

**NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 31 MARCH 2015**

**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 2014.

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 2014 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 31 March 2015.

**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 allocation and status of the Share Issuance Scheme as at 31 March 2015 are as follows:-

<b>No SIS Options Granted up to 31 March 2015</b>	<b>No of SIS exercised as at 31 March 2015</b>	<b>No of SIS cancelled as at 31 March 2015</b>	<b>No of SIS Options Outstanding as at 31 March 2015</b>	<b>Date of expiry Of SIS Scheme</b>
55,688,000	24,009,100	2,112,900	29,566,000	7 May 2016

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 March 2015	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	1,509	-	6,632	8,141
Segment results	(2,509)	-	920	(1,589)
Share of loss from joint venture				(123)
Finance cost				(25)
Loss before taxation				(1,737)
Taxation				(210)
Net loss from continuing operations				(1,947)
Net loss from discontinued operations				(18)
Net loss for the period				(1,965)

Net loss from discontinued operations comprise of:

	Total RM'000
Tanjung Citech UK Limited	(3)
Citech Energy Recovery Systems UK Limited	(15)
	(18)

Cumulative as at 31 March 2014	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	18,204	9,092	6,960	34,256
Segment results	1,701	(287)	921	2,335
Finance cost				(87)
Profit before taxation from continuing operations				2,248
Taxation				(302)
Net profit from continuing operations				1,946
Net profit from discontinued operations				149
Net profit for the period				2,095

Net profit from discontinued operations comprise of:

	Total RM'000
Citech Energy Recovery Systems UK Limited	149
	149

#### 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 27 October 2014, Tanjung announced that its wholly owned subsidiary, Tanjung Offshore Services Sdn Bhd (TOS), has entered into a Joint Venture Agreement with Drilltec Offshore Sdn Bhd for the purpose of incorporating a joint venture company to jointly undertake the business in the oil and gas industry for the purpose of marketing, managing, owning, operating, maintenance and repair, leasing, chartering of drilling rigs for the oil and gas industry in Malaysia and the provision of other integrated services to the oil and gas industry. On 2 January 2015, Tanjung Drilltec Sdn Bhd was incorporated for the aforesaid purposes.

Tanjung Drilltec is jointly owned by TOS and Drilltec Offshore Sdn. Bhd. with TOS and Drilltec hold 51 shares and 49 shares respectively in Tanjung Drilltec. The intended principal activity of Tanjung Drilltec is marketing, managing, owning, operating, maintenance and repair, leasing, chartering, of drilling rigs for oil and gas industry 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 followings table provides the total amount of transactions which have been entered into with related parties during the period ended 31 March 2015 and 31 March 2014 as well as balances with related parties as of 31 March 2015 and 31 March 2014.

	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Amount owing by related parties</b>	<b>Amount owing to related parties</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2015</b>	1,921	744	2,864	4,099
<b>2014</b>	2,604	967	580	10

**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 2015.

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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 2015, the Group recorded consolidated revenue of approximately RM8.14 million. This represents a decrease of approximately 76.2% as compared to RM34.26 million recorded in the corresponding year quarter ended 31 March 2014. In the current quarter under review, the Group recorded a net loss after tax of approximately RM1.97 million as compared to a net profit after tax of RM2.10 million registered in the preceding year quarter ended 31 March 2014.

The decrease in revenue by 76.2% was mainly due to completion of various projects in 2014 and cessation of maintenance division. There was also reduction in overall revenue recorded as most contracts are still at the bidding stages. In line with lower revenue registered in the current quarter, the Group registered a loss after tax of approximately RM1.97 million as compared to a net profit after tax of RM2.10 million registered in the preceding year quarter ended 31 March 2014.

Currently, the Group's operations are mainly driven by Gas Generators (M) Sdn Bhd ("Gastec") (provision of gas generation packages) and Tanjung Offshore Services Sdn Bhd (provision of agency products and equipment packages). The Group shall continue to seek new markets overseas and continue to seek to penetrate niche markets in the near term.

**Engineered Packages**

Revenue for the current quarter derived from the engineered packages division which consists of mainly gas generation packages and offshore equipment packages of RM6.63 million, which was slightly lower than preceding year quarter of RM6.96 million.

**Products & Services**

The products and services division registered lower revenue of approximately RM1.51 million in the current quarter as compared to the preceding year quarter of RM18.20 million. The decrease in revenue by more than 50.0% was mainly due to the completion of legacy contracts and most contracts were at the bidding stages.

**Maintenance Services**

The Group ceased the maintenance services division via the disposal of Tanjung Maintenance Services Sdn Bhd in year 2014.

**B2 Variance of Results Against Preceding Quarter**

For the current year quarter ended 31 March 2015, the Group recorded consolidated revenue of approximately RM8.14 million. This represents a drop of 58.2% as compared to RM19.49 million recorded in the preceding quarter ended 31 December 2014. In the current quarter under review, the Group recorded a net loss after tax of RM1.97 million as compared to a net profit after tax of RM0.69 million recorded in the preceding quarter ended 31 December 2014.

The drop in revenue was due to completed projects end of 4<sup>th</sup> quarter 2014. In line with lower revenue, the Group registered a loss after tax of RM1.97 million during the quarter under review.

**Engineered Packages**

The Group registered revenue of RM6.63 million in the current quarter which was approximately 19.8% lower than RM8.27 million registered in the preceding quarter ended 31 December 2014. The drop in revenue from this division was due to completion of gas generation contracts previous quarter.

**Products & Services**

The products and services division registered lower revenue of RM1.51 million in the current quarter as compared to RM11.45 million registered in the preceding quarter ended 31 December 2014. The drop in revenue was due to most contracts are currently still at bidding stages.

**Maintenance Services**

The Group ceased the maintenance services division via the disposal of Tanjung Maintenance Services Sdn Bhd during the year.

**B3 Current Year Prospects**

The Board of Directors of Tanjung recognizes the current decline in oil price, though we are of the view that the lower price levels are not sustainable in the long term. Looking ahead, we believe that a growing population and rising levels of prosperity will create strong demand and an increase in energy consumption. Tanjung Group is able to help meet the world's growing need for energy. We expect to commit significant improvements in both effectiveness and efficiency in the near-term and will continue to seek out technologies that allow us to keep costs low.

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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 Period Quarter 31/03/2015 RM'000	Preceding Period Corresponding Quarter 31/03/2014 RM'000	Current Period Quarter 31/03/2015 RM'000	Preceding Period Corresponding Quarter 31/03/2014 RM'000
a. Income Tax Expenses	210	302	210	302
b. Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	-	-	-	-
d. Total	210	302	210	302

**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 allocation and status of the Share Issuance Scheme as at 31 March 2015 are as follows:-

<b>No SIS Options Granted up to 31 March 2015</b>	<b>No of SIS exercised as at 31 March 2015</b>	<b>No of SIS cancelled as at 31 March 2015</b>	<b>No of SIS Options Outstanding as at 31 March 2015</b>	<b>Date of expiry Of SIS Scheme</b>
55,688,000	24,009,100	2,112,900	29,566,000	11 June 2017

Save as disclosed above, there were no corporate proposals announced but not completed as at the date of this announcement.

**B7 Bank Borrowings**

	<b>RM'000</b>
<b>a) <u>Secured short term borrowings</u></b>	
i) Hire purchase and lease payables	781
Sub Total	781
<b>a) <u>Secured long term borrowings</u></b>	
i) Hire purchase and lease payables	3,264
Sub Total	3,264
<b>TOTAL BORROWINGS</b>	<b>4,045</b>

**B8 Material Litigation/ Special Notice**

- (a) The Company has on 12 February 2015 received a Special Notice from shareholders of the Company, namely Tan Sri Datuk Tan Kean Soon, Datuk Dr Nik Norzrul Thani Bin N. Hassan Thani and Datin Norhafizah Binti Mohd Nordin, holding not less than one-tenth of the issued and paid-up capital of the Company, notifying of their intention pursuant to Section 128 and Section 153 of the Companies Act 1965 and the Articles of Association of the Company to propose an extraordinary general meeting (“EGM”) of the Company (pursuant to Section 145 of the Companies Act 1965) to be held on 27 March 2015 to remove the following directors:- George William Warren Jr, Dato’ Ab Wahab bin Haji Ibrahim and Shahrizal Hisham bin Abdul Halim.
- (b) The Company has on 12 March 2015, together with its three (3) independent directors (collectively as “**the Plaintiffs**”) commenced a civil action in the High Court of Malaya at Kuala Lumpur against seven (7) defendants for defamation. The Defendants are as follows:
1. Tan Sri Tan Kean Soon
  2. Datuk Dr Nik Norzrul Thani bin N. Hassan Thani
  3. Datin Norhafizah binti Mohd Nordin
  4. Datuk Rosman bin Hassan
  5. Datuk Norazman bin Hamidun
  6. Datuk Maheran binti Mohd Salleh
  7. Tan Sam Eng
- (collectively as “**the Defendants**”).

The Plaintiffs has subsequently withdrawn the aforesaid suit on 24 March 2015.

Save as disclosed above, 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	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
<b>Net (loss)/profit attributable to ordinary shareholders (RM'000)</b>				
Continuing operations	(1,947)	1,946	(1,947)	1,946
Discontinued operations	(18)	149	(18)	149
	<u>(1,965)</u>	<u>2,095</u>	<u>(1,965)</u>	<u>2,095</u>
<b>Basic</b>				
Total number of ordinary shares ('000)	381,535	368,362	381,535	368,362
Adjusted weighted average number of ordinary shares ('000)	<u>374,383</u>	<u>364,734</u>	<u>374,383</u>	<u>364,734</u>
	374,383	364,734	374,383	364,734
<b>Basic (losses)/earnings per ordinary share (cent)</b>				
Continuing operations	<b>(0.52)</b>	<b>0.53</b>	<b>(0.52)</b>	<b>0.53</b>
Discontinued operations	-	<b>0.04</b>	-	<b>0.04</b>
	<u><b>(0.52)</b></u>	<u><b>0.57</b></u>	<u><b>(0.52)</b></u>	<u><b>0.57</b></u>
<b>Diluted</b>				
Adjusted weighted average number of ordinary shares ('000)	374,383	364,734	374,383	364,734
<b>SIS:</b>				
No of unissued shares ('000)#	29,566	32,732	29,566	32,732
<b>WARRANTS:</b>				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	-	-	-	-
Diluted weighted average number of ordinary shares ('000)	376,056	367,709	376,056	367,709
<b>Diluted (losses)/earnings per ordinary share (cent)</b>				
Continuing operations	<b>(0.52)</b>	<b>0.52</b>	<b>(0.52)</b>	<b>0.52</b>
Discontinued operations	-	<b>0.04</b>	-	<b>0.04</b>
	<u><b>(0.52)</b></u>	<u><b>0.56</b></u>	<u><b>(0.52)</b></u>	<u><b>0.56</b></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 2014.

**B12 Realised and Unrealised Losses or Profits**

The breakdown of accumulated losses of the Group as at 31 March 2015 and 31 March 2014 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows:

	<b>As at 31 March 2015 RM'000</b>	<b>As at 31 March 2014 RM'000</b>
Total accumulated losses of the Group :		
- Realised	(43,881)	(41,059)
- Unrealised	-	-
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Total Group accumulated losses as per consolidated accounts	<u>(43,881)</u>	<u>(41,059)</u>