

**Tanjung Offshore Berhad**  
**Company No: 662315-U**

**Interim Financial Report For The Second Quarter Ended 30 June 2013**

	Individual Period		Cumulative Period	
	Current Year Quarter 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000	Current Year Quarter 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000
Revenue from continuing operations	81,813	64,351	171,833	130,698
Revenue from discontinued operations	836	41,292	836	73,531
Profit/(Loss) before taxation from continuing operations	6,210	(11,333)	11,077	(12,311)
Profit before taxation from discontinued operations	685	7,362	576	15,242
Net profit/(loss) for the year	6,664	(4,739)	9,903	1,420
Profit/(Loss) attributable to ordinary equity holders of the Company	5,728	(6,050)	8,362	(614)
Basic earnings/(losses) per ordinary share (cent)				
- Continuing operations	1.73	(4.44)	2.67	(5.10)
- Discontinued operations	0.23	2.36	0.20	4.89
	1.96	(2.08)	2.87	(0.21)
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)	0.56	0.53

Remarks:

The calculation of basic earnings/(losses) per ordinary share for both the current quarter and period-to-date ended 30 June 2013 is based on the weighted average number of ordinary shares of 291,553,725 and 291,193,461 respectively.

**Additional Information**

	Individual Period		Cumulative Period	
	Current Year Quarter 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000	Current Year Quarter 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000
Interest income				
- Continuing operations	764	77	1,703	79
- Discontinued operations	-	14	-	14
Interest expense				
- Continuing operations	596	517	1,285	2,672
- Discontinued operations	-	8,166	-	15,249
Depreciation and amortisation of assets				
- Continuing operations	1,771	2,653	6,369	5,969
- Discontinued operations	-	7,317	-	14,267
Gain on disposal of property, plant and equipment				
- Continuing operations	-	-	-	3
Allowance for and write off of receivables				
- Continuing operations	-	-	-	167
Allowance for doubtful debts written back				
- Continuing operations	1,477	-	1,477	-
Revaluation deficit				
- Continuing operations	-	9,766	-	9,766

**NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2013**

**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 2012.

**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 2013.

**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”) which was implemented on 2 August 2005 was terminated on 20 November 2012. Concurrently, 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 SIS Committee shall determine the allocation of options under the SIS Scheme in due course.

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 to third party investor(s) to be identified and at an issue price to be determined later and in accordance with Section 132D of the Companies Act 1965. The issue price of the placement shares shall be determined and fixed by Tanjung after receiving the relevant approvals for the Private Placement and after taking into consideration, inter alia, prevailing market conditions and the provisions on pricing under Paragraph 6.04(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) (“MMLR”), in the following manner:

- (i) Placement Shares are not priced at more than ten percent (10%) discount to the volume weighted average price (“**VWAP**”) of the Shares for the five (5) market days immediately preceding the Price Fixing Date; or
- (ii) Placement Shares are priced at par value of the Shares of RM0.50 Share whichever is higher.

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).

On 20 August 2013, we have received approval for the Private Placement exercise from Bursa Securities and we are in the midst of implementing the Private Placement exercise.

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 June 2013	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	112,570	21,855	37,408	171,833
Segment results	11,855	550	114	12,519
Finance cost				(1,285)
Share of loss from associate				(157)
Profit before taxation from continuing operations				11,077
Taxation				(1,750)
Net profit from continuing operations				9,327
Net profit from discontinued operations				576
Net profit for the period				9,903

Net profit from discontinued operations comprise of:

	Total RM'000
Tanjung Citech UK Ltd.	(19)
Citech Energy Recovery Systems UK Limited	595
	576

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Tanjung Offshore Berhad**

<b>Cumulative as at 30 June 2012</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	89,988	20,145	20,565	130,698
Segment results	(16,232)	174	6,310	(9,748)
Finance cost				(2,672)
Share of profit from associate				109
Loss before taxation from continuing operations				(12,311)
Taxation				(447)
Net loss from continuing operations				(12,758)
Net profit from discontinued operations				14,178
Net profit for the period				1,420

Net profit from discontinued operations comprise of:

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

**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 Offshore Berhad (“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 £10,000,000.00 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:

	<b>Period Ended 30 June 2013 RM’000</b>	<b>Period Ended 30 June 2012 RM’000</b>
Revenue	836	73,531
Profit before taxation	576	15,242
Taxation	-	(1,064)
Profit for the period from discontinued operations	576	14,178

The major classes of assets and liabilities classified as discontinued operations as at 30 June 2013 are as follows:

	<b>RM'000</b>
<b>Assets</b>	
Inventories	1,485
Trade and other receivables	2,928
Cash and bank balances	<u>115</u>
	<u>4,528</u>
<b>Liabilities</b>	
Trade and other payables	<u>16,717</u>
	<u>16,717</u>
<b>Net liabilities attributable to discontinued operations</b>	<u><u>(12,189)</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 in 2012 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**

There were 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 period ended 30 June 2013 and 30 June 2012 as well as balances with related parties as of 30 June 2013 and 30 June 2012.

	<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>2013</b>	6,106	20,569	4,320	6,982
<b>2012</b>	-	16,936	-	524

**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 2013.

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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 2013, the Group recorded consolidated revenue of approximately RM81.81 million. This represents an increase of 27.13% as compared to RM64.35 million recorded in the corresponding year quarter ended 30 June 2012. In the current quarter under review, the Group recorded a net profit after tax of approximately RM5.73 million as compared to a net loss after tax of RM6.05 million recorded in the preceding year quarter ended 31 March 2012.

The increase in revenue by 27.13% is mainly due to additional engineering packages contracts secured from oil majors in the region. The Group registered a turnaround in profitability of approximately RM5.73 million in the current quarter due to its engineering and products and services division as compared to losses registered in the corresponding year quarter on the back of higher revenue and reduction in overall operating costs in the current quarter.

**Engineered Packages**

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore platform equipment packages of approximately RM11.20 million, was slightly higher as compared to revenue of approximately RM10.90 million registered in the preceding year quarter. This is mainly due to additional contracts secured from oil majors domestically and internationally.

**Maintenance Services**

The maintenance services division also registered slightly higher revenue of RM12.12 million in the current quarter as compared to RM11.18 million in the preceding year quarter. The slight increase in revenue is due to the extension of wellhead maintenance contract from PETRONAS.

**Products & Services**

The products and services division registered a revenue of RM9.74 million in the current quarter as compared to approximately RM11.0 million registered in the preceding year quarter. The decrease in revenue is mainly due to completion of certain maintenance contracts in the current quarter under review.

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**B2 Variance of Results Against Preceding Quarter**

For the current year quarter ended 30 June 2013, the Group recorded consolidated revenue of approximately RM81.81 million. This represents a decrease of 9.12% as compared to RM90.02 million recorded in the preceding quarter ended 31 March 2012. In the current quarter under review, the Group recorded a net profit after tax of RM5.73 million as compared to a net profit after tax of RM2.63 million recorded in the preceding quarter ended 31 March 2013.

The decrease in revenue by 9.12% is mainly due to completion of certain engineering packages contracts in the current quarter under review. The Group also registered a higher profit after tax of RM5.73 million as compared to profit after tax of RM2.63 million registered in the preceding quarter ended 31 March 2013. This is mainly due to a reduction in overall operating costs in the current quarter.

**Engineered Packages**

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore platform equipment packages of approximately RM10.52 million mainly due to additional contracts secured from oil majors domestically and internationally.

**Maintenance Services**

The maintenance services division also registered slightly higher revenue of RM12.12 million in the current quarter as compared to RM11.18 million in the preceding year quarter. The slight increase in revenue is due to the extension of wellhead maintenance contract from PETRONAS.

**Products & Services**

The products and services division registered a revenue of RM9.74 million in the current quarter as compared to approximately RM11.0 million registered in the preceding year quarter. The decrease in revenue is mainly due to completion of certain maintenance contracts in the current quarter under review.

**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. With the completion of our business rationalisation exercise in FYE 2012 we aim to enhance our revenue and profitability in the near term.

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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 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000	Current Year Quarter 30/06/2013 RM'000	Preceding Year Corresponding Quarter 30/06/2012 RM'000
a. Income Tax Expenses	(530)	246	989	420
b. (Over)/Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	761	(5)	761	27
d. Total	231	241	1,750	447

**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**

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.

The Employee Share Options Scheme ("ESOS Scheme") which was implemented on 2 August 2005 was terminated on 20 November 2012. Concurrently, 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 SIS Committee shall determine the allocation of options under the SIS Scheme in due course.

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 to third party investor(s) to be identified and at an issue price to be determined later and in accordance with Section 132D of the Companies Act 1965. The issue price of the placement shares shall be determined and fixed by Tanjung after receiving the relevant approvals for the Private Placement and after taking into consideration, inter alia, prevailing market conditions and the provisions on pricing under Paragraph 6.04(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) ("MMLR"), in the following manner:

- (i) Placement Shares are not priced at more than ten percent (10%) discount to the volume weighted average price ("VWAP") of the Shares for the five (5) market days immediately preceding the Price Fixing Date; or
- (ii) Placement Shares are priced at par value of the Shares of RM0.50 Share whichever is higher.

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).

On 20 August 2013, we have received approval for the Private Placement exercise from Bursa Securities and we are in the midst of implementing the Private Placement exercise.

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**

	<b>RM'000</b>
<b>a) <u>Short term borrowings</u></b>	
i) Hire purchase & lease payables	1,099
ii) Overdraft	3,839
iii) Revolving credit/Trade facility	6,664
Sub Total	11,602
<b>b) <u>Long term borrowings</u></b>	
i) Hire purchase & lease payables	5,151
ii) Term loans	455
Sub Total	5,606
<b>TOTAL BORROWINGS</b>	<b>17,208</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**

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 quarter under review.

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**B10 Earnings/(Losses) per share**

	Quarter Ended		Period to Date Ended	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
<b>Net profit/(loss) attributable to ordinary shareholders (RM'000)</b>				
Continuing operations	5,043	(12,885)	7,786	(14,792)
Discontinued operations	685	6,835	576	14,178
	<b>5,728</b>	<b>(6,050)</b>	<b>8,362</b>	<b>(614)</b>
<b>Basic</b>				
Total number of ordinary shares ('000)	295,472	292,621	295,472	292,621
Adjusted weighted average number of ordinary shares ('000)	291,554	290,143	291,193	290,109
	<b>291,554</b>	<b>290,143</b>	<b>291,193</b>	<b>290,109</b>
<b>Basic earnings/(losses) per ordinary share (cent)</b>				
Continuing operations	<b>1.73</b>	<b>(4.44)</b>	<b>2.67</b>	<b>(5.10)</b>
Discontinued operations	<b>0.23</b>	<b>2.36</b>	<b>0.20</b>	<b>4.89</b>
	<b>1.96</b>	<b>(2.08)</b>	<b>2.87</b>	<b>(0.21)</b>
<b>Diluted</b>				
Adjusted weighted average number of ordinary shares ('000)	291,554	290,143	291,193	290,109
<b>ESOS:</b>				
No of unissued shares ('000)#	-	310	-	310
<b>WARRANTS:</b>				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	-	-	-	-
Diluted weighted average number of ordinary shares ('000)	291,554	290,164	291,193	290,130
<b>Diluted earnings/(losses) per ordinary share (cent)</b>				
Continuing operations	<b>1.73</b>	<b>(4.43)</b>	<b>2.67</b>	<b>(5.09)</b>
Discontinued operations	<b>0.23</b>	<b>2.35</b>	<b>0.20</b>	<b>4.88</b>
	<b>1.96</b>	<b>(2.08)</b>	<b>2.87</b>	<b>(0.21)</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 2012.



**B12 Realised and Unrealised Losses or Profits**

The breakdown of accumulated (losses)/profits of the Group as at 30 June 2013 and 30 June 2012 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows :-

	<b>As at 30 June 2013 RM'000</b>	<b>As at 30 June 2012 RM'000</b>
Total accumulated (losses)/profits of the Group :		
- Realised	(45,701)	21,179
- Unrealised	-	1,556
	<hr/>	<hr/>
Total Group accumulated (losses)/profits as per consolidated accounts	(45,701)	22,735
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