E.A. Technique

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E.A. TECHNIQUE (M) BERHAD

PROSPECTUS

PROSPECTUS

E.A. Technique

E.A. TECHNIQUE (M) BERHAD

(Company No. 256516-W)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING ("**IPO**") OF 129,000,000 ORDINARY SHARES OF RM0.25 EACH IN E.A. TECHNIQUE ("**SHARE(S)**") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED AND PAID-UP ORDINARY SHARE CAPITAL OF E.A. TECHNIQUE ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-

(A) A PUBLIC ISSUE OF 114,000,000 NEW SHARES ("**ISSUE SHARE(S)**") IN THE FOLLOWING MANNER:-

(I) 25,200,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC AT AN ISSUE PRICE OF RM0.65 PER ISSUE SHARE ("**IPO PRICE**"), PAYABLE IN FULL UPON APPLICATION;

(II) 78,800,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS AT THE IPO PRICE, PAYABLE IN FULL UPON APPLICATION; AND

(III) 10,000,000 ISSUE SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES OF E.A. TECHNIQUE AND ITS SUBSIDIARY AT THE IPO PRICE, PAYABLE IN FULL UPON APPLICATION;

(B) AN OFFER FOR SALE OF 15,000,000 EXISTING SHARES, MADE AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS AT THE IPO PRICE, PAYABLE IN FULL UPON APPLICATION.-

Principal Adviser, Underwriter and Placement Agent

RHB

RHB Investment Bank Berhad

(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH INVESTORS SHOULD CONSIDER, SEE "**RISK FACTORS**" IN SECTION 4 OF THIS PROSPECTUS.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

THIS PROSPECTUS IS DATED 24 NOVEMBER 2014

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, THE PROMOTERS AND THE SELLING SHAREHOLDERS HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

RHB INVESTMENT BANK BERHAD ("**RHB INVESTMENT BANK**"), AS OUR PRINCIPAL ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("**IPO**").

IMPORTANT NOTICE

THE SECURITIES COMMISSION MALAYSIA ("**SC**") HAS APPROVED OUR IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION EXPRESSED OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US. THE SC ALSO TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO AND THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS.**

OUR COMPANY HAS OBTAINED THE APPROVAL FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID-UP ORDINARY SHARES OF RM0.25 EACH IN OUR COMPANY ("**SHARE(S)**"). ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE IPO, OUR COMPANY OR OUR SHARES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES OF MALAYSIA, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

OTHER STATEMENTS

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKET AND SERVICES ACT, 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING OUR IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS PROSPECTUS IS NOT INTENDED TO BE ISSUED, CIRCULATED OR DISTRIBUTED, AND OUR IPO WILL NOT BE MADE IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA OR TO PERSONS WHO ARE SUBJECT TO THE LAWS OF ANY COUNTRY OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. OUR IPO TO WHICH THIS PROSPECTUS RELATES IS ONLY AVAILABLE TO PERSONS RECEIVING THIS PROSPECTUS ELECTRONICALLY OR OTHERWISE WITHIN MALAYSIA. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER OR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE OR PURCHASE, ANY SECURITIES UNDER OUR IPO IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF OUR IPO SHARES (AS DEFINED HEREIN) IN CERTAIN JURISDICTION MAY BE RESTRICTED BY LAW. PERSONS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

WE WILL NOT MAKE OR BE BOUND TO MAKE ANY ENQUIRY BEFORE ANY ACCEPTANCE IN RESPECT OF OUR IPO AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA. WE WILL NOT ACCEPT ANY LIABILITY WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION WITH IT. IT IS YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/ OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER OUR IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OR JURISDICTIONS OF MALAYSIA.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR OUR SHARES WOULD BE IN COMPLIANCE WITH THE TERMS OF OUR IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED TO. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THIS IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA CONNECTED TO IT.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION, TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR OUR IPO IN MALAYSIA UNDER THE LAWS OF MALAYSIA. OUR SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION, WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

ELECTRONIC PROSPECTUS

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES WEBSITE AT www.bursamalaysia.com.

THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS SO REGISTERED IS AVAILABLE FROM THE WEBSITES OF MALAYAN BANKING BERHAD AT www.maybank2u.com.my, CIMB INVESTMENT BANK BERHAD AT www.eipocimb.com, CIMB BANK BERHAD AT www.cimbclicks.com.my, AFFIN BANK BERHAD AT www.affinonline.com, AFFIN HWANG INVESTMENT BANK BERHAD AT trade.affinhwang.com, PUBLIC BANK BERHAD AT www.pbebank.com AND RHB BANK BERHAD AT www.rhb.com.my.

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURE MEDIUM AND THAT YOUR INTERNET SHARE APPLICATION (AS DEFINED HEREIN) IS SUBJECT TO THE RISKS OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS (AS DEFINED HEREIN). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF YOU DOUBT THE VALIDITY OR THE INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US OR THE ISSUING HOUSE, A PAPER/ PRINTED COPY OF THE PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/ PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/ PRINTED COPY OF THIS PROSPECTUS WHICH ARE IDENTICAL TO THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC SHALL PREVAIL. THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER PRINTED COPY.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

I. WE AND OUR PRINCIPAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

II. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE AND OUR PRINCIPAL ADVISER ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

III. ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

I. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SUBSEQUENTLY, COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES.

II. WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/ OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Events	Tentative Dates
Issuance of this Prospectus / Opening of application for the IPO Shares	24 November 2014
Closing of the application for the IPO Shares	1 December 2014
Balloting of applications for the Issue Shares	3 December 2014
Allotment of the IPO Shares to successful applicants	9 December 2014
Listing date	11 December 2014

Note:-

This timetable is tentative and is subject to changes which may be necessary to facilitate implementation procedures. The application period for the IPO will close at the date stated above or such later date as our Directors, Promoters and Selling Shareholders together with our Underwriter in their absolute discretion may mutually decide.

In the event the closing date of application is extended, we will advertise a notice of the extension in a widely circulated English and Bahasa Malaysia newspaper prior to the original closing date of the application. Following this, the dates for the balloting of applications for the IPO Shares, allotment of the IPO Shares and listing would be extended accordingly.

DEFINITIONS

The following terms in this Prospectus bear the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:-

"Act"	:	Companies Act, 1965, as amended from time to time
"AAGR"	:	Average annual growth rate
"ADA(s)"	:	Authorised Depository Agent(s)
"AGM"	:	Annual general meeting
"Application"	:	The application for the Issue Shares by way of Applicaton Form or Electronic Share Application or Internet Share Application
"Application Form(s)"	:	Application form(s) for the application of the Issue Shares accompanying this Prospectus
"ATM(s)"	:	Automated teller machine(s)
"Authorised Financial Institution(s)"	:	Authorised financial institution(s) participating in the Internet Share Application in respect of the payments for the Issue Shares
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of our Company
"Bonus Issue"	:	Bonus issue of 28,036,066 new ordinary shares of RM1.00 each on the basis of approximately point four (0.4) ordinary shares of RM1.00 each in our Company for every one ordinary share of RM1.00 each held on 30 December 2013
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
"CDS"	:	Central Depository System
"CDS Account(s)"	:	Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the rules of Bursa Depository for the recording of deposits of securities and dealings in such securities by the depositor
"CMSA"	:	Capital Markets and Services Act, 2007, as amended from time to time
"Dato' Hak"	:	Dato' Ir. Abdul Hak bin Md. Amin
"Datin Hamidah"	:	Datin Hamidah binti Omar
"Director(s)"	:	Has the meaning given to it in Section 2(1) of the CMSA
"E.A. Technique" or "Company"	:	E.A. Technique (M) Berhad (Company No. 256516-W)
"E.A. Technique Group" or "Group"	:	Collectively, E.A. Technique and Johor Shipyard
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Electronic Share Application"	:	Application for the Issue Shares through a Participating Financial Institution's ATMs
"EPS"	:	Earnings per share

DEFINITIONS (Cont'd)

"Equity Guidelines"	:	Equity Guidelines issued by the SC, as amended from time to time
"FRS"	:	Financial Reporting Standards
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ending, as the case may be
"GP"	:	Gross profit
"IMR" or "Vital Factor"	:	Vital Factor Consulting Sdn Bhd (Company No. 266797-T), our Independent Market Researcher
"Internet Participating Financial Institution"	:	Participating financial institutions for the Internet Share Application
"Internet Share Application"	:	Application for the Issue Shares through an Internet Participating Financial Institution
"IPO"	:	Initial public offering comprising the Public Issue and the Offer for Sale, collectively
"IPO Share(s)"	:	Collectively, the Issue Share(s) and the Offer Share(s)
"Issue Price" or "Offer Price" or "IPO Price"	:	The issue price/offer price of RM0.65 per Issue Share/Offer Share
"Issue Share(s)"	:	114,000,000 new E.A. Technique Share(s) at the Issue Price to be issued pursuant to the Public Issue
"Issuing House" or "MIH"	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
"JCorp"	:	Johor Corporation
"JCorp Group"	:	Collectively, JCorp and its subsidiary companies
"Johor Shipyard"	:	Johor Shipyard and Engineering Sdn Bhd (Company No. 799576-U), a wholly-owned subsidiary of E.A. Technique
"Kulim"	:	Kulim (Malaysia) Berhad (Company No. 23370-V)
"Listing"	:	Listing of and quotation for 504,000,000 Shares representing the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	31 October 2014, being the latest practicable date prior to the registration of this Prospectus
"Main Market"	:	The primary market of Bursa Securities
"Malaysian Public"	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated and organised under the laws of Malaysia
"Market Day(s)"	:	A day(s) on which Bursa Securities is open for trading of securities
"MITI"	:	Ministry of International Trade and Industry of Malaysia
"NA"	:	Net assets
"NBV"	:	Net book value
"Northport"	:	Northport (Malaysia) Bhd (Company No. 146850-A)

DEFINITIONS (Cont'd)

"Offer for Sale"	:	Offer for sale of 15,000,000 Offer Shares by the Selling Shareholders to investors to be identified at a later stage at the Offer Price
"Offer Share(s)"	:	Share(s) to be offered pursuant to the Offer for Sale
"Official List"	:	A list specifying all securities listed on Bursa Securities
"Orkim"	:	Orkim Sdn Bhd (Company No. 767092-X), previously an associate company of our Company which was disposed off on 23 April 2013
"Participating Financial Institution"	:	Participating financial institutions for the Electronic Share Application
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PETCO"	:	PETRONAS Trading Corporation Sdn Bhd (Company No. 96957-T)
"PETRONAS"	:	Petroliam Nasional Berhad (Company No. 20076-K)
"PETRONAS Carigali"	:	PETRONAS Carigali Sdn Bhd (Company No. 39275-U)
"PETRONAS Dagangan"	:	PETRONAS Dagangan Berhad (Company No. 88222-D)
"PETRONAS Group"	:	Collectively, PETRONAS and its subsidiary companies
"PETRONAS Penapisan (T)"	:	PETRONAS Penapisan (Terengganu) Sdn Bhd (Company No. 81909-X)
"Principal Adviser" or "RHB Investment Bank" or "Underwriter" or "Placement Agent"	:	RHB Investment Bank Berhad (Company No. 19663-P)
"Promoter(s)"	:	Collectively, Kulim and Sindora as well as Dato' Hak and Datin Hamidah
"Prospectus"	:	This prospectus dated 24 November 2014 issued by our Company in respect of our IPO
"Prospectus Guidelines"	:	Prospectus Guidelines – Equity and Debt issued by the SC
"Public Issue"	:	The public issue of 114,000,000 Issue Shares at the Issue Price, comprising the following:-

(a) 25,200,000 new Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, available for application by the Malaysian Public;

(b) 78,800,000 new Shares, representing approximately 15.6% of the enlarged issued and paid-up share capital of our Company, allocated by way of placement to institutional and selected investors to be identified; and

(c) 10,000,000 new Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital of our Company reserved for application by eligible Directors and employees of our Group

DEFINITIONS (Cont'd)

"RCCP Share(s)"	:	Redeemable convertible cumulative preference share(s) of par value RM0.10 each in E.A. Technique
"ROC"	:	Registrar of Companies of Malaysia
"SC"	:	Securities Commission Malaysia
"Selling Shareholder(s)"	:	Collectively, Dato' Hak and Datin Hamidah undertaking the Offer for Sale as follows:-

Name	No. of Offer Shares	Approximate % of the enlarged share capital after the Public Issue
Dato' Hak	5,100,000	1.0%
Datin Hamidah	9,900,000	2.0%
Total	**15,000,000**	**3.0%**

"Share(s)"	:	Ordinary share(s) of par value RM0.25 each in our Company
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time
"Sindora"	:	Sindora Berhad (Company No. 13418-K), a wholly-owned subsidiary of Kulim
"Underwriting Agreement"	:	Underwriting agreement entered into between our Company and the Underwriter on 7 November 2014 in relation to the Public Issue

CURRENCIES

"EUR"	:	Euro
"JPY"	:	Japanese Yen
"RM" and "sen"	:	Ringgit Malaysia and sen
"SGD"	:	Singapore Dollar
"USD"	:	United States Dollar

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GLOSSARY OF TECHNICAL TERMS

"Anchor Handling Tug"	:	Vessels that are built mainly to tow floating structures including oil rigs to the desired location, and assist in anchoring them
"Barrel"	:	A common unit of measure that is used for hydrocarbon products, equivalent to 158.9873 litres
"BHP"	:	Brake horse power
"BIMCO"	:	The Baltic and International Maritime Council, the largest of the international shipping associations representing shipowners. The association's main objective is to protect its global membership through the provision of quality information and advice, while promoting fair business practices, facilitate harmonisation and standardisation of commercial shipping practices and contracts
"BOE"	:	Barrel of oil equivalent, is a unit of energy based on the approximate energy released by burning one barrel of crude oil
"Bollard Pull"	:	A measure of the static pull of a vessel which is used to describe the pulling capacity of towing vessels
"Bulk and Containerised Goods Port"	:	A location designated for ships to dock and transfer either goods that are stored in containers or loose bulk cargoes that are in solid or liquid form
"BV"	:	Bureau Veritas
"Classification Society"	:	Within the shipbuilding industry, classification societies are non-governmental organisations that set and maintain technical standards for construction and operation of ships as well as other applicable floating structures. Classification societies also carry out regular surveys to ensure compliance to established standards. Examples of classification societies include Bureau Veritas, Germanisher Lloyd, Lloyd's Register and Nippon Kaiji Kyokai
"CPP"	:	Clean petroleum product refers to refined petroleum products comprising light and middle distillates, but not including gaseous products. Some examples of CPP include gasoline, naphtha, kerosene, jet fuel and diesel
"CPP Tankers"	:	Tankers that are typically coated and designed to carry CPP products. CPP tankers are commonly smaller than crude oil tankers
"Crude Oil"	:	A type of hydrocarbon in the form of petroleum in its natural and unrefined state existing in natural underground reservoirs as a liquid and remains in liquid form under normal atmospheric pressure and temperature
"DCR"	:	Daily charter rate or the amount of money it costs to hire a vessel for a day
"Downstream"	:	Aspects of the O&G industry that relate to refining and distribution
"DPP"	:	Dirty petroleum product refers to refined petroleum products comprising heavy distillates and residuum. Examples include fuel oil, lubricating oils, wax and asphalt
"DPP Tankers"	:	Tankers that are typically uncoated and designed to carry DPP. Some DPP tankers also carry crude oil. DPP tankers are commonly smaller than crude oil tankers
"Draft"	:	The vertical distance between the waterline and the bottom of the vessel's hull

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"Dry Dock"	:	An enclosed area filled with water whereby vessels can enter and subsequently the water is drained out such that repair and maintenance works may be carried out on the vessel under dry conditions
"Dry Docking"	:	Vessel upslip for maintenance and repair
"DWT"	:	Deadweight tonnage is the total weight that a ship can carry safely. The total weight a ship can carry includes the sum of the weights of, amongst others, cargo, equipment, bunker, provisions, water, spare parts and people
"Fast Crew Boat"	:	A type of OSV that is primarily used for transportation of personnel and/or light cargoes between shore and offshore facilities, and between two (2) offshore facilities. Offshore facilities are commonly O&G platforms, drilling rigs, and Floating Production, Storage and Offloading (FPSO)
"Flare Stack"	:	An elongated structure commonly made of steel whose purpose is to divert escaped or waste flammable gas to a safe open area where it is then burnt off
"FSO"	:	Floating Storage and Offloading is an offshore facility with tanks, commonly in the form of an oil tanker, used for the storage of oil until such time it is offloaded onto another oil tanker or transported through a pipeline
"FSU"	:	Floating storage unit is a semi-permanent offshore facility, commonly in the form of an oil tanker moored close to a facility or land intended only for temporary storage of oil
"Helipad"	:	A dedicated area for helicopters mainly for landing and taking-off
"Hull"	:	The hull refers to the body of the ship, and provides the buoyancy that keeps the ship from sinking
"HSE"	:	Health, safety and environment
"IOC"	:	International oil companies, refers to large or private or public oil companies that have upstream, midstream and downstream capabilities, such as Shell and Exxonmobil
"ISM"	:	International Safety Management, which is a code for an international standard for the safe management and operation of ships and for pollution prevention
"ISO"	:	International Organisation for Standardisation
"Launching Bay"	:	In the context of this Prospectus, it refers to a slope that connects the shipyard at ground level, to the shore and continuing for a short distance below the water surface such that ships may be launched into the water
"Light Weight Platform System"	:	A system that uses less steel parts to construct O&G platforms. It is also modular in design and is easily assembled when all modules are completed
"LNG"	:	Liquefied natural gas; naturally occurring gas that has been cooled to a temperature of -160°C at normal atmospheric pressure in order to condense the gas into liquid, which can be more easily stored, handled and transported. One (1) metric tonne of LNG is equal to 1,400 cubic metres of natural gas at normal temperature and pressure
"LOA"	:	Overall length

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"Loss of Hire"	:	Refers to loss of income from a marine vessel mainly due to physical damages
"LPG"	:	Liquefied petroleum gas, propane and butanes liquefied under low pressure. LPG is a gaseous fuel stored under pressures at refineries and sold in pressurised cylinders for domestic and industrial uses
"LTI"	:	Lost time injury, a work-related injury or illness that renders the injured person unable to return to work on the next working day after the day of the injury and illness
"m"	:	Meter
"Marginal Oilfield"	:	An oilfield that may not be economically viable due to relatively low hydrocarbon reserves, but could be commercially viable as a result of technical or economic developments or changes
"Marine Support Vessel"	:	In the context of this Prospectus, marine support vessel refers to dedicated vessel that provides supporting services to ports. Such vessels include harbour tugboats, utility tugboats and mooring boats
"Maritime Law"	:	A distinct body of both domestic law which governs maritime activities, and private international law which governs the relationships between private entities which operate vessels on the oceans
"MARPOL"	:	International Convention for the Prevention of Pollution from Ships
"Midstream"	:	Aspects of the O&G industry relating to transport and trading
"Minor Fabrication"	:	The term generally applies to the value-added process of structures out of various raw materials, primarily metal
"Mooring Boat"	:	A marine support vessel that is typically used for final positioning of larger vessels or other floating structures such that they may be safely secured to fixtures such as piers, quays, wharfs, jetties, anchor buoys and mooring buoys
"Mooring System"	:	A system designed to secure a vessel or any floating structure to the sea floor by means of buoys, chains, anchors and other equipment
"M.T."	:	Motor Tanker
"M.V."	:	Motor Vessel
"O&G"	:	Oil and gas
"Off Hire"	:	It refers to the period when a vessel is unable to meet the requirements agreed between the charterer and ship owner due to certain conditions laid out in the time charter contract
"OHSAS"	:	British Standard for occupational health and safety management systems
"OSV"	:	Offshore Support Vessel is a vessel primarily designed to support offshore O&G activities. Examples include anchor handling tugs, crew boats, accommodation boats, mooring launches, safety and standby vessels, supply vessels and utility vessels

GLOSSARY OF TECHNICAL TERMS (Cont'd)

"Port"	:	In the context of this report, ports refer to sea ports, which typically contain harbours where marine vessels can dock and load/unload people or cargo to and from land. In the context of this report, ports also include terminals, which are commonly smaller than ports and typically comprise jetties and berthing facilities built out into the waters
"Product Tanker"	:	A type of oil tanker designed to transport refined oil products which have been processed at refineries
"PSC"	:	Production sharing contract
"Ship"	:	A large watercraft capable of navigation in a large body of water. Within the context of this report, the term "ship" may be used interchangeable with the term "vessel"
"Shipbuilding"	:	Shipbuilding refers to the activities related to the construction of ships. Modern shipbuilding activities includes, fabrication of metal parts and structures, installation of power and propulsion systems, installation of other machinery, equipment and instruments, and testing and commissioning
"Shipyard"	:	A shipyard refers to an area designated for shipbuilding activities, and equipped as such
"Skid"	:	A structure used for the safe conveyance and storage of equipment, where the equipment is housed within the structure
"Slipway"	:	Slipway refers to a slope that connects the shipyard, which is on higher ground, to the shore such that ships or boats may be moved to and from the water. Slipways are commonly used to launch either newly built ships that have been fabricated on the shipyard or are used when moving a ship onto dry land for repairs
"Time Charter"	:	A charter where the charterer is provided a vessel with a crew at their disposal for a period of time
"Tonne" or "Ton"	:	A metric ton or tonne which is equivalient to 1,000 kilograms or 2,204.6 pounds
"Tonnage"	:	A measure ton of the size or cargo capacity of a ship, and a "ton" is a unit of such measure
"Towage"	:	Towage refers to service provided for towing a vessel by another vessel, typically a tugboat
"Tugboat"	:	A vessel whose main function is to push, tow or manoeuvre another vessel or floating structure on water. As such, a tugboat is normally equipped with relatively powerful engines for its size to enable it to do its job effectively
"Upstream"	:	Aspects of the O&G industry relating to exploration and production
"Utility Tugboat"	:	Utility tugboat is a type of harbour tugboat but with additional functions such as transportation of crew and carrying of equipment and supplies compared to a normal harbour tugboat that is mainly used for manoeuvring other vessels or offshore structures by towing or pushing

PRESENTATION OF INFORMATION

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, body corporates and corporations.

References in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. References to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

References to "our Company" or "the Company" or "E.A. Technique" in this Prospectus are made to E.A. Technique (M) Berhad (Company No. 256516-W), references to "Our Group" or "the Group" or "E.A. Technique Group" are made to our Company and our subsidiary and references to "we" or "us" or "our" or "ourselves" are made to our Company, and where the context requires, our Company and our subsidiary. Unless the context otherwise requires, references to "Management" are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by Vital Factor for inclusion in this Prospectus. We have appointed Vital Factor to provide an independent market and industry review relating to an overview of the economy and industry in which we operate in. In compiling their data for the review, Vital Factor relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data. Similarly, third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

i. Demand for our services;

ii. Our business strategies;

iii. Our Management's plans and objectives for future operations;

iv. Our financial position; and

v. Our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

i. The economic, political and investment environment in Malaysia; and

ii. Government policy, legislation and regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in **Section 4** of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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1. CORPORATE DIRECTORY

DIRECTORS

Name	Address	Nationality	Profession
Ahamad bin Mohamad *(Non-Independent Non-Executive Chairman)*	Ulu Tiram Estate, K.B 705 80990 Johor Bahru Johor	Malaysian	Company Director
Dato' Ir. Abdul Hak bin Md. Amin *(Managing Director)*	No. 1, Jalan Titian U8/42 40150 Bukit Jelutong Shah Alam Selangor	Malaysian	Company Director
Rozan bin Mohd Sa'at *(Non-Independent Non-Executive Director)*	No. 35, Jalan Padi Huma Satu Bandar Baru Uda 81200 Johor Bahru Johor	Malaysian	Company Director
Azli bin Mohamed *(Non-Independent Non-Executive Director)*	No. 27, Jalan Padi Mahsuri 14 Bandar Baru UDA 81200 Johor Bahru Johor	Malaysian	Company Director
Datuk Anuar bin Ahmad *(Senior Independent Non-Executive Director)*	No. 9, Jalan SS19/3B 47500 Subang Jaya Selangor	Malaysian	Company Director
Datuk Mohd Nasir bin Ali *(Independent Non-Executive Director)*	No. 12, Jalan SS 7/9 Kelana Jaya 47301 Petaling Jaya Selangor	Malaysian	Company Director
Md Tamyes bin Hj A.Rahim *(Independent Non-Executive Director)*	No. 20, Jalan Permatang 4/3 Kempas Baru 81200 Johor Bahru Johor	Malaysian	Company Director
Abdul Azmin bin Abdul Halim *(Independent Non-Executive Director)*	No. 36, Jalan Pakis Taman Ferngrove 43200 Cheras Selangor	Malaysian	Company Director

AUDIT COMMITTEE

Name	Designation	Directorship
Datuk Anuar bin Ahmad	Chairman	Senior Independent Non-Executive Director
Abdul Azmin bin Abdul Halim	Member	Independent Non-Executive Director
Azli bin Mohamed	Member	Non-Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

REMUNERATION COMMITTEE

Name	Designation	Directorship
Ahamad bin Mohamad	Chairman	Non-Independent Non-Executive Director
Datuk Anuar bin Ahmad	Member	Senior Independent Non-Executive Director
Md Tamyes bin Hj A.Rahim	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Ahamad bin Mohamad	Chairman	Non-Independent Non-Executive Director
Md Tamyes bin Hj A.Rahim	Member	Independent Non-Executive Director
Abdul Azmin bin Abdul Halim	Member	Independent Non-Executive Director

COMPANY SECRETARY : Hana Ab Rahim @ Ali, ACIS (MAICSA 7064336)
01-05, Sri Pahlawan A
Pangsapuri Bukit Saujana
Jalan Bendahara
80100 Johor Bahru
Johor

Tel : (07) 226 7692
Fax : (07) 222 3044

REGISTERED OFFICE : Level 11, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor

Tel : (07) 226 7692 / 7476
Fax : (07) 223 3175

HEAD/MANAGEMENT OFFICE : E.A. Technique (M) Berhad
Setiawangsa Business Suites
Unit C-3A-3A
No. 2, Jalan Setiawangsa 11
Taman Setiawangsa
54200 Kuala Lumpur

Tel : (03) 4252 5422
Fax : (03) 4252 2163
Website : www.eatechnique.com.my
E-mail address : eat@eatechnique.com.my

1. CORPORATE DIRECTORY (Cont'd)

PRINCIPAL BANKERS	:	RHB Bank Berhad Level 10, Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel : (03) 9287 3888 Fax : (03) 9284 8725
	:	Malayan Banking Berhad Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel : (03) 2070 8833
	:	Maybank Islamic Berhad Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel : (03) 2070 8833
AUDITORS AND REPORTING ACCOUNTANTS	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Tel : (03) 7495 8000 Fax : (03) 2095 5332
LEGAL ADVISERS	:	Kadir Andri & Partners Level 10, Menara BRDB 285 Jalan Maarof Bukit Bandaraya 59000 Kuala Lumpur Tel : (03) 2780 2888 Fax : (03) 2780 2832
PRINCIPAL ADVISER, UNDERWRITER AND PLACEMENT AGENT	:	RHB Investment Bank Berhad Level 10, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel : (03) 9287 3888 Fax : (03) 9287 2233 / 3355 / 4770

1. CORPORATE DIRECTORY (Cont'd)

SHARE REGISTRAR	:	Pro Corporate Management Services Sdn Bhd Level 11, Menara KOMTAR Johor Bahru City Centre 80000 Johor Bahru Johor Tel : (07) 226 7692 / 7476 Fax : (07) 223 3175
INDEPENDENT MARKET RESEARCHER	:	Vital Factor Consulting Sdn Bhd V Square @ PJ City Centre (VSQ) Block 6, Level 6, Jalan Utara 46200 Petaling Jaya Selangor Tel : (03) 7931 3188 Fax : (03) 7931 2188
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Tel : (03) 7841 8000 Fax : (03) 7841 8150
LISTING SOUGHT	:	Main Market of Bursa Securities

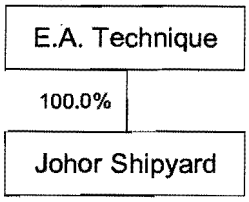
2. SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information about us which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 4 of this Propectus for an understanding of the risks associated with the investment in our Company.

2.1 Overview

We are principally an owner and operator of marine vessels where our business is focused on marine transportation and offshore storage of O&G, and provision of port marine services. Our vessel operations are supported by our shipyard which is involved in shipbuilding, ship repair and minor fabrication.

Our Group structure as at the LPD is set out below:-



We are involved in the charter of various types of tankers for the transportation and offshore storage of O&G, charter of marine support vessels for the provision of port marine services mainly to O&G ports, and charter of OSVs in the form of fast crew boats to transport personnel/light cargoes between shore and platform, platform and platform and other offshore facilities.

As at the LPD, we operate a total fleet of 31* marine vessels in our portfolio, which comprises eight (8) O&G tankers (inclusive of one (1) FSU), two (2) OSVs and 21 marine support vessels. Of the total 31 marine vessels that we operate, we own 22* of these marine vessels comprising six (6) O&G tankers (inclusive of one (1) FSU), two (2) OSVs and 14 marine support vessels. The remaining nine (9) marine vessels are chartered in from external parties.

* *Excluding one (1) oil tanker that is not operational and is in the midst of being converted into a FSO.*

Our marine vessels are also supported by our shipbuilding, ship repair and minor fabrication activities, which is a complementary business activity to our core business operations.

Further details of our business are set out in **Section 6** of this Prospectus.

2.2 Competitive advantages and key strengths

We believe that our position as an established offshore services provider in the O&G industry is due to our following strengths:-

(i) Track record and established reputation;

(ii) Secured orderbook;

(iii) Ownership of marine vessels;

(iv) In-house shipbuilding and ship repair to support our core business operations;

(v) PETRONAS approved licences;

(vi) High utilisation rate and long term contracts for our marine vessels; and

(vii) Additional revenue streams from different business activities.

2. SUMMARY (Cont'd)

Please refer to **Section 6.1.3** of this Prospectus for further information on our competitive advantages and key strengths.

2.3 Future plans and strategies

Our future plans and strategies are as set out below:-

(i) Acquisition of vessels to service the O&G Industry;

(ii) Construction of vessels for Port Marine Services;

(iii) Expansion of shipyard facilities; and

(iv) New business venture in provision of marginal oilfield solutions.

Please refer to **Section 6.21** of this Prospectus for further information on our future plans and strategies.

2.4 Risk factors

Before investing in our Shares, you should pay particular attention to the fact that our Company, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia which we operate whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

2.4.1 Risks relating to the industry in which we operate

(i) We are subject to global economic conditions;

(ii) We are dependent on the O&G industry which will ultimately affect the demand for our services as we are primarily an O&G support services provider;

(iii) The O&G industry is subject to government regulations; and

(iv) We are subject to competition from local offshore O&G support service providers providing similar services.

2.4.2 Risks relating to our business and our operations

(i) Our business is subject to compliance with the licences, registration and certification requirements;

(ii) We are subject to compliance of environmental regulations;

(iii) We are subject to weather and natural hazards;

(iv) We are subject to a number of contractual risks;

(v) Our charter contracts may be terminated upon the occurrence of certain events;

(vi) Our marine transport and support services are subject to operating risks;

2. SUMMARY (Cont'd)

(vii) Our shipbuilding may face delay in completion of vessel;

(viii) We are dependent on major customers;

(ix) We require significant capital investment in our business and we are exposed to the risks related to capital funding;

(x) Maintenance and repair for our vessels and equipment may require substantial expenditure;

(xi) We are exposed to acts of piracy;

(xii) We are dependent on our key management as well as our ability to hire and retain skilled and specialised employees;

(xiii) We are exposed to risks relating to growth and expansion;

(xiv) We may have inadequate insurance coverage;

(xv) Our cash flow may be affected by delays in collection or non-recoverability of trade receivables;

(xvi) We may be adversely affected by any change in the current taxation regulations in the jurisdiction in which we operate;

(xvii) We are exposed to risks arising from foreign exchange fluctuations; and

(xviii) An adverse judgment or settlement in respect of any future claims against us could have an adverse effect on our financial condition and the results of our operations.

2.4.3 Risks relating to our Shares

(i) There has been no public market for our Shares;

(ii) There may be a potential delay or failure of the Listing;

(iii) Our Share price and trading volume may be volatile;

(iv) We may not be able to pay dividends; and

(v) Continued control by our Promoters may limit your ability to influence the outcome of decisions requiring the approval of shareholders.

2.4.4 Other risks

(i) Forward-looking statements are subject to uncertainties and contingencies.

Please refer to **Section 4** of this Prospectus for further details of our risk factors.

2. SUMMARY (Cont'd)

2.5 Summary of financial information

The following table sets out our selected historical audited consolidated financial information for the past three (3) FYE 31 December 2011, 2012 and 2013 as well as the five (5)-month FPE 31 May 2014 and the unaudited consolidated financial information for the comparative five (5)-month FPE 31 May 2013. Our audited consolidated financial statements are prepared in accordance with Malaysian FRS and International FRS.

The following selected historical audited consolidated financial information should be read in conjunction with the "Management's Discussion and Analysis of the Financial Condition, Results of Operations and Prospects" in **Section 11.3** of this Prospectus and the Accountants' Report in **Section 12** of this Prospectus.

	Audited			Unaudited	Audited
	FYE 31 December			Five (5)-month FPE 31 May	
	^2011	^2012	2013	2013	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	96,063	102,724	121,118	43,046	62,813
Cost of services	(71,875)	(65,613)	(80,549)	(28,103)	(45,114)
GP	**24,188**	**37,111**	**40,569**	**14,943**	**17,699**
Other operating income	3,210	2,187	41,155	37,621	1,502
Administrative expenses	(6,588)	(6,638)	(12,849)	(5,037)	(6,693)
Results from operating activities	**20,810**	**32,660**	**68,875**	**47,527**	**12,508**
Finance income	245	315	2,087	478	924
Finance costs	(12,585)	(13,755)	(14,541)	(6,081)	(5,920)
Net finance costs	**8,470**	**19,220**	**56,421**	**41,924**	**7,512**
Share of profit from associate, net of tax	3,646	5,045	2,947	2,947	-
PBT	**12,116**	**24,265**	**59,368**	**44,871**	**7,512**
Tax expense	(3,464)	(5,357)	(2,465)	(193)	(2,252)
PAT	**8,652**	**18,908**	**56,903**	**44,678**	**5,260**
GP margin[1] (%)	25.2	36.1	33.5	34.7	28.2
PBT margin[2] (%)	12.6	23.6	[7]18.1	[7]17.2	12.0
PAT margin[3] (%)	9.0	18.4	[7]16.1	[7]16.8	8.4
No. of Shares in issue[4] ('000)	390,000	390,000	390,000	390,000	390,000
Net EPS[5] (sen)	2.2	4.8	[7]5.0	[7]1.9	1.3
Diluted EPS[6] (sen)	-	-	-	-	-
Adjusted profit excluding contribution from Orkim					
Adjusted PBT (RM'000)	8,470	19,220	[7]18,966	[7]4,469	7,512
Adjusted PAT (RM'000)	5,006	13,863	[7]16,501	[7]4,276	5,260
Adjusted PBT margin (%)	8.8	18.7	[7]15.7	[7]10.4	12.0
Adjusted PAT margin (%)	5.2	13.5	[7]13.6	[7]9.9	8.4
Adjusted EPS (sen)	1.3	3.6	[7]4.2	[7]1.1	1.3

2. SUMMARY (Cont'd)

Notes:-

(1) *Computed based on the GP over total revenue of our Group.*

(2) *Computed based on the PBT over total revenue of our Group.*

(3) *Computed based on the PAT over total revenue of our Group.*

(4) *Based on our issued and paid-up share capital prior to the Listing.*

(5) *Computed based on PAT of our Group divided by 390.0 million Shares, being the number of Shares in issue prior to Listing.*

(6) *As at 31 May 2014, there are no dilutive instruments issued or to be issued.*

(7) *Gain on the disposal of an associate amounting to approximately RM37.5 million was excluded.*

^ *The FYE 31 December 2011 and FYE 31 December 2012 figures have been restated due to reclassification of figures between cost of services and administrative expenses as stated in the Accountants' Report.*

Please refer to **Sections 11.3** and **12** of this Prospectus for further financial information relating to our Company.

2.6 Summary of proforma consolidated statement of financial position

We have prepared the proforma consolidated statement of financial position below for illustrative purposes only, to show the effects of the IPO on the assumption that the events had been effected on 31 May 2014. The proforma consolidated statement of financial position have been prepared on the basis set out in the notes thereon as set out in **Section 11.2** of this Prospectus, using financial statements prepared in accordance with Malaysian FRS and International FRS.

The proforma consolidated statement of financial position should be read in conjunction with the Reporting Accountants' letter and the proforma consolidated statement of financial position as at 31 May 2014 and the notes thereon as set out in **Section 11.2** of this Prospectus.

The proforma effects of the IPO on the NA and gearing of our Group are set out below:-

		Proforma I
	Audited as at 31 May 2014 RM	**[1]After the IPO RM**
Share capital	97,500,000	126,000,000
Share premium	-	[2]43,100,000
Retained earnings	91,793,017	[3]90,568,017
Shareholders' equity/NA	**189,293,017**	**259,668,017**
No. of Shares in issue	390,000,000	504,000,000
NA per Share	**0.49**	**0.52**
Total borrowings	288,461,061	[4]258,461,061
Gearing (times)	**1.52**	**1.00**

2. SUMMARY (Cont'd)

Notes:-

(1) *The Offer for Sale and Listing will not have any effect on the NA and gearing of our Group.*

(2) *Out of the total estimated listing expenses of RM5.0 million, approximately RM2.5 million, comprising mainly the brokerage, underwriting and placement fees which are directly attributable to the Public Issue will be debited against the share premium.*

(3) *The remaining estimated listing expenses of approximately RM2.5 million, comprising mainly, professional fees and miscellaneous expenses will be charged to profit and loss, of which approximately RM1.3 million has already been recognised in profit and loss as at 31 May 2014.*

(4) *After repayment of bank borrowings of RM30.0 million as disclosed under* ***Section 3.9*** *of this Prospectus.*

Please refer to **Sections 11.2** of this Prospectus for further information on the proforma consolidated statement of financial position of our Company and for the Reporting Accountants' letter on the proforma consolidated statement of financial position.

2.7 Principal statistics of the IPO

The following statistics relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with the text:-

		No. of Shares	RM
i.	**Share capital**		
	Authorised:-		
	- ordinary shares of RM0.25 each	800,000,000	200,000,000
	Issued and paid-up share capital as at the date of this Prospectus	390,000,000	97,500,000
	Shares to be issued pursuant to the Public Issue	114,000,000	28,500,000
	Enlarged issued and paid-up share capital upon Listing	**504,000,000**	**126,000,000**
ii.	**IPO Price for each IPO Share**		**0.65**
iii.	**Market capitalisation of our Company based on the IPO Price upon Listing**		**327,600,000**
iv.	**Proforma NA based on our Proforma Consolidated Statement of Financial Position as at 31 May 2014**		
	Proforma NA upon Listing[(1)] (RM'000)		259,668
	Proforma NA per Share upon Listing[(2)]		0.52

Notes:-

(1) *After taking into account our Public Issue of 114,000,000 new Shares at the Issue Price and after deducting estimated listing expenses of approximately RM5.0 million.*

(2) *Based on our enlarged issued and paid-up share capital upon Listing of 504,000,000 Shares.*

We have only one (1) class of shares, namely ordinary shares of par value RM0.25 each. The Issue Shares shall rank *pari passu* in all respects with our existing issued and paid-up ordinary shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Further details of our IPO are set out in **Section 3** of this Prospectus.

2. SUMMARY (Cont'd)

2.8 Utilisation of proceeds

Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale of approximately RM9.8 million will accrue entirely to the Selling Shareholders.

The gross proceeds from the Public Issue amounting to about RM74.1 million are expected to be utilised in the manner as set out below:-

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'million	Percentage of gross proceeds %
Repayment of bank borrowings	Within 1 month	30.0	40.5
Capital expenditures	Within 24 months	29.2	39.4
Working capital	Within 12 months	9.9	13.4
Estimated listing expenses	Within 3 months	5.0	6.7
		74.1	**100.0**

Please refer to **Section 3.9** of this Prospectus for further details on the utilisation of proceeds from the Public Issue.

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3. DETAILS OF THE IPO

3.1 Introduction

This Prospectus is dated 24 November 2014.

Save as disclosed in this Prospectus, no securities will be allotted or issued or offered on the basis of this Prospectus later than 12 months after the date of this Prospectus.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Form, with the Registrar of Companies of Malaysia, who takes no responsibility for its contents.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a "prescribed security". Consequently, the Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and the rules of Bursa Depository.

On 3 September 2014, approval was obtained from the SC in respect of the IPO. The approval of the SC shall not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. **You are advised to make your own independent assessment of our Company and should rely on your own evaluation to assess the merits and risks of the IPO and an investment in our Company. In considering the investment, if you are in any doubt as to the action to be taken, you should immediately consult your stockbrokers, bank managers, solicitors, accountants, or other professional advisers.**

We have obtained the approval of Bursa Securities on 15 October 2014 for the listing of and quotation for our Shares, including the IPO Shares which are the subject of this Prospectus, on the Main Market of Bursa Securities. Official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to the Official List is not to be taken as an indication of the merits of the IPO, our Company or our Shares.

Pursuant to the Listing Requirements, our Company is required to comply with the public spread requirements as determined by Bursa Securities, pursuant to which our Company is required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the time of Listing. Our Company is expected to achieve this at the time of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within fourteen (14) days after our Company and the Selling Shareholders become liable to do so, the provision of sub-sections 243(2) and 243(6) of the CMSA shall apply accordingly.

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of the Application Form, you should state your CDS Account in the space provided in the Application Form. If you do not presently have a CDS Account, you must open a CDS Account at an ADA prior to making an application for our IPO Shares.

3. DETAILS OF THE IPO (Cont'd)

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application and you shall furnish your CDS Account number to the Participating Financial Institutions by way of keying in your CDS Account number if the instructions on the ATM screen at which you submit your Electronic Share Application requires you to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account and an existing account with access to the internet financial services with Internet Participating Financial Institutions can make an Internet Share Application. You shall furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Internet Share Application.

You should rely on the information contained in this Prospectus or any applicable Prospectus supplement. Neither we nor any of our advisers has authorised anyone to provide you with the information that is different and which is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus.

Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of the Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the sale of our IPO Shares in other jurisdictions outside Malaysia may be restricted by law. If you have come into possession of this Prospectus, we require you to be aware of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to subscribe for any IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation is not authorised or lawful. This Prospectus shall also not be used to make an offer or invitation of our Shares to any person to whom it is unlawful to do so.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our Company or our Shares.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN US. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN DOUBT ABOUT THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

3.2 Opening and closing of applications

Application for the IPO Shares will open at 10.00 a.m. on 24 November 2014 and will remain open until 5.00 p.m. on 1 December 2014, or such other date or dates as our Directors, Promoters and Selling Shareholders together with our Underwriter in their absolute discretion may decide.

3. DETAILS OF THE IPO (Cont'd)

3.3 Indicative timetable

The following events are intended to take place on the following tentative dates:

Events	Tentative Dates
Issuance of this Prospectus / Opening of application for the IPO Shares	24 November 2014
Closing of the application for the IPO Shares	1 December 2014
Balloting of applications for the IPO Shares	3 December 2014
Allotment of the IPO Shares to successful applicants	9 December 2014
Listing date	11 December 2014

Applications for the IPO Shares offered will close at the time and date stated above or such other date or dates as our Directors, Promoters and Selling Shareholders together with our Underwriter in their absolute discretion may decide.

In the event that the closing date and time is extended, the dates for the balloting and allotment of the IPO Shares and our Listing may be extended accordingly. Any extension will be announced in a widely circulated Bahasa Malaysia and English daily newspaper within Malaysia.

3.4 Particulars of the IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated in the manner described below.

3.4.1 Public Issue

Our Company are offering 114,000,000 Issue Shares at an Issue Price of RM0.65 payable in full on application, representing approximately 22.6% of the enlarged issued and paid-up share capital of our Company, to be allocated in the following manner:-

(i) Malaysian Public

25,200,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, available for application by the Malaysian Public through a balloting process;

(ii) Private placement to institutional and selected investors

78,800,000 Issue Shares, representing approximately 15.6% of the enlarged issued and paid-up share capital of our Company, allocated by way of private placement to institutional and selected investors to be identified; and

(iii) Eligible Directors and employees of our Group

10,000,000 Issue Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital of our Company reserved for application by our eligible Directors and employees of our Group.

3. DETAILS OF THE IPO (Cont'd)

A summary of allocation of the 10,000,000 Issue Shares to our Directors and eligible employees of our Group is set out below:-

Eligibility	Number of persons	Aggregate number of Issue Shares allocated
Directors of our Company[1]	7	2,465,000
Eligible employees of our Group[2]	189	7,535,000
Total	**196**	**10,000,000**

Notes:-

(1) *The criteria for allocation to our Directors are based on, amongst others, their respective roles, responsibilities and contribution in our Group.*

The number of Issue Shares to be allocated to our Directors is as follows:

Name	*Designation*	*No. of Issue Shares to be allocated*
Ahamad bin Mohamad	*Non-Independent Non-Executive Chairman*	*500,000*
Rozan bin Mohd Sa'at	*Non-Independent Non-Executive Director*	*327,500*
Azli bin Mohamed	*Non-Independent Non-Executive Director*	*327,500*
Datuk Anuar bin Ahmad	*Senior Independent Non-Executive Director*	*327,500*
Datuk Mohd Nasir bin Ali	*Independent Non-Executive Director*	*327,500*
Md Tamyes bin Hj A.Rahim	*Independent Non-Executive Director*	*327,500*
Abdul Azmin bin Abdul Halim	*Independent Non-Executive Director*	*327,500*

(2) *The criteria for allocation to our eligible employees are for confirmed staff based on, amongst others, their staff grade and length of service in our Group.*

All the 35,200,000 Issue Shares available for application by the Malaysian Public and our eligible Directors and employees of our Group under **Section 3.4.1(i)** and **3.4.1(iii)** of this Prospectus will be underwritten while all the 78,800,000 Issue Shares under **Section 3.4.1(ii)** of this Prospectus will be placed out to institutional and selected investors to be identified.

Please refer to **Section 3.11** of this Prospectus for further details on the underwriting arrangement.

3.4.2 Offer for Sale

The Selling Shareholders are offering an aggregate of 15,000,000 Offer Shares at an Offer Price of RM0.65 per Offer Share, representing approximately 3.0% of the enlarged issued and paid-up share capital of our Company, for application by way of private placement to identified investors payable in full upon application.

3. DETAILS OF THE IPO (Cont'd)

The 15,000,000 Offer Shares reserved for placement to identified investors will be placed out by our Placement Agent, RHB Investment Bank.

3.4.3 Clawback and reallocation

The Public Issue and the Offer for Sale shall be subject to the following clawback and reallocation provisions:-

(i) If any Issue Shares allocated to Malaysian Public are undersubscribed, the balance portion will be allocated to our eligible employees of our Group. Likewise, any Issue Shares which are not taken up by our eligible Directors and employees of our Group will be allocated to the Malaysian Public.

(ii) Subject to **Section 3.4.3(i)** above and in the event there are Issue Shares not subscribed by the Malaysian Public as well as our eligible Directors and employees of our Group, the remaining portion will be made available for application by way of private placement to institutional and selected investors to be identified under **Section 3.4.1(ii)** of this Prospectus. Thereafter, any remaining Issue Shares that are still not subscribed for will be underwritten based on the terms and conditions of the Underwriting Agreement dated 7 November 2014.

(iii) In the event of an over-subscription by the Malaysian Public and a corresponding under-subscription under **Sections 3.4.1(ii), 3.4.1(iii)** and **3.4.2** of this Prospectus, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors.

The clawback and reallocation shall not apply in the event of over-application under **Sections 3.4.1(i), 3.4.1(ii), 3.4.1(iii)** and **3.4.2** of this Prospectus.

3.4.4 Minimum requirements

The basis of allocating the Issue Shares shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view of broadening our shareholding base, to meet the public spread requirements of Bursa Securities as well as to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Board.

3.4.5 Classes of shares and ranking

As at the LPD, our Company has one (1) class of shares, namely ordinary shares of par value RM0.25 each.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our other existing issued and paid-up Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

The Offer Shares rank equally in all respects with our existing issued and paid-up Shares including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of transfer of the Offer Shares.

3. DETAILS OF THE IPO (Cont'd)

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus, in accordance with our Articles of Association.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company.

3.4.6 Minimum subscription

There is no minimum subscription in terms of the proceeds to be raised by our Company and the Selling Shareholders as the Public Issue will be underwritten and the Placement Agent will ensure the successful placement of all the Issue Shares and Offer Shares. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of shares to be acquired will be the number of Shares required to be held by public shareholders for our Company to comply with public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

3.5 Selling Shareholders

Our shareholders who are offering the Offer Shares and their respective relationships with our Company are as follows:-

Name and address	Material relationship with our Group	Before the IPO		Shares offered pursuant to the Offer for Sale		After the IPO	
		No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Dato' Hak No. 1, Jalan Titian U8/42 40150 Bukit Jelutong Shah Alam Selangor	Promoter, Managing Director and substantial shareholder	96,000,000	24.6	5,100,000	1.0	90,900,000	18.0
Datin Hamidah No. 1, Jalan Titian U8/42 40150 Bukit Jelutong Shah Alam Selangor	Promoter and substantial shareholder	39,000,000	10.0	9,900,000	2.0	29,100,000	5.8

Notes:-

(1) Based on the existing issued and paid-up share capital of 390,000,000 Shares, i.e. before the Public Issue.

(2) Based on the enlarged issued and paid-up share capital of 504,000,000 Shares, i.e. after the Public Issue.

3. DETAILS OF THE IPO (Cont'd)

3.6 Basis of arriving at the price of the IPO Shares

3.6.1 IPO Price

The IPO Price of RM0.65 per IPO Share was determined and agreed upon between our Directors, Selling Shareholders and our Principal Adviser, after taking into consideration the following factors:-

(i) Our financial performance and operating history as described in **Sections 5** and **11** of this Prospectus;

(ii) Our Group's net EPS of approximately 5.0 sen per Share for the FYE 31 December 2013 based on our existing issued and paid-up share capital of 390,000,000 Shares which translates to a net price-to-earnings multiple of approximately 13.0 times, after excluding one-off gains from the disposal of Orkim of approximately RM37.5 million or approximately 9.6 sen per Share;

(iii) Our Group's net EPS of approximately 3.9 sen per Share for the FYE 31 December 2013 based on our enlarged issued and paid-up share capital of 504,000,000 Shares which translates to a proforma net price-to-earnings multiple of approximately 16.7 times, after excluding one-off gains from the disposal of Orkim of approximately RM37.5 million or approximately 7.4 sen per Share;

(iv) The proforma consolidated NA as at 31 May 2014 attributable to equity holders of our Company of approximately RM0.52 per Share based on the enlarged issued and paid-up share capital pursuant to the Listing of 504,000,000 Shares;

(v) Our future prospects are underpinned by our outstanding orderbook as at the LPD of approximately RM1.283 billion (including optional extension periods of approximately RM452.0 million) as set out in **Section 11.3.5** of this Prospectus, respectively;

(vi) Our competitive strengths, business strategies and future plans as outlined in **Sections 6.1.3** and **6.21** of this Prospectus;

(vii) The future outlook of the industry which we operate in, as described in **Section 7** of this Prospectus; and

(viii) The prevailing market conditions which include, the current market trends and investors' sentiment.

Our Directors and RHB Investment Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

Applicants should also note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares. You are reminded to consider the risk factors as set out in **Section 4** of this Prospectus before deciding to invest in our Shares.

3.6.2 Expected market capitalisation

Based on the IPO Price of RM0.65 per IPO Share, the total market capitalisation of our Company upon the Listing is estimated at RM327.6 million.

3. DETAILS OF THE IPO (Cont'd)

3.7 Objectives of the IPO

The objectives of the IPO are as follows:-

(i) to obtain listing of and quotation for our entire issued and paid-up share capital of 504,000,000 Shares on the Main Market of Bursa Securities;

(ii) to enable us to access the equity capital market for cost effective capital raising and to provide us the financial flexibility to pursue growth opportunities;

(iii) to enhance the stature of our Company to market our services and expand our market position;

(iv) to establish liquidity of our Shares;

(v) to provide an opportunity for the investing community including eligible employees of our Group to become our shareholders and participate in the future performance of our Company by way of equity participation; and

(vi) to raise funds for the purposes as set out in **Section 3.9** of this Prospectus.

3.8 Dilution

Dilution is computed as the difference between the IPO Price paid by the investors for our IPO Shares and the proforma consolidated NA per Share of our Group immediately after our IPO.

Our audited consolidated NA as at 31 May 2014 was approximately RM189.3 million or RM0.49 per Share. After giving effect to the issue of 114,000,000 new Shares under the Public Issue, and after further adjustment for the estimated listing expenses, our proforma consolidated NA per Share as at 31 May 2014 (based on an enlarged issued and paid-up share capital of 504,000,000 Shares) would have been RM0.52 per Share. This represents an immediate increase in our proforma NA per Share of RM0.03 to our existing shareholders and an immediate dilution in our proforma NA per Share of RM0.13, representing approximately 20.0% of the IPO Price, to our new public investors. Further details on our NA per Share are set out in **Section 11.2** of this Prospectus.

The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.65
Audited consolidated NA per Share as at 31 May 2014, before adjusting for the IPO	0.49
Proforma consolidated NA per Share as at 31 May 2014, after giving effect to the IPO	0.52
Increase in the proforma consolidated NA per Share to existing shareholders	0.03
Dilution in the proforma consolidated NA per Share to new public investors	0.13
Dilution in the proforma consolidated NA per Share to new public investors as a percentage to the IPO Price	20.0%

3. DETAILS OF THE IPO (Cont'd)

Save as disclosed below, there has been no direct acquisitions and/or subscription of any existing Shares in our Company by our Directors, key management, substantial shareholders or persons connected with them, or in which they have the right to acquire, during the past three (3) years prior to the date of this Prospectus:-

(i) Sindora

Date	No. of shares	Par value RM	Description	Consideration RM	Effective cost per ordinary share RM
30.12.2013	6,577,959	1.00	Conversion of RCCP Shares	6,577,959	1.00
30.12.2013	6,388,109	1.00	Conversion of advances	6,388,109	1.00
30.12.2013	14,298,116	1.00	Bonus Issue	14,298,116	1.00
30.12.2013	198,900,000	0.25	Subdivision of Shares	-	0.25
30.04.2014	56,100,000	0.25	*Acquisition	30,294,000	0.54

Note:-

* *On 14 April 2014, Sindora entered into a share sale and purchase agreement ("**SSA**") with Dato' Hak and Datin Hamidah to acquire an aggregate of 56,100,000 of our existing Shares, representing approximately 14.4% of our issued and paid-up share capital ("**Acquisition**") prior to the Public Issue. On 30 April 2014, the Acquisition by Sindora had been completed, pursuant to the fulfilment of the condition precedent of the SSA.*

(ii) Dato' Hak

Date	No. of shares	Par value RM	Description	Consideration RM	Effective cost per ordinary share RM
30.12.2013	4,384,842	1.00	Conversion of RCCP Shares	4,384,842	1.00
30.12.2013	4,258,739	1.00	Conversion of advances	4,258,739	1.00
30.12.2013	9,532,541	1.00	Bonus Issue	9,532,541	1.00
30.12.2013	132,600,000	0.25	Subdivision of Shares	-	0.25

(iii) Datin Hamidah

Date	No. of shares	Par value RM	Description	Consideration RM	Effective cost per ordinary share RM
30.12.2013	1,934,611	1.00	Conversion of RCCP Shares	1,934,611	1.00
30.12.2013	1,878,855	1.00	Conversion of advances	1,878,855	1.00
30.12.2013	4,205,412	1.00	Bonus Issue	4,205,412	1.00
30.12.2013	58,500,000	0.25	Subdivision of Shares	-	0.25

3. DETAILS OF THE IPO (Cont'd)

3.9 Utilisation of proceeds

Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale of approximately RM9.8 million based on the Offer Price of RM0.65 per Offer Share will accrue entirely to the Selling Shareholders.

The expected gross proceeds from the Public Issue amounting to RM74.1 million based on the Issue Price of RM0.65 per Issue Share are expected to be utilised in the manner as set out below:-

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM'million	Percentage of gross proceeds (%)
Repayment of bank borrowings[1]	Within 1 month	30.0	40.5
Capital expenditure[2]	Within 24 months	29.2	39.4
Working capital[3]	Within 12 months	9.9	13.4
Estimated listing expenses[4]	Within 3 months	5.0	6.7
Total		**74.1**	**100.0**

Notes:

(1) The proposed repayment of bank borrowings is as follows:-

Lenders	*Date of Maturity*	*Amount outstanding as at the LPD (RM'million)*	*Proposed repayment (RM'million)*	*Interest/ profit rate (% per annum)*	*Purpose of borrowings*
Malayan Banking Berhad	*April 2017*	*6.8*	*6.8*	*5.25*	*Vessel financing*
Maybank Islamic Berhad	*September 2020*	*9.7*	*9.7*	*6.90*	*Vessel financing*
Maybank Islamic Berhad	*December 2020*	*10.7*	*1.7*	*6.90*	*Vessel financing*
RHB Bank Berhad	*August 2016*	*7.2*	*7.2*	*7.38*	*Vessel financing*
AmIslamic Bank Berhad	*February 2016*	*1.2*	*1.2*	*5.35*	*Vessel financing*
AmBank (M) Berhad	*February 2016*	*3.4*	*3.4*	*5.35*	*To finance business expansion*
Total		***39.0***	***30.0***		

(2) Our capital expenditure requirements are principally associated with our expansion of businesses as described in ***Section 6.21*** *of this Prospectus. The breakdown of the proceeds are set out below:-*

Details	*(RM'million)*
Part finance the expansion of our fleet	*19.2*
Part finance expansion of our existing shipbuilding facilities	*10.0*
Total	***29.2***

3. DETAILS OF THE IPO (Cont'd)

Part finance the expansion of our fleet

In July 2014, we were awarded a four (4)-year contract with optional extension period of two (2)-years for the time charter of one (1) FSO with contract sum of approximately RM206.7 million (including optional extension of approximately RM68.9 million). This FSO is expected to commence operations in April 2015.

In this respect, we acquired one (1) unit of 47,172 DWT oil tanker in August 2014 and as at the LPD, the said oil tanker is in the midst of being converted into a FSO. Our Group has earmarked approximately RM19.2 million from the IPO proceeds to part finance the refurbishment cost to convert the said tanker into a FSO. An indicative sum totalling approximately USD29.0 million or RM95.2 million is expected to be incurred for the conversion into a FSO and installation of the FSO at the proposed oilfield. The remaining cost for the refurbishment of the oil tanker and the installation of the FSO will be funded via internally generated funds and/or bank borrowings. The conversion is expected to be completed by first quarter of 2015.

Part finance expansion of our existing shipbuilding facilities

We intend to expand our shipbuilding facilities on a rented 10-acre piece of land located at Lot PT8436-A, Mukim Hutan Melintang, 36400 Daerah Hilir Perak, Perak Darul Ridzuan. As at the LPD, our existing shipyard is equipped with a 4,000 tonnes weightage capacity launching bay, which is capable to hold/launch up to six (6) units of up to 35-metre tugboats, or one (1) unit of vessel (i.e. product tanker) of up to 10,000 DWT, at any one time. Our shipyard is currently building six (6) units of harbour tug boats which are expected to be delivered in stages from the end of 2014 to mid of 2015.

In order to increase and upgrade our shipyard's production capabilities, we plan to construct the following:-

(i) a dry dock to handle dry docking, ship repairs and maintenance for vessels of up to 120 meters in length; and

(ii) a new slipway that is capable of handling up to 4,000 tonnes weightage capacity for vessel construction/repairs.

Our Group has earmarked RM10.0 million from the IPO proceeds to part finance the construction of the dry dock, details of which are shown below:-

	(RM'million)
Dry dock	
Civil work for construction of engraved dock/dry dock, comprising the following:-	
• *Dredging and clearing*	*2.0*
• *Sheet piles and steel bar*	*2.5*
• *Concrete works and water proofing*	*5.0*
• *Miscellaneous*	*0.5*
Total	***10.0***

The construction of the new dry dock and slipway is expected to commence in the first quarter of 2015, subject to obtaining the approval from the relevant authorities, with the target completion by mid-2016. As at the LPD, we have appointed a consultant/architect for the design of the dry dock and are in the midst of preparing the costing/budgeting for the dry dock and the related dry dock facilities. Any remaining cost to be incurred for the construction of the dry dock will be funded via internally generated funds and/or bank borrowings. The slipway is expected to be funded via internally generated funds.

3. DETAILS OF THE IPO (Cont'd)

Indicatively, over the next two (2) to three (3) years, we plan to invest approximately RM20.0 million to build, amongst others, the above dry dock and slipway as well as other related facilities. However, our level of investment on the shipyard would depend on, amongst others, the level of demand from both internal and external parties for our shipyard services, approvals obtained from the relevant authorities and our cash flow requirements for our vessel operations.

(3) *Our Group has earmarked up to RM9.9 million from the IPO proceeds to fund our day-to-day operations which include, amongst others, general expenses such as dry docking and maintenance of our vessels.*

(4) *The expenses of the Public Issue to be borne by us are estimated to be RM5.0 million and will comprise the following:-*

	RM'million
Estimated professional fees	*2.3*
Brokerage, underwriting and placement fees	*1.9*
Estimated regulatory fees	*0.3*
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the IPO	*0.4*
Miscellaneous expenses and contingencies	*0.1*
Total estimated listing expenses	***5.0***

If the actual expenses are higher than estimated, the deficit will be funded out of working capital. However, if the actual expenses are lower than estimated, the excess will be utilised for general working capital requirements of our Group.

We intend to place the proceeds raised from the Public Issue (including accrued interest, if any) or the balance thereof as deposits with licensed financial institutions or short-term money market instruments prior to the eventual utilisation of the IPO proceeds for the above intended purposes.

Our utilisation of the proceeds from the Public Issue is expected to have the following financial impact on our Group:-

(a) Savings on cost of borrowings

As we have earmarked RM30.0 million for the repayment of our outstanding bank borrowings, it is expected to achieve savings on cost of borrowings of approximately RM2.0 million per annum based on the respective rates of our bank borrowings to be repaid.

(b) Increase in capacity and productivity

Our Group will use the proceeds to expand our fleet of vessels and enable us to support our customer base as well as to perform our new charter contract awarded to us. Our fleet expansion is expected to enhance our revenue and profitability over the next few years.

In addition, the proceeds will be used to increase and upgrade our current capacity at our existing shipyard. The expansion of our shipyard will enable us to construct more vessels for our in-house use as well as take in orders from third parties, should there be demand or in the event we have spare capacity. This is expected to enhance our revenue and to reduce our operating cost as we have our own repair and maintenance facility.

(c) Enhancement of capital structure

Through the IPO, we will increase our shareholders' funds and repay part of our bank borrowings, thereby resulting in a reduction of our gearing. The total borrowings of our Group as at 31 May 2014 stood at approximately RM288.5 million with a gearing ratio of approximately 1.5 times. Upon receipt and utilisation of the IPO proceeds, our gearing ratio is expected to reduce to approximately 1.0 time. The enhanced balance sheet position and new capital structure upon Listing will provide us greater financial flexibility to fund our future expansion as and when opportunities arise.

We have illustrated the financial impact of the utilisation of proceeds from the Public Issue on our proforma consolidated financial statement as at 31 May 2014 in **Section 11.2** of this Prospectus.

3.10 Brokerage, underwriting commission and placement fee

(i) Brokerage

We will pay brokerage in respect of the sale of the Issue Shares under the Public Issue, at the rate of one percent (1.0%) of the Issue Price in respect of all successful applications which bear the stamp of the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

(ii) Underwriting commission

Our Underwriter has agreed to underwrite 35,200,000 Issue Shares as set out in **Section 3.4.1(i)** and **3.4.1(iii)** of this Prospectus. We will pay our Underwriter an underwriting commission at the rate of two percent (2.0%) of the total value of the underwritten Shares based on the Issue Price. There will be no managing underwriter fees payable to RHB Investment Bank.

(iii) Placement fee

Our Placement Agent has agreed to place our IPO Shares to institutional and selected investors to be identified comprising 78,800,000 Issue Shares as set out in **Section 3.4.1(ii)** of this Prospectus and 15,000,000 Offer Shares as set out in **Section 3.4.2** of this Prospectus. We will pay our Placement Agent a placement fee at the rate of two percent (2.0%) of the total value of the Issue Shares at the Issue Price to be placed out by our Placement Agent and a placement fee at the rate of one percent (1.0%) of the total value of the Issue Shares at the Issue Price to be placed out to placees identified by our Company. The placement fee to be incurred on the sale of 15,000,000 Offer Shares will be fully borne by our Selling Shareholders.

3.11 Underwriting arrangement

We entered into the Underwriting Agreement with the Underwriter on 7 November 2014 to underwrite (i) 25,200,000 Issue Shares available for application by the Malaysian Public through a balloting process; and (ii) 10,000,000 Issue Shares reserved for application by the eligible Directors and employees of E.A. Technique Group, subject to the clawback and reallocation as set out in **Section 3.4.3** of this Prospectus. Details of the underwriting commission are set out in **Section 3.10(ii)** of this Prospectus.

Pursuant to the Underwriting Agreement, the Underwriter may withdraw its obligations upon the occurrence of any of the following:-

3. DETAILS OF THE IPO (Cont'd)

(a) there is any breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, or in the case of any representation or warranty or undertaking which is not qualified by any materiality requirement, in any material respect, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to our Company by the Underwriter or by the closing date of the offering of the Issue Shares as set out in **Section 3.4.1(i)** and **3.4.1(iii)** of this Prospectus ("**Closing Date**"), whichever is the later;

(b) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement or in the case of any obligation which is not qualified by any materiality requirement, in any material respect;

(c) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which will have a material adverse effect including on the success of the IPO or the distribution of the Issue Shares issued under the IPO;

(d) the Closing Date does not occur within one (1) month from the date of the agreement, subject to the extension of Closing Date which is approved by the Underwriter whose approval shall not be unreasonably withheld;

(e) the occurrence of any of the following events:-

i. any material adverse change in national monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Underwriter (after having consulted our Company) are likely to have a material adverse effect. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

   a. on or after the date of the Underwriting Agreement; and

   b. prior to the subscription of the unsubscribed underwritten shares pursuant the Underwriting Agreement,

ii. lower than 85% of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least three (3) Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition; or

iii. any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which will have a material adverse effect on our Group; or

3. DETAILS OF THE IPO (Cont'd)

iv. any event or series of events beyond the reasonable control of the Underwriter including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the IPO or pursuant to the underwriting of the underwritten shares; or

v. any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise which will have a material adverse effect; or

vi. any government requisition which will have a material adverse effect;

(f) in the event that the listing of and quotation for the entire issued and paid up share capital of our Company on the Main Market of Bursa Securities is withdrawn or not procured or procured but subject to conditions not reasonably acceptable to the Underwriter;

(g) if the SC or any other relevant regulatory authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Underwriter after having consulted us, impracticable to market the IPO or to enforce contracts to issue, allot and/or transfer the IPO Shares;

(h) either of the placement agreements having been terminated or rescinded in accordance with the terms thereof;

(i) if the obligations of the Underwriter to subscribe for and/or procure subscriptions for the underwritten shares is prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of any jurisdiction;

(j) if the necessary consents or approvals required for the Listing is revoked or withdrawn or if any of the conditions for such consents or approvals have not been fulfilled to the satisfaction of the relevant authorities or waived by it.

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4. RISK FACTORS

Before investing in our Shares, you should pay particular attention to the fact that our Company, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and other countries in which we operate whether presently or in the future. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider, along with the other matters set forth in this Prospectus, the risks and investment considerations below. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

4.1 Risks relating to the industry in which we operate

4.1.1 We are subject to global economic conditions

Growing concerns over the slowing of China's economic growth, and tapering of the United States Federal Reserve's quantitative easing policy, could mean that global growth is unlikely to return to levels prior to the 2007's global financial crisis in the next few years, depending on amongst others, the effectiveness of the economic measures put together by various countries' government to stimulate the economy. Any further worsening of global economic conditions could reduce the consumption of good and services, impact the growth of international trade and ultimately reduce the demand for O&G and O&G related services.

Declines in the global price of crude oil, may occur in the event of lower demand and/or excess supply of crude oil in global markets. The key drivers of lower demand include, but not limited to, slowdown in the economies of major energy consumer countries like United States, Europe and China, and use of alternative energy sources such as hydropower, solar, wind and nuclear energy. The key drivers of excess supply of crude oil include, but not limited to, new major discoveries of oil and gas fields, increased production of shale oil and gas, release of oil reserves, and higher production quota from producing countries, for example members of Organisation of the Petroleum Exporting Countries (OPEC).

Decline in global price of crude oil is not cyclical but dependent on factors like supply and demand for crude oil and general economic, social and political conditions.

As such, declines in the global price of crude oil, if any, may have negative effect on the long-term outlook of the marine transportation and storage of O&G in Malaysia as O&G industry operators respond to the decline in prices by reducing their long-term capital investment plans and exploration activities. For example, we may be adversely affected by, amongst others, cancellation of contracts, reduction in the number of new contracts secured and reduction in demand for ship or vessel construction.

Whilst we continue to take effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that any adverse macroeconomic conditions will not materially affect our operations.

4.1.2 We are dependent on the O&G industry which will ultimately affect the demand for our services as we are primarily an O&G support services provider

We are principally involved in the charter of various types of tankers for the transportation and storage of O&G, charter of marine support vessels for the provision of port marine services mainly to O&G ports, and charter of OSV in the form of fast crew boats. For the FYE 31 December 2013 and five (5)-month FPE 31 May 2014, our total revenue derived from O&G trading companies were 43.6% and 43.8%, respectively, whereas the total revenue derived from O&G ports and refinery operators were 33.2% and 28.9%, respectively. As our revenue is currently mainly derived from the O&G industry in Malaysia, our operations are dependent on the level of activity as well as the level of capital spending in the O&G industry in Malaysia, which is mainly driven by government initiatives and PETRONAS's long term strategies for the development of the O&G sector in Malaysia.

In addition, the O&G sector is expected to be impacted by global factors such as changes in demand for and supply of oil, which in turn is determined by, among others, fluctuations in current and future crude oil prices, the number, size and location of oil fields discovered, the demand for and supply of alternative fuels or energy supply, the prices of alternative fuels or energy supply, changes in capital expenditure by customers in the O&G industry, and general economic, social and political conditions, (for example, further social/ political unrest in the Middle East, global growth or recessions, among others). Consequently, the demand for our services may also rise and decline in tandem with these global factors.

In the event of any slowdown in the O&G industry and O&G support services industry or in global or regional economic conditions, our operations and financial performance may be materially and adversely affected due to reduced demand for our vessels and services.

4.1.3 The O&G industry is subject to government regulations

The transport of O&G at sea is subject to inherent risks such as, fire explosion, equipment defects, discharge of pollutants and oil spills, equipment failure, malfunction and/or misuse that could cause significant environmental damage, personal injury or loss of life and damage to our assets or other public and/or private assets. As such, the O&G industry, which we operate in, is heavily regulated by laws, regulations, and policies aimed to govern these risks. Additionally, our vessels are also required to meet relevant requirements such as shipping licences, safety certificates and compliance with a variety of international conventions issued by IMO, as well as any future changes in governing regulations, laws and policies.

In general, laws and regulations applicable to the O&G industry have become more stringent with penalties and potential liabilities increasing over the years. Furthermore, there is no guarantee that the O&G industry will not be affected by future regulatory and legal changes which may include:-

(i) New implementation or changes to current laws, regulations and policies;

(ii) Introduction of new laws, regulations and policies by authorities; and/or

(iii) Imposition of additional conditions to our existing licences, permits and registrations to conduct or operate in.

The above could increase the cost of our operations or those of our customers and reduce the area of operations for the O&G industry, which could, in turn, reduce the demand for our services resulting in material and adverse effect on our operations and financial performance.

To participate in the O&G industry in Malaysia, it is mandatory that appropriate licences are obtained from PETRONAS. As licencing is a critical factor in our industry, we constantly review our licences to ensure that we meet the requirements. We have not experienced any failure or rejection in the renewal of our licences which has materially and adversely affected our operations and financial position in the past. Notwithstanding the above, there can be no assurance that we will always be able to obtain or renew these licences in the future despite our best efforts.

4.1.4 We are subject to competition from local offshore O&G support service providers providing similar services

We face keen competition from local offshore O&G support service providers providing similar products and services. The competitive factors include management's capability and experience, availability of suitable vessels, established safety track record, financial strength, reputation of vessel operators and crew, technical ability and capability to construct ships in accordance with technical specifications as well as price and quality of services. Operators with a healthy financial position are more likely to retain and attract new customers. Potential customers commonly emphasise financial strength as a key criterion in evaluating of a prospective vessel operator or service provider as they would not want any disruption in their shipment and supply of products and services, particularly if the charter contracts are longer than one (1) year. Our competitors may have longer operating history and track record, greater financial, technical and marketing capabilities, larger asset base and/or access to better financial and technical resources compared to our Group.

If PETRONAS were to change its policies by either increasing the number of licenced companies or allowing non-Malaysian companies to bid for these contracts, our Group would face increased competition, especially from new entrants.

In order to remain competitive, we intend to grow our asset base and are expecting to complete the construction of six (6) additional new vessels by mid-2015 to service our contracts which we have secured (please refer to **Section 11.3.5** of this Prospectus for further information of our contracts in-hand). Our in-house shipbuilding, ship repair and maintenance capability allows us to react to favourable market conditions, by way of constructing new vessels and carrying out regular maintenance and repair works on our own. The regularity of maintenance will increase the lifespan of our marine vessels and inadvertently lower our operating costs and reduce the downtime of our vessels. Save for our FSU, which has an estimated lifespan of approximately ten (10) years from the time it was converted into FSU, the average life span of our other marine vessels is approximately 25 years. The frequency of maintenance will depend on the condition of each vessel. Our vessels typically undergo routine scheduled dry docking twice every five (5) years for our product tankers and tugboats, once every year for our crew boats and once every five (5) years for our FSU. In addition, we also undertake periodic maintenance based on the running hours of the vessels as well as ad-hoc maintenance of the vessels as and when required. Over the past three (3) years, the average downtime of our vessels is approximately 22 days per annum including dry-docking, regular maintenance and repairs for accidents.

Should our existing and/or new competitors offer services at a lower cost or engage in aggressive pricing in order to increase their market share, our turnover may be negatively impacted if we are unable to match their cost or aggressive pricing. Most of our charter contracts are traditionally awarded through competitive bidding process where we submit our tender based on the request of our customers. The pricing of the tender quote is determined after evaluating the indicative market price in the industry and all the related operational costs including crew cost, vessel operation and maintenance cost, depreciation and finance costs, mobilisation and de-mobilisation of vessels and charter in cost, if applicable. Our ability to continuously remain competitive in order to retain our existing customers and attract new customers is key to our Group's operations and financial stability. However, there can be no assurance that we will be able to compete successfully against our competitors as well as new market entrants in the future.

4.2 Risks relating to our business and our operations

4.2.1 Our business is subject to compliance with the licences, registration and certification requirements

Our Group requires certain licences, permits and certifications to operate. Please refer to **Annexure A** of this Prospectus for further information on our major licences and permits. In Malaysia, the operators or service providers who wish to operate in the O&G industry and provide services to PETRONAS or other licenced operators are required to possess the relevant licences issued by PETRONAS, without which, we are not allowed to participate in the bidding/tendering process.

Our Group is also required to adhere and conform to the Malaysian legislation and international standards for safety management, operation as well as pollution controls. Any failure to maintain the standards may result in the cancellation of our present contracts, failure to bid or win new contracts, regulatory authorities imposing fines, penalties or sanctions on us, revocation of our licences and permits, or prohibition from continuing our operations, each of which could have a material and adverse effect on our business operations and financial position. There has been no cancellations of our present contracts or fines, penalties and sanctions imposed on our Group by regulatory authorities over the past three (3) years up to the LPD which has had an adverse effect on our business operations and financial position. We had however incurred a penalty for the late submission of building plan on the Hutan Melintang land for the amount of RM16,800 in January 2014.

In addition, our licences, permits and certifications may be valid for certain periods of time where renewals are subject to our compliance with the respective requirements imposed by the relevant authorities. Failure to comply with the respective requirements at the point of renewal may result in our licences, permits or certifications to be suspended, revoked or not renewed, or our vessels may not be allowed to operate, hence materially and adversely affecting our operations and financial position. As such, there can be no assurance that our existing licences, permits and certifications will be renewed in the future.

4. RISK FACTORS (Cont'd)

4.2.2 We are subject to compliance of environmental regulations

The O&G industry is subject to laws and regulations relating to environmental and safety matters pursuant to a variety of international conventions set out by Assembly of the International Maritime Organisation ("**IMO**") such as:-

(i) International Convention for Safety of Life at Sea ("**SOLAS**");

(ii) MARPOL;

(iii) International Convention for the Seafarers' Training, Certificates and Watchkeeping ("**STCW**");

(iv) ISM Code;

(v) International Ship and Port Facility Security ("**ISPS**") Code; and

(vi) Maritime Labour Convention ("**MLC**"), which came into force in August 2014. However, our Group has received certification in respect of compliance of the MLC.

All of these conventions have been ratified by the majority of maritime nations, including Malaysia. Compliance with such regulations can require significant expenditure and any non-compliance may give rise to liabilities and result in the incurrence of cost to rectify such non-compliance including possible imposition of fines, penalties or sanctions, including revocation or non-renewal of our Group's licences or registrations or prohibition from continuing our operations, each of which could have a material and adverse effect on our business and/or financial condition. There has been no such occurrence in the past three (3) years up to the LPD.

Any discharge of pollutants into air or water may give rise to liabilities to governmental authorities and/or third parties which may result in the incurrence of costs to remedy such discharge. New implementation or changes to current environmental laws and regulations may expose us to liability for the conduct of or conditions caused by others, or for acts which we were in compliance with all applicable laws at the time such actions were taken. There is also no assurance that environmental laws and regulations will not result in a curtailment of production or a material increase in the costs of production and development or exploration activities which may in turn affect in our ability to charter our vessels to upstream O&G companies.

4.2.3 We are subject to weather and natural hazards

Our vessels are also subject to weather and natural hazards. Adverse changes in weather and natural hazards such as the occurrence of monsoon seasons, typhoons and tsunamis in the areas where we operate may cause damage to our vessels resulting in delays or suspension in our operations. Our operations may experience disruption if any of our vessels suffer significant downtime. This may have a material adverse impact on our business operations and financial position.

4.2.4 We are subject to a number of contractual risks

Our charter contracts are based on a DCR which has been agreed with our customers, subject to specific terms and conditions which includes minimum performance requirements. If we do not perform to our contract obligations, we may not be able to optimise our revenue or suffer from reduced profitability on the contracts. We may suffer damage to our reputation which will affect our future ability to secure new contracts.

Contractual risks are inherent in our industry and include, but are not limited to:-

- Inability to maintain the condition of our vessels to the satisfaction of the charterer; and

- Inability to meet delivery performance requirements of our contracts which may result in potential penalties or liquidated damages. For example, if we are unable to achieve a guaranteed speed, certain compensation may be provided by us to the charterer, thus reducing our profitability.

4.2.5 Our charter contracts may be terminated upon the occurrence of certain events

Our charter contracts are for varying periods of time. In line with industry practice, our charter contracts ordinarily contain clauses which could, amongst others, give the customer the right of early termination. Some of our charter contracts may be terminated under specified conditions, with corresponding compensation clauses and in certain cases termination may be due to causes upon the occurrence of certain events, such as non-performance, events of force majeure, loss or seizure of vessels or unavailability of vessels which could be due to, but not limited to, reasons such as confiscation or requisition by the government of the jurisdiction under which the vessels are registered and/or operate.

As we operate in a competitive industry, with no assurance that the O&G industry will remain buoyant, our inability to maintain a strong orderbook may have material adverse impact on the results of our operations and financial conditions. Furthermore, there can be no assurance that the contracts in our orderbook will be executed and will generate sufficient revenue. The contracts that make up our orderbook as at the LPD amounted to RM1.283 billion (including optional extensions of approximately RM452.0 million). Given the forward-looking nature of our orderbook, the amount stated therein is not necessarily indicative of our future earnings. For example, we may not achieve our expected margin or we may suffer losses on one or more of these contracts, in which case our profit would be reduced. Any operational issues with the performance of our contracts, cancellation or delays could materially and adversely affect our business, financial condition and results of operation.

4.2.6 Our marine transport and support services are subject to operating risks

Our contracts are usually structured to secure an acceptable return on the investment within the contract period, with a fixed period of contract and a further optional extension period. There can be no assurance that our vessels will achieve the returns expected due to technical risks, unforeseen operational problems, unexpectedly high operating costs, additional capital expenditure and penalty payments, accidents such as human errors, weather conditions, faulty construction, among other risks.

The probability of our contract extension options being exercised, new contracts being obtained, or the terms of new contracts being agreed may be negatively impacted by factors such as reductions in oil reservoir reserves, changes in vessel specifications, lower oil prices and reduced demand in port activity. When our contracts expire, or are terminated early, we may encounter difficulties re-deploying our marine vessels at existing charter rates, or re-deploying our marine vessels at all. Furthermore such re-deployment, if achieved, may require us to incur additional capital expenditure that may not be recoverable from our customers. In the event that we do not achieve adequate financial returns during our contract period or if, our contracts are not extended, or if our marine vessels cannot be re-deployed, our operations and financial condition may be materially and adversely effected.

Notwithstanding the above, it is pertinent to note that we usually meet our customers' performance expectations and have our existing charter contracts with the option extension period extended for the duration of the option period in the past.

4.2.7 Our shipbuilding may face delay in completion of vessel

Shipbuilding process is a complex process that requires, amongst others, extensive technical capabilities, skills and know-how, forward logistical planning for timely delivery of raw materials, engines and equipment and construction of the hull and structures of a vessel including forward part, engine room, deck and transom block (back part of the vessel). Any unplanned delays arising from these and other factors may potentially affect the completion date for the vessel. As our shipbuilding engages sub-contractors, as such, failure of our sub-contractors to complete their work based on an agreed time schedule may give rise to the delay. However, we are able to claim from our sub-contractors in the event of such delays, subjects to our contracting arrangements.

As our shipbuilding expertise and capabilities mainly serve as in-house needs, the risk to our shipbuilding operations and delay in expansion of our fleet is limited, as we have the option to commission external shipbuilders when we are faced with shipyard capacity constraints, or we can charter in third party vessels to ensure performance of contracts. Hence, any delay in the completion of vessels will not materially and adversely affect the business, financial condition and results of the operations.

4.2.8 We are dependent on major customers

We have entered into long term contracts with the PETRONAS Group being our major customer. For the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, PETRONAS Group, namely PETCO and Sungai Udang Port Sdn Bhd collectively accounted for 63.0% and 53.8% of our total revenue, respectively. Please refer to **Section 6.15** of this Prospectus for details of the major customers' revenue contribution for the respective financial years under review and the length of relationship with our Group.

The loss of contracts from PETRONAS Group, if not replaced, may adversely affect our financial condition and results of operations. Nevertheless, our Group has established a stable business relationship with PETRONAS Group since 1997. However, no assurance can be given that the loss of any one or more of our major customers resulting from, among others, cessation of business relations or otherwise, would not have a material adverse effect on our business operations and financial conditions in the future.

We continue to serve our other customers and have undertaken various steps to expand our customer base. In July 2013, we secured a contract from Northport, a bulk and containerised goods port in Selangor, for a contract value of approximately RM260.0 million (including optional extension of approximately RM41.0 million). As at the LPD, the outstanding contract sum is approximately RM244.0 million (including optional extension of approximately RM41.0 million), representing 19.0% to the total outstanding orderbook of approximately RM1.283 billion (including optional extension of approximately 452.0 million). In addition, we foresee our business and customer base to grow in line with the expansion of our asset base as well as shipbuilding capabilities, thus reducing our dependency on our major customers. Nevertheless, there can be no assurance that any loss of these major customers will not have any material adverse effect to our Group's revenue of profitability.

4. RISK FACTORS (Cont'd)

4.2.9 We require significant capital investment in our business and we are exposed to the risks related to capital funding

In general, the O&G support services industry as well as the shipbuilding industry are capital intensive in nature. This is mainly due to high costs associated with the acquisition and construction of vessels. As at 31 May 2014, our total borrowings stood at approximately RM288.5 million, with a gearing ratio of approximately 1.5 times. This is mainly because of our business strategy of fleet expansion which has resulted in significant acquisition of vessels during the financial period under review. Our ability to service our debts and other contractual obligations will depend on our future operations and cash flow generation, which in turn will be affected by various factors, many of which are beyond our control.

As we operate in a capital-intensive industry, we have historically required capital to acquire or carry out improvement work on our vessels and may require additional capital in the future to fund the acquisition or construction of additional vessels.

Generally, expenditures necessary to maintain a vessel in good operating condition increases with the age of the vessel, but are difficult to predict with precision. As at the LPD, four (4) of our O&G tankers have an average age of six (6) years while two (2) of our O&G tankers, namely M.T. Princess Sofea (formerly known as M.T. Nautica Kluang) and M.T. Nautica Muar (which has been converted into a FSU) are significantly older at 22 years. For our marine support vessels such as harbour and utility tugboats, and mooring boats, the average age is approximately 4.4 years. Save for the FSU, which has an estimated lifespan of approximately ten (10) years from the time it was converted into FSU, the average life span of our other marine vessels is approximately 25 years.

In addition, unanticipated changes in governmental regulations and safety or other equipment standards may require unanticipated expenditures for alterations or the addition of new equipment to older vessels. Consequently, our vessels may be dry-docked for longer periods of time or more often than planned in order to perform necessary repairs or modifications in order to meet such regulations. Generally, our vessels drydocking period ranges from two (2) to four (4) weeks depending on the type of vessels, which is in line with the industry average. For the past three (3) FYE 31 December 2011, 2012 and 2013, and the five (5)-month FPE 31 May 2014, our Group incurred cost of dry dock of RM3.5 million, RM3.2 million, RM8.8 million and RM0.9 million, respectively. There can be no assurance that our vessels will not require extensive repairs which would result in significant expenses and extended periods of time during which these vessels would be out of commission. Such an occurrence could therefore have material adverse effects on our business, results of operations and financial condition.

We are also exposed to interest/profit rate risk, primarily from borrowings bearing variable interest/profit. As at 31 May 2014, approximately RM213.3 million or 74.0% of our total borrowings bear a variable rate of interest/profit whilst approximately RM75.2 million or 26.0% of our total borrowings bear a fixed rate of interest/profit. Changes in economic conditions could result in higher interest/profit rates, thereby increasing our finance cost and reducing our profitability and funds available to meet capital and operational expenditure or other purposes.

Our Group's ability to meet our payment obligations and to fund planned capital expenditure will depend on the success of our business strategy and our ability to generate sufficient revenues to satisfy debt obligations, which are subject to many uncertainties and contingencies beyond our control.

4.2.10 Maintenance and repair for our vessels and equipment may require substantial expenditure

We are required to maintain our vessels and/or our equipment to certain standards and to maintain the certification of such vessels and/or certain equipment. Such maintenance may involve substantial costs and result in loss of hire, which may materially and adversely affect our business operations and financial conditions.

Our operations are dependent on the operating efficiency and reliability of our vessels and/or our equipment in terms of operational worthiness and safety. Any unexpected breakdown or non-performance of vessels and/or equipment is difficult to predict and in the event of downtime, additional costs and losses may be incurred by our customers arising from the disruption of our workflow and scheduled activities and some of these costs may be passed back to us. Rectification of the breakdown or non-performance, depending on its severity, may also require replacement or repair of key components and there may be long lead times required in the procurement of these components. Such rectification on the affected vessels and/or equipment may require us to incur significant costs and may result in such vessels and/or equipment being out of service and being unable to generate revenue for us over extended periods of time. In such an event, we may be unable to meet our contractual obligations with our customers, which in turn may materially and adversely affect our reputation as well as our business operations and financial conditions.

4.2.11 We are exposed to acts of piracy

Merchant ships or vessels run the risk of being targeted by pirates during a voyage, especially for ships that carry large quantities of high-value goods including CPP. According to the International Maritime Bureau, global piracy and armed robbery decreased from 297 incidents in 2012 to 264 incidents in 2013. This was mainly attributed to improved anti-piracy operations and security measures undertaken by the relevant authorities and vessel operators.

Our Company operates within piracy prone areas. We have shipping insurance policies to ensure that we are compensated for some of the losses incurred in the event of piracy attack. In addition, we have adopted the necessary anti-piracy measures including installation of the press alert button. Further, GPS is installed to track down the vessels in the event of pirate attack.

Our Group had encountered a pirate attack incident in 2011 where armed men boarded our vessel in the Straits of Singapore. With the assistance of Malaysia Maritime Enforcement Agency and Royal Malaysian Navy, the vessel was found within a few hours. There was no financial or operational impact to our Group.

Although our risk could be mitigated through security arrangements and insurance, such arrangements may be unavailable, may only be available at increased costs or may prove to be insufficient. In addition, crew costs could also increase if piracy continues to be a risk. Detention hijacking as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels could have a material adverse impact on our business operations and financial conditions.

4.2.12 We are dependent on our key management as well as our ability to hire and retain skilled and specialised employees

Our continued success will depend significantly on the ability, expertise and continued efforts of our key management. Having a team of experienced management staff and skilled personnel is critical in maintaining the quality of our services and our relationship with our customers. We operate in the O&G industry focusing on marine transportation services and offshore storage of O&G, which require trained and experienced crew, whilst for our shipyard operations we require naval architects and marine engineers. A high turnover of such personnel would adversely affect our operations and competitiveness.

Our success is also dependent on the continued efforts of our key personnel, in particular, Dato' Hak, our Managing Director, who has more than 20 years of experience in the shipping and O&G industry, and has built credible networking relationships within these industries, which we leverage on. Since 2006, our Company has entered into a service agreement with Dato' Hak for services rendered to our Company for a fixed term of three (3) years and subject to a three (3)-yearly term renewal. In 2012, his service contract was renewed for a fixed term of three (3) years commencing from 1 January 2013 until 31 December 2015. Upon expiry on 31 December 2015, our Company has the option to renew his employment tenure. Our Managing Director, together with other key management are instrumental to our Company's growth and expansion.

Accordingly, any loss of these key personnel without suitable and timely replacements and an inability to attract or retain qualified and suitable personnel would have an unfavourable impact on our business. Recognising the importance of our people, we will continuously develop and implement appropriate measures so as to attract and retain our key personnel. We have in place a management succession plan to groom and develop in-house talent in preparation for our long-term expansion. However, there can be no guarantee that the above measures will be successful in attracting and retaining key personnel or ensuring a smooth transition should changes occur.

4.2.13 We are exposed to risks relating to growth and expansion

Our future operating results will depend on our management's ability to manage our growth, which includes recruiting and retaining qualified employees, controlling costs and expanding our fleet of vessels and facilities and their capacity utilisation. As part of our future plans set out in **Section 6.21** of this Prospectus, we intend to invest in new vessels and our shipyard operations. Further, we may invest in new business ventures relating to the provision of marginal oilfield solution as disclosed in **Section 6.21.4** of this Prospectus, however we do not foresee the amount to be significant as we are still at the planning stage as at the LPD.

Any such expansion carries with it, inherent risks and uncertainties and requires significant management attention and resources and may not yield the results we expect. Although we endeavour to exercise due care in assessing the risks and merits of investing in new ventures, there is always the potential risk that the return from these investments may require longer than expected payback period or such business venture may fail.

There is no assurance that our business expansion will be successful or lead to an increase in our profits. Our expansion could also result in an increase in the fixed costs of our operations. Our ability to maintain or increase our profitability will continue to depend, in part, on our ability to generate increasing revenues and to maintain or increase the utilisation rates of our facilities and vessels. In addition, the growth of our operations will place additional demands on our management team, our in-house design and technical teams, and our procurement and financial reporting. The expansion of our operations will also require significant attention from our management and other human resources and may divert such resources from other aspects of our business. We may also not be able to find qualified high-level management to oversee our expansion into new markets or to find managers who will understand and be able to integrate into our corporate culture.

There is no assurance that our profitability will increase significantly or that we will generate sufficient returns to offset our capital expenditure for our growth and operations.

4.2.14 We may have inadequate insurance coverage

The operation of our vessels involves inherent risks such as oil spills, damages to and loss of vessels and cargo sustained in collisions, property loss and interruptions to operations caused by adverse weather and environmental conditions, mechanical failures and crew negligence.

The occurrence of any of these events may result in damage to or loss of our vessels and our vessels' cargo or other property and injury to passengers and personnel on board. Such occurrences may also result in a significant increase in operating costs or liability to third parties. In addition, concerns about other factors (including hijacks or attacks), have caused significant increases in the cost of insurance coverage and may result in higher insurance premiums and in turn, higher operating costs in the future.

We are also susceptible to various operational risks for our shipyard operations, such as accidents, riots and pickets, power shortage, outbreaks of fire or floods and/or other natural disasters, which may cause disruption and/or loss of damage to our shipyard facilities and equipment. Any occurrence of any of these accidents and outbreaks may disrupt our business operations.

While we have insurance coverage for various aspects of our business, due to the high risk nature of the industry in which we operate in, such insurances will have limitations on liability that may be insufficient to cover the full extent of such liabilities. There may also be some risks which are not insurable or, in certain circumstances, we may elect not to insure a specific contract due to high premium associated with such insurance or for other reasons. If we incur substantial liability and the damages are not substantially covered by insurance or exceeds the insurable limit or we are unable to obtain or have not obtained insurance, our financial standing could be materially and adversely affected.

As more stringent environmental and other regulations may come into force, insurance against the new degree of risks may not be available at commercially reasonable rates, or at all. Even if certain risks are covered by insurance, there can be no assurance that such insurance will be available in the future.

4.2.15 Our cash flow may be adversely affected by delays in collection or non-recoverability of trade receivables

Cash flow constraints may arise due to delays in collection or non-recoverability of trade receivables. This may affect our ability to pay our suppliers and potentially affect our operations which may have a material and adverse effect on our financial position.

We generally grant credit terms to our customers, and are therefore exposed to potential payment delays and default by such customers. There is no assurance that we will be able to collect such debts on time, or at all. If our customers experience cash flow difficulties or a decline in their business performance, they may default in their payments to us. Further, during economic downturns, our customers may be materially and adversely affected financially and the possibility of defaults in payment to us may be greater. As a result, we may experience payment delays or in more severe cases, non-recovery of debts from our customers. We would then have to make provisions for doubtful debts, or incur debt write-offs, which may have a material adverse impact on our financial results.

4.2.16 We may be adversely affected by any change in the current taxation regulations in the jurisdiction in which we operate

Any changes in the current tax regime and/or laws, rules and regulations pertaining to the taxation of companies, or the interpretation thereof, which have a retrospective, current and/or prospective effect, will affect the tax paid or payable by us arising from a tax reassessment on our financial results.

Currently, under Section 54A of the Income Tax Act, 1967, income arising from the business of transporting passengers or cargo by sea on a Malaysian ship or from letting out on charter of a Malaysian ship on a voyage or time charter basis such as our product tankers is exempted from tax. A Malaysian ship is defined under the Income Tax Act, 1967 as a sea-going ship registered as such under the Merchant Shipping Ordinance, 1952 which excludes ferries, barges, tug boats, supply vessels, crew boats, lighters, dredgers, fishing boats or other similar vessels. Further, in Malaysia's Budget 2014, the Government stated that the sales tax and service tax will be abolished and will be replaced by the Goods and Services Tax (GST), which will be effective from 2015. The Malaysian Goods and Services Tax Act 2014 was gazetted on 19 June 2014. The GST will be applied to all goods and services unless they are not within the scope of GST. GST is to be charged and levied on supply of goods or services made or provided in Malaysia, such as marine transportation and supporting services. We cannot at this point of time ascertain the actual impact of GST on our business, however, our preliminary views are that the impact will not be material as any input tax (GST charged on the purchase of goods and services used in the business activities) should be offset against output tax (GST charged and collected on sales/supplies of good and services rendered).

4.2.17 We are exposed to risks arising from foreign exchange fluctuations

Our revenue is mainly denominated in RM save for some charter contracts that are denominated in USD. This foreign currency revenue accounted for 10.8% and 22.7% of our revenue for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014. As at the LPD, we have four (4) contracts with outstanding contract sum of approximately USD79.4 million (excluding extension option period). These four (4) charter contracts (excluding extension option period) will be completed between 2017 and 2019. Further, some of our purchases are denominated in foreign currencies, which include USD, SGD, EUR and JPY, and accounted for 11.2% and 10.5% of our total purchases for the FYE 31 December 2013 and five (5)-month FPE 31 May 2014, respectively. As our reporting currency is in RM, we are also exposed to foreign exchange fluctuations in the event of mismatches between the amount and timing of receipts and payments in foreign currencies. To the extent there are any such mismatches, a significant fluctuation in the applicable foreign currencies against the RM arising from such timing differences, may result in us incurring foreign exchange losses. Based on the past three (3) FYE 31 December 2011, 2012 and 2013, and the five (5)-month FPE 31 May 2014, our Group's profitability and financial position has not been materially affected. Please refer to **Section 11.3.4** of this Prospectus for the historical impact of foreign exchange fluctuations on our profitability.

4.2.18 An adverse judgment or settlement in respect of any future claims against us could have an adverse effect on our financial condition and the results of our operations

The operation of our vessels involves the risk of accidents and other incidents that may lead to claims against our Group. An adverse judgment or settlement in respect of any future claims against our Group may lead to negative publicity about us and adversely affect our reputation and customers' perception of our safety record as well as have a material and adverse effect on our cash flow, financial condition and results of operations.

4.3. Risks relating to our Shares

4.3.1. There has been no public market for our Shares

There has been no public market for our Shares. There can be no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell their Shares or the prices at which holders would be able to sell their Shares.

Our Shares could trade at prices that may be lower than the IPO Price depending on many factors, including prevailing economic and financial conditions in Malaysia, our operating results and the markets for similar securities. In addition, the market for securities in emerging markets has been subject to disruptions that have caused intense volatility in the prices of securities similar to our Shares. There can be no assurance that the market for our Shares, if any, will not be subject to similar disruptions. Any disruption in such markets may have a material and adverse effect on the holders of our Shares.

4.3.2. There may be a potential delay or failure of the Listing

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in our Listing or our Listing to be aborted:

(i) the identified investors fail to subscribe to the portion of IPO;

(ii) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder; or

(iii) we are unable to meet the public spread requirements as determined by Bursa Securities i.e. at least 25% of our enlarged issued and paid-up share capital must be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of Listing.

In the event of a failure of our Listing, all monies paid in respect of any application accepted from you will be returned in full without interest within 14 days, failing which, the provision of sub-section 243(2) and 243(6) of the CMSA shall apply accordingly. Nevertheless, our Directors will endeavor to ensure compliance with the various requirements for our successful Listing.

4.3.3. Our Share price and trading volume may be volatile

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, differences between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the IPO Price.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. There can be no assurance that the price and trading of our Shares will not be subject to such fluctuation in the future.

4.3.4. We may not be able to pay dividends

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Any payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on our debt. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible or may not be on favourable terms or at all. Further, in the event we incur new borrowings subsequent to the Listing, we may be subject to covenants restricting our ability to pay dividends.

4.3.5. Continued control by our Promoters may limit your ability to influence the outcome of decisions requiring the approval of shareholders

Following the Listing, an aggregate of 375,000,000 Shares representing 74.4% of our enlarged issued and paid-up share capital will be held by our Promoters, and 126,000,000 Shares, representing 25.0% of our enlarged issued and paid-up share capital will be publicly held by investors participating in our IPO. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/ or by the relevant guidelines or regulations.

Nevertheless, as good corporate governance, we have appointed four (4) independent Directors and established an Audit Committee to ensure all future transactions involving related parties, if any, are entered into on an arm's-length basis or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and not to the detriment of our minority shareholders.

4.4. Other risks

4.4.1. Forward-looking statements are subject to uncertainties and contingencies

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results. Other statements, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, which are forward looking in nature, are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialise. Their inclusion in this Prospectus should not be regarded as a representation or warranty by our Company, the Promoters, Selling Shareholders, Principal Adviser or any other advisers that the plans and objectives of our Group will be achieved.

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5. INFORMATION OF OUR GROUP

5.1 Our history

We are principally an owner and operator of marine vessels where our business is focused on marine transportation and offshore storage of O&G, and the provision of port marine services. Our vessel operations are supported by our shipyard which is involved in shipbuilding, ship repair and minor fabrication.

The history of our Group can be traced back to 1993 with the incorporation of E.A. Technique (M) Sdn Bhd where our initial activity was in the provision of marine consultancy services and cargo broking before we expanded into marine vessel operations in 1995 with the acquisition of our first product tanker, Kaikura for the transportation and provision of CPP as bunker for ferry operators. In the same year in 1995, we successfully registered ourselves with PETRONAS and the Ministry of Finance (MOF) to enable us to provide services within the O&G industry in Malaysia. Subsequently in 2000, Kaikura was disposed to a third party.

We secured our first contract with PETRONAS Dagangan for the time charter of product tankers, namely M.T. Nautica Kluang (currently known as M.T. Princess Sofea) in 1997, followed by an additional contract for M.T. Nautica Pontian in 1999. The initial contract period for these two (2) vessels was a five (5)-year time charter contract, which was continually extended until February 2013 and December 2013, respectively. Subsequently, the disposal of M.T. Nautica Pontian product tanker was completed in June 2014.

In 2002, we acquired an additional 4,421 DWT product tanker M.T. Nautica Mersing to service a time charter contract from PETRONAS Dagangan to complement the existing M.T. Nautica Kluang (currently known as M.T. Princess Sofea) and M.T. Nautica Pontian. Subsequently, M.T. Nautica Mersing product tanker was disposed in 2011 to a third party.

In 2003, as part of our business expansion plans, we ventured into the operation of LPG tankers with the acquisition of M.T. Nautica Segamat, a vessel with the capacity of approximately 5,000 DWT. Subsequently in 2004, we secured a five (5)-year time charter contract from the Malaysian International Trading Corporation Sdn Bhd (MITCO), a subsidiary of PETRONAS to utilise M.T. Nautica Segamat to transport vinyl chloride monomer. Subsequently in 2009, we disposed of M.T. Nautica Segamat upon completion of the contract.

In 2004, we diversified into the provision of port marine services where we secured our first contract from Kertih Port Sdn Bhd, a subsidiary of PETRONAS, which operates the Kertih port facilities in Terengganu. These contracts involved the time charter of two (2) harbour tugboats, namely M.V. Nautica Tg. Puteri I and M.V. Nautica Tg. Puteri II for a period of eight (8) years. The contract for M.V. Nautica Tg. Puteri I has since been extended until September 2014, while the contract for M.V. Nautica Tg. Puteri II which expired in September 2013 was not renewed. As at the LPD, M.V. Nautica Tg. Puteri II is being used temporarily to service the charter contract for Northport until the new harbour tugboats built by Johor Shipyard are ready for operation.

In 2006, we contracted out the design and construction of our first 5,500 DWT double hull product tanker namely M.T. Nautica Johor Bahru, which was completed in 2008. Since delivery, this vessel has been assigned to PETCO under a yearly charter contract. As at the LPD, M.T. Nautica Johor Bahru is still continuing on the extension of this yearly charter contract with PETRONAS under another subsidiary, PETRONAS Dagangan.

5. INFORMATION OF OUR GROUP (Cont'd)

In early 2007, Sindora became our holding company with a 51% equity stake in our Company. In the same year, we acquired one (1) product tanker namely M.T. Nautica Muar to service a time charter contract from PETCO for a period of three (3) years with the option to extend for one (1) additional year. Upon completion of the said contract (including the optional extension periods) in mid-2012, we secured a time charter contract from MTC Engineering Sdn Bhd for M.T. Nautica Muar for a period of five (5) years. The time charter contract required a FSU to service the marginal fields off Bintulu, Sarawak, namely the Kayu Manis oilfield (KMSE) and Anjung Kecil oilfield (AJK) for PETRONAS Carigali. We proceeded to convert M.T. Nautica Muar into a FSU, and the converted vessel commenced operations in August 2013.

We ventured into the chartering of OSV to operators in the Malaysian O&G industry in 2007 where we started with the charter of fast crew boats to transport offshore personnel to support the day-to-day operations of drilling rigs and other offshore structures. We secured a three (3)-year time charter contract from Talisman Malaysia Ltd and Jati Dinastia Sdn Bhd in 2007 to transport personnel to and from drilling rigs using fast crew boats namely M.V. Nautica Tg. Puteri IV and M.V. Nautica Tg. Puteri V, respectively.

As part of our vertical expansion plan, we ventured into shipbuilding, ship repair and minor fabrication in the same year through our subsidiary, Johor Shipyard. In 2008, we commenced operations in Teluk Intan, Perak by constructing our first 9,800 DWT double hull product tanker, M.T. Nautica Maharani, which was completed in 2011. As at the LPD, we have constructed a total of seven (7) vessels including M.T. Nautica Maharani, two (2) harbour tugboats, two (2) utility tugboats and two (2) mooring boats. Our activities in shipbuilding, ship repair and minor fabrication are primarily to support our core business activities in marine transportation and offshore storage of O&G, and port marine services.

In 2008, we secured three (3) time charter contracts with PETCO for three (3) units of 10,000 DWT double hull product tankers. The time charter contracts was for a period of ten (10) years with the option to extend for an additional three (3) years. As a result of these contracts, we contracted an external shipbuilder to construct the required three (3) product tankers to service the contracts. The first two (2) product tankers, namely M.T. Nautica Batu Pahat and M.T. Nautica Kota Tinggi were delivered and have been in operation since 2010 while the remaining one (1) product tanker, namely M.T. Nautica Maharani (for which Johor Shipyard was involved in the design and construction) was delivered and has been in operation since 2011. As at the LPD, the time charter contracts for M.T. Nautica Batu Pahat and M.T. Nautica Kota Tinggi have been extended until 2023 while the time charter contract for M.T. Nautica Maharani has been extended until 2024.

In 2009, we entered into a conditional subscription and share purchase agreement ("**SSPA**") to subscribe and acquire an aggregate of approximately 29.9% equity stake in Orkim, which was completed in mid-2010. Subsequently, in 2011, pursuant to the terms and conditions of the SSPA, we exercised our option to acquire an additional 1.1% equity stake in Orkim, thereby increasing our equity stake to 31.0% in Orkim. Orkim is a company focusing on marine vessel operations. The acquisition of Orkim was originally aimed at increasing our fleet of vessels to service the O&G industry in Malaysia. Subsequently in April 2013, we disposed of our equity stake in Orkim for cash consideration of approximately RM66.9 million, resulting in the one-off gain of disposal of approximately RM37.5 million.

In the same year in 2009, we secured our first contract from Sungai Udang Port Sdn Bhd, an indirect subsidiary of PETRONAS, for the provision of port marine services incorporating mooring services, crew and time charter of two (2) mooring boats, namely M.V. Nautica Tg. Puteri VII and M.V. Nautica Tg. Puteri VIII for an O&G terminal in Melaka. This first contract was for a period of seven (7) years with the option to extend for an additional two (2) years until 2018.

5. INFORMATION OF OUR GROUP (Cont'd)

Subsequently in 2010, we secured an additional contract from Sungai Udang Port Sdn Bhd for the time charter of four (4) tugboats, including two (2) utility tugboats and two (2) harbour tugboats, and these four (4) vessels are contracted until 2023. These four (4) tugboats were constructed at our old rented shipyard in Teluk Intan, Perak, through our subsidiary Johor Shipyard in the same year of 2010. The construction of the two (2) utility tugboats and two (2) harbour tugboats were completed in 2011 and 2012, respectively.

At the end of 2012, we secured an additional three (3)-year contract from Sungai Udang Port Sdn Bhd for four (4) marine vessels for the provision of port marine services for the Sungai Udang LEKAS Regasification Project. At that point in time, our M.V. Nautica Tg. Puteri XVIII together with three (3) harbour tugboats were chartered in from external parties to service this contract. As at the LPD, this arrangement has been maintained. As at the LPD, we have several on-going time charter contracts with Sungai Udang Port Sdn Bhd for a total of ten (10) marine vessels, comprising two (2) mooring boats, five (5) harbour tugboats, two (2) utility tugboats and one (1) multipurpose/mooring boat.

In 2012, Johor Shipyard entered into a lease agreement to occupy a piece of land in Hutan Melintang, Perak as the new location for our shipyard. The construction of the new shipyard commenced in June 2013 which comprised a 4,000 tonnes launching bay, office building and covered workshop that was subsequently completed in October 2013. We commenced operations at our new shipyard in November 2013. As at the LPD, the new shipyard would enable us to accommodate vessels of up to six (6) units of up to 35-metre tugboats, or one (1) unit of vessel (i.e. product tanker) of up to 10,000 DWT, at any one time for shipbuilding activities.

At the end of 2012, we secured another new three (3)-year time charter contract from PETRONAS Penapisan (T) for one (1) of our harbour tugboat namely M.V. Nautica Tg. Puteri XVII.

Subsequently in 2013, we secured a one (1)-year contract from PETCO Trading Labuan Co Ltd for the time charter of a pressurised LPG tanker to transport LPG. This 3,728 DWT LPG tanker was chartered in from an external party. In the same year of 2013, we also secured a ten (10)-year contract with the option to extend for an additional two (2) years from Northport to construct and operate six (6) new harbour tugboats. In 2013, we commenced the provision of port marine services to Northport utilising three (3) of our own harbour tugboats and three (3) harbour tugboats that were chartered in from external parties.

In March 2014, we secured a three (3)-year contract from PETRONAS Dagangan for the time charter of two (2) pressurised LPG tankers, of which one (1) commenced operations in March 2014, with the second one commenced in August 2014. Both LPG tankers are chartered in from external parties. In June 2014, we were awarded a contract through a back-to-back time charter party agreement with Libra Perfex Precision Sdn Bhd for the provision of tugboat services for the operation of a new floating natural gas liquefaction facility located offshore Sarawak commencing in January 2016. This contract requires the charter of four (4) tugboats for a period of eighteen (18) months with the option to extend for an additional sixty (60) months. In July 2014, we were awarded a four (4)-year contract with the option to extend for an additional two (2) years from Vestigo Petroleum Sdn Bhd for the operations of a FSO to service the Tembikai marginal oilfields. In August 2014, we acquired an oil tanker, namely M.T. FOIS Nautica Tembikai and as at the LPD, the said oil tanker is in the midst of being converted into a FSO to service the said contract. This contract is expected to commence operations in April 2015.

5. INFORMATION OF OUR GROUP (Cont'd)

Since the commencement of our marine vessel operations in 1995, we have established ourselves as a major owner and operator of marine vessels to support the O&G industry in Malaysia with revenue of approximately RM121.1 million for the FYE 31 December 2013. As at October 2014, we are one of the top four (4) operators of product tankers in Malaysia based on number of product tankers owned and registered in Malaysia, and chartered out. Based on the number of vessels owned and operated by the Group, we had an estimated market share of 8% of product tankers registered in Malaysia. In addition, we are also one of two (2) major local players engaged directly by port operators to provide harbour tug towing services within port areas *(Source: Vital Factor)*

The list of our key achievements and milestones is set out below:-

Year	Key Achievements and Milestones
1993	• Incorporation of E.A. Technique (M) Sdn Bhd, which was involved in the provision of marine consultancy services.
1995	• Expanded the business to include marine vessel operations.
	• Acquired our first product tanker, Kaikura (disposed in 2000).
	• Successfully registered ourselves with PETRONAS and Ministry of Finance (MOF).
1997	• Secured our first contract with PETRONAS Dagangan for time chartering of our product tanker, namely M.T. Nautica Kluang (currently known as Princess Sofea) for a period of five (5) years with the option to extend for one (1) additional year, which we have continually extended until early 2013.
1999	• Obtained an additional contract from PETRONAS Dagangan for time chartering our product tanker, namely M.T. Nautica Pontian for a period of five (5) years with the option to extend for one (1) additional year, which we have continually extended until end 2013. The disposal of M.T. Nautica Pontian was completed in June 2014.
2002	• Acquired an additional 4,421 DWT product tanker, namely M.T. Nautica Mersing to complement the above two (2) product tankers until its disposal in 2011.
2003	• Ventured into the operation of LPG tankers with an acquisition of a LPG tanker, namely M.T. Nautica Segamat.
2004	• Secured a five (5)-year time charter contract for the time charter of our first LPG tanker, M.T. Nautica Segamat, which was disposed of upon completion of the contract duration.
	• Obtained a contract for the time charter of two (2) harbour tugboats, namely M.V. Nautica Tg. Puteri I and M.V. Nautica Tg. Puteri II, thus, marking our foray into the provision of port marine services.
2006	• Contracted out the design and construction of our first 5,500 DWT double hull product tanker, namely M.T. Nautica Johor Bahru, which was completed in 2008.
2007	• Sindora acquired a 51% equity stake of our Company.
	• Incorporated Johor Shipyard, which is involved in shipbuilding, ship repair and minor fabrication at a rented shipyard in Teluk Intan, Perak.
	• Acquired a product tanker, namely M.T. Nautica Muar to service a time charter contract for a period of three (3) years with the option to extend for one (1) additional year. The vessel was subsequently converted into a FSU in 2013.
	• Ventured into chartering of OSV to operators in the O&G industry in Malaysia.
2008	• Secured three (3) time charter contracts for three (3) units of 10,000 DWT double hull product tankers for a period of ten (10) years with the option to extend for three (3) additional years.
	• Involvement in the design and construction of our first 9,800 DWT double hull product tanker, namely M.T. Nautica Maharani through Johor Shipyard. The vessel was completed and delivered in 2011.

5. INFORMATION OF OUR GROUP (Cont'd)

Year	Key Achievements and Milestones
2009	• We entered into the SSPA to acquire and subscribe an aggregate of approximately 29.9% equity stake in Orkim and subsequently exercised our option to acquire an additional 1.1% in Orkim in 2011.
	• Secured our first contract for the provision of port marine services incorporating mooring services, crew and time charter of two (2) mooring boats, namely M.V. Nautica Tg. Puteri VII and M.V. Nautica Tg. Puteri VIII for an O&G terminal in Melaka.
2010	• Secured a time charter contract for four (4) tugboats, including two (2) utility tugboats and two (2) harbour tugboats.
	• Commence construction of four (4) tugboats, comprising two (2) utility boats and two (2) harbour tugboats via Johor Shipyard, which were subsequently completed in 2011 and 2012, respectively.
2012	• Johor Shipyard rented a 10-acre site at Hutan Melintang, Perak as the new location for our shipyard operations. Construction on the new shipyard, which is able to accommodate vessels of up to 10,000 DWT commenced in June 2013 and was completed in October 2013.
	• Secured a time charter contract for our FSU. The contract commenced in 2013.
	• Obtained a three (3)-year contract for four (4) marine vessels for the provision of port marine services for the Sungai Udang LEKAS Regasification Project. Three (3) out of four (4) of the vessels are chartered in from third parties.
	• Secured a three (3)-year time charter contract for one (1) of our harbour tugboats.
2013	• Secured a one (1)-year contract for the time charter of a pressurised LPG tanker. For the contract, we chartered in a 3,728 DWT LPG tanker from an external party.
	• Obtained a ten (10)-year contract with an option for a two (2)-year extension to construct and operate six (6) new harbour tugboats for Northport. During the interim two (2) years construction period, three (3) of our vessel with three (3) chartered in vessels from third parties are currently servicing the contract.
	• We disposed our entire equity stake in Orkim in April 2013.
2014	• Secured a three (3)-year contract for the time charter of two (2) pressurised LPG tankers and using chartered in third party vessels to service the contract.
	• Awarded an eighteen (18) months contract with the option to extend for an additional sixty (60) months via a back-to-back time charter party agreement with Libra Perfex Precision Sdn Bhd for the provision of tugboat services for the operation of a new floating natural gas liquefaction facility located offshore Sarawak.
	• Awarded a four-(4) year contract with the option to extend for an additional two (2) years from Vestigo Petroleum Sdn Bhd for the operations of an FSO to service the Tembikai marginal oilfields.
	• Acquired an oil tanker, namely, M.T. FOIS Nautica Tembikai to be converted to a FSO to service the Tembikai marginal oilfields.

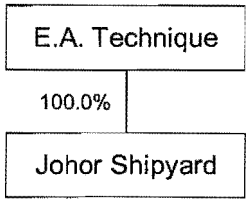
5.2 Our Company

Our Company was incorporated in Malaysia on 18 January 1993 under the Act as a private limited company as E.A. Technique (M) Sdn Bhd. Subsequently, on 27 March 2014, we were converted into a public limited company.

We are principally an owner and operator of marine vessels where our business is focused on marine transportation and offshore storage of O&G, and provision of port marine services. Our vessel operations are supported by our shipyard which is involved in shipbuilding, ship repair and minor fabrication.

5. INFORMATION OF OUR GROUP (Cont'd)

Our Group structure as at LPD is set forth below:-



5.3 Our share capital

The authorised share capital of our Company as at the LPD is RM200,000,000 comprising 800,000,000 Shares, whilst our issued and paid-up ordinary share capital as at the LPD is RM97,500,000 comprising 390,000,000 Shares.

As at the LPD, neither our Company nor our subsidiary has any outstanding warrants, options, convertible securities or uncalled capital.

Details of the changes to our issued and paid-up share capital for the past three (3) years preceding the LPD are as follows:-

Date of allotment/ subdivision/ conversion	No. of shares	Par value RM	Nature of transaction	Consideration	Cumulative issued and paid-up share capital RM
Ordinary shares					
30.12.2013	12,897,412	1.00	Conversion of RCCP Shares [1]	Not applicable	56,938,228
30.12.2013	12,525,703	1.00	Conversion of advances by shareholders	Capitalisation of advances by shareholders	69,463,931
30.12.2013	28,036,069	1.00	Bonus issue	Capitalisation of reserves	97,500,000
30.12.2013	390,000,000	0.25	Subdivision of shares [2]	Not applicable	97,500,000

Date of allotment/ conversion	No. of RCCP Shares	Par value RM	Nature of transaction	Consideration	Cumulative issued and paid-up RCCP Share *capital RM	Cumulative issued and paid-up RCCP Share **capital RM
RCCP Shares						
12.12.2013	3,899,453	0.10	Allotment of RCCP Shares	Cash	1,289,741	12,897,412
30.12.2013	(12,897,412)	0.10	Conversion of RCCP Shares [1]	Not applicable	-	-

Notes:-

* *Based on the par value of RM0.10 each of our RCCP Share.*

** *Based on the issue price of RM1.00 each for our RCCP Share.*

(1) On 30 December 2013, Sindora, Dato Hak and Datin Hamidah converted a total 12,897,412 RCCP Shares into 12,897,412 Shares on the basis of one (1) RCCP Share to one (1) ordinary shares of RM1.00 each.

(2) On 30 December 2013, immediately after the conversion of RCCP Shares and Bonus Issue, our Company had undertaken the subdivision of every one (1) ordinary share of RM1.00 each in our Company into four (4) Shares.

5.4 Our subsidiary

Save as disclosed below, as at the LPD, we have no other subsidiary and associate company other than as follows:-

Name	Date and country of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Johor Shipyard	13.12.2007 Malaysia	RM2,500,000	100.0	Shipbuilding, ship repair, and minor fabrication.

The details of our subsidiary as at the LPD are set out below:-

5.4.1 Information on Johor Shipyard

(i) History and business

Johor Shipyard was incorporated in Malaysia under the Act as a private limited company on 13 December 2007 under its present name. The principal activities of Johor Shipyard are in shipbuilding, ship repair and minor fabrication. Johor Shipyard commenced business at the end of December 2007.

(ii) Share capital

The authorised and issued and paid-up share capital of Johor Shipyard is as follows:-

Share Capital	No. of shares	Par value RM	Amount RM
Authorised	5,000,000	1.00	5,000,000
Issued and paid-up	2,500,000	1.00	2,500,000

There are no changes to the issued and paid-up share capital of Johor Shipyard for the past three (3) years preceding the LPD.

(iii) Shareholder

As at the LPD, Johor Shipyard is our wholly-owned subsidiary.

(iv) Subsidiary and associate company

As at the LPD, Johor Shipyard does not have any subsidiary or associate company.

5.5 Restructuring exercise

We have implemented a restructuring exercise prior to our Listing, details of which are set out below:-

5.5.1 Bonus Issue

We had, on 30 December 2013, implemented a bonus issue of 28,036,069 new ordinary shares of RM1.00 each ("**Bonus Share(s)**") on the basis of approximately point four (0.4) Bonus Shares credited as fully paid-up for every one (1) ordinary share of RM1.00 each held.

5.5.2 Subdivision of Shares

We had, on 30 December 2013, immediately upon completion of the Bonus Issue, implemented a subdivision of shares where every one (1) ordinary share of RM1.00 each in our Company was subdivided into four (4) Shares of RM0.25 each credited as fully paid-up.

5.6 Listing scheme

5.6.1 Public Issue

We will undertake a public issue of 114,000,000 new Shares, representing approximately 22.6% of our enlarged issued and paid-up share capital, at the IPO Price to be allocated in the following manner:-

(i) 25,200,000 Issue Shares, representing 5.0% of the enlarged issued and paid-up share capital of our Company, available for application by the Malaysian Public through a balloting process;

(ii) 78,800,000 Issue Shares, representing approximately 15.6% of the enlarged issued and paid-up share capital of our Company, allocated by way of placement to institutional and selected investors to be identified; and

(iii) 10,000,000 Issue Shares, representing approximately 2.0% of the enlarged issued and paid-up share capital of our Company reserved for application by our eligible Directors and employees of our Group.

Our Issue Shares will rank *pari passu* in all respects with our existing Shares including voting rights, except that the new Issue Shares will not be entitled to any dividends, rights, allotments or other forms of distribution, the entitlements of which is prior to the date of allotment of the said Issue Shares.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from RM97,500,000 comprising 390,000,000 Shares to RM126,000,000 comprising 504,000,000 Shares.

5. INFORMATION OF OUR GROUP (Cont'd)

5.6.2 Offer for Sale

The Selling Shareholders are offering 15,000,000 Offer Shares representing approximately 3.0% of the enlarged issued and paid-up share capital of our Company for application by way of private placement to identified investors at an Offer Price of RM0.65 per Offer Share payable in full upon application.

The 15,000,000 Offer Shares reserved for placement to identified investors will be placed out by our Placement Agent, RHB Investment Bank.

5.6.3 Listing

Upon completion of the Public Issue and Offer for Sale, our Company shall be admitted to the Official List and our entire enlarged issued and paid-up share capital of RM126,000,000 comprising 504,000,000 Shares shall be listed and quoted on the Main Market of Bursa Securities.

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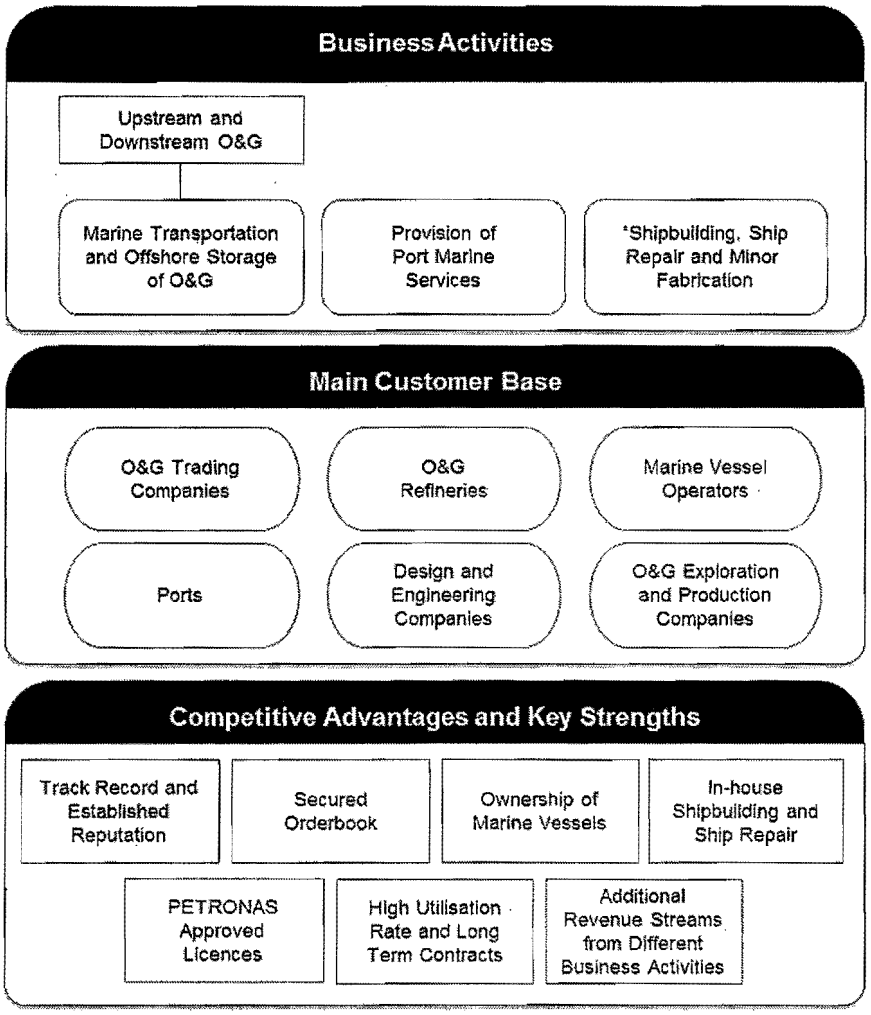
6. BUSINESS OVERVIEW

6.1 Our Principal Business Activities

Our Group's business model is depicted below:-

Our Business Model



* *Our shipbuilding and ship repair activities serve as an internal supporting arm to our marine vessel operations. As such, there was no external revenue recorded for shipbuilding and ship repair for the FYE 31 December 2013 as well as for the five (5)-month FPE 31 May 2014.*

6.1.1 Business Activities

We are principally an owner and operator of marine vessels where our business is focused on marine transportation and offshore storage of O&G, and provision of port marine services. We are also supported by our shipyard which is involved in shipbuilding, ship repair and minor fabrication of steel structures.

6. BUSINESS OVERVIEW (Cont'd)

(a) Marine Transportation and Offshore Storage of O&G

The main applications of our O&G tankers and FSU are as follows:-

- Products tankers are used to transport refined petroleum products from oil refineries to end-users or to another refinery for further processing including CPP and DPP;

- FSU is typically used to support production platforms as an offshore O&G storage facility; and

- LPG tankers are used to transport liquefied gases including propane, butane and other gases such as propylene and butylene, albeit in smaller concentrations. These gases are required to be transported under high pressure and/or low temperatures to maintain them in a liquid state.

We also operate OSV namely fast crew boats which are primarily used to transport personnel/light cargoes between shore and platform, platform and platform and other offshore facilities.

(b) Provision of Port Marine Services

We are also engaged in the provision of port marine services for petrochemical and bulk and containerised ports in Malaysia. The types of port marine services that we provide at the ports include, among others:-

- towage services comprising towing, pushing or manoeuvring vessels; and

- mooring services involves securing a marine vessel to specially constructed fixtures such as piers, quays, wharfs, jetties, anchor buoys and mooring buoys.

We also provide dockside mooring services where we have mooring personnel to secure vessels to floating structures and fixtures at the wharf.

(c) Shipbuilding, Ship Repair and Minor Fabrication

Our shipbuilding and ship repair activities serve as an internal supporting arm to our marine vessels.

- Shipbuilding: Some of the shipbuilding activities that we carry out include construction of hull and structure, installation of machinery, equipment and instruments, and various embedded systems on the deck of the vessel, painting and coating, as well as testing and commissioning.

- Ship repair: Our ship repair utilises the same facilities, equipment and skill set as shipbuilding. Our repair works involves inspection, replacement, modification, removal and installation, and cleaning.

We also undertake minor fabrication of steel structures in our shipyard. The steel structures that we fabricate are mainly for marine vessels, for example helipad, flare stack, skids and piping systems.

We are mainly involved in the charter of various types of tankers for the transportation and offshore storage of O&G, charter of marine support vessels for the provision of port marine services mainly to O&G ports, and charter of OSV in the form of fast crew boats to transport personnel/light cargoes between shore and platform, platform and platform and other offshore facilities. As at the LPD, we have added a new customer to our portfolio, namely Northport, a bulk and containerised goods port.

As at the LPD, we operate a total fleet of 31* marine vessels in our portfolio, which comprises eight (8) O&G tankers (inclusive of one (1) FSU), two (2) OSV and 21 marine support vessels. Out of the total 31 marine vessels that we operate, we own 22* of these marine vessels comprising six (6) O&G tankers (inclusive of one (1) FSU), two (2) OSV and 14 marine support vessels. The remaining nine (9) marine vessels are chartered in from external parties.

* *Excluding one (1) oil tanker that is not operational and is in the midst of being converted into a FSO.*

Our marine vessels are also supported by our shipbuilding, ship repair and minor fabrication, which is a complementary business activity to our core business operations.

For the FYE 31 December 2013, the marine transportation and offshore storage of O&G represented the largest proportion of our total revenue at approximately 59.3%. This was followed by port marine services which accounted for approximately 37.2% of total revenue whilst the remaining 3.5% was contributed by minor fabrication works. For the five (5)-month FPE 31 May 2014, the marine transportation and offshore storage of O&G represented the largest proportion of our total revenue at approximately 59.5%. This was followed by port marine services which accounted for the remaining 40.5% of our total revenue. There was no external revenue contribution from minor fabrication works for the five (5)-month FPE 31 May 2014.

6.1.2 Main Customer Base

Our business is mainly focused on two (2) target industry sectors namely O&G industry and the port industry. Between the FYE 31 December 2011 to 2013 and the five (5)-month FPE 31 May 2014, our customer base is in the following categories:-

- O&G trading companies;
- Ports;
- Design and engineering companies;
- O&G refineries;
- Marine vessel operators; and
- O&G exploration and production companies.

We mainly charter our O&G tankers to PETCO and PETRONAS Dagangan, the trading arm of PETRONAS, to facilitate the transportation of CPP, fuel oil and LPG. For the past three (3) FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, revenue derived from this category of O&G trading companies accounted for approximately 64.4%, 57.8%, 43.6% and 43.8% of our total revenue, respectively.

We also charter our marine support vessels comprising harbour and utility tugboats, and mooring boats as part of our provision of port marine services to O&G ports as well as bulk and containerised goods port. In this respect, our customers comprise port operators as well as refinery operators that have their own privatised O&G ports. For the past three (3) FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, revenue derived from port operators accounted for approximately 22.9%, 25.2%, 32.8% and 38.0% of our total revenue, respectively, which was mainly from O&G port operators, save for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, where approximately 4.0% and 11.6% of our total revenue was contributed by bulk and containerised goods port, respectively. Further, the revenue derived from refinery operators accounted for approximately 1.3%, 4.7%, 4.4% and 2.5% of our total revenue for the past three (3) FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, respectively.

Our FSU, which was converted from a product tanker, is used for our five (5)-year time charter contract for an O&G process design and engineering contractor to service the marginal fields off Bintulu, Sarawak. The FSU commenced operations since August 2013 and represented approximately 9.4% (including approximately 3.5% for the same customer who engaged us to undertake minor fabrication works for our FSU) of our total revenue for the FYE 31 December 2013. For the five (5)-month FPE 31 May 2014, the said O&G process design and engineering contractor represented 12.4% of our total revenue.

Our OSV, namely fast crew boats are all chartered to other marine vessel operators and O&G exploration and production companies to transport personnel/light cargoes between shore and platform, platform and platform and other offshore facilities. In addition, we also charter other vessels to this category of customers. The revenue derived from this category of customers constituted approximately 11.4%, 12.3%, 9.9% and 3.3% of our total revenue for the past three (3) FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, respectively.

6.1.3 Competitive Advantages and Key Strengths

Our competitive advantages and key strengths provide us with the platform for future growth. This includes the following:-

(a) Track Record and Established Reputation

We have accumulated a track record of 19 years as an owner and operator of marine vessels since we acquired our first vessel in 1995. Since then, we have built a market reputation as one of the major operators focusing on marine transportation and offshore storage of O&G, and provision of port marine services. The strength of our reputation and track record has enabled us to build on our existing customer base, as well as assist in securing new contracts and customers.

(b) Secured Orderbook

We have secured orderbook for our business operations. As at the LPD, our orderbook was approximately RM830.7 million. Upon expiration of the contract period, certain contracts contain extension options which are mostly renewable on an annual basis. The total potential contract sum of the extension options was approximately RM452.0 million. These secured orderbook provide our Group with the assurance of a recurring and contractually guaranteed source of revenue.

As at the LPD, all of the marine vessels that we operate are contracted.

Please refer to **Section 11.3.5** of this Prospectus for more details on our orderbook.

(c) Ownership of Marine Vessels

As at the LPD, we own a fleet of twenty-three (23) marine vessels comprising:-

- seven (7) O&G tankers (inclusive of one (1) FSU and one (1) oil tanker in the midst of being converted into a FSO) with an aggregated 125,489 DWT;
- two (2) fast crew boats;
- seven (7) harbour tugboats;
- two (2) utility tugboats; and
- five (5) mooring boats.

The remaining nine (9) marine vessels comprising two (2) O&G tankers, and seven (7) harbour tugboats were chartered in from external parties.

As at the LPD, six (6) additional harbour tugboats that are being constructed in Johor Shipyard will be completed in phases between end of 2014 to mid of 2015.

Our portfolio of marine vessels has enabled us to meet the diverse needs and requirements of our customers in marine transportation, offshore storage of O&G and provision of port marine services.

(d) In-house Shipbuilding and Ship Repair to Support Our Core Business Operations

Since the commencement of our shipbuilding operations in 2008 at our previous shipyard in Teluk Intan, Perak, we have successfully designed and constructed a total of seven (7) vessels comprising one (1) product tanker, two (2) harbour tugboats, two (2) utility tugboats and two (2) mooring boats as at the LPD. In addition, as at the LPD, we are in the midst of building an additional six (6) tugboats at our new shipyard in Hutan Melintang, Perak, which is expected to be completed by mid of 2015.

Our in-house design and shipbuilding expertise and capabilities are supported by our own team of three (3) naval architects and three (3) marine engineers as at the LPD. This capability means that we are self-reliant in terms of the construction and supply of new vessels, as well as carrying out ship repair works.

Generally, our in-house shipbuilding and ship repair capabilities will benefit us in the following areas:-

- enable us to react quickly to favourable market conditions as we can promptly design and construct new vessels when the business opportunity arises;
- enable us to lower our operating costs for our marine vessels compared to using external parties for maintenance and repair; and
- enable us to carry out more regular maintenance of our vessels, which increases the lifespan of our marine vessels.

(e) PETRONAS Approved Licences

To participate in the O&G industry in Malaysia, it is mandatory that appropriate licences are obtained from PETRONAS. As at the LPD, E.A. Technique is licenced by PETRONAS to service the O&G industry in Malaysia to provide a range of services including operations of floating offshore facilities, fast crew boats, safety standby vessels, tug vessels, petroleum product tankers and LPG tankers.

The need for PETRONAS approved licences also serve as a high barrier to entry for potential new entrants, which helps to ease the competitive conditions within the O&G industry in Malaysia.

(f) High Utilisation Rate and Long Term Contracts for Our Marine Vessels

We achieved high utilisation rates and obtained relatively long term contracts for our marine vessels. This is substantiated as follows:-

- As at the LPD, of the eight (8) O&G tankers that we operate, seven (7) of them have contracts averaging eight (8) years and one (1) has a contract of less than one (1) year.
- As at the LPD, of the twenty-one (21) marine support vessels that we operate, fifteen (15) of them have contracts averaging nine (9) years, while the remaining six (6) have contracts of one (1) or less than one (1) year.
- As at the LPD, our two (2) fast crew boats are generally based on spot charter of less than one (1) year, and as such they do not have long term contracts.
- For the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, all our operational marine vessels, with the exception of two (2) fast crew boats, achieved 100% utilisation rate.

The high utilisation rate has enabled us to maximise earnings from our marine vessels. In addition, our relatively long term contracts for some of our marine vessels provide us with a stable and recurring revenue stream.

Please refer to **Section 6.7.1** of this Prospectus for our vessels' utilisation rate.

(g) Additional Revenue Streams from Different Business Activities

As an owner and operator of marine vessels, we service the equivalent of two (2) core businesses namely marine transportation and offshore storage of O&G and the provision of port marine services. Our two (2) core business activities enable us to, not only generate additional sources of income from the charter of marine vessels but provide us with additional growth opportunities compared to having only one (1) core business.

6. BUSINESS OVERVIEW (Cont'd)

6.2 Our Products and Services

6.2.1 Overview

Generally, our business activities are segmented into the following:-

- Marine transportation and offshore storage of O&G;
- Provision of port marine services; and
- Shipbuilding, ship repair and minor fabrication.

6.2.2 Our Fleet of Marine Vessels

Our business is involved in the chartering of marine vessels for various applications, which covers the marine transportation and offshore storage of O&G, including transportation of personnel to and from offshore facilities, and the provision of port marine services.

In this respect, as at the LPD, our total fleet of marine vessels is summarised as below:-

Business Activity	Type of Vessel	Own Vessel	Third-party Vessel	^Total
Marine Transportation and Offshore Storage of O&G	**O&G Tankers**	**7**	**2**	**9**
	- *Product tankers*	*5*	-	*5*
	- *FSU/FSO**	*2*	-	*2*
	- *LPG tankers*	-	*2*	*2*
	OSV	**2**	-	**2**
	- *Fast crew boats*	*2*	-	*2*
Provision of Port Marine Services	**Marine Support Vessels**	**14**	**7**	**21**
	- *Harbour tugboats*	*7*	*7*	*14*
	- *Utility tugboats*	*2*	-	*2*
	- *Mooring boats*	*5*	-	*5*
	TOTAL	**23**	**9**	**32**

Notes:-

^ *The above fleet of vessels does not include those that are under construction. As at the LPD, there are six (6) harbour tugboats that are in the midst of construction by Johor Shipyard.*

* *There is one (1) oil tanker that was acquired in August 2014 and is in the midst of being converted into a FSO.*

Please refer to **Section 11.3.2** of the Prospectus for a summary of our fleet composition as at the end of each FYE.

Our marine vessels are chartered out to customers based on the following arrangements:-

- Time charter, where we are responsible for providing the vessel and its crew, and we operate the vessel under the charterer's command; and
- Bareboat charter, where we are responsible for providing the vessel and the charterer is responsible for providing the crew to the vessel.

As at the LPD, with the exception of one (1) product tanker, M.T. Princess Sofea (formerly known as M.T. Nautica Kluang) that has been chartered to our customer on a bareboat charter basis, all of our marine vessels are chartered out based on time charter arrangements.

6.2.3 Applications of Our Marine Vessel Operations

As at the LPD, our marine vessels are used in the following applications:-

Type of Vessel	No. of Vessels	Total DWT	Functions
O&G Tankers			
Product tankers	5	38,549	Transportation of oil products includes CPP (such as jet fuel, gasoline and naphtha) and DPP (such as crude oil or heavy refined oil products including fuel oil). We have four (4) CPP tankers and one (1) DPP tanker transporting fuel oil.
FSU/FSO [1]	2	86,940	Offshore storage of crude oil
LPG tankers	2	7,824	Transportation of LPG
Sub-total	**9**	**133,313**	
OSV		[2]	
Fast crew boat	2	-	Transportation of personnel/light cargoes between shore to platforms, platform to platform and other offshore facilities
Sub-total	**2**	**-**	
Marine Support Vessels		[2]	
Harbour/utility tugboats	16	-	Manoeuvre and tow other marine vessels, rigs or other floating structures within and out of port areas.
Mooring boats	5	-	Supporting vessels for mooring to piers, quays, wharfs, jetties, anchor buoys and mooring buoys.
Sub-total	**21**	**-**	
TOTAL	**32**	**-**	

Notes:-

(1) There is one (1) oil tanker that was acquired in August 2014 and is in the midst of being converted into a FSO.

(2) DWT is not applicable for these vessels.

6.2.4 Marine Transportation and Offshore Storage of O&G

As an owner and operator of marine vessels, we currently operate the following types of O&G tankers for our marine transportation and offshore storage of O&G operations.

6.2.4.1 O&G Tankers

Tankers are marine vessels designed to transport liquid substances in bulk, including O&G products. Typically, tankers are used to transport extracted hydrocarbons in the O&G industry, particularly for transportation over greater distances where construction of O&G subsea pipelines is not economically viable.

Tankers are generally measured in terms of deadweight tonnes (DWT), which is a measure of the total weight of cargo, cargo equipment, bunkers, provisions, water, spare parts and crew that a vessel can lift when loaded to the maximum draught.

As at the LPD, our Group own five (5) product tankers, two (2) FSU/FSO (one (1) oil tanker is in the midst of being converted into a FSO) and two (2) LPG tankers, whereby both the LPG tankers are chartered in from external parties.

Type of Vessel	Vessel Name	Age*	DWT
Product Tankers	M.T. Nautica Kota Tinggi	6	9,965
	M.T. Nautica Batu Pahat	6	9,986
	M.T. Nautica Maharani	6	9,800
	M.T. Nautica Johor Bahru	7	5,500
	M.T. Princess Sofea *(Formerly known as M.T. Nautica Kluang)*	22	3,298
FSU/FSO	M.T. Nautica Muar	^22	39,768
	M.T. FOIS Nautica Tembikai	# 18	47,172
		TOTAL	**125,489**

Notes:-

* *Computation is based on year built.*

^ *M.T. Nautica Muar was formerly a product tanker, which was subsequently converted into a FSU in 2013.*

\# *M.T. FOIS Nautica Tembikai is an oil tanker which is in the midst of being converted into a FSO.*

(i) Product Tankers

Our product tankers are generally used to transport refined petroleum products from oil refineries to end-users or to another refinery for further processing including:-

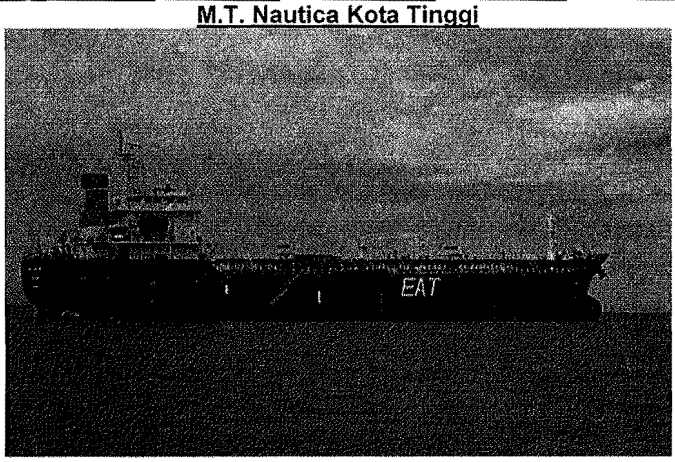
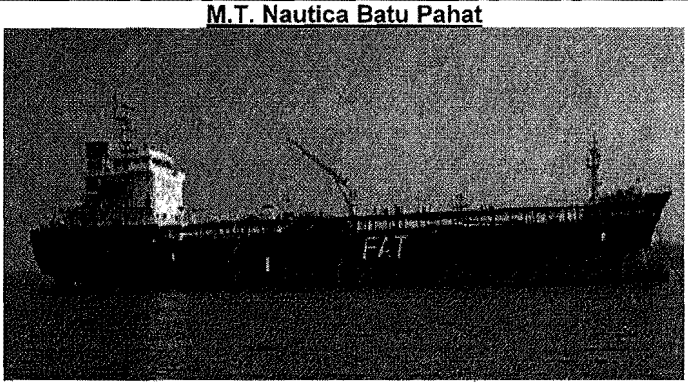
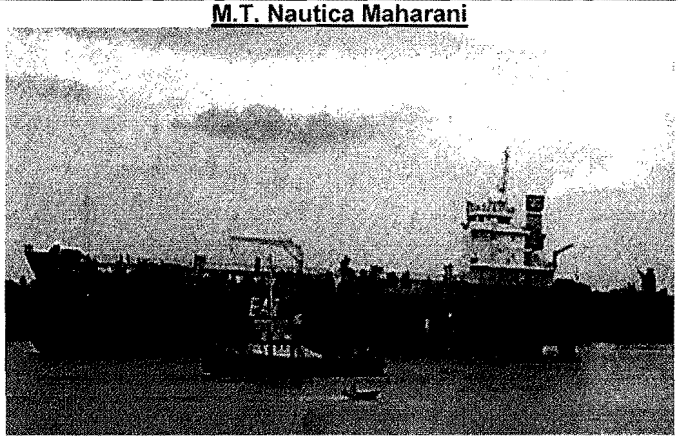
- "Clean petroleum products" (CPP) refers to light, refined oil products such as jet fuel, gasoline, gas oil and naphtha; and

- "Dirty petroleum products" (DPP) refers to crude oil or heavy refined oil products such as fuel oil, diesel oil and bunker oil.

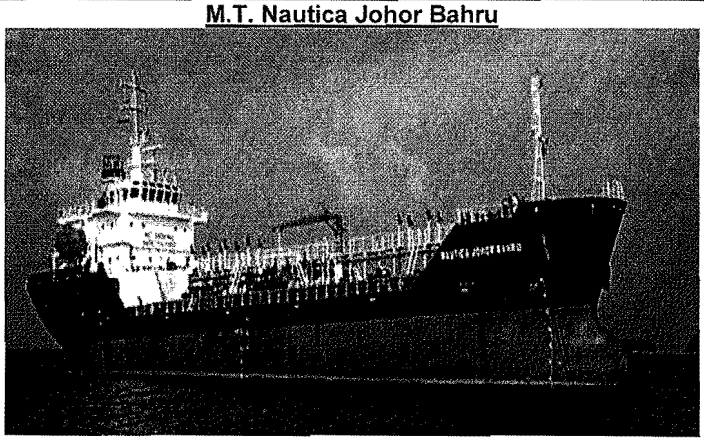
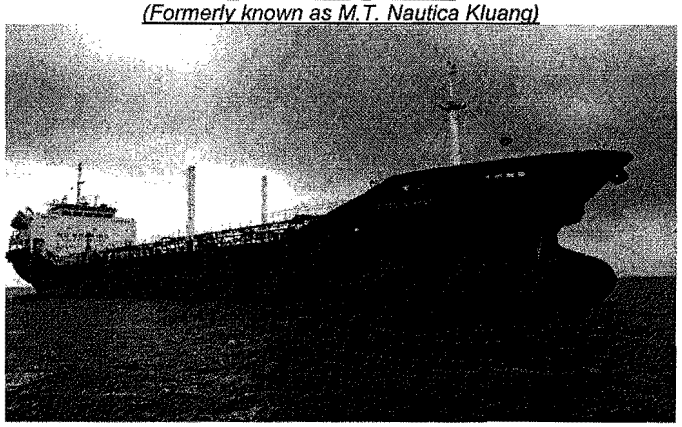
As at the LPD, we have four (4) CPP tankers and one (1) DPP tanker for fuel oil.

6. BUSINESS OVERVIEW (Cont'd)

Details of our fleet of product tankers are as follows:-

Vessel	Vessel Specifications
M.T. Nautica Kota Tinggi 	Year Built : 2008 Year Registered/acquired: 2010 Owner : E.A. Technique Flag/Current location: Malaysia Type : Clean Product Tanker Deadweight : 9,965 DWT Classification : BV BHP : 4,497 LOA : 119.9 m NBV^ (RM'000) : 56,071
M.T. Nautica Batu Pahat 	Year Built : 2008 Year Registered/acquired: 2010 Owner : E.A. Technique Flag/Current location: Malaysia Type : Clean Product Tanker Deadweight : 9,986 DWT Classification : BV BHP : 4,497 LOA : 119.9 m NBV^(RM'000) : 54,273
M.T. Nautica Maharani 	Year Built : 2008 Year Registered/acquired: 2011 Owner : E.A. Technique Flag/Current location: Malaysia Type : Product Tanker (Fuel Oil) Deadweight : 9,800 DWT Classification : BV BHP : 4,496 LOA : 119.9 m NBV^ (RM'000) : 64,644

6. BUSINESS OVERVIEW (Cont'd)

M.T. Nautica Johor Bahru 	Year Built : 2007 Year Registered/acquired: 2008 Owner : E.A. Technique Flag/Current location: Malaysia Type : Clean Product Tanker Deadweight : 5,500 DWT Classification : BV BHP : 3,596 LOA : 85.0 m NBV^ (RM'000) : 31,682
M.T. Princess Sofea *(Formerly known as M.T. Nautica Kluang)* 	Year Built : 1992 Year Registered/acquired: 1998 Owner : E.A. Technique Flag/Current location: Malaysia Type : Clean Product Tanker Deadweight : 3,298 DWT Classification : BV BHP : 1,825 LOA : 86.0 m NBV^ (RM'000) : -

Note:-

^ *A at 31 May 2014.*

(ii) Liquefied Petroleum Gas (LPG) Tanker

LPG mainly comprises propane and butane, which are commonly used as fuels for heating purposes as well as for the operation of vehicles. Propane and butane are typically produced at petroleum or natural gas fields or manufactured during the crude oil refining process. LPG tankers are used to transport liquefied gases including propane, butane and other gases such as propylene and butylene, albeit in smaller concentrations. These gases are required to be transported under high pressure and/or low temperatures to maintain them in a liquid state.

These petroleum gases are transformed into the liquid state for transportation as their volume is substantially reduced compared to their gaseous state. As such, the transportation of LPG in the liquid state is significantly more cost effective.

As at the LPD, we operate two (2) LPG tankers, all of which are chartered in from external parties to service our customers.

6. BUSINESS OVERVIEW (Cont'd)

(iii) OSV

Typically, OSV are marine vessels that are primarily designed to support the upstream offshore O&G activities in exploration, development and production.

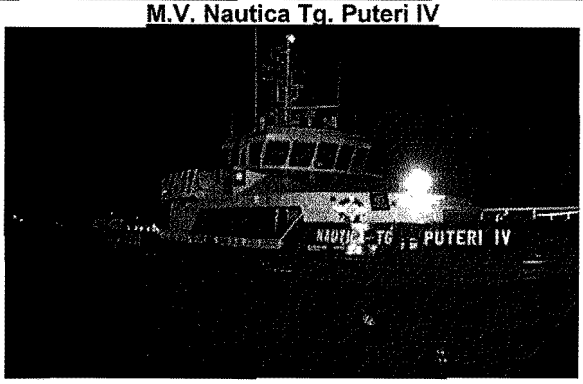
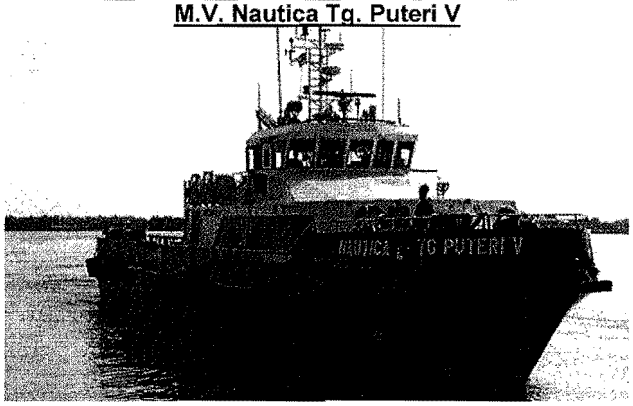
As at the LPD, we currently own and operate OSV namely fast crew boats which are primarily used to transport personnel/light cargoes between shore to platform, platform to platform and other offshore facilities. The details of our fast crew boats are as follows:-

Type of Vessel	Vessel Name	Age*	Service Speed (knots)
Fast crew boats	M.V. Nautica Tg. Puteri IV	9	18
	M.V. Nautica Tg. Puteri V	9	18

Note:-

* *Computation is based on year built.*

Details of our fast crew boats are as follows:-

Vessel	Vessel Specifications
M.V. Nautica Tg. Puteri IV 	Year Built : 2005 Year Registered/acquired: 2007 Owner : E.A. Technique Flag/Current location: Malaysia Type : High Speed Passenger Craft Classification : BV BHP : 4,200 LOA : 34.0 m NBV^ (RM'000) : 9,172
M.V. Nautica Tg. Puteri V 	Year Built : 2005 Year Registered/acquired: 2007 Owner : E.A. Technique Flag/Current location: Malaysia Type : High Speed Passenger Craft Classification : BV BHP : 4,200 LOA : 34.0 m NBV^ (RM'000) : 9,578

^ *A at 31 May 2014.*

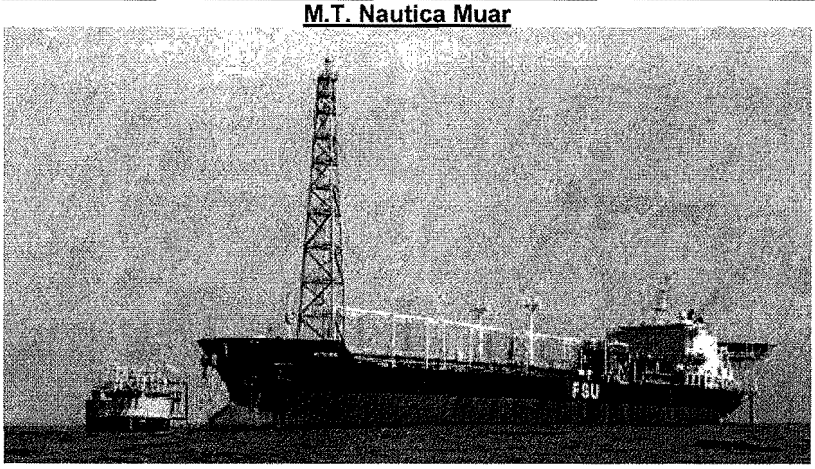
6. BUSINESS OVERVIEW (Cont'd)

(iv) Floating Storage Unit (FSU) and Floating Storage and Offloading (FSO)

FSU and FSO is a tanker-based vessel that functions as a semi-permanent offshore storage facilities for O&G. FSU and FSO are typically used to support production platforms as an offshore O&G storage facility. FSU and FSO are also sometimes used as a substitute for onshore storage of O&G, particularly to service refineries. This is because using an FSU or FSO is more expedient and requires lower capital cost compared to constructing onshore O&G storage tanks. Our FSO has special loading equipment with direct connection to the production platform, while our FSU's loading equipment is connected to a single buoy mooring (SBM) system which has a connection to the production platform.

In addition to FSU and FSO, the other common floating storage systems includes floating production, storage and offloading (FPSO) vessel. Unlike FPSO vessels, FSU and FSO do not have processing capabilities.

As at the LPD, we operate one (1) FSU, namely M.T. Nautica Muar, which was converted from a product tanker in 2013. In addition, we had acquired one (1) oil tanker in August 2014, namely M.T. FOIS Nautica Tembikai which is in the midst of being converted into a FSO to service the Tembikai marginal oilfields, which is expected to commenced operations in April 2015. Details of our FSU/FSO are as follows:-

Vessel	Vessel Specifications
M.T. Nautica Muar 	Year Built : 1992 Year Registered/acquired: 2007 Owner : E.A. Technique Flag/Current location: Malaysia Type : Product Tanker (FSU) Deadweight : 39,768 DWT Classification : BV BHP : 11,549 LOA : 190.0 m NBV^ (RM'000) : 56,418

^ *As at 31 May 2014.*

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6. BUSINESS OVERVIEW (Cont'd)

Vessel	Vessel Specifications
*M.T. FOIS Nautica Tembikai 	Year Built : 1996 Year Registered/acquired: 2014 Owner : E.A. Technique Flag/Current location: Malaysia Type : Oil Tanker (FSO) Deadweight : 47,172 DWT Classification : BV BHP : 11,640 LOA : 182.5 m NBV^ (RM'000) : -

* *As at the LPD, this oil tanker is in the midst of being converted into a FSO.*
^ *As at 31 May 2014.*

The newly converted M.T. Nautica Muar commenced operations in August 2013, under a time charter contract to service the marginal fields namely, Kayu Manis Southeast (KMSE) and Anjung Kecil (AJK), off the coast of Bintulu, Sarawak. This marked our Group's first foray into FSU operations since the Group's inception. Subsequently in July 2014, we were awarded a time charter contract for a FSO to service the Tembikai marginal oilfields.

6.2.5 Port Marine Services

We are also engaged in the provision of port marine services for petrochemical and bulk and containerised ports in Malaysia. Port marine services commonly refer to support services provided to marine vessels at the ports, which include, among others towage services, mooring services, pilotage services and security boat services.

As at the LPD, we are engaged in the provision of port marine services comprising chartering of tug and mooring boats to the following ports:-

- Kertih Port (O&G port);
- Sungai Udang Port (O&G port);
- LNG Regasification Terminal off Sungai Udang Port (O&G port); and
- Northport (bulk and containerised port).

6.2.5.1 Marine Support Vessels

Details of the harbour and utility tugboats, and mooring boats owned by our Group are as follows:-

Harbour and Utility Tugboats

Vessel Name	Type of Tugboat	Age*	Bollard Pull (Tonnes)
M.V. Nautica Tg. Puteri I	Harbour Tug	9	40
M.V. Nautica Tg. Puteri II	Harbour Tug	9	40
M.V. Nautica Tg. Puteri XI	Harbour Tug	4	40
M.V. Nautica Tg. Puteri XII	Harbour Tug	4	40
M.V. Nautica Tg. Puteri XV	Utility Tug	4	40
M.V. Nautica Tg. Puteri XVI	Utility Tug	4	25
M.V. Nautica Tg. Puteri XVII	Harbour Tug	3	50
M.V. Nautica Tg. Puteri XIX	Harbour Tug	1	40
M.V. Nautica Tg. Puteri XX	Harbour Tug	1	40

Note:

* *Computation is based on year built.*

Mooring Boats

Vessel Name	Age*	Designed Draft (m)
M.V. Nautica Tg. Puteri VII	5	0.78
M.V. Nautica Tg. Puteri VIII	5	0.78
M.V. Nautica Tg. Puteri IX	5	1.30
M.V. Nautica Tg. Puteri X	5	1.30
M.V. Nautica Tg. Puteri XVIII	2	1.10

Note:

* *Computation is based on year built.*

(i) Tugboats

A tugboat is a vessel that is primarily designed to manoeuvre or tow other vessels, rigs, platforms and other offshore structures including:-

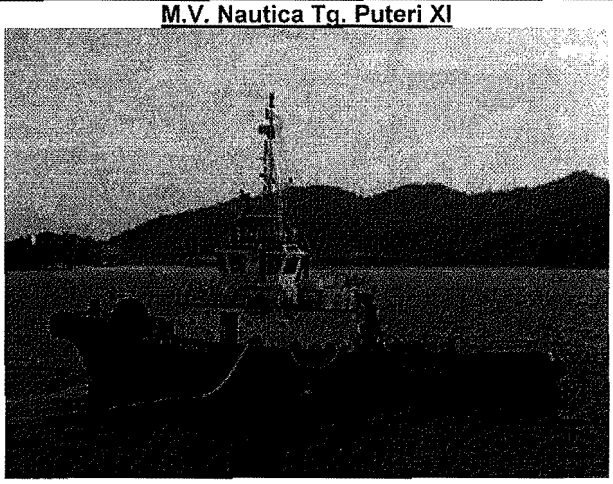
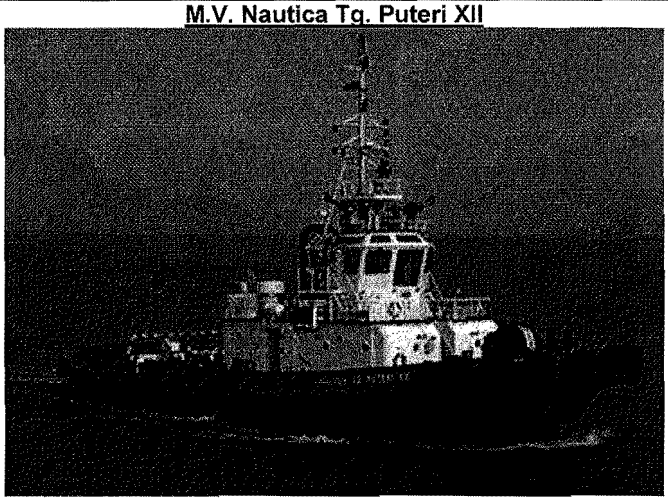
- Towing, pushing or manoeuvring barges;
- Towing, pushing or manoeuvring disabled vessels;
- Towing, pushing or manoeuvring other vessels in harbours, through the open sea or in rivers and canals; and
- Towing, pushing or manoeuvring offshore structures including drilling rigs and platforms.

The tugboats that we operate are primarily harbour or utility tugboats, which are generally smaller than seagoing tugboats. As at the LPD, we own nine (9) of our total fleet of sixteen (16) tugboats.

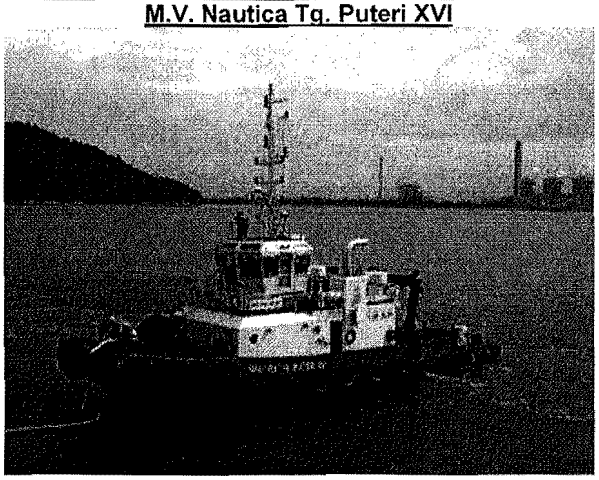
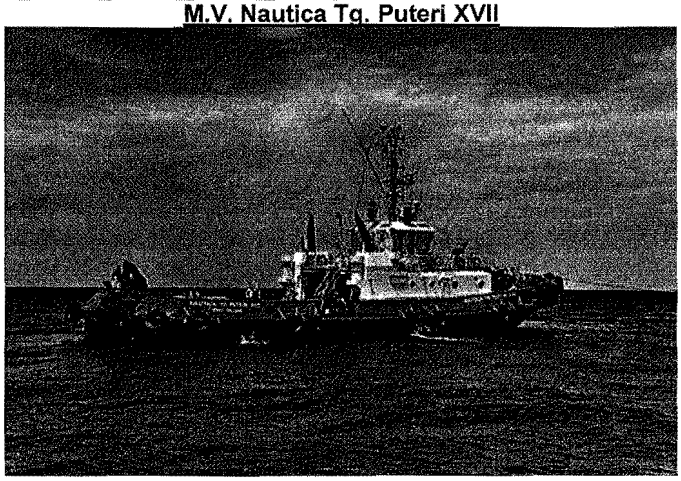
As at the LPD, all of our fleet of sixteen (16) tugboats have time charter arrangements with ports to provide towage services.

6. BUSINESS OVERVIEW (Cont'd)

Details of some of our tugboats are as follows:-

Vessel	Vessel Specifications
M.V. Nautica Tg. Puteri XI 	Year Built : 2010 Year Registered/acquired: 2012 Owner : E.A. Technique Flag/current location: Malaysia Type : Harbour Tug Bollard Pull : 40 Tonnes Classification : BV BHP : 3,596 LOA : 30.25 m NBV^ (RM'000) : 14,526
M.V. Nautica Tg. Puteri XII 	Year Built : 2010 Year Registered/acquired: 2012 Owner : E.A. Technique Flag/Current location: Malaysia Type : Harbour Tug Bollard Pull : 40 Tonnes Classification : BV BHP : 3,596 LOA : 30.25 m NBV^ (RM'000) : 14,415
M.V. Nautica Tg. Puteri XV 	Year Built : 2010 Year Registered/acquired: 2012 Owner : E.A. Technique Flag/Current location: Malaysia Type : Utility Tug Bollard Pull : 40 Tonnes Classification : BV BHP : 3,600 LOA : 30.25 m NBV^ (RM'000) : 14,511

6. BUSINESS OVERVIEW (Cont'd)

M.V. Nautica Tg. Puteri XVI 	Year Built : 2010 Year Registered/acquired: 2013 Flag/Current location: Malaysia Type : Utility Tug Bollard Pull : 25 Tonnes Classification : BV BHP : 2,396 LOA : 25.0 m NBV^ (RM'000) : 14,395
M.V. Nautica Tg. Puteri XVII 	Year Built : 2011 Year Registered/acquired : 2013 Owner : E.A. Technique Flag/Current location: Malaysia Type : Harbour Tug Bollard Pull : 50 Tonnes Classification : BV BHP : 3,998 LOA : 31.0 m NBV^ (RM'000) : 15,935

^ *As at 31 May 2014.*

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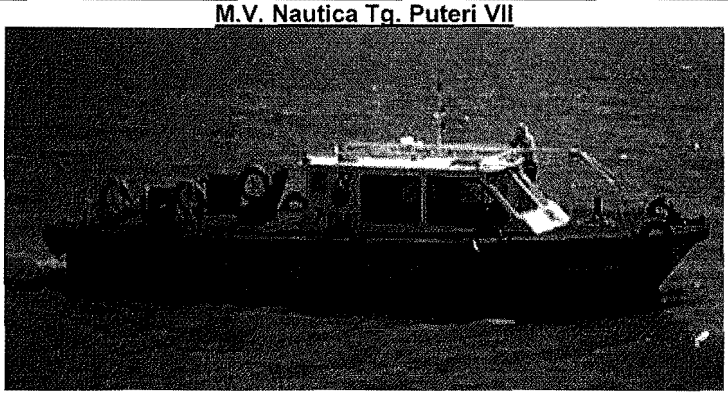
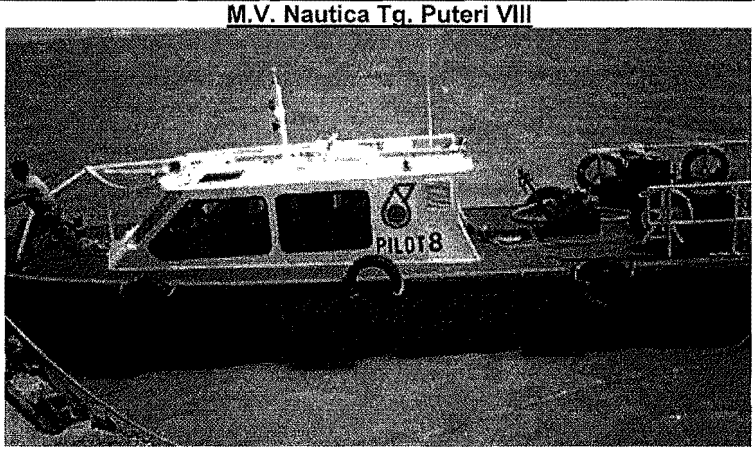
6. BUSINESS OVERVIEW (Cont'd)

(ii) Mooring Boats

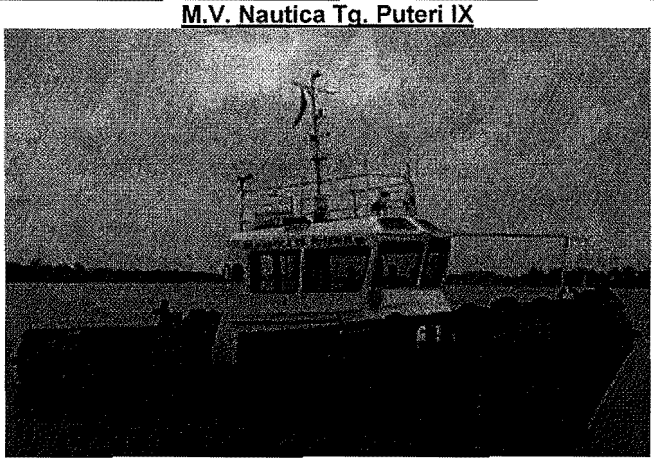
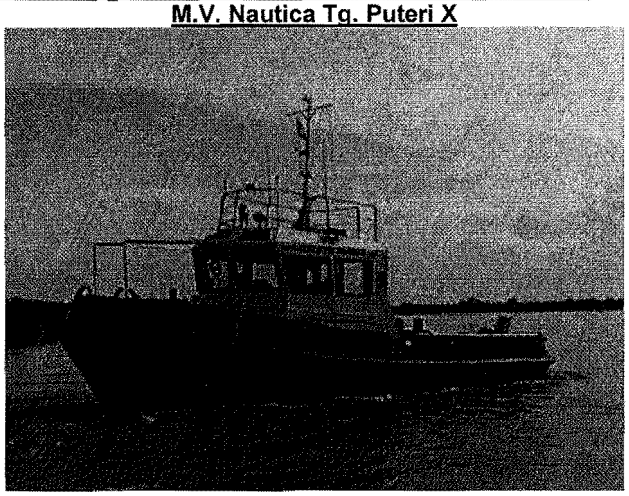
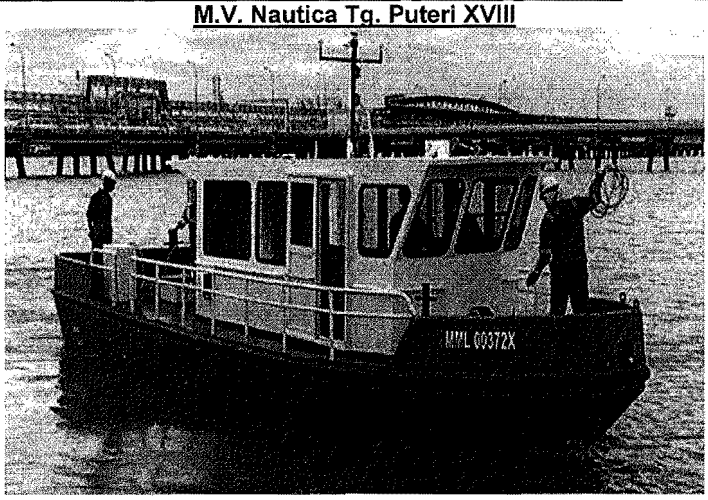
Mooring is the act of securing a marine vessel to specially constructed fixtures such as piers, quays, wharfs, jetties, anchor buoys and mooring buoys. Mooring boats typically has lower break horse power compared to tugboats. Mooring boats are typically used for the final positioning of larger vessels or other floating structures such that they may be safely secured to fixtures.

As at the LPD, we own all five (5) of our mooring boats and all these have time charter arrangements with ports for mooring services.

Details of our mooring boats are as follows:-

Vessel	Vessel Specifications
M.V. Nautica Tg. Puteri VII 	Year Built : 2009 Year Registered/acquired: 2009 Owner : E.A. Technique Flag/Current location: Malaysia Type : Mooring Boat Draft : 0.78 m Classification : N/A* BHP : 600 LOA : 12.0 m NBV^ (RM'000) : 788
M.V. Nautica Tg. Puteri VIII 	Year Built : 2009 Year Registered/acquired: 2009 Owner : E.A. Technique Flag/Current location: Malaysia Type : Mooring Boat Draft : 0.78 m Classification : N/A* BHP : 600 LOA : 12.0 m NBV^ (RM'000) : 785

6. BUSINESS OVERVIEW (Cont'd)

M.V. Nautica Tg. Puteri IX 	Year Built : 2009 Year Registered/acquired: 2010 Owner : E.A. Technique Flag/Current location: Malaysia Type : Mooring Boat Draft : 1.30 m Classification : N/A* BHP : 800 LOA : 17.0 m NBV^ (RM'000) : 2,704
M.V. Nautica Tg. Puteri X 	Year Built : 2009 Year Registered/acquired: 2010 Owner : E.A. Technique Flag/Current location: Malaysia Type : Mooring Boat Draft : 1.30 m Classification : N/A* BHP : 800 LOA : 17.0 m NBV^ (RM'000) : 2,803
M.V. Nautica Tg. Puteri XVIII 	Year Built : 2012 Year Registered/acquired: 2013 Owner : E.A. Technique Flag/Current location: Malaysia Type : Mooring Boat Draft : 1.10 m Classification : N/A* BHP : 500 LOA : 12.0 m NBV^ (RM'000) : 630

* *Not applicable.*
^ *As at 31 May 2014.*

6.2.5.2 Dockside Mooring Services

We also provide dockside mooring services where we have experienced mooring personnel to secure vessels to floating structures and fixtures at the wharfs.

6.2.6 Shipbuilding, Ship Repair and Minor Fabrication

Our shipbuilding and ship repair activities serve as an internal supporting arm to our marine vessels.

We also undertake minor fabrication of steel structures as the facilities, equipment and skills required for minor fabrication is essentially the same as for shipbuilding.

All these activities are undertaken by our wholly-owned subsidiary, Johor Shipyard.

6.2.6.1 Shipbuilding

Our shipbuilding and ship repair operations were previously carried out at our former shipyard in Teluk Intan, Perak, before we moved to our new shipyard at Hutan Melintang, Perak at the end of 2013. As at the LPD, our new shipyard has a water frontage of approximately 250 metres in length, quayside water depth of approximately four (4) metres at low tide and up to seven (7) metres at high tide with a 150-metre long launching bay, which is capable to construct one (1) vessel of up to 10,000 DWT or six (6) tugboats at any one time.

Since the commencement of our shipbuilding operations in 2008, we have successfully built seven (7) vessels which are as follows:-

Year of Registered	Vessel Name	Vessel Type
2010	M.V. Nautica Tg. Puteri IX	Mooring Boat
	M.V. Nautica Tg. Puteri X	Mooring Boat
2011	M.T. Nautica Maharani*	Tanker
2012	M.V. Nautica Tg. Puteri XI	Harbour Tug
	M.V. Nautica Tg. Puteri XII	Harbour Tug
	M.V. Nautica Tg. Puteri XV	Utility Tug
2013	M.V. Nautica Tg. Puteri XVI	Utility Tug

Note:-

* *Johor Shipyard was involved in the design and construction of this 9,800 DWT double hull product tanker, M.T. Nautica Maharani under a licence held by a third party.*

We have design capabilities for shipbuilding as we have three (3) in-house naval architects to undertake the design function. We also commonly work with third-party naval architects to jointly come out with ship design and technical specifications.

Some of the shipbuilding activities that we carry out include:-

- Hull and structure construction;
- Installation of machinery, equipment and instruments, and various embedded systems on the deck of the vessel;
- Painting and coating; and
- Testing and commissioning.

6.2.6.2 Ship Repair

We have capabilities to undertake ship repair. Ship repair includes ad hoc and emergency repairs and scheduled maintenance. Ship repair utilises the same facilities, equipment and skill set as for our shipbuilding. Some of the repair works that we undertake comprise the following:-

- inspection of wiring and piping systems;
- inspection and maintenance of machinery and equipment;
- replacement of corroded or faulty structures and parts, as well as piping systems;
- altering and modifying parts, structures and fittings;
- removal and installation of parts and equipment;
- cleaning;
- sand blasting; and
- painting and coating.

We have the capability to carry out afloat repair, where we conduct the repairing work whilst the vessel is afloat. Afloat repairs are usually undertaken when minor repairs or maintenance are carried out.

6.2.6.3 Minor Fabrication

We also undertake minor fabrication of steel structures in our shipyard. The steel structures that we fabricate mainly are for marine vessels, for example helipad, flare stack, skids and piping systems. Our minor fabrication utilises the same facilities, equipment and skill set as those for shipbuilding.

6.3 Our Principal Markets

Our principal market is in Malaysia where we are engaged in the marine transportation and offshore storage of O&G, and port marine services. Sales from Malaysia accounted for all of our total revenue for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014.

6.4 Seasonality

We do not experience any material seasonality in our business, as our business operations are mainly based on contractual arrangements.

6.5 Types, Sources and Availability of Materials, Consumables and Services

The following are our purchases of materials, consumables and services for the FYE 31 December 2013:-

	Value of Purchases for FYE 31 December 2013	Proportion of Total Group purchases	Sources of Supply	
	(RM'000)	(%)	Local (%)	Import (%)
Services	**26,660**	**51.9**	**64.5**	**35.5**
Charter in vessels	21,278	41.4	57.1	42.9
Sub-contracted services	3,797	7.4	94.1	5.9
- Maintenance and related services	*1,855*	*3.6*	*88.0*	*12.0*
- Hull fitting & fabrication	*996*	*1.9*	*100.0*	-
- Interior and carpentry	*693*	*1.3*	*100.0*	-
- Other sub-contracted services[1]	*252*	*0.5*	*100.0*	-
Classification / survey fees	1,056	2.1	98.0	2.0
Agency fees	529	1.0	82.0	18.0

6. BUSINESS OVERVIEW (Cont'd)

	Value of Purchases for FYE 31 December 2013	Proportion of Total Group purchases	Sources of Supply	
	(RM'000)	(%)	Local (%)	Import (%)
Materials and Consumables	**24,687**	**48.1**	**55.5**	**44.5**
Spare parts for ship repair	9,574	18.6	85.6	14.4
Steel and other metal materials	6,117	11.9	15.8	84.2
- Steel plates	*2,818*	*5.5*	*-*	*100.0*
- Angle bars, flat bars and square bars	*2,333*	*4.5*	*-*	*100.0*
- Others[2]	*967*	*1.9*	*100.0*	*-*
Machinery and equipment	5,876	11.4	38.9	-
- Propulsion system	*2,954*	*5.8*	*-*	*100.0*
- Navigation equipment & electrical switchboard	*899*	*1.7*	*100.0*	*-*
- Firefighting system	*755*	*1.5*	*83.0*	*17.0*
- Other machineries and equipment[3]	*1,268*	*2.5*	*59.7*	*40.3*
Bunker	1,055	2.1	41.0	59.0
Lubricant oil	1,034	2.0	77.0	23.0
Other parts, components, and consumable materials[4]	1,031	2.0	100.0	-
TOTAL	**51,347^**	**100.0**	**60.2**	**39.8**

Notes:-
The above purchases exclude electricity and other utilities.
^ Does not add-up due to rounding
(1) Include painting, blasting and piping works
(2) Include carbon steel pipe and galvanised steel wire
(3) Include air conditioner, hydraulic anchor windlass, marine air compressor and other equipment
(4) Include welding materials, hardware, valve, diesel, gases, scale model and other miscellaneous parts and components for shipbuilding

For the FYE 31 December 2013, purchases of materials, consumables and services for our business operations amounted to RM51.3 million. Overall, we sourced 60.2% of our purchases of materials, consumables and services from local suppliers whilst the remaining 39.8% were from imports.

For the FYE 31 December 2013, purchases of services accounted for RM26.7 million or 51.9% of our total purchases of materials, consumables and services. Of this, 64.5% of these services were sourced locally while the remaining 35.5% were imported. The purchases of services include charter in vessels used for our operations, sub-contracted services for our shipbuilding, ship repair and minor fabrication operations, classification/survey fees and agency fees. For the FYE 31 December 2013, our purchase of services was mainly charter in vessels which accounted for 41.4% of our total purchases of materials, consumables and services.

6. BUSINESS OVERVIEW (Cont'd)

For the FYE 31 December 2013, purchases of materials and consumables accounted for RM24.7 million or 48.1% of our total purchases of materials, consumables and services. Of this, 55.5% of these materials and consumables were sourced locally whilst the remaining 44.5% were imported. The major materials purchased by us were spare parts, steel and other metal materials, and machinery and equipment used in our shipbuilding operations. Presently, although there are ample sources of local and overseas supply of these material, the prices including steel which is a widely traded commodity, may fluctuate.

As at the LPD, our Group has not experienced any shortages in the supply of materials, consumables and services mentioned above.

6.6 Technology Used

We utilise the following shipbuilding technologies and multi-discipline engineering in our shipbuilding, maintenance and repair operations:-

- Hydrodynamic hull technology;
- Mechanical engineering; and
- Electrical engineering.

6.6.1 Hydrodynamic Hull Technology

Hydrodynamic hull technology is focused on improving the performance of a vessel based on optimising variables such as water resistance and propulsive efficiency. Water resistance is dependent on the shape of the hull, surface area of the hull in contact with water, and the shape of appendages attached to the hull below the water line. Propulsion efficiency is dependent on the propeller rotating in the water, thus displacing the water and the displaced water interacting with the hull.

The hull of a vessel is regarded as the most important part of the ship, as it provides buoyancy and structural strength. In this respect, hydrodynamic hull technology, which includes the design of the hull is crucial in providing stability and determining the least water resistance and propulsion efficiency of the vessel. Hydrodynamic hull technology is widely applied when designing various types of hulls depending on the required performance of the vessel in the water.

6.6.2 Mechanical Engineering

We currently also apply mechanical engineering principles, and make use of specialised shipbuilding software in our shipbuilding activities. In general, mechanical engineering is the engineering discipline that involves the application of the principles of physics for the analysis, design, manufacturing and maintenance of mechanical systems.

The common types of computer programs that are used in mechanical engineering, include Computer Aided Design (CAD), Computer Aided Manufacturing (CAM), Finite Element Analysis (FEA), Computational Fluid Dynamics (CFD), and Plant Design and Management System (PDMS). We currently use CAD programme in our shipbuilding operations.

We commonly apply the following mechanical engineering technologies for our shipbuilding:-

- Vessel design for all moving and stationery parts, among many others, include ship hull, engines, power transmission systems and gear boxes, propulsion systems, hydraulic systems, heating, ventilation and air conditioning systems, piping systems, pumps, installation of instruments, machinery and equipment, and other metal and non-metal parts and modules;

- Testing and analyses of machines, components and materials to determine their performance, strength, response to stress and other characteristics; and

- Integration and commissioning of all parts, machinery and equipment to ensure optimum performance.

6.6.3 Electrical Engineering

We apply the principles of electrical engineering to practical purposes such as the design of various electrical systems for the construction of vessels. In general, electrical engineering is the engineering discipline that deals with the study and application of electricity and electromagnetism. Like mechanical engineering, electrical engineering is characterised by the application of knowledge to the creation of useful devices, objects and machines. We currently utilise some of the electrical engineering techniques for our shipbuilding as follows:-

- Control systems;
- Communication and navigation system;
- Cables and wiring;
- Electric generator sets;
- Instruments, machinery and equipment that is powered by electricity; and
- Lighting systems.

The knowledge of electrical engineering, expertise and skill are required for the installation, integration and commissioning of those systems and equipment.

6.7 Production Facilities and vessel operations

6.7.1 Marine Vessel Operations

As our business operations involve the chartering of marine vessels to facilitate the transportation and offshore storage of O&G and the provision of port marine services, we are generally constrained by the size of our fleet that is available for charter. However, we are able to charter in vessels from third parties to meet our customers' requirements should the need arise. We only charter-in for a specific timeframe when we do not have our own vessels to service a contract. In this respect, measures of capacity and utilisation are not viewed as a major constraint in our business.

We are able to estimate the utilisation of our marine vessels based on number of days contracted. Generally, as long as our vessels are contracted for the entire duration of the financial year with no gaps between the expiry of a contract to renewal, or the expiry of a contract to redeployment of the vessel to service a new contract, we will have a utilisation rate of 100%. For the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, the utilisation rates for our vessels are as follows:-

6. BUSINESS OVERVIEW (Cont'd)

Vessel Ownership	Type of Vessel	Utilisation Rate for FYE 31 December 2013*	Utilisation Rate for the five (5)-month FPE 31 May 2014#
Own Vessel	Product tankers	100%	100%
	FSU^	100%	100%
	Fast Crew Boats	89%	49%
	Harbour Tugboats	100%	100%
	Utility Tugboats	100%	100%
	Mooring Boats	100%	100%

Notes:

* *Utilisation rate is computed based on the number of days contracted divided by 365 days.*
\# *Utilisation rate is computed based on the number of days contracted divided by 151 days.*
^ *Our FSU commenced operations only in August 2013.*

With the exception of fast crew boats which are typically chartered out on charter contracts ranging from three (3) months to less than a year, most of our vessels are fully utilised as they are under charter contracts with expiry of more than a year. Our utilisation rate is high as our fleet expansion strategy is such that we typically acquire or construct a vessel when we have secured or are confident of securing a contract.

As at the LPD, all our vessels that we operate are contracted out.

6.7.2 Shipbuilding

Our Hutan Melintang shipyard has the annual capacity to construct up to six (6) units of up to 35 metre harbour tugboats per year or one (1) tanker of up to 10,000 DWT per year at our launching bay. Annual capacity is dependent on the size of vessels being constructed and the period to construct a vessel. Our annual capacity computation uses the average size of a tugboat of up to 35 metres, for which our shipyard is able to accommodate six (6) units of tugboats of such a size, at any one time.

As at the LPD, we are in the midst of constructing six (6) units of harbour tugboats, which means that our shipyard is operating at full capacity.

6.7.3 Marine Vessels, Machinery and Equipment

Since the commencement of our business, we have invested significantly in our marine vessels, as well as the machinery and equipment for our shipbuilding, ship repair and minor fabrication.

6. BUSINESS OVERVIEW (Cont'd)

As at 31 May 2014, the total net book value of our vessels and major machinery and equipment are as follows:-

Business Activity	Vessel, Machinery and Equipment Type	Quantity (units)	Audited Net Book Value as at 31 May 2014 (RM'000)
Marine Vessel Operations and Services	Product tanker	6	206,670
	Harbour tugboat	7	90,573
	FSU	1	56,418
	Utility tugboat	2	28,906
	Crew boat	2	18,750
	Mooring boat	5	7,710
Shipbuilding, Ship Repair and Minor Fabrication *	Cranes	3	-
	Forklifts	2	-
	CNC cutting machine	1	-
	Magnetic drills	1	-
	Generator sets	2	103
	Welding sets	50	-
	Bending machine	1	-

Note:-

* *Save for the generator sets, the remaining equipment and machinery have been fully depreciated.*

Our equipment and machinery comprise mainly cranes, forklifts and CNC cutting machine which were purchased between 2007 and 2008. Subsequent to the five (5)-month FPE 31 May 2014, we also purchased three (3) new forklifts. Although our equipment and machinery (save for the generator sets) have been fully depreciated for the five (5)-month FPE 31 May 2014, they are still in good condition and are fully functional. As such, we do not expect to purchase any new equipment and machinery as replacement.

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6. BUSINESS OVERVIEW (Cont'd)

6.8 Information on Land and Buildings

6.8.1 Summary of Properties Used

A summary of the material properties owned by our Group are set out below:-

Registered owner	Address	Tenure/ Expiry of lease	Description and existing use	Date of issuance of certificate of fitness for occupation/ certificate of completion and compliance	Approximate age of building	Total built up area and land area (square feet)	Net book value as at 31 May 2013 (RM'000)	Major encumbrances
E.A. Technique	Setiawangsa Business Suite Unit C-3A-3A, No. 2, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur	Freehold	Commercial unit at fourth (4^{th}) floor of a six (6)-storey office block held for our head office	8 February 2007	7	Built up: 6,560 Land area: Not applicable	1,081	Nil

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6. BUSINESS OVERVIEW (Cont'd)

A summary of the properties rented by our Group for our operations are set out below:-

Tenant	Registered owner	Address	Tenure/ Date of expiry of lease	Description and existing use	Total built up area and land area (square feet)	Yearly rental (RM)
E.A. Technique	Gan Siew Looi	No. 37, Lintang Sultan Mohamad 1B, Pusat Perdangangan Bandar Sultan Suleiman, 42000 Port Klang, Selangor Darul Ehsan	Two (2) years tenancy commencing from 1 January 2014 and expiring on 31 December 2015	1-storey office for office use	Built-up area: 2,002 Land area: Not applicable	24,000
E.A. Technique	Zainal bin Abdul Wahab	Unit C-5-3, Block C, Setiawangsa Business Suite, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur	Five (5) years tenancy commencing from 16 January 2014 and expiring on 15 January 2019	Commercial unit at fifth (5^{th}) floor of a six (6)-storey office block for our training facilities	Built-up area: 3,000 Land area: Not applicable	67,800
Johor Shipyard	Sumber Shipyard and Engineering Sdn Bhd	Lot PT8436-A, Parit 21, Mukim Hutan Melintang 36400 Daerah Hilir Perak Perak Darul Ridzuan	20 years / 30 November 2032 with an option to renew for another ten (10) years	Operations which include but not limited to ship construction, repairs and all such shipyard activities and other related activities. Presently, the land is erected with one (1) unit of two (2) storey office building and one (1) unit of single storey warehouse (**"Buildings"**). *	Built-up area: 13,000 Land area: 435,600	168,000

6. BUSINESS OVERVIEW (Cont'd)

Note:-

* *Our Company obtained the building plan approval for the Buildings on 5 November 2014. The architect had subsequently issued a notice of completion on 17 November 2014 confirming that the completion of the Buildings is in accordance with the building plan approval. Our Company had on 19 November 2014 provided an undertaking for the following:-*

*(i) to take all reasonable actions to obtain the certificate of completion and compliance ("**CCC**") in respect of the Buildings within one (1) month from the date of this Prospectus;*
(ii) to make an announcement to Bursa Securities once the CCC has been obtained and update the SC when the announcement is made; and
(iii) to make an announcement to Bursa Securities on the next course of action in the event the CCC has not been obtained within one (1) month from the date of the Prospectus.

In the event the CCC is not obtained, we will not be able to occupy the Buildings. Nevertheless, our management does not foresee any difficulty to obtain the CCC as the issuance of the CCC is in the final stages.

Save as disclosed above, as at the date of this Prospectus, our Group is not in breach of any law, rules and building regulations in relation to the use of the properties. Our Directors wish to highlight that, with respect to the land and buildings owned and leased by our Group, there are no environmental issues that may materially affect our Group's operations and utilisation of the above properties.

Our IPO does not involve any valuation of land and buildings.

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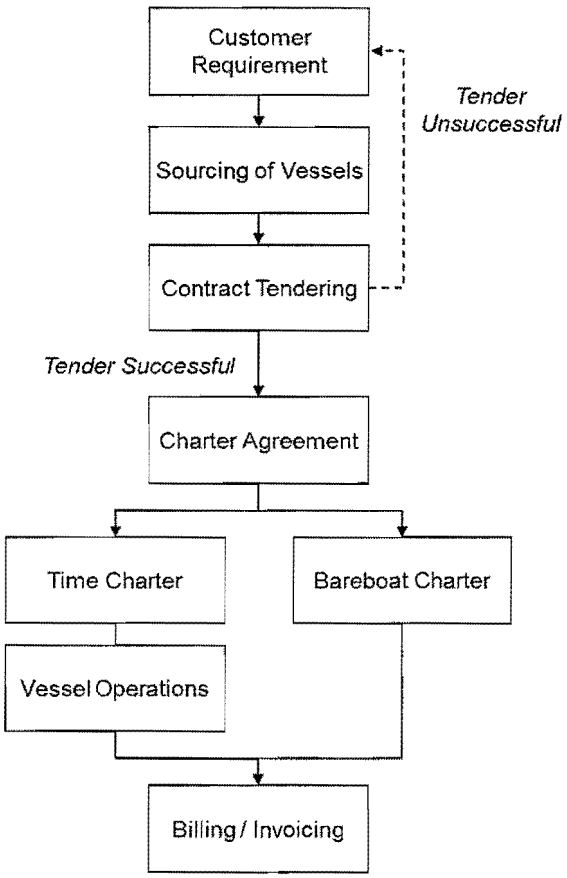
6.9 Our Business and Operation Processes

6.9.1 Marine Vessel Operations

The process flow for our marine vessel operations is depicted in the diagram below:-

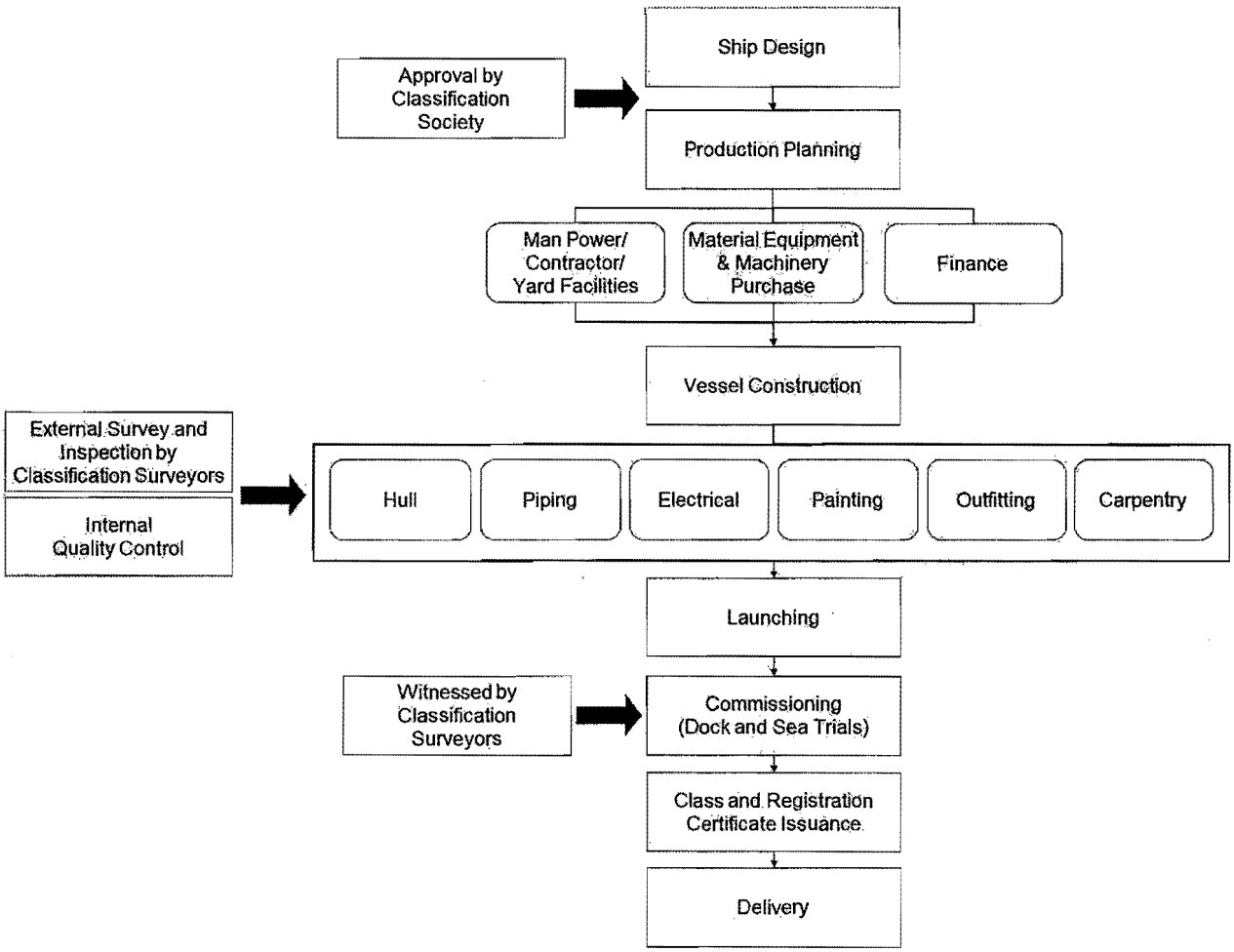


The process flow for our marine vessel operations begins with a request for tender from the customer, specifying their vessel requirements for a particular time frame. As such, we will need to consider the availability of our existing vessels for the specified contract time frame, and/or source vessels by acquiring/leasing from external parties or constructing new vessels. Based on the availability of vessels and other factors of consideration, a tender for the contract is submitted to our customer, specifying our price and other conditions. Upon a successful tender, a charter contract is drafted for signing between the customer and us. Based on the contract conditions, the vessels are then chartered to our customers either on a time charter or bareboat charter basis. For vessels based on time charter, we are required to supply the vessel and its crew, and operate the vessel under the customer's requirements. Bareboat charter means that we only supply the vessel with the crew supplied by the charterer. Invoices are issued on a monthly basis for both time charter and bareboat charter.

6. BUSINESS OVERVIEW (Cont'd)

6.9.2 Shipbuilding Operations

Our shipbuilding operations have been a supporting arm to our core businesses in marine transportation of O&G and port marine services. The process flow for our shipbuilding operations is depicted in the diagram below:-



Our shipbuilding process begins with ship design. Our in-house naval architect starts designing the vessel incorporating technical drawings and specifications to cater for our operations and in accordance to the standards set by an independent Classification Society for the vessel class or category. Once the technical drawings and specifications are finalised, it is then submitted to the relevant Classification Society for approval.

Upon approval of the design, the next step is production planning for the construction and fit-out of the vessel. A vessel construction schedule, which provides a timetable for each stage of the vessel construction process, is developed.

The procurement and purchasing division receives the construction schedule, as well as the list of machinery, equipment, parts, materials and manpower required. The division also makes the necessary financial arrangements for its purchases.

6. BUSINESS OVERVIEW (Cont'd)

The vessel construction phase begins with the fabrication and assembly of parts from raw materials. Vessel construction includes:-

- Steel plates are fabricated into larger block structures, and are then welded together to form the hull of the vessel;

- Once the hull of the vessel is formed, piping and electrical systems are installed;

- Painting of the hull and all other metal surfaces with multi-coated marine paints after surface preparation such as sand blasting is a continuous process during vessel construction;

- Machinery, equipment and instruments such as engines, propulsion system, generator sets, pumps, communications system, navigational system, surveillance system and air conditioning equipment are subsequently outfitted; and

- Wood related furnishings, fixtures and panels as well as cabins requiring carpentry work are also installed at this stage.

Most of these construction works are undertaken by our sub-contractors.

In addition, internal quality control procedures are undertaken throughout the construction process of the vessel. Various tests on the vessel's hull are carried out to assess its structural integrity. These inspections and tests include X-ray welding inspections, ultrasonic testing and air pressure and hydrostatic tests. Defects are immediately rectified and retested again. External surveys and inspections are then carried out by Classification Society surveyors to ensure compliance with design and technical specifications, standards and safety. After all defects are rectified subsequent to both internal and external quality checks, the vessel construction phase is completed.

At this stage, the vessel is ready for launching into the water. After its inaugural launching, the vessel is berthed for final alignment of the propeller shafts to the main engines and related gearboxes. Various systems on the vessel are then commissioned and tested.

A dock trial is carried out to ensure that the vessel conforms to the design specifications and requirements, as well as the requirements of the relevant classifications and approvals. An official sea trial is also carried out in the presence of surveyors from the relevant classification society. The purpose of the official trial is to ascertain the seaworthiness and proper functioning of the vessel. This is to ensure that specifications and requirements are met, machinery and equipment are fully functional, and the vessel fully conforms to all of the requirements of the relevant classifications.

A class certificate and a registration certificate for the vessel are issued upon successful completion of the dock and sea trials. These documents certify that the vessel conforms to the specifications, standards and requirements set out in various international conventions that govern the shipping industry.

The vessel is finally delivered upon the issuance of the relevant class and registration certificates.

6. BUSINESS OVERVIEW (Cont'd)

6.10 Quality Assurance

6.10.1 Marine Vessel Operations and Services

We place strong emphasis on safety management and adhere to safety management standards for our marine vessels as well as for the prevention of pollution. In this respect, we adopt the following safety management approaches and measures:-

- Undertake safe practices on-board and provide a safe working environment for our onshore and offshore marine crew during operations;
- Establish safeguards against all identified risk through continuing reviews, and implementation of corrective actions, if necessary;
- Continuously provide training and guidance to onshore and offshore personnel to improve safety management skills including preparing for emergency related safety and environmental protection;
- Undertake regular maintenance and inspection of our vessels including equipment on-board for safety measures; and
- Adhere to operating limits and parameters to comply with relevant industry rules and regulations.

We are committed to HSE management in our business operations as it is an important requirement for the O&G industry where products and services provided are often critical in nature. Our internal management system includes a detailed documentation for HSE and contingency planning. In addition, we also engage external parties to carry out an annual audit on our HSE management and processes to ensure that we adhere to the necessary requirements.

As at the LPD, we are in the process of embarking on our audit process for ISO:9001 quality management system, ISO:14001 for the environmental management system and OHSAS:18001 for health and safety management system. We are expected to be ISO:9001, ISO:14001 and OHSAS:18001 compliant by the end of 2014.

In addition, we have all the necessary safety certificates in place for our vessels including a combination, amongst others of the following:-

- Cargo ship safety equipment certificates;
- Cargo ship safety radio certificates;
- Safety management certificates;
- Cargo ship safety construction certificates; and
- MARPOL certificates.;

6.10.2 Shipbuilding Operations

For our shipbuilding operations, we place emphasis on the quality of the vessels that we build. Stringent quality control and measures are implemented in every aspect of our operations.

We adopt the following approaches to ensure certain quality standards are maintained and adhered to:-

- In-coming materials, machinery and equipment such as metal steel plates, steel long products, pipes and engines and electrical systems and instruments will have to undergo checking prior to construction. This is to ensure that the final products meet the desired specifications and requirements.

- Quality control processes are undertaken during the shipbuilding and construction process to ensure that all parts and components constantly meet the desired specifications.

- We engage external parties to perform welding tests on our metal welded works, specifically on welding seams.

- Final tests are also conducted during the sea trial, where various tests including speed, engine performance, operation of all equipment and instruments are performed. Classification Society will approve the drawing design and will conduct the inspection on the vessel from the start until completion of construction, prior to issuance of class certificate (sea worthiness) for the ship.

Furthermore, all the vessels that we build are in compliance with internationally recognised maritime standards, namely Bureau Veritas (BV) from France and Nippon Kaiji Kyokai (NK) from Japan.

As at the LPD, we have a quality assurance team under shipbuilding, repair and maintenance operations to ensure that the quality of our vessels consistently meets the internal and external specifications and requirements.

6.11 Marketing and Distribution

6.11.1 Marketing Strategies

Our marketing strategies are focused on the following areas to sustain and grow our business:-

- As all our revenue is derived from Malaysia for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, our sales and promotional activities are targeted at the O&G and port industries. Within the O&G industry, our focus is on the national oil company, PETRONAS, PSC, and support service providers in Malaysia. Within the port industry, our focus is on port owners and operators.

- We market our key advantages as an established owner and operator of marine vessels with supporting shipbuilding capabilities and facilities, which enables us to effectively maintain our vessels to a high standard of operations, and undertake prompt repair with fast turnaround to minimise down time. We are also able to meet the charterer's requirements through customised shipbuilding using in-house facilities and capabilities.

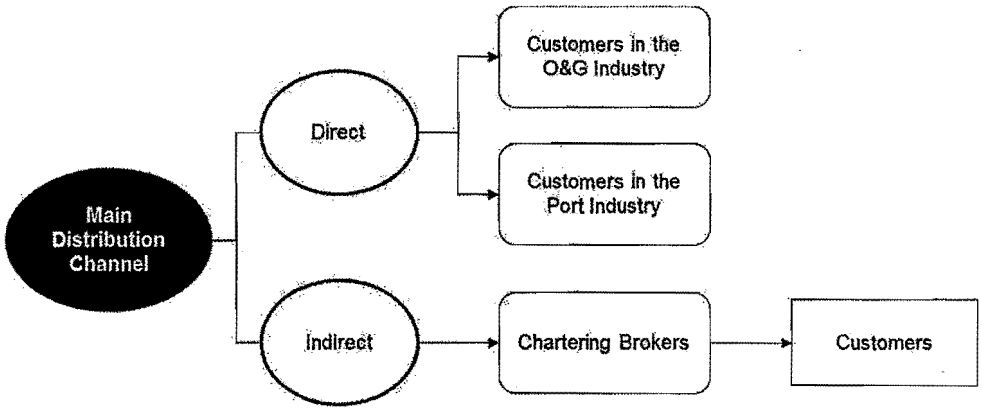
- We provide a range of solutions in marine vessels which are targeted to meet the requirements of our customers in the O&G industry and the port industry for the provision of marine transportation, offshore storage of O&G and port marine services.

- We primarily use the direct distribution channel strategy to seek customers so as to maximise our profit margin. Nevertheless, where required, we also utilise intermediaries where we engage chartering brokers to help us charter out some of our vessels to maximise utilisation of our assets. We usually pay them commission based on the value of the charter contract that is successfully secured by them. The commission is payable throughout the duration of the charter contract.

As at the LPD, we do not have dedicated sales and marketing staff as the nature of our business is such that we are generally invited to tenders and hence we do not undertake sales and marketing efforts on a daily basis. The sales and marketing function is jointly undertaken by our managing director, Dato' Hak and some key management staff, namely Ir. Zulkifli bin Mohd Amin (General Manager) and Farrah Radziah Binti Dato' Ir. Abdul Hak (Commercial Manager).

6.11.2 Distribution Channel Strategy

Our distribution channel strategy is based on both direct and indirect distribution channel to maximise our market coverage:-



We mainly adopt a direct distribution channel strategy with customers in the O&G industry and the port industry with the exception of chartering brokers who commonly act as an intermediary to charter out our marine vessels to customers.

The direct distribution approach enables us to work closely with our customers to evaluate and attain a better understanding of their requirements, which commonly serve as a feedback mechanism for continuous improvement.

For the FYE 31 December 2013, we have dealings with two (2) chartering brokers and they work on a commission basis. Our length of relationship with these two (2) chartering brokers is approximately one (1) year. We do not generally engage regular chartering brokers as we are flexible in negotiating with any charter broker which provides us with the best terms for our vessels. We utilise chartering brokers particularly when our vessels are in between contracts or close to expiry to ensure that we optimise the earnings potential of all our vessels.

6. BUSINESS OVERVIEW (Cont'd)

6.12 Research and Development

As we are mainly engaged in marine transportation and offshore storage of O&G and provider of port marine services, research and development (R&D) is not relevant to our business. As a result, we do not carry out any specific R&D activities and therefore do not formulate any R&D policy for our core business operations.

As for our supporting shipbuilding, ship repair and minor fabrication activities, we are mainly focused on internal process improvement and quality assurance.

6.13 Insurance

Insurance coverage maintained for our marine vessel operations include hull and machinery coverage, protection and indemnity coverage, war risk policy (which covers damage due to war, warlike act, civil war, act of national defence, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power), contractual liability coverage and trade disruption insurance. Our charter contracts also stipulate certain insurance coverage required to be maintained throughout the duration of the contracts.

Protection and indemnity coverage is maintained through our membership in Protection and Indemnity Club (P&I). P&I Club members are typically shipowners, ship operators or charterers and its coverage includes loss of or damage to property, liabilities in respect of seaferers and pollution. Claims are paid through the aggregate premium paid by all members in the club.

We are insured for loss of hire through trade disruption insurance which protect us from the daily loss of income arising from physical damage to our vessels in various situations. The duration of time that we are currently insured for varies according to the type of perils but is generally limited to 60 days.

We maintain insurance to protect us from certain risks including marine disaster, pollution, adverse weather conditions, mechanical failure, collision and navigation errors, all of which represent a threat to personnel safety, our vessels, cargo and environment. In the FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, we incurred approximately RM4.7 million, RM3.9 million, RM4.6 million and RM1.8 million, respectively, on insurance policies for our vessels.

6.14 Major Licences and Permits

As at the LPD, we have obtained various licences and permits for our operations. For further details of our major licences and permits, please refer to **Annexure A** of this Prospectus.

6.15 Major Customers

As at the LPD, we have serviced the following category of customers:-

- O&G trading companies;
- Ports;
- Design and engineering companies;
- O&G refineries;
- Marine vessel operators; and
- O&G exploration and production companies.

6. BUSINESS OVERVIEW (Cont'd)

Our customers who individually contributed 10% or more to our total revenue over any of the past three (3) FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014 are set out below:-

Customers	Year(s) of relationship as at the LPD	Revenue							
		<----------FYE 31 December---------->						Five (5)-month FPE 31 May 2014	
		2011		2012		2013			
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
PETCO	17 years	61,971	64.1	59,381	57.8	52,761	43.6	21,035	33.5
Sungai Udang Port Sdn Bhd	8 years	15,259	15.8	18,998	18.5	23,529	19.4	12,774	20.3
MTC Engineering Sdn Bhd	1 year	-	-	-	-	11,398	9.3	7,784	12.4
Northport	1 year	-	-	-	-	4,829	4.0	7,317	11.6
PETRONAS Dagangan	17 years	-	-	-	-	-	-	6,474	10.3

The following are factors to mitigate against our dependency on the major customers above:-

- PETCO, Sungai Udang Port Sdn Bhd and PETRONAS Dagangan have been our customers for approximately 17 years, eight (8) years and 17 years respectively, which indicate a stable business relationship. This provides the basis for a sustainable and continuing business relationship.

- Of which, PETCO, a subsidiary of PETRONAS, is in the trading of crude oil and petroleum products internationally. Sungai Udang Port Sdn Bhd, a subsidiary of PETRONAS Maritime Services Sdn Bhd, is an O&G port in Melaka. PETRONAS Dagangan, a listed subsidiary of PETRONAS, is in retailing and marketing of downstream O&G products.

- We have reduced our dependency on PETCO since 2011, which is supported by a decline in revenue contribution from approximately 64.1% in the FYE 31 December 2011 to approximately 43.6% in the FYE 31 December 2013 and approximately 33.5% in the five (5)-month FPE 31 May 2014.

- In an effort to diversify our customer base, we began servicing contracts for Northport, a bulk and containerised goods port in July 2013 and MTC Engineering Sdn Bhd, a design and engineering company in 2013. Both of these companies became our major customer, with more than 10% contribution to our total revenue in the five (5)-month FPE 31 May 2014.

6. BUSINESS OVERVIEW (Cont'd)

6.16 Major Suppliers

Our suppliers who individually contributed 10% or more of our total purchases of materials, consumables and services over any of the past three (3) FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014 are set out below:-

Suppliers	Year(s) of relationship as at the LPD	Purchases							
		<----------FYE 31 December---------->						Five (5)-month FPE 31 May 2014	
		2011		2012		2013			
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Kejora Resources Sdn Bhd	4 years	3,456	7.6	3,837	9.5	8,398	16.4	4,776	12.4
Keppel Smit Towage Pte Ltd	4 years	8,914	19.5	5,665	14.0	1,592	3.1	-	-
Daikai Engineering Pte Ltd	4 years	7,268	15.9	172	0.4	357	0.7	38	0.1
Lauritzen Kosan A/S	2 years	-	-	-	-	2,324	4.6	5,570	14.4

For the FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, Kejora Resources Sdn Bhd represented approximately 7.6%, 9.5%, 16.4% and 12.4% of our Group's total purchases of materials, consumables and services, respectively. Kejora Resources Sdn Bhd has been our supplier of charter in vessels for approximately four (4) years which suggests a stable business relationship. In addition, our reliance on Kejora Resources Sdn Bhd is mitigated by the fact that we can source for charter in vessels from various other suppliers, should the need arise.

For the FYE 31 December 2011, 2012 and 2013, Keppel Smit Towage Pte Ltd from Singapore represented approximately 19.5%, 14.0% and 3.1% of our Group's total purchases of materials, consumables and services, respectively. Keppel Smit Towage Pte Ltd has been our supplier of charter in vessels for approximately four (4) years which suggests a stable business relationship. In addition, our reliance on Keppel Smit Towage Pte Ltd has reduced over the years and only represented approximately 3.1% of our Group's total purchases of materials, consumables and services for the FYE 31 December 2013. For the five (5)-month FPE 31 May 2014, we did not record any purchases from Keppel Smit Towage Pte Ltd. We are also able to source for vessels from various other suppliers should the need arise.

For the FYE 31 December 2011, 2012, 2013 and the five (5)-month FPE 31 May 2014, Daikai Engineering Pte Ltd represented approximately 15.9%, 0.4%, 0.7% and 0.1% of our Group's total purchases of materials, consumables and services, respectively. Daikai Engineering Pte Ltd has been our supplier of spare parts, machinery and equipment for approximately four (4) years which suggests a stable business relationship. In addition, our reliance on Daikai Engineering Pte Ltd has reduced over the years and only represented approximately 0.7% and 0.1% of our Group's total purchases of materials, consumables and services for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, respectively. We can also source for spare parts, machinery and equipment from various other suppliers should the need arise.

In 2013, we began charter in vessels from Lauritzen Kosan A/S. Lauritzen Kosan A/S is a supplier for charter in vessels. For the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, Lauritzen Kosan A/S represented approximately 4.6% and 14.4% of our Group's total purchases of materials, consumables and services, respectively.

6.17 Interruptions to Business and Operations

Save as disclosed below, we did not encounter any material business interruptions in the past twelve (12) months up to the LPD:-

- Our vessel M.T. Nautica Muar experienced an incident at the Kayu Manis oilfield (KMSE), located off Bintulu, Sarawak whereby the hull of the vessel was damaged by the charterer's single buoy mooring system during a typhoon towards the end of last year. The damage to the vessel was repaired by the charterer at their own cost. The repairs took approximately one (1) month to complete. During the off hire period, we still invoiced our customer and hence, we did not experience any interruptions to our financial performance. As at 30 April 2014, the vessel has been mobilised to a new location, Anjung Kecil (AJK) oilfield, which is also located off Bintulu, Sarawak.

6.18 Environmental Matters

Our business is subject to various environmental regulations in the jurisdictions in which our vessels operate or are registered. Please refer to **Section 6.10.1** of this Prospectus for further details of these environmental regulations. We also maintain a HSE policy aimed at the prevention of damage to the environment or to property and at abating pollution and emissions from our operations. We are committed to implementing industry best practices in relation to our HSE policies.

6.19 Governing Laws and Regulations

We are principally an owner and operator of marine vessels where our business is focused on marine transportation and offshore storage of oil and gas and provision of port marine services. The following are some of the licences, registrations and regulations relating to marine transportation and supporting services for the Offshore O&G Supporting Services Industry:-

6.19.1 PETRONAS Licences

All companies wishing to participate in the O&G industry in Malaysia are required to obtain the necessary licences or successfully register with PETRONAS. Applicants are required to specify the scope of work for which the licence or registration is being applied for, based on a set of Standardised Work and Equipment Categories (SWEC).

(Source: Independent Assessment of the Marine Transportation and Support Services of the Oil and Gas Industry in Malaysia prepared by Vital Factor)

6.19.2 Shipping Licences and Ship Registrations

According to the Ministry of Transport Malaysia, companies applying for shipping licences must have at least 51% of directors and shareholdings held by Malaysians. There are also additional conditions for the award of shipping licences.

According to the Merchant Shipping Ordinance 1952, every Malaysian vessel has to be registered with the Registrar at the Port of Registry unless exempted under certain conditions.

(Source: Independent Assessment of the Marine Transportation and Support Services of the Oil and Gas Industry in Malaysia prepared by Vital Factor)

6.19.3 Safety Certificates for Marine Vessels

According to the Merchant Shipping Ordinance 1952, no cargo ships registered in Malaysia shall proceed to sea without appropriate safety certificates.

(Source: Independent Assessment of the Marine Transportation and Support Services of the Oil and Gas Industry in Malaysia prepared by Vital Factor)

6.19.4 Compliance with the Conventions of International Maritime Organisation (IMO)

The Malaysian Government is a contracting party of the conventions adopted by the IMO and as such certain international certificates are a pre-requisite for all Malaysian ships operating in local and international waters.

- The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental cases. In accordance to MARPOL Convention, an International Oil Pollution Prevention Certificate shall be issued to oil tankers with gross tonnage of 150 and above and other ships with gross tonnage of 400 and above, which are engaged in voyages to ports or offshore terminals under the jurisdiction of other parties to MARPOL.

(Source: Independent Assessment of the Marine Transportation and Support Services of the Oil and Gas Industry in Malaysia prepared by Vital Factor)

6.20 Dependency on Patents, Licences, Industrial, Commercial or Financial Contracts

As at the LPD, save as disclosed in **Annexure A,** Major Licences and Permits and **Section 6.15,** Major Customers, our Board is of the opinion that we are not highly dependent on any single contract/arrangement/licences.

For the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, our top two (2) major customers, namely PETCO and Sungai Udang Port Sdn Bhd collectively accounted for approximately 63.0% and 53.8% of our total revenue, respectively. As at the LPD, we have entered into long term contracts with PETCO and Sungai Udang Port Sdn Bhd as set out below:-

- We have three (3) on-going contracts with PETCO for the marine transportation of O&G in Malaysia. PETCO is our major customer by virtue of their revenue contribution of approximately RM52.8 million and RM21.0 million or approximately 43.6% and 33.5% of our total revenue for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, respectively.

- We have nine (9) on-going contracts with Sungai Udang Port Sdn Bhd for the provision of port marine services in Malaysia. Sungai Udang Port Sdn Bhd is also our major customer by virtue of revenue contribution of approximately RM23.5 million and RM12.7 million or approximately 19.4% and 20.3% of our total revenue for the FYE 31 December 2013 and the five (5)-month FPE 31 May 2014, respectively.

6. BUSINESS OVERVIEW (Cont'd)

The following are some of the salient terms commonly set out in our charter contracts:-

6.20.1 Scope of Work, Charter Period and Location

The scope of work set out in each contract may vary depending on the type of vessel being chartered and the technical specification requested by the charterer. For example, a product tanker is chartered for carriage/ transportation of petroleum products in bulk while a mooring boat contract would include berthing and un-berthing services of large vessels.

Most of our vessels are chartered out based on a charter period ranging from six (6) months to ten (10) years (excluding optional extension periods) or one (1) to thirteen (13) years (including optional extension periods), with the exception of fast crew boats, which are for periods ranging from three (3) months to one (1) year. Some contracts contain optional extension period ranging from six (6) months to three (3) years, exercisable upon mutual agreement by both parties.

The location or geographical areas where the services are to be performed are also stated in the contract.

6.20.2 Charter Rate

Our customers generally require our vessels to be available continuously on a 24-hour basis during the charter period. The amount payable to us is generally calculated based on the DCR as set out in the contract. In the event, the vessel sustains damages (e.g. collision, major engine damages, etc.) the charterer will off hire the vessel. However, we can substitute another vessel with the same DCR during this off hire period. We are also covered by the loss of hire coverage by our insurers during this off hire period for the same amount of the DCR. Our payment term varies from fourteen (14) days to 30 days from the date of our invoices.

6.20.3 Condition of Vessel and Performance Warranty

Our charter contracts typically specify that the vessel has to be maintained diligently in such a state to achieve the most economic performance with full and efficient complement of master, officers and crew. The vessel is also subject to periodic audit by the charterer.

The charter contracts may also contain performance warranty clauses of which the vessels chartered are expected to meet certain minimum performance requirements throughout the period of the charter contract. Under the charter contracts, the vessels are required to maintain a minimum average speed on a guaranteed daily consumption of bunker. In addition, our product tankers must also be able to discharge cargo at a minimum average rate while maintaining a certain pressure. In the event our vessels fail to perform as guaranteed, the charterers shall be compensated accordingly upon mutual agreement by both parties.

6.20.4 Cost

Save for bareboat charters, we are typically responsible for the operating costs of our vessels (other than fuel costs) such as crew wages, vessel maintenance, dry dock expenses, insurance, food provisions and spare parts. We are also generally responsible for all taxes for which we are liable by reason of performing our contracts, as well as for import or export licence fees and stamp duty. Our charter parties do not usually provide adjustments to the DCR on account of our costs increasing or decreasing unless mutually agreed on a case-by-case basis.

6.20.5 Termination

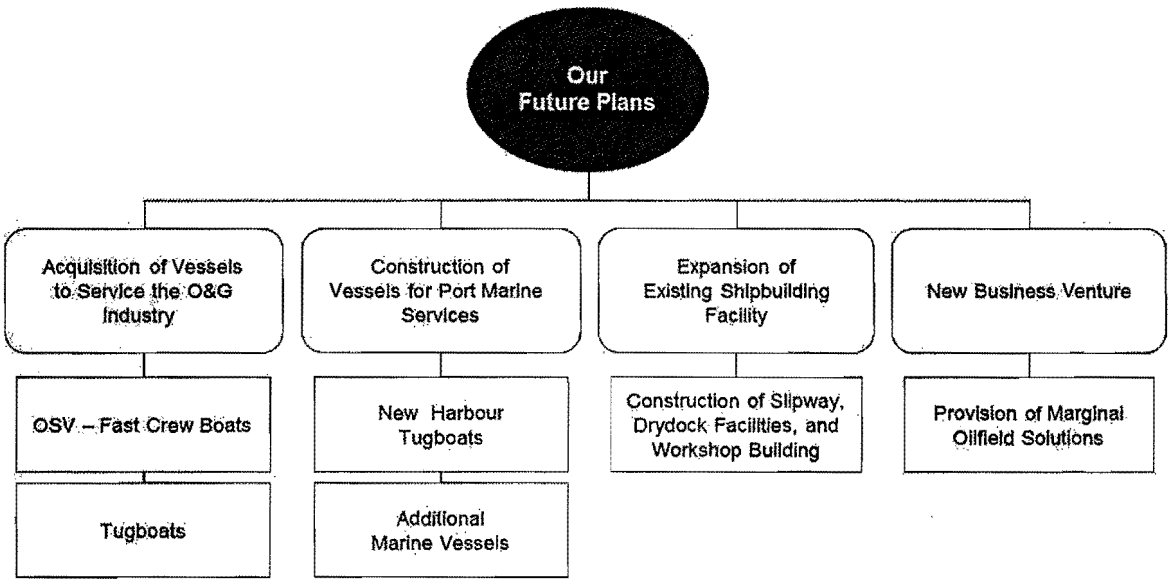
In circumstances where operations are interrupted or suspended for a specific period of time due to our fault or force majeure, our customers usually have the right to terminate the contract. Typically, our customers also have the right to terminate our contracts upon the occurrence of certain other circumstances such as unsatisfactory performance by us, loss, destruction or requisition of the vessel or our insolvency or winding-up or equivalent event.

We have never encountered any situation where a contract was terminated prior to the completion.

6.21 Future Plans, Strategies and Prospects

Future Plans and Strategies

Our future plans are focused in the following key areas as depicted in the figure below:-



6.21.1 Acquisition of Vessels to Service the O&G Industry

Part of our future plans is to expand on our fleet of marine vessels to further address opportunities in the O&G industry in Malaysia. The Oil, Gas and Energy segment is one of the 12 National Key Economic Areas (NKEAs), which is aimed at achieving an AAGR of 5% annually from 2010 to 2020. This segment is expected to deliver RM131.4 billion in gross national income (GNI) impact by 2020. Furthermore, the following statistics on the production of O&G and export of petroleum crude oil and petroleum products in Malaysia indicate continuing activities which would create opportunities for marine transportation and/or storage of O&G:

- In 2013, the production of crude oil and condensates decreased by 2.7% to approximately 570,000 BOE per day, while the production of natural gas increased by 4.7% to reach 6.3 billion standard cubic feet per day.

- In 2013, the export value of petroleum crude oil and crude oil obtained from bituminous minerals was RM32.2 billion, while the export values of natural gas, and liquefied propane and butane were RM59.2 billion and RM0.9 billion respectively. During the same year, export value of refined petroleum products grew by 28.6% to reach RM61.3 billion.

(Source: Independent Assessment of the Offshore O&G Supporting Services Industry in Malaysia prepared by Vital Factor)

In light of the above, as at the LPD, we are looking to acquire the following types of marine vessels to cater for future business opportunities and expansion in the O&G industry which will include the following:-

Marine Transportation and Offshore Storage of O&G

- Two (2) units of fast crew boats;

Port Marine services

- Two (2) units of tugboats.

which is expected to be funded through internally generated funds and/or bank borrowings.

As at the LPD, the timeline for the acquisition of the above vessels are set out below:-

New Marine Vessels	Year of Acquisition	
	End of 2014	2015
OSVs		
One (1) unit of fast crew boats	√	
One (1) unit of fast crew boats		√
Tugboats		
Two (2) units of tugboats		√

6.21.2 Construction of Vessels for Port Marine Services

(a) Construction of Harbour Tugboats

In 2013, we secured a contract from Northport for the construction, operation and charter of six (6) z-drive propeller tugboats with an estimated contract value of approximately RM260 million for a ten (10)-year period with the option to extend for an additional two (2) years. This contract commenced operations in the same year of 2013 and is currently being serviced by three (3) of our own vessels and another three (3) which we chartered in from external parties.

We are currently in the midst of constructing six (6) tugboats where we expect to complete construction and deliver in phases from end of 2014 up to mid of 2015. Four (4) of these new vessels will replace the existing vessels that are currently servicing the Northport contract and the remaining two (2) will replace our existing vessels that are servicing Kertih Port.

The remaining capital commitments on the construction of the six (6) new tugboats are approximately RM18.21 million as at the LPD which will be funded through internally generated funds and/or bank borrowings.

(b) Construction of Additional Marine Vessels

In June 2014, we were awarded a new contract to operate four (4) tugboats with a contract sum of approximately RM28.16 million for eighteen (18) months with the option to extend for an additional sixty (60) months. This contract is expected to commence in January 2016. In this respect, as at the LPD, we intend to construct two (2) additional units of approximately 39-metre tugboats with bollard pull of 60 tonnes to service this new contract. The remaining two (2) tugboats will be serviced by our existing vessels and/or new vessels to be acquired from third party. We expect to commence construction at the end of 2014. The proposed construction is estimated at approximately RM44.0 million and we will be utilising internally generated funds and/or bank borrowings for the construction of these new vessels.

6.21.3 Expansion of Shipyard Facilities

Our existing shipyard is currently equipped with a 4,000 tonnes weightage capacity launching bay which is capable to launch up to six (6) units of up to 35-metre tugboats. We intend to expand our shipbuilding facilities to include the following:-

- one (1) dry dock to handle dry docking, ship repairs and maintenance for vessels of up to 120 metres in length or 10,000 DWT; and

- one (1) slipway which is capable to handle up to 4,000 tonnes weightage capacity for vessel construction/repairs.

The construction of the new dry dock and slipway at our current shipyard is expected to commence by first quarter of 2015 and completed by mid 2016. For the above purposes, we have earmarked RM10.0 million from our IPO proceeds to fund this expansion with any remaining cost to be incurred will be funded by internally generated funds and/or bank borrowings.

Indicatively, over the next two (2) to three (3) years, we plan to invest approximately RM20.0 million to build amongst others, the above dry dock and slipway as well as other related facilities including the development of roadworks, electricity system, storage system and others such as safety and security system and improvement works on our shipyard.

6.21.4 New Business Venture in Provision of Marginal Oilfield Solutions

As part of our business diversification plans, we intend to venture into the provision of marginal oilfield solutions, focusing on light weight platform system and front-end engineering and design ("**FEED**") services for the development of marginal oilfields in Malaysia.

The Malaysian Government had identified the development of small or marginal oilfields, which are fields that contain reserves of 30 million BOE or less, as one of the strategies for addressing plateauing or declining output at mature oil and gas fields. As at December 2013, there were approximately 100 marginal fields in Malaysia

(Source: Independent Assessment of the Offshore O&G Supporting Services Industry in Malaysia prepared by Vital Factor)

Given the potential demand for marginal oilfield solutions, we believe this new business venture presents us with opportunities for growth.

FEED service focuses on offshore O&G structures including topsides and substructures of platforms, and production floating structures. Some of the activities under the FEED services that we intend to provide include:-

- engineering coordination;
- structural engineering;
- process engineering;
- mechanical and piping engineering;
- electrical and instrumentation engineering; and
- others include procurement, cost and planning, safety and regulatory affairs, and other engineering services.

This new business venture is still at the planning stage and may be carried out through business acquisition, business alliance or forming a new business unit as and when the opportunity arises. If via business acquisition, we may acquire Marginal Field Solutions Sdn Bhd (**"Marginal Field"**), a company that is 51% owned by Dato' Hak. The acquisition of Marginal Field could possibly materialise in the next one (1) to two (2) years, should Marginal Field secures new contracts and reach sufficient scale to warrant an acquisition. However, this would be subject to further assessment on the business and expertise of Marginal Field and the intention of the other minority shareholders of Marginal Field to sell the business to E.A. Technique. In this respect, we plan to utilise our internally generated funds and bank borrowings to fund this new business.

6.21.5 Prospects

We are confident of the outlook and future prospects of our business taking into consideration the following factors:-

- Good track record and financial performance;
- Competitive advantages and key strengths;
- Future plans to provide sustainable growth; and
- Industry prospects and outlook.

(a) Good track record and financial performance

Our good track record and financial performance is reflected by our financial achievements from the FYE 31 December 2011 to 2013 as follows:-

- Our revenue achieved AAGR of 12.3%;
- Our PBT* achieved AAGR of 34.5%;
- Our PAT* achieved AAGR of 49.9%;
- Our average GP margin was 31.6%;
- Our average PBT* margin was 18.1%; and
- Our average PAT* margin was 14.5%.

Note:-

* *For the FYE 31 December 2013, we excluded gain on disposal of an associate in the calculation above.*

As at the LPD, we have secured a total cumulative order book of approximately RM1.283 billion (including optional extensions of approximately RM452.0 million). This will provide us with the platform for continuing business success and growth.

(b) Competitive Advantages and Key Strengths

Our competitive advantages and key strengths will provide a platform for continuing growth and success. This includes the following:-

- Track record and established reputation;
- Secured orderbook;
- Ownership of marine vessels;
- In-house shipbuilding, repair and maintenance;
- PETRONAS Approved Licences;
- High utilisation rate and long term contracts; and
- Additional revenue stream from different business activities.

Further details of our competitive advantages are set out in **Section 6.1.3** of the Prospectus.

(c) Future Plans to Provide Sustainable Growth

We have in place a sound business, and moving forward an expansion strategy focused in the following areas:-

- Acquisition and construction of vessels for marine transportation and port marine services to help us broaden our asset portfolio by owning a diversified fleet of marine vessels for the O&G industry. Our fleet expansion strategy is such that we typically acquire or construct a vessel when we have secured or are confident of securing a contract;

- Expansion of shipbuilding facilities which will enable us to increase and upgrade our shipbuilding capabilities; and

- New business venture in the provision of marginal oilfield solutions.

As at the LPD, taking into consideration the number of vessels we plan to acquire under **Section 6.21.1** of this Prospectus and vessels under construction/conversion and to be constructed under **Section 6.21.2** of this Prospectus, the number of vessels owned will increase from 23 vessels to 35 vessels. Pending the acquisition and construction of these vessels, we will source for charter in vessels, should the need arise.

(d) Industry Prospects and Outlook

The prospects of the marine transportation and support services segment of the O&G industry are closely tied to the overall prospects of the local as well as the global O&G industry.

Since end of June 2014, crude oil prices had started to decline. By late October 2014 the price of crude oil had fallen to approximately USD85 per barrel for Brent Crude Oil and USD80 per barrel for West Texas Intermediate Crude Oil. Among others, the decline in the price of crude oil was attributed to the increase in supply from the US from its production of shale oil, combined with continuing subdued demand from the European Union and China. If the price of crude oil continues to decline and is sustained at a depressed price, operators and supporting service providers to the upstream exploration and production sectors of the oil and gas industry may find that it is not economical to either explore or produce oil and gas.

6. BUSINESS OVERVIEW (Cont'd)

A drop in activities in the upstream of the oil and gas industry would have a cascading effect on all other sectors of the oil and gas industry including, among others, the marine transportation and supporting services segment of the oil and gas industry. However, marine transportation that are focused on product tankers plying coastal waters including operators such as E.A. Technique Group, may be less affected as its product tankers are mainly carrying refined petroleum products for domestic consumption. In addition, marine services that are serving non-oil and gas related sectors, for example port operations, would be less affected by the drop in activities in the oil and gas industry.

Nevertheless, the prospects and outlook of the marine transportation and support services in the longer term are expected to be favourable based on the following factors:

- Global economic conditions are forecasted to continue growing, which would contribute positively to the oil and gas industry, including the marine transportation and support services segment;
- Petroleum prices are forecasted to grow in the longer term, whereby increases in petroleum prices are likely to drive oil exploration, development and production activities which would create demand for marine transportation and support services segment of the O&G industry;
- World supply and demand, as well as level of oil and gas reserves, where growth on these dependency factors will drive the demand for marine transportation and support services segment of the O&G industry.

Within the overall global O&G industry, Malaysia as an O&G producing country has implemented developments and initiatives that would drive the growth of the O&G industry within the country. These developments and initiatives include, among others:

- Malaysia's exploration and production expenditure, represented by PETRONAS' capital expenditure registered an AAGR of 8.5% between 2008 and 2013;
- development of marginal fields through innovative solutions, which is part of the Economic Transformation Programme (ETP) for the O&G sector, aimed at achieving an AAGR of 5% annually from 2010 to 2020;
- the development of an O&G hub in Southern Johor within Iskandar Malaysia including:-
  - Pengerang Deepwater Petroleum Terminal;
  - Tanjung Langsat Petroleum Terminal (TLPT);
  - Tanjung Bin Petroleum Terminal (TBPT);
  - Pengerang Integrated Petroleum Complex (PIPC); and
  - Tanjung Langsat Petroleum Support Services.

The increase in the refining capacity and storage capacity would continue to provide opportunities to O&G supporting services providers.

(Please refer to Section 7 in the Independent Assessment of the Marine Transportation and Support Services of the O&G Industry in Malaysia prepared by Vital Factor)

VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Vital Factor Consulting Sdn Bhd
(Company No.: 266797-T)
V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor, Malaysia
Tel (603) 7931 3188
Fax (603) 7931 2188
Email: enquiries@vitalfactor.com
Website: www.vitalfactor.com

3 November 2014

The Board of Directors
E.A. Technique (M) Berhad
Setiawangsa Business Suites
Unit C-3A-3A
No. 2 Jalan Setiawangsa 11
Taman Setiawangsa
54200 Kuala Lumpur

Dear Sirs

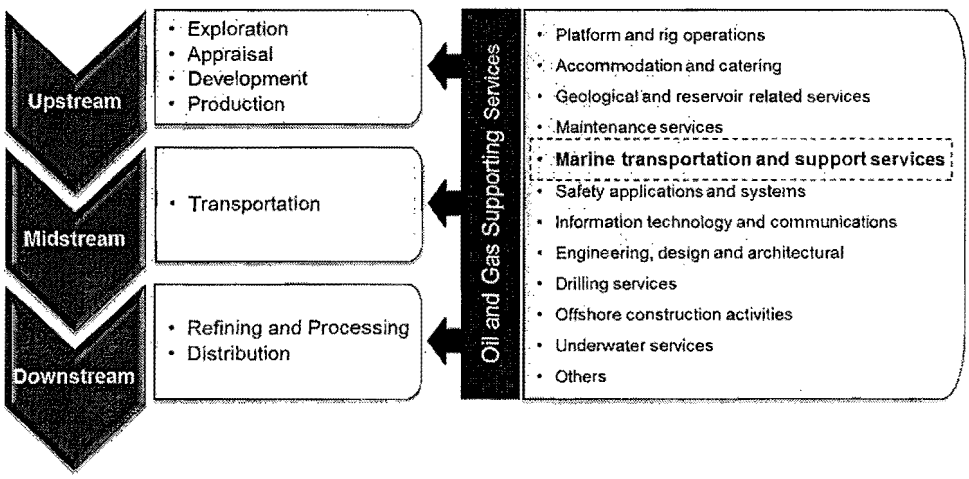
Independent Assessment of the Marine Transportation and Support Services of the Oil and Gas Industry in Malaysia

The following is an Independent Assessment of the marine transportation and support services of the oil and gas industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd (Vital Factor Consulting) for inclusion in the prospectus of E.A. Technique (M) Berhad (herein together with all or any one or more of its subsidiaries will be referred to as **"E.A. Technique Group"** or the **"Group"**) in relation to its initial public offering of the entire issued and paid-up share capital of E.A. Technique (M) Berhad on the Main Market of Bursa Malaysia Securities Berhad. This report will focus on product tankers, offshore support vessels and port marine services within the marine transportation and support services segment for the oil and gas industry to reflect E.A. Technique Group's main business activities. All references to tankers in this report refer to marine based tankers unless specified otherwise. All references to ports and terminals refer to sea ports and terminals.

1. OVERVIEW OF THE OIL AND GAS INDUSTRY

1.1 Industry Structure

Oil and Gas Industry



VITAL FACTOR CONSULTING
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- The overall oil and gas industry is segmented into upstream, midstream and downstream sectors.

  (i) Activities commonly undertaken within the upstream sector include the following:

  - Exploration activities are those that are related to the investigation of a specific area to determine if there are hydrocarbon deposits in that area.
  - Appraisal activities incorporate a number of geological and engineering activities to quantify the size of hydrocarbon deposits and to determine characteristics of the reservoirs and hydrocarbon.
  - Development activities are undertaken to bring economically viable but previously untapped hydrocarbon reserves into production, as well as activities undertaken to significantly expand production capacity at an existing production facility.
  - Production activities relate to the extraction of hydrocarbons, from identified and developed reserves. Extracted hydrocarbons are either in liquid or gaseous form, where the liquid form refers to petroleum while the gaseous form refers to natural gas.

  Note: The term "hydrocarbon" used in this report refers to oil and gas.

  (ii) The midstream sector comprises activities relating to the transportation of the extracted hydrocarbons from production facilities to distant storage, refining and processing facilities. Transportation includes installation, maintenance and operation of onshore and offshore hydrocarbon pipelines, and operation of transport vessels.

  (iii) The downstream sector comprises activities relating to the refining, processing and distribution of hydrocarbons:

  - Refining and processing activities are related to transforming the extracted hydrocarbons into forms and products that can be used by intermediate and final users. Refining crude petroleum primarily involves fractional distillation to separate the different petroleum fractions from the crude petroleum, while natural gas refining primarily involves the purification and liquefaction of natural gas to facilitate transportation, storage and usage.
  - Distribution comprises activities that are related to the transportation, storage and distribution of refined and treated hydrocarbons to users.

- Supporting services comprise a diverse range of services that facilitate operations and to support oil and gas companies and contractors in the upstream, mid-stream and downstream sectors of the oil and gas industry. They include, among many others, drilling, geological studies, extraction, fabrication, marine transportation, hook-up and commissioning services, platform maintenance and manpower supply.

- The marine transportation and support services cover the transportation of personnel, equipment and supplies as well as extracted oil and gas, and refined petroleum products over water. Marine transportation and support services are used in the upstream, midstream and downstream sectors of the oil and gas industry.

- E.A. Technique Group operates within the marine transportation and support services segment where their customers operate primarily in the upstream and downstream segments of the oil and gas industry. This includes the following:

  (i) The provision of **product tankers** to transport refined petroleum products.

  (ii) The provision of **offshore support vessels** (OSV) through the use of fast crew boat for the transportation of personnel.

  (iii) The provision of **port marine services** through the use of tugboats for towing and mooring of vessels and other floating structures within port areas.

- Within the oil and gas industry, a small proportion of the Group's activities is also involved in the provision of floating storage unit (FSU), and liquefied petroleum gas (LPG) tankers.

1.2 Marine Transportation and Support Services

1.2.1 Overview

- Marine transportation for the oil and gas industry is primarily focussed on tankers and offshore support vessels (OSV).

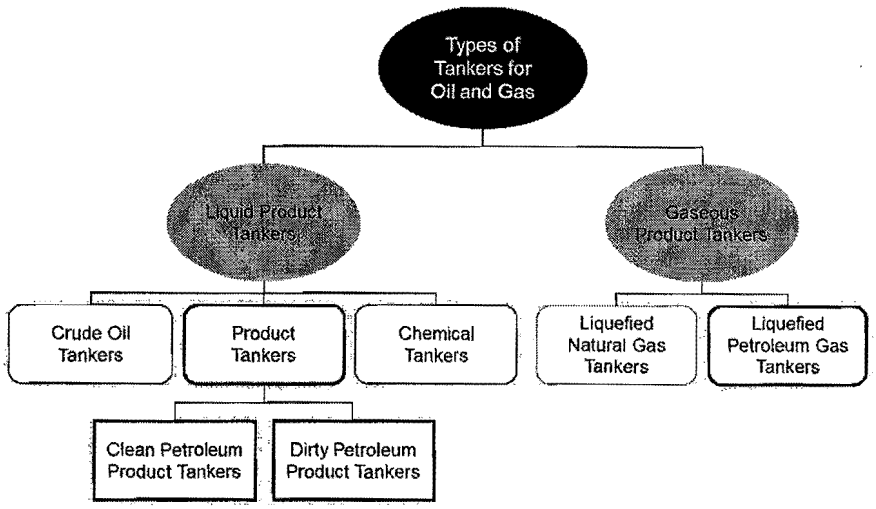
- Tankers are used for transportation of oil and gas from one location to another. Tankers are used when it is not economically viable to construct oil and gas pipelines, or it is more economical compared to using land transportation.

- OSV on the other hand is used for the transportation of goods and people, as well as to support a wide range of offshore activities including the following:
  - towage, positioning and mooring of structures and barges;
  - installation, maintenance and repair of structures including rigs, platforms, FPSO, mooring systems, pipelines and subsea structures;
  - hook-up and commissioning;
  - operation of exploration, appraisal, development and production facilities;
  - seismic surveys and subsea works.

- Other marine vessels whose primary functions are not transportation include floating storage unit (FSU), floating production storage and offloading (FPSO), mobile offshore production unit (MOPU) and drillship. However, in some situations, FSU and FPSO are modified from either crude oil tankers or product tankers.

1.2.2 Product Tankers

- Typically, tankers are used to transport bulk oil and gas comprising crude oil, refined petroleum products, Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG).



Types of tankers operated by E.A. Technique Group

- Product tankers are used for the transportation of refined petroleum products from oil refineries to end-user markets or to another refinery for further processing. This is in contrast to crude oil tankers, which carry unrefined petroleum products and are typically very much larger in size.

- There are essentially two types of product tankers:

  - **Clean petroleum product** (CPP) tankers are designed to carry refined petroleum products such as jet fuel, gasoline and naphtha. CPP tankers have specially coated tanks to prevent corrosion from refined oil products and to facilitate ease of cleaning of tanks.

  - **Dirty petroleum product** (DPP) tankers refer to vessels that are designed to carry heavy fuel oils or sometimes also crude oil.

  While CPP tankers may be used to transport DPP, it is not a simple process for DPP tankers to transport CPP. This is because DPP tankers will need to go through a thorough process of cleaning, and will also need to have a special coating before they can transport CPP.

- Chemical tankers are mainly used for transportation of petrochemicals within the oil and gas industry, and other types of organic and inorganic chemicals, as well as liquid food products like fruit juices, vegetable oils and molasses. Chemical tankers have coated or stainless steel or other types of metal tanks to prevent corrosion as well as for food hygiene and safety purposes. Coatings on chemical tankers are commonly equal or higher specifications compared to product tankers. As such, chemical tankers with coatings may be used to carry CPP.

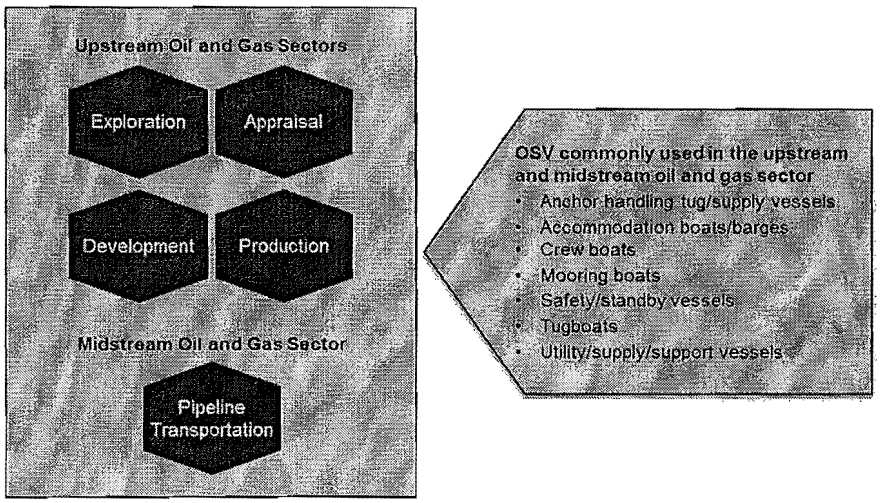
- In Malaysia, some product tankers are registered as oil tankers or chemical tankers.

- Tankers are measured mainly by their carrying capacity of deadweight tonne (DWT), which is the maximum capacity weight it can carry. Product tankers are typically smaller in size compared to crude oil tankers. In Malaysia, many of the product tankers that ply the coastal sea are typically within the 10,000 DWT range compared to ultra large crude carriers (ULCC) at about 350,000 DWT.

- According to requirements issued by the International Maritime Organisation (IMO), all oil tankers of 5,000 DWT or more are required to be fitted with double hulls or alternative designs that are approved by IMO.

1.2.3 Offshore Support Vessels

- OSV play an important role in supporting offshore oil and gas activities in upstream exploration, appraisal, development and production activities, as well as midstream activity of pipeline transportation of hydrocarbons. The types of OSV commonly used are listed in the diagram below:



Note: Crew boats are used by E.A. Technique Group. Tugboats are used by E.A. Technique Group to provide port marine services.

- A significant proportion of OSV used in the offshore oil and gas industry is focussed on anchor handling tug and supply (AHT/S) vessels. This is because AHT/S are versatile vessels and are used to provide supporting services to the offshore oil and gas industry including towing and positioning of floating structures, as well as transportation of equipment, goods and supplies between land and offshore structures or between offshore structures.

- Crew boats are used primarily to transport personnel and light cargoes between onshore and offshore structures. Commonly crew boats are equipped with high powered engines for speedy transportation.

- Tugboats are part of the family of OSV. Tugboats are commonly used to manoeuvre other vessels or offshore structures in harbours, over the open sea or through rivers and canals, by towing or pushing. There are three kinds of tugboats, seagoing tug, harbour tug and river tug. Tugboats are measured by their brake horse power (bhp), whereby their engines typically produce between 700 bhp and 3,400 bhp. However, larger tugboats used in deep water have power ratings up to 25,000 bhp.

1.2.4 Port Marine Services

- Port marine services are conducted to ensure safe and expeditious flow of traffic as vessels approached the berth. Towage, pilotage and mooring services are the main marine services conducted at ports. Harbour tugs are used for the provision of towing services at port. They are used to move vessels within the port areas due to crowding (in this context it means too many ships calling at one port simultaneously) and the shallower water depth in port areas.

2. GLOBAL AND REGIONAL MARINE TRANSPORTATION AND SUPPORT SERVICES

2.1 Tankers

- Tankers are mobile structures that may be deployed to any offshore locations in the world. As such, subject to individual country's regulations, the world's capacity of tankers would have some impact on tankers, especially their charter rates, that are used in Malaysia.

2.1.1 Tanker Capacity

World Fleet of Selected Vessels

	2009	2010	2011	2012	2013	*AAGR 2009-13 (%)*
Oil Tankers	418	450	440	470	491	4.1
Chemical Tankers ...	19	21	22	23	23	5.1

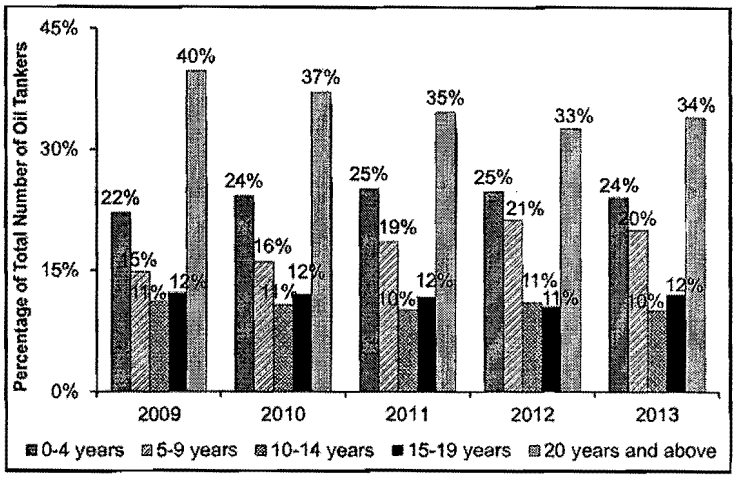
Note:
(1) Beginning of year figures
(2) All units in million DWT except percentages
(3) Oil tankers comprise crude oil and product tankers
(Source: Secondary research by Vital Factor Consulting)

- As at beginning of 2013, the global capacity of oil tankers reached 491 million DWT. This tonnage includes oil tankers used for storage facilities and transportation of oil. In 1980, oil tankers represented approximately half of the world's tonnage of vessels. In 2013, oil tankers represented 30% of the world's tonnage of vessels. This was due to the significantly higher growth of other types of vessels, especially container ships, which has the effect of reducing the percentage of oil tankers against the total world's tonnage of vessels.

- The general growth in oil tankers of 4.5% in 2013 in terms of DWT, and world oil demand which increased by 1.2% in 2013, will continue to provide opportunities for operators in the marine transportation and support services segment of the oil and gas industry. *(Source: Secondary research by Vital Factor Consulting)*

2.1.2 Age of Tankers

Age Distribution of World Oil Tankers



Note:
(1) Beginning of year figures
(2) Oil tankers comprise crude oil and product tankers
(Source: Secondary research by Vital Factor Consulting)

- The age of an oil tanker is an important factor from the demand side perspective as younger oil tankers are operationally more cost effective and incorporate more technological advances to increase efficiency and safety. In 2013, the average age of scrapping was approximately 17 years of age for oil tankers. Approximately 34% of the oil tankers in the world were 20 years of age and above in 2013. These old oil tankers (20 years or above) are likely to be laid-up to undergo a special survey to determine if they are suitable for continuing commercial usage or scrap. The proportion of these old aged vessels of 20 years and above has been decreasing from 40% in 2009 to 34% in 2013. These were mainly due to the increase in scrapping as vessels become uneconomical, as they get older.

- Over the years, the proportion of young oil tankers (from 0 to 9 years) has been increasing from 37% in 2009 to 44% in 2013. The increase in younger vessels is attributed to an increase in newbuilding (newly constructed vessels), to either replace older vessels that were scrapped or single hull oil tankers taken out of service because of new maritime legislations. While the increase in young vessels indicate continuing opportunities for oil tankers, it also implies that competition is intensifying with more young vessels equipped with modern machinery and technology which are operationally more efficient compared to older vessels.

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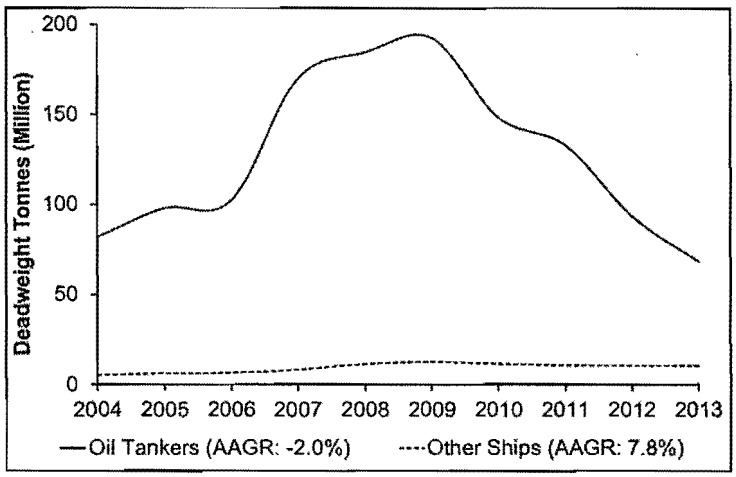
2.1.3 Incoming Supply of Tankers

- The incoming supply of oil tankers is represented by the world tonnage on order. The world tonnage on order indicates the total tonnage that has been ordered or commissioned but has yet to be delivered, for each respective years.

World Tonnage on Order



Notes:
(1) Beginning of year figures; (2) Tankers comprise crude oil and product tankers; (3) Other Ships comprise mainly liquefied petroleum gas carriers, liquefied natural gas carriers, parcel (chemical) tankers, specialized tankers, reefers, offshore supply, tugs, dredgers, cruise and ferries.
(Source: Secondary research by Vital Factor Consulting)

- Orders for oil tankers have been declining since its peak in 2008, due to the global financial crisis. In early 2013, approximately 98.2% of the tonnage was in service, 0.5% used for long term storage, and the remainder being laid off or not in service for other reasons *(Source: Secondary research by Vital Factor Consulting).*

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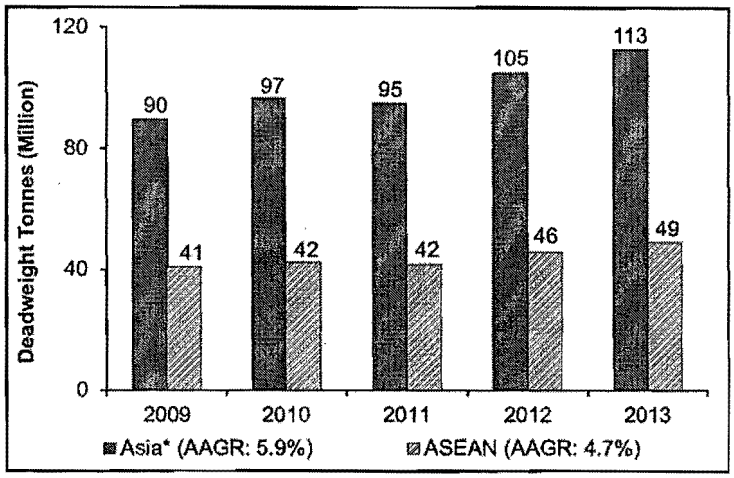
2.1.4 Regional Oil Tankers

Asia* Oil Tanker Capacity



** Comprised developing and developed economies in Asia.*
Notes:
(1) Beginning of year figures
(2) Oil tankers comprise crude oil and product tankers
(Source: Secondary research by Vital Factor Consulting)

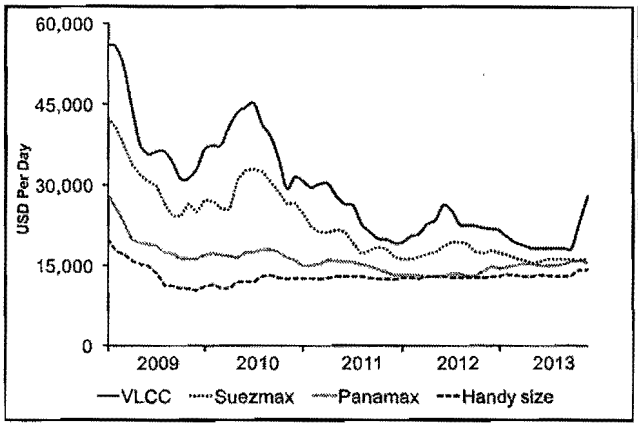
- Oil tanker capacity in Asia has been increasing over the years having recorded an AAGR of 5.9% between 2009 and 2013. In 2013, oil tanker capacity reached 113 million DWT. The growth in capacity was in tandem with the growth in crude oil production and petroleum consumption in the Asian region over the years.

- Between 2009 and 2013, total number of oil tankers registered in Malaysia grew at an AAGR of 0.1% to reach 206 oil tankers in 2013, while the total chemical tankers registered in Malaysia recorded a higher AAGR of 0.5% between 2009 and 2013. In 2013, there were 53 chemical tankers registered in Malaysia.

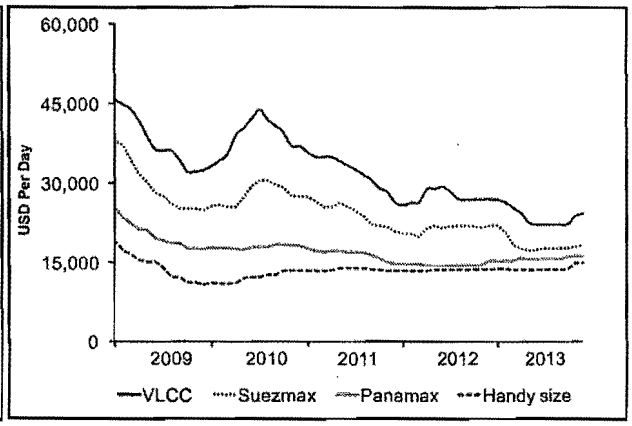
- The increase in crude oil production and demand in Asia for refined petroleum products would continue to spur demand for the marine transportation and support services segment of the oil and gas industry, including product tankers.

2.1.5 Charter Rates of Tankers

1-Year Time Charter Rates



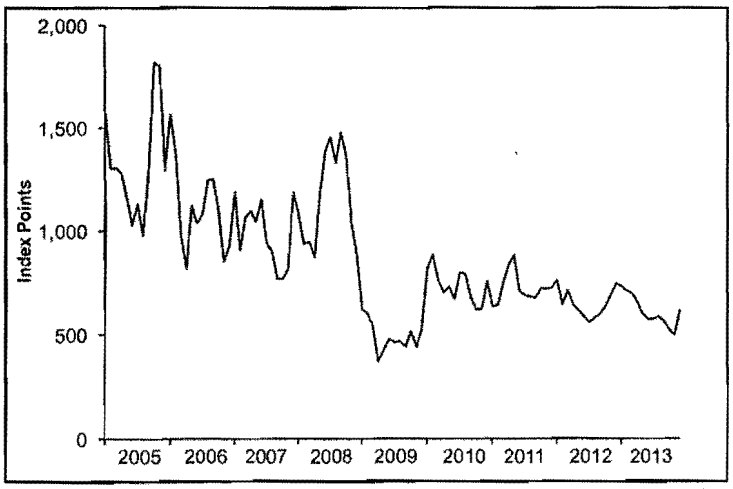
3-Year Time Charter Rates



VLCC = Very Large Crude Carriers (200,000-349,999 DWT); Suezmax (125,000-199,999 DWT); Panamax (50,000-79,999 DWT); Handy Size (<50,000 DWT)
Notes:
1) Most of Malaysia's product tankers fall within the Handy Size category of less than 50,000 DWT;
2) 1-year time charter rate is the charter rate for a contract to use a tanker for 1 year.
(Source: Secondary research by Vital Factor Consulting)

- All sizes of oil tankers saw their rates fell as a result of the global financial crisis of 2009. Between 2009 and 2013, larger oil tankers experienced a significant downward trend in charter rates while smaller sized oil tankers like Handy Size oil tankers have been able to stabilise their charter rates from 2010 onwards. By 2013, charter rates of larger vessels have dropped from its height in 2009 to be at a level only slightly higher than the Handy Size oil tankers. This is despite the significantly larger capacity of the larger sized oil tankers compared to Handy Size oil tankers.
- Generally, charterers of vessels prefer long-term contracts when tanker charter rates are low, while ship owners prefer short term arrangements. However, in recent years, the charter rates of 1-year compared to 3-year time charter contracts saw very little difference.

Baltic Clean Tanker Index



(Source: Secondary research and computed by Vital Factor Consulting)

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- The Baltic Clean Tanker Index (BCTI) provides an indication of the changes in the cost of transporting refined petroleum products based on per tonne basis and daily hire basis.

- The BCTI declined from 1,454 points in July 2008 to a low of 371 points in April 2009, mainly due to the entry of newly built vessels and a drop in demand for clean product tankers during the global economic crisis.

- Moving forward, the demand for tankers is expected to grow which can be attributed to expected growth in oil consumption in Asian countries such as China, and the projected growth in production from Middle Eastern countries. This is supported by the fact that long term world oil demand is expected to increase by close to 20 million barrels of oil per day (mb/d) from 88.9 mb/d in 2012 to an estimated 108.5 mb/d by 2035. The developing Asian countries including China and India is expected to account for approximately 88% of the 20 mb/d *(Source: Secondary research by Vital Factor Consulting)*. However, many of these oil producing and consuming countries have invested in their own fleets of tankers, which would place competitive pressure on tanker operators.

- The outlook of the tanker charter rates are dependent on oil demand, production and industry developments, and thus, the expected growth in demand for tankers will have a positive flow on effect to the tanker charter rates. However, in the longer term, several factors such as changes in consumption patterns, the shifting of refineries from Western countries to Eastern countries and introduction of new energy efficiency measures may influence the tanker market.

- As such, operators including E.A. Technique Group, who have long term contracts would be insulated from competitive pressure until such time when their contract expires.

2.2 Gas Tankers

- As E.A. Technique Group is involved in the provision of LPG tankers for the transportation of LPG, this section will examine the supply and demand for gas (including LNG and LPG) tankers, and the performance of some of the LPG products to provide an indication.

2.2.1 Gas Tanker Capacity

World Fleet of Gas Tankers

	2009	2010	2011	2012	2013	*AAGR 2009-13 (%)*
LNG Tankers	22	26	28	29	29	6.9
LPG Tankers.....	14	14	15	15	15	2.5

Note:
(1) Beginning of year figures
(2) All units in million DWT except percentages
(Source: Secondary research by Vital Factor Consulting)

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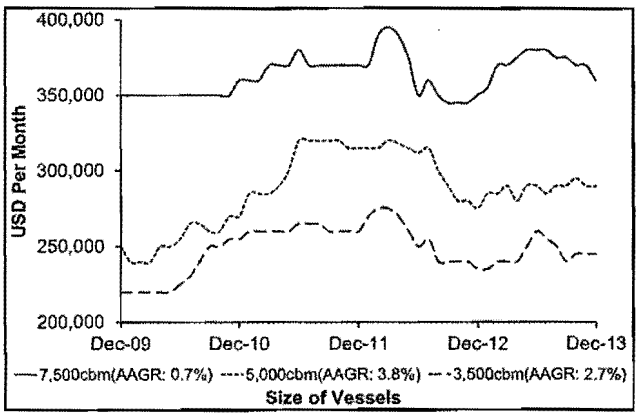
- As at beginning of 2013, the global capacity of gas tankers reached 44 million DWT. This tonnage includes LNG and LPG tankers.

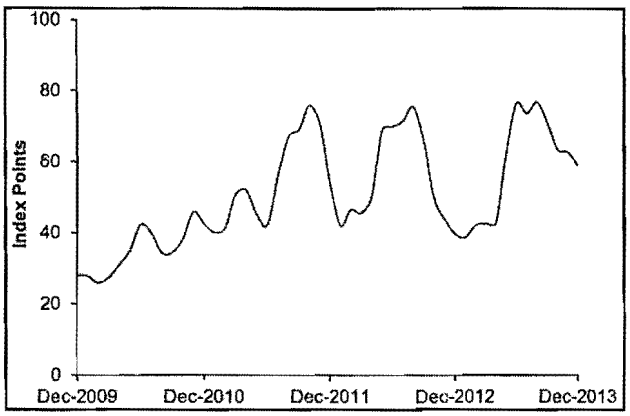
2.2.2 Charter Rates of LPG Tankers

- Charter rates of LPG tankers are dependent on the supply and demand of LPG tankers for the transportation of LPG products. The following charts on monthly time charter rates for handysize and small pressurised LPG tankers within the 7,500 cubic metre (cbm), 5,000 cbm and 3,500 cbm categories, and Baltic LPG index provide an indication of world demand conditions. *(Note: E.A. Technique Group operates handysize pressurised LPG tankers in the 3,500 cbm category)*

Monthly Time Charter Rates of Pressurized LPG Tankers



Baltic LPG Index



cbm = cubic metre
(Source: Secondary research by Vital Factor Consulting)

- Between December 2009 and December 2013, the monthly time charter rates for pressurised LPG tankers grew at an AAGR of 0.7%, 3.8% and 2.7% for 7,500cbm, 5,000cbm and 3,500cbm categories respectively.

- Overall the Baltic LPG Index, which maps the freight cost for the transportation of LPG, grew by an AAGR of 20.4% between December 2009 and December 2013. This positive growth augurs well for operators of LPG tankers as freight rates generally experience growth.

2.3 Offshore Support Vessels

World Fleet of Offshore Support Vessels

	2009	2010	2011	2012	2013	*AAGR 2009-13 (%)*
OSV.....	57	61	67	71	70	5.2

Note:
(1) Beginning of year figures
(2) All units in million DWT except percentages
(Source: Secondary research by Vital Factor Consulting)

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- In the beginning of 2013, the global capacity of OSV was approximately 70 million DWT, whereby Malaysia accounted for approximately 3% of the total capacity of offshore vessels in the world *(Source: Secondary research by Vital Factor Consulting)*.

- The marginal decline of the global capacity of OSV of 1.1% in 2013 was possibly due to the scrapping of older vessels that are no longer economical to operate.

- The performance of the OSV market is dependent on the level of offshore upstream activities of exploration, appraisal, development and production, as well as midstream activities pertaining to transportation using linepipes. There has been increasing offshore upstream oil and gas activities in Malaysia as indicated by the level of investments which recorded an AAGR of 16.8% between 2008 and 2012. Midstream activities for example linepipes are expected to record growth resulting from the proposed subsea pipeline project in the North Malay Basin. PETRONAS is committed to invest in a budgeted CAPEX of RM60 billion annually from 2011 until 2015, culminating in a total of RM300 billion budgeted CAPEX in the oil and gas industry in Malaysia, which includes, among others, a pipeline replacement programme. It is expected that any growth in upstream and midstream oil and gas activities is expected to increase the demand for offshore supporting services including OSV.

- The global expenditure on oil and gas exploration and production activities registered an AAGR of 8.5% between 2008 and 2013, and is forecasted to grow by 6.1% in 2014 to reach USD723 billion *(Source: Secondary research by Vital Factor Consulting)*. Any increases in oil and gas exploration and production activities would stimulate the demand for offshore supporting services including OSV. As such, this will provide opportunities for operators in the marine transportation and support services segment of the oil and gas industry, including E.A. Technique Group.

3. THE OIL AND GAS INDUSTRY IN MALAYSIA

3.1 Oil and Gas Reserves and Production

- Growth in hydrocarbon reserves and production indicates a continuing effort in carrying out exploration, appraisal, development and production activities, which should provide opportunities for offshore oil and gas supporting service providers including the marine transportation and support services segment.

Oil and Gas Reserves in Malaysia

	1 Jan 2010	1 Jan 2011	1 Jan 2012	1 Jan 2013	1 Jan 2014	AAGR 2010-14 (%)
Total Reserves.....	20.6	20.9	21.3^	22.2^	22.6	2.4
- Crude Oil and Condensates	5.8	5.9	6.0	5.9	5.8	0.0
- Natural Gas	14.8	15.0	15.4	16.4	16.8	2.8

^ Total does not add-up due to rounding; Note: All units in billion barrels of oil equivalent (BOE), except for percentages.
(Source: PETRONAS)

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- The increase in Malaysia's oil and gas reserves between 1 January 2010 and 1 January 2014 indicated sustained exploration activities that are able to more than replace the depletion of reserves through production. A high level of reserves would also mean an overall sustainable oil and gas industry in Malaysia. Notably, the discovery of gas reserves in 2009 from Malaysia's first High Pressure High Temperature (HPHT) well at the Kinabalu field in offshore Sabah is expected to open up new exploration prospects for deeper reserves in Malaysia.

- As at 1 January 2014, Malaysia's oil and gas reserves increased by 1.8% to reach 22.6 billion BOE *(Source: PETRONAS)*.

Oil and Gas Average Production in Malaysia

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Crude Oil and Condensates [1]	659	638	570	586	570	-3.6
Natural Gas [2]	5,806	5,930	5,931	6,007	6,291	2.0

(1) thousand BOE per day; (2) million standard cubic feet per day
(Source: Bank Negara Malaysia)

- The decline in the average production of crude oil and condensates between 2009 and 2013 was mainly attributed to maturing fields. In addition, poor reservoir performance and scheduled shutdowns of facilities for maintenance and reservoir management also affected production during this period. Moving forward, the continuing addition of new oil and gas fields as well as those collectively from small and marginal fields, should serve well in sustaining hydrocarbon production in the country.

  (Source: PETRONAS; Bank Negara Malaysia)

3.2 Investment in Exploration, Development and Production of Oil and Gas

- The level of investment made in the upstream sector is one of the factors used to assess the demand for, among others, the marine transportation and support services sectors. This is because part of the investment is channelled to the engagement of services rendered by supporting services providers.

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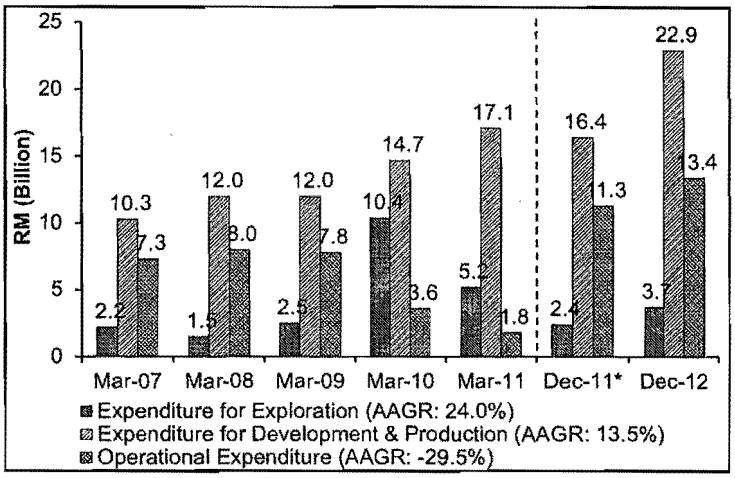
Level of Investment in the Upstream Sector of the Oil and Gas Industry



** Based on 9 months period;*
Note: AAGR between March 2007 and March 2011.
(Source: PETRONAS)

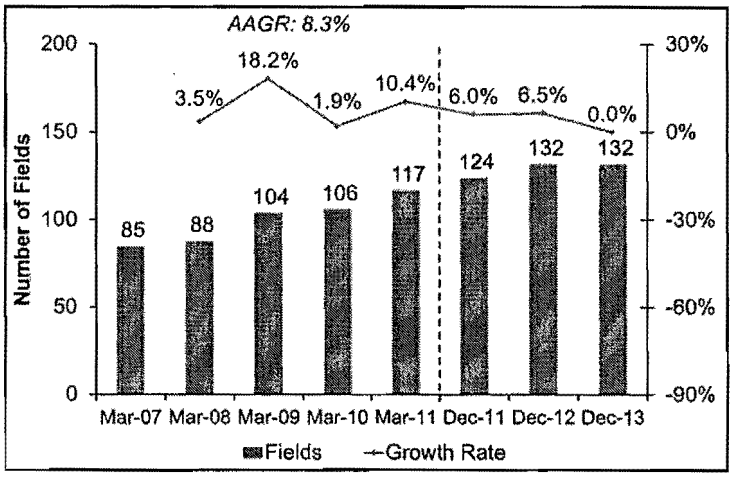
- In Malaysia, the overall cumulative level of investment made in the upstream sector increased at an AAGR of 4.9% between 31 March 2007 and 31 March 2011. The 50% decline in the level of expenditure for exploration activities between March and December 2011 were due to investments being channelled towards the development and production activities after the successful drilling of two exploratory wells, namely NC3 and Spaoh-1, which led to new oil and gas discoveries in Malaysia.

- In 2012, the overall cumulative level of investment in the upstream sector grew by 32.9% to RM40.0 billion. This was due to improved exploration efforts, which led to an increase in oil and gas discoveries from 21.3 billion BOE in 2011 to 22.2 billion BOE in 2012.

  (Source: PETRONAS)

3.3 Oil and Gas Fields in Malaysia

Number of Oil and Gas Fields in Operation



Note: AAGR between March 2007 and March 2011.
(Source: PETRONAS)

- The number of oil and gas fields in Malaysia has a direct bearing on demand for marine transportation and support services. A high number of operating oil and gas fields would mean a sustainable level of hydrocarbons would need to be refined and processed. This would create demand for refined products to be transported and shipped to various locations. Similarly, OSV are required to service the needs of rigs, platforms and other offshore structures, therefore any increases in operational oil and gas fields would mean a higher demand for OSV.

- The number of oil and gas fields in operation grew at an AAGR of 8.3% between 31 March 2007 and 31 March 2011. As at 31 December 2013, there were 132 oil and gas fields operating in Malaysia. In 2013, 12 greenfield projects achieved their first hydrocarbon production, including two RSC fields, namely Balai and Kapal.

  (Source: PETRONAS)

3.4 Recent Oil and Gas Discoveries in Malaysia

- Recent discoveries of oil and gas in Malaysia are positive developments for the industry. Development work to bring these fields into production would result in an increase in demand for, among others, marine transportation and support services.

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- The recent oil and gas discoveries made in Malaysia are summarised in the table below:

Date of Discovery	Field	Block & Location	Hydrocarbons Discovered
April 2014*	Rosmari-1	Block SK318, offshore Sarawak	• Encountered a gas column of 450 metres.
December 2013*	Sintok-1 well	Block SK320, offshore Sarawak	• Encountered a gas column of 292 metres, further assessment was carried out to indicate volume of the discovery.
October 2013*	Pegaga-1 well	Block SK320, offshore Sarawak	• Encountered a gas column of 247 metres.
May 2013*	Cendor Graben-2 appraisal well	Block PM304, offshore Peninsular Malaysia	• Estimated recoverable resource of over 200 million barrels of oil.
January 2013*	Adong Kecil West-1 well	Block SK333, onshore Sarawak	• Net hydrocarbon thickness of approximately 349 metres. • Two drill-stem tests achieved flow rates of about 440 barrels of crude oil per day and 11.5 million standard cubic feet of gas per day.
November 2012	Tukau Timur Deep-1 well	Block SK307, offshore Sarawak	• Preliminary assessments indicated that gas-in-place for this well is approximately 2.1 trillion standard cubic feet.
November 2012*	Tembakau-1 well	Block PM307, offshore Peninsular Malaysia	• Preliminary assessments indicated that gas-in-place of 600 billion standard cubic feet.
October 2012	Kuang North field	Block SK316, offshore Sarawak	• Preliminary assessments indicated that gas-in-place for this field is approximately 2.3 trillion standard cubic feet.
October 2012	Bentara-2 well	Balai Cluster RSC, Offshore Sarawak	• Initial results indicated an estimated 100 metres of hydrocarbon net pay in stacked reservoirs.
November 2011	Kasawari-1 well	Block SK316	• Preliminary assessments indicated that gas-in-place of over 5 trillion standard cubic feet. • Estimated recoverable hydrocarbon resource of over 3 trillion standard cubic feet of gas.
September 2011	NC8SW-1 well	Block SK316	• Estimated recoverable hydrocarbon resource of over 450 billion standard cubic feet of gas.
July 2011	Zuhal East-1 well	Samarang Asam Paya Block, Offshore Sabah	• Preliminary assessments indicated that gas-in-place of approximately 550 billion standard cubic feet.
July 2011	Menggatal-1 well	Block SB312, offshore Sabah	• Preliminary assessments indicated that gas-in-place of approximately 650 billion standard cubic feet.
July 2011	Wakid-1 well	Block 2G-2J, offshore Sabah	• Preliminary assessments indicated that hydrocarbon-in-place of 227 million barrels of oil equivalent.
December 2010	Spaoh-1 well	Block306, offshore Sarawak	• Preliminary assessments indicated approximately 100 million barrels of oil and 0.2 trillion standard cubic feet of gas in-place.
March 2010	NC3 well	Block SK316, offshore Sarawak	• An estimated 2.6 trillion standard cubic feet of net gas-in-place.

** Announcement date, as the date of the discovery was not disclosed.*
Note: This is not an exhaustive list.
(Source: PETRONAS; secondary research by Vital Factor Consulting)

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3.5 Production Sharing Contract and Risk Service Contract

- A production sharing contract (PSC) is a contractual agreement between a company, referred to as PSC contractor or operator, and the Malaysian Government. PSC contractors and operators have the financial and technical ability to bear the cost and risk of undertaking hydrocarbon exploration, development and production. A total of 151 PSC have been awarded since it was first introduced in 1976. As at 31 December 2013, there were 100 active PSC.
- A risk service contract (RSC) is a contract between PETRONAS and appointed contractors, where PETRONAS assumes the role of project manager while the contractors are paid a fixed fee for services rendered with regards to hydrocarbon development and production. In general, RSC are focussed on development of small or marginal fields, defined as fields with reserves of 30 million BOE or less.
- The following are some of the developments on RSC in Malaysia:
  - As at 31 October 2014, six RSC have been awarded, including one Small Field Risk Service Contract (SFRSC) awarded in June 2014 ;
  - On 25 January 2013, PETRONAS announced that it would not proceed with the award of a RSC for the development of the Tembikai and Chenang cluster fields, which was opened for bidding in 2012;
  - PETRONAS currently has a total of approximately 100 marginal oil fields. *(Source: PETRONAS)*
- PSC and RSC contractors and operators are target customers of offshore oil and gas supporting services providers. As such, a growth in the number of PSC and RSC in operation and the award of new PSC and RSC indicates an expanding potential customer base for offshore oil and gas supporting services providers.

3.6 Exports of Oil and Gas Products

- External demand, via exports, for oil and gas products would also have an impact on the demand for upstream activities, which in turn would affect the demand for offshore oil and gas supporting services.

Export Value of Selected Oil and Gas Products

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Petroleum Crude Oils and Crude Oils Obtained from Bituminous Minerals						
Export Value	25.6	31.0	33.4	32.3	32.2	5.9
Refined Petroleum Products						
Export Value	19.4	25.5	33.0	47.6	61.3	33.3
Residual Petroleum Products & Related Materials						
Export Value	1.0	1.6	1.3	2.2	2.1	20.7
Natural Gas (Whether or Not Liquefied)						
Export Value	31.2	38.7	52.0	55.5	59.2	17.4
Liquefied Propane and Butane						
Export Value	1.8	1.7	2.3	1.2	0.9	-16.0

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	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Petroleum Gases & Other Gaseous Hydrocarbons						
Export Value	2.7	3.2	3.5	3.8	4.1	11.3

Note:
All units in RM billion except percentages;
Propane and butane are LPG.
(Source: Department of Statistics Malaysia)

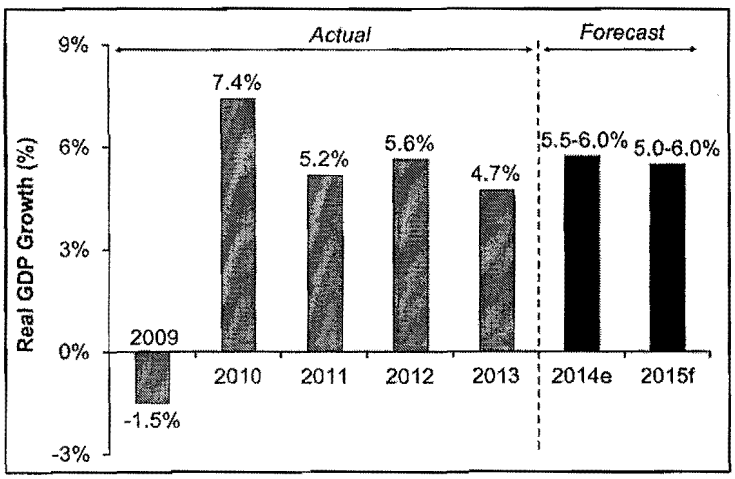
- Between 2009 and 2013, the export value of liquefied propane and butane in Malaysia declined at an average annual rate of 16.0%. This could possibly be due to a decrease in the production quantity of LPG in Malaysia which declined at an average annual rate of 6.1% between 2009 and 2013.

- The continuing development of the oil and gas industry through the growth in exports of hydrocarbons would create and stimulate demand for offshore oil and gas supporting services.

4. MACROECONOMIC INDICATORS

4.1 Economic Growth in Malaysia

Malaysia's Real GDP Growth



e = estimate; f = forecast
(Source: Bank Negara Malaysia; Ministry of Finance Malaysia)

- Overall, Malaysia's key economic indicator in terms of real GDP grew at an average annual growth rate (AAGR) of 5.7% between 2009 and 2013. An exception to the growth during this period was in 2009 when the economy contracted by 1.5% amidst the slowdown of the global economy. In 2013, the Malaysian economy grew by 4.7% driven by domestic demand, underpinned by steady private sector spending in both consumption and investment activities.

- While domestic demand in Malaysia has remained strong during the first and second quarter of 2013, the prolonged weakness in the external sector has affected the overall growth performance of the economy, which resulted to an expansion by 4.1% and 4.4% respectively. In the second half of 2013, exports showed improvements and coupled with the stable domestic demand, the Malaysian economy was boosted with growth recorded at 5.0% and 5.1% in the third and fourth quarter of 2013 respectively.

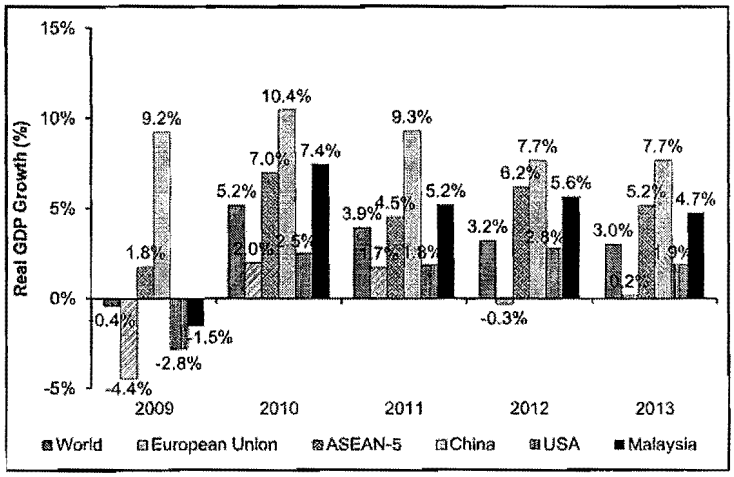
- In tandem with the improved global economic outlook, the Malaysian economy in 2014 is expected to grow at a stronger pace of between 5.5% and 6.0%. The growth will be backed by private investment and private consumption as well as better external demand.

- Moving forward, the Malaysian economy is forecasted to grow between 5.0% and 6.0%, driven by the sustained growth in domestic demand, as well as expected growth in the services and manufacturing sectors.

(Source: Bank Negara Malaysia; Ministry of Finance Malaysia)

4.2 Economic Comparisons

Real GDP Growth



ASEAN-5 = Malaysia, Indonesia, Philippines, Thailand and Vietnam.
(Source: Bank Negara Malaysia; secondary research by Vital Factor Consulting)

- Malaysia and the ASEAN-5 countries have continued to experience robust real GDP growth between 2009 and 2013. In 2013, both Malaysia and the ASEAN-5 countries recorded higher growth rates of 4.7% and 5.2% respectively compared to advanced economies such as the United States of America (USA) and the European Union (EU).

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5. SUPPLY AND DEMAND FOR MARINE VESSELS

5.1 Number of Selected Ships Registered in Malaysia

- Growth in the number of vessels registered in Malaysia provides an indication on the demand and supply for vessel chartering services.

Number of Selected Vessels Registered in Malaysia

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Oil Tankers[1]	205	193	209	215	206	0.1
LNG and LPG Carriers	47	45	43	41	40	-4.0
Chemical/Product Tankers	52	51	66	63	53	0.5
OSV	218	207	251	249	256	4.1
Tugboats	966	904	1,042	1,077	1,058	2.3

Note:
(1) While the majority are for crude oil tankers, some product tankers are also registered under this category
(Source: Ministry of Transport Malaysia)

- With the exception of LNG and LPG carriers, the number of vessels commonly used in the oil and gas industry grew between 2009 and 2013. This indicates a continuing demand for such vessels. Some of the drivers for the demand of such vessels including oil tankers, chemical/product tankers, OSV and other vessels are as follows:
  - Sustained market prices of hydrocarbons is likely to drive oil and gas exploration, development, and production activities which will, in turn create demand for oil and gas supporting services including the use of vessels for marine transportation and supporting services. *(For further details on market price please refer to Subsection 13.2.2 of Section 7)*
  - The continuing initiatives by the Malaysian Government in promoting the development and activities within the oil and gas industry such as ETP, the development of the oil and gas hub in Southern Johor would also create demand for oil and gas supporting services including the use of vessels for marine transportation and supporting services.
- Between 2009 and 2013, the number of registered LNG and LPG carriers declined by an average annual rate of 4.0%. Some of the possible reasons for the decline in the number of registered LNG and LPG carriers in Malaysia or non-renewal of registration may be due to, among others, the scrapping of older vessels that are no longer economical to operate or the registration of some of these vessels overseas for commercial purposes.
- With the exception of OSV, the number of registered oil tankers, LNG and LPG carriers, chemical/product tankers and tugboats registered a decline in 2013. Some of the possible reasons for the decline in the number of registered said vessels in Malaysia or non-renewal of registration may be due to, among others, the scrapping of older vessels that are no longer economical to operate or the registration of some of these vessels overseas for commercial purposes.

- As at October 2014, more than 90% of the selected ships registered in Malaysia, including oil tankers, gas carriers, chemical/product tankers, OSV and tugboats were contracted, which indicated high utilisation of these vessels. The high utilisation represents strong demand for the vessels, with growth opportunities to the providers of the selected vessels.

5.2 Domestic Shipping Licence

- Licences from the Domestic Shipping Licensing Board are required for the shipping of goods, unless exempted. Listed below are statistics on the number of domestic shipping licences issued to Malaysian and foreign registered vessels for selected types of cargo that are common in the oil and gas industry:

Licences Issued by the Domestic Shipping Licensing Board for Selected Types of Cargo to Malaysian and Foreign Registered Vessels

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Petroleum/Diesel						
Malaysian Registered	195	200	214	211	204	1.1
Foreign Registered	370	470	542	686	731	18.6
Towing Services						
Malaysian Registered	507	547	587	622	634	5.7
Foreign Registered	590	578	496	601	561	-1.3
Exploration Work Equipment						
Malaysian Registered	100	153	161	172	191	17.6
Foreign Registered	417	557	585	902	908	21.5

(Source: Ministry of Transport Malaysia)

- The number of licences issued to foreign registered vessels for the towing services recorded an AAGR of -1.3%. Some of the possible reasons for the minor decline in the number of licences may be due to, among others, the non-renewal of licences for the said services and the likely completion of the charter contract for these foreign registered vessels. Generally, provision of towing services can also be carried out by various types of boats such as AHT/S, utility vessels and harbour tugs.

- Between 2009 and 2013, the number of licences issued to Malaysian and foreign registered vessels for the selected types of cargo above, with the exception of foreign registered towing services vessels, has registered growth in terms of AAGR. The consistent growth in the number of domestic shipping licences indicates a robust marine transportation segment servicing the oil and gas industry in Malaysia.

5.3 Ships Reporting under STRAITREP

- The Mandatory Ship Reporting System in the Straits of Malacca and Singapore (STRAITREP) was proposed by Indonesia, Malaysia and Singapore. Masters of vessels passing by the Straits of Malacca and Singapore are required to report to the relevant authorities.

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Selected Ships Reporting under STRAITREP

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
VLCC/Deep Draft	4,221	4,333	4,539	4,732	4,825	3.4
Tanker Vessel	16,398	16,247	16,233	17,345	18,296	2.8
LNG and LPG Carrier	3,330	3,579	3,830	4,014	4,248	6.3
Tug/Tow	598	545	414	529	563	-0.8

(Source: Marine Department of Malaysia)

- Between 2009 and 2013, the number of tug/tow boats recorded a minor decline of an average annual rate of 0.8%, which was mainly attributed to the decline in numbers in 2011. Some of the possible reasons for the minor decline could be due to the lower volume of towing activities carried out along the Straits of Malacca and Singapore.

- Between 2009 and 2013, the number of selected ships reporting under STRAITREP has increased, with the exception of tug/tow boat. The continuing growth indicates increasing demand for such ships in the Straits of Malacca and Singapore.

6. DEMAND DEPENDENCIES OF MARINE TRANSPORTATION AND PORT MARINE SERVICES

6.1 Liquid Bulk Cargo Throughput at Malaysian Ports

- Liquid bulk cargo includes crude oil, petroleum (including clean and dirty products), LNG, LPG, crude palm oil, palm oil-based products, and chemicals in liquid form. As such, the following statistics on liquid bulk cargo throughput Malaysian ports are used to assess the demand dependencies for liquid bulk carriers such as petroleum tankers (including CPP tankers) and LPG tankers, as well as provision of port marine services focusing on towage of vessels in and out of ports.

Liquid Bulk Cargo Throughput at Malaysian Ports

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Foreign Trade	55.1	58.4	60.4	46.9	48.8	-3.0
Local Trade	17.3	17.1	19.0	19.6	20.3	4.1

Note: All units are in million freight weight tonnes (FWT) except percentages.
(Source: Ministry of Transport Malaysia)

- The decline in foreign trade of liquid bulk cargo between 2009 and 2013 implies a fall in import and export of liquid bulk cargo from Malaysian ports. Nevertheless, 2013 experienced growth of 4.1% compared to 2012. In addition, despite the decline in foreign trade of liquid bulk cargo, Malaysia continued to record a positive AAGR for the export of hydrocarbons during the same period from 2009 to 2013 *(Source: Department of Statistics Malaysia)*.

- The increasing growth in local trade throughput of liquid bulk cargo is a positive indication for the continuing demand for product tankers, LPG and other oil and gas related carriers. This growth would increase the demand for operators of oil and gas tankers to carry the hydrocarbons from one port to another port in Malaysia.

6.2 Selected Oil and Gas Products Loaded and Unloaded at Malaysian Ports

- The loading and unloading of petroleum and fuel oil provides an indication of the demand for product tankers for transportation purposes as well as provision of port marine services focusing on towage of vessels in and out of ports.

Petroleum and Fuel Oil Loaded and Unloaded at Malaysian Ports

	2009	2010	2011	2012	2013	AAGR 2009-13 *(%)*
Petroleum and Fuel Oil						
Loaded	11.7	11.4	10.5	10.2	11.3	-0.9
Unloaded	18.0	15.4	17.9	19.3	19.1	1.5
Total	**29.7**	**26.8**	**28.4**	**29.5**	**30.4**	**0.6**

Note: All units are in million FWT except percentages.
(Source: Ministry of Transport Malaysia)

- Between 2009 and 2013, the amount of petroleum and fuel oil loaded and unloaded in Malaysian ports grew by an AAGR of 0.6%. This growth will continue to sustain product tankers plying coastal as well as international waters.

6.3 Number of Ships Calling by Ports

- E.A. Technique Group's port marine services, particularly towing services, are focused at the following ports in Malaysia:
  - Northport in Klang, Selangor, which is a bulk and containerised goods port;
  - Sungai Udang Port in Malacca, which is mainly an oil and gas port;
  - Kertih Port in Terengganu, which is mainly an oil and gas terminal.

- The number of ships calling in various ports in Malaysia will provide an indication on the demand for port marine services particularly for towage.

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Number of Ships Calling by Selected Ports

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
All Ports in Malaysia	60,393	63,942	64,607	66,848	62,669	0.9
Klang	15,356	17,910	18,117	17,808	16,724	2.2

Notes:
(1) Northport is categorised under Klang Port which also include Westport
(2) There are no separate statistics for Sungai Udang and Kertih Port as they are private ports
(Source: Ministry of Transport Malaysia)

- The number of ships calling by selected ports above registered positive growth in terms of AAGR between 2009 and 2013. The continuing growth will drive the demand for port marine services including towing services.

6.4 Oil Refineries in Malaysia

- Growth in the capacity of oil refineries in Malaysia will have a direct and positive flow-on effect on demand for product tankers. A list of the oil refineries in Malaysia is provided below.

Oil Refinery	Operator	Capacity (bbl/day)	Status	(Expected) Year of Commissioned
Kemaman	Kemaman Bitumen Company Sdn Bhd	25,000	Existing	2008
Kertih	PETRONAS	49,000	Existing	1983
Melaka-1 (PSR-1)	PETRONAS	100,000	Existing	1994
Melaka-2 (PSR-2)	PETRONAS	170,000	Existing	1998
Port Dickson	Shell Refining Company (FOM) Sdn Bhd	107,000	Existing	1963
Port Dickson	Petron Malaysia Refining & Marketing Bhd	88,000	Existing	1963
Refinery and Petrochemical Integrated Development (RAPID)	PETRONAS	300,000	Planned	2019

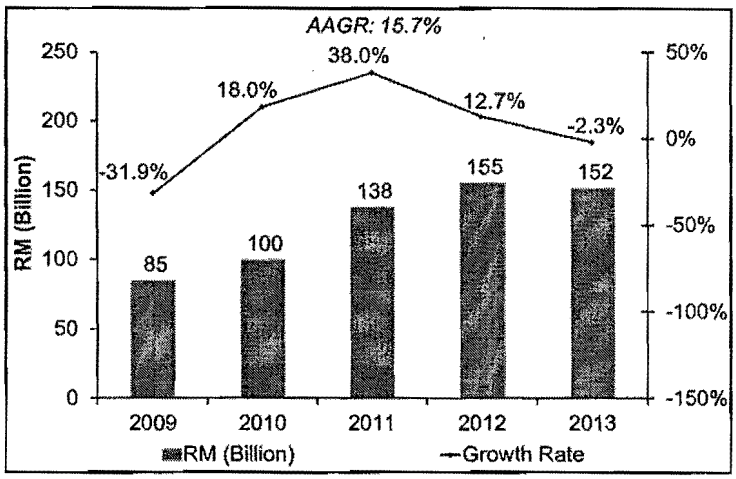
bbl/day = barrels of oil per day
(Source: Vital Factor Consulting)

- Refinery and Petrochemical Integrated Development (RAPID) developed by PETRONAS, is part of the Pengerang Integrated Petroleum Complex (PIPC). RAPID is the largest green field investment in Asia Pacific for the supply of feedstock for highly specialised chemicals, with an estimated cost of RM60 billion. The development will have a refining capacity of 300,000 barrels of oil per day, naphtha cracker, and approximately 22 mini petrochemical plants.

- Growth in the capacity of oil refineries in Malaysia is mainly derived from RAPID. Upon commencement of operation, capacity of RAPID will represent 56% of existing capacity. As such, RAPID coming on-stream would be the main drivers of growth.

6.5 Production of Refined Petroleum Products

Sales Value of the Manufacture of Refined Petroleum Products



(Source: Department of Statistics Malaysia)

- Growth rates of sales value of manufactured refined petroleum products have shown a declining trend since 2011. This is mainly attributed to the decrease in production of crude oil and condensates, which registered a negative AAGR of 3.6% between 2009 and 2013, as crude oil and condensates are the main raw materials used for the manufacturing of refined petroleum products.

- However, the total oil and gas reserves which registered an AAGR of 2.4% between 2009 and 2013, as well as implemented development and initiatives as described in section 13 of this report, will ensure continuing supply of raw materials for the manufacturing of refined petroleum products.

- Import and export values of refined petroleum products registered AAGR of 48.2% and 33.3% respectively between 2009 and 2013. The growth in external trade of refined petroleum products will continue to provide growth opportunities for operators of product and LPG tankers.

- The level and growth of the output of refined petroleum products have a direct impact on the demand for product and LPG tankers as they all will need to be transported to various ports in Malaysia as well as overseas. The overall growth in sales value of manufactured refined petroleum products between 2009 and 2013 would provide a strong support base for product and LPG tankers.

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Production Quantity of Selected Refined Petroleum Products

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Kerosene	3,403	3,350	3,560	3,504	3,270	-1.0
Liquefied Petroleum Gas	3,265	3,055	3,036	2,804	2,539	-6.1
Fuel Oil	2,269	2,087	2,790	3,226	2,399	1.4
Diesel/Gas Oil	9,495	8,585	10,000	11,755	11,234	4.3
Gasoline (motor spirit)	4,375	4,175	5,510	5,543	5,331	5.1
Blended Lubricating Oil	101	109	148	148	154	11.2
Naptha	4,190	3,936	3,397	4,163	3,969	-1.3
Liquefied Natural Gas	22,452	24,363	25,822	23,986	25,957	3.7

Note: All units in thousand tonnes except percentages.
(Source: Department of Statistics Malaysia)

- Between 2009 and 2013, the production quantities of selected refined petroleum products above recorded overall positive average annual growth rates, with the exception of kerosene, LPG and naptha. Continuing growth will sustain growth of product and LNG tankers in Malaysia

- Kerosene and naptha are classified as CPP and any increase or decrease in production could impact on operators of product tankers. However, the decrease in production quantities of kerosene and naptha were marginal at average annual rates of -1.0% and -1.3% respectively between 2009 and 2013. However, diesel/gas oil and gasoline, which in 2013 represented approximately 2.29 times the combined production quantity of kerosene and naptha, are also CPP, and they had been growing at an AAGR of 4.3% and 5.1% respectively between 2009 and 2013. As such, the marginal decline of kerosene and naptha between 2009 and 2013 would be compensated by the increase in diesel/gas oil and gasoline. Thus, the overall outlook of the product tanker sector, which E.A. Technique Group operates in, would not be materially affected.

- The decline in the production quantity of LPG could impact on operators of LPG tankers. However, LPG may be substituted by other types of energy sources including LNG, diesel and gasoline. Thus, operators including E.A. Technique Group, that have a various types of vessels, for example product tankers and LPG tankers would be in a better position to balance decline in one area with increase in other areas.

6.6 Consumption Of Automotive Fuel

- As E.A. Technique Group's product tanker operations are focused on the carriage of refined petroleum products including automotive fuel in Malaysia, demand for their product tankers is dependent on the consumption of automotive fuel in Malaysia.

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Retail Sales of Automotive Fuel

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Sales Value.....	16.4	17.0	19.9	21.5	23.6	9.6

Note: All units in RM billion except percentages
(Source: Department of Statistics Malaysia)

- Overall, the retail sales value of automotive fuel grew by an AAGR of 9.6% between 2009 and 2013, which augurs well for operators of product tankers that ply coastal waters of Malaysia.

- As vehicles are the main users of automotive fuel, the growth in the number of vehicles in Malaysia will place an increasing demand for automotive fuel and subsequently for product tankers and LPG tankers.

Indicators of New Vehicles in Malaysia

	2009	2010	2011	2012	2013	AAGR 2009-13 (%)
Number of Vehicles Registered.....	536,905	605,156	600,123	627,753	655,793	5.1
Number of Vehicles Produced and Assembled	489,269	567,715	533,515	569,620	601,407	5.3

(Source: Malaysian Automotive Association)

- Malaysia recorded a growth in the number of registered vehicles as well as vehicles produced and assembled between 2009 and 2013. This would continue to generate demand for petroleum products and service providers associated with the transportation of these products.

7. DEMAND DEPENDENCIES OF OSV

- Demand for OSV is primarily dependent on the level of activities associated with the offshore upstream and midstream sectors of the oil and gas industry, which includes exploration, appraisal, development, product and pipelines. Such demand dependencies would include, among others:
  - Oil and gas reserves and production;
  - Investment in exploration, development and production;
  - Operational oil and gas fields;
  - Oil and gas discoveries;
  - Production sharing and risk service contracts;
  - Exports of oil and gas products.

  Details are discussed in Section 3 of this report.

- As Malaysia's oil and gas industry is mainly offshore, the above demand dependency factors would have direct relevance to the OSV sector.

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8. COMPETITIVE ANALYSIS

8.1 Nature of Competition in the Industry

- Operators wishing to participate in the oil and gas industry are subjected to certain conditions imposed by PETRONAS where only operators that are licenced or registered by PETRONAS are allowed to bid directly for work provided by PETRONAS, PSC and RSC operators and contractors in the oil and gas industry in Malaysia.

8.2 Operators in the Industry

- In 2013, there were approximately 100 OSV contractors and 200 marine vessel (mainly tankers) service providers to the oil and gas industry in Malaysia *(Source: Malaysia Petroleum Resources Corporation; Malaysian Investment Development Authority)*. With the relatively large number of operators in the industry, no single operator or group of operators currently dominate the industry, or is in a position to dictate pricing.

- The major operators that own and/or operate **product tankers** in Malaysia **coastal waters** include the following (listed in alphabetical order):
  - **E.A. Technique Group;**
  - Gagasan Carriers Sdn Bhd;
  - Global Carriers Berhad;
  - Grolite Shipping Sdn Bhd;
  - Hong Lam Marine Pte Ltd;
  - Malaysian Bulk Carriers Berhad;
  - Orkim Sdn Bhd;
  - Semua Shipping Sdn Bhd.

  Note: This is not an exhaustive list. (Source: Vital Factor Consulting)

- The major operators of the **provision of towing services at ports in Malaysia** include the following (listed in alphabetical order):
  - Alam Maritim (M) Sdn Bhd;
  - KBH Marine Industry Sdn Bhd;
  - **E.A. Technique Group;**
  - Fast Meridian Sdn Bhd;
  - Malaysia Towage and Transport Sdn Bhd.

  Note: This is not an exhaustive list. This list does not include port operators that provide towing services within their respective ports. This list include operators that use various types of vessels, for example AHT/S, utility vessels and harbour tugs.
  (Source: Vital Factor Consulting)

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9. MARKET SIZE AND SHARE

9.1 Market Operator Segmentation

Product Tankers

- There are two tiers of Malaysian-based operators that own and/or operate product tankers that carry third party products based on number of product tankers chartered out. As at October 2014, they were as follows:

  - **1st tier**: Top four operators where each operator has five product tankers or more, chartered out are as follows:

Ranking	Top 4 Operators of Product Tankers
1	Orkim Sdn Bhd
2	Semua Shipping Sdn Bhd
3	Gagasan Carriers Sdn Bhd
4	E.A. Technique Group

  - **2nd tier**: All other operators, each with less than five product tankers chartered out.

(Source: Vital Factor Consulting)

Towing Services

- The towage service in port areas in Malaysia are segmented into two groups:
  - towage service providers engaged directly by port operators;
  - towage service providers engaged directly by individual ships.

- As at October 2014, there were two major local players engaged directly by port operators to provide towing services within port areas. They are E.A. Technique Group and Malaysia Towage and Transport Sdn Bhd, ranked based on number of vessels used for towing services. However, there are many other operators of towing services that are engaged directly by individual ship operators to tow ships within port areas. *(Source: Vital Factor Consulting)*

  Note: The basis of arriving at the statement of the "two major operators" involved primary market research which includes the collection of information directly from the major competitors of towage service providers.

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9.2 Market Size

Product Tankers

- As at October 2014, the market size for product tankers registered in Malaysia that carry third party products was estimated at 65 product tankers *(Source: Vital Factor Consulting)*.

  Note: The market size does not include foreign registered product tankers because foreign registered product tankers are normally not allowed to operate in Malaysian waters, unless there are no Malaysian registered product tankers available to perform the required service. In this case, the foreign registered product tankers will be given temporary licences for a maximum of three months from the Domestic Shipping Licensing Board to operate in Malaysian waters. Nevertheless, there are no readily available data on the number of licences issued to foreign registered product tankers operating in Malaysian waters.

- As at October 2014, product tankers that were registered in Malaysia were fully utilised *(Source: Vital Factor Consulting)*.

Towing Services

- In 2013, the market size for towing services in Malaysia based on number of licences issued by Domestic Shipping Licensing Board for the provision of towing services was approximately 1,200 licences *(Source: Ministry of Transport Malaysia)*.

  Note: The market size for towing services includes any Malaysian and foreign registered vessels that provide towing services, such as AHT/S, utility vessels, harbour tugs and mooring boats.

9.3 Market Share

Product Tankers

- As at October 2014, E.A. Technique Group had an estimated market share of **8%** of product tankers registered in Malaysia based on the number of vessels owned and operated by the Group *(Source: Vital Factor Consulting)*.

- As at October 2014, E.A. Technique Group's market share based on contracted product tankers was estimated at 8% *(Source: Vital Factor Consulting)*.

- As at October 2014, no one single operator has more than 20% market share of product tankers in Malaysia based on the number of product tankers registered in Malaysia *(Source: Vital Factor Consulting)*.

- As at October 2014, there were an estimated 25 operators of locally registered product tankers. The top four operators of locally registered product tankers accounted for approximately half the market share of product tankers in Malaysia based on the number of product tankers registered in Malaysia, of which E.A. Technique Group is one of these top four operators *(Source: Vital Factor Consulting)*.

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Note: Market share computation does not include foreign registered product tankers because foreign registered product tankers are normally not allowed to operate in Malaysian waters, unless there are no Malaysian registered product tankers available to perform the required service. In this case, the foreign registered product tankers will be given temporary licences from the Domestic Shipping Licensing Board to operate in Malaysian waters.

Towing Services

- As at October 2014, E.A. Technique Group had an estimated market share of **2%** of towing services in Malaysia based on the number of tugboats and mooring boats used for towing, that are owned and operated by the Group *(Source: Vital Factor Consulting).*

  Note: The market share is derived based on the number of E.A.Technique Group's licensed vessels used for the provision of towing services (including tugboats and mooring boats) divided by the total number of 1,200 licensed vessels issued by Domestic Shipping Licensing Board for the provision of towing services. (Source: Ministry of Transport Malaysia). The 1,200 licensed vessels are used by towing service providers that are engaged directly by ports, shipping and other operators, or for the vessel owners' own use.

10. GOVERNMENT REGULATIONS AND LICENCES

- The following are some of the licences, registrations and regulations relating to the Offshore Oil and Gas Supporting Services Industry relating to marine transportation and supporting services:

- All companies wishing to participate in the oil and gas industry in Malaysia are required to obtain the necessary licences or successfully register with PETRONAS. Applicants are required to specify the scope of work for which the licence or registration is being applied for, based on a set of Standardised Work and Equipment Categories (SWEC).

- According to the Ministry of Transport Malaysia, companies applying for shipping licences must have at least 51% of directors and shareholdings held by Malaysians. Additional conditions for the award of shipping licences include the following:
  - 2-year licence without restriction:
    - minimum 30% bumiputra (indigenous Malaysian) equity, directors and office staff; and
    - minimum 75% of crew must be Malaysians; and
    - age of ship must be less than 10 years.
  - 1-year licence without restriction:
    - minimum 30% bumiputra (indigenous Malaysian) equity, directors and office staff; and
    - minimum 75% of crew must be Malaysians; and
    - age of ship must be more than 10 years and less than 19 years.
  - 1-year licence with restriction:
    - unable to fulfil any one or more of the 2-year or 1-year without restriction licence; or
    - age of ship must be more than 20 years.
  - 6-month licence with restriction:
    - Malaysian ship with less than 75% Malaysian crew.

- According to the Merchant Shipping Ordinance 1952, every Malaysian vessel has to be registered with the Registrar at the Port of Registry unless exempted under the following conditions:
  - Any ship not exceeding 15 tonnes net used for navigation on the rivers and coastal waters of Malaysia;
  - Any vessel licenced under section 475 of the Merchant Shipping Ordinance 1952, which is a vessel that has obtained a boat licence from the Port Officer of the nearest port where it operates..
- According to the Merchant Shipping Ordinance 1952, any ship that engages in domestic shipping must obtain a licence from the Domestic Shipping Licensing Board unless exempted under the following conditions:
  - Any ship under 15 tonnes net;
  - Any vessel licenced under section 475 of the Merchant Shipping Ordinance 1952, which is a vessel that has obtained a boat licence from the Port Officer of the nearest port where it operates.;
  - In relation to the State of Sabah, any vessel licenced under the Merchant Shipping Ordinance 1960 of Sabah;
  - In relation to the State of Sarawak, any vessel licenced under the Merchant Shipping Ordinance 1960 of Sarawak;
  - Any ship belonging to or in the employment of the Government of Malaysia or any State thereof or any Port Authority therein.
- According to the Merchant Shipping Ordinance 1952, no cargo ships registered in Malaysia shall proceed to sea without the appropriate safety certificates.
- The Malaysian Government is a contracting party of the conventions adopted by the International Maritime Organization and, as such, certain international certificates are a pre-requisite for all Malaysian ships operating in local and international waters. Some of the International Maritime Organization conventions including certifications that are applicable to vessel operators in Malaysia are as follows:
  - The International Convention for the Safety of Life at Sea (SOLAS) specifies minimum standards for the construction, equipment and operation of ships to ensure adherence to safety requirements.
  - The International Ship and Port Facility Security Code (ISPS Code), a set of measures that are implemented to enhance maritime security is mandatory for all SOLAS contracting parties. A vessel that is compliant should have an International Ship Security Certificate.
  - According to the International Convention on Tonnage Measurement of Ships adopted by the International Maritime Organization, all ships built on or after 18 July 1982 shall adopt this universal tonnage measurement system, which includes the issuance of an International Tonnage Certificate.
  - According to the International Convention on Load Lines adopted by the International Maritime Organization, no ship shall proceed to sea on an international voyage unless it has been surveyed, marked and issued with an International Load Line Certificate or where appropriate, an International Load Line Exemption Certificate in accordance with the provisions of the present Convention. The Convention puts a limitation on the draught to which a ship may be loaded to ensure its safety.

- The International Convention for the Prevention of Pollution from Ships (MARPOL) Convention is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental cases.

- In accordance to the MARPOL Convention, an International Oil Pollution Prevention Certificate shall be issued to the following ships which are engaged in voyages to ports or offshore terminals under the jurisdiction of other parties to MARPOL:
  . Any oil tanker with gross tonnage of 150 and above;
  . Any other ship with gross tonnage of 400 and above.

- According to IMO, STRAITREP is a mandatory ship reporting system in the Straits of Malacca and Singapore, for the following categories of ships:
  - All vessels with gross tonnage of 300 tonnes or more;
  - All vessels of 50 meters and above in length;
  - All vessels involved in towing or pushing, with total gross tonnage of at least 300 tonnes, or with total length of 50 metres and above;
  - All passenger vessels with Very High Frequency (VHF);
  - Any vessels with less than 50 meters in length or gross tonnage of less than 300 tonnes, fitted with VHF and uses appropriate traffic lane or separation zone during emergency.

11. THREAT OF SUBSTITUTES

11.1 Product Tankers

- Pipelines are substitutes for all types of tankers including product tankers. However, it is not a practical substitute for product tankers as the cost of building a network of refined petroleum product pipelines to connect multiple sources and destinations is economically prohibitive. The volume of refined petroleum products going to each destination is not sufficiently large enough to justify the cost of constructing a network of pipelines for refined petroleum products.

- Land based product tankers using roads and rail are substitutes for marine based product tankers. Land based product tankers, especially road based product tankers are able to transport small amounts of refined petroleum products to various end-user premises and retail petrol stations in many locations which are not possible for marine based product tankers. However, marine based product tankers have economies of scale advantage as the volume of refined petroleum products carried by marine based product tankers is significantly larger compared to those carried by land based product tankers, especially road based product tankers. As such, land based product tankers coexist with marine based product tankers, and each serve different purposes and market segments.

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11.2 Offshore Support Vessels

- There are not many practical substitutes for the use of OSV to support the offshore oil and gas industry as OSV provides the most cost effective means of transportation and towage to support various offshore activities. One possible substitute is the use of non-scheduled aviation services, in particular helicopter services. However this form of transportation is only restricted for the transportation of limited personnel and goods only. Using aviation services is significantly more expensive compared to the use of OSV, and would normally only be used for emergency, urgent matters or for key personnel.

11.3 Port Marine Services

- There are no substitutes for the provision of port marine services in the form of towage, pilotage and mooring of large vessels in port areas. This is because tugboats are required to manoeuvre large vessels in ports that are commonly crowded with various types of vessels moving in and out of the port area.

12. RELIANCE ON AND VULNERABILITY TO IMPORTS

- Operators that are involved in the provision of vessel related services are not reliant or vulnerable to imports of vessels constructed overseas as there are approximately 70 shipyards in Malaysia. Many of these shipyards have the capability to construct, maintain and repair many types of OSV, while a small proportion has the capability to construct, maintain and repair small sized tankers typical of product tankers.

- However, Malaysia is dependent on LNG tankers constructed overseas as there are no Malaysian shipyards with the capability to construct LNG tankers.

(Source: Vital Factor Consulting)

13. INDUSTRY PROSPECTS AND OUTLOOK

13.1 Prospects of the Marine Transportation and Support Services Segment of the Oil and Gas Industry

- The prospects of the marine transportation and support services segment of the oil and gas industry are closely tied to the overall prospects of the local as well as the global oil and gas industry.

- Since end of June 2014, crude oil prices had started to decline. By late October 2014 the price of crude oil had fallen to approximately USD85 per barrel for Brent Crude Oil and USD80 per barrel for West Texas Intermediate Crude Oil. Among others, the decline in the price of crude oil was attributed to the increase in supply from the US from its production of shale oil, combined with continuing subdued demand from the European Union and China. If the price of crude oil continues to decline and is sustained at a depressed price, operators and supporting service providers to the upstream exploration and production sectors of the oil and gas industry may find that it is not economical to either explore or produce oil and gas.

- A drop in activities in the upstream of the oil and gas industry would have a cascading effect on all other sectors of the oil and gas industry including, among others, the marine transportation and supporting services segment of the oil and gas industry. However, marine transportation that are focused on product tankers plying coastal waters including operators such as E.A. Technique Group, may be less affected as its product tankers are mainly carrying refined petroleum products for domestic consumption. In addition, marine services that are serving non-oil and gas related sectors, for example port operations, would be less affected by the drop in activities in the oil and gas industry.

- Nevertheless, the prospects and outlook of the marine transportation and support services in the longer term are expected to be favourable based on the following factors:

  - Global economic conditions are forecasted to continue growing, which would contribute positively to the oil and gas industry, including the marine transportation and support services segment;

  - Petroleum prices are forecasted to grow in the longer term, whereby increases in petroleum prices are likely to drive oil exploration, development and production activities which would create demand for marine transportation and support services segment of the oil and gas industry;

  - World supply and demand, as well as level of oil and gas reserves, where growth on these dependency factors will drive the demand for marine transportation and support services segment of the oil and gas industry.

- Within the overall global oil and gas industry, Malaysia as an oil and gas producing country has implemented developments and initiatives that would drive the growth of the oil and gas industry within the country. These developments and initiatives include, among others:

  - Malaysia's exploration and production expenditure, represented by PETRONAS' capital expenditure registered an AAGR of 8.5% between 2008 and 2013;

  - development of marginal fields through innovative solutions, which is part of the Economic Transformation Programme (ETP) for the oil and gas sector, aimed at achieving an AAGR of 5% annually from 2010 to 2020;

  - the development of an oil and gas hub in Southern Johor within Iskandar Malaysia including:
    . Pengerang Deepwater Petroleum Terminal;
    . Tanjung Langsat Petroleum Terminal (TLPT);
    . Tanjung Bin Petroleum Terminal (TBPT);
    . Pengerang Integrated Petroleum Complex (PIPC);
    . Tanjung Langsat Petroleum Support Services.

  - the increase in the refining capacity and storage capacity would continue to provide opportunities to oil and gas supporting services providers.

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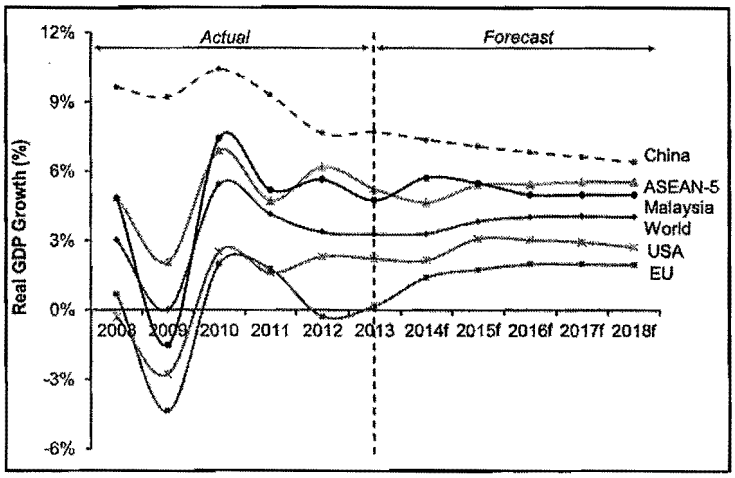
13.2 External Factors

13.2.1 Global Economic Conditions

Real GDP Growth



f = forecast
(Source: Bank Negara Malaysia; Ministry of Finance Malaysia; secondary research by Vital Factor Consulting)

- World macroeconomics play a significant role in determining the prospects and outlook of the oil and gas industry. The premise of the projected improvement in the future is based on stabilising economic activities in advanced economies with increasing activities in emerging and developing economies.

- Overall, the global economic growth has strengthened from 3.3% in 2013 to a projected 3.3% in 2014 and 3.5% by 2015. Advanced economies has contributed to the strengthening of the global economy particularly the United States where the economy grew in the second half of 2013 as a result of stronger export growth. Within the EU area, there is growth but it is varied whereby core countries such as Germany with supportive monetary conditions and a robust labour market, has contributed to a stronger domestic demand. However, weaker countries within the EU, such as Portugal, Ireland, Italy, Greece, Spain and Cyprus are expected to face a tougher route to economic recovery due to social and economic factors such as the high debt levels and high unemployment rates. Should the social and economic problems persist in these weaker countries, they would have a negative impact on the performance of the overall EU due to the interdependencies of their economies, which would subsequently impact on global economic growth.

- Economic growth in emerging and developing economies, including those in Asia, is expected to be driven by favourable macroeconomic conditions and recovering demand from advanced economies.

- The strengthening of the global economy is expected to contribute favourably to the prospects of the oil and gas industry.

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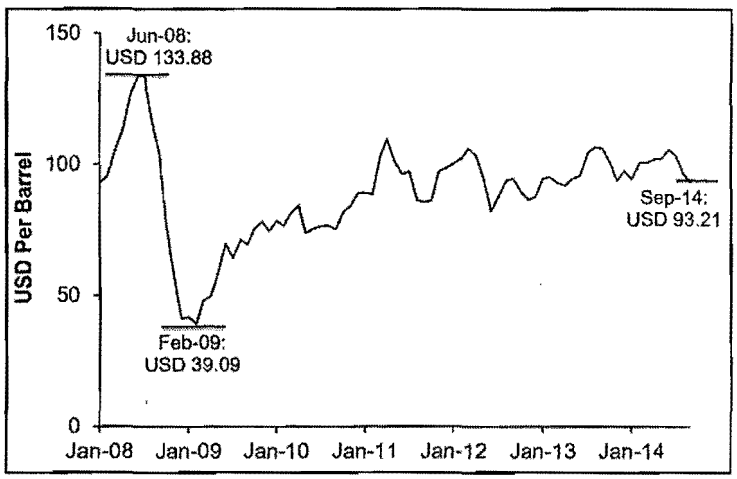
13.2.2 Market Price of Petroleum

- The market price of petroleum is dependent on world supply and demand where a situation of an increase in demand due to disruption in supply will push prices on an upward trend and similarly, an oversupply situation due to high production and lower economic activities will place downward pressure on prices. Some of the circumstances that would give rise to high production include the following:
  - high petroleum prices which encourages an increase in oil exploration activities and ultimately, oil production, and increasing efforts in the revival of previously uneconomical fields back to production;
  - numerous significant oil and gas discoveries resulting in an increase in production;
  - increase in the output quota of OPEC members;
  - continuing production from countries that strive to earn foreign currencies from their oil and gas reserves.

- West Texas Intermediate (WTI) is a type of crude oil produced in the United States. Due to its low viscosity and sulphur content, it is rated as a higher quality crude oil and is primarily used in the production of petrol. It is commonly used as a benchmark grade of crude oil as it is an underlying commodity of the New York Mercantile Exchange's oil futures contracts. In addition, crude oil produced in Malaysia has a closer match to WTI, compared to say, Brent crude oil. The following chart shows the West Texas Intermediate (WTI) spot price between January 2008 and September 2014:

West Texas Intermediate (WTI) Spot Price



(Source: Secondary research by Vital Factor Consulting)

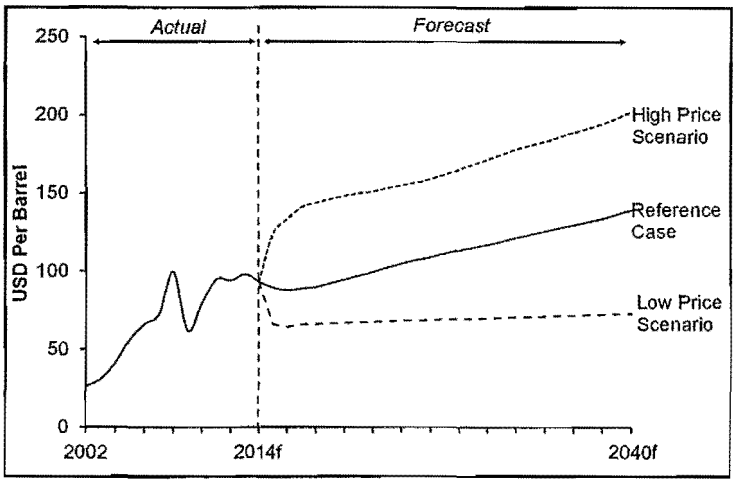
- The WTI spot price reached a low of USD39.09 per barrel in February 2009, from a peak of USD 133.88 per barrel in June 2008. The sharp decline was due to the global economic crisis. Since then, the WTI spot price has recovered to USD 93.21 as at September 2014, attributed to supply concerns caused by unrests in the Middle Eastern region and the global economic recovery, which resulted in a boost in oil demand. However, the WTI spot price as at September 2014 was still below USD133.88 as experienced in June 2008.

- A sustained high market price for petroleum for a period of one to two years, is likely to drive oil exploration, development and production activities which will in turn, create demand for marine transportation and support services segment of the oil and gas industry. Any increases in oil exploration, development and production activities would increase the demand for OSV, which would benefit operators of such vessels including E.A. Technique Group.
- The key demand drivers of the price of petroleum and gas include, but are not limited to, the economic conditions of major energy consumer countries such as the United States, Europe, China and India, and the use of alternative energy sources such as hydropower, solar, wind and nuclear energy. The key supply drivers of the price of petroleum and gas include, but are not limited to, the production of shale oil and gas, amount of oil reserves, and production quota from producing countries for example members of Organisation of the Petroleum Exporting Countries (OPEC).
- Nevertheless, petroleum prices are dependent on many supply and demand factors as mentioned above. In addition, like any other commodities, petroleum prices are relatively more volatile as compared to other asset classes such as equities, bonds and real estate.

13.2.3 Future Petroleum Prices

- Despite the fluctuations of crude oil stock in the USA as at 31 December of each year, world petroleum prices have gradually risen since 2002.

West Texas Intermediate (WTI) Spot Price



f = forecast
Note: Reference Case assumes annual economic growth of 2.4% and takes into consideration of technology and other possible factors. High Price Scenario assumes from a combination of higher demand for petroleum and other liquid fuels and lower global supply. Low Price Scenario assumes a combination of low demand for petroleum and other liquid fuels and higher global supply.
(Source: Secondary research by Vital Factor Consulting)

- As depicted in the diagram above, the reference case for WTI spot price is forecasted to drop in the short term, before it continues to grow between 2016 and 2040. However, in the situation of higher demand and lower global supply, the WTI spot price is expected to register higher growth (represented by the High Price Scenario line) during the forecasted period. Growth in petroleum prices is likely to drive oil exploration, development and production activities which will in turn, create demand for marine transportation and support services provider in the oil and gas industry, including E.A. Technique Group.

- Conversely, in the situation of lower demand and higher global supply, the WTI spot price is expected to decline (represented by the Low Price Scenario line) during the forecasted period. In such situation, oil exploration, development and production activities may slow down, resulting in an undersupply situation, which may in turn stimulate growth in the WTI spot price. As such, operators including E.A. Technique Group, who have long term contracts would be insulated from short term price fluctuations.

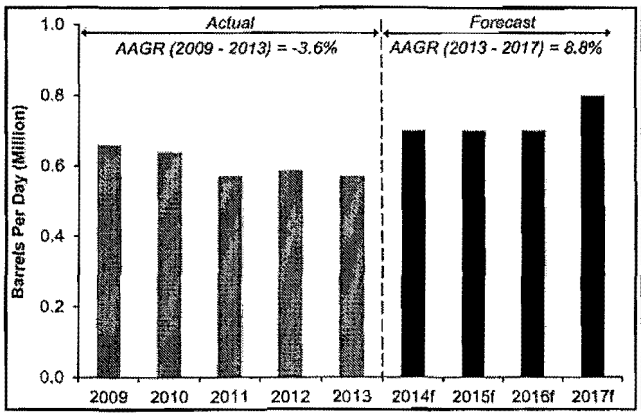
- The High Price Scenario and Low Price Scenario would represent the upper limit of a best case scenario and a lower limit of a worst case scenario respectively. The likely scenario during the forecasted period would be fluctuations within these upper and lower limits.

13.3 Internal Factors

13.3.1 Production of Oil and Gas Products

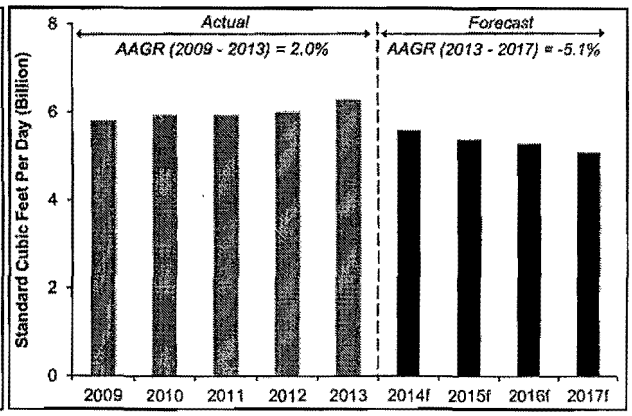
- An increase in the production of oil and gas products will continue to drive upstream activities, which will have a positive flow-on effect for the marine transportation and support services segment including the product tanker and OSV sectors of the offshore oil and gas industry.

Liquids* Production in Malaysia



f = forecast
** Liquids comprise all petroleum products, natural gas liquids, biofuel, and liquids derived from other hydrocarbon sources*
(Source: Bank Negara Malaysia for 2009 to 2013; secondary research by Vital Factor Consulting for 2014 to 2017)

Natural Gas Production in Malaysia



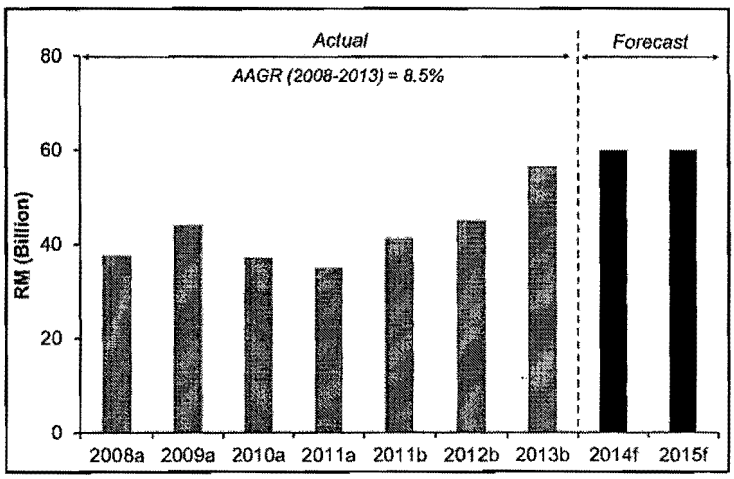
f = forecast
(Source: Bank Negara Malaysia; Economic Transformation Programme)

- Between 2013 and 2017, the production of liquids is expected to grow at an AAGR of 8.8% while natural gas production is expected to decline at an average annual rate of 5.1%.
- Under the Economic Transformation Programme (ETP), the Malaysia Government has introduced several Entry Point Projects (EPPs) in order to sustain the production of oil and gas products. These EPP include implementation of enhanced oil recovery in existing oil fields, and intensifying exploration activities. Furthermore, PETRONAS has committed to a RM300 billion CAPEX allocation for a 5-year period between 2011 and 2015. This CAPEX allocation will have a spill over effect in driving demand for upstream oil and gas activities including explorations and appraisal segments to expand on oil and gas reserves in Malaysia. The recent new discoveries have been encouraging, indicating that recent and on-going exploration efforts are bearing fruit where in 2013, there were 15 new discoveries, of which 10 were discovered in Malaysia and five were overseas *(Source: PETRONAS)*.

13.3.2 Exploration and Production Spending

- The level of investment made by oil and gas industry operators and PSC contractors in the upstream sector would have a positive effect on the level of demand for offshore oil and gas supporting services. Typically, part of the investment is channelled to engagement of services rendered by offshore oil and gas supporting service providers.
- As PETRONAS is Malaysia's national oil and gas major, its allocation and utilisation of capital expenditure will provide growth for offshore supporting activities of the oil and gas industry in Malaysia. PETRONAS' capital expenditure (CAPEX) is mainly channelled towards upstream activities.

PETRONAS' Capital Expenditure



a = Full year up to 31 March ;b = Full year up to 31 December;
f = Forecast for full year up to 31 December
(Source: PETRONAS)

- Over the years, PETRONAS' CAPEX has been increasing at an AAGR of 8.5% between 2008 and 2013. The returns on the utilisation of this CAPEX are reflected in PETRONAS' strong balance sheets, which recorded a total asset value of RM488.3 billion as at 31 December 2012.

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- PETRONAS is committed to invest in a budgeted CAPEX of RM60 billion annually from 2011 until 2015, culminating in a total of RM300 billion budgeted CAPEX in the oil and gas industry in Malaysia. The continuing CAPEX allocations from PETRONAS will stimulate the demand of offshore supporting activities including marine transportation and support services segment within the oil and gas industry.

13.3.3 Economic Transformation Programme (ETP)

- Under the ETP, the Government of Malaysia and the Oil, Gas and Energy industry will focus on four main thrusts:
  - sustaining oil and gas production;
  - enhancing downstream growth;
  - making Malaysia the Asian hub for oilfield services;
  - building a sustainable energy platform for growth.

- The Oil, Gas and Energy segment is one of the 12 National Key Economic Areas (NKEAs), aimed at achieving an AAGR of 5% annually from 2010 to 2020. This segment is projected to deliver a gross national income (GNI) impact of RM131.4 billion by 2020. Some of the relevant entry point projects (EPPs) in relation to oil and gas industry are:

EPP 1: Rejuvenating existing fields through enhanced oil recovery (EOR)	The Enhanced Oil Recovery (EOR) uses external energy such as gas, chemical injection or thermal flooding to increase the amount of oil recovered from underground reservoirs from 20-35% to 30-50%. PETRONAS intends to promote and encourage the use of EOR technique with the right economic incentives.
EPP 2: Developing Small Fields through Innovative Solutions	Small fields are fields with remaining resources of less than 30 million barrels of recoverable oil. Expected revenue streams of small fields are smaller due to the expensive cost of infrastructure. PETRONAS will attract specialists in small field development and ensure operators receive enough economic incentives. In order to improve the economics of small field development, PETRONAS will facilitate collaboration between players to encourage sharing of facilities.
EPP3: Intensify Exploration Activities	New and sizeable discoveries will need to be made to ensure the timely development of resources and sustaining Malaysia's position as one of Asia's large oil and gas producers. As such, PETRONAS is reviewing PSC terms and introducing new petroleum arrangements, as well as improve and expedite future exploration work.
EPP4: Building a Regional Oil Storage and Trading Hub	With Johor's strategic port locations, close proximity to Singapore, land availability and deep-water accessibility, the Malaysian Government intends to build a regional oil storage and trading hub in the Southern parts of Johor. This is in view of the expected growth in consumption of petroleum products in Asia countries and imports of crude oil from Africa, Middle East and Latin America which will create demand for storage of crude oil and petroleum products.
EPP5: Unlocking Premium Gas Demand in Peninsular Malaysia	With the view of meeting the continuing demand for liquefied natural gas (LNG) in Malaysia, the Malaysian Government has identified EPP aimed at building the facilities to store and trade LNG to meet the increasing industrial demand in Malaysia.

(Source: Economic Transformation Programme)

- These relevant EPPs above are likely to have a spill over effect to stimulate the demand of upstream oil and gas activities and creating business opportunities for operators within the marine transportation and support services.

13.3.4 Development of Oil and Gas Hub in Southern Johor

- One of the Malaysian Government initiatives for Iskandar Malaysia is to develop Southern Johor into an Oil and Gas hub including among others, the development of oil refineries, LNG storage and regasification plant, petrochemical refineries and oil storage facilities. In view of this, the following developments that have been identified in Iskandar Malaysia are as follows:

  (i) The Pengerang Deepwater Petroleum Terminal, with a total proposed investment of RM5 billion, aims to have six berths offering tankage facilities for the handling, storage, processing and distribution of crude oil, petroleum, petrochemicals and chemical products. The first phase of the project, housing a total tankage capacity of 1.3 million cubic metres, commenced operation in April 2014 with an initial capacity of 432,000 cubic metres. Construction for the first phase will carry on until a storage capacity of 1.3 million cubic metres is achieved. By 2020, the terminal is expected to house a total storage capacity of approximately 5 million cubic metres with the potential of an additional 2 million cubic metres. *(Source: Iskandar Regional Development Authority and secondary research by Vital Factor Consulting)*

  (ii) The Tanjung Langsat Petroleum Terminal (TLPT), with a total proposed investment of RM1.54 billion, is an established port and industrial park. It currently has 5 liquid berths with storage facility of about 740,000 cubic metres. TLPT is expected to have two new liquid berths with storage facility housing 600,000 cubic metres with the aim to reach 2 million cubic metres of storage capacity by 2020. *(Source: Iskandar Regional Development Authority and secondary research by Vital Factor Consulting)*

  (iii) The Tanjung Bin Petroleum Terminal (TBPT), a total proposed investment of RM4.5 billion, currently has 5 berths, four 30-inch fuel oil pipelines with another six smaller pipelines for clean products. It currently has storage capacity of approximately 890,000 cubic metres and is able to handle all sizes of tankers. TBPT is expected to create an additional capacity of 220,000 cubic metres. *(Source: Iskandar Regional Development Authority and secondary research by Vital Factor Consulting)*

  (iv) The total investment of the development in the Pengerang Integrated Petroleum Complex (PIPC) is RM74.9 billion. The development of PIPC in Johor will house oil refineries, naphtha crackers, petrochemical plants, an LNG import terminal and a regasification plant. *(Source: Iskandar Regional Development Authority)*

  (v) Tanjung Langsat Petroleum Support Services Hub offers land bank with potential for extension of approximately 1,000 acres. *(Source: Iskandar Regional Development Authority)*

(vi) The development of a petroleum trading hub is part of the Malaysian Government's programme to encourage and attract global petroleum trading companies to use Malaysia as a platform to enter the Asia-Pacific region. *(Source: Iskandar Regional Development Authority)*

14. CHALLENGES AND OPPORTUNITIES IN MALAYSIA

- Although the oil and gas industry in Malaysia is currently robust, it faces a number of challenges that need to be addressed to ensure its long-term sustainability.

- The current challenges faced by the oil and gas industry in Malaysia include maturing oil and gas fields, development of marginal fields and other resources, the need to discover new oil and gas reserves and technical complexity of operating in deepwater environment.

- The implementation of PETRONAS related and Malaysian Government initiatives in promoting the sustainability of the oil and gas industry in Malaysia will provide opportunities for oil and gas operators and supporting service providers including the marine transportation and support services segment.

- The following section is a discussion on each of these challenges and associated opportunities for business development for operators with the appropriate skills and capabilities.

14.1 Maturing Oil and Gas Fields

Challenge

- According to PETRONAS, Malaysia has a total of 132 oil and gas fields as at 31 December 2013. As many of these fields came on-stream in the 1980's and 1990's, they are now considered mature fields whose output is plateauing or even declining. Although new oil and gas fields are steadily being brought into production, the incremental output of these new fields has not been sufficient to overcome the declining output of the mature fields. As a result, the average daily production rate of crude oil and condensates between 2009 and 2013 declined at an AAGR of 3.6%, with fluctuations on a year-to-year basis. In contrast, the average daily natural gas production was more consistent and increased at an AAGR of 2.0% between 2009 and 2013.

Opportunities

- PETRONAS is actively promoting the application of enhanced oil recovery (EOR) to maintain or enhance output from Malaysia's maturing oil and gas fields. To achieve this strategic goal, PETRONAS sanctioned two EOR projects during 2011, namely for the Tapis and Guntong fields offshore of Peninsular Malaysia where production is expected from these fields within three years *(Source: PETRONAS)*.

- As part of the strategy to promote EOR, PETRONAS also introduced new fiscal terms to provide incentives for development and production from mature oil and gas fields. In May 2012, PETRONAS awarded a new PSC to Talisman Malaysia Ltd and PETRONAS Carigali Sdn Bhd for continuing production, further development and improved recovery of crude oil from the Kinabalu Fields, where there are a number of fields with mature reservoirs located in offshore Sabah. This PSC was awarded under the new Progressive Volume-Based (PVB) fiscal terms with incentives for the development and production of mature oil and gas fields taking into consideration the increasing risks associated with mature fields over the lifetime of the field. The incentives include progressive profit sharing to encourage improvements in oil recovery and increases in output. *(Source: PETRONAS)*

14.2 Marginal Fields and Stranded Reserves

Challenges

- The Malaysian Government had identified the development of small or marginal oilfields, which are fields that contain reserves of 30 million BOE or less, as one of the strategies for addressing plateauing or declining output at mature oil and gas fields. As at December 2013, there were approximately 100 marginal fields in Malaysia *(Source: PETRONAS)*.

- There are also a number of stranded reserves that are located far from onshore oil and gas facilities that have been identified in Malaysia. Stranded reserves are usually not developed for production as their remoteness increases the investment required to install facilities to transport crude oil and natural gas to onshore facilities.

- The ability to successfully develop marginal and stranded reserves into productive oil and gas fields would have the two-fold benefits of increasing Malaysia's crude oil and natural gas output, and adding to the country's reserves.

Opportunities

- PETRONAS introduced RSC to facilitate the development of, and production from marginal fields. As at 31 October 2014, PETRONAS has awarded six RSC. The first RSC was awarded in January 2011 for the development and production of the Berantai field, followed by a second RSC in August 2011 for the Balai Cluster, and a third RSC in June 2012 for a cluster of three marginal fields, namely Kapal, Banang and Meranti. The fourth RSC was awarded in October 2013 for Tembikai-Chenang cluster. In March 2014, PETRONAS awarded its fifth RSC for a small field known as Tanjong Baram field. The sixth RSC, also known as a SFRSC, was awarded in June 2014 for the development and production of petroleum from the Ophir field, offshore Peninsular Malaysia. *(Source: PETRONAS)*

- In June 2012, PETRONAS awarded three new PSC to carry out the development and commercialisation of nine stranded gas fields located in the North Malay Basin in offshore Peninsular Malaysia. The project will include the development of a new gas gathering, processing and transport hub including 300 km of subsea pipeline and a new onshore gas receiving station with membrane technology acid gas removal system. The successful implementation of this project will commercialise reserves in the nine stranded fields amounting to a total of 1.7 trillion standard cubic feet of natural gas.

- In 2013, PETRONAS Carigali Sdn Bhd incorporated a new subsidiary, VESTIGO Petroleum Sdn Bhd, which is focused on development and production from small, marginal and mature fields. One of the goals of VESTIGO Petroleum Sdn Bhd is to build niche technical and executional capabilities in the development and production of these fields, which can also be applied in other countries. On-going marginal field development will result in the installation of new offshore production platforms, which is expected to create opportunities for providers of marine transportation and support services segment of the oil and gas industry.

14.3 Need to Discover New Oil and Gas Reserves

Challenge

- In order to maintain the sustainability of the oil and gas industry in Malaysia, PETRONAS and PSC contractors have to continuously carry out exploration activities with the aim of discovering new reserves. In addition, the cost of exploration is likely to increase as unexplored areas are now further from shore, and are in deeper waters. The level of uncertainty may also increase due to the geological characteristics of these areas as compared to areas that have already been explored especially in shallow waters.

Opportunity

- Some of the significant recent discoveries include the Drilling of Cendor Graben-2 appraisal wells in offshore Peninsular Malaysia which indicated estimated recoverable resources of over 200 million BOE. Other discoveries include a preliminary assessment of the Kuang North field offshore Sarawak which indicated gas-in-place of approximately 2.3 trillion standard cubic feet and a preliminary assessment of the Tukau Timur Deep-1 well offshore Sarawak which indicated gas-in-place of approximately 2.1 trillion standard cubic feet.

- PETRONAS continued to award PSC to open up new areas for exploration with nine new PSC awarded in 2012, including two PSC specifically for deepwater blocks. As at December 2013, there were 100 active PSC. *(Source: PETRONAS)*

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14.4 Technical Complexity of Operating in Deepwater Environment

Challenge

- The future of the offshore oil and gas industry in Malaysia lies in the country's unexplored deepwater areas where many of the recent discoveries of new reserves, such as the discovery of natural gas reserves at Menggatal-1 well in offshore Sabah, are located in deepwaters. Exploration, development and production operations in deepwater areas are generally more expensive and challenging compared to those in shallow waters. Jack-up drilling rigs cannot operate in deepwaters, thus requiring the use of semi-submersible drilling rigs and drillships. Different types of production platforms, such as truss spar floating platforms, tension leg platforms or floating platforms are used in deepwater environments. Deepwater areas are also usually located further from the shore. In that respect, PSC and RSC operators will have to overcome these challenges if they are to economically develop and produce from deepwater reserves.

Opportunity

- As at December 2013, PSC operators in Malaysia have successfully developed and produced from two deepwater fields in offshore Sabah, namely Kikeh field and Gumusut-Kakap field. The first production of crude oil at Kikeh field and Gumusut-Kakap field were achieved in August 2007 and November 2012 respectively. Both the Kikeh and Gumusut-Kakap fields are sizable producers of crude oil. Peak production at the Kikeh field is estimated at 120,000 BOE per day. The initial production capacity of the Gumusut-Kakap field is estimated at 25,000 BOE per day and projected to achieve peak production capacity of 120,000 BOE per day once it is fully developed.

15. THREATS AND RISK ANALYSIS OF MARINE TRANSPORTATION AND SUPPORT SERVICES

15.1 Global Economic Slowdown

- Growth rates of the global economy had shown a declining trend from 5.4% in 2010 to 3.3% in 2013. Economies of some of the major countries and region had also experienced lower growth rates as demonstrated by their GDP growth rates as follows:
  - EU : 2010 = 2.0%; 2013 = 0.2%;
  - USA : 2010 = 2.5%; 2013 = 2.2%;
  - Japan : 2010 = 4.7%; 2013 = 1.5%.

  In addition, China's economy had also shown sign of slowing with GDP growth of 10.4% in 2010, and 7.7% in 2013.

  (Source: Secondary research by Vital Factor Consulting)

- Any widespread and/or prolonged economic slowdown would affect consumer and business confidence, and subsequently their propensity to spend. The uncertainty over the global economies may also impact on the local economy. This slowdown would ultimately affect the demand for oil and gas supporting services.

Mitigating Factors

- A prolonged global economic slowdown and/or uncertainty would only have an impact on dampening upstream oil and gas activities namely exploration and development activities, however production activities are likely to be less affected as production is continuous until such time the well is exhausted of extractable oil and gas. Marine transportation and support service providers who have long term contracts are, to a certain extent, insulated from the effects of a global economic slowdown while other service providers without long-term contracts are more exposed to the impact of a global economic slowdown.
- In addition, Malaysia as an oil and gas producing country, has in place, all the Government initiatives and PETRONAS' long term strategies for the development of the oil and gas industry in Malaysia, which would still continue to provide opportunities for oil and gas operators and service providers alike.

15.2 Pirate Attacks

- Merchant ships or vessels run the risk of being targeted by pirates during a voyage, especially for ships that carry large quantities of high-value goods including product tankers.

Mitigating Factors

- According to the International Maritime Bureau, global piracy and armed robbery decreased from 297 incidents to 264 incidents from 2012 and 2013 respectively. This was mainly attributed to improved anti-piracy operations and security measures undertaken by the relevant authorities and vessel operators.
- Operators that operate outside the piracy prone areas can minimise the risks of being attacked. In the case of a pirate attack, operators that have shipping insurance policy may be compensated for some of their losses. In addition, vessel operators that have a security team on board and adopt the necessary anti-piracy measures are more likely to be able to fend off a pirate attack, should one occur.

15.3 Oil Spill from Tankers

- Oil spills from tankers due to improper storage or handling run the risk of polluting the environment. An operator may be subjected to administrative action imposed by the relevant authorities, which may have an adverse impact on the operator's market reputation, financial performance and future prospects.

Mitigating Factors

- Operators that continually ensure the safe and proper handling of petroleum products are likely to be able to minimise the risk of oil spills. This includes complying with international pollution prevention standards and providing oil spill prevention training. Furthermore, operators of double-hull tankers are better equipped to minimise the risk of oil spills compared to operators of single-hull tankers. This is because double-hull tankers have two layers in which the second layer acts as a back-up barrier in case the first layer is damaged.

15.4 Sustained Fall in Market Price of Hydrocarbons

- Hydrocarbons, including crude petroleum and natural gas, are internationally traded commodities that are subject to price fluctuations. Geopolitical factors, economic conditions and unforeseen supply disruptions may also influence the market price of hydrocarbons.
- Activities in the oil and gas industry are, to some degree, affected by fluctuations in the market price of hydrocarbons, for instance activities tend to increase during periods of sustained high hydrocarbon prices. This is due to elevated production activities, as well as increased activities in exploration and development to take advantage of high hydrocarbon prices. Activities tend to decline during periods of sustained low hydrocarbon prices. This is due to lower production activity, as well as temporarily reducing or shutting down production from reserves that are no longer commercially viable.
- There is a risk that sustained low price of hydrocarbons will negatively affect activities in the oil and gas industry, leading to lower demand for oil and gas supporting services including those in the marine transportation and support services segment.

Mitigating Factors

- The Organization of the Petroleum Exporting Countries (OPEC), a grouping of many of the world's largest oil producing nations, has some influence on the price of oil through their control of a sizeable proportion of the world's production capacity and reserves. Although the influence of OPEC over the market price of oil is not absolute, it has a vested interest in ensuring that oil prices do not collapse, and as a result are likely to actively attempt to sustain oil prices at an "acceptable" level.
- Operators that have secured long-term contracts are less likely to be affected by fluctuations in the prices of hydrocarbons.

15.5 Depletion of Hydrocarbon Reserves

- All hydrocarbon deposits are non-renewable as it is not possible to regenerate extracted hydrocarbons within a practical timeframe. As such, hydrocarbon resources in all hydrocarbon-producing regions will eventually be depleted. It is likely that demand for offshore oil and gas supporting services will be affected should there be a decline in upstream activities brought about by the depletion of hydrocarbon resources.

Mitigating Factors

- PETRONAS has implemented various measures and initiatives to increase Malaysia's crude oil and natural gas reserves, with new discoveries contributing to the hydrocarbon reserves in the country. In addition, current reserve estimates generally do not take into account the following:
  - existence of currently undiscovered hydrocarbon reserves;
  - technological advances that increase the amount of hydrocarbons that may be commercially extracted from existing reserves;
  - technological advances that enable production from previously inaccessible regions.

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15.6 Liberalisation of the Cabotage Policy

- The Cabotage Policy was implemented by the Malaysian Government in 1980 to allow only vessels flying the Malaysian flag to transport goods for domestic trade. However, the liberalisation of the Cabotage Policy in 2009 has allowed vessels with foreign flags to transport containerised transhipment cargo between Sepanggar Port, Bintulu Port, Kuching Port and Port of Tanjung Pelepas and Port Klang. This may lead to increased competition for domestic vessel operators including product tanker operators.

Mitigating Factors

- Vessel operators that are cost competitive, capable of providing quality services and practice safe shipping would be in a better position to mitigate against competition from foreign vessel operators. Vessel operators that transport mainly dry bulk, liquid bulk and general cargo are not affected by the liberalisation of the Cabotage Policy.

15.7 Implementation of Goods and Services Tax

- In the Budget 2014, the Government announced that the existing sales tax and service tax will be abolished and will be replaced by the Goods and Services Tax (GST), which will be effective from 1 April 2015 onwards. The Malaysian Goods and Services Tax Act 2014 was gazetted on 19 June 2014. The GST will be applied to all goods and services unless they are not within the scope of GST. GST is to be charged and levied on supply of goods or services made or provided in Malaysia, such as marine transportation and supporting services.

Mitigating Factors

- The GST is a broad base tax and all providers of marine transportation and support services will be equally affected.

16. CRITICAL SUCCESS FACTORS

- Providers of marine transportation and support services operate within a competitive environment where there are a large number of operators. While there are many factors affecting business operations, some factors that are critical to the long-term sustainability and growth of businesses within the segment are discussed below.

PETRONAS Licensing and Registration

- Companies that wish to operate in the oil and gas industry in Malaysia are required to obtain PETRONAS licences, or to be successfully registered with PETRONAS, as providers of specified products and services.

Compliance with International Standards

- Vessel operators that have obtained international certifications from the International Maritime Organization are able to provide assurance of quality to their customers. Operators must also adopt the necessary safety requirements to minimise or eradicate any potential threat to their business operations. In addition, all vessels meant for international voyage must also comply with the International Maritime Organization conventions and obtain the necessary certifications.

Good Health, Safety and Environment (HSE) Management Track Record

- HSE management is generally a key factor in operating in the oil and gas industry. Offshore oil and gas supporting services providers that possess a good HSE record in terms of low occurrence of work-related accidents, injuries and lost-time incidents are more likely to secure projects from new and existing customers.

Effective Management of Fleet of Vessels

- Operators that are able to manage their fleet of vessels effectively including the ability to continually evaluate the value of their assets against maintenance costs, asset disposal, acquisition of newer vessels, and optimising between vessel ownership and chartering are in a stronger position to be profitable and sustain their business in the longer term.

Established Track Record and Market Reputation

- Operators with an established track record and market reputation would be in a better position to win the confidence and trust of potential customers and, at the same time, create customer loyalty to sustain and grow their business.

Strong Financial Position

- Operators that are in a healthy financial position are more likely to retain and attract new customers. Potential customers commonly emphasise financial stability as a key criterion in the evaluation of a prospective vessel operator or service provider as they would not want any disruption in their shipment and supply of products and services, particularly in long-term contracts. A financially strong operator may also be able to acquire, maintain and repair new and existing vessels.

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We, Vital Factor Consulting, have prepared this report in an independent and objective manner and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. Potential subscribers of the shares offered by E.A. Technique Group are advised to read and understand the contents of the entire prospectus. If in doubt, please seek professional advice. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wooi Tan
Managing Director