

5. INFORMATION ON OUR GROUP (CONT'D)

The Purchase Consideration was arrived at on willing-buyer willing-seller basis based on the adjusted audited NA after taking into consideration the fair value of the assets of TAS as at 31 May 2008 of RM51,305,390.

Upon completion of the Acquisition, our issued and paid-up share capital has increased from RM1,000 comprising 2,000 TAS Offshore Shares to RM51,501,000 comprising 103,002,000 TAS Offshore Shares.

5.5.2 Public Issue

In conjunction with the Listing, we will undertake a public issue of 77,000,000 new TAS Offshore Shares, representing approximately 42.8% of our enlarged issued and paid-up share capital, at an issue price of RM0.90 per Issue Share to be allocated in the following manner:-

- i. 3,500,000 Issue Shares will be made available for application by the eligible Directors and employees of our Group and persons who have contributed to the success of our Group;
- ii. 9,000,000 Issue Shares will be made available for application by the Malaysian Public;
- iii. 21,500,000 Issue Shares will be made available for application by way of placement to identified investors; and
- iv. 43,000,000 Issue Shares will be made available for application by way of placement to Bumiputera investors approved by the MITI.

The Issue Shares will rank *pari passu* in all aspects with the existing TAS Offshore Shares, except that the new TAS Offshore Shares will not be entitled to any dividends, rights, allotment or other distribution, the entitlements of which is prior to the date of allotment of the said TAS Offshore Shares.

Upon completion of the Public Issue, our issued and paid-up share capital will increase from RM51,501,000 comprising 103,002,000 TAS Offshore Shares to RM90,001,000 comprising 180,002,000 TAS Offshore Shares.

5.5.3 Offer for Sale

In conjunction with the Listing, 11,000,000 Offer Shares, representing 6.1% of our enlarged issued and paid-up share capital, at an offer price of RM0.90 per Offer Share will be offered for sale by way of placement to Bumiputera investors approved by the MITI.

5.5.4 Listing

Upon completion of steps 5.5.1 to 5.5.3 above, we will apply to Bursa Securities for the admission of our Company to the Official List and for the listing of and quotation for our entire enlarged issued and paid-up share capital of RM90,001,000 comprising 180,002,000 TAS Offshore Shares on the Main Market of Bursa Securities. We will be seeking a listing based on profit track record test.

5. INFORMATION ON OUR GROUP (CONT'D)

5.6 Location of Operations and Assets

The location of our business, principal assets, both tangible and intangible, and production facilities are as follows:-

Operations and assets	Approximate Built-up Area/ Surface Area	Location of facility
Head office and other supporting buildings	7,414 squares metres (built-up area)	Lot 100, 111 & 112 Block 1 Sibul Town District, Jalan Sg Ma'aw, Sg. Bidut, 96000 Sibul, Sarawak
Shipbuilding and ship repairing yard	31,051 square metres (surface area)	Lot 22 Block 1 Sibul Town District, Sibul Grant No. 1217, 1218, Sibul Occupation Ticket No. 2202 and 20175 Jalan Sg Ma'aw, Sg. Bidut, 96000 Sibul, Sarawak

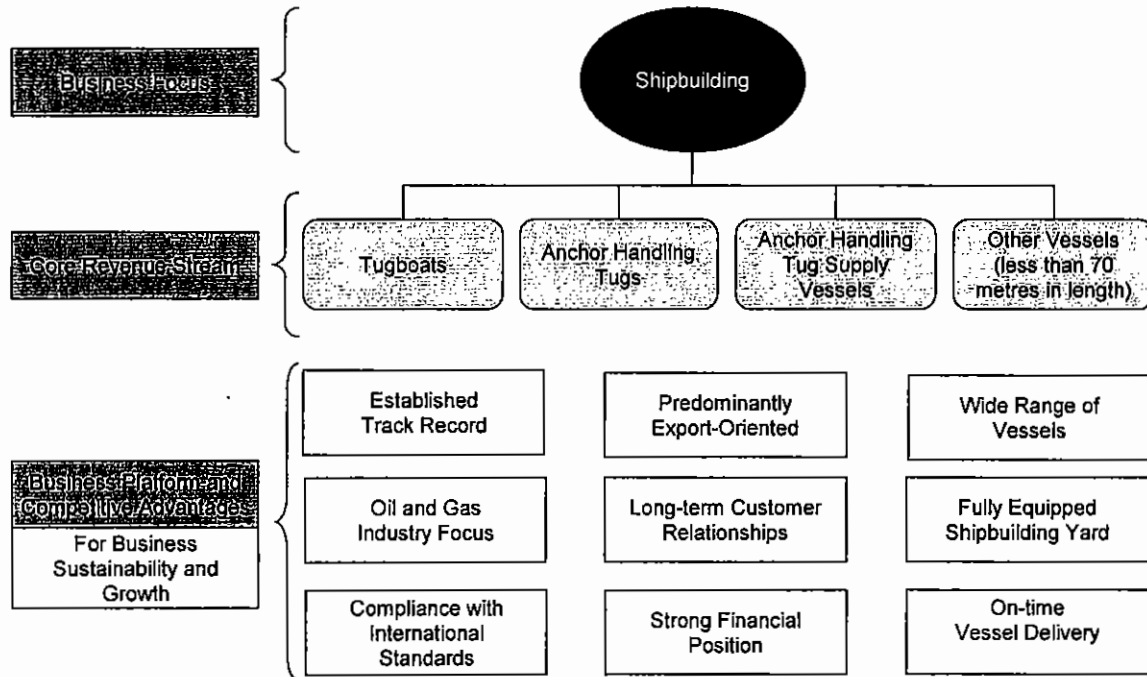
5.7 Key Achievements/ Milestones/ Awards

Year	Achievements/ Milestones/ Awards
1977	The history of TAS Offshore Group can be traced back to 1977 with the incorporation of TASSB. Its initial business activity was in the supply of marine coatings and the provision of shipping services
1991	TASSB diversified into Shipbuilding and ship repairing
2002	TAS was incorporated and initially started with ship repairing business
2003	TAS obtained a Manufacturing Licence on 9 August 2003 from MITI with respect to "Shipbuilding & Ship Repairing" and "Leisure Craft & Offshore Steel Structures". TAS obtained Pioneer Status from MITI which was valid from 1 August 2003 to 31 July 2008
2004	The Shipbuilding and ship repairing operations of TASSB were transferred to TAS. TAS acquired its current 12.3 acres shipyard in Sungai Bidut in Sibul, Sarawak
2006	TAS was awarded "2nd Position out of the Top 10 Golden Bull Award 2006" organised by Nanyang Siang Pau
2007	TAS received ISO 9001:2000 certification issued by Bureau Veritas Certification Malaysia
2008	TAS Offshore Group completed the construction of a 60-metre Anchor Handling Tug Supply Vessel, which is the largest ship constructed by our Group to-date

6. BUSINESS OVERVIEW

6.1 Business Model

Our Business Model is depicted in the figure below:-



6.1.1 Business Focus

We are primarily involved in Shipbuilding where we have in place all the resources and facilities including engineers and skilled workers, Shipbuilding Yard, and machinery and equipment to construct fully functional vessels. All of the vessels constructed by us comply with international standards.

6.1.2 Core Revenue Stream

Our core revenue stream is focused on building various types of vessels less than 70 metres in length. These vessels are for general use and include, among others:-

- i. Tugboats;
- ii. Anchor Handling Tugs;
- iii. Anchor Handling Tug Supply Vessels;
- iv. Utility/ support vessels;
- v. Landing craft;
- vi. Barges;
- vii. Ferries; and
- viii. Workboats.

6. BUSINESS OVERVIEW (CONT'D)

In addition, we are able to undertake conversions of vessels, for example from deck barge to container vessel, as well as repair of vessels.

The vessels constructed by our Group are predominantly sold to overseas customers showing a strong indication that our Group can comply with the requirements of overseas customers in addition to being internationally competitive and established.

6.1.3 Business Platform and Competitive Advantages

Our business is supported by a strong platform of strengths and competitive advantages to sustain the business as well as to support growth. These competitive advantages are detailed below:-

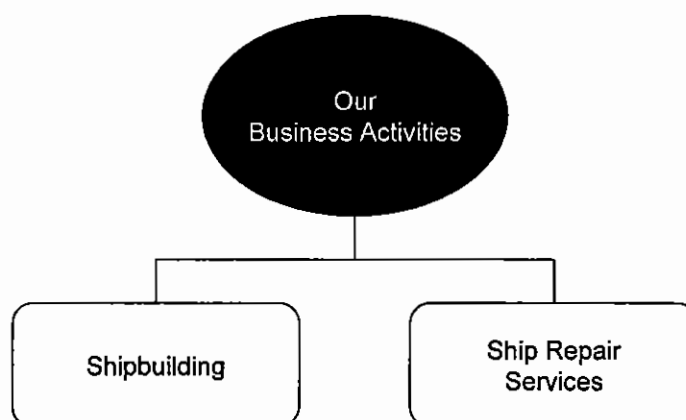
- i. **Established Track Record.** We have an established track record spanning 17 years in the Shipbuilding business. We entered the Shipbuilding Industry in 1991 through TASSB. TAS was incorporated in 2002, and the Shipbuilding and ship repair operations of TASSB were transferred to TAS in 2004. To date, we have completed over 150 vessels of various types and sizes for our customers since the commencement of our Shipbuilding activities in the early 1990s.
- ii. **Predominantly Export-Oriented.** Our business is predominantly export-oriented where revenue from overseas amounted to RM108.2 million and RM108.7 million, accounting for 89.1% and 98.8% of our total revenue for the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009 respectively. Our ability to meet the needs of international customers is a strong endorsement for the quality of our vessels. It also indicates that we are capable of competing against shipbuilders based in other countries.
- iii. **Wide Range of Vessels.** We have the capability to construct a wide range of vessels for our customers and are able to construct most steel vessels that are less than 70 metres in length. We have the experience and the skill to construct Tugboats, anchor handling vessels, Anchor Handling Tug Supply Vessels, Barges, ferries, workboats and landing craft, as well as carrying out ship conversion. Our ability to construct a wide range of vessels ensures that we are able to meet the needs of diverse customers, and at the same time provide product diversity to address business opportunities for future growth.
- iv. **Oil and Gas Industry Focus.** We are currently focused on building ships to support the offshore Oil and Gas Industry, including Anchor Handling Tugs and Anchor Handling Tug Supply Vessels, which collectively represented 53.3% and 48.6% of our Group's total revenue for the FYE 31 May 2008 and for the ten (10)-month FPE 31 March 2009 respectively. Our focus on the Oil and Gas Industry will provide opportunities for future business growth and expansion.
- v. **Long-term Customer Relationships.** We enjoy long-term business relationships with many of our customers. This is demonstrated by the fact that 30% of our top 20 customers have been dealing with us for five (5) or more years during the ten (10)-month FPE 31 March 2009. This indicates a stable and loyal customer relationship.

6. BUSINESS OVERVIEW (CONT'D)

- vi. **Fully Equipped Shipbuilding Yard.** We currently operate a fully equipped Shipbuilding Yard on a 12.3 acres plot of land on the banks of Sungai Igan in Sibu, Sarawak. Our Shipbuilding Yard has a slipway measuring approximately 300 feet long by 80 feet wide and is fully equipped with machinery and equipment including cranes, excavators, welding and cutting equipment, and other machine tools required for the construction of vessels.
- vii. **Compliance with International Standards.** All of the vessels that are constructed by us are built in accordance to stringent international maritime standards established by recognised classification bodies including Bureau Veritas, Nippon Kaiji Kyokai and Germanisher Lloyd.
- viii. **Strong Financial Position.** We are currently in a strong financial position, having enjoyed increasing revenue, PBT and PAT between the FYEs 31 May 2004 to 31 May 2008 and for the ten (10)-month FPE 31 March 2009. Our strong financial position enables us to secure supplies of key Shipbuilding raw materials and components that have long lead times, such as marine engines and generator sets. This reduces the risk of disruption caused by an inability to obtain key components in a timely manner, thereby enabling us to meet our delivery commitments and maximising production efficiency.
- ix. **On-time Vessel Delivery.** We utilise our in-house experience and expertise to carefully plan and manage each Shipbuilding project. We also utilise our financial strength to secure supplies of raw materials and components to ensure their continuous availability so as not to disrupt our Shipbuilding schedule.

6.2 Business Activities

Our business activities can be depicted as follows:-



Our principal business activity is in Shipbuilding. Our secondary business is in the provision of ship repair services.

6. BUSINESS OVERVIEW (CONT'D)

6.2.1 Shipbuilding

Since the commencement of our business, we have constructed the following types of vessels:-

- i. Tugboats;
 - (a) twin screw tug
 - (b) pusher tug
 - (c) azimuth stern drive tug;
- ii. Anchor Handling Tugs;
- iii. Anchor Handling Tug Supply Vessels;
- iv. Utility/ support vessels;
- v. Landing craft;
- vi. Barges;
- vii. Ferries; and
- viii. Workboats.

Since the commencement of our Shipbuilding activities, we have successfully built over 150 vessels for both the overseas and local markets. We currently construct vessels in a range of sizes, ranging from 23 metres to 60 metres in length. For the FYE 31 May 2008 and for the ten (10)-month FPE 31 March 2009, we primarily constructed Tugboats, Anchor Handling Tugs and Anchor Handling Tug Supply Vessels.

We work with third-party naval architects to produce the blueprints for these vessels based on the specifications and requirements established by the customers. In certain cases, we will also work from designs and specifications provided by customers.

All of the vessels constructed by us are built in accordance with stringent international maritime standards. We currently build ships under the governance of the Bureau Veritas, Nippon Kaiji Kyokai and Germanischer Lloyd.

6.2.1.1 Shipbuilding Activities

We have in-house capabilities to construct fully functional vessels. Our main Shipbuilding activities include:-

i. Hull and superstructure construction

We utilise steel as the main raw material and a modular construction technique to construct the hull and superstructure with the following steps:-

- (a) Individual hull and superstructure segments are constructed separately and concurrently at the Shipbuilding Yard;

6. BUSINESS OVERVIEW (CONT'D)

- (b) Some machinery and equipment, pipes, electrical cables, and other components within the modules are pre-installed to minimise the effort needed to install these items deep within the hull once the modules are welded together;
- (c) Construction is scheduled so that the hull and superstructure segments are completed at the same time; and
- (d) The finished hull and superstructure segments are assembled and welded together to produce a complete hull and superstructure.

The main advantages of the modular vessel construction method include:-

- (a) Generally shorter vessel construction time, as work can be carried out simultaneously on multiple segments;
- (b) Reduced effort required to install components within the hull;
- (c) Vessel length can be easily varied (up to a certain length) by varying the number of hull segments used; and
- (d) Standardised design eases construction.

Other activities include various steel construction activities, such as marking, cutting, fitting and welding. We recently invested in a CNC oxy-plasma cutter that utilises instructions created by CAD programmes to precisely and cleanly cut profiles from steel plates and sheets of which some of the advantages derived include:-

- (a) Precisely and cleanly cut profiles typically require less re-work to remove excess material before final fitting and welding;
- (b) Reduced material wastage as profiles can be cut closer together;
- (c) Reduced vessel construction time as profile cutting using a CNC oxy-plasma cutter is typically faster than manual profile cutting; and
- (d) Increased efficiency, as the CAD instructions for cutting standard profiles can be saved and re-used for multiple vessels.

6. BUSINESS OVERVIEW (CONT'D)



Ships Under Construction at Our Shipbuilding Yard

ii. Propulsion and power system installation

A vessel's propulsion and power system usually comprises the following major machinery and equipment:-

- i. One or more marine engines;
- ii. Gearbox;
- iii. Generator set;
- iv. Back-up generator (if required);
- v. Propeller shaft;
- vi. Propeller; and
- vii. Steering control systems.

We have the capability to install and integrate a vessel's propulsion and power systems during the vessel construction process.

The marine engine generates power to propel the vessel and we utilise diesel marine engines in the vessels constructed by us. Diesel marine engines are commonly used because they are more efficient compared to gas turbine marine engines, particularly for larger vessels.

Most of the vessels constructed by us are equipped with two (2) marine engines, each driving a single propeller through independent gear boxes and propeller shafts. This arrangement is used for safety reasons, as it ensures that the vessel will have some power for propulsion should one of the marine engines fail.

Power is transmitted to the propeller through the gearbox and propeller shaft. The propeller is usually made from non-ferrous metal such as manganese bronze for longer lifespan, stiffness and strength.

6. BUSINESS OVERVIEW (CONT'D)

Some vessels are also equipped with additional bow thrusters. Bow thrusters are commonly installed at the bottom of the vessel's bow which provides lateral thrust independent of the vessel's main propulsion system and increases manoeuvrability by allowing the vessel to turn without forward motion.

We currently source marine engines from reputable international marine engine manufacturers, such as Cummins and Caterpillar of the US and Yanmar and Mitsubishi of Japan. There are currently no manufacturers of marine engines operating in Malaysia.

iii. **Communication, navigation and surveillance systems installation**

Practically all ships require communication, navigation and surveillance systems. Communication systems are required to enable the vessel to communicate with other nearby vessels, aircraft, land installations and others. A long-range radio transmitter and receiver is the most commonly used type of communication equipment.

Navigation systems provide a vessel with navigational guidance and information on the location of the vessel. Examples include a gyrocompass that provides directional information, a Global Positioning System device which is commonly used to provide precise information on the position of the vessel, radio direction and ranging equipment used to locate surrounding vessels and objects and other navigation systems including depth sounders and auto pilot systems.

Surveillance systems provide the ship with information on the surrounding environment. Examples include radio direction and ranging equipment and close circuit television systems.

We have the capability to install and integrate a vessel's communication, navigation and surveillance systems during the vessel construction process.



Installation of Control Panel in the Wheelhouse of a Ship

6. BUSINESS OVERVIEW (CONT'D)

iv. Machinery and equipment installation

We install machinery and equipment on a vessel depending on the type of vessel constructed and the role that the vessel is designed to perform. The types of specialised machinery and equipment commonly installed by us includes:-

- (a) Tugboats equipped with towing hook or towing winch systems;
- (b) Anchor Handling Tugs and Anchor Handling Tug Supply Vessels equipped with winches, cranes and an open stern to allow decking of anchors; and
- (c) Some vessels may be equipped with water pumps and nozzles to provide fire-fighting capability.



Installation of Deck Equipment on an Anchor Handling Tug Supply Vessel

v. Interior fit-out

Our Group's in-house carpentry department has the capability to provide one-stop interior fit-out from the design stage to manufacturing wooden furniture modules, to final installation of interior fittings.

We combine our expertise in Shipbuilding and interior fit-out to ensure that space and weight dynamics are taken into consideration during the design phase.

Common interior fit-outs installed by our Group includes exterior and interior installation, air conditioning, fire and thermal insulation, manufacturing and installing furniture modules, laying hardwood decking, interior upholstery and interior painting and polishing.

vi. Painting

We have in-house facilities at our Shipbuilding Yard to paint constructed vessels.

6. BUSINESS OVERVIEW (CONT'D)

Painting is a critical component of vessel construction as the coat paint creates a physical barrier that prevents the steel hull and superstructure from coming into contact with air, water and/ or seawater, leading to corrosion, which can weaken the hull and superstructure.

In addition, the underwater portion of the hull is typically coated with a layer of anti-fouling paint that retards the growth of barnacles and other marine organisms, which can increase the drag of the hull and lower the performance of the vessel.

vii. Vessel testing and commissioning

All vessels constructed by us are tested and commissioned before final handover to customers. Our Group carries out two (2) major trials on all ships, which are the dock trial and official trial.



Anchor Handling Tug Constructed by Us Undergoing Official Trial

A dock trial is carried out to ensure the vessel conforms to our client's design specifications and requirements, as well as the requirements of the relevant classification societies.

Upon the successful completion of the dock trial, the official trial is carried out on the water in the presence of the client's representatives and surveyors from the relevant classification societies.

6. BUSINESS OVERVIEW (CONT'D)



Launching an Anchor Handling Tug Supply Vessel at Our Shipbuilding Yard

We will carry out rectification work to rectify any non-conformity that is identified during the official trial. Once the rectification work is completed, a re-trial is conducted to ensure that the ship conforms to all relevant requirements.

Thereafter, the relevant classification societies will issue the class certificate and statutory certificates for the ship upon the successful completion of the official trial and the ship is then delivered to the client.

The Shipbuilding activities mentioned above generally forms our Shipbuilding process flow as set out in Section 6.3 of this Prospectus.

6.2.1.2 Type of Vessels Constructed by Us

i. Tugboats

In general, a tugboat is a vessel that is primarily designed to manoeuvre or tow other vessels. Tasks commonly performed by Tugboats include:-

- (a) Towing, pushing or manoeuvring barges;
- (b) Towing, pushing or manoeuvring disabled vessels;
- (c) Towing, pushing or manoeuvring other vessels in harbours, through the open sea or in rivers and canals; and
- (d) Towing, pushing or manoeuvring offshore structures, including Oil and Gas Industry structures such as drilling rigs and offshore platforms.

6. BUSINESS OVERVIEW (CONT'D)

The range of Tugboats currently constructed by us includes lengths of 23 metres to 34 metres with gross tonnage of 98 GT to 396 GT. The Tugboats currently constructed by us are mainly used to tow barges. However, these vessels have the capability to perform other common Tugboat tasks.



Tugboat Constructed by Us

During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, revenue from the construction of Tugboats totalled RM55.1 million and RM55.4 million, accounting for 45.4% and 50.4% respectively of our Group's total revenue.

ii. **Anchor Handling Tugs**

We currently construct Anchor Handling Tugs for the offshore Oil and Gas Industry.

Anchor Handling Tugs are vessels with high horsepower capable of towing rigs, platforms and other steel structures and secure them at specific locations. Primarily used in the offshore Oil and Gas Industry, they are commonly equipped with powerful winches, other anchor handling equipment, and an open stern to allow anchors to be brought on deck.

Anchor handling services primarily comprise the following:-

- (a) Lowering the anchor to the seabed so as to secure the floating Oil and Gas structure in place; and
- (b) Heaving the anchor from the seabed so as to allow the platform to be moved or repositioned.

6. BUSINESS OVERVIEW (CONT'D)



Anchor Handling Tug Constructed by Us

An Anchor Handling Tug is commonly equipped with the following specialised equipment and features to perform anchor handling services:-

- (a) Powerful engines to tow other vessels;
- (b) Winch, windlass, stern roller, towing pins and deck crane to handle, raise and lower anchors;
- (c) An open stern and open rear deck to allow the anchor to be hauled onto the vessel; and
- (d) Some vessels are equipped with dynamic position systems.

Anchor Handling Tugs are also used to perform other tasks, including:-

- (a) Towing drilling platforms and other vessels to site;
- (b) Towing other floating offshore Oil and Gas Structures;
- (c) Transporting supplies to offshore platforms and vessels; and
- (d) Providing standby rescue, fire fighting and recovery services.

Anchor Handling Tugs that are designed to carry supplies are also known as Anchor Handling Tug Supply Vessels.

The types of Anchor Handling Tug constructed by us include lengths of 45 metres and 49 metres with gross tonnage of 499 GT and 1,079 GT.

6. BUSINESS OVERVIEW (CONT'D)

During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, revenue from the construction of Anchor Handling Tugs totalled RM33.9 million and RM14.0 million, accounting for 27.9% and 12.7% respectively of our Group's total revenue.

iii. Anchor Handling Tug Supply Vessels

We currently construct Anchor Handling Tug Supply Vessels that are used to transport supplies in addition to providing anchor handling services for the offshore Oil and Gas Industry.

Anchor Handling Tug Supply Vessels are generally similar to Anchor Handling Tugs. However, the main difference between the two is that Anchor Handling Tug Supply Vessels are designed and constructed with larger open deck spaces so as to provide the ship with supply carrying capabilities.

Examples of supplies that may be carried by Anchor Handling Tug Supply Vessels include drilling fluid and drill pipes, offshore construction material, as well as supplies for the crew of offshore drilling rigs and production platforms.

The type of Anchor Handling Tug Supply Vessels currently constructed by us is 47 metres in length with gross tonnage of 890 GT. We also have the capability to construct Anchor Handling Tug Supply Vessels with lengths of 50 metres and 60 metres.

During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, revenue from the construction of Anchor Handling Tug Supply Vessels totalled RM30.8 million and RM39.6 million, accounting for 25.4% and 35.9% respectively of our Group's total revenue.



Anchor Handling Tug Supply Vessel Constructed by Us

6. BUSINESS OVERVIEW (CONT'D)

iv. Other Vessels

In addition to constructing Tugboats, Anchor Handling Tugs and Anchor Handling Tug Supply Vessels, our Group has constructed other types of vessels in the past and retains the capability to do so. Other types of vessels constructed by our Group includes:-

- (a) Utility/ support vessels;
- (b) Landing craft;
- (c) Ferries;
- (d) Barges;
- (e) Workboats; and
- (f) Offshore supply vessels.

We have also carried out ship conversion to convert a deck barge to a container vessel.

Our Group has the capability to construct a range of utility/ support vessels that can be used to perform a variety of tasks. Some of the tasks that are performed by the utility/ support vessels constructed by our Group includes:-

- (a) Towing barges;
- (b) Towing disabled vessels;
- (c) Towing or pushing other vessels in harbours, through the open sea or in rivers and canals;
- (d) Transporting supplies and personnel to offshore Oil and Gas Industry structures; and
- (e) Providing standby rescue, fire fighting and recovery services.



Ferry (left) and Container Carrier (right) Constructed by Us

The range of utility/ support vessels that can be constructed by us includes lengths of 36 metres to 45 metres with gross tonnage ranging from 270 GT to 499 GT.

6. BUSINESS OVERVIEW (CONT'D)

A landing craft is a vessel that has the capability to land on or closely approach the shore, to load or discharge personnel, vehicles and cargo. Landing craft of the type constructed by us can be used to provide logistics services in areas where port facilities are not well developed.

Ferries of the type constructed by us are used to provide ferry services to transport motor vehicles across rivers. Motor vehicles are driven onto the ferry at the embarkation point, and driven off at the disembarkation point.

In general, barges are unpowered vessels that are used to transport cargo. Barges may be designed for use in rivers and canals and in the open sea.

Workboats generally refer to general-purpose ships that can be used to perform a wide range of tasks. Tasks that can be performed by workboats include removing debris from waterways, responding to oil spills, transporting personnel and cargo to offshore facilities and towing other ships.

Offshore supply vessels are Oil and Gas Industry support vessels that are commonly used to transport personnel and supplies to offshore facilities such as drilling rigs and production platforms.

We have successfully carried out a ship conversion project to convert a deck barge into a container vessel. The major equipment and structures added include:-

- (a) Superstructure, including the bridge;
- (b) Propulsion and power system;
- (c) Communication and navigation system; and
- (d) Crew accommodations.



Landing Craft Constructed by Us

6. BUSINESS OVERVIEW (CONT'D)

6.2.2 Ship Repair Services

Apart from our Shipbuilding activities, our Group also provide slipway and afloat ship repair services to our customers which includes the following:-

- i. Routine marine engine, machinery and equipment inspection and maintenance;
- ii. Routine piping and wiring inspection and maintenance;
- iii. Repainting;
- iv. Repairing damage from collision and other accidents; and
- v. Installing equipment.



A Ship Being Repainted by Us

Slipway repairs refer to repairs undertaken to a vessel that has been raised onto dry land and are usually undertaken when major repairs or maintenance, such as propeller replacement, are carried out.

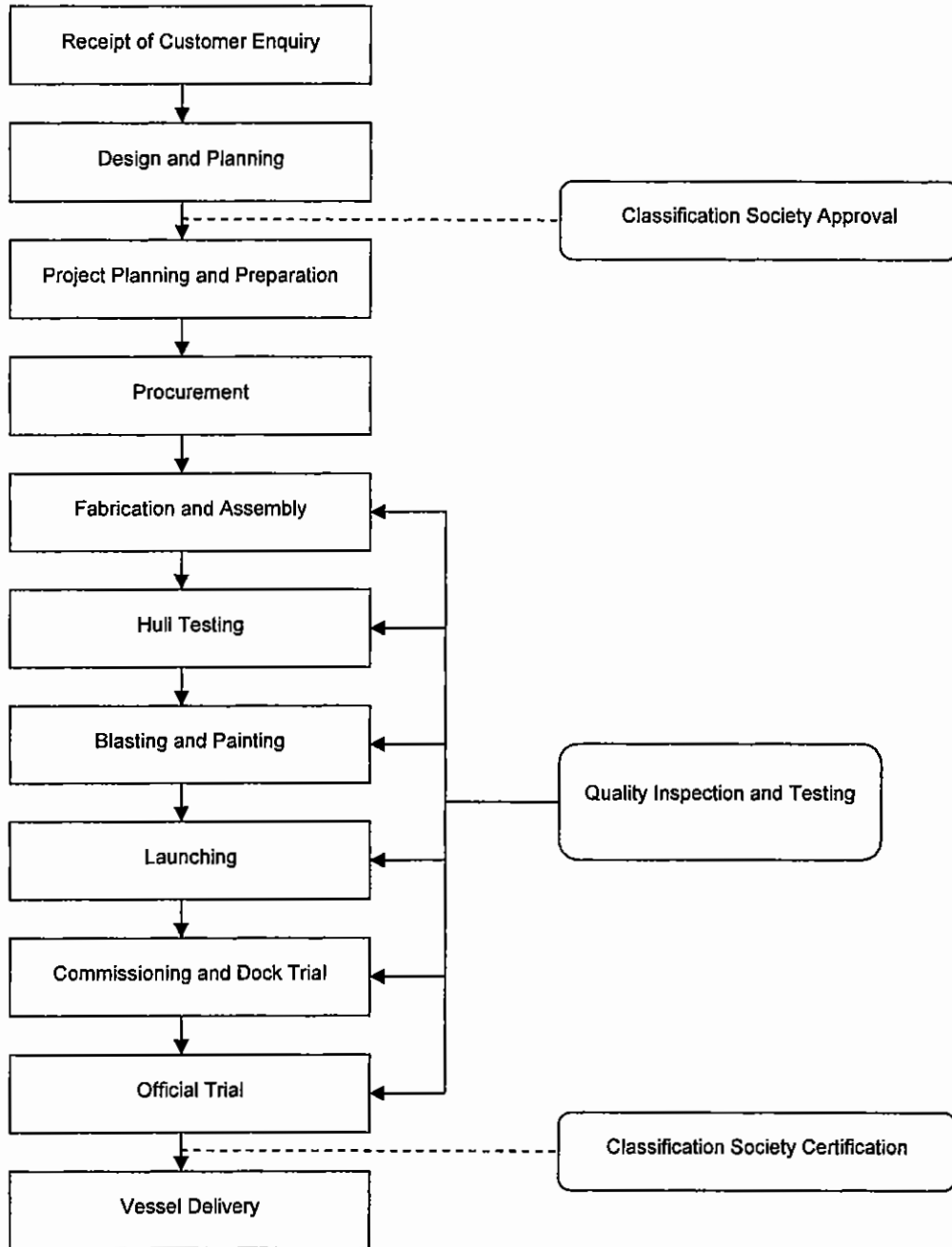
On the other hand, afloat repairs refer to repairs that are undertaken to a vessel that is in the water and are usually undertaken when minor repairs or maintenance are carried out.

During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, revenue from the provision of ship repairing services totalled RM1.5 million and RM1.1 million, accounting for 1.3% and 1.0% respectively of our Group's total revenue.

6. BUSINESS OVERVIEW (CONT'D)

6.3 General Process Flow for Shipbuilding

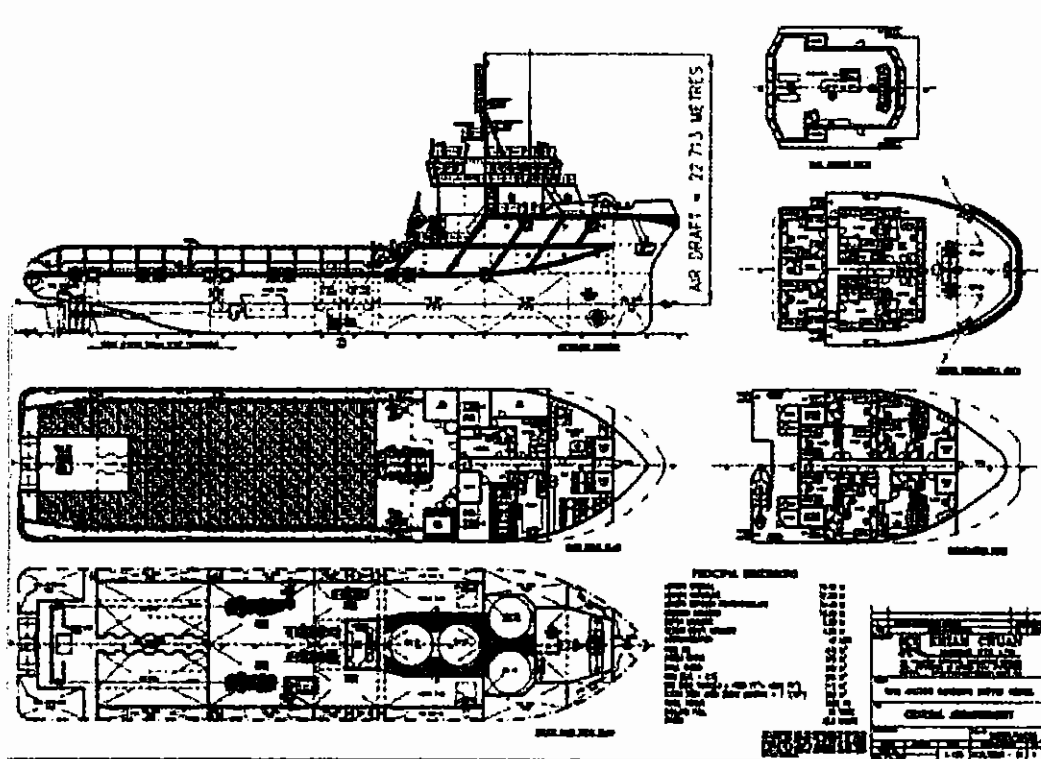
Our general process flow for Shipbuilding is as follows:-



6. BUSINESS OVERVIEW (CONT'D)

Upon receiving enquiries from the customer, we will hold meetings with the prospective customer to ascertain their requirements. Our production team will determine the dimensional and design specifications of the ship to be constructed based on these requirements.

Our production team will then work with external Naval Architects to undertake ship conceptualisation and design. The Naval Architect will produce detailed drawings of the vessel in accordance with the agreed dimensional and design specifications, taking into account the machinery, equipment, parts and materials to be fitted in the ship.



Example of Vessel Drawing Used by Us

In some instances, the client will provide the vessel design. Where applicable, we will use our experience and expertise to recommend changes to vessel design so as to improve the functionality and efficiency of the ship.

Our production team will submit the design to the client for pre-approval after reviewing the technical aspects of the design to ensure that it is consistent with the client's requirements.

After client pre-approval, the vessel design will be submitted to the relevant classification societies for approval.

We will enter into formal contracts with the client upon approval of the design by the client and relevant classification societies, upon which project planning and preparation work will commence.

6. BUSINESS OVERVIEW (CONT'D)



Hull Section Constructed by Us

Our production team oversees the project planning and preparation function. A vessel construction schedule, which provides a timetable for each stage of the vessel construction process, is developed. The schedule is strictly adhered to ensure that the vessel is delivered to the customer on time.

Our purchasing department receives the construction schedule, as well as the list of machinery, equipment, parts and materials required from the production team. Our purchasing department then makes the necessary arrangements for their procurement.

Vessel construction begins once the materials are received:-

- i. Steel plates are cut into shapes and sizes in accordance with the design specifications;
- ii. The steel pieces are fitted and welded together to form panels, strengthened by web, angle bars and flat bars;
- iii. The panels are assembled into major block structures, which are then welded together to form the hull of the vessel;
- iv. Once the hull of the vessel is formed, machinery and equipment, electrical and piping systems are installed;
- v. Ancillary equipment such as communications, navigational and surveillance systems, and air conditioning equipment are subsequently fitted; and
- vi. The cabins are then fitted with carpentry works, furnishings and fixtures.

6. BUSINESS OVERVIEW (CONT'D)



Hull Sections Being Assembled at Our Shipbuilding Yard

Various tests are carried out to assess the structural integrity of the hull, including X-ray weld inspection, ultrasonic testing, air pressure and hydrostatic tests. Rectification work is carried out to correct any defects that are detected. Further details on our quality control procedures are set out in Section 6.10 of this Prospectus.

After the tests are completed, the hull is blasted using high-pressure blasting equipment to prepare the surface for painting where a multi-coat marine paint system is then applied to protect the ship.

The vessel is then launched into the water using steel launching pipe and beams. After launching, the vessel is berthed for the final alignment of the propeller shaft. The propeller shaft is aligned with the main engine and gearbox driving the propeller. The main engine and gearbox are permanently affixed to their position after the alignment is completed.



Completed Anchor Handling Tug Supply Vessel waiting to be launched

6. BUSINESS OVERVIEW (CONT'D)

The vessel and its various systems are then commissioned. A dock trial is carried out to ensure that the vessel conforms to the client's design specifications and requirements, as well as the requirements of the relevant classification societies.

An official trial is carried out following the successful completion of the dock trial. The official trial is carried out on the water in the presence of the client's representatives and surveyors from the relevant classification societies. The purpose of the official trial includes:-

- i. To ascertain the seaworthiness and proper function of the vessel;
- ii. To ensure that the client's specifications and requirements are met;
- iii. To test that all machinery and equipment are functioning properly; and
- iv. To ensure that the ship fully conforms to all of the requirements of the relevant classification societies.

We will carry out rectification work to rectify any non-conformity that is identified during the official trial. Once the rectification work is completed, a re-trial is conducted to ensure that the vessel conforms to all relevant requirements.

The relevant classification societies will issue the class certificate and statutory certificates for the vessel upon the successful completion of the official trial. These documents certify that the vessel conforms to the specifications, standards and requirements set out in the various international conventions that govern the Shipbuilding Industry.

The vessel is finally delivered to the client after the issuance of the class certificate and statutory certificates.



Anchor Handling Tug Testing Fire-fighting equipment during the Official Trial

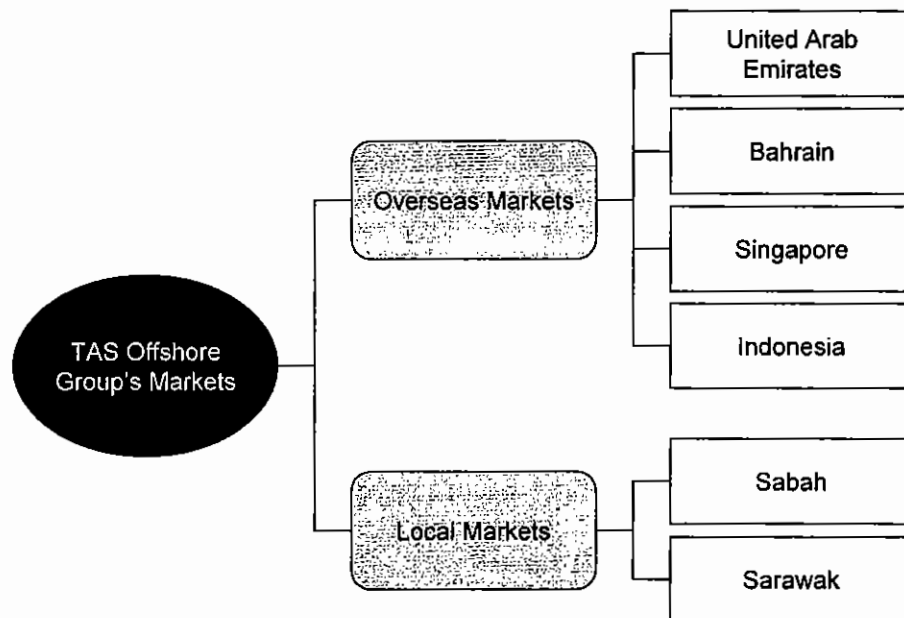
Generally, the duration required to complete a vessel varies depending on the size. On average, smaller vessels (with hull length of 30 metres or less) typically require an average of six (6) to nine (9) months to complete whereas larger vessels (with hull length of more than 30 metres) typically require one (1) to one and a half (1.5) years to complete.

6. BUSINESS OVERVIEW (CONT'D)

6.4 Principal Markets

Our business is predominantly export-oriented which provides us with the global market as the platform to sustain and grow the business. Our predominant export coverage is an indication of our ability to meet the needs, specifications and standards of international customers.

Our local and overseas markets can be depicted as follows:-



Our revenue contribution by markets can be segmented as follows:-

	FYE 31 May 2008		Ten (10)-month FPE 31 March 2009	
	RM'000	%	RM'000	%
Overseas Market	108,168	89.1	108,698	98.8
Local Markets	13,178	10.9	1,358	1.2
Total Group Revenue	121,346	100.0	110,056	100.0

As at LPD, our customer base comprised 19 customers from Malaysia and the remaining 18 customers were from overseas.

6.5 Estimated Market Coverage, Position and Market Share

Our revenue was RM121.3 million for the FYE 31 May 2008. The market size of the overall Shipbuilding Industry in Malaysia based on local production was estimated at RM3.8 billion in 2008. Using our revenue for the FYE 31 May 2008 as a proxy for our revenue during the 2008 calendar year, our market share in the Shipbuilding Industry based on local production was estimated at 3%. Based on total turnover, we ranked 7th among companies in the Shipbuilding Industry in Malaysia.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

6. BUSINESS OVERVIEW (CONT'D)

6.6 Seasonal and Cyclical Factors

We do not experience any material seasonality in our business, as our business operations are relatively stable throughout the year, with the exception of minor slowdowns in business activity during the festive seasons at the beginning and end of each calendar year.

6.7 Types, Sources and Availability of Raw Materials/ Input

For the FYE 31 May 2008, the purchases of raw materials and components accounted for 68.0% of total purchases, while subcontracted services accounted for 32.0%. For the ten (10)-month FPE 31 March 2009, purchases of raw materials and components accounted for 76.1% of total purchases, while subcontracted services accounted for 23.9% of total purchases.

For the FYE 31 May 2008, the two (2) major raw materials and components purchased by us for the construction of vessels were marine engines and generator sets and steel plates, which accounted for 20.8% and 16.0% of the total purchases of raw materials and components, and subcontracted services. Marine engines and generator sets were imported, while 95.8% of the steel plates purchased by us were imported and the remaining 4.2% sourced locally.

Although Malaysia is a producer of steel plates, the dimensions of steel plates produced in Malaysia are generally not suitable for our usage in Shipbuilding. As a result, most of the steel plates that are purchased by us are imported. In general, steel is a widely traded commodity and we are not vulnerable to purchases of steel from any specific supplier.

The other materials purchased were deck and marine equipment, marine propellers, shafts, gearboxes and steering systems, steel bars and pipes, hardware and marine paint, and fire fighting and safety equipment, which accounted for 8.9%, 6.3%, 6.1%, 3.9% and 1.3% of our total purchases respectively. Purchases of other raw materials and equipment accounted for 4.8% of our total purchases for the FYE 31 May 2008.

With respect to the purchase of subcontracted services, hull construction services accounted for 27.2% of our total purchases. Subcontracted services for electrical wiring, piping, welding and carpentry work accounted for 2.8% of total purchases, while purchases of other services accounted for 1.9% of total purchases for the FYE 31 May 2008.

For the ten (10)-month FPE 31 March 2009, our three (3) largest purchases of raw materials and components were deck and marine equipment, steel plates and marine engines and generator sets, which accounted for 20.4%, 14.4% and 14.2% of total purchases respectively. 85.9% of the deck and marine equipment purchased by us were imported and the remaining 14.1% sourced locally, while 91.2% of the steel plates were imported and the remaining 8.8% sourced locally. All of the marine engines and generator sets were imported.

For the ten (10)-month FPE 31 March 2009, the other materials purchased were hardware and marine paint, steel bars and pipes, fire fighting and safety equipment, and marine propellers, shafts, gearboxes and steering systems, which accounted for 8.2%, 5.0%, 3.3% and 3.3% of our total purchases respectively. Purchases of other raw materials and equipment accounted for 7.2% of our total purchases.

Hull construction services accounted for 19.7% of our total purchases. Subcontracted services for electrical wiring, piping, welding and carpentry work accounted for 3.8% of total purchases, while purchases of other services accounted for 0.5% of total purchases for the ten (10)-month FPE 31 March 2009.

6. BUSINESS OVERVIEW (CONT'D)

As there are currently no manufacturers of marine engines and generator sets operating in Malaysia, all of our marine engines and generator sets are imported and primarily sourced from local agents such as Tractors Malaysia (1982) Sdn Bhd and UMW Industrial Power Sdn Bhd. Nevertheless, marine engines require approximately one (1) to two (2) years from purchase orders to delivery. As such, we will need to place orders for marine engines in advance.

To date, our Group has not experienced any major shortages in sourcing any raw materials for our operations. Further, we have built strong working relationships with our main suppliers over the years and are able to source these raw materials at competitive prices.

6.8 Technologies Employed

The following are the technologies employed including multi-discipline engineering in our Shipbuilding activities:-

i. Hydrodynamic hull technology

A vessel's hull can be regarded as the most important part of the ship, as it provides buoyancy and structural strength. In addition, the design of the hull is also crucial in providing stability and determining the propulsion efficiency of the vessel.

There are various types of hull that can be used depending on how the vessel wishes to be performed in the water. The three (3) basic hull types are as follows:-

(a) Displacement hull

A displacement hull is a hull whereby the displacement weight of water is equivalent to the submerge volume of the hull, regardless of whether or not the vessel is moving. The hull is supported exclusively or predominantly by the pressure of water displaced by the hull. The hull of the vessel is not lifted out of the water when the vessel is in motion.

In general, the advantages of a ship with displacement hull compared to ships with other hull types include:-

- The ship can be propelled with a relatively small engine;
- Propulsion is more fuel efficient;
- The vessel has a smooth, seaworthy ride as the ship is travelling through water, not above it; and
- The vessel is more stable.

However, the theoretical maximum speed of a ship with a displacement hull is largely determined by the length of the vessel's waterline. Applying additional power at this point has little or no effect in increasing the speed of the vessel.

6. BUSINESS OVERVIEW (CONT'D)

Within the Shipping Industry, most large vessels such as oil tankers, passenger ships, container ships and other cargo ships utilise the displacement hull type. Tugboats, Anchor Handling Tugs, utility/support vessels and other vessels constructed by us commonly utilise this hull type.

(b) Planing hull

A planing hull is a hull that is configured to develop positive dynamic pressure so that its draft decreases with increasing speed. The hull of the vessel is progressively raised out of the water as speed and power increases. Draft is reduced as the hull is lifted out of the water, allowing faster speeds to be achieved.

In general, the primary advantages of a vessel with planing hull compared to other types of hull, is that the ship can achieve higher speeds.

The main disadvantage of a vessel with a planing hull is that the motion of the vessel is less smooth, as the vessel is moving along the surface of the water. The vessel can experience severe pounding in rough seas, which can lead to crew discomfort and damage to the hull and equipment.

The planing hull is most commonly used in vessels where high speeds are desired, such as in speedboats, some types of passenger ferries and naval patrol vessels.

(c) Semi-displacement or Semi-planing hull

A semi-displacement or semi-planing hull is capable of generating a moderate amount of dynamic lift as the vessel moves forward, although most of the weight is supported through displacement.

A vessel with a semi-displacement or semi-planing hull has a higher theoretical maximum speed compared to a vessel with a displacement hull. The ship, however will require more power engines, and consume more fuel.

Semi-displacement or semi-planing hulls are commonly used in large naval vessels and large passenger ferries.

ii. Welding Technology

We utilise welding technology in the construction of vessels. Welding is used to join steel plates, steel bars and other materials to construct the hull and superstructure. Welding is a fabrication process that joins materials, usually metals or thermoplastics, by causing coalescence. It is often done by melting the work pieces and adding a filler material to form a pool of molten material that cools to become a strong joint. Sometimes pressure is also used in conjunction with heat, or by itself, to produce the weld.

The welding techniques that are currently commonly used include:-

- (a) Arc welding;
- (b) Gas welding;

6. BUSINESS OVERVIEW (CONT'D)

- (c) Resistance welding;
- (d) Energy beam welding; and
- (e) Ultrasonic welding.

The welding technique that is most commonly used by us is the arc welding technique. In arc welding, an electric arc is created between an electrode and the base material to melt metal at the welding point. The welding region is sometimes protected by an inert or semi-inert gas. Filler materials are sometimes used.

iii. Mechanical Engineering

We currently employ mechanical engineering principles, which is an engineering discipline that involves the application of the principles of physics for the analysis, design, manufacturing and maintenance of mechanical systems. We also make use of specialised Shipbuilding software.

Some of the mechanical engineering technologies that are applied to the vessels constructed by us include:-

- (a) Total vessel design for all moving and stationery parts, including:-
 - Ship hull;
 - Marine engines;
 - Power transmission systems and gearboxes;
 - Propulsion systems;
 - Hydraulic systems;
 - Heating, ventilation and air condition systems, including heat exchangers;
 - Piping systems;
 - Pumps;
 - Installed machinery and equipment, such as winches and anchor handling equipment; and
 - Other metal and non-metal parts and components.
- (b) Testing and analysis of machines, components and materials to determine their performance, strength, response to stress and other characteristics; and
- (c) Integration of all parts, machinery and equipment to ensure optimum performance.

6. BUSINESS OVERVIEW (CONT'D)

iv. Electrical engineering

We apply the principles of electrical engineering, which is an engineering discipline that deals with the study and application of electricity and electromagnetism, for practical purposes such as the design of various electrical systems for the construction of vessels.

Some of the technologies within electrical engineering that are used by us in Shipbuilding are as follows:-

- (a) Control systems;
- (b) Communication and navigation equipment;
- (c) Cables and wiring;
- (d) Electric generator sets;
- (e) Machinery and equipment that is powered by electricity; and
- (f) Lighting systems.

The proper installation and integration of these components requires knowledge of electrical engineering, expertise and skill. We outsource the installation of wiring and some of the electrical equipment in the ships that we construct to third parties.

6.9 Operating Capacities and Output

Our existing 12.3 acres Shipbuilding Yard has the capacity to construct up to 23 completed vessels per year, comprising a mix of small and large vessels. We are able to construct various types of vessels up to 70 metres in length.

Our Shipbuilding Yard is equipped with, amongst others, the following facilities:-

- i. One (1) slipway, 300 feet long by 80 feet wide;
- ii. Six (6) air compressors;
- iii. Two (2) generator set;
- iv. Eight (8) crawler cranes;
- v. One (1) excavator;
- vi. One (1) welding rectifier;
- vii. One (1) mega welding machine;
- viii. One (1) airless spray;
- ix. Two (2) sets of hydraulic bender;
- x. One (1) CNC oxy-plasma profile cutter;
- xi. One (1) drilling machine;
- xii. Two (2) milling machines;

6. BUSINESS OVERVIEW (CONT'D)

- xiii. Two (2) 6 metre length turning lathes;
- xiv. Two (2) 2 metre length turning lathes;
- xv. One (1) shaping machine;
- xvi. One (1) cutting machine;
- xvii. One (1) forklift; and
- xviii. One (1) seat of CAD software.

With our well-equipped modern facilities and technology like our CNC oxy-plasma steel cutter that utilises instructions created by CAD programmes, we are able to complete and deliver vessels on time while maintaining high quality.

6.10 Quality Control Procedures

We place a high degree of emphasis on the quality of the vessels built by us. Stringent quality control measures are implemented in every aspect of our business operations.

As part of our emphasis on quality, we received approval for ISO 9001:2000 certification on 23 August 2007 issued by Bureau Veritas Certification Malaysia. This certification is valid from 22 May 2007 to 22 May 2010.

Vessels built by us are in compliance with stringent internationally recognised maritime standards. We currently construct vessels under the governance of the following classification societies and international marine regulatory bodies:-

- i. Bureau Veritas;
- ii. Nippon Kaiji Kyokai; and
- iii. Germanischer Lloyd.

We adopt the following approaches to ensure that quality standards are maintained internally:-

- i. In-coming raw materials and components are subject to quality checks to ensure that they meet specifications;
- ii. Quality control measures are implemented during the Shipbuilding process to ensure specifications are constantly met;
- iii. Personnel performing metal welding are subjected to competency tests; and
- iv. Final quality checks in the form of inspections, machinery and equipment testing and sea trials are carried out on completed vessels before they are handed over to customers.

6. BUSINESS OVERVIEW (CONT'D)

We have in-house quality assurance testing facilities located in our shipyard. Our on-going quality assurance testing activities which are carried out during the Shipbuilding process include:-

Equipments	Type of testing	Description
Air compressor	Air pressure test	Tanks, pipes and other vessels are pressurised with air to detect the presence of leaks
Hydrostatic test system	Hydrostatic pressure test	Tanks, pipes and other vessels are pressurised with water to ensure that they are able to withstand specified pressure and to detect leaks

In addition to utilising in-house equipments and facilities, we engage licensed independent third-party inspectors to carry out certain quality control testing activities. This is a common practice in the industry. Some of these independent tests include the following:-

Type of testing	Description
Thickness for coating	To measure the thickness of paints and other coating using electronic digital gage
X-ray weld inspection	To use x-ray equipment to carry out non-destructive weld inspection to detect cracks and welding defects and ensure that welding comply with specifications
Ultrasonic weld inspection	To use ultrasonic gage to carry out non-destructive weld inspection to detect cracks and welding defects and ensure that welding comply with specifications

In addition, all completed vessels are subjected to dock trial and official trial. We carry out the dock trial, where the vessel is thoroughly inspected with all installed machinery and equipment tested to ensure that they are functioning properly.

After the dock trial has been successfully completed, the official trial is carried out in the presence of the client's representative and a surveyor from the relevant Classification Society. The purpose of the official trial is to ascertain that the ship has been built in accordance with the client's specifications and the requirements of the relevant Classification Society. The seaworthiness and performance of the vessel are assessed, and all machinery and equipment are tested.

The Classification Society will issue the ship's class certificate and other relevant statutory certificates upon the successful completion of the official trial.

As at the LPD, we had six (6) quality assurance personnel focusing on quality control processes and procedures. In recognition of our quality, we have obtained ISO 9001:2000 certification on 23 August 2007 issued by Bureau Veritas Certification Malaysia.

Our stringent quality control practices enable us to provide assurance to our customers that ships built by our Group are reliable and efficient.

6. BUSINESS OVERVIEW (CONT'D)

6.11 Research and Development**6.11.1 Policy on R&D**

Our policies on R&D are focused on internal process improvement and quality assurance as a means to assist in creating and sustaining our competitiveness. We aim to realise the following benefits through improvements in processes which include:-

- i. Increasing efficiency and productivity to minimise on Shipbuilding time and cost; and
- ii. Rigorously maintaining and improving the quality of vessels to ensure customer satisfaction.

6.11.2 Facilities and Personnel

Our R&D facilities include our in-house quality testing facilities located in our shipyard. Further information of our in-house quality testing facilities is set out in Section 6.10 of this Prospectus. As at the LPD, we do not have any personnel dedicated for our R&D as it forms part of our quality assurance. However, our quality assurance personnel assume the role by focusing on process improvement and quality assurance rather than on new product development.

6.11.3 Achievements in R&D

We have completed more than 150 vessels. As at the LPD, we have successfully developed the capabilities to construct the following types of vessels:-

- i. Tugboats;
 - (a) Twin screw tug;
 - (b) Pusher tug;
 - (c) Azimuth stern drive tug;
- ii. Anchor Handling Tugs;
- iii. Anchor Handling Tug Supply Vessels;
- iv. Utility/ support vessels;
- v. Landing craft;
- vi. Barges;
- vii. Ferries; and
- viii. Workboats.

In addition, we have also successfully carried out ship conversions. Over the course of our Shipbuilding activities, we have accumulated extensive skills and experience.

6. BUSINESS OVERVIEW (CONT'D)

6.11.4 On-going and Future R&D

Contrary to the manufacturing industry, our on-going and future R&D is focused on process improvement rather than on new product development. We continuously focus on internal process improvement, particularly in enhancing the internal production process. This is critical as it has a direct impact on our production efficiency, effectiveness and productivity.

Through incremental improvements in the production processes we aim to achieve the key benefits through reduced raw material usage, reduced Shipbuilding time, improved quality of ships built, minimise machinery and equipment downtime and minimised need for re-work.

Nevertheless, we undertake R&D through the following:-

- i. Optimum production rescheduling, for example by eliminating or minimising work disruptions;
- ii. Continuous evaluation and improvement of existing processes and procedures to optimize work flow;
- iii. Selection of process flow best practices;
- iv. Ensuring that machinery and equipment are properly maintained to eliminate or minimise unscheduled downtime;
- v. Maximise workplace safety to achieve zero lost time due to workplace accidents; and
- vi. Application of innovative and new technologies and Shipbuilding techniques.

Our Shipbuilding process involves special skills and we have adopted technological capabilities in engineering design, metallurgy, corrosion control, machining, welding and fabrication. For example, our investment in a CNC oxy-plasma steel cutter will improve our efficiency and increased accuracy can be achieved.

In addition, our employees are able to improve efficiency and productivity through their continuous practical application in the Shipbuilding process. We will constantly evaluate any existing and new technologies in order to improve on efficiency, effectiveness and productivity.

6.11.5 R&D Expenditure

We did not recognise any expenditure that is specific to R&D activities for the past three (3) FYE 31 May 2008 and for the ten (10)-month FPE 31 March 2009 as our R&D activities were mainly related to process improvement.

6.12 Modes of Marketing/ Distribution/ Sales

6.12.1 Marketing Strategies

The sales and marketing team of our Group utilise the following marketing strategies:-

- i. Position our Group as a one-stop shipbuilder with the capability to construct a wide range of vessels;

6. BUSINESS OVERVIEW (CONT'D)

- ii. Continue to construct vessels of the highest quality with the aim of developing a long-term business relationship with customers; and
- iii. Continue to meet the timely delivery of vessels to customers.

Our Group has our own sales and marketing team to focus on business development with existing and potential customers. Our Group has three (3) personnel under the Sales and Marketing division responsible for new business development and servicing existing customers. Our Sales and Marketing team is headed by Datuk Lau Nai Hoh and is assisted by Lau Choo Chin who is actively engaged in carrying out our Group's sales and marketing activities.

As part of our strategy to promote our products and services as well as identify likely trends in customer preferences, our Group also participates in exhibitions. For example, in March 2007, we were an exhibitor in the Ship Expo 2007 held in Sibu, Malaysia. Our Group attends Malaysian and international maritime, oil and gas and related exhibitions to keep abreast with industry developments and to meet with prospective customers.

6.12.2 Distribution Channel Strategy

The distribution channel strategy of our Group is primarily based on direct distribution as depicted in the diagram below:-



The direct distribution channel approach is executed through our own Sales and Marketing division which is focused on marketing our products directly to customers. The direct distribution strategy has its advantages in enabling us to work closely with our customers to evaluate and attain a better understanding of their requirements, which serves as a feedback mechanism for continuous product innovation and improvement.

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6. BUSINESS OVERVIEW (CONT'D)

6.13 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by us for the Listing from the SC together with the conditions imposed by these authorities and status of compliance are set out in Section 9.1 of this Prospectus. Other approvals, major licences and permits obtained by us for the operation of our business are as follows:-

Company	Approving Authority/ Issuer	Date of commencement/ Issue (expiry Date)	Type of Licence and Certificate	Licences and Certificate no.	Major Conditions Imposed	Status of compliance
TAS	Lembaga Kemajuan Perindustrian Malaysia (Malaysian Industrial Development Authority)	14.08.2003	Referring to the Manufacturing Licences under Industrial Co- Ordination Act 1975, for "Shipbuilding & Shiprepairing" and "leisure crafts & Offshore steel structures" at Lot no. 22 & 112, Block 1 Sibu Town District, 96000 Sibu, Sarawak	Reference no. 110/38410/015 5/0003ACI	<ul style="list-style-type: none"> The project has to be implemented within 12 months from the issuing date of the licence or within the period as approved by the licensing office TAS is encouraged to ensure that the composition of the Board of Directors to reflect the equity structure of the company MITI has to be informed of the appointment or changes of board of directors For sales in local market, the company has to endeavour to use the services which are provided by Malaysian including to appoint Malaysian distributors of which 30% of the sale in the local market have to be distributed by Bumiputera distributors 	Complied

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving Authority/ Issuer	Date of commencement/ Issue (expiry Date)	Type of Licence and Certificate	Licences and Certificate no.	Major Conditions Imposed	Status of compliance
TAS	MITI	09.08.2003	Manufacturing Licence for "Shipbuilding" & "Shiprepairing" and "leisure crafts & Offshore steel structures"	Licence no. A 013617 serial & no. A 021545	<ul style="list-style-type: none"> Location: Lot No. 22 & 112, Block 1 Sibü Town District, 96000 Sibü Sarawak, subject to the approval from the state government and the Environment Board 	Complied
TAS	Department of Environment	17.04.2008	Site approval for Regularisation of an existing factory	Reference no. AS (SWK) (B):91/110/621 /2541(4)	<ul style="list-style-type: none"> The noise pollution level around the perimeter of the factory has to be controlled and should not exceed 65 dB(A)Leq during day time and 55 dB(A)Leq during night time; 	Complied
					<ul style="list-style-type: none"> Open burning on disposable items and garbage whether inside or outside of the premises is prohibited under the Quality and Environment Rules (activity already declared) (open Burning) 2330; 	Complied

Company Number : 810179-T

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving Authority/ Issuer	Date of commencement/ Issue (expiry Date)	Type of Licence and Certificate	Licences and Certificate no.	Major Conditions Imposed	Status of compliance
					<ul style="list-style-type: none">The installation/ construction of incinerator, fire equipments (such as boiler and generator set) is subject to Rules 8, 36 and 38, Quality (Clean Air) 1978. Written Approval is required in advance from this Department for the installation;The construction of the effluence system is subject to Rule 4 PPKAS (KEEP) 1979. Written approval is required in advance from this Department for the construction;The administration in production and disposal of waste materials (such as used lubricant/oil) is subject to the Quality and Environmental Rules (listed waste) 2005;Reinforcement is required to be built around the oil tanks or chemical materials to avoid any spillage. The intensity of the reinforcement has to be 110 percent of the contents of the tank reserve;	Not applicable

Company Number : 810179-T

6. BUSINESS OVERVIEW (CONT'D)

Company	Approving Authority/ Issuer	Date of commencement/ Issue (expiry Date)	Type of Licence and Certificate	Licences and Certificate no.	Major Conditions Imposed	Status of compliance
					<ul style="list-style-type: none"> The usage of refrigerant material which is hazardous to the environment in any new installation of any air-conditioner or cooling system as stated under Quality and Environmental Rules (refrigerant management) Amendment (2004) is prohibited; 	Complied
					<ul style="list-style-type: none"> Reference has to be made to this Department for any extension or upgrading of the capacity of the factory or change of process; 	Not applicable
					<ul style="list-style-type: none"> The validity period for suitable operation at the proposed location are two (2) years from the date of issue of this approval letter; 	Complied
					<ul style="list-style-type: none"> The factory is to inform this Department of the date it will commence operation for the purpose of making arrangement to visit; and 	Not applicable

Company Number : 810179-T

6. BUSINESS OVERVIEW (CONT'D)



Company	Approving Authority/ Issuer	Date of commencement/ issue (expiry Date)	Type of Licence and Certificate	Licences and Certificate no.	Major Conditions Imposed	Status of compliance
TAS	Ministry of Finance	09.02.2004	Bonafide Ship and Boat Builder and Repairer	Reference no. (8.20)116/5/1- 16856	<ul style="list-style-type: none">The consent for suitable location and proposed operation of the premises is subject to final approval of "Jawatan Penyelarasan Perindustrian (ICC) dan Authority Perancang Negeri Sarawak".	Not applicable

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6. BUSINESS OVERVIEW (CONT'D)

6.14 Brand Names, Patents, Trade Marks, Technical Assistance Agreements, Franchises and Other Intellectual Property Rights

Save as disclosed below, as at the LPD, we do not have any brand names, patents, trade marks, technical assistance agreements, franchises and other intellectual property rights for our business operations:-

Company	Trade mark	Class	Trademark Registration Number
TAS Offshore		12	08014078
		37	08014077
		39	08014076
TAS		12	08018752
		37	08018753

We have submitted the respective application to register the above trade mark in Malaysia to the Registrar of Trade Marks, Intellectual Property Corporation of Malaysia (Perbadanan Harta Intelek Malaysia).

6.15 Dependency on Patents, Licences, Industrial, Commercial or Financial Contracts or Arrangements

Save for the licenses as disclosed in Section 6.13 of this Prospectus, we are not highly dependent on any other patents, licenses, industrial, commercial or financial contracts or arrangements that could materially affect our business or profitability.

6.16 Interruptions in Business for the Past 12 Months

We have not experienced any business interruption in the form of trade disputes or major operational breakdown occurring within and outside our Group that may have a significant effect on our operation during the 12 months preceding the date of this Prospectus.

6.17 Major Customers

Our major customers (i.e. those individually contributing 10% or more of our revenue for each of the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009) are as follows:-

FYE 31 May 2006

Customers	Country of Origin	Turnover RM'000	Percentage of Turnover %
Entebe Shipping Pte Ltd	Singapore	19,115	27.8
Zakher Marine International Inc.	UAE	12,528	18.2

6. BUSINESS OVERVIEW (CONT'D)**FYE 31 May 2007**

Customers	Country of Origin	Turnover RM'000	Percentage of Turnover %
Finacia Shipping Pte Ltd	Singapore	32,030	43.1
Zakher Marine International Inc.	UAE	10,003	13.5
Cathay Shipping & Freight Services Pte Ltd	Singapore	9,613	13.0

FYE 31 May 2008

Customers	Country of Origin	Turnover RM'000	Percentage of Turnover %
Zakher Marine International Inc.	UAE	35,762	29.5
Awal Marine Services Est. W.L.L.	Bahrain	18,899	15.6

FPE 31 March 2009

Customers	Country of Origin	Turnover RM'000	Percentage of Turnover %
Awal Marine Services Est. W.L.L.	Bahrain	20,410	18.5
Zakher Marine International Inc.	UAE	19,303	17.5

During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, our business is somewhat dependent on our top two (2) customers, namely Zakher Marine International Inc. and Awal Marine Services Est. W.L.L..

Zakher Marine International Inc. has been dealing with us for the past six (6) years, which indicates that there is a stable business relationship with the customer. As at the LPD, we have seven (7) vessels under constructions for Zakher Marine International Inc., indicating business continuity and long-term customer relationship.

6.18 Major Suppliers

Our major suppliers (i.e. those individually contributing 10% or more of our raw materials cost for each of the past three (3) FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009) are as follows:-

FYE 31 May 2006

Suppliers	Country of Origin	Purchases RM'000	Percentage of Purchases %
Tractors Malaysia Sdn Bhd	Malaysia	9,259	16.1
HG Metal Manufacturing Ltd	Singapore	6,589	11.5

6. BUSINESS OVERVIEW (CONT'D)**FYE 31 May 2007**

Suppliers	Country of Origin	Purchases RM'000	Percentage of Purchases %
HG Metal Manufacturing Ltd	Singapore	9,981	19.9
UMW Industrial Power Sdn Bhd	Malaysia	5,028	10.0

FYE 31 May 2008

Suppliers	Country of Origin	Purchases RM'000	Percentage of Purchases %
Union Resources & Engineering Co. Ltd (formerly known as Yunnan Machinery Imp. & Exp. Co. Ltd) and Nanjing East Star Shipbuilding Co. Ltd*	PRC	21,261	21.0
HG Metal Manufacturing Ltd	Singapore	17,051	16.8

Note:-

- * Both companies are collectively joint ship builders

FPE 31 March 2009

Suppliers	Country of Origin	Purchases RM'000	Percentage of Purchases %
HG Metal Manufacturing Ltd	Singapore	12,127	13.2
Union Resources & Engineering Co. Ltd and Nanjing East Star Shipbuilding Co. Ltd*	PRC	10,583	11.5

Note:-

- * Both companies are collectively joint ship builders

During the FYE 31 May 2008 and the ten (10)-month FPE 31 March 2009, our business is somewhat dependent on our top two (2) suppliers, namely Union Resources & Engineering Co. Ltd (formerly known as Yunnan Machinery Imp. & Exp. Co. Ltd) and Nanjing East Star Shipbuilding Co. Ltd and HG Metal Manufacturing Ltd.

Union Resources & Engineering Co. Ltd and Nanjing East Star Shipbuilding Co. Ltd first became our supplier during the FYE 31 May 2008. We source sub-contracted works from two (2) other suppliers from among our top 20 suppliers during the FYE 31 May 2008, indicating that we have other sources of sub-contracted works. During the ten (10)-month FPE 31 March 2009, we had a total of 29 suppliers of sub-contracted works.

HG Metal Manufacturing Ltd has been our supplier for ten (10) years, indicating a long-term and stable business relationship. This will provide the basis for a continuing business relationship. We purchased steel plates, steel bars, pipes and other types of steel products from five (5) other suppliers from among our top 20 suppliers during the FYE 31 May 2008, indicating that we have other sources of supply for these products. During the ten (10)-month FPE 31 March 2009, we had a total of 13 other suppliers of steel plates, pipes and other steel products.

7. INDUSTRY OVERVIEW AND OUTLOOK

7.1 Overview and Outlook of the Global Economy

The global economy deteriorated further in the first quarter of 2009, while conditions in the international financial system began to stabilise towards the latter part of the quarter. Major advanced economies are still facing a deepening economic contraction following compression in private sector demand. Regional economies experienced a sharp economic slowdown in the first quarter of 2009 following further deterioration in both exports and production. Amidst worsening economic growth and diminishing inflationary pressures, authorities in the advanced economies continued to adopt aggressive monetary and financial measures to stabilise the financial system.

In the US, real GDP contracted at an annualised rate of 6.1% in the first quarter, its third consecutive quarter of decline, marking the longest contraction since 1975. While there was a quarter-on-quarter increase in consumer spending, the decline in overall GDP was due to larger declines in private fixed investment and government spending as well as significant inventory drawdown. Private fixed investment activities registered a larger contraction of 37.9%, reflecting a broad-based decline in residential and non-residential sectors. Private inventory drawdown accounted for nearly half of the GDP decline in the first quarter, as businesses continued to reduce inventories amidst weak demand prospects. Meanwhile, headline inflation declined by 0.2% in the quarter due mainly to lower energy prices and transportation cost.

The euro area experienced a decline in real GDP of 4.6% in the first quarter, recording the largest contraction since its formation in 1999. Germany, the largest member country contracted by 6.9%, its steepest decline in 30 years driven by deterioration in net exports and investment. Domestic demand in several economies such as Ireland and Spain were affected by the ongoing correction in the housing market. The financial turmoil has also resulted in tighter credit conditions for households and businesses in the euro area, with the economic sentiment indicator reaching a record low of 64.6 points in March 2009.

In the Asian region, the more open economies including Singapore, Chinese Taipei, Korea and Hong Kong SAR experienced deeper recessions following the broad weakness in external demand while growth of other regional economies decelerated sharply during the first quarter of 2009. Growth in some economies was further affected by inventory drawdown as companies continued to cut production by a larger magnitude relative to exports. Following a weaker export performance, growth in PRC moderated to 6.1% in the first quarter of 2009. However, economic indicators in PRC arising from the implementation of the fiscal stimulus. In response to the worsening global economic prospects amidst subsiding inflationary pressures, central banks across Asia have reduced interest rates by between 75 and 175 basis points.

Going forward, while some segments of the financial markets have showed improvement, global growth prospects are expected to remain weak despite some tentative signs of stabilisation in a number of economic indicators in several economies. Nonetheless, the implementation of large stimulus measures as well as ongoing measures to restore the health of the financial sector have increased the prospects for global economic conditions to stabilise in the second half of the year.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2009)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.2 Overview and Outlook of the Malaysian Economy

The Malaysian economy contracted by 6.2% in the first quarter of 2009, the first contraction since the third quarter of 2001, due mainly to a significant deterioration in external demand and the decline in domestic demand. External demand deteriorated significantly following the deepening recession in several advanced economies as well as slower growth in the regional economies. Domestic demand contracted, due mainly to weaker investment and private consumption activities. Higher public spending provided some support to the domestic economy. The large inventory drawdown, particularly in the manufacturing and commodity sectors, also contributed to the decline of growth in the first quarter. On the supply side, all sectors of the economy, except the construction sector, recorded contractions.

On a sectoral basis, weaknesses were seen across all economic sectors, with the exception of the construction sector. The manufacturing sector recorded a sharp decline amidst significant deterioration in external demand as well as weaker domestic conditions. The services sector registered only a marginal decline, due to weaker growth in sub-sectors closely linked to the manufacturing sector and trade-related activities. The performance of the agriculture sector was affected by weaker production of palm oil and rubber, while growth in the mining sector continued to be sluggish on lower output of both crude oil and natural gas. Meanwhile, the construction sector turned around to register a small positive growth, supported by the activities in the commercial and residential sub-sectors.

Despite tentative signs of economic stabilisation in several economies in recent months, the major advanced economies as well as regional economies are still experiencing a sharp economic contraction. Meanwhile, the conditions in the international financial system have yet to normalise. These developments will continue to pose risks to the outlook for global economic conditions and outlook. Nevertheless, the implementation of large stimulus measures by several economies has increased the prospects for global economic conditions to improve, particularly in the second half of 2009. Progress made in the financial sector resolution in several advanced economies has also provided support for the progression towards stabilisation of economic and financial conditions.

The Malaysian economy has been adversely impacted by these negative global developments that have resulted in the sharp decline in exports and its consequent effect on the economy in the first quarter of 2009. These effects have continued into the second quarter. The domestic economy is expected to improve in the second half of the year, supported by stabilisation in global economic conditions, and reinforced by the accelerated implementation of the fiscal measures, the further moderation in inflation, continued access to financing, as well as from the cumulative effects of the accommodative monetary environment. As exports are expected to continue to decline, growth will be supported by domestic demand, particularly by the implementation of fiscal stimulus. The implementation of fiscal stimulus measures is expected to strengthen the domestic sources of growth as well as boost confidence of the private sector. Continued access to financing, particularly following the introduction of several loan guarantee facilities and the establishment of the Financial Guarantee Institution and lower inflation will also lend support to the economy during this challenging period.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2009)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.3 Overview of the Shipbuilding Industry

The Shipbuilding Industry plays a key role in supporting the growth and development of the Malaysian economy. The Shipbuilding Industry currently constructs a wide range of vessels that are used to perform a number of important tasks, including providing supporting services to the offshore Oil and Gas Industry and transportation and logistics services to support other industries. In addition, the Shipbuilding Industry also provides opportunities for other dependent industries such as the telecommunications, insurance, banking and finance, storage, bulk breaking, and port services industries.

The Shipbuilding Industry has developed specialised skills and technological capabilities in engineering design, metallurgy, corrosion control, machining, welding and fabrication.

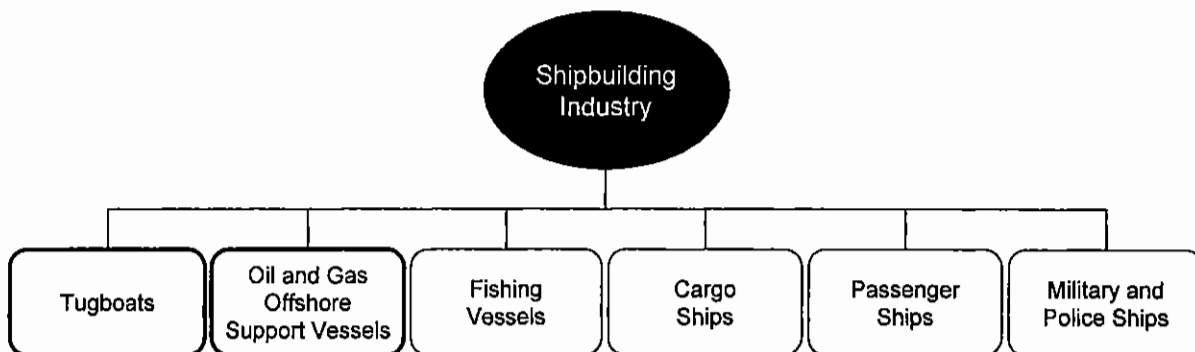
In 2008, there were approximately 70 companies operating in the Shipbuilding Industry in Malaysia. However most of these companies were small operations, building mostly smaller wooden and aluminium hulled boats and watercraft.

The demand for ships in Malaysia is generally based on the following factors:-

- i. Replacement of old ships;
- ii. Demand for new ships on a jobbing basis;
- iii. Demand for ships to support the Oil and Gas Industry; and
- iv. To meet the requirements of the military and police.

There is also considerable demand from overseas customers for ships built by Malaysian shipbuilders.

In general, the Shipbuilding Industry in Malaysia can be broadly categorised by the types of ships built as follows:-



Types of vessels built by us

A tugboat is primarily designed to manoeuvre or tow other vessels. Tugboats are currently used to perform many functions, including:-

- i. Towing, pushing or manoeuvring barges;
- ii. Towing, pushing or manoeuvring disabled vessels;
- iii. Towing, pushing or manoeuvring other vessels in harbours, through the open sea or in rivers and canals; and

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

- iv. Towing, pushing or manoeuvring offshore structures, including Oil and Gas Industry structures such as drilling rigs and offshore platforms.

We are currently engaged in constructing Tugboats.

Oil and gas Offshore Support Vessels comprise a wide range of vessels that are designed to provide various supporting services to the Oil and Gas Industry. Some examples of Oil and Gas Industry support vessels include Anchor Handling Tugs, Anchor Handling Tug Supply Vessels, utility/ support vessels, offshore construction vessels, crew boats and accommodation boats.

We are currently engaged in constructing Anchor Handling Tugs and Anchor Handling Tug Supply Vessels for the Oil and Gas Industry.

Fishing vessels refer to ships and boats that are primarily designed to carry out commercial fishing activities. Some examples of fishing vessels include trawlers, long liners, and purse seiners. Larger fishing vessels that are designed to operate at sea for extended periods of time are often equipped with on-board facilities to preserve and process their catch.

Cargo ships are primarily designed to transport cargo, goods and materials from one port to another. Some examples of cargo ships include dry bulk carriers, container vessels, crude oil and petroleum tankers, and Liquefied Natural Gas/ Liquefied Petroleum Gas tankers.

Passenger ships are primarily designed to transport passengers. Some examples of passenger ships include commercial vessels such as ferries and cruise ships, and private vessels such as yachts.

Military and police ships are primarily designed for military and security purposes. Some examples of military and police ships include patrol vessels, surface combatants, and submarines.

(Source: Assessment of the Shipbuilding Industry prepared by Vital Factor Consulting Sdn Bhd)

7.4 Future Outlook

7.4.1 Outlook of the Shipbuilding Industry

In view of the current global financial crisis that has impacted on the local economy, coupled with the recent fall in crude oil prices, the outlook of the Shipbuilding Industry focusing on the Oil and Gas Industry in Malaysia may be challenging for the short to medium term.

Worsening global economic conditions resulted in slower growth of the Malaysian economy during the fourth quarter of 2008. Real GDP growth slowed to 0.1% during the fourth quarter of 2008 as compared to real GDP growth of 4.7% during the third quarter of 2008. The Malaysian economy recorded a real GDP growth of 4.6% for the year 2008 as a whole, compared to real GDP growth of 6.3% in 2007. During the first quarter of 2009, GDP growth in Malaysia shrank by 6.2%. According to BNM, the Malaysian economy will start to see improvement in the second half of 2009, especially in the fourth quarter.

The global price of crude oil peaked at approximately USD150 per barrel in July 2008. The global price of crude oil was approximately USD70 per barrel as at early June 2009.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

The short-term effect of a decline in crude oil prices and the global financial crisis is expected to be less severe than the expected long-term effect. There is expected to be some negative effect on the short-term outlook for the Shipbuilding Industry in Malaysia, however shipbuilders are expected to continue working on existing contracts. A prolonged decline in the global price of crude oil is expected to have a somewhat more negative effect on the long-term outlook for the Shipbuilding Industry in Malaysia as oil and gas industry operators adjust to the lower prices by reducing their long-term capital investment plans and exploration activities. The long-term outlook of the Shipbuilding Industry in Malaysia is also expected to be negatively affected if the global financial crisis is prolonged.

The outlook for Shipbuilding Industry is expected to improve with the recovery of the Malaysian economy and global economy. Increasing international trade and economic activity in general are expected to increase ship charter rates fuel demand for new ships, including ships to replace older ships that were not replaced during the economic slowdown.

A recovery in the global price of crude oil is also expected to improve the outlook of the Shipbuilding Industry, as new Offshore Support Vessels are ordered to carry out offshore Oil and Gas Industry activity.

The relationship of the above factors and the outlook of the Shipbuilding Industry are further illustrated in Section 7.7 of this Prospectus.

(Source: Assessment of the Shipbuilding Industry prepared by Vital Factor Consulting Sdn Bhd)

7.4.2 Drivers of Growth for the Shipbuilding Industry

i. Economic growth and demand from end-user industries

Economic growth as well as demand from end-user industries should create demand for the Shipbuilding Industry. Some examples of end-user industries include the Oil and Gas, where various types of ships are used to provide supporting services for offshore platforms and in maritime transportation and logistics services for the transportation of cargo and passengers. The demand from end-user industries will, in turn, create demand for the Shipbuilding Industry as new vessels of ships are ordered, including Anchor Handling Tugs, platform supply vessels, offshore construction vessels, accommodation vessels, Tugboats, container ships, tankers, dry bulk carriers and passenger ships.

ii. Growth of the Oil and Gas Industry

The growth of the Oil and Gas Industry, particularly offshore exploration and production activities, will drive demand for the Shipbuilding Industry. On-going offshore exploration and production activities will create demand for supporting ships such as Anchor Handling Tugs, Supply Vessels, crew boats and other types of ships.

iii. Growth in international trade

Growth in international trade will also drive demand for the Shipbuilding Industry as new ships are required to meet the increasing demand for sea cargo and passenger transportation.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

iv. Export market demand

Export market demand will also help to drive the demand for the Shipbuilding Industry. The recent increase in the exports of Tugboats and pusher craft indicates that Tugboats constructed in Malaysia are gaining international acceptance and popularity.

v. Continuing government support

The Malaysian government is continuing to provide support to nurture the growth and development of the Shipbuilding Industry. The Shipbuilding Industry is a promoted activity and operators that are granted pioneer status will enjoy either a five (5) year partial or full tax exemption on their statutory income depending on location of their operations. Operators who invest in promoted areas such as Sabah, Sarawak and the designated Eastern Corridor will enjoy 100% tax exemption on their statutory income during the five (5) year period.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

7.5 Industry Players and Competition

7.5.1 Factors of Competition

Operators in the Shipbuilding Industry in Malaysia face normal competitive conditions. As with most free enterprise environments, competition amongst shipbuilders is based on a number of factors, including the following:-

i. Capability to construct ships in accordance with the technical requirements of the relevant classification societies

The ships constructed by us are built in accordance with stringent international maritime standards. We currently build ships under the governance of the internationally established Bureau Veritas, Nippon Kaiji Kyokai and Germanischer Lloyd classification societies.

The capability to construct ships in accordance with the technical requirements of the relevant classification societies is an important competitive factor, as shipbuilders that lack this capability will not be able to secure orders and contracts for ships.

ii. Financial strength to compete and grow the business

For the FYE 31 May 2008, our PBT amounted to RM17.9 million. Our PBT was RM20.5 million for the ten (10)-month FPE 31 March 2009. Our high profitability will enable us to compete against other shipbuilders, as it provides us with the financial strength to secure supplies of key raw materials, parts and components to ensure that there is no disruption to our operations stemming from a shortage of these materials. Our financial strength will also support our on-going operations and future expansion plans.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

iii. Established track record

We have been engaged in Shipbuilding since the early 1990's. We have successfully completed over 150 ships of various types for our overseas and local customers. This long and established track record provides us with a competitive advantage over new entrants and companies who have only been in operations for a short period of time.

iv. Quality management system certification

In addition to our ability to construct ships in accordance with technical requirements of the relevant classification societies, the quality of the ship is also important to ensure customer loyalty as well as to serve as product references to attract new customers. As such, operators with demonstrable quality management system in place would have an advantage. As part of our emphasis on quality, we received ISO 9001:2000 certification on 23 August 2007 issued by Bureau Veritas Certification Malaysia.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

7.5.2 Competitive Intensity and Factors that Moderate the Competitive Intensity

The overall competition among shipbuilders is moderate to high and is substantiated by the following:-

- i. There were approximately 70 companies operating in the Shipbuilding Industry in Malaysia in 2008. Most of these companies are small operations, building mostly smaller wooden and aluminium hulled boats and watercraft.

The moderate number of steel vessel builders would mitigate somewhat the competitive pressure on existing shipbuilders.

- ii. Capital and set-up cost to establish an entry-level Shipbuilding Yard is approximately RM22.8 million. This includes investment into building the infrastructure for the Shipbuilding Yard, to purchase equipment and for working capital.

The relatively high capital and set-up cost required will limit the number of new entrants, and thus reduce somewhat the competitive pressure from too many new entrants into the Shipbuilding Industry.

- iii. Experience, track record, technical skills and relevant accreditations are pre-requisites for any new entrant to commence business in the industry. In addition, these pre-requisites would favour more experienced shipbuilder.

As such, these pre-requisites would moderate somewhat the competitive intensity among more experienced and established shipbuilders who have longer track records.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.5.3 Operators in the Industry

- i. There were approximately 70 companies involved in the Shipbuilding Industry in Malaysia in 2008.

(Source: Assessment of the Shipbuilding Industry by Vital Factor Consulting Sdn Bhd)

7.6 Relevant Laws and Regulations Governing the Industry and Peculiarities of the Industry

7.6.1 Government Laws and Regulations

- i. Manufacturing License

Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on operators' performance and growth within a free enterprise environment.

Application of a manufacturing licence under the Industrial Coordination Act, 1975 is required for companies with shareholders' funds of RM2.5 million or above or engaging 75 or more full-time employees.

We have obtained a manufacturing licence on 9 August 2003 from MITI with respect to "Shipbuilding & Ship Repairing" and "Leisure Crafts & Offshore Steel Structures".

- ii. Registration as Bonafide Shipbuilder & Repairer

We were registered as a "Bonafide Shipbuilder & Repairer" by the Ministry of Finance on 9 February 2004. The registration is effective from 20 January 2004.

As a registered "Bonafide Shipbuilder & Repairer", we have the rights to obtain import duty and sales tax exemption on raw materials/ components.

7.6.2 Government Incentives

In general, the Malaysian government provides incentives for companies listed as promoted activities or products under the Promotion of Investments Act 1986 including:-

- i. Pioneer Status, which provides for a five (5) years partial exemption from the payment of income tax;
- ii. Investment Tax Allowance on qualifying capital expenditure incurred on factory, plant, machinery or other equipments within five (5) years from the date on which the first qualifying capital expenditure was incurred;
- iii. Reinvestment Allowance for a manufacturing company that has been in operation for at least 12 months (this condition has been revised to at least 36 months, effective from year of assessment 2009) and incurs qualifying capital expenditure to expand, modernise or automate its existing business or diversify its existing business into any related products within the same industry; and