

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The Second Quarter Ended 30 June 2012

	Individual Period		Cumulative Period	
	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000
Revenue	64,351	140,434	130,696	202,749
Loss before taxation from continuing operations	(11,332)	(3,499)	(12,313)	(9,767)
Profit before taxation from discontinued operations	6,835	11,185	14,178	14,839
Net (Loss)/Profit for the period	(4,737)	7,538	1,418	4,433
(Loss)/Profit attributable to ordinary equity holders of the Parent	(6,048)	7,136	(616)	3,849
Basic earnings/(losses) per ordinary share (cent)				
Continuing operations	(4.44)	(1.40)	(5.10)	(3.80)
Discontinued operations	2.36	3.87	4.89	5.13
	(2.08)	2.47	(0.21)	1.33
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)	1.00	1.08

Remarks:

The calculation of basic earnings per ordinary share for both the current quarter and year-to-date ended 30 June 2012 is based on the weighted average number of ordinary shares of 290,143,381 and 290,108,881 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000
Interest income	91	75	93	247
Amortisation of intangible assets	56	256	119	354
Interest expense	8,034	8,427	17,272	16,743
Depreciation of property, plant and equipment	16,198	10,235	19,451	20,592
Gain on disposal of property, plant and equipment	-	25	3	115
Provision for and write off of receivables	-	-	167	-
Revaluation deficit	9,766	-	9,766	-

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NOTES TO THE QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2012

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 2011. The financial statements of the Group as at and for the year ended 31 December 2011 were prepared in accordance with Financial Reporting Standards ("FRS").

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 30 June 2012.

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") was implemented on 2 August 2005. As at 30 June 2012, the details of the ESOS options outstanding for the period under review are as follows:-

No Options Granted up to 30 June 2012	Exercised	Cancelled	No of Options Outstanding as at 30 June 2012	Date of expiry
24,876,390	19,622,490	1,270,400	3,983,500	1 August 2015

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:

Cummulative as at 30 June 2012	Marine	-----Non-Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	-	110,551	20,145	-	130,696
Segment results					(9,750)
Finance cost					(2,672)
Share of profit from associate					109
Loss before taxation from continuing operations					(12,313)
Taxation					(447)
Net loss from continuing operations					(12,760)
Net profit from discontinued operations					14,178
Net profit for the period					1,418

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	14,668
Tanjung Citech UK Ltd.	(135)
Citech Energy Recovery Systems UK Limited	(355)
	14,178

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Cumulative as at 30 June 2011	Marine	-----Non-Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	54,828	46,906	32,686	68,329	202,749
Segment results					(5,144)
Finance cost					(8,017)
Share of profit from associate					3,394
Loss before taxation from continuing operations					(9,767)
Taxation					(639)
Net loss from continuing operations					(10,406)
Net profit from discontinued operations					14,839
Net loss for the period					4,433

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	18,763
Tanjung Citech UK Ltd.	(416)
Citech Energy Recovery Systems UK Limited	(3,508)
	14,839

A8 Events After the Interim Period

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.

Save as disclosed above, 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 10 February 2012, 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:

	Period Ended 30 June 2012 RM'000	Period Ended 30 June 2011 RM'000
Revenue	73,531	80,945
Profit before taxation	15,242	15,539
Taxation	(1,064)	(700)
Profit for the period from discontinued operation	14,178	14,839

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The major classes of assets and liabilities classified as held for sale and discontinued operations as at 30 June 2012 are as follows:

	RM'000
Assets	
Property, plant and equipments	713,880
Deferred tax assets	3,928
Inventories	8,667
Trade and other receivables	4,160
Cash and bank balances	16,644
	<hr/>
	747,279
Liabilities	
Trade and other payables	91,091
Hire purchase and finance lease payables	114
Provision for taxation	94
Term loan	227,146
Syndicated Term Financing Facility	214,198
	<hr/>
	532,643
	<hr/>
Net assets attributable to discontinued operations and held for sale	214,636

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, 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 periods ended 30 June 2012 and 30 June 2011 as well as balances with related parties as of 30 June 2012 and 30 June 2011.

	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
2012	-	*16,936	-	524
2011	885	*26,991	885	6,639

Note *: Transactions between Tanjung and Cendor MOPU Producer Limited, a 20% owned associate company of Tanjung.

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 June 2012.

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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 June 2012, the Group recorded consolidated revenue of RM64.35 million. This represents a reduction of approximately 54.18% as compared to RM140.43 million recorded in the corresponding year quarter ended 30 June 2011. In the current quarter under review, the Group recorded a net loss after tax of RM4.74 million as compared to a net profit of RM7.54 million recorded in the preceding year quarter ended 30 June 2011. The reduction in revenue by 54.18% is mainly due to the loss of revenue from waste heat recovery units with the closure of Citech Energy Recovery Systems (CERS) and expiry of the drilling contract in mid FYE 2011. The loss after tax of RM4.74 million registered in the current quarter as compared to a profit after tax of RM7.54 million registered in the preceding year quarter ended 30 June 2011, is mainly due to the recognition of provisions for expenses in relation to the demerger exercise of Tanjung Kapal Services Sdn Bhd (TKS) and cessation of business costs of CERS in the United Kingdom.

Engineered Packages, Products & Services

The engineered packages, products & services division which consists of mainly packaged engineering equipment, gas generators and agency businesses registered total revenue of RM55.38 million during the quarter under review as compared to RM125.59 million registered in the preceding year quarter ended 30 June 2011. The decrease in revenue by more than 100% is mainly due to loss of revenue from waste heat recovery units with the closure of CERS and the expiry of the agency drilling contract in mid FYE 2011.

Maintenance Services

The maintenance services division registered a revenue of approximately RM9.0 million in the current quarter as compared to RM14.84 million in the quarter ended 30 June 2011. The reduction in revenue by approximately 40% is mainly due to the completion of various short term maintenance contracts in FYE 2012.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 30 June 2012, the Group recorded consolidated revenue of approximately RM64.35 million. This represents a reduction of approximately 3% as compared to RM66.34 million recorded in the preceding quarter ended 31 March 2012. In the current quarter under review, the Group recorded a net loss after tax of RM4.74 million as compared to a net profit of RM5.43 million recorded in the preceding quarter ended 31 March 2012. The reduction in revenue is mainly due to the completion of certain engineering equipment packages in the current quarter while the loss after tax of RM4.74 million registered in the current quarter, is mainly due to the recognition of provisions for expenses in relation to the demerger exercise of TKS and cessation of business costs of CERS.

Engineered Packages, Products & Services

The engineered packages, products & services division which consists of mainly packaged engineering equipment, gas generators and agency businesses registered total revenue of RM55.38 million during the quarter under review which is slightly higher by 0.40% as compared to RM55.16 million registered in the preceding quarter ended 31 March 2012. The slight increase in revenue is mainly due to additional gas generator packages secured during the current quarter under review.

Maintenance Services

The maintenance services division registered a revenue of approximately RM9.0 million in the current quarter as compared to RM11.18 million in the preceding quarter ended 31 March 2012. The reduction in revenue by approximately 19.50% is mainly due to the completion of various short term maintenance contracts in FYE 2012.

B3 Current Year Prospects

The Board of Directors of Tanjung is cautiously optimistic of the prospects of oil and gas industry in Malaysia and the region as the market remains fragmented and competitive. We have implemented our business rationalisation exercise in the past six (6) months with the aim of reducing our overall costs and registering a turnaround in our profitability in the near term. We shall continue to seek strategic growth within niche markets within the industry in the long term.

We shall continue to enhance our services to the oil majors in their exploration, development of new oilfields, upgrade and maintenance of the existing and new offshore platforms, in particular various development programmes spearheaded by the national oil company, PETRONAS.

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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 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000	Current Year Quarter 30/06/2012 RM'000	Preceding Year Corresponding Quarter 30/06/2011 RM'000
a. Income Tax Expenses	245	153	420	648
b. (Over)/Under provision in previous year	-		-	
c. Deferred Tax Liabilities / (Assets)	(5)	(5)	27	(9)
d. Total	240	148	447	639

Note: The Group's tax rate is lower than that of the statutory tax rate. This is mainly due to the utilisation of capital allowances of newly completed vessels.

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B6 Status of Corporate Proposal

The Employee Share Options Scheme ("ESOS Scheme") was implemented on 2 August 2005. As at 30 June 2012, the details of the ESOS options outstanding for the period under review are as follows:-

No Options Granted up to 30 June 2012	Exercised	Cancelled	No of Options Outstanding as at 30 June 2012	Date of expiry
24,876,390	19,622,490	1,270,400	3,983,500	1 August 2015

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 that it intends to distribute an amount 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). We are in the midst of executing the Proposed Distribution and relevant announcements on this Proposal will be made in due course.

It was announced that E-Cap intends to undertake the proposed 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. We and KBE are in the midst of executing this proposal and relevant announcements will be made 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	1,221
ii) Overdraft	29,107
iii) Revolving credit/Trade facility	34,782
Sub Total	65,110
b) <u>Long term borrowings</u>	
i) Hire purchase & lease payables	2,089
ii) Term loans	812
Sub Total	2,901
TOTAL BORROWINGS	68,011

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 financial quarter under review.

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B10 Earnings per share

	Quarter Ended		Year to Date Ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
Net (loss)/profit attributable to ordinary shareholders (RM'000)				
Continuing operations	(12,883)	(4,049)	(14,794)	(10,990)
Discontinued operations	6,835	11,185	14,178	14,839
	(6,048)	7,136	(616)	3,849
Basic				
Total number of ordinary shares ('000)	292,621	291,940	292,621	291,940
Adjusted weighted average number of ordinary shares ('000)	290,143	289,461	290,109	289,429
	290,143	289,461	290,109	289,429
Basic earnings/(losses) per ordinary share (cent)				
Continuing operations	(4.44)	(1.40)	(5.10)	(3.80)
Discontinued operations	2.36	3.87	4.89	5.13
	(2.08)	2.47	(0.21)	1.33
Diluted				
Adjusted weighted average number of ordinary shares ('000)	290,143	289,461	290,109	289,429
ESOS:				
No of unissued shares ('000)#	310	1,911	310	1,911
WARRANTS:				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	-	-	-	-
Diluted weighted average number of ordinary shares ('000)	290,164	289,905	290,130	289,873
Diluted earnings/(losses) per ordinary share (cent)				
Continuing operations	(4.44)	(1.40)	(5.10)	(3.79)
Discontinued operations	2.35	3.86	4.88	5.11
	(2.09)	2.46	(0.22)	1.32

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 2011.

B12 Realised and Unrealised Profits or Losses

The breakdown of retained profits of the Group as at 30 June 2012 and 30 June 2011 divided into realised and unrealised profits are as disclosed, pursuant to the directive, is as follows :-

	As at 30 June 2012 RM'000	As at 30 June 2011 RM'000
Total retained profits of the Group :-		
- Realised	17,249	69,281
- Unrealised	<u>5,484</u>	<u>7,672</u>
Total Group retained profits as per consolidated accounts	<u>22,733</u>	<u>76,953</u>

B13 Limited Review by External Auditors

The quarterly financial accounts and the accompanying notes have been reviewed by the external auditors, Messrs. AljeffriDean.