

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The Fourth Quarter Ended 31 December 2013

	Individual Period		Cumulative Year	
	Current Year Quarter 31/12/2013 RM'000	Preceding Year Corresponding Quarter 31/12/2012 RM'000	Current Year Quarter 31/12/2013 RM'000	Preceding Year Corresponding Quarter 31/12/2012 RM'000
Revenue from continuing operations	93,015	59,012	327,835	263,707
Revenue from discontinued operations	19	183	998	83,391
Profit/(Loss) before taxation from continuing operations	3,083	(7,014)	12,739	(25,718)
Profit before taxation from discontinued operations	6,173	8,570	6,916	24,131
Net profit/(loss) for the year	5,233	(3,695)	14,033	(9,007)
Profit/(Loss) attributable to ordinary equity holders of the Company	4,517	(4,029)	10,910	(11,585)
Basic earnings/(losses) per ordinary share (cent)				
- Continuing operations	(0.47)	(2.45)	1.29	(9.98)
- Discontinued operations	1.75	1.06	2.23	5.99
	1.28	(1.39)	3.52	(3.99)
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)	0.50	0.53

Remarks:

The calculation of basic earnings/(losses) per ordinary share for both the current quarter and year-to-date ended 31 December 2013 is based on the weighted average number of ordinary shares of 351,324,224 and 309,872,510 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2013 RM'000	Preceding Year Corresponding Quarter 31/12/2012 RM'000	Current Year Quarter 31/12/2013 RM'000	Preceding Year Corresponding Quarter 31/12/2012 RM'000
Interest income				
- Continuing operations	1,003	673	3,426	2,003
- Discontinued operations	-	-	-	20
Interest expense				
- Continuing operations	(1,325)	1,170	738	4,646
- Discontinued operations	755	-	755	17,846
Depreciation and amortisation of assets				
- Continuing operations	7,459	1,539	25,907	9,338
- Discontinued operations	-	-	-	17,133
Loss/(Gain) on disposal of property, plant and equipment				
- Continuing operations	(32)	2,635	(47)	2,423
- Discontinued operations	-	(156)	-	(282)
Loss on disposal of associate company				
- Continuing operations	235	-	235	-
Provision for and write off of receivables				
- Continuing operations	3,068	4,530	1,992	4,432
- Discontinued operations	-	-	-	(113)
Revaluation deficit				
- Continuing operations	-	-	-	12,664
Net effect on winding up of subsidiary company				
- Continuing operations	-	2,914	-	2,914
Loss on disposal of subsidiary company				
- Discontinued operations	-	-	-	5,479
Gain on redemption of short term investment				
- Continuing operations	121	-	121	-

NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 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 year ended 31 December 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

On 20 November 2012, 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. of SIS Options Granted up to 31 Dec 2015	No. of SIS exercised as at 31 December 2013	Cancelled	No. of SIS Options Outstanding as at 31 December 2013	Date of expiry Of SIS Scheme
45,018,000	8,403,800	370,000	36,244,200	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 31 December 2013	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	174,740	36,820	116,275	327,835
Segment results	18,578	(4,609)	4,363	18,332
Finance cost				(1,493)
Share of loss from associate				(4,100)
Profit before taxation from continuing operations				12,739
Taxation				(5,608)
Net profit from continuing operations				7,131
Net profit from discontinued operations				6,902
Net profit for the year				14,033

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Citech UK Ltd.	(47)
Citech Energy Recovery Systems UK Limited	6,949
	6,902

Cumulative as at 31 December 2012	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	178,798	58,041	26,868	263,707
Segment results	(28,514)	2,300	5,462	(20,752)
Finance cost				(4,646)
Share of loss from associate				(320)
Loss before taxation from continuing operations				(25,718)
Taxation				(699)
Net loss from continuing operations				(26,417)
Net profit from discontinued operations				17,410
Net loss for the year				(9,007)

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	11,658
Tanjung Citech UK Ltd.	2,025
Citech Energy Recovery Systems UK Limited	3,727
	17,410

A8 Events After the Interim Period

No events after the interim period were recorded during the period under review.

A9 Changes in the Composition of the Group

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 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.

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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.

On 10 October 2013, we have disposed off our 20% equity holding in Gendor MOPU Producer Limited as part of our business rationalization exercise.

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 followings tables provides the total amount of transactions which have been entered into with related parties during the year ended 31 December 2013 and 31 December 2012 as well as balances with related parties as of 31 December 2013 and 31 December 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	8,068	28,981	2,441	-
2012	11,388	205,206	1,887	52,293

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 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 December 2013, the Group recorded consolidated revenue of approximately RM93.01 million. This represents an increase of approximately 57.62% as compared to RM59.01 million recorded in the corresponding year quarter ended 31 December 2012. In the current quarter under review, the Group recorded a net profit after tax of approximately RM4.52 million as compared to a net loss after tax of RM4.02 million recorded in the preceding year quarter ended 31 December 2012.

The increase in revenue by 57.62% was mainly due to additional contracts from the the engineering packages secured during the quarter under review. Net profit after tax was higher by more than 100% as compared to the preceding year quarter due to streamlining of costs which resulted in higher profitability margins in our operations.

Engineered Packages

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore equipment packages of RM55.26 million was significantly higher as compared to revenue registered in the preceding year quarter. This is mainly due to additional engineering packages secured and commissioned during the quarter under review.

Maintenance Services

The maintenance services division registered a lower revenue of RM9.20 million in the current quarter as compared to the preceding year quarter. The reduction in revenue from the maintenance division is mainly due to the completion of the wellhead maintenance contract from PETRONAS in the second half of FYE 2013.

Products & Services

The products and services division registered a higher revenue of approximately RM28.55 million in the current quarter as compared to the preceding year quarter. The increase in revenue is mainly due to additional contracts secured for the provision of spares and parts as well as manpower services during the current quarter under review.

Full Year Basis

On a full year basis, the Group registered an overall revenue of RM327.84 million as compared to RM263.71 million registered in FYE 2012. This represents a higher revenue in FYE 2013 by approximately 64.13 million or 24.32%. The overall increase in revenue is mainly due to additional engineering equipment packages secured from both local and overseas based oil majors. The net profit for the year of RM10.91 million represents a more than 100% increase as compared to a net loss of RM11.58 million registered in FYE 2012. The turnaround in profitability is mainly due to the business rationalization exercise and the implementation and monitoring of cost reduction measures on a continuous basis.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 31 December 2013, the Group recorded consolidated revenue of approximately RM93.01 million. This represents an increase of approximately 47.67% as compared to RM62.99 million recorded in the preceding quarter ended 30 September 2013. In the current quarter under review, the Group recorded a net profit after tax of RM4.52 million as compared to a net loss after tax of RM1.97 million recorded in the preceding quarter ended 30 September 2013.

The increase in revenue by approximately 47.67% is mainly due to additional engineering equipment packages secured and commissioned during the quarter under review. The Group registered a net profit after tax of RM4.52 million in the current quarter as compared to a loss after tax of RM1.97 million registered in the preceding quarter ended 30 September 2013. The turnaround in profitability is mainly due to additional engineering equipment contracts secured and streamlining of costs in the execution of contracts during the quarter under review.

Engineered Packages

Revenue for engineered packages recorded in the current quarter of approximately RM55.26 million is higher as compared to RM23.60 million registered in the preceding quarter ended 30 September 2013. The increase in revenue is due to additional engineering equipment contracts secured during the current quarter under review.

Maintenance Services

The maintenance services division recorded higher revenue of RM9.20 million in the current quarter as compared to RM5.76 million recorded in the preceding quarter ended 30 September 2013. The higher revenue is mainly due to additional ad-hoc maintenance jobs secured during the quarter under review.

Products & Services

The products and services division registered lower revenue of RM28.55 million in the current quarter as compared to approximately RM33.62 million registered in the preceding quarter ended 30 September 2013. The decrease in revenue is mainly due to completion of certain 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 31/12/2013 RM'000	Preceding Year Corresponding Quarter 31/12/2012 RM'000	Current Year Quarter 31/12/2013 RM'000	Preceding Year Corresponding Quarter 31/12/2012 RM'000
a. Income Tax Expenses	200	832	200	499
b. Under provision in previous year	3,809	-	4,647	-
c. Deferred Tax Liabilities/(Assets)	-	(1,061)	761	200
d. Total	4,009	(229)	5,608	699

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

On 20 November 2012, 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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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>Secured short term borrowings</u>	
i) Hire purchase and lease payables	546
ii) Overdraft	2,765
Sub Total	3,311
a) <u>Secured long term borrowings</u>	
i) Hire purchase and lease payables	4,790
ii) Term loans	301
Sub Total	5,091
TOTAL BORROWINGS	8,402

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 Earnings/(Losses) per share

	Quarter Ended		Year to Date Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net profit/(loss) attributable to ordinary shareholders (RM'000)				
Continuing operations	(1,642)	(7,119)	4,008	(28,995)
Discontinued operations	6,159	3,090	6,902	17,410
	<u>4,517</u>	<u>(4,029)</u>	<u>10,910</u>	<u>(11,585)</u>
Basic				
Total number of ordinary shares ('000)	365,930	293,310	365,930	293,310
Adjusted weighted average number of ordinary shares ('000)	<u>351,324</u>	<u>290,833</u>	<u>309,873</u>	<u>290,414</u>
Basic earnings/(losses) per ordinary share (cent)				
Continuing operations	(0.47)	(2.45)	1.29	(9.98)
Discontinued operations	1.75	1.06	2.23	5.99
	<u>1.28</u>	<u>(1.39)</u>	<u>3.52</u>	<u>(3.99)</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	351,324	290,833	309,873	290,414
SIS/ESOS:				
No of unissued shares ('000)#	36,244	-	36,244	-
WARRANTS:				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	-	-	-	-
Diluted weighted average number of ordinary shares ('000)	358,803	290,833	317,351	290,414
Diluted earnings/(losses) per ordinary share (cent)				
Continuing operations	(0.46)	(2.45)	1.26	(9.98)
Discontinued operations	1.72	1.06	2.17	5.99
	<u>1.26</u>	<u>(1.39)</u>	<u>3.44</u>	<u>(3.99)</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 of the Group as at 31 December 2013 and 31 December 2012 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows :-

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Total accumulated losses of the Group :		
- Realised	(43,153)	(55,931)
- Unrealised	-	761
	<hr/>	<hr/>
Total Group accumulated losses as per consolidated accounts	(43,153)	(55,170)