

NOTES TO THE QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 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 period ended 30 June 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 June 2014 are as follows:-

No SIS Options Granted up to 30 June 2014	No of SIS exercised as at 30 June 2014	No of SIS cancelled as at 30 June 2014	No of SIS Options Outstanding as at 30 June 2014	Date of expiry Of SIS Scheme
55,688,000	16,836,900	1,495,800	37,355,300	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.

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.

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 June 2014	Products and Services RM'000	Maintenance Services RM'000	Engineered Packages RM'000	Total RM'000
Revenue	31,727	17,676	19,402	68,805
Segment results	1,715	(692)	554	1,577
Finance cost				(238)
Profit before taxation from continuing operations				1,339
Taxation				(666)
Net profit from continuing operations				673
Net profit from discontinued operations				209
Net profit for the year				882

Net profit from discontinued operations comprise of:

	Total RM'000
Citech Energy Recovery Systems UK Limited	209
	209

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

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.

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.

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 registered in the current quarter under review.

A11 Related Party Transactions

The following table provides the total amount of transactions which have been entered into with related parties during the periods ended 30 June 2014 and 30 June 2013 as well as balances with related parties as of 30 June 2014 and 30 June 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	6,106	20,569	4,320	6,982

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 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 June 2014, the Group recorded consolidated revenue of approximately RM34.55 million. This represents a decrease of approximately 58.0% as compared to RM81.81 million recorded in the corresponding year quarter ended 30 June 2013. The decrease in revenue is mainly due to completion of various engineering equipment contracts in early part of this year.

As a result of the reduction in revenue in the current quarter under review, the Group recorded a net loss after tax of approximately RM1.21 million as compared to a net profit after tax of RM6.67 million recorded in the preceding year quarter ended 30 June 2014. The loss after tax registered in the current quarter is mainly due to the reduction in revenue from the Products and Services division where the bulk of the contracts were completed in the early part of this year.

Engineered Packages

Revenue for the engineered packages division which consists of mainly gas generation packages and offshore equipment packages of RM13.44 million was higher as compared to RM10.52 million registered in the preceding year quarter. This is mainly due to additional contracts secured from international markets during the quarter under review.

Maintenance Services

The maintenance services division registered a slightly lower revenue of RM8.58 million in the current quarter as compared to the preceding year quarter of RM9.74 million. The decrease in revenue generated from the maintenance services are mainly due to the completion of long term maintenance contracts in 2013.

Products & Services

The products and services division registered a lower revenue of approximately RM12.52 million in the current quarter as compared to the preceding year quarter of RM61.56 million. The decrease in revenue by approximately 80% is mainly due to the completion of previous contracts in the preceding year quarter.

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B2 Variance of Results Against Preceding Quarter

For the current year quarter ended 30 June 2014, the Group recorded consolidated revenue of approximately RM34.55 million. This represents a slight increase as compared to RM34.27 million recorded in the preceding quarter ended 31 March 2014. In the current quarter under review, the Group recorded a net loss after tax of approximately RM1.21 million as compared to a net profit after tax of approximately RM2.10 million recorded in the preceding quarter ended 31 March 2014.

Overall revenue registered in the current quarter remained at similar levels as compared to the preceding quarter. The loss after tax of RM1.21 million registered in the current quarter is mainly due to the reduction in revenue of the Products and Services division due to completion of various contracts in the early part of this year.

Engineered Packages

Revenue for engineered packages recorded in the current quarter of approximately RM13.44 million is higher by more 125% as compared to RM5.97 million registered in the preceding quarter. This is mainly due to additional overseas contracts secured in the current quarter under review.

Maintenance Services

The maintenance services division recorded slightly lower revenue of RM8.59 million in the current quarter as compared to the preceding quarter of RM9.09 million. This is due to the completion of ad-hoc maintenance contracts registered in the preceding quarter.

Products & Services

The products and services division registered a lower revenue of RM12.52 million in the current quarter as compared to the preceding quarter of RM19.20 million. The decrease in revenue is mainly due to completion of various Products & Services contracts in the early part of this year.

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.

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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 30/06/2014 RM'000	Preceding Year Corresponding Quarter 30/06/2013 RM'000	Current Year Quarter 30/06/2014 RM'000	Preceding Year Corresponding Quarter 30/06/2013 RM'000
a. Income Tax Expenses	364	(530)	666	989
b. Under provision in previous year	-	-	-	-
c. Deferred Tax Liabilities/(Assets)	-	761	-	761
d. Total	364	231	666	1,750

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 June 2014 are as follows:-

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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 other corporate proposal in the current quarter under review.

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B7 Bank Borrowings

	RM'000
a) <u>Secured short term borrowings</u>	
i) Hire purchase and lease payables	915
ii) Overdraft	2,052
Sub Total	2,967
a) <u>Secured long term borrowings</u>	
i) Hire purchase and lease payables	3,761
ii) Term loans	256
Sub Total	4,017
TOTAL BORROWINGS	6,984

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 Earnings per share

	Quarter Ended		Period to Date Ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Net profit attributable to ordinary shareholders (RM'000)				
Continuing operations	(1,273)	5,043	673	7,786
Discontinued operations	60	685	209	576
	(1,213)	5,728	882	8,362
Basic				
Total number of ordinary shares ('000)	374,363	295,472	374,363	295,472
Adjusted weighted average number of ordinary shares ('000)	368,175	291,554	366,454	291,193
	368,175	291,554	366,454	291,193
Basic earnings per ordinary share (cent)				
Continuing operations	(0.35)	1.73	0.18	2.67
Discontinued operations	0.02	0.23	0.06	0.20
	(0.33)	1.96	0.24	2.87
Diluted				
Adjusted weighted average number of ordinary shares ('000)	368,175	291,554	366,454	291,193
SIS/ESOS:				
No of unissued shares ('000)#	37,355	-	37,355	-
WARRANTS:				
No of unexercised warrant A ('000)#	-	-	-	-
No of unexercised warrant B ('000)#	-	-	-	-
	-	-	-	-
Diluted weighted average number of ordinary shares ('000)	373,873	291,554	372,153	291,193
Diluted earnings per ordinary share (cent)				
Continuing operations	(0.34)	1.73	0.17	2.67
Discontinued operations	0.02	0.23	0.06	0.20
	(0.32)	1.96	0.23	2.87

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 June 2014 and 30 June 2013 divided into realised and unrealised losses or profits are as disclosed, pursuant to the directive, is as follows:

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Total accumulated losses of the Group :		
- Realised	(42,272)	(45,701)
- Unrealised	-	-
	<hr/>	<hr/>
Total Group accumulated losses as per consolidated accounts	<u>(42,272)</u>	<u>(45,701)</u>