax of RM1.10 million as compared to profit after tax of RM6.67 million registered in the preceding quarter ended 30 June 2013. This is mainly due to losses registered from completion of legacy engineering contracts in the current quarter under review.

Engineered Packages

Revenue for engineered packages recorded in the current quarter of approximately RM23.61 million is higher as compared to RM11.18 million registered in the preceding quarter ended 30 June 2013. The increase in revenue is due to completion of legacy contracts in the current quarter under review.

Maintenance Services

The maintenance services division recorded a lower revenue of RM5.76 million in the current quarter as compared to RM9.74 million recorded in the preceding quarter ended 30 June 2013. The lower revenue is mainly due to completion of the wellhead maintenance contract from PETRONAS.

Products & Services

The products and services division registered a revenue of RM33.62 million in the current quarter as compared to approximately RM60.89 million registered in the preceding quarter ended 30 June 2013. The decrease in revenue is mainly due to completion of legacy contracts in the current quarter under review.

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 in the near future.

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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 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000	Current Year Quarter 30/09/2013 RM'000	Preceding Year Corresponding Quarter 30/09/2012 RM'000
a. Income Tax Expenses	(151)	(754)	838	(334)
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	-	1,234	761	1,261
d. Total	(151)	480	1,599	927

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

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 allocation and status of the SIS Scheme is as follows:-

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B7 Bank Borrowings

	RM'000
a) <u>Secured short term borrowings</u>	
i) Hire purchase and lease payables	683
ii) Overdraft	966
Sub Total	1,649
a) <u>Secured long term borrowings</u>	
i) Hire purchase and lease payables	4,980
ii) Term loans	355
Sub Total	5,335
TOTAL BORROWINGS	6,984

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 quarter under review.

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B10 (Losses)/Earnings per share

	Quarter Ended		Period to Date Ended	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Net (loss)/profit attributable to ordinary shareholders (RM'000)				
Continuing operations	(2,136)	(7,081)	5,650	(21,875)
Discontinued operations	167	141	743	14,319
	(1,969)	(6,940)	6,393	(7,556)
Basic				
Total number of ordinary shares ('000)	333,350	293,310	333,350	293,310
Adjusted weighted average number of ordinary shares ('000)	306,747	290,603	296,377	290,274
	306,747	290,603	296,377	290,274
Basic (losses)/earnings per ordinary share (cent)				
Continuing operations	(0.70)	(2.44)	1.91	(7.54)
Discontinued operations	0.06	0.05	0.25	4.94
	(0.64)	(2.39)	2.16	(2.60)
Diluted				
Adjusted weighted average number of ordinary shares ('000)	306,747	290,603	296,377	290,274
SIS/ESOS:				
No of unissued shares ('000)#	42,569	-	42,569	-
WARRANTS:				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	-	-	-	-
Diluted weighted average number of ordinary shares ('000)	314,423	290,603	304,053	290,274
Diluted (losses)/earnings per ordinary share (cent)				
Continuing operations	(0.68)	(2.44)	1.85	(7.54)
Discontinued operations	0.05	0.05	0.25	4.94
	(0.63)	(2.39)	2.10	(2.60)

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 of the Group as at 30 September 2013 and 30 September 2012 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows :-

	As at 30 September 2013 RM'000	As at 30 September 2012 RM'000
Total accumulated losses of the Group :		
- Realised	(47,670)	(52,659)
- Unrealised	-	1,518
	<hr/>	<hr/>
Total Group accumulated losses as per consolidated accounts	(47,670)	(51,141)