
11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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CIDB Registration

- With effect from 20 July 1995, it is mandatory under the Act of Parliament Act 520 (Act 520) for all builders, contractors and sub-contractors, whether local or foreign, to register with the Construction Industry Development Board Malaysia (CIDB), before undertaking or executing any construction work in Malaysia.
- According to Act 520 of the CIDB Act 1994, all organisations that undertake some form of civil engineering mechanical and electrical works must register with CIDB and hold a valid certificate of registration in order to carry out any construction work.
- Dayang Enterprise, a wholly owned subsidiary within Dayang Group, is registered with the CIDB for the following activities which are valid until 19 June 2009 before the company is due for renewal:

GRADE	DESCRIPTIONS
G7	Offshore Construction Works
G7	General Civil Engineering Works
G7	Specialised Fabrication and Treatment

5.2 Domestic Shipping Licences

- With effect from 1 January 2001 onwards, all ships that are involved in providing services, other than fishing in Malaysian waters or exclusive economic zone shall be required to obtain a licence from the Domestic Shipping Licensing Board.
- Type of services shall include:
 - . Dredging;
 - . Survey including hydrographic survey and seismic survey;
 - . Towing ship and barges;
 - . Engineering works in the oil exploration industry including all types of shipping services in the offshore oil industry;
 - . Laying of cables and pipe lines;
 - . Marine scientific research;
 - . Salvage;
 - . Marine construction including the construction of wharves and jetties;
 - . Other similar activities.

(Source: Sarawak Marine Department)

11. **EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)**



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- DESB Marine Services, a wholly owned subsidiary within Dayang Group has obtained the following licences from the Domestic Shipping Licensing Board:

NAME OF VESSEL	DESCRIPTIONS	VALIDITY PERIOD
Dayang Pertama	Maintenance Support Vessel	22 September 2006 until 21 September 2008
Dayang Berlian	Maintenance Support Vessel	12 January 2007 until 11 January 2009
Dayang Maju	Supply Boat/Landing Craft	8 February 2007 until 7 February 2009

5.3 Environmental Regulations

- The disposal of waste created during the Dayang Group's operations includes the following categories:
 - Waste oil and dirty oil
 - Waste thinner mixed with used paint
 - Waste thinner
 - Used garnet.
- All the wastes listed above are categorised under the scheduled waste in the Environmental Quality (Scheduled Waste) Regulation 1989.
- Dayang Group uses OMA Shipping and Forwarding Sdn Bhd for the collection of scheduled wastes from offshore structures. The Group uses Kualiti Alam Sdn Bhd for the disposal of the scheduled wastes once they arrive on land.

6. GOVERNMENT INCENTIVES

PETRONAS Initiatives

- As part of the aim to promote and encourage local participation in the Oil and Gas Industry, PETRONAS has implemented the following initiatives:
 - licensing and registration of companies with preference given to local companies;
 - implementation of the Vendor Development Programme (VDP) for Bumiputera entrepreneurs.
- In addition, PETRONAS also initiated Cost Reduction Alliance (CORAL) in 1995 with the primary objective to reduce the operating cost of upstream operations. CORAL is a forum that seeks to reduce costs and enhance efficiency through sharing of facilities and logistics, standardising of equipment specifications and effective coordination of operations. The introduction of CORAL has enabled the Oil and Gas Industry in Malaysia to reduce costs by awarding a significant proportion of the projects to local companies.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)

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7. DEMAND

- Essentially, demand for Offshore Topside Maintenance Services for the Upstream Oil and Gas Industry will come primarily from the performance of the upstream activities, including exploration and production operations in Malaysia.
- As demand for Offshore Topside Maintenance Services are ultimately dependent on the growth of the Oil and Gas Industry, the following analysis of the performance of the Oil and Gas Industry will impact on the demand for these types of supporting services.

Investment in Exploration and Production of Oil and Gas

- The level of investment made by PETRONAS and PSC operators in the exploration and production of Oil and Gas Industry in Malaysia increased at an average annual rate of 17.7% between the financial years ended 31 March 2002 and 31 March 2007.
- Based on the latest announcement by PETRONAS on 28 June 2007, expenditure on the upstream Oil and Gas sector registered a growth of about 20% to RM19.2 billion compared to the previous year. Of this, RM10.3 billion or 53.4% was spent on development and production projects, and RM1.92 billion or 10.0% was for exploration activities, whilst the balance was spent on operations.
- In the Ninth Malaysia Plan, the Malaysian Government has allocated RM43.8 billion for the development of upstream and downstream segments of the Oil and Gas Industry. Of this, RM13.1 billion has been allocated for upstream activities and RM30.7 billion for downstream activities.
- Between the financial years ended 31 March 2003 and 2007, the number of exploration wells drilled increased at an average annual rate of 5.1%. There were 39 exploration wells drilled for the financial year ended 31 March 2007.
- Between the financial year ended 31 March 2002 and 2007, the number of Oil and Gas fields in operation in Malaysia increased from 56 to 85. Of the total 85 fields, 59 were oil fields while the remainder 26 were gas fields for the financial year ended 31 March 2007.

(Source: PETRONAS and Ninth Malaysia Plan 2006-2010)

8. DEMAND DEPENDENCIES

- The demand for Offshore Topside Maintenance Services is primarily dependent on the performance of the Oil and Gas Industry in Malaysia.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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- Production of Oil and Gas in Malaysia may be classified into two broad categories:
 - Production of Crude Oil and Condensates;
 - Production of Natural Gas.
- The demand for supporting products and services, particularly those related to exploration and production, is also dependent on the number of recently signed production sharing contracts. Under the terms of production sharing contracts normally signed by PETRONAS, the exploration period (including Appraisal) is between 5 to 7 years, while the development period is between 4 to 6 years, and the production period is between 15 and 25 years. *(Source: PETRONAS)*
- The number of production sharing contracts in operation between PETRONAS and PSC operators/contractors increased from 41 for the financial year ended 31 March 2002, to 64 for the financial year ended 31 March 2007. *(Source: PETRONAS)*
- Demand for Offshore Topside Maintenance Services in Oil and Gas production are also dependent on the number of oil and gas fields that are currently in operation in Malaysia.
- Based on the latest announcement from PETRONAS on 28 June 2007, for the financial year ended 31 March 2007, a total of 85 fields were in operation, of which 59 were oil fields while the remainder 26 were gas fields.
- The following analysis also provides an indication of the performance of the Oil and Gas Industry in Malaysia:
 - Between January 2003 and January 2007, Malaysia's total reserves (including crude oil and condensates, and natural gas) grew at an average annual rate of 1.0%. As at 1 January 2007, Malaysia's total reserves (including crude oil and condensates, and natural gas) increased by 1.4 % to 20.2 billion barrels of oil equivalent (boe).
 - Between January 2003 and January 2007, crude oil and condensates reserves grew at an average annual rate of 4.7%. As at 1 January 2007, crude oil and condensates reserves increased by 2.1% to 5.4 billion barrels of oil equivalent (boe).
 - Between January 2003 and January 2007, natural gas reserves declined marginally at an average annual rate of 0.2%. However, as at 1 January 2007, natural gas reserves increased marginally by 1.1% to 14.8 billion barrels of oil equivalent (boe).
 - Between 2002 and 2006, daily production of crude oil decreased at an estimated average annual rate of 2.1%. In 2006, preliminary data indicated that daily production of crude oil decreased by 4.0%, to 548,487 barrels per day.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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- Between 2002 and 2006, daily production of natural gas increased at an estimated average annual growth rate of 5.4%. In 2006, the daily natural gas production decreased by 0.4% to 5.8 billion standard cubic feet per day.
- Between 2002 and 2006, sales value of the manufacture of refined petroleum products grew at an average annual rate of 27.1%. In 2006, the sales value of the manufacture of refined petroleum products increased by 13.7% to RM82.1 billion.
- Between 2002 and 2006, the export value of petroleum oils, crude, and crude oils obtained from bituminous minerals increased at an average annual rate of 28.8%. In 2006, export value increased by 7.7% to RM32.6 billion.
- Between 2002 and 2006, the export value of refined petroleum products increased at an average annual rate of 29.8%. In 2006, export value increased by 26.2% to RM19.2 billion.
- Between 2002 and 2006, the export value of natural gas, whether or not liquefied increased at an average annual rate of 23.9%. In 2006, the export value of natural gas, whether or not liquefied increased by 12.0% to approximately RM23.3 billion.

(Source: Bank Negara Malaysia and Department of Statistics)

9. SUPPLY DEPENDENCIES – RAW MATERIALS

- There are no raw material purchases per se as Dayang Group is in the provision of Offshore Topside Maintenance Services for the Oil and Gas Industry.
- The Group's purchases primarily consist of consumables, parts and components, which are used to facilitate the provision of Offshore Topside Maintenance Services to the Oil and Gas Industry. Some of the purchases include:
 - Valves;
 - Steel pipes and tubes, and fittings;
 - Other secondary steel products (such as welding electrodes, bolts and nuts);
 - Others include paints and coatings, and garnet.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)



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10. COMPETITIVE NATURE

- Generally, service providers of Offshore Topside Maintenance for the Oil and Gas Industry face **normal** competitive conditions. However, there are some exceptions:
 - Only companies that are licensed or registered by PETRONAS are allowed to bid directly for work from PETRONAS and production sharing contract operators/contractors in the Oil and Gas Industry.
 - All companies who wish to obtain contracts from the Government or to bid directly for work provided by PETRONAS and production sharing contract operators/contractors in the Oil and Gas Industry are required to register as contractors with the Ministry of Finance (MoF).
 - Companies who wish to carry out construction work in Malaysia are required to register with the Construction Industry Development Board (CIDB) under the Construction Industry Development Board Act 1994. Companies bidding for construction related work within the Oil and Gas Industry must be registered with the relevant grade that commensurate with the size of the project before they will be considered for any bids.
- Although companies that provide Offshore Topside Maintenance Services for the Oil and Gas Industry may operate under normal competitive conditions, it is imperfect due to the requirements for licensing and registration that partly inhibits free competition.
- As with most free enterprise environment, once all the licensing and registration requirements are complied, competition is based on a number of factors, including:
 - Technical compliance to customers' specifications and requirements;
 - Quality products and services;
 - Cost competitiveness;
 - Health, Safety and Environment management;
 - Prompt delivery/completion.
- An additional competitive factor that concerns service providers for offshore supporting services is the ability to demonstrate a good safety record, typically measured by work time between work-related fatalities and lost time accidents or incidents.
- Generally, competition among companies in the Offshore Topside Maintenance Services for the Oil and Gas Industry is **moderate**. Considerations on competitive intensity are as follows:

11. **EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)**



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Factors that Increase Competitive Intensity

- A large proportion of the contracts are awarded on an open tender basis. This system tends to create a highly competitive environment.
- In practice, in all-open tender situations, once the technical specifications are fully complied, the bid with the lowest price normally wins.
- In many situations, international firms with highly reputable track records are involved in the bidding process where large, complex and high value projects are placed on tender.
- In many situations, there are many bidders with the relevant credentials for tender and non-tender jobs.

Factors that Moderate Competitive Intensity

- Competition for contracts within the Oil and Gas Industry in Malaysia is ultimately restricted to service providers with the relevant PETRONAS licences or registrations. The number of service providers with the relevant licences or registrations to provide a particular service or product may be limited, particularly in the case of more specialised services for offshore environment.
- Some clients may award certain contracts based on closed tender, restricted tender or through direct negotiation. In these instances, competitive intensity is reduced.
- The technical requirements and specifications for some complex projects may be so challenging that only a small number of the more specialised service companies are able to meet the requirements.
- In some cases, customers may take into consideration other non-price factors, such as ability to provide the extensive services and ability to meet the requirement and specifications timely, in awarding more challenging projects.
- Barriers to entry for the provision of Offshore Topside Maintenance Services are moderate to high, primarily due to the technical skills and knowledge required and the ability to demonstrate a good safety record. Typically good safety record is measured by work time between work-related fatalities and lost time accidents or incidents. These factors will help reduce the competitive pressure and provide some barriers to entry.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)

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- Companies that have large capacities and operations have the ability to undertake more and larger sized projects compared to smaller companies. Larger companies are able to enjoy economies of scale thus increasing their cost effectiveness. All these would reduce the competitive pressure for larger companies.
- The provision of Offshore Topside Maintenance Services is a critical part of the Oil and Gas Industry. Thus, the Oil and Gas Industry would favour established companies with sufficient track record and experience in the required areas of expertise.

11. PLAYERS IN THE INDUSTRY

- As at December 2007, there were approximately 59 companies in the provision of offshore topside structural maintenance services (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*)

12. BARRIERS TO ENTRY**12.1 PETRONAS Licences**

- The need to obtain government licences and registrations, and to comply with government regulations and policies forms a **high** barrier of entry into the Oil and Gas Industry.
- Under the Petroleum Development Act, 1974 and other related legislation, activities within the Oil and Gas Industry in Malaysia are regulated by PETRONAS.
- Companies wishing to participate in a particular area of the Oil and Gas Industry are required to either obtain the corresponding licences from PETRONAS, or successfully register with PETRONAS as a service or product provider. Licensing or registration is required for both the supply of products and the provision of services.
- This is due to the critical nature of the Oil and Gas Industry particularly in adherence to safety standards, product and service quality, and the technical skill requirements. As a result of these stringent requirements, these factors would pose some barriers to entry for new entrants.

12.2 High Technical Skills

- The Oil and Gas Industry, including the provision of offshore supporting services, is highly technical in nature involving a certain degree of specialisation and substantial specialist knowledge.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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- Due to the hazardous nature of Oil and Gas exploration and production, there are stringent requirements in safety compliance and standards in every aspect from the use of equipment, systems, structures and instruments through to services and maintenance of equipment and structures.
- The technical personnel with the necessary qualifications, training and experience are required to undertake supporting services such as Offshore Topside Maintenance Services, for the oil and gas platforms, rig and production facilities.
- Possession of technical skills and experience are distinct competitive advantages in this industry. As such, technical skills would pose as a barrier to entry for new entrants with no skills or technical expertise.

12.3 Proven Track Record

- Track record also forms one of the barriers to entry for new entrants. It is unlikely that a new entrant without any track record will be able to compete effectively in the contract-bidding environment within the Oil and Gas Industry.
- Track record is important, as products and services demanded by the Oil and Gas Industry tend to be critical in nature, and as such, a customer typically requires some assurance that an organisation is able to properly fulfil the contract. Having established a proven track record goes a long way in providing this assurance.
- In addition, service providers are typically required to demonstrate track record of "similar experience" at the company level when submitting applications for contracts tendered by PSC Contractors/Operators. A new entrant wishing to submit a bid is at a disadvantage, as they are not able to demonstrate any track record of similar experience at a company level.
- In addition, as the demands by the Oil and Gas Industry tend to be critical in nature, a flawless safety record is also an important factor in securing a contract. For example, Health, Safety and Environment (HSE) Management continues to be a top priority in all PETRONAS' operations (*Source: PETRONAS*).
- In this respect, established service providers with a proven track record of successfully completing projects and maintaining the required safety standards have a distinct advantage over new entrants.

12.4 Capital Set-up Cost

- Capital set-up costs are generally a high barrier to entry for new entrants. Participation in a large number of Oil and Gas Industry niches requires substantial capital investment, particularly in terms of equipment and facilities that are used for larger service providers to facilitate specialised services such as Offshore Topside Maintenance.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)



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- In order for the service provider to provide more comprehensive activities, service providers need to have extensive in-house facilities, include offshore workboat for offshore supporting services works, and onshore fabrication yard to undertake minor fabrication for modification of parts and components prior to offshore activities.
- Some of the capital investment required to start-up as a service provider to facilitate Offshore Topside Maintenance Services in a small scale operation would cost approximately RM10 million. This includes the purchasing of equipment such as equipment and tools, project materials and working capital including bank guarantee of RM3 million. *(Source: Dayang Group)*
- A new entrant that is unable to make a substantial capital investment is likely to be restricted to dealing in generic services. As such, this would pose some barriers to entry for new entrant to compete effectively when bidding for new contracts from PSC operators/contractors.

13. INDUSTRY OUTLOOK

- The outlook of the Offshore Topside Maintenance Services for the Oil and Gas Industry in Malaysia is **favourable**. The offshore topside maintenance services for the Oil and Gas Industry in Malaysia are forecasted to grow by **8% to 10%** per annum for the next five years.
- The outlook for the Offshore Topside Maintenance Services Industry as a whole is dependent on the performance of the Oil and Gas Industry. As such, the favourable outlook for the Offshore Topside Maintenance Services Industry in Malaysia is based on the following observations and analyses:

Local Exploration Activity

- Between the financial years ended 31 March 2002 and 31 March 2007, the level of Investment made by PETRONAS and PSC operators in the exploration and production of Oil and Gas Industry in Malaysia increased at an average annual rate of 17.7%. Based on the latest announcement by PETRONAS on 28 June 2007, expenditure on the upstream Oil and Gas sector registered a growth of about 20% to RM19.2 billion compared to the previous year.
- In the Ninth Malaysia Plan, the Malaysian Government has allocated RM43.8 billion for the development of upstream and downstream segments of the Oil and Gas Industry. Of this, RM13.1 billion has been allocated for upstream activities and RM30.7 billion for downstream activities.
- Between the years ended 31 March 2002 and 31 March 2007, a total of 30 production sharing contracts were signed between PETRONAS and PSC operators.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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- Between the financial years ended 31 March 2003 and 2007, the number of exploration wells drilled increased at an average annual rate of 5.1%. There were 39 exploration wells drilled for the financial year ended 31 March 2007.
- Between the financial year ended 31 March 2002 and 2007, the number of Oil and Gas fields in operation in Malaysia increased from 56 to 85. Of the total 85 fields, 59 were oil fields while the remainder 26 were gas fields for the financial year ended 31 March 2007.

(Source: PETRONAS and Ninth Malaysia Plan 2006-2010)

Number of Platforms

- A relatively large number of platforms for offshore oil and gas supporting services provide significant growth for operators within the Industry. As at September 2007, there were approximately 400 offshore platforms in Malaysia. *(Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*

Reserves and Local Production

- Between January 2003 and January 2007, Malaysia's total reserves (including crude oil and condensates, and natural gas) grew at an average annual rate of 1.0%. As at 1 January 2007, Malaysia's total reserves (including crude oil and condensates, and natural gas) increased by 1.4 % to 20.2 billion barrels of oil equivalent (boe).
- Between January 2003 and January 2007, crude oil and condensates reserves grew at an average annual rate of 4.7%. As at 1 January 2007, crude oil and condensates reserves increased by 2.1% to 5.4 billion barrels of oil equivalent (boe).
- Between January 2003 and January 2007, natural gas reserves declined marginally at an average annual rate of 0.2%. However, as at 1 January 2007, natural gas reserves increased marginally by 1.1% to 14.8 billion barrels of oil equivalent (boe).
- Between 2002 and 2006, daily production of crude oil decreased at an estimated average annual rate of 2.1%. In 2006, preliminary data indicated that daily production of crude oil decreased by 4.0%, to 548,487 barrels per day.
- Between 2002 and 2006, daily production of natural gas increased at an estimated average annual growth rate of 5.4%. In 2006, the daily natural gas production decreased by 0.4% to 5.8 billion standard cubic feet per day.

11. **EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)**



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- Between 2002 and 2006, sales value of the manufacture of refined petroleum products grew at an average annual rate of 27.1%. In 2006, the sales value of the manufacture of refined petroleum products increased by 13.7% to RM82.1 billion.

(Source: Bank Negara Malaysia and Department of Statistics)

Exports

- Between 2002 and 2006, the export value of petroleum oils, crude, and crude oils obtained from bituminous minerals increased at an average annual rate of 28.8%. In 2006, export value increased by 7.7% to RM32.6 billion.
- Between 2002 and 2006, the export value of refined petroleum products increased at an average annual rate of 29.8%. In 2006, export value increased by 26.2% to RM19.2 billion.
- Between 2002 and 2006, the export value of natural gas, whether or not liquefied increased at an average annual rate of 23.9%. In 2006, the export value of natural gas, whether or not liquefied increased by 12.0% to approximately RM23.3 billion.

(Source: Department of Statistics)

14. DRIVERS OF GROWTH

- Some of the drivers of growth for Offshore Topside Maintenance Services within the Oil and Gas Industry are as follows:
 - **Market Price of Hydrocarbons Sustained at a High Level**

For the financial year ended 31 March 2007, the average price of West Texas Intermediate (WTI) and Brent crude increased by 8.5% and 12.2% respectively. The average price of West Texas Intermediate (WTI) and Brent crude reached USD64.92 per barrel and USD65.08 per barrel respectively for the financial year ended 31 March 2007.

The weighted average price of Malaysian Crude Oil (MCO) rose in tandem to USD68.50 per barrel, an increase of 11.2% for the financial year ended 31 March 2007, over the same period.

In January 2008, the price of the Malaysian benchmark oil grade, the Tapis Blend increased by 69.3%. In January 2007, the average price of the Tapis Blend increased from USD58.15 per barrel to USD98.46 per barrel in January 2008.

(Source: PETRONAS)

11. **EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)**



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Sustained high market price for hydrocarbons is likely to encourage hydrocarbon producers to maintain production at a high level, or even increase production by developing new fields, including marginal fields. Efforts to maintain and increase production are likely to spur the demand for the application of supporting products and services such as Offshore Topside Maintenance Services.

In addition, a sustained high market price for hydrocarbons may lead to the development of marginal or previously commercially unviable deposits. The development of these hydrocarbon deposits will drive the growth in the Oil and Gas Industry, including supporting services such as Offshore Topside Maintenance Services.

- **Technological Advances**

Technological advances that enhance production efficiency, lower production cost, or enable production to take place in previously inaccessible areas are likely to increase demand for supporting product and service providers, including providers of Offshore Topside Maintenance Services. Existing hydrocarbon producers may be inclined to apply technological advances to increase production efficiency, lower cost or improve recovery rates.

Technological advances that enable production in previously inaccessible areas may drive growth by bringing new deposits into production. This will in turn, promote growth for supporting products and services including Offshore Topside Maintenance Services.

- **PETRONAS Policy and Leadership**

PETRONAS has a policy of nurturing the development of local Oil and Gas organisations, including local supporting product and services providers.

In addition, PETRONAS encourages Malaysian organisations to participate in the Oil and Gas Industry overseas. Qualified Malaysian Oil and Gas Industry organisations, including local Offshore Topside Maintenance Service providers are encouraged to support PETRONAS' foreign operations.

As at 31 March 2007, PETRONAS has 58 international exploration and production ventures in 22 countries. *(Source: PETRONAS)*

- **Opening of Acreage for New Exploration**

The opening of new blocks of Malaysian territorial waters for exploration, development and production will create new demand for supporting products and services including Offshore Topside Maintenance Services.

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With a large proportion of shallow water (generally with depth of less than 200 metres) already allocated to PSC operators, the opening of new acreage is most likely for deep-water exploration, development and production.

For the financial year ended 31 March 2006, there were nine new PSC, six of which were awarded ultra-deepwater blocks. There were an additional four new PSC for the financial year ended 31 March 2007, which includes two deepwater blocks.

(Source: PETRONAS)

- **Discovery of New Reserves**

The discovery of new reserves will stimulate the demand for products and services to support the development and production of new reserves. Products and services related to development, among many others include, the use of offshore drilling and production platforms, maintenance services, marine services, transportation and logistics, pipelines and others. In 2005, a total of 7 new offshore oilfields were discovered. Of these discoveries, 4 were in Sabah, 2 in Sarawak, and one in Peninsular Malaysia (*Source: Bank Negara Malaysia*).

For the financial year ended 31 March 2006, new oil and gas reserves amounted to 645.3 million barrels of oil equivalent were discovered in Malaysia (*Source: PETRONAS*)

If production from new reserves is to be carried out through the use of offshore production platforms, this will increase the demand for the fabrication of new platforms and maintenance of those platforms. This will ultimately spur the demand for offshore supporting services including Offshore Topside Maintenance Services.

- **Development of Deepwater Resources**

According to PETRONAS, nearly 60% of the additions to the nation's Oil and Gas reserves for the financial year ended 31 March 2006 comes from deepwater areas, while 6 of the 9 new PSC awarded during this period were for ultra-deepwater blocks. For the financial year ended 31 March 2007, there were four new PSC, which includes two deepwater blocks.

In August 2007, Murphy Oil Corporation has commenced oil production from Kikeh Field, offshore deepwater in Sabah, Malaysia (*Source: Murphy Oil Corporation*). This is followed by another two deepwater projects, Gumusut-Kakap and Malikai fields which are expected to come onstream by 2010 and 2012 respectively. (*Source: PETRONAS*)

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This is expected to help spur the growth and development of Malaysia's Oil and Gas Industry, which would have a favourable impact on the demand for Offshore Topside Maintenance Services.

Deepwater areas are recognised as the most promising fields of the development of the Oil and Gas Industry in Malaysia. As exploration and production activities in these areas are typically more challenging, they are expected to require more support from providers of supporting products and services to the Oil and Gas Industry, including Offshore Topside Maintenance Service provider.

15. SUSTAINABILITY

- The sustainability of the overall Oil and Gas Industry, particularly in the exploration and production sectors, is dependent to a large degree, on the availability of Hydrocarbon Reserves in the Malaysian territory. Similarly, the sustainability of the local service providers of supporting products and services such as Offshore Topside Maintenance Services is also dependent on the activities of the Oil and Gas Industry.
- Hydrocarbon reserves are those quantities of hydrocarbons that are anticipated to be commercially recoverable from known accumulations from a given date forward. Over time, Hydrocarbon Reserves are depleted as hydrocarbons are extracted from reserves.
- Hydrocarbon reserves may increase through new discoveries of Oil and Gas reserves that are commercially viable.
- Reclassification of previously discovered, but not commercially viable deposits may also occur, leading to an increase in the quantity of reserves. This may occur through the following:
 - a sustained increase in the market price of hydrocarbons, and an upward revision of the forecast future price of hydrocarbons, may cause previously discovered but not commercially viable deposits to be re-classified as commercially viable. These deposits are then re-classified as reserves.
 - advances in production technology may lower the cost of extracting hydrocarbons from a particular deposit to a point where production is commercially viable.
 - advances in production technology may allow production from previously unreachable hydrocarbon deposits.
 - the application of enhanced oil recovery techniques such as gas injection, fluid injection, or chemical injection may increase the hydrocarbon recovery rate of a deposit, which may warrant an increase in the level of reserves in that deposit.

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Total Reserves

- Between January 2003 and January 2007, Malaysia's total reserves (including crude oil and condensates, and natural gas) grew at an average annual rate of 1.0%.
- As at 1 January 2007, Malaysia's total reserves (including crude oil and condensates, and natural gas) amounted to 20.2 billion barrels of oil equivalent (boe). The growth is a result of the continuous exploration campaign undertaken by PETRONAS and its production sharing contractors. (Source: PETRONAS)

Crude Oil and Condensates Reserves

- Between January 2003 and January 2007, the crude oil and condensates reserves grew at an average annual rate of 4.7%.
- As at 1 January 2007, the crude oil and condensates reserves increased by 2.1% to 5.4 billion barrels of oil equivalent (boe).
- If these reserves were extracted at a constant rate equal to the crude oil (including condensates) production rate recorded as at 1 January 2006, production is projected to continue for 21 years.

(Source: PETRONAS and Bank Negara Malaysia)

Natural Gas Reserves

- Between January 2003 and January 2007, the natural gas reserves declined marginally at an average annual rate of 0.2%.
- However, as at 1 January 2007, the natural gas reserves increased marginally by 1.1% to 14.8 billion barrels of oil equivalent (boe).
- If these reserves are extracted at a constant rate equal to the rate of natural gas production recorded as at 1 January 2006, production in Malaysia is projected to continue for 34 years.
- Between the financial years ended 31 March 2002 and 31 March 2006, a cumulative of approximately 3.4 billion BOE of New Discoveries of Oil and Gas were made in Malaysia by PETRONAS and PSC Operators.
- The most fruitful year was the financial year ended 31 March 2005, whereby new discoveries of Oil and Gas were recorded at 1,084.7 million BOE. This was 51.2% higher compared to the financial year ended 31 March 2004.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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- Deepwater discoveries accounted for nearly 70% of reserve additions for the financial year ended 31 March 2005. Significant oil and gas discoveries during the year included:
 - deepwater Gumusut-Kakap and Malikai fields offshore Sabah;
 - NC4 and F2 Attic fields offshore Sarawak;
 - Anding Utara oilfield offshore Peninsular Malaysia.

(Source: PETRONAS and Bank Negara Malaysia)

New Discoveries of Oil and Gas

- The Anding Utara discovery introduces further exploration prospects for the Malay basin (the area offshore the east coast of Peninsular Malaysia), previously regarded as a mature area. *(Source: PETRONAS)*
- In June 2005, Murphy Oil Corporation announced that it had discovered oil and natural gas deposits in its Endau 1 exploration well in offshore Sarawak.
- For the financial year ended 31 March 2006, a total of 645.3 million barrels of oil equivalent of hydrocarbons reserves were discovered in Malaysia. Of this, deepwater discoveries accounted for nearly 60%. For the financial year ended 31 March 2006, significant amount of the oil and gas discoveries were from deepwater Block K and Block G, and shallow water blocks PM 3 CAA, PM 301, PM 314 and SK 306. *(Source: PETRONAS)*

16. THREAT AND RISK ANALYSIS
16.1 Sustained Fall in the Market Price of Hydrocarbons

- Hydrocarbons, including crude petroleum and natural gas, are internationally traded commodities whose price fluctuates with the constant interaction between supply and demand for hydrocarbons. Factors such as geopolitical factors 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;
 - Activities tend to decline during periods of sustained low hydrocarbon prices. This is due to lower production activities, as well as temporarily reducing or shutting down production from reserves that are no longer commercially viable. However exploration activities will still continue.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)

**VITAL FACTOR CONSULTING**

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- There is a risk that sustained lower price of hydrocarbons will negatively affect activities in the Oil and Gas Industry, leading to lower demand for supporting products and services, including Offshore Topside Maintenance Services.

Mitigating Factors

- However the maintenance of offshore structures and platform is affected to a lesser degree due to the nature of the industry. There will always be a requirement for maintenance services to ensure that the integrity of the existing and aging offshore structures and platforms are not compromised.
- OPEC, a grouping that includes many of the world's largest petroleum producing nations, has some influence on the price of hydrocarbons through their control of a sizable proportion of the world's production capacity and reserves. Although the influence of OPEC over the market price of hydrocarbons is not absolute, OPEC has a vested interest in ensuring that hydrocarbon prices do not collapse, and as such, are likely to actively attempt to sustain hydrocarbon prices at an 'acceptable' level.

16.2 Downturn in the Local and Global Economies

- Any prolonged and/or widespread downturn in the global economy is likely to negatively affect the global demand for hydrocarbons, and production of hydrocarbons. This in turn is likely to negatively affect demand for supporting products and services in Malaysia, as activities in the Oil and Gas Industry in Malaysia slows down.

Mitigating Factors

- A global economic slowdown does not automatically lead to a sustained fall in the market price for hydrocarbons, as the demand for hydrocarbons for power generation and transport tends to be relatively inelastic.
- The Malaysian Government has taken pro-active policies in mitigating negative impacts of global economic downturn in the past, by implementing stimulus packages to boost domestic spending and demand in countering a slowdown in the local economy.

16.3 Depletion of Hydrocarbon Resources

- All hydrocarbon deposits are non-renewable, whereby it is not possible to regenerate these hydrocarbons within a reasonable timeframe once they have been extracted. As such, hydrocarbon resources in all hydrocarbon producing regions, including Malaysia, will eventually be depleted.
- It is likely that demand for supporting products and services in Malaysia, including Offshore Topside Maintenance Services will be adversely affected after Oil and Gas Industry exploration and production activities ceases in Malaysia.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)


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Mitigating Factors

- As at 1 January 2007, hydrocarbon reserves in Malaysia are as follows:
 - Reserves of crude oil (including condensates) amounted to 5.4 billion barrels of oil equivalent (boe);
 - Reserves of natural gas amounted to 14.8 billion boe.
 (Source: PETRONAS)
- At the present rate of production, hydrocarbon reserves in Malaysia are expected to sustain production as follows:
 - Production of crude oil (including Condensates) for 21 years;
 - Production of natural gas for 34 years.
 (Source: Bank Negara Malaysia)
- The relatively long period of time before current reserves of crude oil (including condensates) and natural gas in Malaysia are expected to be completely depleted enables Oil and Gas Industry companies, including providers of Offshore Topside Maintenance Services, to diversify into other industries and/or venture into overseas markets.
- The National Depletion Policy introduced in 1980 to safeguard the exploitation of the natural oil reserves by postponing development and control the production of major oil fields (with reserves of 400 million barrels or more) will also ensure that extraction is carefully managed and sustained over the long term.
- Current reserve estimates tend to be conservative and may underestimate the actual amount of hydrocarbons that is ultimately extracted, as they do not take into account the following:
 - the existence of currently undiscovered hydrocarbon reserves;
 - technological advances that increases the amount of hydrocarbons that may be commercially extracted from existing reserves;
 - technological advances that enable production from previously inaccessible regions.
- As such, activities in the Oil and Gas Industry in Malaysia may very well continue beyond the currently estimated date of complete hydrocarbon reserve depletion.

16.4 Change in PETRONAS Policy

- A fundamental change in PETRONAS policy with regards to regulating the Oil and Gas Industry in Malaysia can take either one of two forms:
 - Liberalisation of the Oil and Gas Industry;
 - Nationalisation of the Oil and Gas Industry.
- PETRONAS may liberalise the Oil and Gas Industry by:
 - Removing licensing requirements for the provision of all supporting products and services;

11. **EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)**



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- Loosening licensing requirements such that it becomes easier to obtain a licence;
 - Allowing foreign suppliers to operate in Malaysia without restrictions and the need to operate with a local partner.
- Liberalising the Oil and Gas Industry in this manner will negatively impact on incumbent organisations by increasing competition in the industry.
 - Nationalisation of the Oil and Gas Industry will prevent all private companies from operating in the Oil and Gas Industry in Malaysia.

Mitigating Factors

- Malaysia as an open market and dependent on foreign investments is not likely to nationalise any industry for fear of frightening off foreign investments.
- Currently, despite the restrictions of licensing and registration, there exists competition. In the event of any liberalisation, existing organisations in the Oil and Gas Industry would not be any worse off as they have already been operating in a competitive environment.
- On the contrary, the liberalisation of the Oil and Gas Industry may provide benefits to existing organisations as they may be able to enter into new areas that leverage from their existing strengths and customer base.

17. AREAS OF GROWTH AND OPPORTUNITIES

17.1 Overseas Operations

- The Malaysian Oil and Gas Industry is large, and has been able to sustain the development of local organisations. However to grow further, it is important that these organisations operate in other markets.
- It is also important to venture into new areas to survive beyond the depletion of Malaysia's own hydrocarbon resources, although given the current size of reserves and production rate, this is not likely to happen in the near or medium term.
- Organisations within Offshore Topside Maintenance Services sector may also gain a foothold in overseas markets by first providing products and services to PETRONAS and its affiliates and operations overseas.

17.2 Technological Advancement

- The Oil and Gas Industry is driven by technology, and organisations are generally willing to adopt new technologies. This is particularly true for advances that increase production efficiency, decrease cost of production, and/or enable production in previously inaccessible areas.

11. **EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)**



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- Development of technological advancement that fits one or more criteria is likely to create an opportunity for organisations that are able to provide that technology.

17.3 Sustained High Price of Hydrocarbons

- The expectations that high market price for hydrocarbons can be sustained should encourage the development of marginal fields.
- With the high market price for hydrocarbons, the expected value of the extractable hydrocarbons rises such that the expected returns from production becomes economically viable.
- Development of marginal fields is likely to create an opportunity for operators that are providing supporting products and services to either enable or help maintain production activities in these fields.
- High hydrocarbon prices could also revive some old wells that still contain some proportion of reserves to be commercially viable for extraction. Operators may undertake development projects in mature fields to increase production in these areas.

17.4 Redefinition of Blocks

- PETRONAS has the authority to redefine petroleum blocks to encourage exploration and production activities.
- In some cases, petroleum blocks that are allocated to PSC operators/contractors are found to be uneconomical as a whole, after initial exploration results. This may be because discovered hydrocarbon reserves are found to be too scattered or dispersed to allow for economical development of the entire petroleum block.
- PETRONAS has the authority to redefine the petroleum blocks in question to "carve out" the fields with economical hydrocarbon reserves into one or more new petroleum blocks. This is likely to create an opportunity for service providers, including Offshore Topside Maintenance Services, to facilitate activities on these fields.

18. CRITICAL SUCCESS FACTORS

- The critical success factors for offshore supporting services for the Oil and Gas Industry, including providers of Offshore Topside Maintenance Services, are as follows:
 - **PETRONAS Licensing and Registration:** Companies wishing to participate 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. The

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)

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possession of these licences or registrations is a fundamental requirement for direct entry and participation.

- **Track Record:** An established track record is a key advantage when submitting tenders or proposals for contracts. This is particularly true for Offshore Topside Maintenance Services as these services are often critical to ensure that the integrity of the existing and aging offshore structures and platforms are not compromised. Thus, PSC operators/contractors would commonly prefer to deal with organisations that have a proven track record.
- **Quality of Product and Services:** Organisations that are able to offer proof of quality through formal quality accreditations are able to provide assurance to their clients.
- **Health, Safety and Environment (HSE) Concerns:** HSE Management continues to be a top priority in all PETRONAS' operations (*Source: PETRONAS*). Companies in the Oil and Gas Industry require that their contractors and sub-contractors to have a good HSE record. As a company's HSE record is one of the factors considered when evaluating tender submissions, the possession of a good HSE record evidenced by low work-related fatalities, injuries and lost-time incidents is one of the success factors.
- **Financial Stability:** Offshore supporting service providers, including providers of Offshore Topside Maintenance Services, who are in a healthy financial position, are more likely to retain and attract new customers. Potential customers would emphasise financial stability as a key criterion in the evaluation of a prospective organisation as they would not want any disruption in the supply of products and services, particularly in a long-term contract. A financially strong provider would be in a better position to upgrade its services, if necessary, to keep abreast with technology, or to meet future demand for additional services. Organisations without sufficient cash flow or reserves would run into possible supply problems.
- **Multi-Discipline Engineering Capability:** Companies that have multi-discipline engineering capabilities are able to provide a wider range of supporting services including, maintenance of topside structures, piping systems, electrical and instrumentation, offshore hook-up and commissioning works as well as fabrication and welding works.

11. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE OFFSHORE SUPPORTING SERVICES FOR THE OIL AND GAS INDUSTRY, FOCUSING ON OFFSHORE TOPSIDE MAINTENANCE REPORT (Cont'd)



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19. MARKET RANKING

Market Ranking of Providers of Offshore Topside Maintenance and/or Offshore Hook-up and Commissioning Services in Malaysia

- In 2007, Dayang Group ranked ninth among companies that undertake Offshore Topside Maintenance and/or hook-up and commissioning in Malaysia based on total company revenue from the Oil and Gas sector.

Note: The above ranking of companies is based on total company revenue, which includes revenue from Offshore Topside Maintenance and/or offshore hook-up and commissioning and/or related or non-related business activities. Nevertheless, all companies in the ranking must undertake Offshore Topside Maintenance and/or offshore hook-up and commissioning.

Vital Factor Consulting Sdn Bhd has prepared this report in an independent and objective manner and has 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. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wong Wai Ling
Director

12. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



DAYANG ENTERPRISE HOLDINGS BHD

NO. SYARIKAT 712243-U

LOT 868, 1ST FLOOR, JALAN PERMAISURI,
P. O. BOX 1134, 98008 MIRI, SARAWAK, EAST MALAYISA.
TEL: 085-420185 (7 LINES) TELEX: MA74318 DAYAEN FAX: 085-421654

(Prepared for inclusion in this Prospectus)

25 MAR 2008

The Shareholders of
Dayang Enterprise Holdings Berhad
Lot 868, 1st Floor
Jalan Permaisuri
98000 Miri, Sarawak

Dear Sir/Madam,

On behalf of the Board of Directors of Dayang Enterprise Holdings Berhad ("**DEHB**" or "**Company**"), I wish to report after due enquiry by the Board of Directors of DEHB, that between the period from 30 September 2007 (being the date to which the last audited financial statements of the Company and its subsidiaries ("**Group**") has been made up) to the date of this letter (being a date not earlier than 14 days before the issuance of this Prospectus), that:-

- (a) The business of our Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by our Group;
- (e) There have been, since the latest audited financial statements of our Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings, in which the Directors are aware of; and
- (f) Save as disclosed in this Prospectus, there have been, since the last financial statements of our Group, no material changes in the published reserves or any unusual factors affecting the profits of our Group.

Yours faithfully,

For and on behalf of the Board of Directors
DAYANG ENTERPRISE HOLDINGS BERHAD


Tengku Yusof bin Tengku Ahmad Shahrudin
Non-Independent Managing Director

13. VALUATION CERTIFICATE

(Prepared for inclusion in the Prospectus)



Ooi & Zaharin Sdn Bhd
(Company No : 585479-A)

Johor Branch Office
Unit 13.02, Level 13, Wisma LKN
No. 49, Jalan Wong Ah Fook
80000 Johor Bahru, Johor, Malaysia.
+ 60 7 2273 888
+ 60 7 2276 888 fax

knightfrank.com

- 5 MAR 2008

Dayang Enterprise Holdings Berhad
Lot 868, 1st Floor, Jalan Permaisuri
98000 Miri
Sarawak

Dear Sirs

**CERTIFICATE OF VALUATION FOR 3 MARINE VESSELS NAMELY "DAYANG PERTAMA",
"DAYANG BERLIAN" AND "DAYANG MAJU"**

We were instructed by Dayang Enterprise Holdings Berhad to advise on the Market Values of two Maintenance/Work Vessels known as Dayang Pertama and Dayang Berlian and a Landing Craft/Supply Boat known as Dayang Maju, for the purpose of inclusion in this prospectus in connection with the listing of Dayang Enterprise Holdings Berhad on the Main Board of Bursa Malaysia Securities Berhad.

In accordance with DESB Marine Services Sdn Bhd's instruction, we have conducted a Valuation of the said vessels and details of the Valuation are contained in our Valuation Report bearing Reference No. V/JB/07/343/lk, dated 24th September 2007. The Valuation was prepared in conformity with the Guidelines on Asset Valuations issued by the Securities Commission.

The basis of valuation adopted is the **Market Value** which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing seller and a willing buyer in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Where it is stated in the Valuation Report that information has been supplied by the sources listed, this information is believed to be reliable and no responsibility is accepted should it prove not to be so. The Valuation Report has been prepared on the basis that full disclosure of all information and facts which may affect the Valuation, have been made known to ourselves and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made.

For inventory check purpose, we have perused the detailed list of the plant, machinery and equipment furnished by the Client. As part of the valuation process, we have inspected the major items and taken the relevant details. As for minor items, we have relied upon the inventory information as stated in the aforesaid list.

We have inspected the plant, machinery and equipment as at the date mentioned herein and made no investigation of and assumed no responsibility for titles and liabilities against the plant, machinery and equipment valued.

13. VALUATION CERTIFICATE (Cont'd)



Certificate of Valuation for 3 vessels namely "Dayang Pertama", "Dayang Berlian" and "Dayang Maju"

For the purposes of this Information Memorandum, we have summarised our Report and outlined key factors which have been considered in arriving at our opinion of the Market Values for the vessels. This letter does not contain all the necessary data and information included in our Report. For all intents and purposes, this Certificate of Valuation should be read in conjunction with our abovementioned formal Valuation Report.

Brief descriptions of the vessels are as follows:-

ASSET IDENTIFICATION	GENERAL DESCRIPTION OF ASSET	MARKET VALUE
<p>Type of Asset Dayang Pertama – a 75-metre steel Maintenance/Work Vessel.</p> <p>Interest To Be Valued Dayang Pertama which is wholly owned by DESB Marine Services Sdn Bhd (Company No. 634824-V) according to the Particulars of Ship as contained in the Certificate of Malaysia Registry, issued on 17th June 2005</p> <p>Registered Proprietor DESB Marine Services Sdn. Bhd.</p>	<p>Dayang Pertama is of all welded steel construction with twin diesel engines, twin fixed pitch propeller inside nozzles and one (1) Bow Thruster. The Vessel's accommodation, designed to accommodate 189 persons is located in the forecabin, main and under the main decks. The main hull is divided by eight (8) transverse water-tight bulkheads into various tank compartments.</p> <p>Dayang Pertama is installed with 4 units of 40-ton line-pull Hydraulic Mooring Winches connecting to 4 units of 4-ton Delta Flipper Anchors by means of 38 mm steel wires to provide a 4-point Spread Mooring System. The function of the 4-point Spread Mooring System is to position the Vessel at a specific location and co-ordinate at sea, such that the required position throughout the duration of Platform Maintenance Operations at the Oil Fields is maintained.</p> <p>A 25-ton Safe Working Load (SWL) pedestal deck crane is also installed to provide lifting capabilities by DP during operations.</p>	<p>Market Value RM52,000,000.</p> <p>Date of Valuation 24th September 2007.</p> <p>Method of Valuation We have adopted the Depreciated Replacement Cost approach, which takes into account the following:</p> <ol style="list-style-type: none"> 1. Cost of Replacement New, as at the date of valuation; 2. Depreciation due to age; 3. Condition of maintenance; 4. Future economic working life, and 5. Local market conditions. <p>We have also relied upon the Income Capitalisation Method as a check method.</p>

13. VALUATION CERTIFICATE (Cont'd)



Certificate of Valuation for 3 vessels namely "Dayang Pertama",
"Dayang Berlian" and "Dayang Maju"

ASSET IDENTIFICATION	GENERAL DESCRIPTION OF ASSET	MARKET VALUE
<p>Type of Asset Dayang Berlian – a 75-metre steel Maintenance/Work Vessel.</p> <p>Interest To Be Valued Dayang Berlian which is wholly owned by DESB Marine Services Sdn Bhd (Company No. 634824-V) according to the Particulars of Ship as contained in the Certificate of Malaysia Registry, issued on 4th January 2007.</p> <p>Registered Proprietor DESB Marine Services Sdn. Bhd.</p>	<p>Dayang Berlian is of all welded steel construction with twin diesel engines, twin fixed pitch propeller inside nozzles and one (1) Bow Thruster. The Vessel's accommodation, designed to accommodate 189 persons is located in the forecastle, main and under the main decks. The main hull is divided by eight (8) transverse water-tight bulkheads into various tank compartments.</p> <p>Dayang Berlian is installed with 4 units of 40-ton line-pull Hydraulic Mooring Winches connecting to 4 units of 4-ton Delta Flipper Anchors by means of 38 mm steel wires to provide a 4-point Spread Mooring System. The function of the 4-point Spread Mooring System is to position the Vessel at a specific location and co-ordinate at sea, such that the required position throughout the duration of Platform Maintenance Operations at the Oil Fields is maintained.</p> <p>A 25-ton Safe Working Load (SWL) pedestal deck crane is also installed to provide lifting capabilities by DB during operations.</p>	<p>Market Value RM54,500,000.</p> <p>Date of Valuation 24th September 2007.</p> <p>Method of Valuation We have adopted the Depreciated Replacement Cost approach, which takes into account the following:</p> <ol style="list-style-type: none"> 1. Cost of Replacement New, as at the date of valuation; 2. Depreciation due to age; 3. Condition of maintenance; 4. Future economic working life, and 5. Local market conditions. <p>We have also relied upon the Income Capitalisation Method as a check method.</p>

ASSET IDENTIFICATION	GENERAL DESCRIPTION OF ASSET	MARKET VALUE
<p>Type of Asset Dayang Maju – a 46-metre steel Landing Craft/Supply Boat.</p> <p>Interest To Be Valued Dayang Maju which is wholly owned by DESB Marine Services Sdn Bhd (Company No. 634824-V) according to the Particulars of Ship as contained in the Certificate of Malaysia Registry, issued on 25th January 2006</p> <p>Registered Proprietor DESB Marine Services Sdn. Bhd.</p>	<p>Dayang Maju is of all welded steel construction with twin diesel engines and twin fixed pitch open propellers. The Vessel's accommodation, capable of accommodating 14 persons is located above the main deck. The main hull is divided by nine (9) transverse water-tight and oil-tight bulkheads into the following compartments:</p> <ol style="list-style-type: none"> 1) Forepeak fresh water and sea water ballast (FW/SWB) tank. 2) FW/SWB tanks Port & Starboard (P&S) with centre-line compartment for bow thruster. 3) Cargo FW tanks, P&S. 4) Void tanks. 5) Cargo fuel oil tanks, P&S. 6) Cargo fuel oil tanks, P&S. 7) Engine room and ship's fuel oil and fresh water tanks. 8) Steering gear compartment. 	<p>Market Value RM8,800,000.</p> <p>Date of Valuation 24th September 2007.</p> <p>Method of Valuation We have adopted the Depreciated Replacement Cost approach, which takes into account the following:</p> <ol style="list-style-type: none"> 1. Cost of Replacement New, as at the date of valuation; 2. Depreciation due to age; 3. Condition of maintenance; 4. Future economic working life, and 5. Local market conditions. <p>We have also relied upon the Income Capitalisation Method as a check method.</p>

13. VALUATION CERTIFICATE (Cont'd)

*Certificate of Valuation for 3 vessels namely "Dayang Pertama",
"Dayang Berlian" and "Dayang Maju"*

Having regard to the foregoing and taking into consideration all the relevant factors, we are of the opinion that the Market Values of the three vessels belonging to DESB Marine Services Sdn Bhd, as at 24th September 2007, are as follows:

<u>Name of Vessel</u>	<u>Market Value</u>
Dayang Pertama	RM52,000,000.00 (Ringgit Malaysia Fifty Two Million only)
Dayang Berlian	RM54,500,000.00 (Ringgit Malaysia Fifty Four Million and Five Hundred Thousand only)
Dayang Maju	RM8,800,000.00 (Ringgit Malaysia Eight Million and Eight Hundred Thousand only).

Yours faithfully
KNIGHT FRANK

A handwritten signature in black ink, appearing to read 'Kho Joo Hee'.

KHO JOO HEE, MISM
Registered Valuer, V-0369

A handwritten signature in black ink, appearing to read 'Lui Fook Kee'.

LUI FOOK KEE
Licensed Plant & Machinery
Valuer & Auctioneer (Singapore)
AD041-2008590J

13. VALUATION CERTIFICATE (Cont'd)



GENERAL PRINCIPLES ADOPTED AND LIMITING CONDITIONS IN THE PREPARATION OF VALUATIONS AND REPORTS

These are the general principles and limiting conditions upon which our Valuations and Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the report.

1) MALAYSIAN VALUATION STANDARDS

The report and valuation is carried out in accordance with the Manual Of Valuation Standards published by the Board of Valuers, Appraisers And Estate Agents.

Where applicable, we have also made reference to other established valuation manuals and standards such as the International Valuation Standards (IVS) and the Royal Institute Of Chartered Surveyors (RICS) Appraisal And Valuation Manual.

2) CONFIDENTIALITY

Our Valuations and Reports are confidential to the client or to whom they are addressed for the specific purpose to which they refer. They may be disclosed to other professional advisors assisting the client in respect of that purpose, but the client shall not disclose the report to any other party. No responsibility is accepted to any other party and neither the whole, nor any part, nor reference thereto may be included in any published document, statement or circular, or published in any way, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

3) USE OF REPORT

The opinion of value expressed in this Report shall be used for the purpose stated in this Report only. We are not responsible for any consequences arising from the Valuation being quoted out of context.

4) SOURCE OF INFORMATION

Where it is stated in the Report that information has been supplied by the sources listed, this information is believed to be reliable and no responsibility is accepted should it prove not to be so. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with the relevant authorities. This Report has been prepared on the basis that full disclosure of all information and facts which may affect the Valuation, have been made known to ourselves and we cannot accept any liability or responsibility in any event, unless such full disclosure has been made.

5) LEGAL TITLE

Whenever possible, a private title search is conducted at the respective Land Registry/Office but this is done to establish title particulars relevant to valuation only. Whilst we may have inspected the title of the property as recorded in the Register Document of Title, we cannot accept any responsibility for its legal validity.

6) TOWN PLANNING AND OTHER STATUTORY REGULATIONS

Information on Town Planning is obtained from the Structure Plan, Local Plan and Development Plans published by the relevant Authority. Whilst we may make verbal enquiries, we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road and drainage improvements. If reassurance is required, we recommend that verification be obtained from your lawyers or other professional advisors.

Our Valuations are prepared on the basis that the premises and any improvements thereon comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a Certificate of Fitness for Occupation by the competent authority.

7) LEASES AND TENANCIES

Enquiries as to the financial standing of actual or prospective lessees or tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed that the lessees or tenants are capable of meeting their obligations under the lease or tenancy and that there are no arrears of rent or undisclosed breaches of covenant.

13. VALUATION CERTIFICATE (Cont'd)



8) DEVELOPMENT AGREEMENTS

Unless otherwise stated, no allowances are made in our valuation for any joint venture agreement, development right agreement or other similar contracts.

9) MEASUREMENTS

All measurements are carried out in accordance with the Uniform Method Of Measurement issued by the Institution Of Surveyors, Malaysia.

10) SITE SURVEYS

We have not conducted any boundary checks, however, we assume that the dimensions correspond with those shown in the title document, certified plan or any relevant agreement.

11) STRUCTURAL SURVEYS

We have not carried out a building survey nor any testing of services, nor have we inspected those parts of the property which are inaccessible. We cannot express an opinion about or advise upon the condition of uninspected parts and this Report should not be taken as making any implied representation or statement about such parts. Whilst any defects or items of disrepair are noted during the course of inspection, we are not able to give any assurance in respect of rot, termite or pest infestation or other hidden defects.

12) SITE CONDITIONS

We do not normally carry out investigations on the property or neighbouring land (including the past and present uses) in order to determine the suitability of the ground conditions (including contamination or potential for contamination) and services for the existing or any new development, nor have we undertaken any archaeological, ecological or environmental surveys. Unless we are otherwise informed, our Valuations are on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

13) DELETERIOUS OR HAZARDOUS MATERIALS

No investigation was carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated and we are therefore unable to account or report for such in our report.

14) DISEASES AND INFESTATIONS

Whilst due care is taken to note the presence of any disease or infestation, we have not carried out any test to ascertain possible latent infestations or diseases affecting crops or stock. We are therefore unable to account for such in our Report.

15) OUTSTANDING DEBTS

In the case of buildings where works are in hand or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, sub-contractors or any members of the professional or design team.

16) TAXATION, ENCUMBRANCES, STATUTORY NOTICES AND OUTGOINGS

Unless otherwise stated, no allowances are made in our valuation for any expense of realisation or for taxation which might arise in the event of a disposal, deemed or otherwise. We have considered the property as if free and clear of all charges, lien and all other encumbrances which may be secured thereon. We also assumed the property is free of statutory notices and outgoings.

17) ATTENDANCE

The instruction and the valuation assignment does not automatically bind us to attendance in court or to appear in any enquiry before any government or statutory bodies in connection with the Valuation unless agreed when the instruction is given.