

Tanjung Offshore Berhad
Company No: 662315-U

Interim Financial Report For The Fourth Quarter Ended 31 December 2012

	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000
Revenue from continuing operations	57,033	55,321	261,728	334,438
Revenue from discontinued operations	183	41,866	83,391	164,085
Loss before taxation from continuing operations	(7,013)	(33,087)	(25,717)	(56,168)
Profit/(Loss) before taxation from discontinued operations	3,092	(24,715)	18,653	4,471
Net Loss for the year	(3,692)	(58,548)	(9,006)	(54,356)
Loss attributable to ordinary equity holders of the Parent	(4,027)	(58,815)	(11,585)	(55,395)
Basic losses per ordinary share (cent)				
- Continuing operations	(2.44)	(11.50)	(9.98)	(19.94)
- Discontinued operations	1.06	(8.80)	5.99	0.80
	(1.38)	(20.30)	(3.99)	(19.14)
Proposed/Declared Dividend per share (sen)	44.00	0.00	44.00	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 Parent (RM)	0.53	1.08

Remarks:

The calculation of basic earnings per ordinary share for both the current quarter and year-to-date ended 31 December 2012 is based on the weighted average number of ordinary shares of 290,833,198 and 290,413,535 respectively.

Additional Information

	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000
Interest income				
- Continuing operations	668	219	1,998	582
- Discontinued operations	-	4	20	46
Interest expense				
- Continuing operations	1,164	2,182	4,640	12,164
- Discontinued operations	-	7,361	17,846	23,504
Depreciation and amortisation of assets				
- Continuing operations	1,539	2,945	9,338	13,296
- Discontinued operations	-	10,463	17,133	31,234
Loss/(Gain) on disposal of property, plant and equipment				
- Continuing operations	2,635	1,137	2,423	1,239
- Discontinued operations	(156)	1,026	(282)	1,026
Loss on disposal of associate				
- Continuing operations	-	-	-	4,714
Provision for and write off of receivables				
- Continuing operations	4,530	8,563	4,432	10,502
- Discontinued operations	-	6,447	(113)	6,447
Revaluation deficit				
- Continuing operations	-	-	12,664	-
Net effect on winding up of subsidiary company				
- Continuing operations	2,914	-	2,914	-
Inventories written off				
- Discontinued operations	-	335	-	335
Provision for warranty				
- Discontinued operations	-	7,541	-	7,541
Goodwill written off				
- Discontinued operations	-	1,624	-	1,624

NOTES TO THE QUARTERLY REPORT FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 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 31 December 2012, the details of the ESOS options outstanding for the year under review are as follows:-

No Options Granted up to 31 December 2012	Exercised	Cancelled	No of Options Outstanding as at 31 December 2012	Date of expiry
24,876,390	19,711,490	1,270,400	3,894,500	1 August 2015

On 20 November 2012, Tanjung had announced the termination of the abovementioned ESOS Scheme and established 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 ESOS Committee shall determine the allocation of options under the SIS Scheme 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

Save for the special dividend of RM0.44 per share which was paid on 18 September 2012, 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:

Cumulative as at 31 December 2012	Marine	-----Non-Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages/ Products and Services RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	-	203,687	58,041	-	261,728
Segment results	-	(23,051)	2,300	-	(20,751)
Finance cost					(4,646)
Share of profit from associate					(320)
Loss before taxation from continuing operations					(25,717)
Taxation					(700)
Net loss from continuing operations					(26,417)
Net profit from discontinued operations					17,411
Net loss for the period					(9,006)

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	3,728
	17,411

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Tanjung Offshore Berhad**

Cumulative as at 31 December 2011	Marine	-----Non-Marine Division-----			Total RM'000
	Offshore Support Vessels Services RM'000	Engineered Packages/ Products and Services RM'000	Maintenance Services RM'000	Drilling and Platform Services RM'000	
Revenue	14,940	181,909	40,989	96,600	334,438
Segment results	(1,913)	(39,597)	2,639	(8,998)	(47,869)
Finance cost					(12,164)
Share of profit from associate					3,865
Loss before taxation from continuing operations					(56,168)
Taxation					(510)
Net loss from continuing operations					(56,678)
Net profit from discontinued operations					2,322
Net loss for the period					(54,356)

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Kapal Services Sdn. Bhd.	34,296
Tanjung Citech UK Ltd.	(2,290)
Citech Energy Recovery Systems UK Limited	(29,684)
	2,322

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

Cessation of business of Citech Energy Recovery Systems UK Limited

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:

	Year Ended 31 December 2012 RM'000	Year Ended 31 December 2011 RM'000
Revenue	83,391	164,085
Profit/(Loss) before taxation	24,131	4,471
Taxation	(1,242)	(2,149)
Profit for the period from discontinued operations	22,889	2,322
Loss on disposal of discontinued operation	(5,478)	-
Profit for the financial year	17,411	2,322

The major classes of assets and liabilities classified as held for sale and discontinued operations as at 31 December 2012 are as follows:

	RM'000
Assets	
Inventories	3,534
Trade and other receivables	1,813
Cash and bank balances	<u>2,673</u>
	<u>8,020</u>
Liabilities	
Trade and other payables	<u>17,649</u>
	<u>17,649</u>
Net liabilities attributable to discontinued operations and held for sale	<u><u>(9,629)</u></u>

Winding up of PT Tanjung Offshore Nusantara (PTTON)

The highly fragmented and competitive market in Indonesia has affected the business of PTTON in recent years. As part of Tanjung's rationalization plan, the Board of Directors of Tanjung has decided to wind-up the business of PTTON and focus on its businesses 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

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 year ended 31 December 2012 and 31 December 2011 as well as balances with related parties as of 31 December 2012 and 31 December 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	11,388	205,206	1,887	52,293
2011	1,730	195,158	926	131,605

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 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 31 December 2012, the Group recorded consolidated revenue of approximately RM57.03 million. This represents an increase of 3.09% as compared to RM55.32 million recorded in the corresponding year quarter ended 31 December 2011. In the current quarter under review, the Group recorded a net loss after tax of RM3.69 million as compared to a net loss after tax of RM58.55 million recorded in the preceding year quarter ended 31 December 2011.

The increase in revenue by 3.09% is mainly due to the completion of existing engineering equipment contracts. Notwithstanding the higher revenue registered in the current quarter, the Group registered a lower loss after tax of RM3.69 million in the current quarter. This is mainly due to improvements in operational profitability in all segments as part of the rationalization plan undertaken in early 2012. The turnaround in operational profits are offset by one off losses from closure/winding up of subsidiaries which include Citech Energy Recovery Systems UK Limited (Citech) in the United Kingdom, PT Tanjung Offshore Nusantara in Indonesia and disposal of Tanjung Kapal Services Sdn Bhd.

Engineered Packages, Products & Services

Revenue for the engineered packages, products & services division which consists of mainly packaged engineering equipment, gas generators and agency businesses is slightly higher in the current quarter as compared to the previous year quarter ended 31 December 2011. The slight higher in revenue is mainly due to completion of existing engineering equipment in the current and previous quarter.

Maintenance Services

The maintenance services division registered higher revenue in the current quarter due to the extension of wellhead maintenance contracts awarded by oil majors. This has resulted in higher profitability levels for this division for the current quarter under review.

Full Year basis

On a full year basis, the Group registered an overall revenue of RM261.73 million as compared to RM334.44 million registered in FYE 2011. This represents a lower revenue of approximately RM72.71 or 21.74%. The reduction in revenue is mainly due to the completion of engineering equipment packages and the loss in revenue from Citech due to the cessation of its business operations in the UK.

The Group registered a loss after tax of RM9.0 million during the financial year ended 31 December 2012 as compared to a loss after tax of RM54.36 million in FYE 2011. The reduced losses by more than 100% is mainly due to the turnaround in the operational profitability of the three (3) core businesses of Tanjung which include the provision of engineering equipment packages, maintenance services and agency products and services.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 31 December 2012, the Group recorded consolidated revenue of approximately RM57.03 million. This represents a decrease in revenue by approximately 23.0% as compared to RM73.99 million recorded in the preceding quarter ended 30 September 2012. In the current quarter under review, the Group recorded a net loss after tax of RM3.69 million as compared to a net loss after tax of approximately RM6.73 million recorded in the preceding quarter ended 30 September 2012. Notwithstanding the reduction in revenue mainly due to completion of existing engineering equipment contracts, the Group registered a lower loss after tax in the current quarter due to improvements in operational profitability in all segments as part of the rationalization plan undertaken in early 2012.

Engineered Packages, Products & Services

Revenue for the engineered packages, products & services division which consists of mainly packaged engineering equipment, gas generators and agency businesses is slightly lower in the current quarter as compared to the previous quarter ended 30 September 2012. The slight reduction in revenue is mainly due to completion of existing engineering equipment in the current and previous quarter.

Maintenance Services

The maintenance services division registered higher revenue in the current quarter due to the extension of wellhead maintenance contracts awarded by oil majors. This has resulted in higher profitability levels for this division for the current quarter under review.

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 throughout FYE 2012 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 FYE 2013.

We will 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 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000	Current Year Quarter 31/12/2012 RM'000	Preceding Year Corresponding Quarter 31/12/2011 RM'000
a. Income Tax Expenses	832	253	500	882
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	(1,061)	(282)	200	(372)
d. Total	(229)	(29)	700	510

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 31 December 2012, the details of the ESOS options outstanding for the period under review are as follows:-

No Options Granted up to 31 December 2012	Exercised	Cancelled	No of Options Outstanding as at 31 December 2012	Date of expiry
24,876,390	19,711,490	1,270,400	3,894,500	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 the distribution 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). The special dividend distribution was completed on 18 September 2012.

E-Cap also announced an 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. The aforesaid exercise was completed on 20 September 2012.

On 20 November 2012, Tanjung had announced the termination of the abovementioned ESOS Scheme and established 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 ESOS Committee shall determine the allocation of options under the SIS Scheme 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	618
ii) Overdraft	19,331
iii) Revolving credit/Trade facility	32,484
Sub Total	52,433
b) <u>Long term borrowings</u>	
i) Hire purchase & lease payables	1,428
ii) Term loans	637
Sub Total	2,065
TOTAL BORROWINGS	54,498

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

Save for the special dividend of RM0.44 per share which was paid on 18 September 2012, 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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Net loss attributable to ordinary shareholders (RM'000)				
Continuing operations	(7,119)	(33,325)	(28,996)	(57,717)
Discontinued operations	3,092	(25,490)	17,411	2,322
	<u>(4,027)</u>	<u>(58,815)</u>	<u>(11,585)</u>	<u>(55,395)</u>
Basic				
Total number of ordinary shares ('000)	293,310	292,552	293,310	292,552
Adjusted weighted average number of ordinary shares ('000)	<u>290,833</u>	<u>289,667</u>	<u>290,414</u>	<u>289,497</u>
Basic losses per ordinary share (cent)				
Continuing operations	(2.44)	(11.50)	(9.98)	(19.94)
Discontinued operations	1.06	(8.80)	5.99	0.80
	<u>(1.38)</u>	<u>(20.30)</u>	<u>(3.99)</u>	<u>(19.14)</u>
Diluted				
Adjusted weighted average number of ordinary shares ('000)	290,833	289,667	290,414	289,497
ESOS:				
No of unissued shares ('000)#	-	379	-	379
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)	290,833	289,707	290,414	289,536
Diluted losses per ordinary share (cent)				
Continuing operations	(2.44)	(11.49)	(9.98)	(19.93)
Discontinued operations	1.06	(8.79)	5.99	0.79
	<u>(1.38)</u>	<u>(20.28)</u>	<u>(3.99)</u>	<u>(19.14)</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 2011.

B12 Realised and Unrealised Profits or Losses

The breakdown of retained profits of the Group as at 31 December 2012 and 31 December 2011 divided into realised and unrealised profits are as disclosed, pursuant to the directive, is as follows :-

	As at 31 December 2012 RM'000	As at 31 December 2011 RM'000
Total retained (losses)/profits of the Group :-		
- Realised	(55,930)	14,069
- Unrealised	761	6,537
	<hr/>	<hr/>
Total Group retained (losses)/profits as per consolidated accounts	(55,169)	20,606
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