

NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 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 30 September 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.

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A5 Issues of Debt & Equity Securities

The allocation and status of the Share Issuance Scheme as at 30 September 2014 are as follows:-

No SIS Options Granted up to 30 September 2014	No of SIS exercised as at 30 September 2014	No of SIS cancelled as at 30 September 2014	No of SIS Options Outstanding as at 30 September 2014	Date of expiry Of SIS Scheme
55,688,000	16,896,900	1,495,800	37,295,300	7 May 2016

On 5 June 2014, AFFIN Investment Bank Berhad (“AFFIN Investment”) has announced on our behalf, that Tanjung Offshore Berhad (“Tanjung”) has entered into two (2) heads of agreements (“HOAs”) the details of which are as follows:

(i) a heads of agreement with:

(a) Farid Khan Bin Kaim Khan (“FK”) and his business partners;

(b) Mower Tunggal Jaya PT, Megagold Indonesia PT and Zona Maju Mapan PT (collectively referred to as the “BNI Shareholders”) and their business partners; and

(c) Bourbon Far East Pte Ltd;

(collectively referred to as the “Vendor Group”) in relation to the proposed acquisition of the marine offshore businesses (“HOA 1”); and

(ii) a heads of agreement with FK, the BNI Shareholders and their respective business partners in relation to the proposed subscription of Mudharabah Redeemable Preference Shares (“MRPS”) to be issued by Bahtera Niaga Internasional PT (“BNI”) which will allow Tanjung to participate in the net profits and dividend cash flows of the vessel assets and subsidiary/associate interests of BNI (“HOA 2”). (collectively referred to as the “Proposed Acquisition”).

Pursuant to the HOAs, Tanjung and the Vendor Group have agreed to negotiate exclusively in good faith the detailed terms and conditions of the Proposals (as announced on 5 June 2014) with the intention to finalise and enter into the relevant definitive agreements within three (3) months from the date of the HOAs or such other period as the parties may mutually agree upon.

On 3 September 2014, Tanjung announced that the exclusivity period for the HOAs are extended for another 1 month from 5 September 2014 (being the expiry of the exclusivity period of the HOAs) to 5 October 2014 to enable the parties to the HOAs to continue to discuss the details of the Proposed Acquisition.

On 3 October 2014, Tanjung announced that the abovementioned exclusivity period for the HOAs are to be extended from 5 October 2014 to 30 June 2015 to facilitate the physical inspection and valuation exercise of the vessels to be acquired by Tanjung and the due diligence exercise.

As at todate, Tanjung and the Vendor Group are both undertaking due diligence exercises prior to finalising any agreements or structure of the aforesaid Proposed Acquisition. Upon completion of the due diligence exercises, relevant announcements shall 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.

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 2014	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	38,331	24,201	25,189	87,721
Segment results	555	(90)	1,358	1,823
Finance cost				(538)
Profit before taxation from continuing operations				1,285
Taxation				(1,122)
Net profit from continuing operations				163
Net profit from discontinued operations				206
Net profit for the year				369

Net profit from discontinued operations comprise of:

	Total RM'000
Citech Energy Recovery Systems UK Limited	206
	206

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

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

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 2 May 2014, we have incorporated Tanjung HMS Petroleum Sdn Bhd for the potential oilfield development and provision of support services to the oil and gas industry within the region.

On 1 August 2014, we have also incorporated Fircroft Tanjung Sdn Bhd, a joint venture company with Fircroft Engineering Services Limited for the provision of manpower services to the oil and gas and petrochemical industries in Malaysia.

On 29 August 2014, Tanjung announced the disposal of the entire share capital of its subsidiary, Tanjung Maintenance Services Sdn Bhd (TMS) to En Zulkifli bin Ahmad and En Syed Elyas bin Syed Abdillah, via a Management Buyout for a total consideration of RM9.0 million.

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.

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

There is 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 30 September 2014 and 30 September 2013 as well as balances with related parties as of 30 September 2014 and 30 September 2013.

	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
2014	-	-	9	-
2013	7,329	26,679	4,867	6,275

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 2014.

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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 2014, the Group recorded consolidated revenue of approximately RM18.92 million. This represents a decrease of approximately 69.96% as compared to RM62.99 million recorded in the corresponding year quarter ended 30 September 2013. In the current quarter under review, the Group recorded a net loss after tax of approximately RM0.51 million as compared to a net loss after tax of RM1.10 million registered in the preceding year quarter ended 30 September 2013.

The decrease in revenue by 69.96% is mainly due to completion of various engineering equipment packages in the quarter ended 30 June 2014. There were certain contracts that have not reached the necessary milestones for billings hence the reduction in revenue. The lower revenue registered in the current quarter has resulted in the Group registering a net loss after tax of RM0.51 million as compared to a net loss after tax of RM1.10 million in the preceding year quarter ended 30 September 2013.

Engineered Packages

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore equipment packages of RM5.78 million was lower by 75.52% as compared to revenue registered in the preceding year quarter of RM23.61 million. This is mainly due to completion of various engineering equipment packages during the quarter ended 30 June 2014.

Maintenance Services

The maintenance services division registered higher revenue of RM6.53 million in the current quarter as compared to the preceding year quarter of RM5.76 million. The increase in revenue by 13.37% is mainly due to the additional maintenance contracts secured during the quarter under review.

Products & Services

The products and services division registered a lower revenue of approximately RM6.60 million in the current quarter as compared to the preceding year quarter of RM33.62 million. The decrease in revenue by approximately 80.37% is mainly due to certain contracts that have not reached the necessary milestones for billings hence the reduction in revenue.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 30 September 2014, the Group recorded consolidated revenue of approximately RM18.92 million. This represents a decrease of approximately 45.24% as compared to RM34.55 million recorded in the preceding quarter ended 30 June 2014. In the current quarter under review, the Group recorded a net loss after tax of approximately RM0.51 million as compared to a net loss after tax of RM1.21 million recorded in the preceding quarter ended 30 June 2014.

The decrease in revenue is mainly due to completion of various engineering packages and products and services contracts in the previous quarter. There were certain contracts that have not reached the necessary milestones for billings hence the reduction in revenue. The reduction in revenue has resulted in a loss after tax of RM0.51 million in the current quarter.

Engineered Packages

The Group registered revenue of RM5.79 million in the current quarter and it is approximately 57% lower as compared to revenue of RM13.44 million registered in the preceding quarter ended 30 June 2014. The reduction in revenue is mainly due to certain contracts that have not reached the necessary milestones for billings.

Maintenance Services

The maintenance services division recorded lower revenue of RM6.53 million in the current quarter as compared to RM8.58 million registered in the preceding quarter ended 30 June 2014. The reduction in revenue by approximately 24% is mainly due to the completion of certain maintenance contracts in the preceding quarter under review.

Products & Services

The products and services division registered lower revenue of RM6.60 million in the current quarter as compared to RM12.52 million registered in the preceding quarter ended 30 June 2014. The decrease in revenue by 47.29% is mainly due to completion of various contracts in the preceding quarter.

B3 Current Year Prospects

In view of the volatility of oil prices, the Board of Directors of Tanjung is cautiously 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 new areas of investments and niche markets within the industry for growth with better product offerings 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 30/09/2014 RM'000	Preceding Year Corresponding Quarter 30/09/2013 RM'000	Current Year Quarter 30/09/2014 RM'000	Preceding Year Corresponding Quarter 30/09/2013 RM'000
a. Income Tax Expenses	456	(151)	1,122	838
b. Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	-	-	-	761
d. Total	456	(151)	1,122	1,599

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 30 September 2014 are as follows:-

No SIS Options Granted up to 30 September 2014	No of SIS exercised as at 30 September 2014	No of SIS cancelled as at 30 September 2014	No of SIS Options Outstanding as at 30 September 2014	Date of expiry Of SIS Scheme
55,688,000	16,896,900	1,495,800	37,295,300	7 May 2016

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As at todate, Tanjung and the Vendor Group are both undertaking due diligence exercises prior to finalising any agreements or structure of the aforesaid Proposed Acquisition. Upon completion of the due diligence exercises, relevant announcements shall 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.

B7 Bank Borrowings

	RM'000
a) <u>Secured short term borrowings</u>	
i) Hire purchase and lease payables	780
Sub Total	780
a) <u>Secured long term borrowings</u>	
i) Hire purchase and lease payables	3,599
Sub Total	3,599
TOTAL BORROWINGS	4,379

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	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Net (loss)/profit attributable to ordinary shareholders (RM'000)				
Continuing operations	(510)	(2,136)	163	5,650
Discontinued operations	(3)	167	206	743
	<u>(513)</u>	<u>(1,969)</u>	<u>369</u>	<u>6,393</u>
Basic				
Total number of ordinary shares ('000)	374,423	333,350	374,423	333,350
Adjusted weighted average number of ordinary shares ('000)	<u>371,926</u>	<u>306,747</u>	<u>367,808</u>	<u>296,377</u>
	371,926	306,747	367,808	296,377
Basic (losses)/earnings per ordinary share (cent)				
Continuing operations	(0.14)	(0.70)	0.04	1.91
Discontinued operations	0.00	0.06	0.06	0.25
	<u>(0.14)</u>	<u>(0.64)</u>	<u>0.10</u>	<u>2.16</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	371,926	306,747	367,808	296,377
SIS/ESOS:				
No of unissued shares ('000)#	37,295	42,569	37,295	42,569
WARRANTS:				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diluted weighted average number of ordinary shares ('000)	375,922	314,423	371,804	304,053
Diluted (losses)/earnings per ordinary share (cent)				
Continuing operations	(0.13)	(0.68)	0.04	1.85
Discontinued operations	0.00	0.05	0.05	0.25
	<u>(0.13)</u>	<u>(0.63)</u>	<u>0.09</u>	<u>2.10</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 2013.

B12 Realised and Unrealised Losses or Profits

The breakdown of accumulated losses of the Group as at 30 September 2014 and 30 September 2013 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows:

	As at 30 September 2014 RM'000	As at 30 September 2013 RM'000
Total accumulated losses of the Group :		
- Realised	(42,785)	(47,670)
- Unrealised	-	-
	<hr/>	<hr/>
Total Group accumulated losses as per consolidated accounts	(42,785)	(47,670)