

**NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 31 MARCH 2014**

**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 2013.

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 2013 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 March 2014.

**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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---

**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 as at 31 March 2014 are as follows:-

<b>No SIS Options Granted up to 31 March 2014</b>	<b>No of SIS exercised as at 31 March 2014</b>	<b>No of SIS cancelled as at 31 March 2014</b>	<b>No of SIS Options Outstanding as at 31 March 2014</b>	<b>Date of expiry Of SIS Scheme</b>
45,018,000	10,835,700	1,450,800	32,731,500	7 May 2016

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:

<b>Cumulative as at 31 March 2014</b>	<b>Products and Services RM'000</b>	<b>Maintenance Services RM'000</b>	<b>Engineered Packages RM'000</b>	<b>Total RM'000</b>
Revenue	19,203	9,092	5,961	34,256
Segment results	2,612	(287)	10	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 year				2,095

Net profit from discontinued operations comprise of:

	<b>Total RM'000</b>
Citech Energy Recovery Systems UK Limited	149
	149

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)

**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 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.

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 Cendor 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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---

**A10 Capital Commitment**

On 21 March 2014, we have announced the acquisition of the entire equity in Wavenet Investments Ltd, which directly owns Sparkling Light Investments Ltd, the owner of the office building/property in the United Kingdom for a cash consideration of £7.0 million.

Save as disclosed above, there were no capital commitments 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 periods ended 31 March 2014 and 31 March 2013 as well as balances with related parties as of 31 March 2014 and 31 March 2013.

	<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>2014</b>	2,604	967	580	10
<b>2013</b>	678	10,214	3,678	14,371

**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 2014.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

**B ADDITIONAL INFORMATION REQUIRED UNDER LISTING REQUIREMENTS**

**B1 Variance of Results Against Preceding Year Quarter**

For the current year quarter ended 31 March 2014, the Group recorded consolidated revenue of approximately RM34.26 million. This represents a decrease of approximately 61.94% as compared to RM90.02 million recorded in the corresponding year quarter ended 31 March 2013. In the current quarter under review, the Group recorded a net profit after tax of approximately RM2.09 million which is 35.49% lower, as compared to a net profit after tax of RM3.24 million recorded in the preceding year quarter ended 31 March 2013.

The decrease in revenue by 61.94% is mainly due to completion of various engineering equipment packages during the quarter under review. In line with a lower revenue, the Group registered a lower profit after tax of RM2.09 million during the current quarter under review. Notwithstanding a lower revenue, the decrease in profitability margins are lower as we have streamlined our operating costs at all levels.

**Engineered Packages**

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore equipment packages of RM5.96 million was lower by 77.83% as compared to revenue registered in the preceding year quarter of RM26.89 million. This is mainly due to completion of various engineering equipment packages during the current quarter under review.

**Maintenance Services**

The maintenance services division registered a lower revenue of RM9.09 million in the current quarter as compared to the preceding year quarter of RM12.12 million. The decrease in revenue by 25% is mainly due to the completion of the long term wellhead maintenance contract in 2013.

**Products & Services**

The products and services division registered a lower revenue of approximately RM19.20 million in the current quarter as compared to the preceding year quarter of RM51.01 million. The decrease in revenue by 62.36% is mainly due to completion of previous contracts in the current quarter under review.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---

**B2 Variance of Results Against Preceding Quarter**

For the current year quarter ended 31 March 2014, the Group recorded consolidated revenue of approximately RM34.26 million. This represents a decrease of approximately 63.16% as compared to RM93.01 million recorded in the preceding quarter ended 31 December 2013. In the current quarter under review, the Group recorded a net profit after tax of approximately RM2.10 million which is 53.54% lower as compared to a net profit after tax of RM4.52 million recorded in the preceding quarter ended 31 December 2013.

The decrease in revenue by approximately 63.16% is mainly due to completion of various engineering packages in the preceding quarter under review. The Group registered lower profit after tax due to lower revenue registered in the current quarter under review.

**Engineered Packages**

Revenue for engineered packages recorded in the current quarter of approximately RM5.96 million is lower as compared to the preceding quarter due to completion of various contracts in the preceding quarter.

**Maintenance Services**

The maintenance services division recorded a lower revenue of RM9.09 million in the current quarter as compared to the preceding quarter ended 31 December 2013 due to the completion of long term wellhead maintenance contract in 2013.

**Products & Services**

The products and services division registered a lower revenue of RM19.20 million in the current quarter as compared to the preceding quarter ended 31 December 2013. The decrease in revenue is mainly due to completion of various contracts in the preceding quarter.

**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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---



**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 31/03/2014 RM'000	Preceding Year Corresponding Quarter 31/03/2013 RM'000	Current Year Quarter 31/03/2014 RM'000	Preceding Year Corresponding Quarter 31/03/2013 RM'000
a. Income Tax Expenses	302	758	302	758
b. Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	-	761	-	761
d. Total	302	1,519	302	1,519

**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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---

**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 as at 31 March 2014 are as follows:-

<b>No SIS Options Granted up to 31 March 2014</b>	<b>No of SIS exercised as at 31 March 2014</b>	<b>No of SIS cancelled as at 31 March 2014</b>	<b>No of SIS Options Outstanding as at 31 March 2014</b>	<b>Date of expiry Of SIS Scheme</b>
45,018,000	10,835,700	1,450,800	32,731,500	7 May 2016

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 other corporate proposal in the current quarter under review.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---

**B7 Bank Borrowings**

	<b>RM'000</b>
<b>a) <u>Secured short term borrowings</u></b>	
i) Hire purchase and lease payables	373
ii) Overdraft	1,341
Sub Total	1,714
<b>a) <u>Secured long term borrowings</u></b>	
i) Hire purchase and lease payables	4,589
ii) Term loans	279
Sub Total	4,868
<b>TOTAL BORROWINGS</b>	<b>6,582</b>

**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.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---

**B10 Earnings per share**

	Quarter Ended		Period to Date Ended	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
<b>Net profit attributable to ordinary shareholders (RM'000)</b>				
Continuing operations	1,946	2,743	1,946	2,743
Discontinued operations	149	(109)	149	(109)
	<b>2,095</b>	<b>2,634</b>	<b>2,095</b>	<b>2,634</b>
<b>Basic</b>				
Total number of ordinary shares ('000)	368,362	293,310	368,362	293,310
Adjusted weighted average number of ordinary shares ('000)	364,734	290,833	364,734	290,833
	<b>364,734</b>	<b>290,833</b>	<b>364,734</b>	<b>290,833</b>
<b>Basic earnings per ordinary share (cent)</b>				
Continuing operations	<b>0.53</b>	<b>0.95</b>	<b>0.53</b>	<b>0.95</b>
Discontinued operations	<b>0.04</b>	<b>(0.04)</b>	<b>0.04</b>	<b>(0.04)</b>
	<b>0.57</b>	<b>0.91</b>	<b>0.57</b>	<b>0.91</b>
<b>Diluted</b>				
Adjusted weighted average number of ordinary shares ('000)	364,734	290,833	364,734	290,833
<b>SIS/ESOS:</b>				
No of unissued shares ('000)#	32,732	-	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)	367,709	290,833	367,709	290,833
<b>Diluted earnings per ordinary share (cent)</b>				
Continuing operations	<b>0.52</b>	<b>0.95</b>	<b>0.52</b>	<b>0.95</b>
Discontinued operations	<b>0.04</b>	<b>(0.04)</b>	<b>0.04</b>	<b>(0.04)</b>
	<b>0.56</b>	<b>0.91</b>	<b>0.56</b>	<b>0.91</b>

# 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 2013.

**B12 Realised and Unrealised Losses or Profits**

The breakdown of accumulated losses of the Group as at 31 March 2014 and 31 March 2013 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows:

	<b>As at 31 March 2014 RM'000</b>	<b>As at 31 March 2013 RM'000</b>
Total accumulated losses of the Group :		
- Realised	(41,059)	(51,429)
- Unrealised	-	-
	<hr/>	<hr/>
Total Group accumulated losses as per consolidated accounts	<u>(41,059)</u>	<u>(51,429)</u>

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK
---