7. BUSINESS OF OUR GROUP *(Cont'd)*

Upon graduating from our training programmes, some trainees would be given a permanent or contractual employment opportunity with our Group, depending on the availability of positions. Some of our trainees have been employed by other major industry players such as, among others, PETRONAS Carigali Sdn Bhd, JX Nippon Oil & Energy Exploration (Malaysia) Ltd and Cameron International Malaysia Sdn Bhd.

As part of our technical training programmes, we also provide customised long-term training programmes for corporations such as PETRONAS group of companies, Institut Teknologi Petroleum PETRONAS (INSTEP), Petrofac Ltd, Jimah Energy Ventures Sdn Bhd and Teknik Janakuasa Sdn Bhd as well as government bodies such as Manpower Department of Malaysia and Human Resource Development Fund Malaysia.

In 2014, we received a grant of RM1.20 million from the Ministry of Finance, Malaysia under the Strategic Action for Youth 1Malaysia Programme to provide a customised training programme.

Some of technical training courses that we conducted for the past three financial years including scheduled courses as well as courses that are conducted on an ad-hoc basis depending on customer demand are as set out below:

	Course duration	Number of participants		
		2013	2014	2013
City & Guilds courses				
Competent Rotating Machinery Technician programme	4 months	35	21	31
Advanced Diploma in O&G Operations (Mechanical Maintenance)	18 months	-	10	-
Other courses				
Say1Malysia Programme	6 months	-	30	-
Fundamental of Precision Alignment Training	3 days	10	-	-
Machinery Diagnostic System for Critical Machineries	3 days	5	-	-
Practical Approach to Inspection & Maintenance of Pumps	3 days	-	23	-
Practical Approach to Precision Alignment Methods	3 days	-	33	36
Valve Operations / Maintenance / Inspection & Flange Breaking	3 days	-	-	20
Vibration Specialist Level 1	4 days	-	-	-
Vibration Practitioner Certification Level 1	4 days	-	10	24
Vibration Practitioner Certification Level 2	5 days	-	-	5

7.4.4.2 ICT solutions and services

The provision of ICT solutions and services are undertaken by our subsidiaries Serba Dinamik IT and Telegistics Asia, which was acquired on 15 January 2015 for RM180,000.00. Serba Dinamik IT is principally involved in ICT software and solutions providing mainly industrial ICT applications, while Telegistics Asia is involved in the provision of internet and mobile application solutions for corporate customers.

(i) Industrial ICT applications

Through our subsidiary, Serba Dinamik IT, we have developed a suite of software packages for industrial applications which are sold either to customers on a standalone basis, packaged with other IT software solutions, or packaged together with our O&M and EPCC contracts. Serba Dinamik IT is an MSC Status company in recognition of its research, development and commercialisation of in-house developed software applications namely, AlignSoft and myPLANT.

The description of some of our software and their applications are set out below:

Software	Brief description
Plant O&M	
Alignment Tool System (AlignSoft)	• Solve critical alignment problems quickly, efficiently and economically • Assist in performing precision alignment tasks, produce reports, and keep track of such alignment records
Plant Monitoring System (myPLANT)	• For operation and maintenance personnel to record, monitor and manage plant equipment information • Analyse and use of recorded data to predict the timing for plant maintenance
Risk Based Inspection System (Smart Inspector)	• For use by fired and unfired pressure vessels • Ensure risk is taken into account when developing inspection plans on equipment
Vibration Condition Monitoring System (VibraSolve)	• Condition monitoring system to analyse, monitor, record and manage the level of vibrations of equipment • Manage data acquisition and processing, storage and retrieval, analyse data and generate reports
Plant HSE maintenance	
Audio Metric Management System	• Monitoring of information pertaining to the Audio Metric tests of manufacturing plant workers • Aid in providing reports for DOSH
Incident Matrix and Analysis Tool	• Monitoring of incidences at plant operation.
Personnel Protective Equipment System	• Monitoring of all personnel protection equipment and alerts owners when equipment's expiry dates are approaching • Aid in inspection and audit from DOSH

Software	Brief description
Supply base and warehouse management	
Barcoding System (ActiveRFID)	• Data collection system which tracks all valuable and confidential information
Catalogue Album System	• Inventory management system which replaces ordinary manual procedures
Online Asset Tracking System	• Tracking systems to optimise productivity of asset. • Integration of assets including equipment, human resources and Standard Operating Procedures
Asset Tracking System using Radio Frequency Identity (ATS-RFID)	• Tracking of asset movement between offshore and onshore

(ii) Internet and mobile application solutions

Telegistics Asia became our subsidiary in January 2015 and its principal business is to develop and supply internet and mobile application solutions, also referred to as web-based services mainly for commercial enterprises. The software products that were developed by Telegistics Asia include:

(a) live internet broadcasting (Telegistics LiveStream); and

(b) video web conferencing (Telegistics Web Conferencing).

Telegistics LiveStream and Telegistics Web Conferencing have reached commercialisation and have been awarded a certification from TÜV Rheinland, a provider of technical safety and certification services.

Telegistics LiveStream is a broadcasting system, which telecast live events on a dedicated web-site. In this respect, we have the facilities to provide broadcast crew equipped with video camera, IT infrastructure as well as broadcasting facilities to cater to events such as product launching, training and seminars, company announcements, press releases and signing ceremonies. Thus far, we have only provided this service to financial institutions.

Telegistics Web Conferencing is a secured video web conferencing platform, which is installed directly into customers' servers or behind their own security system such as firewall, for secured communications. With this system, companies are able to organise virtual business meetings with offices or affiliates at different locations while maintaining the security of the information shared. Thus far, we have only provided this service to financial institutions and other commercial sectors.

7.4.4.3 Supply of products and parts

The supply of products and parts forms part of our supporting activities to our O&M and EPCC business operations, as well as for external customers. Through our subsidiaries, we are the exclusive agents of the following companies and their respective products and services:

(i) Capstone for microturbines for Malaysia, Indonesia and Brunei;

(ii) Turbine Efficiency Group Ltd for Ruston industrial gas turbines for Malaysia;

(iii) MeteoGroup Ireland Limited for weather forecasting services for Malaysia;

(iv) Psicon BV for pumps and other related products for the UK and Iran; and

(v) SKF AB for monitoring equipment, condition performance based monitoring products and engineering consultancy services in respect of O&M services for Malaysia.

7.4.4.4 Logistics services

We have a logistic centre comprising a 1,944 sq metre warehouse and a 25,000 sq metre open yard located within RAK Port in RAK, UAE for the provision of logistics services. This is undertaken by our subsidiary Serba Dinamik RMC FZE.

RAK Port is one of the five seaports in RAK, UAE and it operates as a marine supply base for offshore O&G operators. It provides lay-by facilities for barge and workboat operators, cargo-handling services, warehousing and marine maintenance services.

We also utilise part of the logistics centre as our service centre. Some of the activities that we carry out include provision of MRO services to vessels that berth at the RAK Port. As at the LPD, we have purchased and installed eight machineries and equipment at our logistics centre to support our maintenance services.

Site office at our logistics centre

Installation of perimeter fencing surrounding the warehouse in March 2016

For further details on expansion plans for our logistics centre, please refer to Section 7.21.1.2(ii) of this Prospectus.

7.4.5 Production of CNG

Part of our business activities is in the production of compressed natural gas or CNG in Muaro Jambi, Sumatra, Indonesia. CNG is natural gas that is compressed to less than 1.00% of its initial volume, while remaining in a gaseous state, making it economically viable for transportation to end-users.

The production of CNG is undertaken by our subsidiary, PT Kubic Gasco. We acquired 51.00% equity interest in PT Kubic Gasco on 12 August 2015 for RM3.83 million. On 3 February 2016, PT Kubic Gasco obtained the following licence and permit:

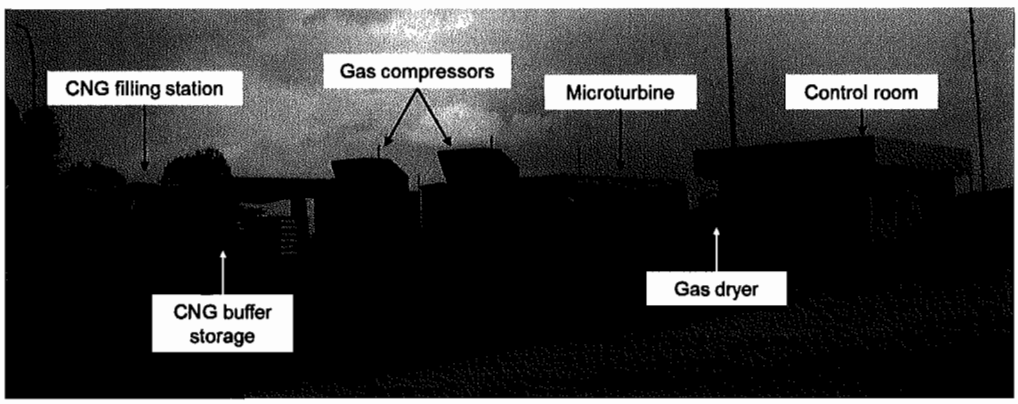
(i) a Trade Business Licence issued by the Head of One Stop Integrated Service Agency of Muaro Jambi Regency; and

(ii) a Business Location Permit issued by Head of One Stop Integrated Service Agency of Muaro Jambi Regency.

Our CNG plant is located on a land in Muaro Jambi measuring approximately 11,200 sq metres where we completed the physical construction and installation of equipment in June 2016. It is equipped with facilities including, among others, gas metering station, gas dryer, gas compressors, control room, microturbines, CNG buffer storage, air compressors and a CNG filling station. The natural gas is piped directly into our plant via a 500 metre pipeline from the Simpang Tuan Gas Field which is located nearby our CNG plant. The design capacity of our CNG plant is 2.5 MMSCFD. Please refer to Section 7.6.3 of this Prospectus for further information on production output, capacity and utilisation.

A pictorial depiction of our CNG facilities is as set out below:

Our CNG plant in Muaro Jambi, Sumatra, Indonesia



On 16 March 2016, PT Kubic Gasco entered into an operational cooperation agreement with Perusahaan Daerah Muaro Jambi ("**PD Muaro Jambi**"), a district owned company, to collaborate in the commercial operations of the CNG plant in Muaro Jambi, Sumatra, Indonesia. In the operational cooperation agreement with PD Muaro Jambi, PT Kubic Gasco is responsible for providing financing, management and engineering expertise to develop and operate the plant. As for the role of PD Muaro Jambi in the said agreement, it is responsible for liaising with the government body of Muaro Jambi regency, as well as ensures compliances with the applicable regulations in Muaro Jambi. In the said operational cooperation agreement, PD Muaro Jambi, as the allocation rights holder of the natural gas from the Simpang Tuan Gas Field and the holder of the provisional CNG trading permit, will receive an amount based on an agreed pricing formula for every heat value of unit in million British Thermal Units ("**MMBTU**") of CNG sold. On 22 March 2016, PD Muaro Jambi obtained a provisional CNG trading permit for the purpose of equipping the plant's facilities, running equipment calibration and

preparation of the relevant documents for the commissioning and sales of CNG, pending the issuance of the official trading permit by the first quarter of 2017.

PD Muaro Jambi has a gas supply agreement with PT Pertamina EP for the supply of natural gas to support power generation and industries in Muaro Jambi, Sumatra, Indonesia and its surrounding areas. In the said gas supply agreement dated 9 October 2012, PD Muaro Jambi was allocated up to 2.5 MMSCFD of natural gas from the Simpang Tuan Gas Field for a six-year period to supply natural gas amounting to the volume of 5,475 million standard cubic feet (**"MMSCF"**) commencing from the date of gas-in streaming to our CNG plant. Subsequent to LPD, we commenced operations with the commissioning of our CNG plant and gas-in streaming on 25 November 2016. We, together with PD Muaro Jambi have commenced trading of CNG to two customers subsequent to LPD.

Please refer to Annexure A.1 and Annexure B.1 of this Prospectus for details of the licences, permits and approvals for the CNG plant's operations.

7.5 OUR CONTRACTS

For the FYE 2013, FYE 2014 and FYE 2015, only six customers accounted for more than 10.00% or more of our revenue. They are Energy Engineering & Services, PETRONAS Carigali Sdn Bhd, PETRONAS Carigali (Turkmenistan) Sdn Bhd, Energy Machine Services L.L.C., Sarawak Shell Berhad and Petroserv Limited. Please refer to Section 7.7 of this Prospectus for further information. Although we benefit from these clients which provide significant business and growth opportunities for our Group, a significant portion of our Group revenue is also generated from contracts originating from customers other than our Major Customers as set out in Section 7.7 of this Prospectus which individually contributes a lesser contract value than that those from our major customers as set out in Section 7.7 of this Prospectus.

The following terms are representative of our typical maintenance contract, although we have a number of contracts and the terms below do not purport to represent any single contract:

(i) *Term*: Contractual period ranging from two to five years and there are renewal terms which are applicable to the contracts subject to further negotiations between the parties.

(ii) *Fees*: Subject to fixed fees for specified work or a schedule of rates which are essentially a description of a work activities (or task) with a combination of lump sum amounts or fixed unit rates which may be subject to further breakdown based on the daily rates, standby rates, mobilisation and demobilisation rates which represent the rates for the relevant category of labour or personnel requirement on site and at the workshop. As for the scope of works which requires the engagement of services or provision of supplies from third party, the customer will reimburse the actual cost of undertaking the scope of work with an agreed cost plus 'mark-up' or margin or a fixed unit price for any specified spare parts as may be predetermined under the schedule of rates. In instances where the contract stipulates a limit to the total estimated contract value, the predetermined price of contract or estimation does not accurately reflect the contract fees until the requested works as specified under the contract is requested for by the customer.

(iii) *Performance guarantee*: Upon award of the work order, the customer may request for an irrevocable and unconditional guarantee to be issued to the customer to guarantee the performance of the relevant work order.

(iv) *Warranty claims*: For the provision of services, we provide warranty for a period of 6 to 12 months from the date of completion of works. This warranty is secured by the performance guarantee provided under the maintenance contracts. In relation to the major equipment, products and parts supplied under the maintenance contracts, i.e. turbines, compressor, transformers, etc., standard warranties are usually provided directly by the suppliers/OEM. Hence, our Group has not been exposed to liability in respect of warranty claims for products and parts. Should there be any claim raised by the customer, we will simultaneously raise a claim against the supplier/OEM. The process on the assessment of the claim will run concurrently between our Group and the customer and the supplier/OEM, in view that any validation of a claim by the Group will only be made if the supplier/OEM validates the same. In the event that the claim has been agreed between the parties, the warranty claim will be covered by the supplier/OEM.

(v) *Licensing requirements*: In Malaysia, the contracts awarded by the customers impose an obligation on the service providers to maintain and hold a valid license with PETRONAS for the performance of the works throughout the duration of the contract.

(vi) *Currency*: RM for contracts in Malaysia and USD for contracts outside Malaysia.

(vii) *Payment terms*: The normal credit period offered is between 30 to 90 days from the date of invoice.

(viii) *Exclusivity*: Non-exclusive.

(ix) *Applicable governing laws*: It is determined primarily on the location of the performance of the services/work. However for PETRONAS work orders which are performed outside of Malaysia, the applicable governing laws remain as Malaysia.

There has been no warranty claims in relation to maintenance services provided by the Group for the past three financial years and as such no provision is made for warranty claims in the financial statements of the Group.

We seek to proactively renew and renegotiate contracts before they expire to ensure business sustainability of our Group as well as to provide us with the financial resources to expand our business. Our relationship with PETRONAS Carigali Sdn Bhd and Sarawak Shell Berhad has existed for 22 and 20 years respectively and we maintain longstanding relationships with several smaller customers, particularly in Malaysia where our operating history is longer.

Further as mentioned in Section 7.21 of this Prospectus, our Group is looking at expanding our current operations, where opportunities in O&G, and power generation industries exist, to mitigate against any over dependence on the domestic market by expanding our customer and revenue base over a greater geographical coverage.

In regards to EPCC contracts, the terms vary from one contract to another. Please refer to Section 7.4.3.2 and Section 7.20 of this Prospectus for information on our EPCC contracts.

The following terms are representative of provisions typically provided in our EPCC contracts, although we have a number of contracts and the terms below do not purport to represent any single contract:

(i) *Term*: The duration of the EPCC works ranges between 18 months to 36 months from the date of commencement of works to its completion, depending on the scope of work provided under the EPCC contracts. Save and except for variation orders issued under the EPCC contracts, there will not be any extension of time.

(ii) *Fees and payment terms*: Consideration for the assigned scope of work is subject to final measurement of the bill of quantities at an agreed schedule of rates. Payments will be made, upon the issuance of certificates of completion by the independent certified auditors, on the agreed milestones as set out in the EPCC contracts.

(iii) *Performance bond*: The EPCC contractor is commonly required to furnish performance security for due performance of the works which may take a form of a performance bonds and/or irrevocable bank guarantees. A parent guarantee may be acceptable as an alternative. The value of the performance security is between 5.00% and 10.00% of the contract sum and it is valid up to 12 months after the expiry of defects liability period or the issuance of the Certificate of Completion, whichever is later.

(iv) *Warranty claims and defects liability period*: We provide warranty for services and products under the EPCC contracts. The defects liability period provided is typically 12 to 24 months from the date of practical completion of the works. In relation to the major equipment, products and parts supplied under the EPCC, i.e. turbines, compressor, transformers, etc., standard warranties are usually provided on a back-to-back arrangement made between us and the customers and the suppliers/OEM. Hence, our Group has not been exposed to liability in respect of warranty claims for major equipment, products and parts. Should there be any claim raised by the customer, we will simultaneously raise a claim against the supplier/OEM. The process on the assessment of the claim will run concurrently between the Group and the customer and the supplier/OEM, in view that any validation of a claim by the Group will only be made if the supplier or OEM validates the same. In the event that the claim has been agreed between the parties, the warranty claim will be covered by the supplier/OEM. There should not be any gap in the timing for settlement of such claim. In addition to the performance bond, the owner may require a design guarantee bond as an additional security against any defects in the design which is valid for a period of two to five years from the date of practical completion of the works.

(v) *Liquidated damages*: Compensation will be paid the owner if the EPPC contractor fails to complete the works within the stipulated time. Any delay of work which is attributable to the owner will affect their right to claim liquidated damages from the EPCC contractor.

(vi) Currency: RM for contracts in Malaysia and USD for contracts outside Malaysia.

(vii) *Applicable governing laws*: Malaysia or such other jurisdiction laws depending on the place of execution of the works.

There has been no warranty claim in relation to services and products made against the Group for the past three financial years and as such no provision is made for warranty claim, performance bond or design guarantee bond in the financial statements of the Group.

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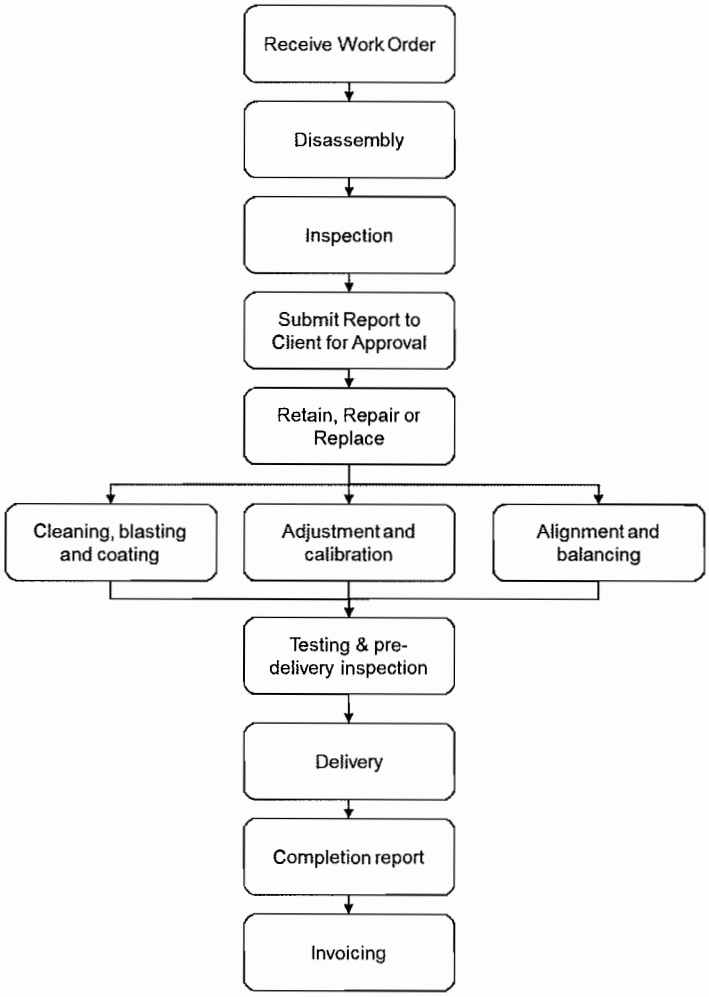
7.6 BUSINESS AND OPERATIONAL PROCESSES

7.6.1 Process flow for MRO services

The process flow for MRO services at our service centres is depicted in the diagram below:



Upon receiving a work order which outlines the overall scope of work from our customers, we will then set up a project team to focus on our customers' requests.

The first process involves the disassembly of the respective parts of the equipment that requires maintenance and/or repair. Subsequently, these parts will be transported to one of our service centres or in the case of a major overhaul, our maintenance team will either transport the equipment to one of our service centres or go on-site to perform the services.

Upon receiving the items for maintenance, an inspection will be conducted for diagnosis where we will then prepare an inspection report complete with photographs and recommendation for the necessary maintenance, repair and/or replacement of components and spare parts. The inspection report will then be submitted to the customer for approval along with the unit rate for the recommended services. In some cases, the inspection is conducted together with the customers' representative or a third-party inspector and the scope of work will be determined based on their inspection report.

After receiving feedback and approval from our customers, the next process involves carrying out the necessary repair services and machining activities. Parts that cannot be repaired will be replaced with new parts that are either sourced from suppliers or provided by customers. Where possible, we will remanufacture parts and components. All repairs are carried out in accordance with specifications of customers or OEM.

The next process involves cleaning, blasting and coating to restore the equipment to its original state while adjustment and calibration are undertaken for controls and instrumentation to ensure proper functionality. Our service centre in Paka, Terengganu is equipped with a blasting and spraying chamber and HVOF coating equipment, therefore these activities are undertaken internally. However, for service centres in other locations, we would use third party service providers to carry out blasting and coating services. As for rotating equipment, balancing and shaft alignment processes are undertaken on-site or at our service centres.

The next process involves testing and pre-delivery inspection where we will conduct various tests on pumps and valves at our testing pits and valve test stations respectively. A representative from the customer will be present to witness the performance testing process. We may also engage external specialists to conduct non-destructive testing upon the request of customers during this stage.

Pre-delivery inspection is then performed as part of the quality assurance and quality checking process before the equipment and its ancillary parts are packaged for delivery to the customer. Finally, a completion report will be drawn up along with a summary of the final costing and invoicing.

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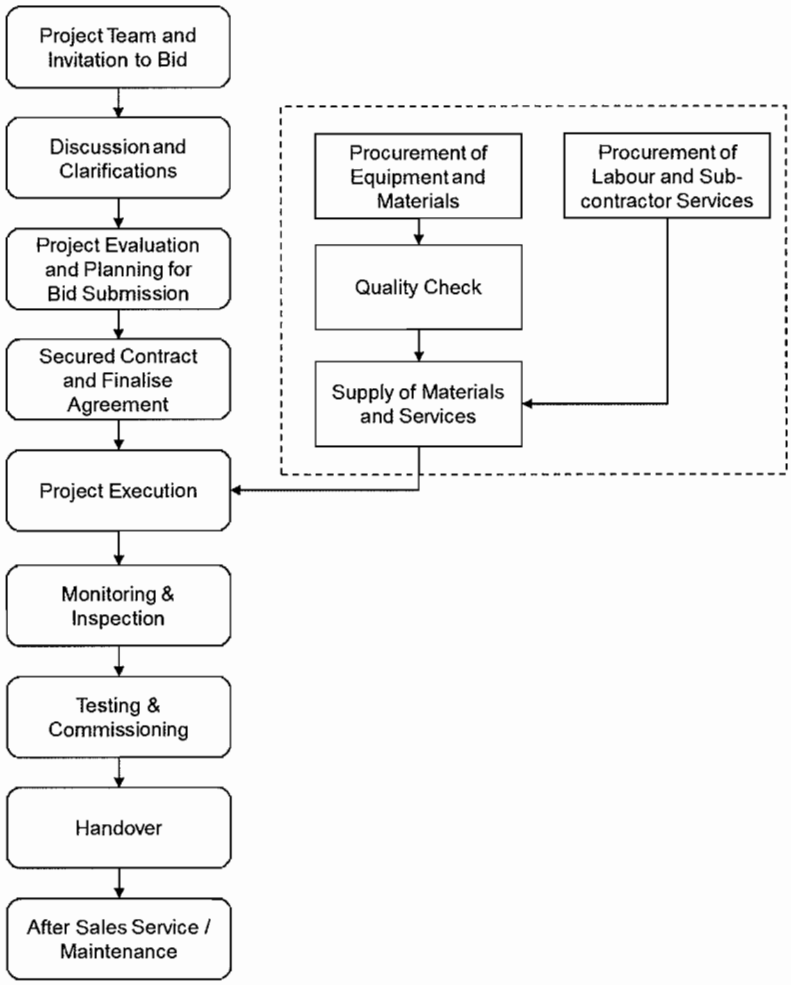
7.6.2 Process flow for EPCC works

Our general process flow for the provision of EPCC works is depicted in the diagram below:



Upon receiving invitations to submit a bid to tender for works, a project team would be assigned to put together a submission detailing the project's scope of work, timeline, and expected cost. The project team is then tasked with attending briefings, holding discussions, and seeking clarifications pertaining to the requirements and specifications of the customer.

This is followed by the next process of project evaluation and planning process which involves a thorough assessment of the requirements and specifications specified in the invitation to bid, such as type of processing plants or facilities, location and layout of plant and facility, installation procedures and potential complications and risks involved. Subsequently, the project team would then recommend the types of products required depending on the type of project, for example rotating and static equipment, control system and instrumentation and the relevant technical specifications inclusive of the estimated costs, expenses and timeline for delivery. All this information will be included in the submission.

Upon the successful award of the contract, the project team would then finalise the agreement with the customer in terms of the required specifications, detailed design, fabrication, installation and commissioning.

The next process is in project execution which encompasses procurement of equipment and materials. The process would also include conducting quality checks on the materials before they are delivered on-site. Additionally, this process would involve procurement of labour and suppliers for services including among others, civil and structural works, and wiring and electrical works. During this stage, suppliers and service providers would be assessed and appointed based on several criteria such as reliability, past performance, track record, quality and pricing.

During the process of carrying out the works, project managers are usually assigned to monitor the work in progress and carry out inspections to ensure that the works are in accordance to customers' requirements and specifications. Suppliers, in particular civil and structural contractors, are also monitored to ensure that the construction works are done according to schedule.

The testing and commissioning process depending on the project requirements which may involve testing and identifying or rectifying any shortcomings or issues relating to among others, the rotating or static equipment, instrumentation or piping system. Once the plant facilities and systems are commissioned and are fully operational, the project can be officially handed over to the customer.

We also provide after-sales service to our customers including standby technical support, warranty, training and maintenance.

7.6.3 Production output, capacity and utilisation

Generally, production output, capacity and utilisation are not applicable to our business activities as we are primarily a service based company, with the exception of our CNG plant.

The design capacity of our CNG plant in Muaro Jambi, Sumatra, Indonesia is 2.5 MMSCFD. Pending the issuance of the official trading permit, our CNG plant's permitted capacity is 1 MMSCFD based on the provisional trading permit issued to PD Muaro Jambi.

Subsequent to the LPD, we commenced operations of the CNG plant on 25 November 2016. As the CNG plant has just commenced operations, it is too preliminary at this stage to provide production output and utilisation.

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7. BUSINESS OF OUR GROUP *(Cont'd)*

7.7 MAJOR CUSTOMERS

The table below lists the customers which contributed 10.00% or more of our revenue in FYE 2013, FYE 2014, FYE 2015 and FPE 2016:

Customer name	Geographical segment served	Approximate length of relationship (Years)	FYE 2013		FYE 2014		FYE 2015		FPE 2016	
			Revenue (RM '000)	% of group revenue	Revenue (RM '000)	% of group revenue	Revenue (RM '000)	% of group revenue	Revenue (RM '000)	% of group revenue
PETRONAS Carigali Sdn Bhd	Malaysia	22	119,068	22.21	152,004	20.11	217,632	15.51	138,951	15.24
PETRONAS Carigali (Turkmenistan) Sdn Bhd	Turkmenistan	3	80,945	15.10	123,689	16.37	166,401	11.86	72,008	7.90
Sarawak Shell Berhad	Malaysia	20	62,556	11.67	50,140	6.63	85,646	6.10	30,663	3.36
Energy Engineering & Services	UAE, Qatar	4	-	-	20,242	2.68	224,197	15.98	23,108	2.53
Energy Machine Services L.L.C	Oman	4	-	-	59,538	7.88	157,826	11.25	9,306	1.02
Petroserv Limited	Qatar	10	57,981	10.81	33,709	4.46	26,568	1.89	-	-

For the FYE 2013, FYE 2014, FYE 2015 and FPE 2016, the customers that contributed 10.00% or more of our revenue were PETRONAS Carigali Sdn Bhd, PETRONAS Carigali (Turkmenistan) Sdn Bhd, Sarawak Shell Berhad, Energy Engineering & Services,Energy Machine Services L.L.C., and Petroserv Limited.

Although our top customer, PETRONAS Carigali Sdn Bhd may represent 15.51% and 15.24% of our total revenue for FYE 2015 and FPE 2016 respectively, we are not dependent on any single one of our major customers.

PETRONAS Carigali Sdn Bhd is principally involved in the O&G exploration, development and production in Malaysia. We have been providing services to PETRONAS Carigali Sdn Bhd for approximately 22 years including O&M services, EPCC works and other products and services.

7. BUSINESS OF OUR GROUP *(Cont'd)*

Revenue from PETRONAS Carigali Sdn Bhd increased from RM119.07 million for FYE 2013 to RM152.00 million for FYE 2014, and continued to increase to RM217.63 million for FYE 2015. This was mainly contributed by the increase in work orders pertaining to the following contracts:

(i) MRO services for rotating equipment in Peninsular Malaysia, Sabah and Sarawak operations;

(ii) MRO services for gas compressor inclusive of specialist and parts supply;

(iii) MRO services and technical support for compressor;

(iv) MRO services for microturbine generator at J4 platform;

(v) MRO services for microturbine.

In addition, the increase in revenue from PETRONAS Carigali Sdn Bhd was contributed by EPCC works for the supply, installation, testing and commissioning of bar coding and material album system. For the FPE 2016, revenue from PETRONAS Carigali Sdn Bhd amounted to RM138.95 million mainly due to continuing work orders pertaining to the said contracts for MRO services and EPCC works.

Energy Engineering & Services is an engineering and contracting company in the Middle East. We have been working with Energy Engineering & Services for approximately four years in terms of providing O&M services to O&G customers in UAE and Qatar. Revenue from Energy Engineering & Services increased from RM20.24 million for FYE 2014 to RM224.20 million for FYE 2015, which was mainly attributed to an increase in maintenance works in relation to the contract for MRO of pressure testing, COTP, safety relief valve and other associated rotating equipment in UAE and Qatar. For FPE 2016, revenue from Energy Engineering & Services amounted to RM23.11 million contributed by continuing maintenance works in relation to the said contract. The validity of the said contract is until August 2017.

PETRONAS Carigali (Turkmenistan) Sdn Bhd is principally involved in the O&G exploration, development and production in Turkmenistan. We have been providing O&M services to PETRONAS Carigali (Turkmenistan) Sdn Bhd for approximately three years. Revenue from PETRONAS Carigali (Turkmenistan) Sdn Bhd increased from RM80.95 million for FYE 2013 to RM123.69 million for FYE 2014, and continued to increase to RM166.40 million for FYE 2015. This was mainly due to an increase in maintenance works carried out on MRO services for rotating equipment in Turkmenistan. For FPE 2016, revenue from PETRONAS Carigali (Turkmenistan) Sdn Bhd amounted to RM72.01 million contributed by the said MRO services for rotating equipment in Turkemenistan. The contract of this MRO for rotating equipment in Turkmenistan is valid until July 2016.

Energy Machine Services L.L.C is an engineering and contracting company in Oman. We have been working with Energy Machine Services L.L.C. for approximately four years providing a range of services including O&M services and other products and services to O&G customers in Oman Revenue from Energy Machine Services L.L.C increased from RM59.54 million for FYE 2014 to RM157.83 million for FYE 2015. This was mainly attributed to an increase in orders for the supply of spare parts for Ruston gas turbines in Oman. For FPE 2016, revenue from Energy Machine Services L.L.C. amounted to RM9.30 million attributed to orders for the supply of spare parts for Ruston gas turbines in Oman. The said contract with Energy Machine Services L.L.C is valid until March 2017.

Sarawak Shell Berhad is principally involved in O&G exploration, development and production in Malaysia. We have been providing services to Sarawak Shell Berhad for approximately 20 years including O&M services, EPCC works and other products and services. Revenue from Sarawak Shell Berhad decreased from RM62.56 million for FYE 2013 to RM50.14 million for FYE 2014. This was mainly due to the completion of work orders pertaining to MRO services for rotating equipment, as well as the fulfilment of orders for the supply and delivery of microturbine generators during FYE 2013. For FYE 2015, revenue from Sawarak Shell Berhad increased to RM85.65 million, mainly due to EPCC works relating to design, supply and delivery of microturbine generators for E6 field development project. For FPE 2016, revenue from Sarawak Shell Berhad amounted to RM30.66 million, mainly due to revenue recognised for the said EPCC works as well as continuing work orders pertaining to MRO services of rotating equipment.

Petroserv Limited is an engineering and contracting company in Qatar. We have been working with Petroserv Limited for approximately 10 years in terms of providing O&M services to O&G customers in Qatar. Revenue from Petroserv Limited decreased from RM57.98 million for FYE 2013 to RM33.71 million for FYE 2014 and continued to decrease to RM26.57 million for FYE 2015. This was mainly attributed to the fulfilment of work orders pertaining to MRO services for rotating equipment in Qatar. Although we have continuing work orders from Petroserv Limited for the provision of MRO services for rotating equipment in Qatar, however we have yet to recognise revenue from the said work orders for FPE 2016.

7.8 MAJOR SUPPLIERS

The table below lists the suppliers which accounted for 10.00% or more of our Group's total purchases in FYE 2013, FYE 2014, FYE 2015 and FPE 2016 were as follows:

			FYE 2013		FYE 2014		FYE 2015		FPE 2016	
Supplier name	**Geographical Segment**	**Approximate length of relationship (Years)**	**Purchases (RM '000)**	**% of total purchases**	**Purchases (RM '000)**	**% of total purchases**	**Purchases (RM '000)**	**% of total purchases**	**Purchases (RM '000)**	**% of total purchases**
Technorette Sdn Bhd[(1)]	Malaysia	7	104,852	22.35	150,230	21.71	199,335	17.34	127,261	14.38
FRZ Scientific Sdn Bhd	Malaysia	9	76,790	16.37	125,984	18.21	131,886	11.48	96,865	10.95
Qatar Engineering & Construction Company W.L.L	Qatar, KSA	4	8,737	1.86	11,604	1.68	95,394	8.30	88,713	10.02
D-Multiserve Resources Sdn Bhd	Malaysia	4	-	-	78,202	11.30	-	-	-	-

7. BUSINESS OF OUR GROUP *(Cont'd)*

Note:

(1) For the FYE 2013, FYE 2014, FYE 2015 and FPE 2016, Technorette Sdn Bhd has been a major supplier to our Group. Datin Nur Aisyah being the spouse of Dato' Karim, was previously a major shareholder of Technorette Sdn Bhd. Datin Nur Aisyah had on 1 December 2015, disposed her entire equity interest in Technorette Sdn Bhd to third parties.

For the past three financial years and latest financial period under review, the increase in purchases from our three major suppliers, namely Technorette Sdn Bhd, FRZ Scientific Sdn Bhd and Qatar Engineering & Construction Company W.L.L was mainly attributed to the increase in purchases of parts, consumables, tools, equipment and services used in our operations, namely O&M operations and EPCC works. The increase in our purchases is in tandem with the increase in cost of operations and revenue.

Technorette Sdn Bhd, FRZ Scientific Sdn Bhd, Qatar Engineering & Construction Company W.L.L and D-Multiserve Resources Sdn Bhd accounted for more than 10.00% of our Group's total purchases for the FYE 2013, FYE 2014, FYE 2015 and FPE 2016. The said companies have been our suppliers for a period of between four and nine years, which indicates a stable business relationship. Our purchases from these suppliers are mainly parts, consumables, tools, equipment and services.

We are not dependent on any of our major suppliers for the operations of our business as the supply of parts, consumables, tools, equipment and services are general products and services that can be sourced from other suppliers.

Technorette Sdn Bhd is principally involved in the supply of mechanical, electrical and instrumentation equipment and accessories. We purchased various equipment, parts, tools and consumables such as, among others, power generation and transmission equipment and parts, instrumentation and control equipment and parts, and tools and consumables from Technorette Sdn Bhd.

FRZ Scientific Sdn Bhd is principally an import and export as well as general trading company. We purchased various equipment, parts, tools and consumables such as, among others, power generation and transmission equipment and parts, instrumentation and control equipment and parts, and tools and consumables from FRZ Scientific Sdn Bhd.

Qatar Engineering & Constrution Company W.L.L is an engineering and construction company providing total solutions to its clients in the oil and gas industries focusing on industrial projects, maintenance services and mechanical fabrication. We purchased various equipment, parts, tools and consumables such as, among others, power generation and transmission equipment and parts, instrumentation and control equipment and parts, and tools and consumables, as well as minor services from Qatar Engineering & Construction Company W.L.L.

D-Multiserve Resources Sdn Bhd is principally involved in logistics and transportation services. We purchased various equipment, parts, tools and consumables such as, among others, power generation and transmission equipment and parts, instrumentation and control equipment and parts, and tools and consumables from D-Multiserve Resources Sdn Bhd.

7.9 SALES AND MARKETING

We are positioned as an energy services group with operations including O&M, EPCC and other products and services. We operate in the energy industry including O&G and power generation industries. We continue to adopt the following approaches to identify new opportunities in Malaysia as well as overseas:

(i) registration of interest with PETRONAS and its subsidiaries, PSC, RSC, EPCC contractors and service providers in the O&G industry in Malaysia and overseas;

(ii) registration of interest with oil majors in the respective countries of operation including among others, PT PERTAMINA in Indonesia, Saudi Aramco, Petroleum Development Oman, Qatar Petroleum, Kuwait Petroleum Corporation and Bahrain Petroleum Company;

(iii) establish strategic business alliances working with among others, EPCC contractors, engineering companies and other maintenance service providers in Malaysia and overseas;

(iv) registration of interest with state-owned power producers in Malaysia and overseas;

(v) undertake road shows overseas with proactive sales visits to existing and potential customers;

(vi) participate in local and overseas exhibitions, conferences and seminars to grow customer base and foster relationship with existing customers and business partners; and

(vii) undertake public relations exercises through press conferences and releases.

As part of our marketing and promotional strategy to raise our profile, we participate in conferences and exhibitions in related areas. Some of these events that we have participated since 2013 and up to the LPD are listed below:

Year	Name of Event	Location
2013	Total Plant Management Conference	Doha, Qatar
2013	Ageing Plant Strategies by Trueventus	Kuala Lumpur, Malaysia
2013	Asset Integrity Management Summit Asia 2013	Kuala Lumpur, Malaysia
2014	Rotating Equipment Reliability and Maintenance Conference	Al Khobar, KSA
2014	HRDF Conference & Exhibition	Sarawak, Malaysia
2015	Shell Malaysia Safety Day 2015	Sarawak, Malaysia
2015	Shell Malaysia Safety Day 2015	Sabah, Malaysia
2016	Sabah Shell HSSE Engagement Day	Labuan, Malaysia
2016	Shell Malaysia Safety Day 2016	Sarawak, Malaysia
2016	GLC Explorace 2016	Kuala Lumpur, Malaysia
2016	Biogas Asia Pacific Forum	Kuala Lumpur, Malaysia

7.9.1 Distribution channel

We adopt a direct and indirect distribution channel strategy to reach our customers. Generally, we submit bids to tender for contracts directly with plant owners or operators as well as indirectly through main EPCC contractors and maintenance service providers.

For O&M services in Malaysia, we mainly adopt a direct distribution channel approach where we work with plant owners or operators. They primarily include national oil company, PETRONAS and its subsidiaries and other PSC and RSC operators. For EPCC works in Malaysia, we mainly adopt an indirect distribution channel approach where we work with main contractors.

For O&M services and EPCC works overseas, we mainly adopt an indirect distribution channel approach where we work with foreign business partners comprising primarily main contractors and engineering companies to provide services to plant owners and operators. Engineering companies would typically engage our Group to provide O&M services and EPCC works as they either do not have the expertise or resources to perform such services.

7.10 SEASONALITY

Generally, our business is not affected by seasonality as work orders may be given to us at any time during the year. Further, we have contracts from different countries and customers from O&G and power generation industries, diversifying our source of revenue.

7.11 BUSINESS INTERRUPTIONS

We did not encounter any material business interruptions during the past 12 months of our operations prior to the LPD.

7.12 R&D

7.12.1 Our approach on R&D

Our approach on R&D activities for the past three FYE 2013, FYE 2014 and FYE 2015 is focused on the development of software solutions and applications to complement our O&M business operations as well as for the sale to external customers. The objective is to provide our customers with software tools or systems to assist them in managing the performance of their plant operations.

In this respect, R&D activities are undertaken by our subsidiaries, Serba Dinamik IT and Telegistics Asia primarily on the following areas:

(i) development of software solutions for industrial applications such as plant maintenance, plant HSE management as well as supply base and warehouse management; and

(ii) development of web-based platform for commercial applications.

7.12.2 Achievements in R&D

We have developed for commercial use the following industrial software applications that are used in the management of plant operations:

(i) AlignSoft is an alignment tool system which consists of both hardware and software designed for technicians and engineering personnel to perform precision alignment on rotating equipment and to reduce misalignment problems;

(ii) myPLANT is a software that facilitates the collection of data and information on plant equipment allowing users to compare historical trends to monitor the performance of plant equipment over time;

(iii) VibraSolve is a vibration condition monitoring system comprising both hardware and software used to analyse, monitor, record as part of the management of rotating equipment in plants; and

(iv) Smart Inspector is an inspection system to assess the risk for fired and unfired pressure vessels.

The above IT software were developed and commercialised by our subsidiary, Serba Dinamik IT, which is certified with MSC status.

In addition, we have developed and commercialised the following web-based applications through our subsidiary, Telegistics Asia:

(i) live internet broadcasting (Telegistics LiveStream), a broadcasting system for live events; and

(ii) video web conferencing (Telegistics Web Conferencing), a secured web conferencing platform.

Some of the on-going R&D activities include the development of the following software applications:

(i) advanced GPS tracking;

(ii) driver monitoring and profiling;

(iii) event driven device to cellular network performance monitoring;

(iv) mobile application development; and

(v) green technologies (hardware).

7.12.3 R&D facilities, personnel and expenditure

Our Group does not have dedicated R&D facilities or personnel. For the FYE 2013, FYE 2014, FYE 2015 and FPE 2016, we did not recognise any expenditure that is specific to R&D activities.

7.12.4 Relevant technologies

We do not utilise any major technologies in our business operations. In addition to our software solutions which are used to facilitate our O&M operations, we apply our disciplines in mechanical, electrical and electronics engineering to undertake our O&M, EPCC and process control and instrumentation business operations.

7.13 INSURANCE

We maintain insurance at levels that we believe are customary in the industries in which we operate to protect against various losses and liabilities that may arise from the risks and hazards of our businesses, including fire, flood and accident. We maintain insurance, to cover, among others damage to the equipment, all risks and workers compensation. We generally maintain worker's compensation insurance in respect of death or injury to our employees in accordance with the Malaysian worker's compensation ordinance. To determine appropriate insurance policies and levels of insurance coverage, we regularly employ risk management for purposes of analysing the risks faced by our businesses.

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7.14 TECHNOLOGY AND INTELLECTUAL PROPERTY

Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights.

7.14.1 Registered trademarks

We use a number of trademarks in connection with our business. We have also registered the following trademarks which are used in our operations and businesses:

No.	Trademark	Owner	Registration no.	Place of registration	Date of Registration/ Validity period	Class of trademark
1.	AlignSoft	Serba Dinamik	06005266	Malaysia	3 April 2006 / Expiring on 3 April 2026	Class 9 - computer software mainly for field engineers or technicians to perform, generate and document their alignment works.
2.	VibraSolve	Serba Dinamik	09022411	Malaysia	21 December 2009/ Expiring on 21 December 2019	Class 42 - computer hardware and software such as condition monitoring system which is used to monitor, record and manage the vibration condition of an equipment to ensure the condition monitoring of machinery based on the measurement of vibration, which is integrated through a local network area.
3.	*f-Gen*	Serba Dinamik	2010005307	Malaysia	29 March 2010 / Expiring on 29 March 2020	Class 7 - Machines and machine tools which includes generators of electricity.

7.14.2 Patents and other intellectual property

We are not dependent on any patents or other intellectual property for the operation of our business.

7.14.3 Dependency on licenses, trademarks, patents and other intellectual property

Save as disclosed in Annexure A of this Prospectus, our Group is not dependent on any other major licences, permits, registrations and other intellectual property rights for our business operations.

7.15 EMPLOYEES

7.15.1 Employee segmentation by job function

Our Group's employee segmentation by job function as at the FYE 2013, FYE 2014, FYE 2015 and the LPD are as follows:

	FYE 2013	FYE 2014	FYE 2015	As at the LPD
Malaysia's operations				
Managerial and professional	47	56	72	76
Technical and supervisory				
- Engineers	18	24	33	44
- Technical and service personnel	181	239	298	347
- Quality control/HSE personnel	5	15	24	40
Clerical and administrative	47	49	72	92
Sales and marketing	2	1	2	2
Malaysia total	300	384	501	601
Overseas operations				
Managerial and professional	5	11	14	15
Technical and supervisory				
- Engineers	8	13	7	8
- Technical and service personnel	37	138	209	163
- Quality control/HSE personnel	4	8	9	9
Others	-	-	8	3
Clerical and administrative	17	26	34	36
Sales and marketing	4	5	6	3
Overseas total	75	201	287	237
Group total	375	585	788	838

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7.15.2 Employee segmentation by geographical location

Our Group's employee segmentation by geographical location as at the FYE 2013, FYE 2014, FYE 2015 and the LPD are as follows:

	FYE 2013	FYE 2014	FYE 2015	As at the LPD
Malaysia operations				
Bintulu	83	94	119	189
Johor	-	-	-	15
Kemaman	13	28	43	40
Kota Kinabalu	1	2	24	30
Labuan	67	77	78	74
Miri	23	33	46	48
Paka	53	69	77	112
Shah Alam	60	81	114	93
Malaysia total	300	384	501	601
Overseas operations				
Indonesia	69	183	265	208
Bahrain	4	9	12	18
UK	2	9	6	7
Brunei	-	-	4	4
Overseas total	75	201	287	237
Group total	375	585	788	838

Our Group's total number of employees increased from 375 as at FYE 2013 to 585 as at FYE 2014 was as a result of expansion of our business. The increase in number of employees was mainly in vacancies relating to technical and supervisory roles such as engineers, technical and service personnel and quality control/HSE personnel. In addition, the increase in the number of employees was attributed to overall increase in both the Malaysia operations as well as overseas operations, in particular Indonesia where the increase was mainly attributed to the additional contract workers hired to meet the increase in work orders and to cope with the company's expansion plans in Indonesia.

Our Group's total number of employees continued to increase from 585 employees as at FYE 2014 to 788 employees as at FYE 2015 in line with our expansion in both Malaysia operations and overseas operations. Similar to FYE 2014, the expansion of workforce was mainly in the technical and supervisory roles dominated by contract workers in Indonesia to meet the demand of work orders as well as the increase due to the acquisition of PT Kubic Gasco. There was also an increase in employees in the managerial and professional roles as well as clerical and administrative staff in our head office in Shah Alam to handle the administrative matters as a result of our overall business expansion.

As at the LPD, our total employees increased from 788 employees to 838 employees due to the increase of technical and service personnel as our contract workers composition may change from time to time to suit the operations requirement. There was also an increase in the number of employees in quality control/HSE personnel to meet the requirements of the work orders in hand.

As at the LPD, we have a total workforce of 838 employees, of which consists of 477 permanent and 361 contractual employees. As at the LPD, none of our employees are represented by any union and we have not experienced any disruptions due to labour disputes in the past.

7.15.3 Training and development

We are committed towards developing human capital and they have an important role in the continuing growth and success of our Group. To achieve this, we have put in place a human resource plan to ensure our Group is able to retain its existing skilled employees and attract new talents to be a part of its dynamic team. Our employees at all levels are given access to training and educational resources to enhance their professional development. As part of the human resource plan, our employees are encouraged to attend internal and external training, in order to enhance their technical skills and knowledge as well as to ensure that they are kept abreast with the developments of their respective fields and in our business of O&M services and EPCC works. We aim to continue investing in our employees as we are committed to deliver quality and proficient services to our customers.

We also conduct training programmes jointly with City & Guilds, a training institution with distinct records of training programs recognised globally. Also, our collaboration with the Engineering Construction Industrial Training Board of UK further adds value and credential to the training programs that we have conducted so far for our employees.

7.16 ENVIRONMENTAL MATTERS, SAFETY, HEALTH AND QUALITY ASSURANCE

7.16.1 Environmental matters

As a service based group, we do not generate a material amount of scheduled waste with the exception of the following types of wastes in our service centres in Malaysia as at LPD:

(i) spent lubricating oils from our machines;

(ii) contaminated cotton rags from general cleaning and maintenance of the machines; and

(iii) empty paint containers from our blasting and coating activities.

In Malaysia, we have engaged Kualiti Alam Sdn Bhd and Hiap Huat Chemicals Sdn Bhd, which are licensed waste management companies to dispose of the above wastes. As at LPD, there is minimal waste generated from our service centre in Bahrain.

As for our CNG plant, we are subjected to environmental regulations under Upaya Pengelolaan Lingkungan-Upaya Pemantauan Lingkungan (UKL-UPL) herein referred to as Environmental Management Effort-Environmental Monitoring Effort category for business activities which have a lesser impact on the environment but which still requires an environmental approval.

In 25 October 2013, we have obtained approval from Environmental Agency Regency of Muaro Jambi regarding the Recommendation of Environmental Management Effort-Environmental Monitoring Effort Gas Utilisation Activity for CNG Mother Station Capacity 2.5 MMSCFD.

7.16.2 HSE management

HSE management is an important consideration in our business operations as maintaining a good HSE record and complying with industry HSE standards are part of our commitment and assurance to our customers. In that respect, our subsidiaries, Serba Dinamik and Serba Dinamik International, has obtained the following HSE certifications:

Company	Standard	Activity	Issuing party	Validity period
Serba Dinamik	OHSAS 18001: 2007	Provision of on-site maintenance, servicing and overhauling for all kinds of turbo machinery and instrumentation	IQNet and SIRIM QAS International Sdn Bhd	4 September 2014 to 3 September 2017
	ISO 14001: 2004	Repair, maintenance, installation and commissioning of rotating equipment and related plant	Bureau Veritas Certification (Malaysia) Sdn Bhd	23 December 2015 to 14 September 2018
Serba Dinamik International	OHSAS 18001: 2007	Provision of maintenance and services for mechanical equipment (rotating and static)	IQNet and SIRIM QAS International Sdn Bhd	5 June 2014 to 4 June 2017
	ISO 14001: 2004	Provision of maintenance and services for mechanical equipment (rotating and static)	IQNet and SIRIM QAS International Sdn Bhd	5 June 2014 to 4 June 2017

In recognition of our efforts to implement and maintain our HSE standards, the following are some of the awards and recognition that we have received from our customers:

Year	Customer/ Awarding body	Awards and recognition
2005	GE Oil & Gas Nuovo Pignone	Appreciation for the successful completion of Qatargas Debottlenecking Project Train 1 shutdown as it was completed 5.5 days ahead of schedule without any lost time injury
2007	BP Chemicals (Malaysia) Sdn Bhd	Appreciation for services offered during plant shutdown in 2007 where work was completed safely without any minor or major incidents
2008	PETRONAS	PETRONAS Group HSE awards for year 2007/2008 minor contractor category (merit award) in recognition of provision of maintenance of rotating equipment 13th shutdown from 18th Aug to 3rd Sept 2007 at PETRONAS Methanol Labuan Sdn Bhd
2008	Ethylene Malaysia Sdn Bhd and Polyethylene Malaysia Sdn Bhd	Appreciation in contributing to the achievement of 963,000 million safe manhours of work in 4th turnaround 2008 and 5.35 million contractor's safe manhours without lost time injury since 2004

Year	Customer/ Awarding body	Awards and recognition
2009	PETRONAS	PETRONAS GROUP HSE and sustainability awards for year 2009/2010 minor contractor safety category (merit award) in recognition of inculcating quality and HSE into every work process
2010	Malaysia Society for Occupational Safety and Health	SME OSH award in 2010 with three star rating
2010	PETRONAS	PETRONAS GROUP HSE and sustainability development awards for year 2009/2010 minor contractor category (merit award in safety) in recognition for enhancement of HSE and quality during hydrogen production unit 1 revamp project at PETRONAS Penapisan (Melaka) Sdn Bhd
2010	PETRONAS Penapisan (Melaka) Sdn Bhd	Certificate of appreciation for the completion of cogeneration plant (heat recovery steam generator) certificate of fitness renewal in 2010 with 15,000 safe manhours without lost time injury and delay
2013	Malaysia LNG Sdn Bhd	Token of appreciation for the participation and sharing at the MLNG Contractor HSE Workshop 2013
2015	Metix Malaysia Sdn Bhd	Certificate of achievement for the contribution of 13,028 safe manhours without lost time injury towards the completion of the Sakura Ferroalloy project which has reached a total of 2 million safe manhours without lost time injury
2015	PETRONAS Chemicals Ammonia Sdn Bhd	Appreciation award in recognition of excellent performance in unplanned shutdown in November 2015 in terms of schedule, HSE and quality
2015	PETRONAS Chemicals Ammonia Sdn Bhd	Contractor Outstanding Behaviour and Recognition Award (COBRA) 2015 (Gold Award) for outstanding performance in HSE from July to December 2015

7.16.3 Quality management system

We place significant emphasis on service quality and adhere to stringent quality standards. This is reflected by the fact that our subsidiaries, Serba Dinamik, Serba Dinamik International and Quantum Offshore are accredited with the following quality management systems:

Company	Standard	Activity	Issuing party	Validity period
Serba Dinamik	ISO 9001: 2008	Provision of engineering maintenance services, construction and fabrication for mechanical, instrumentation, piping and static equipment	IQNet and SIRIM QAS International Sdn Bhd	9 February 2016 to 14 September 2018
Serba Dinamik Internatio nal	ISO 9001: 2008	Provision of maintenance and services for mechanical equipment (rotating and static)	IQNet and SIRIM QAS International Sdn Bhd	5 June 2014 to 4 June 2017
Quantum Offshore	ISO 9001: 2008	Design and manufacture of fire pumps and power generation systems to the offshore industry	DNV Business Assurance	6 December 1996 to 6 June 2017

As part of our quality assurance policy, we have formed an internal committee a quality management assurance team that is responsible for periodically reviewing our processes and standards to ensure that the quality standards are maintained.

7.17 SOURCES AND AVAILABILITY OF RAW MATERIALS OR INPUT

As a provider of engineering solution services, we mainly utilise equipment, parts, tools, consumables and services as our main input materials to facilitate the provision of O&M services and EPCC works. Some of these equipment, parts, tools consumables, and services among others, include:

(i) power generation and transmission equipment and parts such as steel diaphragms and its components for rotating equipment, turbines, burners, blades, rotor sets, motors, drive assembly and shaft parts;

(ii) instrumentation and control equipment and parts such as valves, pumps and related products, controllers, chemical dosing pots, gauge pressure equipment;

(iii) tools and consumables such as sealing materials, industrial fasteners, cables and connectors; and

(iv) services are amount paid to suppliers for their supply of parts and provision of services.

7.18 GOVERNING LAWS AND REGULATIONS

Our business is regulated by, and in some instances required to be licensed under specific laws of the countries that we operate in. The relevant laws and regulations governing our Group and which is material to our operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

7.18.1 Governing laws and regulations relating to the O&G industry

(i) PDA and the Petroleum Regulations

The PDA vested in PETRONAS the entire ownership in and the exclusive rights, powers and privileges of exploring, exploiting, winning and obtaining petroleum which includes hydrocarbons, natural gas and bituminous shales, onshore or offshore of Malaysia.

Companies who participate in activities relating to the exploration and production of petroleum in Malaysia are obliged to enter into a PSC with PETRONAS. Amongst the PSC contractors operating in Malaysia, PETRONAS Carigali Sdn Bhd is involved in exploration, development and production of hydrocarbons and generally all O&G activities taking place prior to the processing and refining of hydrocarbons.

The PDA has spawned a whole support industry, which provides services and products to PSC contractors. Contractors and suppliers who wish to participate in any business or services to supply of equipment, facilities and services to the upstream O&G activities are first required to register with PETRONAS' Licensing and Registration Department pursuant to the Petroleum Regulations and must also obtain a licence from PETRONAS.

Since we provide maintenance services to offshore O&G industry, and in particular, to PSC contractors, we are registered with PETRONAS and we have a valid licence to provide such services as required under the Petroleum Regulations.

We are aware that failure to maintain valid licences or to comply with any condition of such licences shall make us liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding two years or to both and in the case of a continuing offence, we shall be liable to a further fine of RM1,000.00 for each day or part of a day during which the offence continues.

7.18.2 Other relevant Malaysian legislation

(i) OSHA

Under the OSHA, our Group, has a general duty to our employees to provide and maintain the plants and systems of work that are, so far as is practicable, safe and without risks to health, provide information, instruction, training and supervision to ensure, so far as is practicable, the safety and health of our employees at work; and to provide a working environment, which is as far as possible safe, without risks to health, and adequate as regard facilities for their welfare at work. We also have a duty to ensure, so far as is practicable, that other persons, not being our employees, who may be affected are not thereby exposed to risks to their safety or health.

The promulgation of the OSHA is based on a self-regulation scheme with the primary responsibility of ensuring safety and health at the workplace lying with those who create the risks and work with the risks. In line with the requirements of the OSHA, we have employed a competent person to act as the safety and health officer for the purposes of ensuring the due observance and the promotion of a safe conduct of work at the place of work. There is also the requirement to establish a safety and health committee under the OSHA as we currently employ more than 100 employees.

The general penalty under the OSHA provides that a person who by any act or omission contravenes any provision under the OSHA or any regulations made thereunder shall be guilty of an offence and where no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM10,000.00 and/or to imprisonment for a term not exceeding one year and in the case of a continuing offence, to a fine not exceeding RM1,000.00 for every day or part of a day during which the offence continues after conviction.

(ii) Employment Act, 1955

The Employment Act, 1955 governs the law on the employment contracts entered into between employer and employee in Peninsular Malaysia and Federal Territory of Labuan, Malaysia. Our Group employs a vast amount of workers, in management as well as at operational level. As such, the Employment Act, 1955 is important as it also stipulates the laws on foreign workers and contractors.

(iii) FMA

The FMA governs the registration and inspection of cranes and other machinery used by our Group in its day-to-day operations. We have a duty to ensure that the machineries used in carrying out our operations are in good condition and must be registered under The Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970. In this regard, we are not allowed to operate or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of that machinery, a valid certificate of fitness issued by the DOSH.

Any person who operates machinery without a valid certificate of fitness shall be guilty of an offence and shall be liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding three years or to both.

(iv) EQA

The EQA restricts pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without a licence, prohibits the discharge of oil into Malaysian waters, discharge of wastes into Malaysian waters without a licence and prohibits open burning. The agencies responsible for implementing and monitoring Malaysia's environmental regulations and policies are the Malaysian Department of Environment and the local environmental authority.

If we fail to adhere to provisions of the EQA or any regulations made thereunder, any person who at the time of the commission of an offence was a director, chief executive officer, manager, or other similar officer of our Group shall be deemed to be guilty of that offence. For example, where a person, unless licensed, deposits any environmentally hazardous substances, pollutants or wastes into any inland waters, that person shall be guilty of an offence and shall be liable to a fine not exceeding RM1,000.00 or to imprisonment for a period not exceeding five years or to both.

(v) Electricity Supply Act

Under the Electricity Supply Act, a licence is required for the operation of any generation installation and its associated facilities, any transmission and/or interconnection facilities and the supply and sale of electrical energy to Tenaga Nasional Berhad and/or any other person permitted by the Energy Commission of Malaysia ("**EC**"), the statutory body established under the Energy Commission Act, 2001. The operation and maintenance of power plants, the delivery and the sale of electrical energy and generation capacity to Sabah Electricity Sdn Bhd are dependent on the licence granted by the EC.

7.18.3 Relevant Indonesian legislations

(i) Law No. 22 of 2001 regarding Oil and Natural Gas ("Law No. 22/2001")

Law No. 22/2001 contains the main substance of the provisions that oil and natural gas as a strategic resource contained in the Indonesian Mining Area is a national wealth which is controlled by the state, and its implementation by the Government of Republic of Indonesia ("**Indonesian Government**") as the holder of a Mining Authorization in the Upstream Business Activities (Upstream Business Activities can be executed and controlled through cooperation agreement with the government), while the Downstream Business Activities are carried out after obtaining a permit from the Indonesian Government. Law No. 22/2001 also stipulates about penalty or imprisonment provision for those who executed unlicensed general survey, exploration and/or exploitation before execution of prior cooperation agreement, activities of processing, trading, storage, transporting without obtaining prior special business license for each activities, imitate or falsify fuel oil and abusing and/or trading the fuel subsidised by the Indonesian Government.

(ii) Regulation of Minister of Energy and Mineral Resources No. 35 of 2008 regarding the Procedures of the Determination and Offering of Working Area of O&G

This regulation governs the procedures of the determination and offering of working area for exploration and exploitation. The preparation, determination and the offering of the working area of O&G is performed by Director General of O&G, while the working area is determined by Minister of Energy and Mineral Resources based on the proposal from Director General of O&G. The preparation for working area offering is performed through either tenders or by direct offers.

7.18.4 Relevant RAK, UAE legislation

(i) RAKMC Rules

The RAKMC Rules govern the licensing and operation of companies in the RAKMC. Pursuant to the RAKMC Rules, all companies operating in RAKMC must hold a valid license and insurance. The consequence of a breach of the RAKMC Rules may lead to a fine together with our Company's license being revoked or not renewed.

(ii) Federal Law No. 8 of 1980 regulating labour relations ("Labour Law")

The Labour Law provides the minimum rights and obligations for employees and employers of all the companies in UAE, save and except companies licensed by the Dubai International Financial Centre Authority. The provision of the Labour Law provides for the minimum rights and obligations of employees and employers which include the maximum working hours of 48 hours a week or eight hours a day, the overtime regulation, the end of service entitlements which is equivalent to at least three weeks for three years continuous service and 30 days for five years continuous service, and the minimum notice periods of 30 days.

If the Group fails to adhere to provisions of the Labour Law, the Group may be subject to a maximum of six months' imprisonment and/or a fine of no more than AED 10,000.

(iii) Federal Law No. 24 of 1999 concerning the Protection and Development of the Environment

The Federal Law No. 24 of 1999 concerning the Protection and Development of the Environment establishes overarching legislation for the protection and conservation of the quality and natural balance of the environmental and the control of all forms of pollution. It prohibits the discharge of oil into the marine environment by all transportation. If we fail to adhere to this prohibition, it shall be subject to a fine between AED150,000.00 and AED1,000,000.00.

7.19 MATERIAL PROPERTIES AND MATERIAL EQUIPMENT

Details of material properties owned by our Group or leased/tenanted by our Group and our material equipment are set out in Annexure B of this Prospectus.

7.20 HIGHLY DEPENDENT CONTRACTS

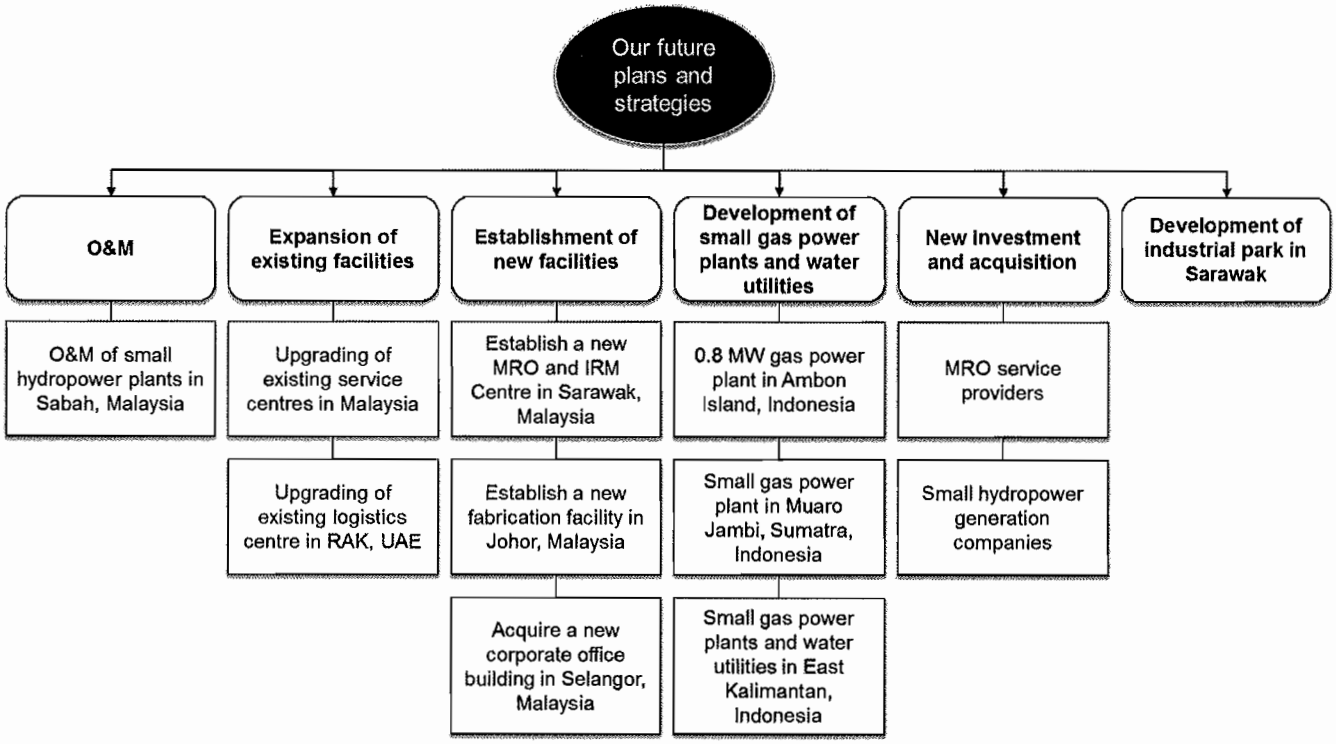
As at the LPD, save as disclosed below, there are no contracts, agreements, arrangements or other matters which have been entered into by or issued to us or which we are highly dependent and is material to our Group's business or profitability:

On 21 September 2015 an EPCC contract was entered into between One River Power and Serba Dinamik, whereby Serba Dinamik has agreed to be the EPCC contractor to carry out EPCC works for the power plants in Kota Marudu, Sabah, Malaysia consisting of a 10.0 MW hydropower plant in Upper Bengkoka, a 5.6 MW power plant in Togohu and a 13.5 MW hydropower plant in Lower Bengkoka at Kota Marudu ("**Project**"), which covers the civil and structure works, electro-mechanical plant equipment and power transmission system for the Project ("**Work**"). As consideration for the performance and completion of the Work, One River Power, the owner of the hydropower plant and Project has agreed to pay Serba Dinamik a cash consideration in the sum of RM218.00 million subject to final measurement of bill of quantities at an agreed schedule of rates. The duration of the Project is for 18 months from the date of site possession which is to be mutually agreed between the parties or upon written instructions from One River Power, unless otherwise terminated in accordance with the terms and subject to the conditions of this agreement. The defects liability period for any work outstanding, including making good any defect or any other fault to the design, materials, goods, workmanship or equipment, is valid for 24 months from the date of practical completion. Pursuant to the terms of the EPCC contract, Serba Dinamik is required to furnish a performance bond equivalent to 5.00% of the contract sum as a performance security and the bond shall be valid from the date of issuance until 12 months after the expiry of the defective liability period or the issuance of the Certificate of Completion for Making Good Defects, whichever is later. In addition, Serba Dinamik is required to furnish a design guarantee bond for the design, including workmanship, material or equipment, which shall remain valid for a period of 5 years from the date of practical completion of the works.

7.21 OUR FUTURE PLANS, STRATEGIES AND PROSPECTS

7.21.1 Future plans and strategies

Our future plans and strategies are focused on the following areas:



7.21.1.1 O&M of small hydropower plants

By using our core strengths in MRO and IRM services as a platform, we expanded into the operations of small power plants.

In February 2016, we secured a contract to operate as well as maintain three small hydropower plants for 21 years in Kota Marudu, Sabah, Malaysia. The O&M contract is expected to commence upon the completion of construction by the end of 2017.

The EPCC of the said hydropower plant is also undertaken by us. As at the LPD, we have mobilised works including initial site clearance and started the procurement process for turbines.

The three small hydropower plants will have nominal net capacities of 10.0 MW, 13.5 MW and 5.6 MW respectively. These small hydropower plants use the run-of-river scheme which diverts a portion of the water flow from the river through a series of pipelines or penstock. The pipelines, which are laid underground, will channel the water flow into power houses that are equipped with turbines. The tail water from the power house is then fed back into the river system.

We will utilise internally generated funds to undertake O&M of the said small hydropower plants.

7.21.1.2 Upgrading of existing operational facilities in Malaysia and UAE

Part of our future plans is to upgrade our existing service centres in Malaysia as well as invest and construct additional facilities in our logistics centre in RAK, UAE.

(i) Existing service centres in Malaysia

We intend to upgrade and improve four out of our five existing service centres namely one in Paka, Terengganu, one in Miri, Sarawak and two in Labuan mainly through the purchase of additional machineries, tools and equipment. They include the following purchases:

(a) CNC cutting, drilling and punching machines;

(b) air compressors;

(c) welding sets;

(d) forklifts;

(e) test and calibration tools and equipment; and

(f) mobile workshops (where essential maintenance tools and equipment are housed in twenty-foot containers for ease of transportation to customers' sites).

These machineries, tools and equipment will be utilised for our O&M services.

We envisage the above to cost approximately RM7.00 million, which will be funded through the IPO proceeds. We expect to complete the above purchases by end of 2017.

(ii) Existing logistics centre in RAK, UAE

Our existing logistics centre in RAK, UAE comprises a large warehouse and an open yard. Part of our expansion plans is to construct an administration area within the warehouse. The footprint of the administration area will take up approximately 25.00% (approximately 500 sq metres) of the total warehouse floor space which will include constructing an additional mezzanine floor.

We will also be investing in mobile workshops which are equipped with maintenance tools and equipment such as, among others, balancing equipment, pressure safety relief valve test bench, recalibration and inspection tools housed within a standard twenty-foot container for onsite maintenance.

In addition, we plan to construct a covered workshop in the open yard area and install automated tools and equipment including forklifts, electric stackers, pallet jacks, pallet rackings, CNC cutting machines and welding sets for minor fabrication activities.

The construction of the administration area furnished with basic office equipment and furniture, construction of a covered workshop equipped with some tools and equipment, as well as the investment in mobile workshops are estimated to cost approximately RM8.00 million. This will be funded through the IPO proceeds. We expect to commence and complete the above plans for the logistics centre by end of 2017.

Details on the service centres to be upgraded are as set out below:

Service centres to be upgraded	Owner	Tenure of lease
Paka, Terengganu	Serba Dinamik	60 years expiring on 31 August 2059
Miri, Sarawak	Serba Dinamik	60 years expiring on 6 December 2069
Labuan[(1)]	Seah Kiat Heng @ Seah Kiat Lim	This property has been leased for a period of three years commencing from 1 December 2014 to 30 November 2017
Labuan[(1)]	CSH Holdings Sdn Bhd	This property has been leased for a period of two years commencing from 1 August 2016 to 30 July 2018
RAK, UAE	Ras Al Khaimah Port	This property has been leased for a period of five years commencing from 1 December 2015 with option to renew for another five years

Note:

(1) *These two service centres currently being leased by us do not have the relevant CCC. As disclosed in Section B.2 of Annexure B of this Prospectus, steps are being taken to obtain the relevant CCC for these two service centres. If the respective landlords of the service centres fail to provide our Group with the relevant CCC within 12 months from our Listing, we intend to relocate these service centres to alternative suitable locations which have valid CCC within six months from the expiry of the 12-month period.*

The utilisation of proceeds for the upgrade on both leased service centres in Labuan would not be affected by the possible relocation as the aforesaid proceeds will mainly be utilised to purchase additional machineries, tools and equipment which can be moved to a new location at minimal cost.

For further information on our Group's material properties, please refer to Annexure B.

7.21.1.3 Establishment of new facilities in Malaysia

(i) Establish a new MRO and IRM centre in Sarawak, Malaysia

Currently, we are providing maintenance of rotating equipment for O&G production platforms, LNG plants and petrochemical manufacturing plants in Sabah, Sarawak and Labuan. As part of the maintenance process, this would include the disassembly of equipment and parts, which would either be transported to one of our service centres or undertaken on-site at the customers' premises. As at the LPD, we have four service centres in Sarawak and Labuan, one in Miri, one in Bintulu and two in Labuan. However, our said service centres are limited in space and facilities to carry out the maintenance of large rotating equipment, parts and structures.

Part of our future plans is to further expand our business operations in Sabah, Sarawak and Labuan by establishing a new MRO and IRM centre in Sarawak, which will be used as a platform to address business opportunities for our O&M operations. This is in line with one of our strategies to deepen and widen our business activities where we would address opportunities in providing MRO of large rotating equipment which are normally sent to Peninsular Malaysia and other countries such as Singapore and Germany when they are required to be serviced out of the customers' premises. In order to carry out MRO of large rotating equipment, it would require additional facilities and sizable land area which we currently do not have.

In addition, this said centre would enable us to carry out additional IRM services including corrosion prevention including galvanising and painting, as well as preparatory works for piping systems including sub-assembly of pipes, flanges, connectors and fittings prior to delivery to customers' site. These are some of the services that we are currently not offering as we do not have the facilities and space in our existing service centres.

Furthermore, we would use the said centre to address business opportunities within the O&G and power generation industries in Sabah, Sarawak and Labuan.

Some of the developments in the O&G and power generation industries in Sarawak are as follows:

(a) O&G

There are three LNG plants owned and operated by PETRONAS with a total of eight LNG trains in PETRONAS Bintulu LNG Complex in Sarawak and a new ninth LNG train coming on-stream. Currently, PETRONAS Bintulu LNG Complex has a combined capacity of 24 MTPA. The new ninth LNG train will increase the complex's production capacity by 3.6 MTPA and it is scheduled to commence in January 2017.

In April 2016, PETRONAS and the Government of Sarawak entered into an MOU to conduct a joint feasibility study for the Sarawak Petrochemical Master Plan to boost the petrochemical industry in Sarawak.

(b) Power Generation

Sarawak Energy Berhad is continuously embarking on projects to expand the power generation capacity in Sarawak. Some of the major power generation facilities in Sarawak are Bakun hydropower plant, Murum hydropower plant, Mukah coal-fired power plant, Tanjung Kidurong combined cycle power plant, and Sejingkat coal-fired power plant. Sarawak plans to develop an additional 400 MW combined cycle power plant at Tanjung Kidurong, Bintulu, a new 1,200 MW combined cycle power plant in Samalaju, Bintulu and an additional 600 MW coal-fired power plant in Balingian, Mukah. Sarawak also plans to spend between RM8.00 billion to RM10.00 billion to improve its power transmission and distribution systems across Sarawak over the next 10 years until 2025. (*Source: IMR Report*)

In view of the above developments, we intend to leverage from our established track record and core competency with MRO and IRM capabilities to address business opportunities as a service provider of MRO and IRM services in Sarawak.

On 25 August 2016, we received an offer to purchase Plot P20 at Kidurong Industrial Area Phase II, which is a 30-acre 60-year leasehold land in Tanjung Kidurong, Sarawak from the Bintulu Development Authority. The purchase consideration of the said land is RM12.23 million (inclusive of GST totalling RM0.69 million), subject to the execution of the sale and purchase agreement.

Our new MRO and IRM centre will house the following:

- four acres for MRO workshops;
- five acres for blasting and coating area including galvanising plant and area for incoming materials and finished goods;
- nine acres for fabrication and laydown area;
- three acres for vendor[(1)] factories;
- six acres for warehousing and storage facilities[(2)];
- one acre for office building and training centre; and
- the remaining two acres for other miscellaneous area and structures such as carpark, power substation, waste water treatment plant[(3)].

Notes:

(1) On 22 December 2015, our subsidiary, Serba Dinamik, was appointed by the MITI to be one of the anchor companies under the VDP. Our role as an anchor company under the VDP is to assist in the nurturing and development of Malaysian Bumiputera entrepreneurs relating to MRO of rotating equipment and IRM of static equipment and structures.

(2) The total six acres of warehousing and storage facilities space is expected to cater to the following:

(a) *Three acres will be allocated to build general warehousing facility including general storage of materials, parts and components, tools and equipment, as well as handling equipment.*

(b) *The remaining three acres will be allocated as storage yard which will be used as a holding area for our existing MRO operations for rotating equipment and static equipment prior to undergoing maintenance services, as well as a holding area for rotating equipment after maintenance prior to delivery to customers. This storage yard will also be used to cater for our future expansion into providing MRO of large turbines, compressors and generators.*

(3) The main purpose of the wastewater treatment plant is for the galvanising plant which is used for coating steel parts and structures.

The estimated total cost of the new MRO and IRM centre is RM247.23 million including RM12.23 million for the land acquisition and RM235.00 million for the cost of development.

- **Land cost** – on 3 October 2016, we paid a non-refundable deposit of RM2.45 million for the said land acquisition. We expect to execute the sale and purchase agreement in relation to the land by January 2017. The remaining RM9.78 million will be funded through internally generated funds and/or bank borrowings/financing. The balance of the remaining RM9.78 million will be paid by February 2017, in accordance with the terms set out in the letter of offer.

- **Development cost** – the breakdown of the estimated development cost of RM235.00 million is as set out below:

Development Costs	RM million
Earthworks and preliminaries	46
Industrial buildings and fabrication yards[(1)]	107
Office building and training centre[(2)]	8
Mechanical and electrical works	14
Professional, local authorities and statutory charges	24
GST and finance charges	23
Project contingency[(3)]	13
TOTAL	**235**

Notes:

(1) The estimated development cost for industrial buildings and fabrication yards includes MRO workshops, blasting and coating area (including galvanising plant and area for incoming materials and finished goods), fabrication and laydown area, vendor factories, warehousing and storage facilities as well as the waste water treatment plant. The proposed estimated built-up area for the industrial buildings and fabrication yards, subject to the finalisation of our building plans and approval from the relevant authorities is as set out below:

Facilities	*Estimated built-up area (sq metres)*
MRO workshops	*9,000*
Blasting and coating area	*11,000*
Fabrication and laydown area	*16,700*
Vendor factories	*11,700*
Warehousing and storage facilities	*20,800*
Waste water treatment plant	*500*

(2) The proposed built-up area for the 2-storey office building and training centre, subject to the finalisation of our building plans and approval from the relevant authorities is approximately 4,300 sq metres.

(3) Project contingency refers to a budget that is set aside to cover unexpected costs during the construction process.

Out of the total development cost of RM235.00 million, we intend to utilise RM70.00 million from the IPO proceeds to fund part of the development cost while the remaining RM165.00 million will be funded through internally generated funds and/or bank borrowings/financing.

Upon the completion of the 30-acre land acquisition, we will then proceed to submit our planning permission, building plans (with earthworks), engineering plans, landscape plans as well as other relevant documentations to the authorities for approval. At the same time we would commence to apply for all relevant permits and approvals including, among others, storm water management plan, drainage master plan, and construction works. We would call for tender and start the evaluation process for contractors and suppliers while the plans and applications for permits and approvals are being assessed by the authorities.

We expect to obtain all the necessary approvals and permits from the authorities by June 2017 where we would subsequently commence preliminary works including earthworks, strengthening the load bearing capacity of the soil and other civil works, followed by construction of buildings, structures, amenities and facilities.

We expect the physical construction and development of the land, buildings, structures, amenities and facilities to take approximately two years to be completed by mid-2019. Thereafter, we estimate that it would take approximately six to eight months to obtain all the required approvals. The operations of the MRO and IRM centre will commence upon obtaining all the necessary approvals, which is expected to be in 2020.

(ii) Establish a new fabrication facility to support EPCC works and IRM services in Johor, Malaysia

Currently, most of our fabrication activities for EPCC works and IRM services are undertaken at our customers' sites, while some works are undertaken at our own service centres. As part of our operational facility expansion plans, we will establish a new fabrication facility for EPCC work and IRM services in Bandar Penawar, Kota Tinggi, Johor. This new facility will support our fabrication works for the Refinery and Petrochemical Integrated Development ("**RAPID**") project in Southern Johor, Malaysia. As RAPID is within the Pengerang Integrated Petroleum Complex ("**PIPC**"), it will also enable us to participate in potential future projects within PIPC. The following are the developments within Pengerang:

(a) PIPC, totalling approximately 20,000 acres of land area, comprised two confirmed projects, namely the Pengerang Deepwater Terminal ("**PDT**") and PETRONAS' Pengerang Integrated Complex ("**PIC**").

(b) The PDT project comprises storage capacity of 5 million cubic meters for crude oil, gas and petroleum products. The first phase of the project, namely Pengerang Deepwater Terminal 1 ("**PDT1**"), comprises 1.30 million cubic metres of independent storage facility and six deepwater berths with an investment of approximately RM2.00 billion. It has the capability to handle the storage, blending and distribution of crude oil, petroleum, chemical and petrochemical feedstock products, and by-products. PDT1 commenced operations in 2014. The second phase of the project, namely Pengerang Deepwater Terminal 2 ("**PDT2**") will be dedicated to PETRONAS' RAPID project.

(c) With an estimated investment of USD27.00 billion, PETRONAS' PIC covers an area of 6,242 acres within the PIPC. The PIC consists of the RAPID project as well as six associated facilities namely the PDT2, Pengerang Co-generation Plant, Air Separation Unit, Projek Air Mentah RAPID, Re-gasification Terminal 2 and CUF. In addition, other future developments within the PIPC master plan includes, among others, plastic and fine chemicals industrial park, commercial services hub, solids logistics hub, as well as medium and light industries hub.

(*Source: IMR Report*)

Within the Southern Johor, Malaysia, we are currently undertaking an on-going contract for supply, fabrication and painting of structural steel for RAPID project Package 4 for Petrofac E&C Sdn Bhd in RAPID. The contract is valid until October 2017.

On 1 January 2016, we entered into a share sale agreement to purchase a 2.183-acre land in Kota Tinggi, Johor, Malaysia via the acquisition of Supreme Vista Industries Sdn Bhd for approximately RM2.00 million. The acquisition is expected to be completed by the third quarter of 2017. Please refer to Section 12.2.3.9 of this Prospectus for further details on the acquisition. As at the LPD, we are in the midst of preparing the building plans.

We have, on 17 August 2016, received the consent of the vendors of Supreme Vista Industries Sdn Bhd to establish our new fabrication facility pending completion of the share sale agreement. Accordingly, he construction of the new fabrication facility is expected to commence by first quarter of 2017 upon obtaining the approval for our building plans. We intend to carry out the following activities which are expected to be completed in the same year of 2017:

(a) civil works including strengthening of load bearing capacity of the soil;

(b) construction of covered yard and workshop; and

(c) purchase of machinery and equipment including cranes, forklifts, welding sets, bending, rolling and plasma cutting machines and CNC lathe, cutting, punching and drilling machines.

We intend to utilise approximately RM20.00 million from the IPO proceeds to establish the new fabrication facility.

(iii) Acquire a new corporate office building in Selangor, Malaysia

As at the LPD, we operate from our head office in Selangor, Malaysia. As part of our future plans, we intend to acquire a corporate office building to house our head office and business operations. We are in the midst of assessing the preferred location for our corporate head office and expect to complete the acquisition process within a 12-month period.

The intention of our Group to acquire a new corporate office building is as set out below:

(a) To accommodate the increased number of employees as part of the expansion of our business;

(b) To house our employees in one main location to increase operational efficiency, minimising logistic movements and costs with a more efficient use of man-hours;

(c) To provide our employees with a comfortable and conducive work environment to enhance productivity and performance; and

(d) To enhance the visibility of our brand and elevate our corporate image and brand consciousness amongst our customers, suppliers, employees and other stakeholders.

After the acquisition of the new corporate office building, we intend to relocate all our Group's existing employees from our existing head office in Shah Alam, Selangor to our new corporate office building.

With the relocation of the existing employees from our existing head office to the new corporate office building, we will be able to expand our training centre capacity to accommodate more trainees at our existing head office in Shah Alam, Selangor. Our training centre is currently being conducted within one section of our existing head office in Shah Alam, Selangor.

The training centre is currently being used as the venue for:

(a) classroom theoretical and tutorial trainings as part of the technical trainings offered by our Group. Please refer to Section 7.4.4.1 of this Prospectus for further information on the technical trainings provided by our Group; and

(b) in-house trainings provided to our Group's employees.

This space can also be utilised as project meeting rooms in relation to projects undertaken by the Group.

We intend to utilise approximately RM30.00 million from the IPO proceeds to acquire a corporate office building. In the event that the allocated proceeds are insufficient for the corporate office building, any shortfall will be funded through internally generated funds, working capital and/or bank borrowings/financing.

7.21.1.4 Developments of small gas power plants and water utilities in Indonesia

We have entered into an agreement to lease out a small gas power plant on Ambon Island, Indonesia. In addition, we have entered into two MOUs which will involve the development of small gas power plants and water utilities in East Kalimantan as well as the development of a small gas power plant in Muaro Jambi, Sumatra, Indonesia.

(i) 0.8 MW gas power plant in Ambon Island, Indonesia

We will develop and own a small gas power plant in Ambon Island, Indonesia through our subsidiary, Serba Dinamik Indonesia. On 1 July 2016, Serba Dinamik Indonesia entered into a 10-year leasing agreement with an engineering company in Indonesia (**"the Lessee"**) where the Lessee will be leasing a 0.8 MW gas power plant and its auxiliary equipment (**"0.8 MW gas power plant"**) from Serba Dinamik Indonesia. The engineering company in Indonesia is a company involved in design, supply and installation of heating, ventilation and air-conditioning system. The leasing is expected to start upon the commencement of operations by the first quarter of 2017. The said power plant will generate power and chilled water to serve the needs of the existing Ambon City Centre Shopping Mall. The mall is currently using power that is supplied by PT PLN (Persero). The new 0.8 MW small gas power plant will be the main source of power supply to the mall, and this will complement the existing power supply from PT PLN (Persero).

In said leasing agreement, we will be responsible for operating and maintaining the said power plant upon completion of the installation works.

Commencement of civil works at the site

Microturbine equipment to be installed upon completion of civil works

The 0.8 MW small gas power plant will be installed and integrated into the electricity distribution system at the Ambon City Centre Mall

As at the LPD, we have procured the microturbine and auxiliary equipment and started civil works at the site next to the Ambon City Centre Shopping Mall. The next step involves installation and integration of the 0.8 MW gas power plant to the electricity distribution system. We expect to complete the installation at the end of 2016 and commence operations by the first quarter of 2017. In this respect, we expect to start generating revenue for FYE 2017 from leasing of the small gas power plant facilities.

The total investment is estimated at approximately USD1.12 million (exchange rate of USD1.00 to RM4.12 as at LPD). This will be funded through bank borrowings and/or internally generated funds.

(ii) Development of a small gas power plant in Muaro Jambi, Sumatra, Indonesia

As part of our future plans, we intend to develop and own a small gas power plant with a 4 MW capacity, which will be located next to our existing CNG plant in Muaro Jambi, Sumatra, Indonesia. On 17 May 2016, through our subsidiary PT Kubic Gasco, we entered into a MOU with PT PLN (Persero), South Sumatra, Jambi and Bengkulu provinces. PT PLN (Persero) is an Indonesian government-owned power corporation. PT PLN (Persero), South Sumatra, Jambi and Bengkulu provinces is a territorial unit responsible for the three provinces, namely South Sumatra, Jambi and Bengkulu. The said MOU is for the sales of power from our small gas power plant to PT PLN (Persero), which will commence upon the completion and commissioning of the small gas power plant.

The development of the small gas power plant provides synergy to our CNG plant, as part of our gas supply can also be used as source of fuel for our small gas power plant. In the development of the said small gas power plant, we will use our existing expertise and experience in EPCC including engineering capabilities, procurement, fabrication and construction works. In addition, as part of our scope of work for EPCC, we will also engage other external parties to undertake among others, civil, structural, mechanical and electrical works.

As we are the exclusive agent for Capstone microturbine in Indonesia, we intend to use Capstone microturbines for the generation of power for the said plant. Based on our experience in procuring, installing and commissioning and maintaining Capstone microturbines of similar sizes for power generation purposes, operating and maintaining the said plant will be an extension of our experience. Upon commencement of the small gas power plant, PT Kubic Gasco will be responsible for operating and maintaining the plant.

We intend to take a majority stake in the ownership of the abovementioned small gas power plant through our 51.00% shareholding in PT Kubic Gasco. This would allow us to have the management control over the said asset.

We are in the midst of preparing the application of relevant licences and permits for the small gas power plant, which is expected to be submitted the third quarter of 2017 prior to the commencement of construction in the first quarter of 2018.

(iii) Development of small gas power plants and water utilities in East Kalimantan, Indonesia

On 20 November 2015, through our subsidiary Serba Dinamik Indonesia, we entered into a MOU with PT Kutai Timur Investama, a local government district development body to form a partnership arrangement with the intention of developing small gas power plants as well as water utilities namely a water treament plant in the regency of East Kutai in East Kalimantan, Indonesia. The MOU period is valid for five years till 2020. We intend to own, operate and maintain these said small gas power plants. Meanwhile, we will only be developing the water treatment plant for the said local government district development body. In this respect, we expect to generate revenue in the form of sales of power from our small gas power plants and EPCC of the water treatment plant. However, this is still in the preliminary stages.

We will implement our development plans in stages. As at the LPD, we have started preliminary discussions on the technical and commercial aspects for the above developments prior to the finalisation of partnership and contract.

Our proposed initial developments within the same MOU consist of the following:

(a) development of a 1 MW gas power plant for a local water supply utility company;

(b) development of a 4 MW gas power plant; and

(c) development of a water treatment plant.

In the development of the said small gas power plants, we will use our existing expertise and experience in EPCC including engineering capabilities, procurement, fabrication and construction works. As part of our scope of work for EPCC, we will also engage other external parties to undertake among others, civil, structural, mechanical and electrical works.

In addition to the said EPCC works, we will be bringing in external parties for the development of the water treatment plant including, among others, design, technology and other technical requirements.

As for the small gas power plant, we will be using Capstone microturbines for the generation of power. Based on our experience in procuring, installing, commissioning and maintaining Capstone microturbines of similar sizes for power generation purposes, operating and maintaining the said plants will be an extension of our experience.

We intend to take a majority stake in the ownership of the abovementioned small gas power plants through our 75.00% shareholding in Serba Dinamik Indonesia. This would allow us to have the management control over the said assets.

The proposed partnership arrangement is expected to be finalised by 2017.

We plan to utilise approximately RM70.00 million from the IPO proceeds for the above small gas power plant developments in East Kalimantan and Muaro Jambi, Sumatra, Indonesia.

7.21.1.5 Business expansion through investment and acquisition

Part of our future plans is to grow our business through investment and acquisition in companies that can add value to our existing business operations or provide an incremental revenue stream to our business while enhancing our competitive advantages. Our strategy includes acquiring companies that can complement or expand our existing product and service offerings, provide us with access into new segments and/or geographical markets, and/or enable us to enhance our track record of accomplishments. In light of the above strategy, we are exploring investment opportunities in the following areas:

(i) companies with technologies and skills set that are complementary or add value to our O&M services for example, companies with the technologies and skills to provide maintenance services for gas turbines with output power of more than 160 MW. In addition, target companies could also manufacture critical rotating equipment parts and components, for example turbine blades and fuel nozzles.

Such target companies are likely to be outside of Malaysia. We are currently engaged with companies in the United States and Europe. The acquisition of these companies would also enable us to address the markets they serve. Thus, our acquisition will also add value to our existing business by extending our overseas coverage. Such acquisition will also provide opportunities to cross-sell our existing products and services.

We intend to acquire a majority equity interest in a target company which would allow us to have management control over the operations as well as control over the technologies and any intellectual properties.

(ii) small hydropower generation companies in East Coast region and Northern region of Peninsular Malaysia.

We expect to have a minority equity interest in small hydropower plants as our participation in these investments are likely through invitation with specific equity participation in the form of minority partner. These investments would be similar to our investment model in our associate company, Adat Sanjung, which ultimately holds 100.00% equity in One River Power. One River Power is the holder of three Feed-In Approval certificates granted by the Sustainable Energy Development Authority of Malaysia for the development of three small hydropower plants in Kota Marudu, Sabah, Malaysia.

Our provision of services to such types of small hydropower projects would be in the area of EPCC works and O&M services. We will use our experience in the development of the three small hydropower plants in Kota Marudu, Sabah as a platform to develop these said small hydropower plants. As for MRO of rotating equipment and IRM of static equipment and structures, we will use our in-house expertise to undertake these functions. As at LPD, we have started to explore and expressed our interest, however these are still in the preliminary stages.

For further details on the small hydropower project in Kota Marudu, please refer to Sections 7.21.1.1 and 12.2.3.4 of this Prospectus.

We plan to utilise approximately RM95.00 million from the IPO proceeds for investment and acquisition of companies.

For further details on utilisation of proceeds, please refer to Section 4.8 of this Prospectus.

7.21.1.6 Development of industrial park in Sarawak

Part of our strategy is to develop and own an industrial park in Sarawak incorporating a CUF providing electricity, steam, chilled water, demineralised water, wastewater treatment, industrial gases and compressed air. The development of the industrial park utilises our core competencies in EPCC for the development and construction of the industrial park and O&M for the maintenance of the CUF. With our experience in undertaking maintenance of CUF in Kuantan, Pahang as well as Kerteh, Terengganu, we intend to carry out the O&M of the CUF in the industrial park. Upon the completion of the industrial park, we plan to operate and maintain the CUF while the management of the industrial properties within the park would be subcontracted to an external party. As at the LPD, we are in the midst of negotiating with the authorities for a suitable site.

We will utilise internally generated funds and/or bank borrowings to undertake the development of industrial park in Sarawak.

7.21.2 Our prospects

As an energy services group providing engineering solutions to the O&G and power generation industries with operational facilities in Malaysia, Indonesia, UAE, Bahrain and UK, we believe our prospects are favourable in light of the following factors:

(i) We have a strong market position among our peers.

According to the IMR Report, we ranked third among O&G service and equipment companies in Malaysia providing MRO of rotating equipment services to the O&G industry, where ranking was based on the consolidated revenue for FYE 2014 of PETRONAS-licensed companies with SWEC codes for maintenance of rotating equipment.

For further details on market ranking, please refer to Section 8 of this Prospectus.

(ii) We have a strong historical performance which serves as a platform for continuing business growth.

	FYE 2013 RM'000	FYE 2015 RM'000	CAGR FYE 2013 to FYE 2015
Revenue	536,195	1,402,942	61.76%
Gross profit	91,314	232,459	59.55%
PBT	65,818	159,571	55.71%
PAT	61,619	156,562	59.40%

Our business has been growing between FYE 2013 and FYE 2015. This will provide us with a platform to address opportunities for business growth and expansion.

(iii) Our competitive advantages and key strengths as set out below, will sustain and enlarge our customer base:

(a) we ranked third among companies in Malaysia providing MRO of rotating equipment to the O&G industry with 23 years track record;

(b) we are a growing and profitable company supported by a prudent financial track record;

(c) we are a PETRONAS-licensed company in Malaysia;

(d) we have strong records in HSE and have implemented various safety and quality standards for our operations; and

(e) we have an experienced management team.

For further details on competitive advantages and key strengths, please refer to Section 7.2 of this Prospectus.

(iv) Our future plans will provide sustainable growth

Moving forward, we have a sound business expansion plan in place to ensure business continuity and growth as set out below:

(a) O&M

O&M of small hydropower plants in Sabah, Malaysia

(b) Expansion of existing facilities

(1) upgrading of our existing service centres in Malaysia; and

(2) upgrading of existing logistics centre in RAK, UAE.

(c) Establishment of new facilities

(1) establish a new MRO and IRM centre in Sarawak, Malaysia to expand our business operations in Sabah, Sarawak and Labuan;

(2) establish a new fabrication facility to support EPCC and IRM works in Johor in Malaysia to address potential business opportunities in Southern Johor, Malaysia; and

(3) acquire a new corporate office building in Selangor, Malaysia to house head office and operational staff.

(d) Development of small gas power plants and water utilities

(1) 0.8 MW gas power plant in Ambon Island, Indonesia;

(2) small gas power plant in Muaro Jambi, Sumatra, Indonesia; and

(3) small gas power plants and water utilities in East Kalimantan, Indonesia.

(e) New investment and acquisitions

(1) MRO service providers for access to new market segments and/or geographical markets; and

(2) small hydropower generation companies.

Please refer to Section 7.21.1 of this Prospectus for further details.

(v) Industry prospects and outlook

Generally, the outlook for asset maintenance for the O&G and power generation industries is dependent on a combination of economic and social factors, including:

(a) **General economic growth**, where favourable economic conditions will increase energy consumption, which would support on-going operations and maintenance of O&G, and power generation assets. The global and Malaysia's real GDP growth is expected to fluctuate between 3.10% and 3.70%, and 4.30% and 5.00% respectively between 2016 and 2020.

(b) **Population growth**, where continuing population growth is expected to increase energy consumption, resulting in an expansion of the O&G, and power generation asset bases. These assets will require maintenance to ensure their continuing operations. Between 2016 and 2020 the global and Malaysia's population is forecasted at CAGR of 1.10% and 1.70% respectively.

(c) **Market price of crude oil and natural gas.** The market price of crude oil and natural gas is dependent on world supply and demand where a situation of an increase in demand due to disruption in supply will push prices upwards. Similarly, an oversupply situation due to high production coupled with lower economic activities will place downward pressure on prices. In October 2016, the monthly price of Brent crude oil averaged at USD50.00 per barrel. This is in contrast to the monthly average price of USD112.00 per barrel in June 2014.

(d) **Growing demand for O&G** will augur well for asset maintenance. To keep up with the growing demand for O&G, producers would have to continuingly increase production levels through a combination of greater utilisation of current assets coupled with addition of new production facilities. Between 2016 and 2020, global, Middle East and Asia & Pacific demand for oil are projected to grow at a CAGR of 1.30%, 2.60% and 2.60% respectively. Between 2016 and 2020, global, Middle East and Asia & Pacific demand for gas are projected to grow at a CAGR of 1.30%, 1.80% and 3.20% respectively.

(e) **Investments in O&G industry,** where investment in newly built and upcoming facilities would create new opportunities for operators providing maintenance services for such facilities.

(f) **Forecasted power generating capacity**, where the demand for maintenance services of power generation plants is directly related to installed power generating capacity. Between 2016 and 2020, global, Middle East and Asia & Pacific total power generating capacity is forecasted to grow at a CAGR of 1.60%, 2.00% and 2.50% respectively.

(g) **Aging O&G and power generation assets**, where aging assets generally require more maintenance. Maintenance is required to sustain safety, efficiency, and to satisfy regulatory requirements. As an example, the average age of LNG liquefaction plants globally are approximately 15 years old, which indicates the need for upkeep, maintenance or replacement of equipment and machineries.

(h) **Developments in the power generation industry in Indonesia** will continue to provide opportunities for power producers. Under Indonesia's Power Supply Business Plan ("**RUPTL**") 2015-2024, the Government of Indonesia has outlined a goal for the development of the country's power infrastructure to meet the increasing demands for electricity consumption, which is expected to increase at a CAGR of 8.70% per year between 2015 and 2024. The demands for electricity and electricity consumption will be in tandem with the increase in population. In 2015, Indonesia had a total population of 255.5 million. In addition, in 2015, the Government of Indonesia launched a programme to accelerate the increase in power generation capacity by an additional 35 GW together with the expansion of others infrastructure including an additional 45,000 kilometres of transmission networks and 109,000 megavolt amperes of substations. The programme for expansion is expected to contributed by PT PLN and independent power producers.

The electricity demand forecasts are prepared based on the amount of electricity needed to support the economic growth targeted by the government as well as population growth. During the period between 2015 and 2024, the forecasted demand for electricity consumption in selected regions is as follows:

	Forecasted demand for electricity consumption (CAGR 2015-2024)	**Population (CAGR 2010-2015)**	**Population in 2015 (million)**
Sumatra[(1)]	11.6%	1.7%	55.3
Java-Bali	7.8%	1.2%	159.3
East Indonesia	11.1%	1.8%	40.9
- Kalimantan[(2)]	*10.4%*	*2.1%*	*15.3*
- Sulawesi	*12.4%*	*1.4%*	*18.7*
- Maluku[(3)]	*10.3%*	*2.0%*	*2.8*
Papua	*9.4%*	*2.1%*	*4.0*
Indonesia	**8.7%**	**1.4%**	**255.5**

Notes:

(1) Muaro Jambi is a regency of Jambi province in Sumatra;

(2) East Kutai is a regency of East Kalimantan province in Kalimantan;

(3) Ambon Island is part of Maluku province in Indonesia.

The forecasted demand for electricity consumption between 2015 and 2024 in Sumatra and East Indonesia are expected to increase at a higher CAGR compared to overall Indonesia.

According to RUPTL, the power generation capacities in Sumatra and East Indonesia are barely sufficient to meet the power needs of the communities. Thus, there can be shortfalls when there are disruptions to the power supply or plants needed to undergo routine maintenance. For example, the power generation system in northern Sumatra operates almost throughout the year without backup operation, and often experience shortfalls in power supply. The south Sumatra system also experience similar issues, suffering from shortage of power for most of the year. This same situation also occurs in several other areas such as West Kalimantan, East Kalimantan, South Kalimantan, Southeast Sulawesi, Minahasa-Gorontalo, Palu, Lombok, Ambon, Ternate and Jayapura. Some of the actions taken in Sumatra and East Indonesia to overcome the problems of power shortage include rental of power generation capacity and purchasing of power from small-scale independent power producers. In addition, the RUPTL plans a small number of power plants that use LNG or CNG in East Indonesia.

There are six interconnected power systems and more than 100 isolated systems spread throughout the eastern region of Indonesia. The systems are spread over the provinces of Maluku, North Maluku, Papua, West Papua, West Nusa Tenggara, East Nusa Tenggara and Riau, Belitung, Buton, Selayar, Karimun Java, Bawean and many other islands.

(Source: IMR Report)

The developments in the power generation industry in Indonesia above will continue to provide opportunities for the development of our power plants in Ambon Island, Muaro Jambi, Sumatra, and East Kalimantan.

Please refer to Section 8 of this Prospectus for further details.

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8. INDUSTRY OVERVIEW

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21 November 2016

The Board of Directors
Serba Dinamik Holdings Berhad
No. 8-5, Pusat Dagangan UMNO Shah Alam
Lot 8, Persiaran Damai Seksyen 11
40100 Shah Alam
Selangor Darul Ehsan

Dear Sirs/Madam

Independent Industry Assessment of Asset Maintenance for Oil and Gas, and Power Generation

We have attached a report on the above prepared for inclusion in the prospectus of Serba Dinamik Holdings Berhad (herein together with all or any one or more of its subsidiaries will be referred to as Serba Dinamik Holdings Group or the Group) in relation to its initial public offering of the entire issued and paid-up share capital of Serba Dinamik Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad.

We have prepared this report in an independent and objective manner and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company.

Certain statements, including assessments and opinions in this report, are forward-looking in nature, and are subject to uncertainties and contingencies. While statements made in this report are based on, among others, secondary statistics and information, primary market research, and after careful analysis of data and information, the industry is subjected to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual future results. In light of these and other uncertainties, the inclusion of forward-looking statements in this report should not be regarded as a representation or warranty that our assessment will be justifiable. Given the risks and uncertainties of future events and conditions, we advise investors not to place undue over-reliance on those statements and, where relevant, seek further independent and expert advice.

We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wooi Tan
Managing Director

VITAL FACTOR CONSULTING
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INDEPENDENT INDUSTRY ASSESSMENT OF ASSET MAINTENANCE FOR OIL AND GAS, AND POWER GENERATION

1 BACKGROUND AND INTRODUCTION

- Serba Dinamik Holdings Berhad (herein together with all or any one or more of its subsidiaries will be referred to as Serba Dinamik Holdings Group or the Group) is an energy services group providing engineering solutions to the oil and gas, and power generation industries with operational facilities in Malaysia, Indonesia, United Arab Emirates (UAE), Bahrain, and United Kingdom (UK).

- Within engineering solutions, the Group provides operations and maintenance (O&M) services, and engineering, procurement, construction and commissioning (EPCC) works. For the financial year ended (FYE) 2015, the provision of O&M services and EPCC works accounted for 90.87% and 8.91% of the Group's revenue respectively. Within O&M services, the Group mainly carry out
  - maintenance, repair and overhaul (MRO) of rotating equipment which includes gas and steam turbines, engines, motors, pumps, compressors and industrial fans;
  - inspection, repair and maintenance (IRM) of static equipment and structures which includes boilers, unfired pressure vessels, piping systems and structures; and
  - maintenance of process control and instrumentation.

- The revenue for Serba Dinamik Holdings Group for the past three FYE 2013, FYE 2014 and FYE 2015 were largely derived from the oil and gas industry. As such, this report also provides more emphasis on the oil and gas industry in contrast to the power generation industry.

- Within the oil and gas industry, the Group undertakes maintenance services for, among others, oil and gas production platforms, crude oil refineries, gas processing and liquefaction, and petrochemical manufacturing plants. As such, this report is focused on asset maintenance of such plants, facilities and equipment. In addition, this report will also discuss oil and gas production, as well as downstream activities.

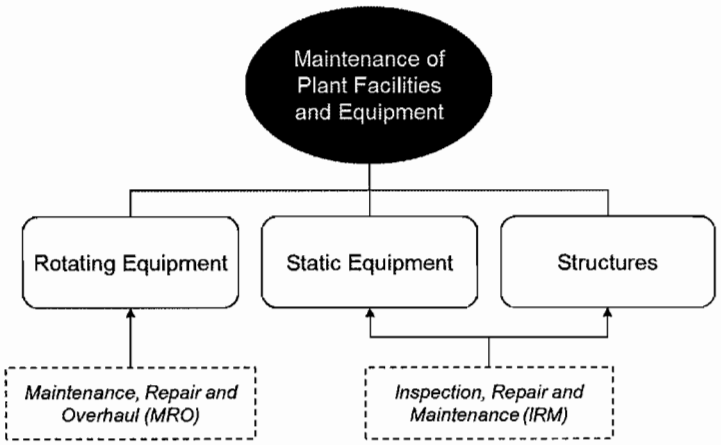
2 INDUSTRY OVERVIEW

- The energy industry, including oil and gas, and power generation, is an asset intensive industry involving a vast amount of investments in plant facilities and equipment. Once oil and gas wells are in production, the overall performance of companies in the energy industry depends highly on the performance of their assets. In the current global competitive landscape, asset maintenance is key to ensure that plant facilities and equipment are operating at its optimum level.

- The provision of maintenance services for such assets requires track record, skilled workforce, technical knowledge, equipment and machinery, supporting systems, products and services.

2.1 Maintenance of Plant Facilities and Equipment

- Maintenance services involve carrying out inspection on plant facilities and equipment, using preventive and corrective actions to ensure that facilities and equipment are kept in operating conditions. Generally, maintenance of plant facilities and equipment can be broadly divided into the following:



- MRO and IRM refer to the actions involved in preserving or restoring facilities and equipment to a state in which they can perform their required functions as effectively and efficiently as possible. The term MRO is commonly used for rotating equipment as parts of the equipment can be taken apart for overhaul. The overhaul of any equipment requires the entire equipment to be stripped to its parts and components for cleaning, repair, refurbishment, replacement and recalibration.

- Meanwhile, the term IRM is commonly used for static equipment and structures as most of the static equipment and structures, particularly in the energy industry, would require undergoing routine inspection to comply with regulations and standards as well as to detect and locate faults and impending problems before they result in harmful incidences affecting lives, properties and the environment. For example, in Malaysia, according to the Factories and Machinery Act 1967, it is compulsory for manufacturing plants to undergo inspection for its steam boilers and unfired pressure vessels every 15 to 21 months for the renewal of its Certificate of Fitness from the Department of Occupational Safety and Health *(Source: Department of Occupational Safety and Health Malaysia).*

- Serba Dinamik Holdings Group provides MRO of rotating equipment as well as IRM of static equipment and structures.

2.2 MRO of Rotating Equipment

- **Rotating equipment** is a general classification of machinery and equipment that are designed to generate circular or reciprocating movement or motion, which is then used to move or agitate materials. Rotating equipment is also referred to as turbo machinery.

- Rotating equipment is divided into two main categories namely driver or prime mover and driven equipment. Drivers are equipment that consume or uses energy (i.e. fuel, thermal, kinetic or electricity energy) and convert them into mechanical energy. Drivers are categorised into two main types, namely mechanical and electrical. Some of the examples of drivers include the following:

  - Mechanical drivers
    - Turbines are machines that convert kinetic energy from moving fluids such as water, gas, steam or wind into mechanical power via a rotor system;
    - Engines are machines that use the energy from combustion of fuel to produce movement.

  - Electrical drivers
    - Electrical drivers are also known as electric motors and are typically rotating machines that convert electrical energy into mechanical power to produce motion.

- Meanwhile, driven equipment uses the mechanical energy and produces other forms of energy such as potential, kinetic and electrical. Some of the examples of driven equipment include pumps, compressors, fans, blowers and generators.

  - Pumps are designed to move liquids, gases or slurries, commonly through network of pipes. In the oil and gas industry, large pumps are required to move large volume of materials for transportation or processing purposes. Such large pumps will also require large drivers to provide the power to move the materials.

  - Compressors are designed to reduce the volume of gases or air such that more of the materials may be contained within a given containment.

  - Fans and blowers are designed to provide continuous flow of air or gas by rotating a number of blades that are connected to a central point.

  - Generators are designed to convert mechanical energy into electrical energy. Power generators are commonly required to provide electricity to run an entire production or processing facility.

- Rotating equipment works through a system of drivers, driven components, transmission device (equipment or components involved in the transfer of motion or energy from one machinery/equipment to the next, for example gears, clutches and couplings), and ancillary equipment and systems (for example inlet air system, fuel system, exhaust duct and piping system) in its application in various industries.
- Rotating equipment is typically packaged as a system for various industrial applications. The two most common applications are systems that provides mechanical movement (i.e. perform work) or generate electricity.
- Due to its extensive industrial applications, rotating equipment is used in virtually all industries, including oil and gas (upstream, midstream and downstream), power generation, mining, agriculture, manufacturing, transportation and construction. Rotating equipment is also used in commercial applications, including heating, ventilation, air-conditioning, escalators, elevators, and back-up power generation.

2.2.1 Service Providers of MRO of Rotating Equipment

- Service providers in the MRO industry are divided into four categories as discussed below.
- **Original Equipment Manufacturers** (OEM) are companies who design and manufacture the equipment using proprietary technologies. OEM are usually protected by intellectual property rights for their design and technology. It is common for OEM to undertake MRO of their equipment during the warranty period, especially for gas and steam turbines and large engines, pumps and compressors. OEM also sometimes provide MRO services for other OEM's equipment. Many of the OEM of rotating equipment, especially gas and steam turbines, are global conglomerates.
- **Independent Service Providers** (ISP) are companies that are able to service various brands, sizes or models of rotating equipment and are not tied to any particular OEM in terms of exclusivity. ISP includes global corporations with capabilities of handling a wide range of services for customers in various industrial sectors, to a local operation with limited capabilities. In some cases, there are ISP that would have joint venture agreements or alliances with OEM to bid for major maintenance projects.
- **Authorised Service Providers** (ASP) are companies that are appointed by the OEM to provide services for the OEM's equipment. In some cases, the appointment may be exclusive for the specific equipment, brands, type of services and/or geographical locations. Most commonly, OEM will appoint an authorised service provider in locations which they do not have or have inadequate local presence. This will enable OEM to offer better coverage in their aftermarket services. Some ASP only work for one OEM, while some can also function as ISP to undertake maintenance of other brands of equipment.

- **In-house service providers** comprise companies with the expertise and capabilities to service their own plant equipment. In some cases, these in-house service providers would carry out the entire MRO services of the plant or they may collaborate with external parties such as OEM, ASP and ISP. Plant owners would typically rely on their in-house service providers for minor maintenance services, while they may depend on external parties for major and scheduled maintenance services such as plant turnaround and shutdown maintenance.

2.3 IRM of Static Equipment

- **Static equipment** refers to equipment that forms part of a processing or manufacturing process but does not have any mechanical or moving parts. Some examples of static equipment include the following:

  - **Boilers** are closed vessels that are designed for water to be heated by an external energy source, for example coal or gas, to generate steam. Steam boilers are usually used together with steam turbine to generate power. Some boilers are designed to heat water or oil such that heat may be transported to different locations for various purposes;

  - **Heat exchangers** are equipment designed to transfer heat from a fluid to another fluid without them having direct contact;

  - **Pressure vessels** are closed containers that are designed to hold liquids or gases at a substantially higher pressure compared to atmospheric pressure;

  - **Columns** are used to separate a mixture into two or more components, or to transfer a material from one phase to another phase; and

  - **Separators** are used for the separation of solids, liquids and gases.

- Static equipment used in the oil and gas industry are mainly used in the production and downstream segments including processing and refining, as well as manufacturing of petrochemicals. For power generation, the key static equipment is the boiler which is used to generate steam to drive a steam turbine.

2.3.1 Service Providers of IRM of Static Equipment

- Service providers of IRM of static equipment operate somewhat differently from MRO service providers for rotating equipment.

- For large boilers, especially those used to generate high wattage power, commonly OEM or their ASP will insist that they undertake IRM during the warranty period. Thereafter, it is common for ISP or in-house service providers to take over the IRM function. For smaller industrial boilers, OEM do not commonly undertake IRM services.

- As for other static equipment like heat exchangers and pressure vessels, it is more common for ISP to provide IRM services. Many OEM of static equipment, with the exception of large boilers, would focus on manufacturing and not be involved in provision of IRM services.

2.4 IRM of Structures

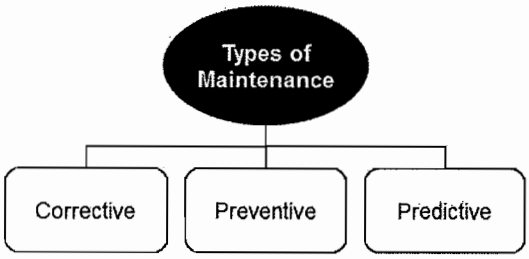
- **Structures** refer to other static objects that are not directly involved in the processing function, but are part of the overall plant facilities. Some examples of structures include the following:
  - **Piping systems**, which comprise network of long cylindrical tubes that are designed to carry liquids, gases and slurries between two locations or two equipment;
  - **Pipe racks and truss**, which are structures that hold piping system above the ground;
  - **Storage tanks**, which are large steel containers designed to hold large amount of liquids or gases; and
  - **Skids**, which are heavy duty metal structure used as a platform for holding industrial machinery or equipment for ease of transportation and hook-up to other equipment.
- Most of the steel structures in the oil and gas industry are focused in downstream activities including refining, processing and manufacturing. In the upstream sector of the oil and gas industry, IRM of structures also covers the maintenance of topside steel structures and steel jackets for oil rigs and production platforms, as well as drilling rigs.

2.4.1 Service Providers of IRM of Structures

- Service providers of IRM of structures are ISP. There are no OEM or ASP of structures.

2.5 Maintenance Strategy for Rotating and Static Equipment

- Undertaking maintenance is essential in ensuring machinery and equipment can function optimally over its productive lifespan.



- **Corrective maintenance** is carried out only when an irregularity or fault is detected, and is commonly known as repair. Once a fault is detected, corrective maintenance is carried out to restore the equipment to its normal operating conditions. This type of maintenance is more cost-effective when repairs are only undertaken when there are faults. This maintenance includes the restoration of production, repair of equipment and replacement of spare parts.
- **Preventive maintenance**, also known as planned or scheduled maintenance, is carried out at predetermined intervals or according to prescribed criteria, usually based on recommendations from the OEM. The primary objective of preventive maintenance is to reduce and mitigate the risk of performance deterioration or failure before it occurs. Preventive maintenance can be planned based on equipment running hours, or based on regular time intervals. This method is easier for planning, and maintenance costs are distributed more evenly over time. Nevertheless, the use of machinery could be sub-optimal, and undergoing unnecessary and frequent part changes could lead to higher costs in the long run.
- **Predictive maintenance**, also known as condition-based monitoring (CBM), is based on performance monitoring, where condition of the equipment is assessed and indicators are used to rationalise the need for corrective or preventive actions to be carried out. Maintenance is typically only performed once signals indicate potential equipment failure or deterioration of performance. Predictive maintenance typically utilises real-time data or information measured at regular intervals and in different parts of the equipment. As such, this proactive maintenance schedule allows preventive and corrective actions to be carried out only when necessary. This would normally result in time and cost savings, as well as improved reliability of equipment performance. Nevertheless, initial installation cost for instrumentation and information systems can be costly, and maintenance period and frequency could be unpredictable.
- Plant turnaround maintenance, also known as shutdown maintenance, is a fundamental maintenance activity in capital intensive industries such as the energy industry. Plant turnaround maintenance involves a pre-planned and scheduled plant shutdown which is conducted at regular intervals. Generally, to take advantage of the plant shutdown, all the above mentioned maintenance strategies (i.e. corrective, preventive and predictive maintenance) would be undertaken during the shutdown period. The frequency of a plant turnaround, which ranges from twice a year to once in every five years or more, is driven by factors such as plant technology, level of importance of plant assets, and statutory requirements. Maintenance services that cannot be performed when the plant is operational are usually carried out during the shutdown period. Shutdown period generally lasts for a week or up to a month and requires large manpower resources that include engineers, technicians, craftsmen, skilled and specialist maintenance contractors.
- Serba Dinamik Holdings Group carries out all types of maintenance strategy and provides specialised maintenance services during plant turnaround maintenance namely MRO of rotating equipment and IRM of static equipment and structures.

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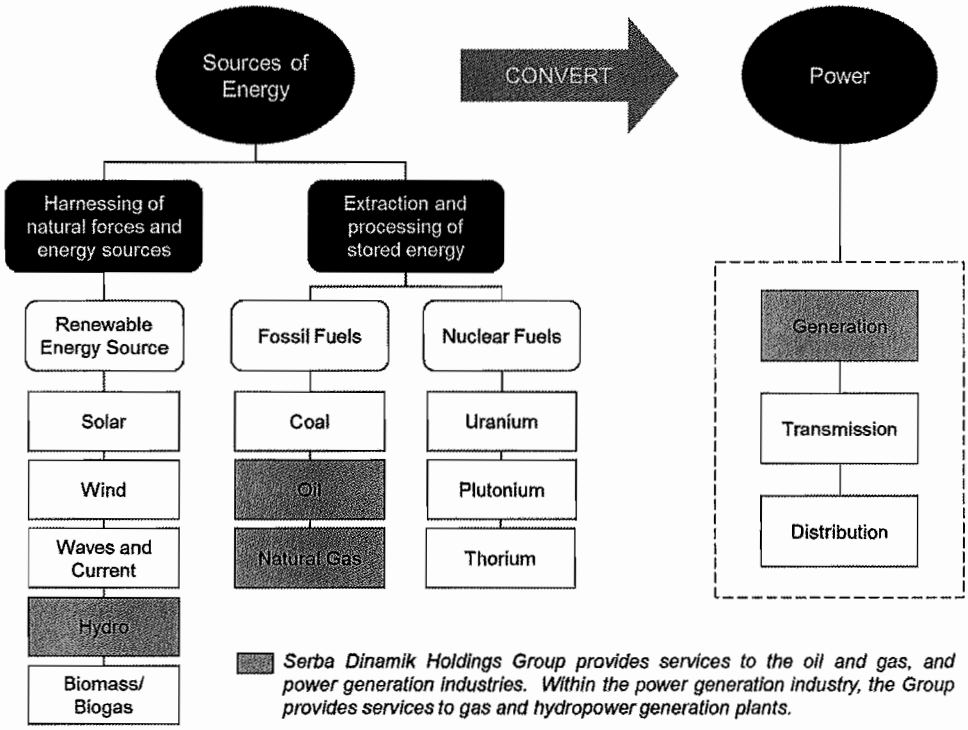
3 OVERVIEW OF ENERGY INDUSTRY

- The energy industry covers the entire value chain from mining or extraction of fuels, harnessing of natural forces and energies, and conversion to power or electricity.



- The most commonly used renewable energy sources are solar, wind and hydro. With the exception of hydro, currently many renewable energy sources are not cost competitive or not efficient in generating large quantity of power compared to fossil and nuclear fuels.

- Fossil fuels are combustible deposits that are formed over long periods of time from the remains of living organisms. Fossil fuels release heat energy when they are burned, or create a strong force when combusted. On the other hand, nuclear fuels are substances that release energy when going through nuclear fission. Such energy is used to heat water to run steam turbines to generate power.

- Power generation plants utilise various sources of energy and convert them into electric power, which is then connected to a national grid system for onward transmission and distribution to industrial, commercial, institutional, amenities and consumer usage for a wide range of applications. Alternatively, power can be generated for a specific area or uses without going through the national grid.

- Serba Dinamik Holdings Group provides services to the oil and gas, and power generation industries within the overall energy industry.

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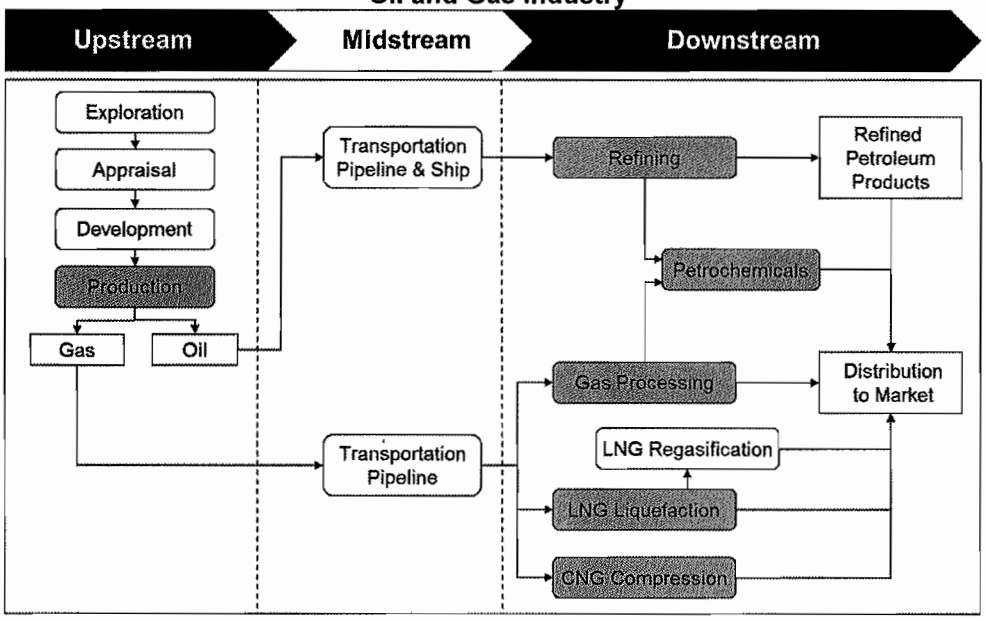
3.1 Oil and Gas Industry

3.1.1 Overview

- Oil and gas serve as essential sources of energy. They include fuels such as petrol, diesel, kerosene, liquefied natural gas (LNG) and liquefied petroleum gas (LPG), which are used for various applications including automotive, aviation, general cooking, and for industrial and commercial purposes. Oil and gas also serve as input for manufacturing of petrochemical products, including fertilisers and many of the plastic products used in everyday lives. The oil and gas industry is generally segmented into upstream, midstream and downstream sectors, as follows:

Oil and Gas Industry



Serba Dinamik Holdings Group provides maintenance services to these operations in the upstream and downstream sector of the oil and gas industry

LNG = Liquefied Natural Gas; CNG = Compressed Natural Gas

- The upstream sector comprises exploration, appraisal, development and production activities. Exploration refers to investigating a specific area to determine existence and assess characteristics of oil and gas deposits. Exploration activities also include appraisal, which is concerned with determining the economic and technical viability of discovered oil and gas deposits. Development activities are carried out to bring an untapped economically viable oil and gas reserve into production or significantly expanding an existing production facility. Production activities are those that are related to the extraction of oil and gas from identified and developed reserves.

- The midstream sector is mainly concerned with transportation of extracted oil and gas from production facilities to refineries and processing facilities. This mainly includes operation of onshore and offshore oil and gas pipelines, transport vessels, as well as storage tanks.

- The downstream sector is mainly concerned with refining and processing of oil and gas, manufacturing of petrochemical products, and distribution activities. Refining and processing convert extracted oil and gas into forms and products that can be used by intermediate and final users. Refining of crude oil involves fractional distillation to separate the different constituents to produce refined petroleum products. Meanwhile, natural gas processing involves the separation and purification of petroleum gases, and liquefaction and compression of natural and petroleum gases to facilitate storage, transportation and usage. Petrochemical manufacturing utilises feedstock from refineries and gas processing plants to produce basic raw materials for further manufacturing, or usable end-products. Distribution activities are related to the delivery of refined and treated oil and gas products, and petrochemicals to the markets. This includes operation of LNG and LPG vessels, clean and dirty petroleum product tankers, petroleum tanker trucks, domestic gas networks and retail petrol stations.

- Serba Dinamik Holdings Group provides maintenance services for the following main types of rotating and static equipment used in the production activities and downstream sectors of the oil and gas industry:

Rotating equipment

- gas turbine;	- steam turbine;	- engine;
- motor;	- pump;	- compressor;
- industrial fan.		

Static equipment

- boiler;	- pressure vessel;	- column;
- reactor;	- heat exchanger;	- separator.

3.1.2 Rotating and Static Equipment Used in Production of Oil and Gas Industry

- There are different types of rotating and static equipment used in the production of oil and gas.

- **Rotating Equipment**

Pumps are mainly used to extract and transfer crude oil. In oil fields, pumps that are used for extraction may include pumping or injecting water and other fluids into the well reservoir to increase the pressure of well fluids (i.e. mixture of oil, gas and water) from the ground to come up to the surface. Pumps are also used to transfer or move crude oil after it has been extracted from the ground into storage facilities, processing plant or shipping points. In upstream production facility, particularly in an offshore platform, pumps are also used to lift seawater for the purpose of cooling down the equipment and for fire fighting during emergency.

Compressors are used to extract crude oil, move or store natural gas. In oil fields, compressors are used to re-inject associated petroleum gas, or sometimes air, into the well to increase the pressure of well fluids. Meanwhile, in natural gas fields, compressors are required to maintain or increase the gas flow up to the surface. Once the gas flows up to the surface, compressors are used to adjust the gas pressure and flow from the well to the gas processing or dehydration system, and finally flow out to the gas pipeline for transportation.

Power generation equipment is used to generate electricity to operate facilities, machinery and equipment. In the production sector, power is used to run various electrical and electronic systems, equipment, tools and instrumentation. Power is also required for general use in electrical equipment and appliances for human habitation and working conditions within the production area. Many of the power generation equipment used for production in the upstream sector, and refining, processing and manufacturing sectors of the oil and gas industry requires very large power generation equipment including the use of gas and steam turbines and diesel engines. Offshore production platforms are required to be self-sufficient in power generation for their operations as well as habitation.

Drivers including gas and steam turbines, and engines are the main power sources used to drive pumps, compressors and power generation equipment.

- **Static Equipment**

Columns, boilers, reactors and heat exchangers are used in a natural gas dehydration system or glycol dehydration unit to remove water vapour from raw natural gas extracted directly from well reservoir. The removal of water from natural gas is required prior to transportation via pipeline to avoid any corrosion or damage to the gas pipeline.

Separators, surge tanks and heat exchangers are used for the separation of oil, gas and water from the total fluid stream produced by a well.

3.1.3 Rotating and Static Equipment Used in Downstream Oil and Gas Industry

- Some of the rotating and static equipment that are used in the downstream sector of the oil and gas industry are as follows:

Rotating Equipment

- **Pumps** are used to transfer/move any fluid including crude oil, refined petroleum, and petrochemicals from processes to processes within the plant, as well as to storage facilities.

- **Compressors** are used extensively in refineries, gas processing plants, LNG liquefaction plants, LNG regasification plant and petrochemical plants as well as in transportation and distribution of gas. For transportation and distribution of natural gas to the consumer market, gas compressor stations are installed along the pipeline distribution network to increase the pressure of the gas and to push the natural gas along the pipe to its destinations.

- **Power generation** equipment to provide power for production facilities within the plant. In the downstream sector, power is used to run various electrical and electronic systems, equipment, tools and instrumentation.

- **Drivers** including gas and steam turbines, and engines are the main power sources used to drive pumps, compressors and power generation equipment.

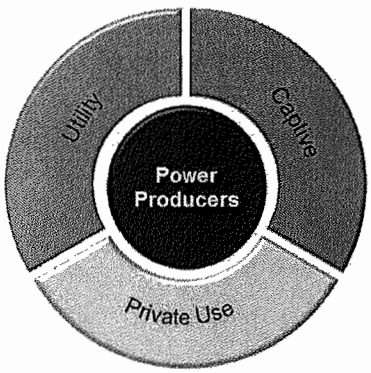
Static Equipment

- Pressure and unpressurised vessels, columns, separators, boilers, reactors and heat exchangers are essential equipment used in downstream processes of the oil and gas industry. These processes include, among others, distillation in refineries, steam cracking in petrochemical plants, and liquefaction in LNG liquefaction plant.

3.2 Power Generation Industry

3.2.1 Segmentation of Power Producers

- There are three broad categories of power producers as depicted in the diagram.



- Power producers for the utility market typically supply to the national grid for usage by industries, commerce, community and the general population. Power producers for captive market are focused on producing power for an isolated or standalone group of users that are not connected to the national grid or chose not to rely solely on the national grid. Captive markets could include small islands, rural areas and industrial parks supporting a relatively small population of users. There are also power producers that generate power for their private use including energy intensive processing and manufacturing plants, offshore oil and gas production platforms, large ships and mining operations.

- The size of a power generation plant is based on its installed capacity measured in megawatts (MW). Large power producers commonly have plants with installed capacity in excess of 100 MW up to 2,000 MW. Such large power producers would commonly transmit their electric power to the national grid or transmit part of it directly to heavy power users. These types of power producers are either government, government linked bodies or private enterprises commonly referred to as independent power producers (IPP).

- There are also a group of small power producers with capacity ranging between 1 MW and 10 MW. Many of these installations are for direct industrial and commercial use, and any excess would be passed on to the national grid. Some are also specifically designed to sell their power to the national grid. There are even a larger group of power producers each with less than 1 MW capacity. Again such entities commonly produce for their own use and any excess would go to the national grid.

- Most power plants in excess of 10 MW uses gas or steam turbines while a small proportion would use hydro turbines. Smaller capacity power generation plants could use diesel engines, microturbines or small hydro turbines.

- Serba Dinamik Holdings Group undertakes maintenance of rotating equipment, and static equipment and structures for the utility, captive and private use segments of the power generation industry. However, a large proportion of its asset maintenance services are focused on the private use segment, mainly in the production and downstream sectors of the oil and gas industry.

3.2.2 Licensed Power Producers in Malaysia

- All power producers in Malaysia are required to be licensed by Energy Commission Malaysia with approval of the Ministry of Energy, Green Technology and Water.

- As at end of 2014 (latest available statistics), the number of power producers in **Peninsular Malaysia** was as follows:

Type of Licensees in Peninsular Malaysia	Number of Power Plants by Type of Fuel Source				
	Fossil Fuels	Hydro	Solar	Bio and processed waste / Bio and landfill gas	Industrial Process Waste heat
Tenaga Nasional Berhad	8[1]	3	-	-	-
IPP	19[2]	1	-	-	-
Renewable Energy	-	4	142	19[3]	-
Private License Co-Generation	12[4]	-	-	2[4]	2[4]
Public License Co-Generation	9[5]	-	-	-	4[5]
Less than 5 MW self-generation	1,815 (mainly biowaste)				

Notes:

(1) Combined cycle, open cycle and thermal (gas and steam turbines) using natural gas and oil. Each power plant has an installed capacity ranging from 210 MW to 1,411 MW.

(2) Combined cycle, open cycle and thermal (gas and steam turbine) using natural gas, oil and coal. Each power plant with installed capacity ranging from 322 MW to 2,100 MW.

(3) Uses gas and steam turbine. Each power plant with licensed capacity ranging from 0.5 MW to 13.5 MW.

(4) Uses gas and steam turbine. Each power plant with installed capacity ranging from 6.5 MW to 43 MW.

(5) Uses gas and steam turbine. Each power plant with licensed capacity ranging from 6 MW to 418 MW.

(Source: Energy Commission, Malaysia)

- As at end of 2014 (latest available statistics), the number of power producers in the **Sabah** were as follows:

Type of Licensees in Sabah	Number of Power Plants by Type of Fuel Source			
	Fossil Fuels	**Hydro**	**Solar**	**Bio and processed waste / Bio and landfill gas**
Sabah Electricity Sdn Bhd	13[1]	4	-	-
IPP	8 [2]	-	-	-
Renewable Energy	-	2	3	4 [3]
Private License Co-Generation	-	-	-	3 [4]
Public License Co-Generation	1[5]	-	-	7
Less than 5 MW self-generation	925 (mainly biowaste)			

Notes:

(1) Comprised one combined cycle plant (gas and steam turbine) with installed capacity of 105 MW using natural gas. The remaining were diesel engine plants ranging from 6 MW to 64 MW.

(2) Comprised five combined cycle (gas and steam turbine) and three diesel engine plants. Each power plant with installed capacity ranging from 38 MW to 285 MW.

(3) Uses steam turbine. Each power plant with licensed capacity ranging from 11.5 MW to 14 MW.

(4) Uses steam turbine. Licensed capacity was 7.5 MW, 6.5 MW and 79.5 MW.

(5) Uses gas turbine with licensed capacity of 41.8 MW.

(Source: Energy Commission, Malaysia)

- In Sabah, IPP have more large power producing plants compared to other types of licensees. Sabah also has relatively more power producing plants using diesel engines compared to Peninsular Malaysia.

- As at end of 2014 (latest available statistics), the number of large power producers in **Sarawak** were as follows:

Type of Licensees in Sarawak	Number of Power Plants by Type of Fuel Source	
	Fossil Fuels	Hydro
Sarawak Energy Berhad	6[1]	1
IPP	-	1

There were no information available for Renewable Energy, Private License Co-Generation and Public License Co-Generation licensees in Sarawak, Malaysia.

Note:

1) Combined cycle, open cycle and thermal (gas and steam turbine) using natural gas, oil and coal. Each power plant with installed capacity ranging from 79 MW to 317 MW.

3.2.3 Maintenance of Power Generation Equipment

- The provision of MRO of rotating equipment services for power generation focuses on power plants that use fossil fuels, bio and processed waste, and bio and landfill gas as fuel source. Such fuels will need to use either, gas turbine, steam turbine, diesel engine or combined gas and steam turbine to generate power.

- The provision of IRM of static equipment services for power generation focuses on power plants that use boilers to produce steam to run steam turbines. In combined cycle or cogeneration plants, gas turbines are used in combination with steam turbines. A heat recovery steam generator (HRSG - a type of boiler) is used to recover the exhaust heat from the gas turbine to heat up water in the HRSG to generate steam to run the steam turbines. Steam turbines can also use standalone boilers where fuel, such as coal, is used directly to heat up the water to generate steam.

- In power generation, MRO of rotating equipment is focused on gas and steam turbines, and diesel engines, while IRM of static equipment is focused on boilers that generate steam to run turbines.

- Serba Dinamik Holdings Group's MRO of rotating equipment is focused on gas and steam turbines, and diesel engines that are used in power generation. In addition, the Group is a distributor of microturbines and as such, it also provides MRO services of microturbines. Serba Dinamik Holdings Group's IRM of static equipment is focused on boilers which are used to generate steam for steam turbines.

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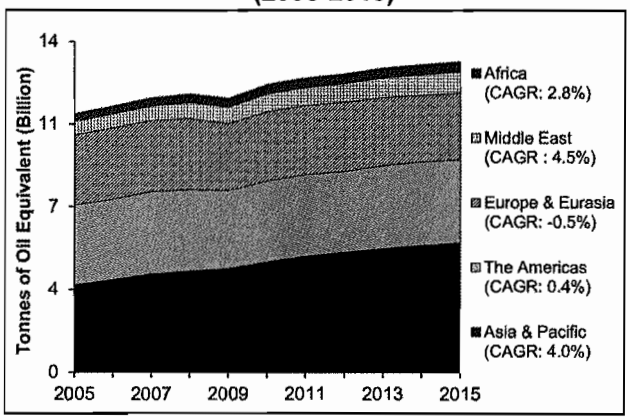
4 OVERVIEW OF GLOBAL AND REGIONAL ENERGY INDUSTRY

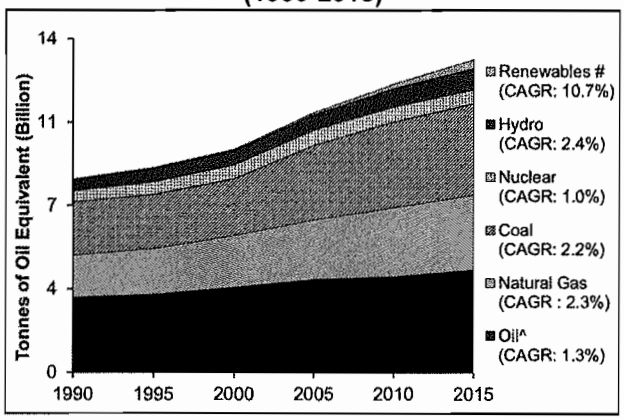
4.1 Global Energy Demand

- Demand for energy will drive investments in the exploration, development, production and refining of fossil fuels as well as other energy sources, which in turn will stimulate demand on maintenance of assets used for such activities.
- Global energy demand has more than doubled over the past 50 years driven by developing economies such as China and India. Historically, hydrocarbon resources have been the main source of fuel for energy consumption representing more than half of the global demand. This is followed by coal, hydroelectric, nuclear and other renewable energy such as wind and solar.

Primary Energy Consumption by Region (2005-2015)



Primary Energy Consumption by Fuel Type (1990-2015)



^ Includes oil, biofuels, gas to liquids and coal to liquids; # Includes wind power, solar electricity and other renewables; CAGR = Compound annual growth rate

Notes:

Africa = Algeria, Angola, Benin, Botswana, British Indian Ocean Territory, Burkina Faso, Burundi, Cameroon (United Republic of), Cape Verde, Central African Republic, Chad, Comoros, Congo (Republic of the), Congo (Democratic Republic of the), Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia (The), Ghana, Guinea, Guinea-Bissau, Côte d'Ivoire, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Reunion, Rwanda, St Helena, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Western Sahara, Zambia and Zimbabwe.

Asia & Pacific = Afghanistan, American Samoa, Antarctica, Australia, Bangladesh, Bhutan, Brunei, Cambodia, Canton and Enderbury Islands, China, China Hong Kong Special Administrative Region (SAR), China Macau SAR, Chinese Taipei, Christmas Island, Cocos (Keeling) Islands, Cook Islands, Fiji, French Polynesia, Guam, India, Indonesia, Japan, Johnston Island, Kiribati, Korea (Democratic People's Republic of), Korea (Republic of), Lao People's Democratic Republic, Malaysia, Maldives, Midway Islands, Mongolia,

Myanmar, Nauru, Nepal, New Caledonia, New Zealand, Niue, Norfolk Island, Pacific Islands (Trust Territory), Pakistan, Papua New Guinea, Philippines, Pitcairn Island, Samoa, Singapore, Solomon Islands, Sri Lanka, Thailand, Tokelau, Tonga, Tuvalu, Vanuatu, Vietnam, Wake Island, Wallis and Futuna Islands.

Europe & Eurasia = Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovakia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan, Austria, Belgium (including Luxembourg), Cyprus, Denmark (including Faroe Islands), Finland, France (including Andorra and Monaco), Germany, Gibraltar, Greece, Iceland, Ireland, Italy (including San Marino and the Holy See), Malta, Netherlands, Norway (including Svalbard and Jan Mayen Islands), Portugal, Spain (including Canary Islands), Sweden, Switzerland (including Liechtenstein), Turkey, United Kingdom, Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro and Slovenia.

Middle East = Bahrain, Islamic Republic of Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Kingdom of Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen and other Middle East.
The Americas = Canada, Greenland, St Pierre and Miquelon, United States, Antigua, Argentina, Bahamas, Barbados, Belize, Bermuda, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands (Malvinas), French Guiana, Grenada, Guadeloupe, Guatemala, Guyana, Haiti, Honduras, Jamaica, Martinique, Mexico, Montserrat, Netherlands Antilles, Nicaragua, Panama (including Panama Canal Zone), Paraguay, Peru, Puerto Rico, St Kitts-Nevis-Anguilla, St Lucia, St Vincent, Suriname, Trinidad & Tobago, Turks and Caicos Islands, United States Virgin Islands, Uruguay and Venezuela.

(Source: Vital Factor analysis)

- Primary energy is any source of energy that has not been converted or transformed. They include non-renewable sources such as fossil fuels comprising oil, gas and coal, and mineral fuels like uranium, and renewable sources including solar, wind, hydro, tidal, biomass and geothermal.

- The global primary energy consumption amounted to 13.1 billion tonnes oil equivalent in 2015. The largest energy demand came from the Asia and Pacific region with 41.8% of the global primary energy consumption of which China consumed more than half of the region's demand. Being the world's most populous country with a fast growing economy, China has become the largest energy consumer globally since 2009, surpassing the United States (US). The Americas, and Europe and Eurasia accounted for 26.6% and 21.6% of global primary energy consumption respectively in 2015. However, demand in these regions has slowed down, or in Europe and Eurasia's case, demand was declining.

- Following China, the US is the second largest consumer of energy with consumption approximately 2.3 billion tonnes of oil equivalent in 2015. Although The Americas region recorded an average increase of 0.4% per year between 2005 and 2015, the US recorded a slight average contraction of 0.3% per year during the same period. One of the factors which may have led to the slight decline in primary energy consumption in the US is due to the country's early

adoption of energy efficient programmes that may have started to catch on. This was coupled with several other factors including warmer weather, changes in economic conditions and electricity prices, among others. Meanwhile, Europe and Eurasia's declining primary energy demand was largely due to the impact of the global financial crisis in 2008/2009 that affected majority of the countries' economies in the region.

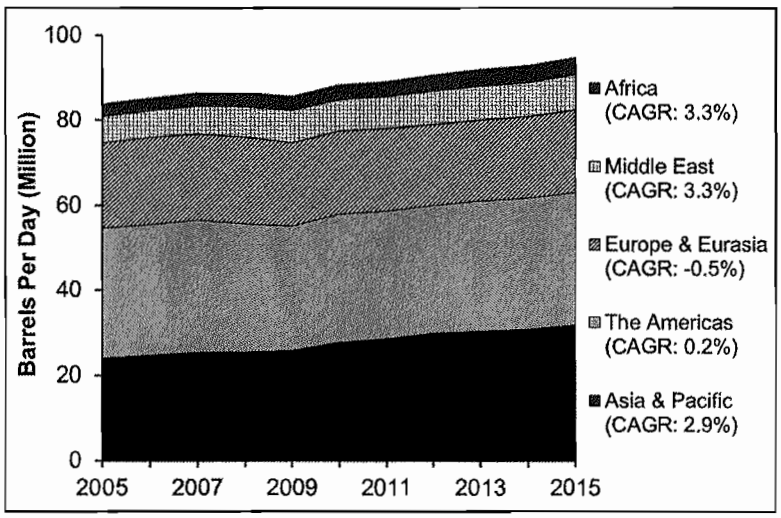
- In terms of countries, China and the US play the biggest roles in the demand for primary energy, while Asia and Pacific, and the Americas are the two largest consuming regions of primary energy. As such, economic and social developments in these geographic areas are key determinants to the overall demand for primary energy.

4.2 Global Oil and Gas Demand

- Fossil fuels, especially oil and gas, represent the highest proportion of primary energy source. As such, demand for oil and gas has a direct and significant impact on meeting the energy needs of all nations.

- With the increasing world oil and gas demand, oil and gas producers would have to continuingly sustain production to meet the demand. This in turn would drive the need for maintenance of assets used in the oil and gas industry to ensure production facilities are running productively, efficiently and cost effectively.

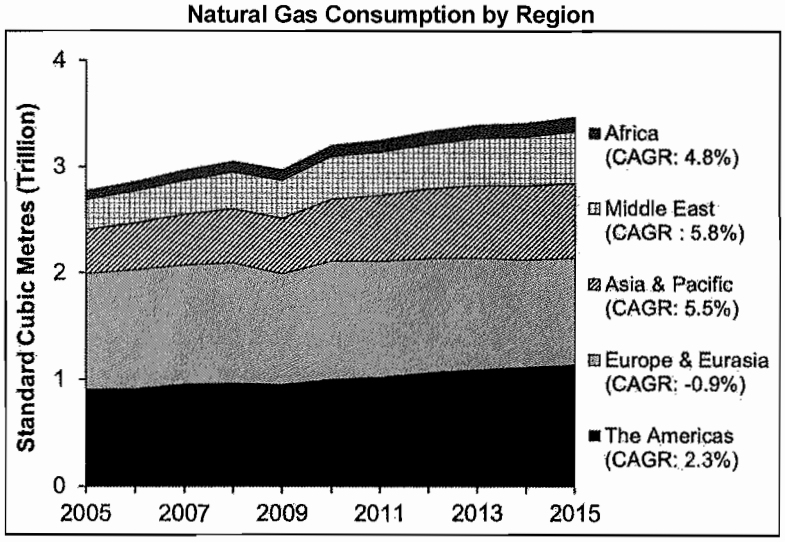
Oil Consumption by Region



Note: Oil consumption is measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply.
(Source: Vital Factor analysis)

- In 2015, global demand for oil amounted to 94.8 million barrels per day (bbl/d), an increase of 1.6 million bbl/d or 1.8% from the previous year. It is one of the largest increases in recent years attributed, to a large extent, by the low crude oil prices in 2015. In 2015, the largest demand for oil came from Asia and Pacific, and The Americas representing 33.7% and 32.9% of global oil consumption respectively. The US was the largest global consumer of oil which accounted for 20.5% of global oil consumption while China was the largest consumer of oil in the Asia and Pacific region, which accounted for 12.1% of global oil consumption.
- Over the past decade, demand for oil in the Asia and Pacific region was largely driven by the two largest economies in the region namely China and India. The growth in the Asia and Pacific region's oil demand can be traced to economic growth, expansion in industrial activity, growth in urban populations, and increasing demand for transportation fuel.
- Demand for oil in The Americas region is almost stagnant with a near zero growth. The US, being the largest consumer in the region, registered a slight contraction in oil demand over the period of 2005 and 2015. Approximately three quarter of the oil demand in the US is used for its transportation sector and the decline in demand was partially due to the rise in fuel efficiency vehicles as well as a reduction in the number of miles driven by the Americans.
- Meanwhile, Middle East is one of the fastest growing regions for oil consumption over the last decade as its population, urbanisation and economic growth stimulated the increase in fuel demand. Being the largest global producer and net exporter of oil, the region has benefited in terms of strong economic growth driving the growth of their own internal energy consumption. Additionally, oil subsidies also encourage increased oil consumption during this period.

Natural Gas Consumption by Region



Note: Natural gas consumption excludes natural gas converted to liquid fuels but includes derivatives of coal as well as natural gas consumed in gas-to-liquids transformation.

(Source: Vital Factor analysis)

- In 2015, global natural gas consumption amounted to 3.5 trillion standard cubic metres which represented approximately 24% of the global primary energy consumption. The Americas, and Europe and Eurasia regions were the largest consumers of natural gas which represented 32.8% and 28.9% of the global natural gas consumption respectively. The US and Russia were the largest and second largest consumers of natural gas accounting for 22.4% and 11.3% of global natural gas consumption respectively.

- Compared to oil demand, the demand for gas in the US grew steadily at an average rate of 2.2% per year over the period of 2005 and 2015 which was mainly driven by the increased usage in the power generation industry. In 2015, approximately one third of the US' natural gas consumption was used for power generation compared to approximately one quarter ten years before.
- The robust growth of the overall global gas consumption was mainly driven by Asia and Pacific, and the Middle East regions where demand grew at compound annual growth rate (CAGR) of 5.5% and 5.8% respectively. China and Japan was the two main contributors to the growth in gas demand in Asia and Pacific regions between 2005 and 2015. Although coal is the main source of fuel for China's electricity generation, the country has been attempting to replace it with natural gas as fuel source due to rising emission concerns. Meanwhile, Japan has turned to natural gas as fuel source for electricity generation following the Fukushima Daiichi nuclear disaster in 2011.

- Similarly to oil demand, the gas demand in the Middle East was also driven by its fast growing economy, population growth and urbanization coupled with gas subsidies. Additionally, some of the Middle Eastern countries expanded their petrochemical industry rapidly. This resulted in the increased demand for gas, as gas is used as feedstock for the petrochemical industry.

5 MACROECONOMIC AND SOCIOECONOMIC INDICATORS

- Energy, in the form of oil and gas, and power is a key driver of economies, and an essential component of everyday living. Energy is used in all industries and commerce to perform and facilitate work, and to process and manufacture goods and products. Energy is also essential in society where its uses range from transportation to powering electrical and electronic devices that has become a necessity in everyday living.

- In addition, oil and gas are raw materials used in the manufacturing of many products including fertilises, polymers (for example plastics), elastomers (for example synthetic rubber) and industrial chemicals.

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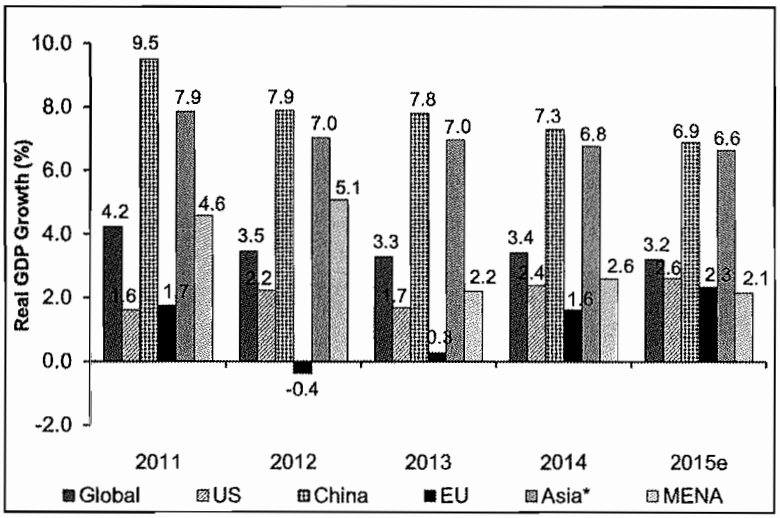
- As such, the development and growth of economies and societies play key roles in increasing demand for energy and products derived from oil and gas. Increasing demand for energy and petrochemical products will drive investments in exploration, development, production and refining of oil and gas, as well as manufacturing of petrochemical products.
- This section discusses economic and socioeconomic performance of the world as a whole, selected major regions and countries, namely the US, China, European Union (EU), Emerging and Developing Asia, and the Middle East and North Africa. Some countries, especially China and the US, or regions, especially Asia and Pacific, and the Americas, contribute substantially more than other countries and regions. As such, the economic and socioeconomic performance of these countries and regions would have major impact on the overall energy industry. Serba Dinamik Holdings Group carries out a significant amount of work in Malaysia and in the Middle East, and as such performance in the Middle East and Emerging and Developing Asia regions will have a direct impact on the performance of the Group.

5.1 Gross Domestic Product (GDP) of Selected Regions and Countries

- GDP is a measure of the gross value added in the output of goods and services in a country during a specified period of time. It provides an indication of the overall size of the country's economy. GDP growth is commonly measured by comparing a particular year or quarter's GDP with that of the preceding year or quarter. It is commonly expressed as a percentage, which may be positive (indicating that the value of GDP grew over time) or negative (indicating that the value of GDP declined over time).
- Real GDP is a method of measuring GDP that removes the effect of changes in the prices of goods and services over time (inflation or deflation). Thus, real GDP provides measure of actual changes in output of goods and services.

Real GDP Growth Rates



e = estimate.
Notes:
EU = European Union. Comprises 28 countries, namely Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.
Asia* = Emerging and Developing Asia. Comprises 29 countries, namely Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, India, Indonesia, Kiribati, Laos, Malaysia, Maldives, Marshall Islands, Micronesia, Mongolia, Myanmar, Nepal, Palau, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Democratic Republic of Timor-Leste, Tonga, Tuvalu, Vanuatu and Vietnam.
MENA = Middle East and North Africa. Comprises 20 countries, namely Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Kingdom of Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

(Source: Vital Factor analysis)

- The global economy has been growing at a slower pace since the global financial crisis and recession that occurred between 2007 and 2009. Some countries such as the EU countries are slowly recovering despite experiencing a contraction in their economy in 2012 by 0.4%. The slowdown of the global economy was driven by the realignment of major macroeconomics coupled with geopolitical tensions in some countries. The main driver of macroeconomic realignment was the moderation of China's economic growth coupled with weak commodity prices. Lower oil prices affected the growth of some of the oil exporting countries while it supported household demand and lowered energy costs for oil importing countries.

- From an average of 10% growth from 2000 through 2010, China's economic growth has decreased to a single-digit growth over the past five years as China's economy transitioned to a more balanced growth following a decade of strong credit and investment growth. The moderated growth in China was contributed by slower manufacturing and trade activities coupled with the fall in property prices which affected the property sector in China – one of the key drivers of China's growth for the past decade. Given the size of the Chinese economy, the slowdown caused a major spill-over to other economies through trade channels, weaker commodity prices and market confidence.

- Economic activity in the US had gained traction with real GDP growing from 1.6% in 2011 to 2.6% in 2015 while growth in the EU improved at a modest pace from -0.4% in 2012 to 2.3% in 2015 due to unresolved structural constraints.

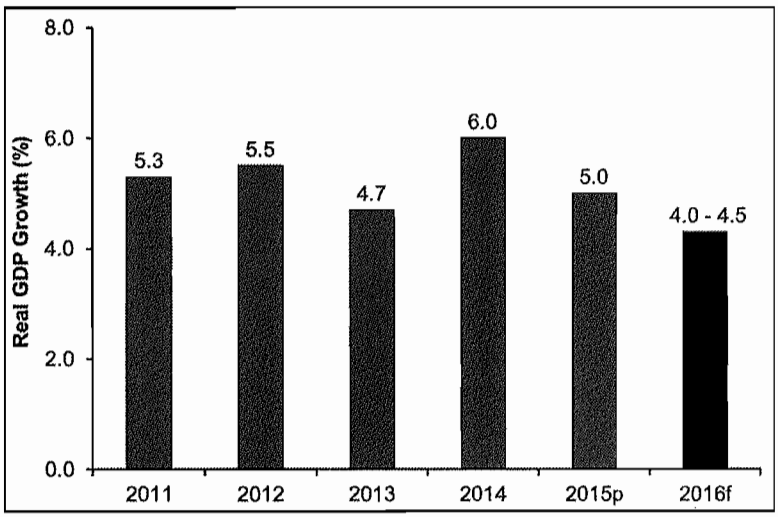
- Meanwhile, activities in the Emerging and Developing Asia remained robust with real GDP growth of 6.6% in 2015. Economic growth in the Emerging and Developing Asia was mainly supported by growth in China and India. India's economy registered strong growth mainly driven by private consumption which has benefited from lower energy prices and rising real income.

- Economic growth in the MENA region grew at a slower rate as some of MENA's economies rely heavily on oil export revenues including Bahrain, Oman, Qatar, Kingdom of Saudi Arabia (KSA) and the UAE. With the downturn in crude oil prices coupled with geopolitical tensions in Libya, Yemen, Iraq and Syria, economic growth in the MENA region slowed down from 5.1% in 2012 to 2.1% in 2015. Despite the lower oil revenue generated in the MENA region, countries in the MENA region particularly in the Middle East still continued to produce crude oil with growth rate of 6.3% from 23.1 million bbl/d in 2014 to 24.5 million bbl/d in 2015.

5.2 Malaysia's Gross Domestic Product

- Malaysia is a key market for Serba Dinamik Holdings Group. As such, the economic performance of Malaysia will have a direct influence on the performance of Serba Dinamik Holdings Group.

Malaysia's Real GDP Growth



p = preliminary; f = forecast *(Source: Bank Negara Malaysia)*

- Overall, Malaysia's key economic indicator, real GDP, grew at a CAGR of 5.3% between 2011 and 2015, with growth recorded every year during this period. Despite the challenging economic environment in 2015, real GDP grew by 5.0%, supported by the continued expansion of domestic demand. Domestic demand growth was stronger during the first quarter of 2015, partly due to consumers making purchases ahead of the implementation of the Goods and Services Tax (GST) in 2015. Although growth in domestic demand moderated during the second half of the year, modest improvement in external demand contributed to overall economic growth.

- Private consumption continued to expand but at a moderate pace due to the higher cost of living from the implementation of GST as well as the depreciation of the Malaysian Ringgit. Household spending was supported by the continued income growth, stable labour market conditions coupled with an increase in disposable incomes from lower fuel prices and reduction in individual income tax rates during 2015. These positive factors outweighed concerns about the increasing cost of living, and weak consumer sentiments.

- The Malaysian economy is forecasted to grow by 4.0 - 4.5% in 2016 amidst a challenging international economic and financial landscape. Domestic demand is expected to be the main driver of growth in 2016 supported by private sector expenditure. Private consumption is expected to grow at a low rate mainly due to consumer's adjustment to an environment of higher prices and greater uncertainties. Nevertheless, the moderated growth is expected to be partially offset by the continued growth in income and employment as well as support from Malaysian Government's initiatives to enhance household disposable income.

- In the first half of 2016, the Malaysian economy expanded by 4.1% which was a slight moderation as compared to the first half in 2015 of 5.3%. Growth was affected by the continued decline in net exports due to lower production in agriculture and manufactured products. Nevertheless, private sector spending remained the key driver of growth mainly supported by wage and employment growth. Additionally, improvements in business confidence, particularly in the second quarter of 2016, spurred private investments in the services and manufacturing sectors. On the supply side, all sectors registered growth during the first half of 2016, except the agricultural sector. Growth in the agricultural sector declined due to adverse weather conditions resulting in low palm oil yields. The mining sector improved with higher crude oil and natural gas production in Sabah. The construction sector growth was driven by petrochemical, transport, and utility-related projects as well as residential developments.

- For the third quarter of 2016, Malaysia's real GDP increased by 4.3% driven mainly by growth in the private sector namely private consumption and investment. Private consumption expanded due to growth in wage and employment while private investment grew mainly through continued capital expenditure in the services and manufacturing sector. On the supply side, similar to the first half of 2016, all sectors registered growth with the exception of the agricultural sector due to adverse weather conditions. Mining sector expanded at a faster pace during the third quarter of 2016 driven by higher crude oil production, particularly in Sabah.

6 DEMAND AND SUPPLY CONDITIONS

- Essentially, the demand and supply conditions for asset maintenance for the oil and gas, and power generation industries will depend on their performances which will serve as an indication for the asset maintenance industry.

- The demand and supply for maintenance services are dependent on the following:
  - extraction and production activities in the upstream oil and gas industry;
  - refining and processing in the downstream oil and gas industry;
  - manufacturing of petrochemicals in the downstream oil and gas industry;
  - installed capacity of the power generation plants and facilities.

- Oil and gas operators across the value chain of the industry are under constant pressure to maximise production, meet delivery schedules and optimise operating and maintenance costs while addressing concerns of rising emissions from the use of fossil fuels. Similarly, power plant operators also face the same challenges to meet the growing demand for electricity.

- In order to overcome these challenges, oil and gas, and power plant operators are increasingly adopting various asset maintenance strategies to help elevate performance and increase plant efficiencies while maintaining the integrity of their assets. Additionally, given the substantial capital investment in the oil and gas, and power generation industries, prolonging the life cycle of the assets would be crucial for operators to ensure adequate return on their investments.

- The level of demand and supply of maintenance services for the oil and gas, and power generation industries can be measured by the following indicators:
  - Production of oil and gas;
  - Crude oil refinery installed capacity;
  - LNG liquefaction and regasification installed capacity; and
  - Electricity generation.

6.1 Production of Oil and Gas

- Growth in oil and gas production indicates a continuing effort to carry out production activities, which in turn creates the demand for maintenance of assets used for production of oil and gas. Additionally, the level of production of oil and gas would also indicate the level of demand for maintenance.

- Serba Dinamik Holdings Group undertakes maintenance including MRO of machinery and equipment in the production sector of the oil and gas industry. As such, performance of the production sector of the oil and gas industry will have an impact on the Group.

- Production of oil and gas requires various types of rotating equipment including:
  - pumps required for extraction and movement of oil, and other fluids like water and chemicals;
  - compressors to reduce the volume or increase the pressure of gas for transportation and storage of gas;
  - turbines to generate power for use with electrical and electronic equipment, machinery, devices and appliances; and
  - engines and motors to perform work.

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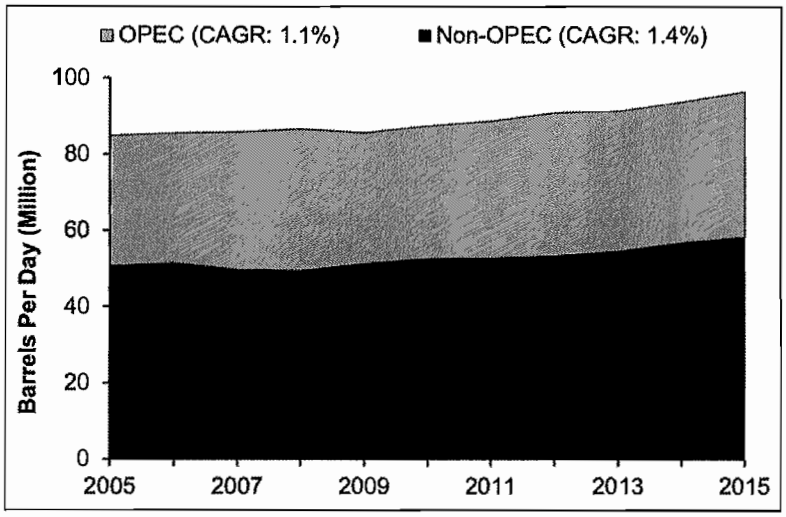
6.1.1 Global Oil Production

- Global production of oil has been increasing between 2005 and 2015 at a CAGR of 1.3% mainly driven by the growth in oil production in non-OPEC countries. Growth was the highest in the US mainly driven by the boom of its shale oil production. Other non-OPEC countries such as Russia and China also recorded growth in oil production over the 10 year period. This was offset by slight decline in oil production in UK and Norway as some of the oil fields in the North Sea reaches its maturity.

Global Oil Production (2005-2015)



Note: Oil production comprises crude oil, condensates, natural gas liquids, and oil from non-conventional sources.
OPEC = Organisation of the Petroleum Exporting Countries, which as at 1 January 2016, comprises 13 member countries namely Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Kingdom of Saudi Arabia, the United Arab Emirates and Venezuela. All 13 countries were members of OPEC between 2005 and 2015 with the exception of Angola, Ecuador and Indonesia. 2005 and 2006 excludes Angola and Ecuador as they became members from 2007 onwards, while 2009 to 2015 excludes Indonesia as its membership was suspended in 2009 onwards and was only reactivated in 1 January 2016.
Non-OPEC = all oil producing countries excluding members of OPEC at the point in time.
(Source: Vital Factor analysis)

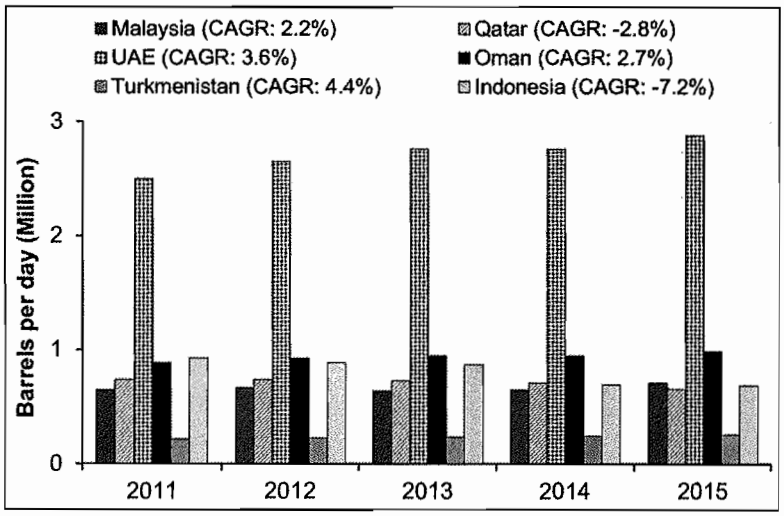
- Meanwhile, growth in oil production in OPEC countries between 2005 and 2015 was largely driven by increased production in Iraq and KSA. This was offset by decline in oil production in Libya due to political instability as well as Iran which saw cuts of imports from their customers resulting from the tightening in US and European energy sanctions.

- In 2015, global oil production (comprising crude oil, condensates, natural gas liquids, and oil from non-conventional sources) amounted to approximately 96.4 million bbl/d. Approximately 60% of the global oil production were contributed by non-OPEC countries where the majority was from the US, Russia, Canada and China. The remaining 40% of global oil production was from OPEC countries where the majority of oil production came from KSA, Iraq, Iran, UAE, Kuwait, and Venezuela.

6.1.2 Oil Production in Malaysia, Qatar, UAE, Oman, Turkmenistan and Indonesia

- For FYE 2015, Serba Dinamik Holdings Group's revenue derived from Malaysia, Qatar, UAE, Oman, Turkmenistan and Indonesia were 34.64%, 18.16%, 14.00%, 12.67%, 11.86% and 6.02% respectively, representing a combined 97.35% of total revenue. The Group provides services to the production sector of the oil and gas industry in the above mentioned countries. As such, discussions on production activities are provided for the said countries.

Oil Production in Countries where Serba Dinamik Holdings Group Derived Revenue in FYE 2015



Note: Oil production comprises crude oil, condensates, natural gas liquids, and oil from non-conventional sources. *(Source: Vital Factor analysis)*

- Out of the six countries under discussion, the countries that had shown positive growth between 2011 and 2015 were Malaysia, UAE, Oman and Turkmenistan. In addition, oil production from these four countries grew faster than the combined OPEC and non-OPEC countries between 2011 and 2015.

- In FYE 2015, UAE was the third largest revenue contributor for Serba Dinamik Holdings Group. In 2015, UAE produced 2.9 million barrels of oil per day, which represented approximately 3% of global supply *(Source: Vital Factor analysis)*.

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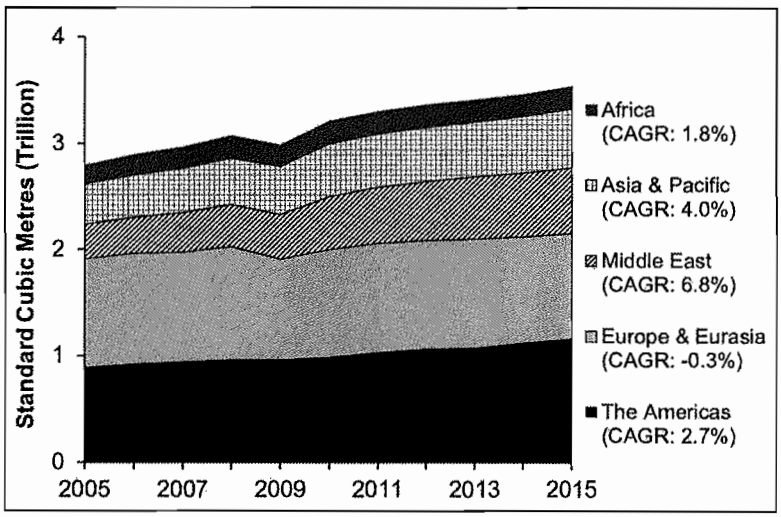
- Malaysia, being Serba Dinamik Holdings Group's largest revenue contributor for FYE 2013, FYE 2014 and FYE 2015, experienced growth in the production of oil between 2011 and 2015, with the exception of a slight drop in 2013.

- In 2015, Malaysia's production of oil represented approximately 0.7% of the global oil production. Following the commencement of crude oil production from the Gumusut-Kakap deepwater oilfield at offshore Sabah in 2014, Malaysia's production of crude oil and condensates grew between 2011 and 2015. The Gumusut-Kakap field is expected to reach an annual peak oil production of approximately 135,000 bbl/d, contributing up to 25% of Malaysia's oil output. The higher oil production in 2014 and 2015 was also driven by sound reservoir management and production enhancement effects in existing oil fields. Meanwhile, the slight drop in crude oil in 2013 was mainly due to the decrease in production from maturing fields coupled with scheduled shutdown of some production facilities for maintenance and reservoir management. *(Source: Petroliam Nasional Berhad (PETRONAS))*

- Continuing growth in the countries served by Serba Dinamik Holdings Group will augur well for the Group.

6.1.3 Global Gas Production

Global Natural Gas Production (2005-2015)



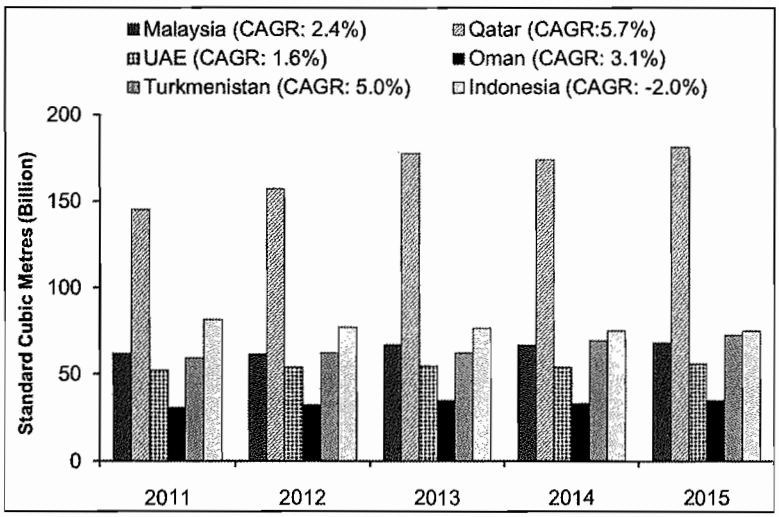
Note: Natural gas production excludes gas flared or recycled but it includes natural gas produced for gas-to-liquids transformation. *(Source: Vital Factor analysis)*

- Global natural gas production, on the other hand, increased steadily at a CAGR of 2.4% between 2005 and 2015 as all regions recorded growth. Highest growth was in the Middle East region contributed mainly by the increased production in Qatar and Iran with average growth per year of 14.8% and 6.5% respectively during the same period. This was followed by growth in natural gas production in the Asia and Pacific region supported mainly by China's natural gas production which more than doubled since 2005. Meanwhile, growth of natural gas production in The Americas was largely contributed by the discovery of shale gas deposits in the US.

- In 2015, the world's natural gas production totalled 3.5 trillion standard cubic metres. The Americas, and Europe and Eurasia region were the main natural gas producing regions, together accounting for approximately 60.8% of the total world production of natural gas in 2015. Within these regions, the US and Russia were the top gas producing countries representing approximately 21.7% and 16.2% respectively of the global gas production in 2015. This is followed by the Middle East region as the third natural gas producing region with Iran and Qatar being the third and fourth largest gas producing countries. In 2005, Qatar was only producing approximately 46 billion standard cubic metres of natural gas and ten years later, it has become the fourth largest gas producing countries with natural gas production of approximately 181 billion standard cubic metres, surpassing Canada, China, Norway and KSA.

6.1.4 Natural Gas Production in Malaysia, Qatar, UAE, Oman, Turkmenistan and Indonesia

Natural Gas Production in Countries where Serba Dinamik Holdings Group Derived Revenue in FYE 2015



Note: Natural gas production excludes gas flared or recycled but it includes natural gas produced for gas-to-liquids transformation. *(Source: Vital Factor analysis)*

- Between 2011 and 2015, Qatar achieved the highest gas production growth as well as having the highest gas production amount compared to the other five countries under discussion. In 2015, Qatar was the world's largest exporter of LNG. In 2015, Qatar's gas production amounted to 181 billion standard cubic metres, which represented approximately 5% of total world natural gas production. Qatar's North Field is the world's largest single concentration of non-associated natural gas, representing an estimated 10% of the world's total known gas reserve. Qatar also has the world's largest gas-to-liquid production facility (*Source: Vital Factor analysis*).

- Qatar's large gas reserve and growth in gas production would augur well for Serba Dinamik Group as Qatar was its second highest revenue contributing country amounting to 18.16% of total revenue for FYE 2015.

- Malaysia's production of natural gas also recorded a growth between 2011 and 2015 largely due to several new gas fields that came on stream during the period including, among others, Damar gas field in Peninsular Malaysia and Laila gas field in Sarawak. Continuing growth in Malaysia's production of gas will augur well for Serba Dinamik Holding Group as Malaysia was its highest revenue contributor by country for FYE 2013, FYE 2014 and FYE 2015.

6.2 Crude Oil Refinery Installed Capacity

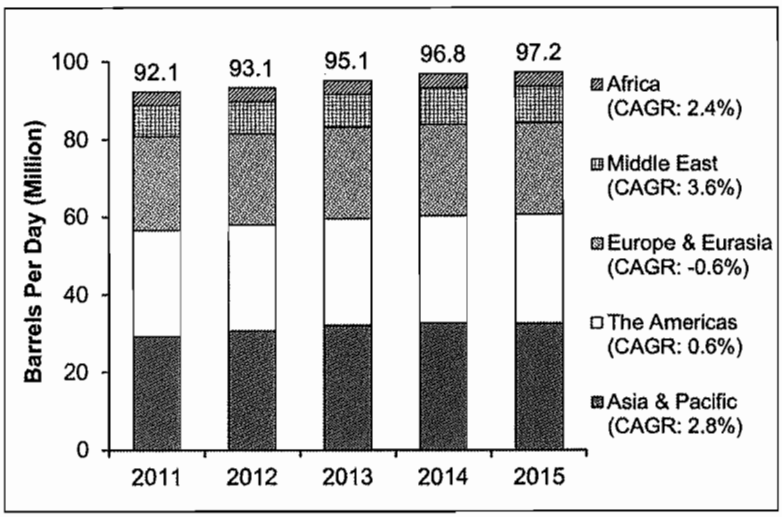
- Demand for maintenance services for the downstream oil and gas assets is directly related to the installed capacity of assets, including crude oil refineries. When they are operating, both existing and new assets will require maintenance to avoid costly breakdowns and loss of output, sustain safe and efficient operations, and to fulfil safety, other regulatory and environmental requirements.

- As such, the following maintenance services are commonly required for downstream crude oil refining:
  - MRO of rotating equipment like turbines, engines, motors, pumps, compressors and industrial fans; and
  - IRM of static equipment and structures including process equipment like boilers and unfired pressure vessels, heat exchangers, columns, towers, separators, storage tanks and piping systems.

- Serba Dinamik Holdings Group provides MRO and IRM services to the downstream sectors of the oil and gas industry including crude oil refining. As such, a growing downstream sector of the oil and gas industry would augur well for the Group, especially in the countries that they provide services.

6.2.1 Global Crude Oil Refinery

Global Crude Oil Refinery Capacity by Region



Note: Crude oil refinery capacity is based on atmospheric distillation capacity at year end on a calendar day basis. *(Source: Vital Factor analysis)*

- All regions, except Europe and Eurasia, registered a growth in crude oil refinery capacity between 2011 and 2015. The US, within The Americas region, has the largest refinery capacity globally totalling 18.3 million bbl/d (or 18.8% of the global refinery capacity) in 2015. As of 1 January 2015, there were approximately 137 operating refineries in the US with the largest having a capacity of 603,000 bbl/d.

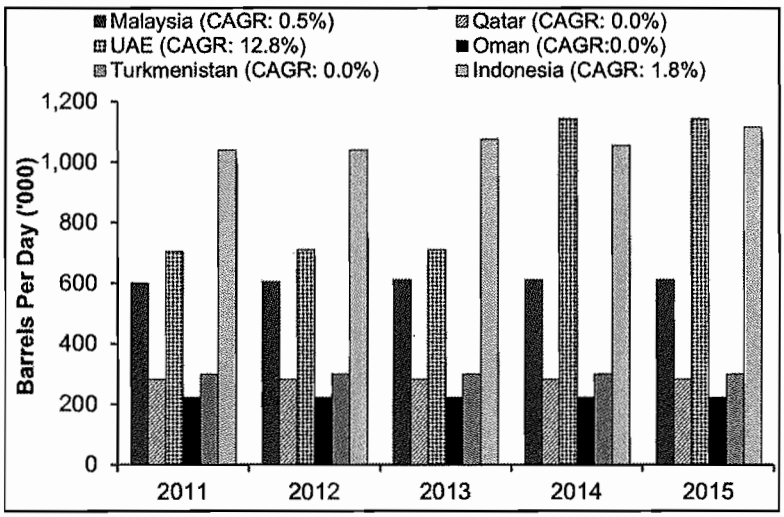
- In 2015, Asia and Pacific region has the largest crude oil refinery capacity mainly due to China, India, Japan and South Korea. China, with a total refinery capacity of 14.3 million bbl/d in 2015, has the second largest refinery capacity in the world. The two national oil companies, Sinopec and PetroChina/China National Petroleum Company, dominated the oil refinery sector in China with combined capacity of at least 70% of the country's refining capacity.

- Europe and Eurasia region registered a slight declined in refinery capacity between 2011 and 2015 mainly due to shutting down of facilities in France, UK, Italy and Germany. The global economic downturn in 2008/2009 affected the refining sector in the EU region resulting to the closing of these refineries.

- The crude oil refining capacity in the Middle East region registered the fastest growth, with a CAGR of 3.6% between 2011 and 2015, compared to the other regions, albeit from a lower base. New refineries in KSA and the UAE contributed to the growth in capacity during the period. The growth in capacity in KSA was mainly due to the opening of Saudi Aramco's refineries totalling approximately 800,000bbl/d in Jubail and Yanbu in 2013 and 2014 respectively.

6.2.2 Crude Oil Refineries in Malaysia, Qatar, UAE, Oman, Turkmenistan and Indonesia

Crude Oil Refinery Capacity in Countries where Serba Dinamik Holdings Group Derived Revenue in FYE 2015



Note: Crude oil refinery capacity is based on atmospheric distillation capacity at year end on a calendar day basis. *(Source: Vital Factor analysis)*

- Between 2011 and 2015, UAE experienced the highest growth in crude oil refinery capacity compared to the other five countries under discussion. UAE was the third largest revenue contributor by country for Serba Dinamik Holdings Group in FYE 2015.
- Malaysia also has an active downstream oil and gas sector with refineries and petrochemical plants producing a range of petroleum and natural gas products, plastics, chemicals, fertilisers and other products for local consumption and export. Growth in the capacity of oil refineries in Malaysia would have a direct and positive flow-on effect on the demand for asset maintenance in the downstream sector of the oil and gas industry in Malaysia.
- The current refining facilities in Malaysia include two facilities located in Malacca and one facility located in Kerteh, Terengganu, both owned by Petroliam Nasional Berhad (PETRONAS). These refining facilities currently have a net total refining capacity of more than 440,000 bbl/d. Additionally, other refineries in Malaysia include Petron Malaysia Refining and Marketing Berhad's refinery in Port Dickson, Shell refinery in Port Dickson and Kemaman Bitumen Company Sdn Bhd's refinery in Kemaman. Shell is in the midst of selling their refinery in Port Dickson to a petrochemical company and the transaction is expected to complete by end of 2016.
- Serba Dinamik Holdings Group provides MRO and IRM services to the downstream crude oil refining sector of the oil and gas industry. As such, the number and size of such plants would be directly relevant to the business of the Group, especially in the countries that they provide MRO and IRM services.

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- Provided below is a list of some of the crude oil refineries in some of the countries served by Serba Dinamik Holdings Group.

Name of Crude Oil Refinery	Capacity ('000 barrels per day)	Owners
MALAYSIA		
Petron Port Dickson	88	Petron Malaysia Refining and Marketing Bhd
Shell Port Dickson	180	Sarawak Shell Bhd
Kerteh	74	PETRONAS
Melaka PSR 1	100	PETRONAS
Melaka PSR 2	170	PETRONAS
	612	
QATAR		
Qatar Petroleum	137	Qatar Petroleum
Laffan	146	Qatar Petroleum, ExxonMobil Qatar Refinery Ltd, Total SA, Idemitsu Kosan Co., Cosmo Oil Co., Mitsui & Co., Marubeni Corp.
	283	
UAE		
Umm Al-Narr	90	Abu Dhabi Oil Refining Co.
Al-Ruwais	828	Abu Dhabi Oil Refining Co.
Fujairah	85	Vitol Tank Terminals International Co., Fujairah Govt.
Jebel Ali	140	Emirates National Oil Co.
	1,143	
Oman		
Sohar	116	Oman Oil Refineries and Petroleum Industries Co.
Mina Ah Fahal	106	Oman Oil Refineries and Petroleum Industries Co.
	222	
Turkmenistan		
Turkmenbashi	150	Turkmenistan Government
Seidi	150	Turkmenistan Government
	300	
Indonesia		
Dumai	120	PT Pertamina
Plaju/Musi	117	PT Pertamina
Cilacap	340	PT Pertamina
Balikpapan	250	PT Pertamina
Balongan	125	PT Pertamina
Sundai Pakning	50	PT Pertamina
Kasim	10	PT Pertamina
Cepu	4	Pusdiklat Migas Cepu
Tuban Aromatic	100	PT Transpacific Petrochemical Indotama
	1,116	

(Source: Vital Factor analysis)

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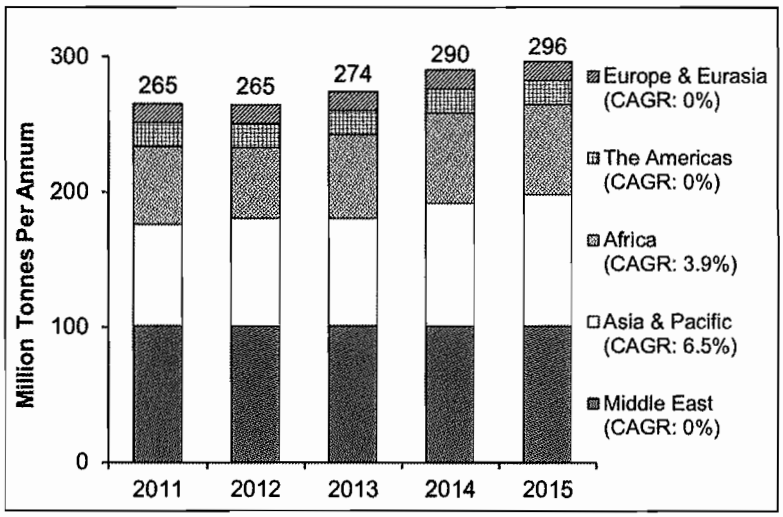
6.3 LNG Liquefaction and Regasification Installed Capacity

- LNG liquefaction is the process of converting natural gas to its liquid form through a process of super cooling. LNG occupies approximately 600 times smaller volume compared to natural gas at atmospheric pressure. Thus, LNG is more economical for transportation over long distances and storage.
- Regasification is the process of converting LNG back to its original gaseous state at atmospheric pressure. This process is normally required when distributing to end-users where the gas may be used directly.
- Compressors, pumps and turbine mechanical drivers are some of the essential equipment of LNG liquefaction and regasification plants. As such, it is critical for this equipment to undergo regular maintenance to avoid any potential costly breakdowns, loss of output as well as to ensure safe running operations. The level of demand for maintenance services in the downstream gas sector is directly related to the installed capacity of the LNG plants and its locality.

6.3.1 Global LNG Liquefaction and Regasification

Global LNG Liquefaction Capacity by Region



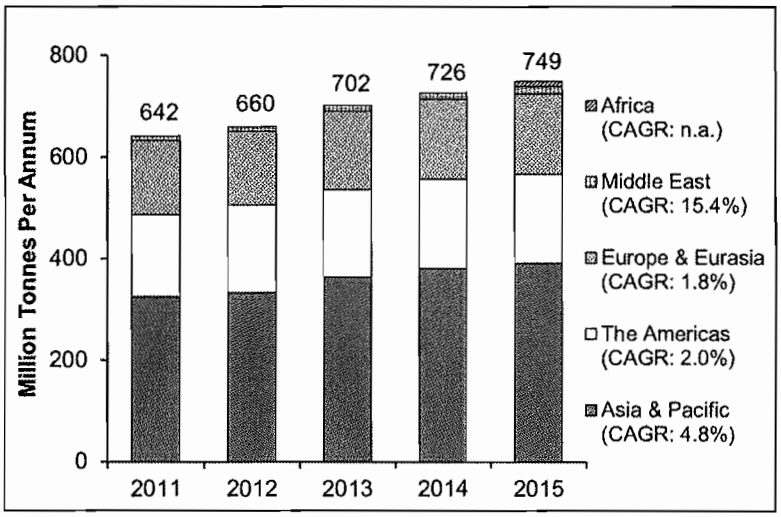
(Source: Vital Factor analysis)

- Majority of LNG liquefaction plants are located in the Middle East, and Asia and Pacific regions accounting for two thirds of the global LNG liquefaction capacity. Having the third largest natural gas reserve in the world, Qatar has the largest LNG liquefaction capacity in the world of approximately 77 million tonnes per annum (MTPA), produced from 14 LNG trains in 2015. This was followed by Oman, Yemen and the UAE having a total LNG liquefaction capacity of 23.8 MTPA, produced from eight LNG trains. There were no additions of LNG liquefaction capacity between 2011 and 2015 in the Middle East.

- Between 2011 and 2015, total LNG liquefaction capacity in Asia and Pacific region grew at a CAGR of 6.5% mainly due to the commencement of three LNG trains in Australia. In the Asia and Pacific region, Australia has the largest LNG liquefaction capacity totalling approximately 33 MTPA in 2015. Indonesia and Malaysia were the next two largest contributors of LNG representing 27.2% and 24.6% of Asia and Pacific region's LNG liquefaction capacity. In Malaysia, there are three LNG plants owned and operated by PETRONAS with a total of eight LNG trains in PETRONAS Bintulu LNG Complex in Sarawak and a new ninth LNG train (LNG Train 9) coming on-stream. Currently, PETRONAS Bintulu LNG Complex has a combined capacity of 24 MTPA. The new LNG Train 9 will increase the complex's production capacity by 3.6 MTPA and it is scheduled to commence in January 2017.

- LNG liquefaction capacity in the Africa region grew by an average annual rate of 3.9% between 2011 and 2015 largely due to additions in Algeria and Angola. Meanwhile, there were no additions of LNG liquefaction capacity in The Americas and Europe and Eurasia region over the same period. Both of these regions have the lowest LNG liquefaction capacity totalling approximately 32 MTPA.

Global LNG Regasification Capacity by Region



n.a. = not applicable *(Source: Vital Factor analysis)*

- The LNG regasification capacity grew globally at a CAGR of 4.0% between 2011 and 2015. This was mainly contributed by the growth in Asia and Pacific, and The Americas regions. China had developed more LNG regasification terminals to meet the increase in demand for gas in the country. Over the period of 2011 and 2015, China added on approximately 25 MTPA of LNG regasification capacity in the country. Similarly, the US also developed approximately 27 MTPA of LNG regasification capacities to meet their gas requirements, between 2011 and 2015.

- In the Asia and Pacific region, Japan has the largest LNG regasification capacity totalling approximately 191 MTPA in 2015. Being a developed country which lacks significant domestic gas reserves, Japan is the largest importer of LNG where majority of its LNG imports comes from Qatar, Australia and Malaysia.

- Between 2011 and 2015, LNG regasification capacity grew the fastest in the Middle East with a CAGR of 15.4%, albeit from a low base. The growth was contributed by new LNG regasification terminals in Israel and Jordan in 2013 and 2015 respectively. Meanwhile, new LNG market emerged in the Africa region with LNG regasification capacity in Egypt in 2015 totalling approximately 10 MTPA.

6.3.2 LNG Liquefaction and Regasification in Malaysia, Qatar, UAE, Oman, Turkmenistan and Indonesia

LNG Liquefaction Capacity in Countries where Serba Dinamik Holdings Group Derived Revenue in FYE 2015

	2011	2012	2013	2014	2015
Malaysia	23.9	23.9	23.9	23.9	23.9
Qatar	77.0	77.0	77.0	77.0	77.0
UAE	5.8	5.8	5.8	5.8	5.8
Oman	10.8	10.8	10.8	10.8	10.8
Turkmenistan	-	-	-	-	-
Indonesia	24.5	24.5	24.5	24.5	26.5

Units are in million tonnes per annum; (Source: Vital Factor analysis)

- In line with Qatar being the largest exporter of LNG in 2015, Qatar has the largest LNG liquefaction capacity among the six countries under discussion. In 2015, the total LNG liquefaction capacity in the six countries where Serba Dinamik Holdings Group derived revenue represented approximately half of the world's total LNG liquefaction capacity. The large installed capacity from these countries will auger well for Serba Dinamik Holdings Group to service this sector of the oil and gas industry.

LNG Regasification Capacity in Countries where Serba Dinamik Holdings Group Derived Revenue in FYE 2015

	2011	2012	2013	2014	2015
Malaysia	-	-	3.8	3.8	3.8
Qatar	-	-	-	-	-
UAE	3.0	3.0	3.0	3.0	3.0
Oman	-	-	-	-	-
Turkmenistan	-	-	-	-	-
Indonesia	-	3.8	3.8	5.6	8.6

Units are in million tonnes per annum; (Source: Vital Factor analysis)

- As regasification is for converting LNG back to its gaseous state at atmospheric pressure, countries that have large regasification capacity are those that import large quantity of gas in liquid form. As such, large gas producing countries like Qatar, which does not have to import gas, has virtually no regasification capacity. For such countries, natural gas can be piped directly or bottled for transportation to end-users.
- Serba Dinamik Holdings Group provides MRO and IRM services to the downstream gas processing sector of the oil and gas industry. As such, the number and size of such plants would be directly relevant to the business of the Group, especially in the countries that they provide MRO and IRM services.
- Provided below is a list of some of the LNG liquefaction plants in some of the countries served by Serba Dinamik Holdings Group.

Name of LNG liquefaction plant	Nameplate Capacity (MTPA)	Owners
MALAYSIA		
MLNG Satu (T1-3)	8	PETRONAS, Mitsubishi Corp., Sarawak Govt.
MLNG Dua (T1-3)	8	PETRONAS, Sarawak Shell Bhd, Mitsubishi Corp., Sarawak Govt.
MLNG Tiga (T1-2)	7	PETRONAS, Sarawak Shell Bhd, Mitsubishi Corp., JX Nippon Oil & Energy Corp., Sarawak Govt.
MLNG Dua Debottleneck	1	PETRONAS, Sarawak Shell Bhd, Mitsubishi Corp., Sarawak Govt.
	24	
QATAR		
Qatargas I (T1)	3.2	Qatar Petroleum, ExxonMobil Corp., TOTAL SA, Marubeni Corp., Mitsui & Co. Ltd
Qatargas I (T2)	3.2	Qatar Petroleum, ExxonMobil Corp., TOTAL SA, Marubeni Corp, Mitsui& Co. Ltd
Qatargas I (T3)	3.1	Qatar Petroleum, ExxonMobil Corp., TOTAL SA, Mitsui & Co. Ltd, Marubeni Corp.
RasGas I (T1)	3.3	Qatar Petroleum, ExxonMobil Corp., Korea Gas Corp., Itochu Corp., LNG Japan
RasGas I (T2)	3.3	Qatar Petroleum, ExxonMobil Corp., Korea Gas Corp., Itochu Corp., LNG Japan
RasGas II (T1)	4.7	Qatar Petroleum, ExxonMobil Corp.
RasGas II (T2)	4.7	Qatar Petroleum, ExxonMobil Corp.
RasGas II (T3)	4.7	Qatar Petroleum, ExxonMobil Corp.
Qatargas II (T1)	7.8	Qatar Petroleum, ExxonMobil Corp.
Qatargas II (T2)	7.8	Qatar Petroleum, ExxonMobil Corp., TOTAL SA
RasGas III (T1)	7.8	Qatar Petroleum, ExxonMobil Corp.
Qatargas III	7.8	Qatar Petroleum, ConocoPhillips Co., Mitsui & Co. Ltd
RasGas III (T2)	7.8	Qatar Petroleum, ExxonMobil Corp.
Qatargas IV	7.8	Qatar Petroleum, Shell BV
	77	

Name of LNG liquefaction plant	Nameplate Capacity (MTPA)	Owners
UAE		
ADGAS LNG T1-2	2.6	Abu Dhabi National Oil Company, Mitsui & Co. Ltd, BP Plc, TOTAL SA
ADGAS LNG T3	3.2	Abu Dhabi National Oil Company, Mitsui & Co. Ltd, BP Plc, TOTAL SA
	5.8	
Oman		
Oman LNG T1	3.55	Omani Govt., Shell BV, TOTAL SA, Korea Gas Corp., Partex (Oman) Corp., Mitsubishi Corp., Mitsui & Co. Ltd, Itochu Corp.
Oman LNG T2	3.55	Omani Govt., Shell BV, TOTAL SA, Korea Gas Corp., Partex (Oman) Corp., Mitsubishi Corp., Mitsui & Co. Ltd, Itochu Corp.
Qalhat LNG	3.7	Omani Govt., Oman LNG LLC, Union Fenosa Gas SA, Itochu Corp., Mitsubishi Corp., Osaka Gas Co. Ltd
	10.8	
Indonesia		
Bontang LNG T3-4	5.4	PT Pertamina
Bontang LNG T5	2.9	PT Pertamina
Bontang LNG T6	2.9	PT Pertamina
Bontang LNG T7	2.7	PT Pertamina
Bontang LNG T8	3.0	PT Pertamina
Tangguh LNG T1	3.8	BP Berau Ltd., MI Berau B.V., CNOOC Muturi Ltd., Nippon Oil Exploration (Berau) Ltd., KG Berau Petroleum Ltd., KG Wiriagar Overseas Ltd., Indonesia Natural Gas Resources Muturi Inc., Talisman Wiriagar Overseas Ltd.
Tangguh LNG T2	3.8	BP Berau Ltd., MI Berau B.V., CNOOC Muturi Ltd., Nippon Oil Exploration (Berau) Ltd., KG Berau Petroleum Ltd., KG Wiriagar Overseas Ltd., Indonesia Natural Gas Resources Muturi Inc., Talisman Wiriagar Overseas Ltd.
Donggi-Senoro LNG	2.0	Mitsubishi Corp., Pertamina, Korea Gas Corp., PT Medco E&P
	26.5	

MTPA = million tonnes per annum; (Source: Vital Factor analysis)

6.4 Electricity Generation

- Undertaking maintenance of plant facilities and equipment for the power generation industry, would improve operational efficiencies and reliability, reduce emissions, avoid unplanned downtime while at the same time reduce operational cost of power plants. The growth of electricity generation is a result of the addition of power generation assets. Thus, the increase in electricity generation measures the level of demand for maintenance of power generation assets.

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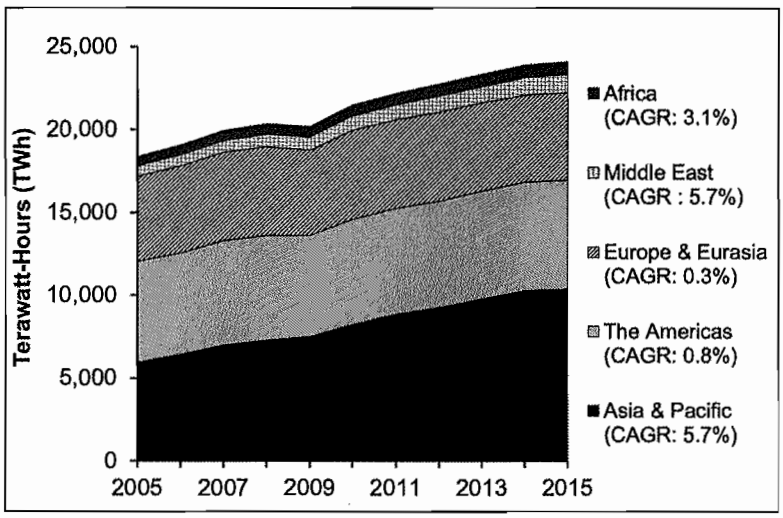
- For large power generation plants that use fossil fuels like gas, diesel and coal, the main equipment installed and thus required to be maintained are as follows:
  - rotating equipment, for example gas fired turbines and diesel engines; and
  - static equipment, for example boilers and heat exchangers for steam turbines.
- Thus, the more power is generated the more rotating and static equipment are required to be installed and maintained.
- Power generation is commonly associated with production of electricity for the national grid for distribution to consumer, commercial and industrial end-users. However, power generation for own use or for a captive user base like operation of offshore platforms, and production, processing and refining of oil and gas is also very extensive.

6.4.1 Global Electricity Generation

Electricity Generation by Region



(Source: Vital Factor analysis)

- Between 2005 and 2015, global electricity generation increased at a CAGR of 2.8% where most of its growth was from the Asia and Pacific, and Middle East with both regions growing at a CAGR of 5.7% respectively during the same period. Most of the growth was driven by rising demand from developing economies, notably Vietnam, China and other countries in Asia and Pacific, and the Middle East.
- In 2015, the global electricity generation is estimated at 24,098 terawatt-hours (TWh). Asia and Pacific was the region that accounted for the largest installed capacity at approximately 43.2% of global generation of which China represented more than half of the region's generation, followed by The Americas, and Europe and Eurasia, which accounted for approximately 27.2% and 22.0% of global electricity generation respectively. Meanwhile, both Middle East and Africa accounted for less than 5% of the global electricity generation respectively.

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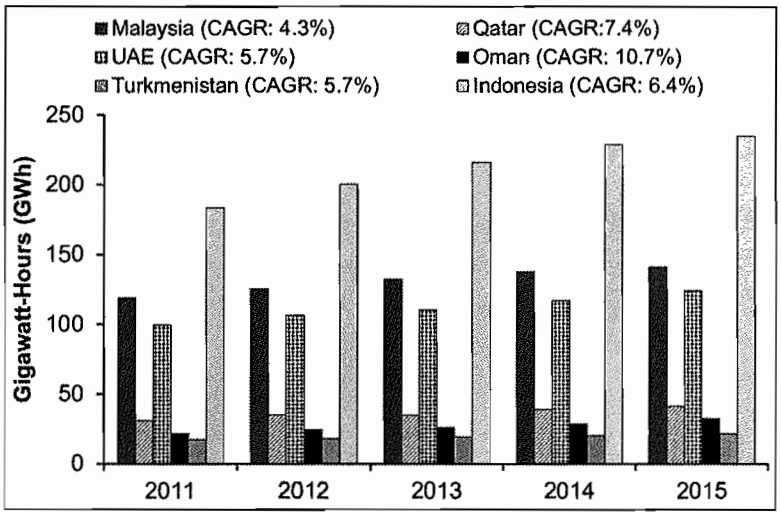
6.4.2 Electricity Generation in Malaysia, Qatar, UAE, Oman, Turkmenistan and Indonesia

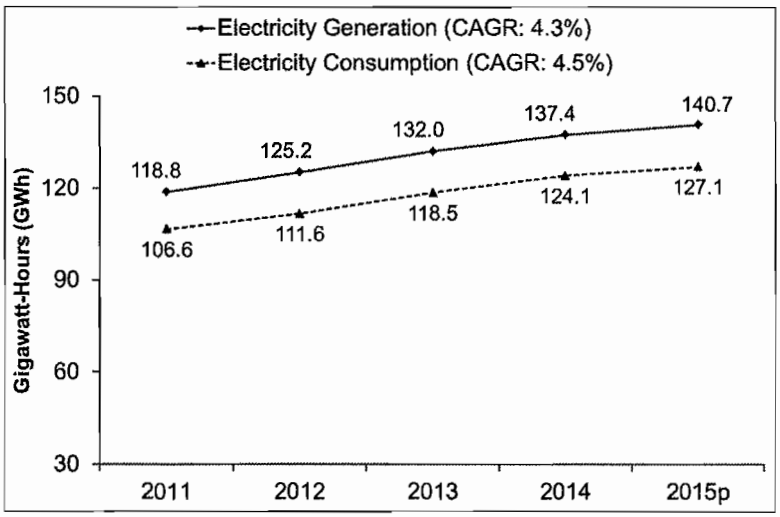
Electricity Generation in Countries where Serba Dinamik Holdings Group Derived Revenue in FYE 2015



(Source: Vital Factor analysis)

- Among the six countries that Serba Dinamik Holdings Group derived revenue in FYE 2015, Indonesia generated the most electricity by far. This is mainly because Indonesia has the largest population compared to the other five countries. Indonesia comprises many islands, and providing adequate power to all these islands will help sustain the growth of power generation in Indonesia.
- Continuing growth in power generation for all the six countries will augur well for Serba Dinamik Holdings Group as they represent markets for the provision of MRO and IRM services.

Electricity Generation and Consumption in Malaysia



p = preliminary; (Source: Department of Statistics, Malaysia)

- On the back of growing consumption at a CAGR of 4.5% between 2011 and 2015, total electricity generation in Malaysia also grew at a CAGR of 4.3% during the corresponding period. In 2015, total electricity generated in Malaysia was approximately 140.7 gigawatt-hours (GWh). The growth of Malaysia's electricity generation was mainly attributed to the growth of electricity generation in Peninsular Malaysia and Sarawak which grew by 13.1 GWh and 7.8 GWh respectively from 2011 to 2015.

7 COMPETITIVE ANALYSIS

7.1 Nature of Competition in the Industry

- In general, service providers undertaking asset maintenance for oil and gas, and power generation industries face **normal** competitive conditions, which are similar to a free enterprise environment characterised by the following:
  - The industry is not dominated by a single operator or one or more enterprises that possess such significant power in the market to adjust prices or outputs or trading terms, without effective constrains from competitors or potential competitors.
  - Operators may enter and leave the industry freely.
- While the industry generally operates under normal competitive conditions, service providers would typically need to comply with certain regulations or licensing requirements when providing services to the oil and gas industry. Most commonly, service providers will have to be registered with oil and gas majors, and related authorities in the respective countries. For example in Malaysia, only operators that are licensed or registered by PETRONAS are allowed to bid directly for work provided by PETRONAS, Production Sharing Contract (PSC) and Risk Service Contract operators and contractors in the oil and gas industry in Malaysia.
- In addition, there are some business practices that favour some categories of service providers are as follows:
  - Some OEM of rotating and static equipment may insist that they or their ASP carry out maintenance at least during the warranty period;
  - Some owners of assets may have a preference for OEM or their ASP to undertake maintenance of their rotating equipment or static equipment.
- Service providers in the industry, including Serba Dinamik Holdings Group, compete on service differentiation, and other factors of competition. Some of these factors of competition or service differentiation include the following:
  - **Quality of products and services offered**: The quality of products and services offered are an important consideration for industrial users, particularly those that operate in the oil and gas, and power generation industries. Any breakdown of machineries and equipment in these industries can result in costly plant shutdown and even hazardous

industrial accidents that impact on lives, properties and the environment. The quality of work is assessed based on factors such as timely delivery of maintenance, absence of faults or defects in the work carried out, adherence to safety requirements, and the reliability and competency of the qualified engineers, technician and other personnel.

- **Track record and market reputation**: Customers need assurance of service quality, and would normally select operators with an established market reputation and track record.

- **Cost competitiveness**: While cost competiveness is always a key consideration in all enterprises, it is even more acute during the current low prices of oil and gas.

- **Service centres**: Service providers that have service centres or operational facilities to service their customers' plants or facilities would have an advantage of being able to be more responsive and prompt in meeting customers' needs.

7.2 Operators in the Industry

- The maintenance industry is highly fragmented ranging from large global and regional organisations to small single location companies. The areas in which each organisation focuses also range from servicing large to small rotating and static equipment. Service providers are also segmented by being OEM, ASP or ISP, and in some situations they merge or form new entities together. OEM of rotating and static equipment are generally larger organisations, and many are also global entities.

- Globally, within the maintenance industry, there have been a series of mergers, acquisitions, joint ventures and strategic alliances. As the maintenance industry is labour and skill intensive and location specific operation, most players in the industry grow their businesses through mergers, acquisitions, joint ventures and strategic alliances to penetrate new locations and industry segments.

- The following are some examples[1] of operators who undertake asset maintenance for the oil and gas, and power generation industries in Malaysia or Middle East:

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Company/Group Name	Latest Available Revenue (RM mil) [2]	For FYE	OEM/ ISP	Operational Presence *M'sia*	*Middle East*	*Other countries*	Services Provided *MRO*	*IRM*
Company/Group with head office outside of Malaysia								
Elliot Company	n.a.	n.a.	OEM	√	√	√	√	√
General Electric Company	462,630.9	31/12/2015	OEM	√	√	√	√	√
Hyundai Heavy Industries Co., Ltd	163,163.3	31/12/2015	OEM	√	√	√	√	√
IHI Corporation	50,167.0	30/03/2016	OEM	√	√	√	√	√
KSB AG	10,161.7	31/12/2015	OEM	√	√	√	√	
Mitsubishi Heavy Industries, Ltd	130,098.2	30/03/2015	OEM	√	√	√	√	√
Siemens AG	329,188.0	30/09/2015	OEM	√	√	√	√	√
Sulzer AG	12,049.9	31/12/2015	OEM	√	√	√	√	
The Weir Group PLC	11,530.5	31/12/2015	OEM		√	√	√	√
Al Hassan Engineering Company SAOG	1,033.2	31/12/2015	ISP		√		√	√
Ansaldo Thomassen B.V.	n.a.	n.a.	ISP		√	√	√	
Bilfinger SE	28,207.0	31/12/2015	ISP		√	√	√	√
Enerflex Ltd	6,420.2	31/12/2015	ISP	√	√	√	√	
Ensure Engineering Pte Ltd	n.a.	n.a.	ISP	√		√	√	√
JEL Maintenance Pte Ltd (subsidiary of Jurong Engineering Limited)	n.a.	n.a.	ISP	√	√		√	√
Rotary Engineering Limited	940.9	31/12/2015	ISP	√	√	√		√
SMH Industrial Services Co. Ltd	n.a.	n.a.	ISP		√	√	√	
Special Technical Services LLC	n.a.	n.a.	ISP		√		√	√
SPIE Oil & Gas Services Group of Companies	23,640.9	31/12/2015	ISP	√	√	√	√	
Stork Technical Services Holding BV	6,494.9	31/12/2014	ISP	√	√	√	√	
Wood Group PSN Limited	23,064.9	31/12/2015	ISP	√	√	√	√	
Companies with head office in Malaysia								
Boilermaster Sdn Bhd	39.6	30/06/2015	ISP	√				√
Deleum Berhad	649.4	31/12/2015	ISP	√			√	
Duragate Engineering & Services Sdn Bhd	91.9	30/06/2015	ISP	√			√	

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Company/Group Name	Latest Available Revenue (RM mil) [2]	For FYE	OEM/ ISP	Operational Presence *M'sia*	*Middle East*	*Other countries*	Services Provided *MRO*	*IRM*
EPIC Mushtari Engineering Sdn Bhd (subsidiary of Eastern Pacific Industrial Corp. Bhd)	27.2	31/12/2015	ISP	√				√
KNM Process Systems Sdn Bhd (subsidiary of KNM Group Berhad)	525.1	31/12/2015	ISP	√	√	√		√
Makarmas Tenaga Sdn Bhd	5.4	30/09/2015	ISP	√			√	
Mushtari Maintenance Services Sdn Bhd	50.9	31/12/2015	ISP	√				√
SapuraKencana Petroleum Berhad	10,184.0	31/01/2015	ISP	√	√	√	√	√
Serba Dinamik Holdings Group	1,402.9	31/12/2015	ISP	√	√	√	√	√
Tenaga Tiub Sdn Bhd	n.a.	n.a.	ISP	√				√
Technofit Sdn Bhd	104.5	31/12/2015	ISP	√				√
TNB Repair and Maintenance Sdn Bhd	975.1	31/08/2015	ISP	√		√	√	√
Turbo-Mech Berhad	36.1	31/12/2015	ISP	√	√	√	√	
Turcomp Engineering Services Sdn Bhd	n.a.	n.a.	ISP	√			√	√

n.a. = Data not available

Notes:

(1) This is not an exhaustive list. Some ISP may have authorised service agreements for specific OEM equipment, and/or may have collaborations with OEM to provide maintenance services on some of their specific equipment. Some OEM may also provide maintenance services on equipment manufactured by other OEM.

(2) Revenue for companies/group with head office outside Malaysia were translated to RM using the following average annual exchange rates for 2015: USD/MYR: 3.9411; GBP/MYR: 6.0127; EUR/MYR: 4.3523; JPY/MYR: 0.0326; SGD/MYR: 2.8575; KRW/MYR: 0.0035; CHF/MYR: 4.0558; OMR/MYR: 10.1017.

8 MARKET RANKING

- Serba Dinamik Holdings Group ranked **11th** among Oil and Gas Service and Equipment (OGSE) companies in Malaysia providing maintenance services to the oil and gas industry. Ranking was based on the consolidated revenue for FYE 2014 of PETRONAS-licensed companies with Standardised Work and Equipment Categories (SWEC) codes for all types of maintenance services (including, but not limited to, MRO of rotating equipment and IRM of static equipment).

- Serba Dinamik Holdings Group ranked **third** among OGSE companies in Malaysia providing MRO of rotating equipment services to the oil and gas industry. Ranking was based on the consolidated revenue for FYE 2014 of PETRONAS-licensed companies with SWEC codes for maintenance of rotating equipment. SapuraKencana Petroleum Berhad was ranked first while Dialog Group Berhad was ranked second.
- Serba Dinamik Holdings Group ranked **fifth** among OGSE companies in Malaysia providing IRM of static equipment services to the oil and gas industry. Ranking was based on consolidated revenue for FYE 2014 of PETRONAS-licensed companies with SWEC codes for maintenance of static equipment.

Note: The companies included in the ranking above were based on PETRONAS-licensed companies focusing on those companies whose primary business is related to the OGSE sector. The study was based on a total sample of 2,687 companies for 2014. Companies were assessed based on their consolidated financial results for the financial year ended 2014. The primary source of financial records was from the Companies Commission of Malaysia, Corporate and Business Information Data from which financial records of companies were obtained. Data was collected based on information that was available as of October 2015. The companies included in the ranking for all types of maintenance services, MRO of rotating equipment, and IRM of static equipment were based on the SWEC codes of the PETRONAS-licensed companies as of August 2015.
(Source: Malaysian Petroleum Resources Corporation, an agency under the Prime Minister's Department of Malaysia)

9 GOVERNMENT REGULATIONS AND LICENCES

9.1 Malaysia

- In Malaysia, industry specific regulatory requirements binding operators within the asset maintenance industry for the oil and gas, and power generation industries include the following:

9.1.1 PETRONAS Licensing and Registration

- All rights related to the exploration and extraction of petroleum in Malaysia is vested in PETRONAS under the Petroleum Development Act 1974. PETRONAS was also granted control over the carrying on of downstream activities and development relating to petroleum and its products under the Petroleum Development Act 1974.

- All companies wishing to participate in the oil and gas industry in Malaysia are required to obtain either a licence from or registration with PETRONAS before they are allowed to participate in any oil and gas industry activities.

  - **Licence**: Company with a valid licence is only allowed to supply goods/services to both the upstream and downstream sector of the oil and gas industry in Malaysia.

  - **Registration**: Company with a valid registration is only allowed to supply goods/services to the downstream activities of PETRONAS, including maritime activities.

- In addition to PETRONAS licensing and registration, product and service providers must also be registered with PETRONAS for the specific categories of work (products and/or services) that they are eligible to provide. These categories of work are known as SWEC where operators must satisfy some minimum technical requirements before they are awarded with one or more SWEC registrations, which are subject to periodic review and renewal. *(Source: PETRONAS)*

- Serba Dinamik Holdings Group is licensed with PETRONAS and hence the group is able to provide products and services to the upstream and downstream sector of the oil and gas industry in Malaysia.

9.1.2 Registration with the Ministry of Finance

- Companies that are supplying or tendering for the supply of products and services to the Malaysian Government must be registered with the Ministry of Finance. *(Source: Ministry of Finance Malaysia)*

- Serba Dinamik Holdings Group is registered with the Ministry of Finance.

9.1.3 Registration with the Construction Industry Development Board

- Under the Construction Industry Development Board of Malaysia Act 1994, it is mandatory for all builders, contractors and sub-contractors, whether local or foreign, to register with the Construction Industry Development Board (CIDB), before undertaking or executing any construction work in Malaysia.

- The Contractor Registration Certificate is a certificate issued by CIDB to recognised contractors that have been registered with CIDB according to the grade and category as specified. The certificate is valid for a minimum period of one year and a maximum term not exceeding three years, unless cancelled, suspended or revoked earlier by the CIDB.
- Serba Dinamik Holdings Group is registered with CIDB.

9.1.4 Registration with Department of Occupational Safety and Health

- Any company that is involved in the repair of steam boilers and unfired pressure vessels, manufacturing of unfired pressure vessels, and installation and repair of gas pipelines are required to be registered with the Department of Occupational Safety and Health (DOSH) for the respective services in Malaysia. *(Source: Department of Occupational Safety and Health)*
- Serba Dinamik Holdings Group is registered with DOSH to act as a repairer of steam boilers and unfired pressure vessel repairers, manufacturer of unfired pressure vessels and gas contractor in Malaysia.

9.1.5 Registration with Tenaga Nasional Berhad

- Any company that wishes to supply its products and services including power plant construction and maintenance activities to Tenaga Nasional Berhad will need to be registered as a supplier of products and supplier of services. *(Source: Tenaga Nasional Berhad)*
- Serba Dinamik Holdings Group is registered with Tenaga Nasional Berhad.

9.2 Qatar

- According to Law No. 13, 2000 on Organization of Foreign Capital Investment in the Economic Activity, foreign investors are allowed to invest in all sectors of the Qatar economy, provided that Qatari holds not less than 51% of the share capital.
- Upon approval by the Minister of Business and Trade foreign companies or individuals may be exempted from the foreign ownership rules, and may carry on business as a 100% foreign-owned entity in the development and exploitation of natural resources, energy or mining. This is provided that such projects are in line with the development plan of the State of Qatar.

9.2.1 Registration with Qatar Petroleum

- Qatar Petroleum (QP) is a state-owned public corporation that manages upstream, midstream and downstream oil and gas operations on behalf of the Government. The activities managed include exploration, production, refining, transport, storage and trading in petroleum products.

- In order to participate in QP Tenders or to be eligible to receive Request for Quotations/Invitations to Tender (ITT), companies, including prospective suppliers and contractors, are required to register as vendors with Qatar Petroleum to obtain a QP SAP Vendor Code.

- Serba Dinamik Holdings Group provides maintenance services to QP and its group of companies through engineering companies and contractors in Qatar.

9.3 UAE

- In UAE, industry specific regulatory requirements binding operators within the asset maintenance industry for the oil and gas, and power generation industries include the following:

9.3.1 Registration with Abu Dhabi National Oil Company

- Abu Dhabi is the primary producer of oil and gas in UAE. In this respect, the focus on relevant laws and regulations will be for Abu Dhabi. Oil and gas activities in Abu Dhabi pertaining to the upstream, midstream and downstream sectors are regulated by the Abu Dhabi Supreme Petroleum Council as identified in the Federal Law No.1 of 1988.

- In the UAE, the primary local oil and gas operator is Abu Dhabi National Oil Company (ADNOC), which is governed by the Abu Dhabi Supreme Council. Companies that deal directly with ADNOC and its group of companies to supply products and services are required to register as vendors. This includes contractors and consultants of the relevant oil and gas majors. Contractors and consultants may register under work categories, including the following:
  - consultancy/engineering;
  - engineering, procurement and construction (EPC), and EPC management and construction works for major projects;
  - minor construction and plant operation/maintenance related works including mechanical plant and equipment works and maintenance[1], maintenance for piping columns and tanks, electrical plant and equipment, instrumentation and telecommunications system, inspection/testing/commissioning services, and other general plant services;
  - information technology related services;
  - personnel and manpower supply/services;
  - finance related services;
  - marketing related services; and
  - domestic/building related and other general services.

Note:

(1) Including maintenance services for turbines, pumps, compressors and other rotating equipment; maintenance services for processing plant and equipment; maintenance services for boilers, furnaces and reactors, heat exchangers; plant maintenance/overhaul/shutdown services; and other mechanical maintenance services.

- Serba Dinamik Holdings Group provides maintenance services to ADNOC and its group of companies through engineering companies and contractors in UAE.

9.3.2 Registration with Abu Dhabi Water and Electricity Authority

- The power generation industry in the UAE is governed by the individual emirates:

  - In Abu Dhabi, the Regulation and Supervision Bureau enforces the relevant laws by licensing regulated activities. The generation, transmission and distribution of electricity are among the regulated activities that require licences from the Regulation and Supervision Bureau. The Abu Dhabi Water and Electricity Authority (ADWEA) is governed by the Regulation and Supervision Bureau. ADWEA is the single buyer of electricity, and is responsible for the generation, transmission and distribution of electricity in the emirate;

  - The power industry in Dubai, including generation and transmission, are regulated activities that require licences from the relevant authorities. This is governed by Law No (6) of 2011 Regulating the Participation of the Private Sector in Electricity and Water Production in the Emirate of Dubai. Licence applications are processed and approved by the Regulation and Supervision Bureau. Licences are granted by the Dubai Supreme Council of Energy, with the final licence issued by the Regulation and Supervision Bureau.

    The Dubai Electricity and Water Authority (DEWA) is under the Dubai Supreme Council of Energy, and is responsible for the generation, transportation and distribution of electricity in Dubai;

  - The Federal Electricity and Water Authority (FEWA) is responsible for power generation and distribution in the northern emirates of Ajman, Ras Al Khaimah, Umm Al Quwain and Fujairah.

- In general, companies are required to register with authorities such as ADWEA, DEWA and FEWA to directly supply goods, equipment and services, and to participate in the open and selected tenders in the respective emirates. In general, registration is applicable for local companies that are at least 51% owned by UAE nationals, and companies registered by any Free Zone in the UAE. Foreign companies can work with the local registered vendors for the provision of services, including asset maintenance services in UAE.

- Serba Dinamik Holdings Group provides maintenance services to power generation plant owners through engineering companies and contractors in UAE.

9.4 Oman

9.4.1 Registration with Petroleum Development Oman

- In Oman, the Oil and Gas Law Royal Decree 8/2011 is the key legislation for onshore and offshore oil and gas exploration and production. Oil and gas exploration and production activities are governed under the Council for Financial Affairs and Energy Resources in conjunction with Oman's Ministry of Oil and Gas.

- Petroleum Development Oman (PDO) is the national oil exploration and production company, which is majority owned by the government of Oman. Foreign and local companies are required to register with PDO to participate in public tenders. As part of the national initiatives in Oman, a new vendor registration system, namely Joint Supplier Registration System (JSRS) was introduced in 2014, to encourage foreign and local companies to register with the system. To support the initiative, PDO requested all their vendors including existing registered vendors and new vendors to register through JSRS. PDO maintains a list of approved vendors for the services for its oil and gas operations. Local companies can register for floated tenders and submit their bids prior to registration with PDO.

- Serba Dinamik Holdings Group provides maintenance services to PDO through engineering companies and contractors in Oman.

9.5 Indonesia

9.5.1 Registration with Ministry of Energy and Mineral Resources

- The oil and gas industry in Indonesia is regulated by the Ministry of Energy and Mineral Resources (MEMR) and its sub-agencies. Oil and gas industry activities in Indonesia are governed by the Oil and Gas Law No.22 issued in November 2001 (Oil and Gas Law 2001). The Government controls oil and gas activity as the grantor of the relevant concessions and licences.

- Oil and Gas Law 2001 differentiates between upstream activities (exploration, appraisal, development and production) and downstream activities (transportation, storage, refining and commerce). Downstream activities are controlled by business licences issued by the Oil and Gas Downstream Regulatory Agency (BPH Migas).

- When the Oil and Gas Law 2001 was first enacted, upstream activities were controlled through Joint Cooperation Contracts (mainly production sharing contracts (PSC)) between the Oil and Gas Upstream Regulatory and Implementing Agency (BP Migas), and business entities or permanent establishments.
- In November 2012 the Indonesian Constitutional Court decided that BP Migas was unconstitutional. Following this decision, BP Migas was disbanded and all of its duties, functions, responsibilities, assets and staff were transferred to a temporary work unit set up and controlled by MEMR. All contracts previously awarded by BP Migas remained in full force and effect. In January 2013 the temporary work unit was superseded by the Special Taskforce for Upstream Oil and Gas Business Activities (SKK Migas), which is under MEMR control. SKK Migas is currently the upstream oil and gas industry regulator in Indonesia.
- A draft of a new oil and gas law was made public during the first quarter of 2016 for review and discussion before the Indonesian Parliament. The new oil and gas law is expected to be enacted by the end of 2016, following which it will repeal and replace the Oil and Gas Law 2001.
- In general, the procurement of goods and services in the oil and gas industry in Indonesia is conducted either through tender or direct selection or appointment (with certain requirements). Only vendors with Registered Vendor ID are considered qualified contractors and are allowed to bid.
- Presidential Decree No.39/2014 (Decree No.39/2014) was issued in April 2014. Decree No.39/2014 restricts Foreign Investment Companies (PMA) from investing in or engaging in specific oil and gas business activities:
  - PMA may no longer engage in onshore drilling;
  - Maximum foreign shareholding for offshore drilling is 75%;
  - PMA may no longer engage in oil and gas construction services for onshore pipe facilities, production facilities, horizontal/vertical tanks and storage facilities;
  - Maximum foreign shareholding for oil and gas construction services for offshore pipe facilities and spherical tanks is 49%, and 75% for offshore oil and gas platforms;
  - PMA may no longer engage in the operation and maintenance of wells, design and engineering support services, or technical inspections; and
  - Maximum foreign shareholding for oil and gas survey services in 49%.
- According to the Regulation of the MEMR No. 27 Year 2008, companies that provide supporting business to the oil and gas industry in Indonesia must obtain a certificate of registration, namely SKT MIGAS, from the MEMR. The classification of supporting business under the SKT MIGAS is as follows:
  - Supporting construction services (*Usaha Jasa Konstruksi Migas);*
  - Supporting non-construction services (*Usaha Jana Non-Konstruksi Migas);*

- Supporting industry for materials (*Usaha Industri Material);* and
- Supporting industry for equipment (*Usaha Industri Peralatan).*

- Serba Dinamik Holdings Group is registered with the MEMR for supporting non-construction services to the oil and gas industry in Indonesia.

9.5.2 Electricity Supporting Services or Industry Licence

- The energy industry in Indonesia is regulated by the MEMR and its sub-agencies. Power generation, transmission and distribution activities in Indonesia are governed by the Electricity Law No.30/2009 (Electricity Law 2009).

- The Electricity Law 2009 divides the power industry into the following categories:
  - Activities related to supplying electric power, including public supply and captive supply. These include power generation, transmission, distribution and sale;
  - Activities related to supplying supporting goods and services. These include services such as consulting, construction and installation, operations and maintenance, research and development, education, training and certification, and equipment testing and certification;
  - Supply of equipment, including power tools and power equipment.

- Companies involved in supplying supporting goods and services must have either an Electricity Supporting Services Licence or an Electricity Supporting Industry Licence.

- Under the Electricity Law 2009 and the Ministry of Industry Regulation No.48/2010, holders of the Electricity Supporting Services Licence or an Electricity Supporting Industry Licence must prioritise the use of Indonesian goods and services. The minimum percentage requirements are specified under the Ministry of Industry Regulation No.54/2012.

- Serba Dinamik Holdings Group provides maintenance services to the power generation industry in Indonesia through engineering companies and contractors in Indonesia.

10 THREATS OF SUBSTITUTES

- In general, there are no practical substitutes for asset maintenance as it is essential in ensuring that assets continue to operate efficiently, effectively and safely over the assets' productive lifespan. However, assets may be replaced and replacement may be more practical when assets aged and require higher maintenance. Alternatively, new assets may incorporate new and better technologies that will reduce maintenance costs as well as provide better functionality compared to older assets.

11 RELIANCE ON AND VULNERABILITY TO IMPORTS

- In Malaysia and the Middle East region, operators undertaking asset maintenance for the oil and gas, and power generation industries are generally reliant on imports, as many of the equipment parts are manufactured in other countries. For example, these operators typically source equipment parts and systems from principals, manufacturers or regional distributors located overseas such as the US, Japan, Singapore and China. Therefore, these operators could be vulnerable to events and conditions relating to imports.

- In addition, the oil and gas, and power generation industries require professionals with specialised technical expertise, skills and experience. If there is insufficient local expertise, operators could be reliant on specialised skilled foreign workers. Nevertheless, due to the diversity of skills required for the full spectrum of maintenance, operators typically use a combination of local workforce and foreign skilled workers, as well as constantly providing the necessary skills training.

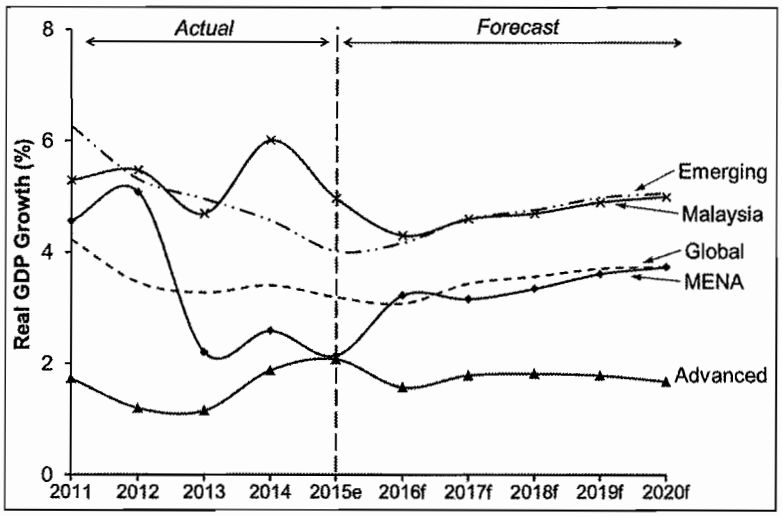
12 INDUSTRY PROSPECTS AND OUTLOOK

- The prospects and outlook of the asset maintenance industry for oil and gas, and power generation are closely tied to the overall prospects of the oil and gas, and power generation industries, which are, to a certain extent, dependent on a combination of factors, including:
  - General economic growth;
  - Population growth;
  - Market price of crude oil and natural gas;
  - Growing demand for oil and gas;
  - Investments in oil and gas industry;
  - Forecasted power generating capacity;
  - Ageing oil and gas, and power generation assets.

12.1 General Economic Growth

- Positive real GDP growth usually reflects favourable general economic conditions, resulting in an increase in economic activity. This normally results in growth in energy consumption, which would support on-going operations and maintenance of oil and gas, and power generation assets. Continuing growth in energy consumption driven by economic growth would also encourage investments in new oil and gas, and power generation assets. These new assets would require maintenance when they become operational.

Forecast Real GDP Growth



e = estimates; f = forecast; Advanced = Advanced economies; Emerging = Emerging markets and developing economies; MENA = Middle East and North Africa
(Source: Vital Factor analysis)

- Following UK's vote to leave the EU (Brexit) on 23 June 2016, the global economic growth forecast was revised downwards from 3.2% to 3.1% for 2016. This growth rate is slightly lower than the previous year (2015: 3.2%) which was deemed to be the slowest global economic growth rate since the financial crisis in 2008/2009. The slow forecasted growth was also attributed to an unexpected weak and uneven nature of the economic growth in some of the large emerging and developing economies such as China. Additionally, weaker activities in some major oil exporting countries amidst the sharp decline of oil prices also contributed to the lower growth forecast. From 2017 onwards, the global economy is projected to strengthen as conditions in stressed economies gradually normalise.

- Economic growth in advanced economies particularly advanced European countries are projected to slow down amidst the Brexit vote. Due to the uncertainty of the Brexit vote, UK's economy is forecasted to slow down even further in 2017. Over the next five years to 2020, economic growth for advanced countries will remain slow amidst low productivity growth and legacies from the global financial crisis.

- On the other hand, emerging markets and developing economies are projected to grow continuingly and will not be severely affected by the Brexit vote. It is expected to be driven by several factors, including:
  - Gradual normalisation of economic conditions in a number of countries that are currently under stress such as Brazil and Russia;
  - Successful rebalancing of China's economy;
  - Stronger economic growth in commodity exporting countries; and
  - Improved economic performance in other emerging market and developing economies.

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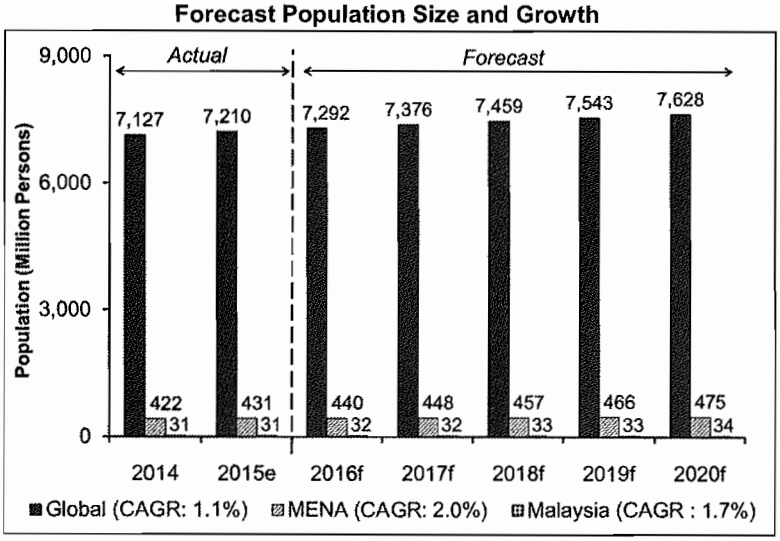
- The Malaysian economy has generally been growing at a faster rate compared to the world's average. It is forecasted to continue to outperform the world's average economic growth from 2016 to 2020. Economic growth in the MENA region had been growing slower than the world's average from 2013 to 2015 as the majority of countries relies heavily on oil export revenues. However, the economy of MENA is forecasted to grow gradually at a faster pace from 2016 to 2020 almost reaching the world's average. This provides an indication of potential drivers for investments and opportunities in these countries, which could be beneficial for operators undertaking maintenance of plant and facilities.

- As it is expected to take an estimated two years for UK to negotiate its exit from the EU, it is difficult to measure the impact of Brexit on the global economy. Additionally, the global growth forecasted by IMF has yet to factor in the results of the US presidential election in November 2016.

12.2 Population Growth

- Continuing population growth is important in sustaining and driving energy consumption as the general public is one of the main end users of energy. Growth in energy consumption will support operations to extract oil and gas, and to generate energy.

Forecast Population Size and Growth



e = estimates; f = forecast. Note: CAGR is for 2016 to 2020; *(Source: Vital Factor analysis)*

- In general, continuing population growth is expected to result in steadily growing energy consumption, which is likely to result in an expansion of the oil and gas, and power generation asset bases. These assets will require maintenance to ensure their continuing operations.

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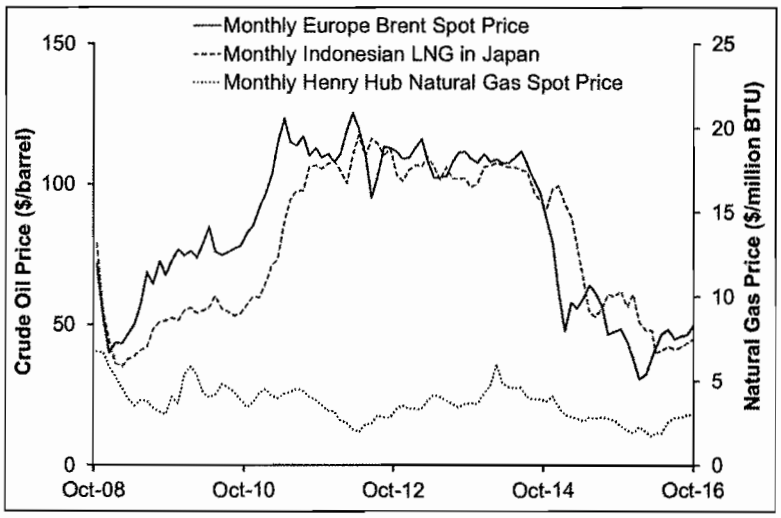
12.3 Market Price of Crude Oil and Natural Gas

- The market price of crude oil and natural gas is dependent on world supply and demand where a situation of an increase in demand due to disruption in supply will push prices upwards. Similarly, an oversupply situation due to high production coupled with lower economic activities will place downward pressure on prices.

Monthly Crude Oil and Natural Gas Price



BTU = British Thermal Unit; *(Source: Vital Factor analysis)*

Note: Monthly average spot prices are calculated from daily closing spot prices.

- Since June 2014, the average monthly price of Brent crude oil, a global price benchmark, had declined by 57.3% from USD112 per barrel in June 2014 to USD48 per barrel in January 2015. The average monthly price of Brent crude oil then rebounded slightly to close at USD64 per barrel in May 2015 before falling further to a 12-year low of USD30 per barrel in January 2016. The average monthly price of Brent crude oil rebounded to USD47 in May 2016 and by early June 2016, the Brent crude oil price reached approximately USD50 per barrel for the first time since July 2015. This however did not hold for long as the result of UK's vote to leave the EU on the 23 June 2016 coupled with the easing of supply disruptions in Canada contributed to the fall in crude oil prices. In July 2016, the monthly price of Brent crude oil averaged at USD45 per barrel. By October 2016, the monthly price of Brent crude oil had increased to an average of USD50 per barrel.

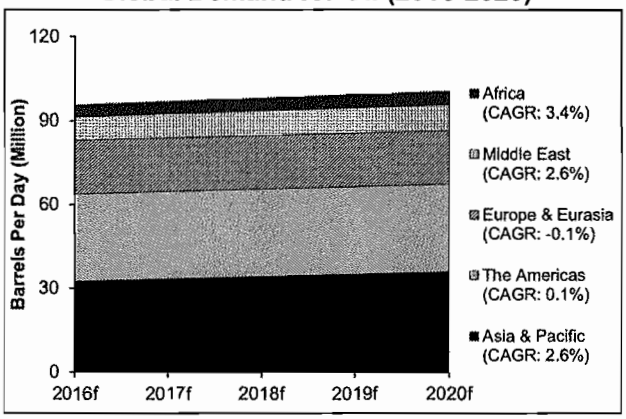
- Unlike the natural gas market in the US (Henry Hub natural gas spot price), the natural gas prices in the Asian markets typically reflect contracts that are indexed to crude oil or petroleum product prices. In Asia, most natural gas is imported as LNG, and the price is indexed to crude oil on a long-term contractual basis. Therefore, the natural gas price in Asia (Indonesian LNG price in Japan) moves in tandem with the fluctuations of global crude oil prices (Europe Brent spot price).

- The decline in crude oil prices beginning in mid-2014 was attributed to a combination of factors including, but not limited to, the increase in the production of shale oil in the US coupled with an increase in crude oil supply from Russia and Iraq, and OPEC's decision to resist cuts in crude oil production to maintain its market share. All these factors, among others, contributed to a rise in world crude oil supply against a backdrop of declining global growth and slowdown in the economies of Europe and China. The crude oil price in early June 2016 rebounded due to, among others, supply disruptions in Nigeria, reduction in the US crude oil inventories coupled with increase in oil demand from China. Meanwhile, the result of UK's vote to exit the EU in late June 2016 largely contributed to the fall in crude oil prices in July 2016.

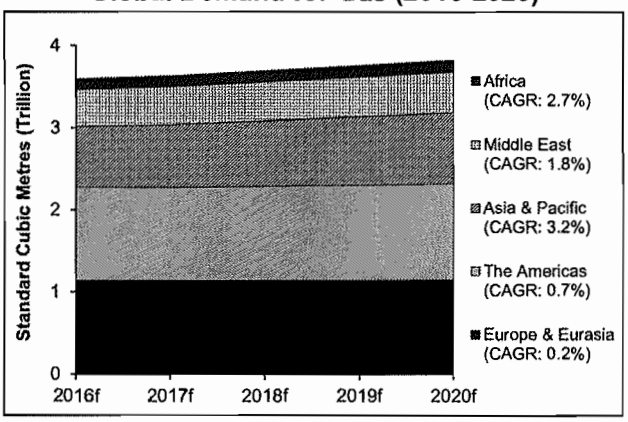
12.4 Growing Demand for Oil and Gas

- To keep up with the growing demand for oil and gas, producers would have to continuingly increase production levels. Increase production levels could be met through a combination of greater utilisation of current assets coupled with addition of new production facilities.

Global Demand for Oil (2016-2020)



Global Demand for Gas (2016-2020)



f = forecast; *(Source: Vital Factor analysis)*

- Between 2016 and 2020, the global demand for oil is projected to grow at a CAGR of 1.3% to reach above 100 million bbl/d by 2020. With global oil production (comprising crude oil, condensates, natural gas liquids, and oil from non-conventional sources) totalling approximately 96.4 million bbl/d in 2015, oil producers would have to ramp up production to meet the increase demand.

- Similarly, between 2016 and 2020, the global demand for gas is projected to grow at a CAGR of 1.3% to reach approximately 3.8 trillion standard cubic metres by 2020. With global natural gas production totalling approximately 3.5 trillion standard cubic metres in 2015, gas producers would need to increase the production of natural gas to meet the increasing demand.

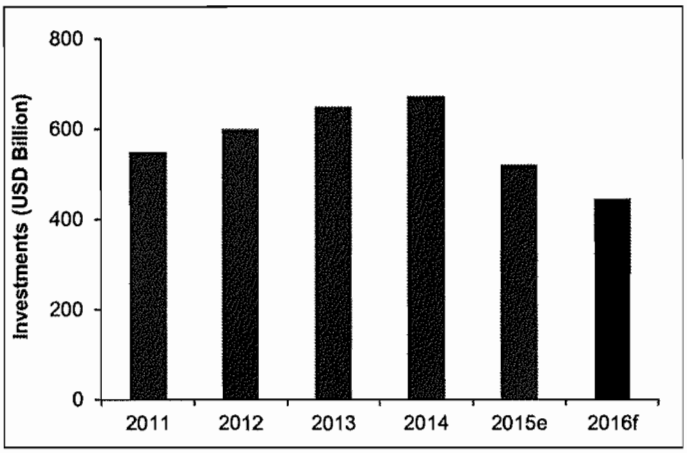
- In this respect, there will still be continuing opportunities for operators providing maintenance services to the upstream production segment (i.e. oil and gas production facilities) as production of crude oil and natural gas would have to continue to meet the increasing demand.

12.5 Investments in the Oil and Gas Industry

- The oil and gas industry, particularly the upstream sector, requires a relatively high level of capital investments on various critical facilities and equipment. The capital investments comprise newly built facilities, upgrades, modifications, as well as maintenance and repair of existing facilities. An increase in newly built facilities indicates future demand for maintenance and repair of these facilities. Thus, the level of investment made to the oil and gas industry would have a positive effect on the level of demand for maintenance services required in the industry.

12.5.1 Global Spending in Upstream Oil and Gas

Global Upstream Oil and Gas Spending



e = estimates; f = forecast; *(Source: Vital Factor analysis)*

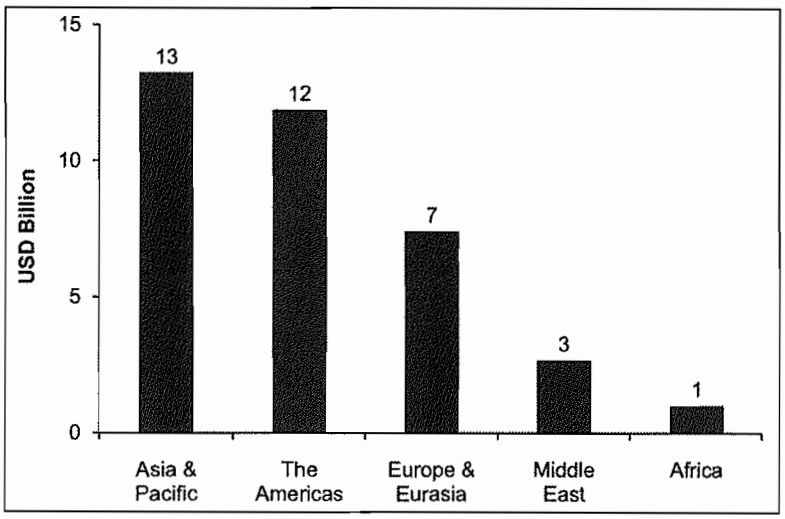
- Between 2011 and 2014, global upstream oil and gas spending grew at an average rate of 7.0% per year. However, the spending dropped in 2015. In mid-2014, crude oil prices started to drop from above USD100 per barrel to approximately USD62 per barrel by the end of 2014. The 40% drop in crude oil price forced oil and gas companies to re-evaluate their projects and investment decisions particularly for exploration and development. In 2015, the global upstream oil and gas spending decreased by approximately 20% to an estimated USD521 billion as major global oil and gas companies cut back on capital expenditure. However, the Middle East recorded fewer spending cuts in light of its objective of maintaining market share.

- In the beginning of 2016, with oil price still at its low, major global oil and gas companies announced more cut backs on capital expenditure. In 2016, global spending for the upstream sector of the oil and gas industry is projected to decrease by 15% where the majority of cuts will be in the North American region. Many companies in the US invested heavily when oil prices were around USD100 per barrel resulted in accumulated debts. The low oil price at USD30 per barrel prompted major shale companies to cut back on its 2016 capital expenditure by approximately 40% to 60%. Some oil sand projects in Canada also experienced a decrease in spending in 2016.
- Contrary to other regions, countries in the Middle East are not expected to decrease their capital investments on production for 2016 largely due to OPEC's commitment to maintain production levels. KSA is reported to be committed to its long term investment plans. Other OPEC country such as Russia is expected to also maintain spending driven largely by the depreciation of the Russian rouble.

12.5.2 Global Spending on Crude Oil Refineries

- It is estimated that maintenance and capacity replacement of global crude oil refineries will require investments of more than USD900 billion between 2015 and 2040. This means that on average approximately USD36 billion will be required annually to maintain and replace facilities and equipment of crude oil refineries globally. Maintenance and capacity replacement spending on crude oil refineries are expected to be larger in regions where the installed capacity bases are larger.

Forecasted Annual Average Maintenance and Capacity Replacement Spending on Crude Oil Refineries, 2015-2040



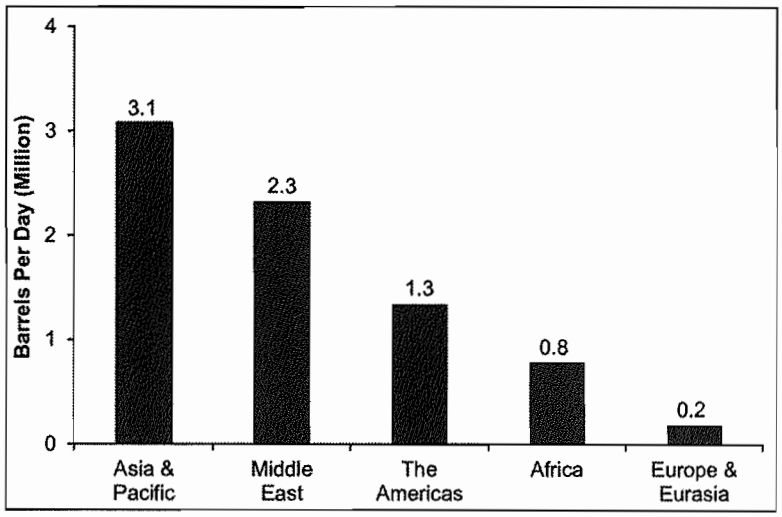
Note: Forecasted annual average maintenance and capacity replacement spending on crude oil refineries between 2015 and 2040 was calculated by averaging the total forecasted maintenance and capacity replacement spending on crude oil refineries between 2015 and 2040 of USD903 billion. *(Source: Vital Factor analysis)*

- Asia and Pacific region is expected to incur the highest spending to maintain and replace its crude oil refineries due to its larger installed capacity base. In 2015, Asia and Pacific region has total crude oil refinery installed capacity of 32.5 million bbl/d or approximately 34% of global installed capacity. Based on current installed capacity, the majority of spending on maintenance and capacity replacement of crude oil refineries will be in China, followed by India, Japan and South Korea.

- The Americas region is also projected to incur large spending on maintenance and capacity replacement for its crude oil refineries, between 2015 and 2040, where most of the spending will be in the US and Canada. In 2015, the Americas region has total crude oil refinery capacity of 28.1 million bbl/d or approximately 29% of global installed capacity.

- As such, in the medium term, opportunities to provide maintenance services for crude oil refineries are larger in areas where there are larger installed capacity bases. Meanwhile, in the longer term, opportunities to provide maintenance services for crude oil refineries are dependent on new crude oil refinery projects as well as expansions and upgrade that will come on-stream in the next few years. It is estimated that the global crude distillation capacity is expected to increase by 7.7 million bbl/d from 2016 to 2021.

Global Crude Distillation Net Capacity Additions, by Region (2016-2021)



Note: Crude distillation net capacity additions include new refinery projects or expansions to existing facilities including condensate splitter additions. *(Source: Vital Factor analysis)*

- The majority of the crude distillation net capacity addition that will be coming on stream in the Asia and Pacific region will mostly be from China. Some of the projects in China include, among others, China National Offshore Oil Corporation's 200,000 bbl/d Huizhou refinery, PetroChina's 260,000 bbl/d Anning/Kunming refinery and Sinopec-Kuwait Petroleum Corporation's 300,000 bbl/d. Meanwhile, refinery projects in other Asia and Pacific region include projects in Japan, South Korea, India, Vietnam, Taiwan and Malaysia. A second refinery in Nghi Son, Vietnam totalling 200,000 bbl/d is expected to come on

stream in 2018. Malaysia will see PETRONAS' 300,000 bbl/d Refinery and Petrochemical Integrated Development (RAPID) project coming on stream in 2019.

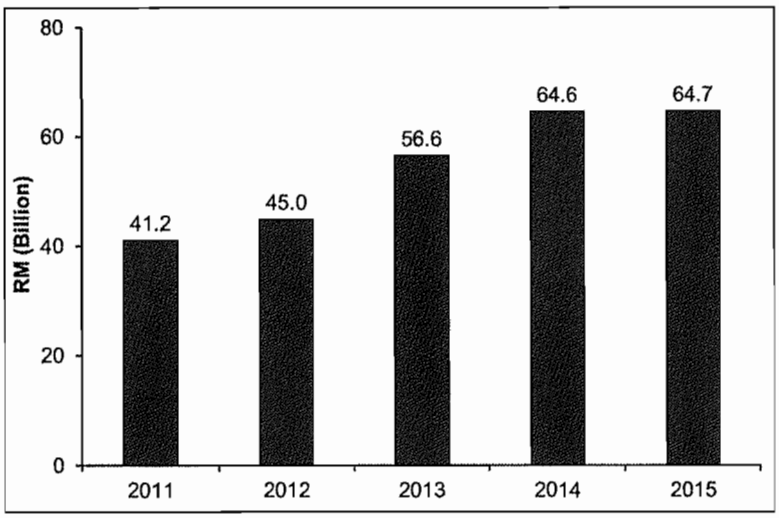
- Having a low installed capacity base (i.e. 9.3 million bbl/d in 2015), Middle East is effectively increasing refinery capacity to meet the global demand growth. With the start-up of three large refineries in KSA and the UAE in the past few years, most of the new additions will come from new projects in Iran. Besides that, there are also new refinery projects and expansions in Qatar, Kuwait, Oman, KSA and the UAE between 2016 and 2021. This will also contribute to the growth in net capacity additions in the Middle East region.

12.5.3 Malaysia Investments in Oil and Gas Industry

- The amount of capital investment made in the oil and gas industry will provide an indication of the growth in new assets and facilities. This will increase the size of the installation base of machinery, equipment and structures, which will translate to an increase in maintenance services to keep all these assets and facilities operating efficiently, effectively and safely.

- Capital expenditure by PETRONAS would provide an indication of the capital expenditure for the oil and gas industry in Malaysia. The level of investment made to the oil and gas industry in Malaysia would provide opportunities for operators providing maintenance for such facilities.

PETRONAS' Capital Expenditure (2011 to 2015)



e = estimates; *(Source: PETRONAS)*

- PETRONAS' total capital expenditure, including domestic and international operations, between 2011 and 2014 had been on an upward trend until 2015, when it increased marginally. The majority of PETRONAS' capital expenditure was channelled towards the upstream sector, namely exploration and development activities. For example, in 2014, approximately RM52.4 billion of PETRONAS' capital expenditure out of total RM64.6 billion, was allocated for the upstream sector of the oil and gas industry. In view of the weak crude oil prices PETRONAS announced in early 2015 to cut approximately 10% of capital expenditure, and 20% to 30% of operational expenditure for the year 2015.
- The marginal increase in capital investments in 2015 was mainly due to higher investments in the downstream sector, but partially offset by lower investments in the upstream segment. Investments in the downstream segment increased by RM2.9 billion whilst upstream segment spending fell by RM3.7 billion in 2015. Higher investments in the downstream segment were mainly attributed to spending on the RAPID project in Pengerang, Johor and Sabah Ammonia Urea (SAMUR) project in Sipitang, Sabah. PETRONAS' upstream spending in 2015 was mainly channelled to its international operations including Azerbaijan, Canada, Iraq, Turkmenistan and Australia. Meanwhile, local upstream spending includes floating LNG project, LNG Train 9 project in Sarawak and North Malay basin pipeline and facilities in Terengganu.
- In early 2016, PETRONAS announced a decrease in its capital and operational expenditure by RM50 billion over a four-year period (2016 to 2019) starting with cuts of approximately RM15 billion to RM20 billion in 2016. This cut was from its initial allocation of RM350 billion over a five-year period from 2016 to 2020. Some of the capital expenditure cuts would include, among others, revision of contracts such as Risk Service Contracts and enhanced oil recovery contracts. PETRONAS also announced a delay of the commissioning of its second floating LNG.
- Despite the spending cuts, PETRONAS is reported to remain committed to its downstream projects including, RAPID, SAMUR and specialty chemical projects in Kuantan, Pahang. PETRONAS is reported to have invested approximately RM3 billion in 2015 of which the capital expenditure was primarily on SAMUR in Sipitang, Sabah, and integrated aroma ingredients complex in Gebeng, Pahang, as well as commencement of RAPID petrochemicals project. Over the next four years between 2016 and 2020, PETRONAS is committed to spend a total of USD4 billion. For 2016, capital expenditure of USD1 billion was committed where the bulk will be channelled into the RAPID and SAMUR project.
- The RAPID project will consist of a refinery with 300,000 bbl/d capacity, and petrochemical complex with a combined chemical output capacity of 7.7 MTPA of various petrochemical products. The refinery will produce naphtha and liquid petroleum gas as feedstock for the petrochemical complex, as well as gasoline and diesel that will meet European specifications. Five EPCC contracts were awarded for the refinery component in 2014 while three EPCC projects

(polyethylene, glycol and polypropylene plant) were awarded for the petrochemical complex in late 2015. The RAPID project is expected to commence operation by end 2019.

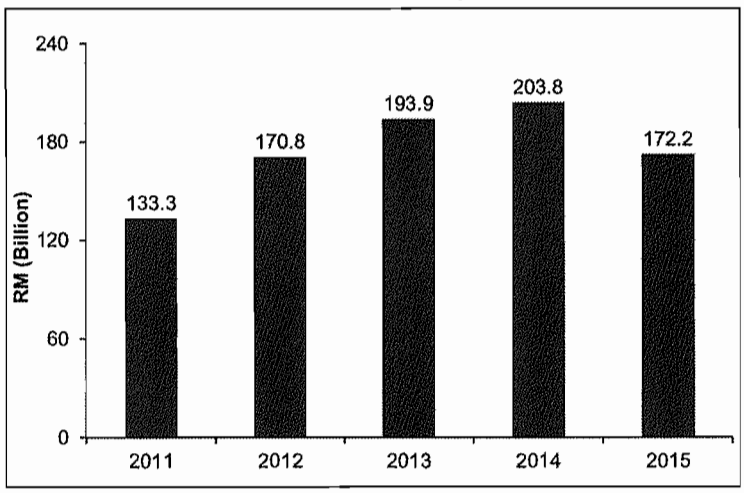
- The SAMUR project consists of an ammonia plant, urea plant and a granulation plant. The plant is expected to have a production capacity of 1.2 MTPA of granulated urea and 0.74 MTPA of liquid ammonia. The SAMUR project is expected to be operational by 2017.

- The integrated aroma ingredients complex is undertaken by BASF-PETRONAS Sdn Bhd (BASF-PETRONAS). The complex is located in Gebeng, Pahang. The RM1.5 billion complex consists of facilities to produce Citral, Citronellol and L-menthol which are aroma ingredients used as flavours and fragrances. It is expected to come on-stream in 2016. Besides the aroma complex, BASF-PETRONAS is also undertaking two other specialty chemical projects in the same location namely a 2-ethylhexanoic acid (2-EHA) production plant and a highly reactive polyisobutene (HR-PIB) production plant. The 2-EHA plant is expected to come on stream by end of 2016, while the HR-PIB plant is expected to start production late 2017.

- Additionally, in April 2016, PETRONAS and the Government of Sarawak entered into a Memorandum of Understanding (MOU) to conduct a joint feasibility study for the Sarawak Petrochemical Master Plan to boost the petrochemical industry in Sarawak.

- All these newly built and upcoming facilities would create new opportunities for operators providing maintenance services for such facilities when they become operational.

PETRONAS' Cost of Operation



Note: Cost of operation is calculated by subtracting earnings before interest, tax, depreciation and amortisation (EBITDA) from revenue.

- Maintenance services are part of the cost of operations. Between 2011 and 2014, PETRONAS' costs of operations were growing at a CAGR of 15.2%. However, in 2015, PETRONAS' costs of operations fell by 15.1%. Subsequently in early 2016, PETRONAS also announced cuts of approximately RM15 billion to RM20 billion for both capital and operational expenses.

12.5.4 Malaysia Investment in the Downstream Oil and Gas Industry

- The future of Malaysia's downstream oil and gas industry is set to be transformed with the development of Pengerang Integrated Petroleum Complex (PIPC) in Pengerang, Johor. Totalling approximately 20,000 acres of land area, PIPC comprises two confirmed projects, namely the Pengerang Deepwater Terminal (PDT) and PETRONAS' Pengerang Integrated Complex (PIC).

- The PDT project comprises storage capacity of 5 million cubic meters for crude oil, gas and petroleum products. The first phase of the project, namely Pengerang Deepwater Terminal 1 (PDT1), comprises 1.3 million cubic metres of independent storage facility and six deepwater berths with an investment of approximately RM2 billion. It has the capability to handle the storage, blending and distribution of crude oil, petroleum, chemical and petrochemical feedstock products, and by-products. PDT1 is jointly owned by Dialog Group Berhad, Royal Vopak of the Netherlands and the State Government of Johor. PDT1 commenced operations in 2014. The second phase of the project, namely Pengerang Deepwater Terminal 2 (PDT2) will be dedicated to PETRONAS' RAPID project.

- With an estimated investment of USD 27 billion, PETRONAS' PIC covers an area of 6,242 acres within the PIPC. The PIC consists of the RAPID project as well as six associated facilities namely the Pengerang Deepwater Terminal 2 (PDT2), Pengerang Co-generation Plant (PCP), Air Separation Unit (ASU), Projek Air Mentah RAPID (PAMER), Re-gasification Terminal 2 (RGT2) and Centralised Utilities & Facilities (CUF). The PIC project is designed to produce premium differentiated petrochemicals to meet the domestic demand for petroleum products. It also serves to fulfil the Malaysian Government's requirement on the implementation of Euro 5.

- In addition, other future developments within the PIPC master plan includes, among others, plastic and fine chemicals industrial park, commercial services hub, solids logistics hub, as well as medium and light industries hub.

- Increased activities in the downstream oil and gas sector in Malaysia will benefit service providers like Serba Dinamik Holdings Group in the provision of MRO and IRM services when facilities are completed and operating.

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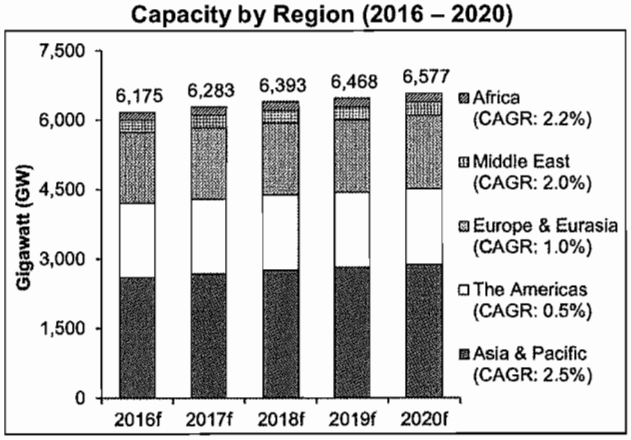
12.6 Forecasted Power Generating Capacity

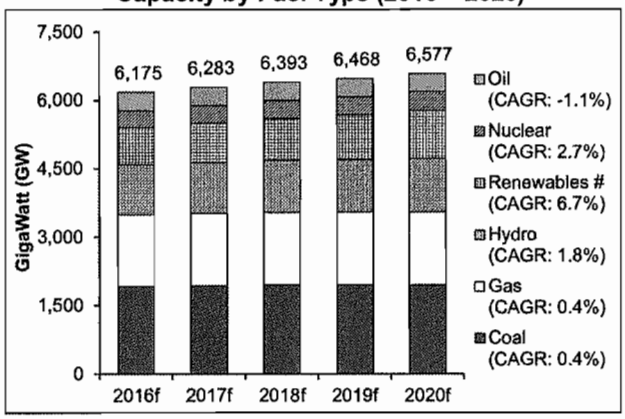
Global

- The demand for maintenance services of power generation plants is directly related to installed power generating capacity. Hence, the immediate demand for maintenance services of power generation plants are larger in regions with larger installed power generating capacity.

Global Forecasted Total Installed Power Generating Capacity by Region (2016 – 2020)



Global Forecasted Total Installed Power Generating Capacity by Fuel Type (2016 – 2020)



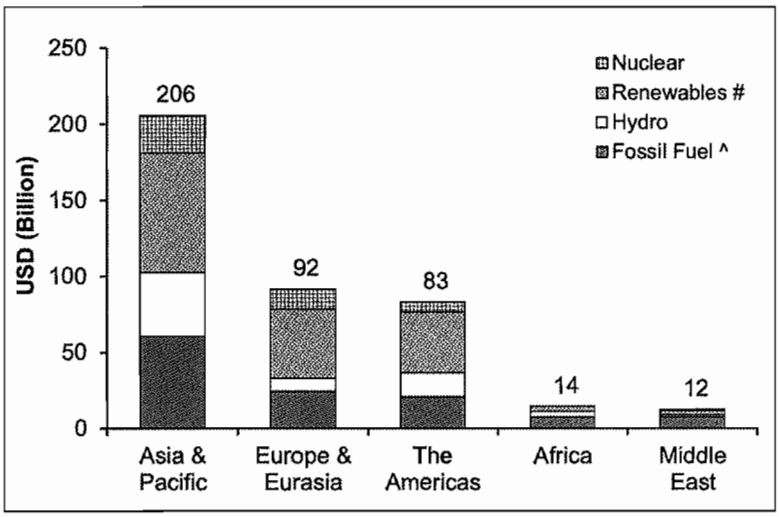
Include wind power, solar electricity, geothermal and other renewables; f = forecast;
(Source: Vital Factor analysis)

- The total installed power generating capacity is forecasted to grow at a CAGR of 1.6% between 2016 and 2020 driven mainly by growth in the Asia and Pacific region. Growth in installed power generating capacity in Asia and Pacific region is largely attributed to China and India, two of the largest consumers of energy. Growth of installed power generating capacity in Africa and Middle East region during the same period, are forecasted to grow at a faster rate than global growth, albeit at a lower base.

- Between 2016 and 2020, fossil fuelled power generation plants (i.e. those that use coal, gas or oil as their primary fuel) account for more than half of the total installed power generating capacity during the period. This indicates that there are still continuing opportunities for operators providing maintenance services for fossil fuelled power generation plants which are typically equipped with large industrial turbines and steam boilers.

- However, between 2016 and 2020, the installed capacity of power generation plant using renewable resources is forecasted to increase at a faster rate than fossil fuelled power generation plants, indicating a gradual trend towards renewable resources for power generation. This indicates that operators that are currently providing maintenance services for fossil fuelled power generation plants should gradually widen their expertise in providing maintenance to facilities and equipment of power generation plants using renewable resources such as hydropower and wind power plants, both of which uses rotating equipment to generate electricity.

Global Forecasted Average Annual Investment in Power Generating Capacity (2016 - 2020) by Fuel Type and Region



Include wind power, solar electricity, bioenergy and other renewables;
^ Include oil, gas and coal.
(Source: Vital Factor analysis)

- Between 2016 and 2020, the forecasted average annual investment in power generating capacity is estimated to be at least USD400 billion, where a vast majority of the investment will be in the Asia and Pacific region. Fossil fuel power generating plants account for approximate 30% of the total average annual investment in the Asia and Pacific region. Majority of these investments are forecasted to be in China and India, and are mainly in coal-fired power generation plants. Meanwhile, hydroelectric and other renewables (i.e. wind power, solar electricity, bioenergy and others) account for approximately 20% and 38% respectively of the total average annual investment in the Asia and Pacific region. In the Middle East, the forecasted average annual investment in power generation plant is estimated at USD12 billion, of which the investments are mainly for gas-fired power generation plants.

Malaysia

- In Malaysia, the Generation Development Plan for 2015 to 2025 included development of a total of 19 power projects with a combined installed capacity of 9,912 MW in Peninsular Malaysia and Sabah. Some of these projects include, among others, 400 MW Pengerang Co-generation power plant in Johor, 1,000 MW Manjung Unit 5 power plant in Perak, and new power plants in Lahad Datu and Sandakan totalling 90 MW. (*Source: Energy Commission Malaysia)*

- In Sarawak, some of the major power generation facilities are Bakun hydropower plant, Murum hydropower plant, Mukah coal-fired power plant, Tanjung Kidurong combined cycle power plant, and Sejingkat coal-fired power plant. Sarawak plans to develop an additional 400 MW combined cycle power generation plant at Tanjung Kidurong, Bintulu, a new 1,200 MW combined cycle power generation plant in Samalaju, Bintulu, and a new 600 MW coal-fired power plant in Balingian, Mukah. Sarawak also plans to spend between RM8 billion and RM10 billion to improve its power transmission and distribution systems over the next 10 years until 2025. *(Sources: Sarawak Energy Berhad; Vital Factor analysis)*

12.7 Ageing Oil and Gas, and Power Generation Assets

- In general, the age of oil and gas, and power generation assets influences demand for maintenance services. Aging assets generally require more maintenance. Maintenance is required to sustain safety, efficiency, and to satisfy regulatory requirements. In some cases, older assets may be upgraded or retrofitted with the intention of increasing capacity, improving efficiency, extending their productive lives, and/or complying with regulations.

- As an example, the average age of LNG liquefaction plants globally are approximately 15 years old which indicates the need for upkeep, maintenance or replacement of equipment and machineries. *(Source: Vital Factor analysis)*

13 DEVELOPMENTS IN THE POWER GENERATION INDUSTRY IN INDONESIA

- Developments in the power generation industry in Indonesia will continue to provide opportunities for power producers. Under Indonesia's Power Supply Business Plan (RUPTL) 2015-2024, the Government of Indonesia has outlined a goal for the development of the country's power infrastructure to meet the increasing demands for electricity consumption, which is expected to increase at a CAGR of 8.7% per year between 2015 and 2024. The demands for electricity and electricity consumption will be in tandem with the increase in population. In 2015, Indonesia had a total population of 255.5 million. In addition, in 2015, the Government of Indonesia launched a programme to accelerate the increase in power generation capacity by an additional 35 GW together with the expansion of other infrastructure including an additional 45,000 kilometres of transmission networks and 109,000

megavolt amperes (MVA) of substations. The programme for expansion is expected to be contributed by PT PLN and independent power producers.

- The electricity demand forecasts are prepared based on the amount of electricity needed to support the economic growth targeted by the government as well as population growth. During the period between 2015 and 2024, the forecasted demand for electricity consumption in selected regions is as follows:

	Forecasted demand for electricity consumption (CAGR 2015-2024)	Population (CAGR 2010-2015)	Population in 2015 (million)
Sumatra [1]	11.6%	1.7%	55.3
Java-Bali	7.8%	1.2%	159.3
East Indonesia	11.1%	1.8%	40.9
- *Kalimantan* [2]	*10.4%*	*2.1%*	*15.3*
- *Sulawesi*	*12.4%*	*1.4%*	*18.7*
- *Maluku* [3]	*10.3%*	*2.0%*	*2.8*
- *Papua*	*9.4%*	*2.1%*	*4.0*
Indonesia	**8.7%**	**1.4%**	**255.5**

Notes:

(1) Muaro Jambi is a regency of Jambi province in Sumatra.

(2) East Kutai is a regency of East Kalimantan province in Kalimantan.

(3) Ambon Island is part of Maluku province in Indonesia.

(Sources: PT PLN (Persero); BPS – Statistics Indonesia)

- The forecasted demand for electricity consumption between 2015 and 2024 in Sumatra and East Indonesia are expected to increase at a higher CAGR compared to overall Indonesia.

- According to RUPTL, the power generation capacities in Sumatra and East Indonesia are barely sufficient to meet the power needs of the communities. Thus, there can be shortfalls when there are disruptions to the power supply or plants needed to undergo routine maintenance. For example, the power generation system in northern Sumatra operates almost throughout the year without backup operation, and often experience shortfalls in power supply. The south Sumatra system also experience similar issues, suffering from shortage of power for most of the year. This same situation also occurs in several other areas such as West Kalimantan, East Kalimantan, South Kalimantan, Southeast Sulawesi, Minahasa-Gorontalo, Palu, Lombok, Ambon, Ternate and Jayapura. Some of the actions taken in Sumatra and East Indonesia to overcome the problems of power shortage include rental of power generation capacity and purchasing of power from small-scale independent power producers. In addition, the RUPTL plans a small number of power plants that use LNG or CNG in East Indonesia.

- There are six interconnected power systems and more than 100 isolated systems spread throughout the eastern region of Indonesia. The systems are spread over the provinces of Maluku, North Maluku, Papua, West Papua, West Nusa Tenggara, East Nusa Tenggara and Riau, Belitung, Buton, Selayar, Karimun Java, Bawean and many other islands.

14 THREATS AND RISKS ANALYSIS

14.1 Global Economic Slowdown

- Any widespread and/or prolonged economic slowdown would affect consumer and business confidence, and subsequently their propensity to spend and invest. This slowdown would ultimately affect most industry sectors and in turn impact the operators undertaking asset maintenance for the oil and gas, and power generation industries.

- In addition, a widespread and/or prolonged slowdown in the global economy may reduce global demand for oil and gas, which may have a negative impact on their market prices, thus affecting the oil and gas industry. In light of the depressed crude oil prices experienced in the second half of 2014 and continuing onto the first quarter of 2016, the Government of Malaysia as well as other oil producing countries may implement budgetary cuts. A cut in budgetary spending may depress economic growth in Malaysia as well as other oil producing countries, thus affecting businesses across a wide cross section of the economies.

- Operators who have contracts in hand, are to a certain extent, insulated from the effects of a global economic slowdown for the duration of their contracts. Service providers who do not possess contracts are more likely to be exposed to the impact of a global economic slowdown.

- In addition, each country benefits from various government initiatives targeted to support and develop the energy industry, including oil and gas, and power generation activities. This would continue to drive local and foreign investments as well as spur activities within the targeted industries, thus providing growth opportunities for operators undertaking maintenance of plant facilities and equipment.

14.2 Sustained Fall in the Market Price of Hydrocarbons

- Hydrocarbons, including crude petroleum and natural gas, are internationally traded commodities that are subject to price fluctuations. Geopolitical factors, economic conditions, supply and demand conditions, and unforeseen supply disruptions may influence the market price of hydrocarbons.

- Activities in the oil, gas and petrochemical industries are, to some degree, affected by fluctuations in the market price of hydrocarbons, for instance:

- Activities tend to increase during periods of sustained high hydrocarbon prices. This is due to elevated production activities, as well as increased activities in exploration and development to take advantage of high hydrocarbon prices;
- Activities tend to decline during periods of sustained low hydrocarbon prices. This is due to lower exploration, development and production activities, as well as temporarily reducing or shutting down production from fields that are no longer commercially viable.

- Since June 2014, the average monthly price of Brent crude oil had declined from USD112 per barrel in June 2014 to USD48 per barrel in January 2015. It rebounded slightly to close at USD64 per barrel in May 2015 before falling further to USD30 per barrel in January 2016. By the early June 2016, the average daily price of Brent crude oil rebounded to approximately USD50 per barrel for the first time since July 2015. However, in July 2016, the monthly price of Brent crude oil declined and averaged at USD45 per barrel. By October 2016, the monthly price of Brent crude oil had increased to an average of USD50 per barrel. Similarly, the trend in natural gas price, particularly in Asia, moves in tandem with the fluctuations in Brent crude oil prices.

- There is a risk that the demand for asset maintenance services may be affected by the depressed oil and gas prices which may continue to dampen the level of activities in the oil and gas industry. Oil and gas companies generally react to declining oil and gas prices by reducing both capital and operational expenditures.

- While the low crude oil prices will depress activities in the oil and gas industry in the immediate term, it is expected that the oil and gas industry is likely to improve once crude oil prices stabilises. Nevertheless, there can be no assurance that crude oil prices will stabilise or that the timing of such improvement is imminent if it eventuates.

- While all sectors of the oil and gas industry are affected by a sustained fall in the market price of hydrocarbons, maintenance of assets particularly in the production of crude oil and natural gas and downstream refineries, processing and petrochemical plants, are, to a certain extent, less affected as operations would still have to continue. As for the downstream sector of the oil and gas industry, operators would benefit from the lower crude oil and natural gas prices as the feedstock for their operations.

14.3 Changes in Government Policies

- Any changes in government policies with regards to the regulation in the oil and gas, and power generation industries may impact on operators undertaking maintenance of plant facilities and equipment in the respective countries in which they operate.

- As an example, PETRONAS may liberalise the oil and gas industry in Malaysia by:
  - removing licensing and registration requirements for the provision of supporting products and services;
  - loosening licensing and registration requirements such that it becomes easier to obtain a licence or registration; and
  - allowing foreign suppliers to operate in Malaysia without the need to operate with a local partner and other restrictions.

- Liberalising the oil and gas industry in this manner may negatively impact or incumbent service providers by increasing competition in the industry.

- Operators that meet the licensing and registration requirements are currently competing with other operators based on commercial, technical and other factors such as track record and market reputation. In the event of any changes in government policies, existing service providers would not be significantly worse off as they are already operating in a competitive environment.

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

9.1 BOARD OF DIRECTORS

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**"), which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies. The MCCG 2012 is specifically targeted for listed companies on Bursa Securities and listed companies with FYE 2012 onwards will be required to report the extent of the adoption of the principles and recommendations of MCCG 2012 in their annual reports.

Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern our Group effectively.

Our Board is also committed to achieving and sustaining high standards of corporate governance. In regards to the above, our Board will use its best endeavour to comply with the MCCG 2012 and will provide a statement on the extent of compliance with the MCCG 2012 in our first annual report as a listed entity for the FYE 2016.

Within the limits set by our Articles, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board endeavours to follow the MCCG 2012, which sets out the following responsibilities:

(i) to review, challenge and approve our annual corporate plan, which includes our overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;

(ii) to oversee the conduct of our businesses and to determine whether the businesses are being properly managed;

(iii) to identify principal risks and ensuring the implementation of appropriate internal controls and risks mitigation to effectively monitor and manage these risks;

(iv) succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key management;

(v) to oversee the development and implementation of a shareholder communication policy for our Company; and

(vi) to review the adequacy and the integrity of our management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines (including the Listing Requirements, securities laws and the Act).

In accordance with Article 107 of our Articles, at each AGM, one-third of our Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third with a minimum of one, shall retire from office and an election of Directors shall take place PROVIDED ALWAYS that each Director shall retire from office at least once in every three years but shall be eligible for re-election. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment. A retiring Director shall be eligible for re-election.

In accordance with Article 113 of our Articles, the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or add an additional Director, provided that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Articles. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

The number of Directors shall not be less than 2 but not more than 15. At least two of our Directors or one-third of our Board, whichever is higher, must also at all times be Independent Directors. As at the date of this Prospectus, our Board consists of seven Directors, four of whom are Independent Directors.

The details of the members of our Board as at the date of this Prospectus, and the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office are as follows:

Director	Age	Date of appointment	Date of expiration of the current term of office	No. of years and months in office as at the LPD
Dato' Mohamed Nor *(Chairman/Independent Non-Executive Director)*	66	31 May 2016	Subject to rotation at the first AGM	Six months
Hj. Abdul Kadier *(Non-Independent Non-Executive Director)*	67	31 May 2016	Subject to rotation at the first AGM	Six months
Dato' Awang Daud *(Non-Independent Executive Director)*	56	31 May 2016	Subject to rotation at the first AGM	Six months
Dato' Karim *(Non-Independent Executive Director)*	51	31 May 2016	Subject to rotation at the first AGM	Six months
Sharifah Irina *(Independent Non-Executive Director)*	40	31 May 2016	Subject to rotation at the first AGM	Six months
Tengku Dato' Seri Hasmuddin *(Independent Non-Executive Director)*	54	31 May 2016	Subject to rotation at the first AGM	Six months
Hasman Yusri Bin Yusoff *(Independent Non-Executive Director)*	56	16 November 2016	Subject to rotation at the first AGM	Less than one month

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9.1.1 Profiles of our Directors

9.1.1.1 Dato' Mohamed Nor

Dato' Mohamed Nor, aged 66, is our Chairman and Independent Non-Executive Director. He obtained his Bachelor Degree in Chemical Engineering in 1974 from the Heriot-Watt University, Scotland, UK. Throughout his career, he has attended several senior management courses overseas, including The Wharton Advance Management Program at The Wharton School, University of Pennsylvania, United States of America. He sat on several technical committees associated with Scientific and Industrial Research Institute of Malaysia (SIRIM) and was the past President of Petrochemical Association of Malaysia.

He began his career with Chemical Company of Malaysia Berhad, a subsidiary of Imperial Chemical Industry of UK Ltd ("**ICI**") in 1974, prior to joining PETRONAS in 1981. While with ICI he was seconded to ICI Chemical and Fertiliser Teeside Complex in the UK for one and half years as a Technical Engineer in a chlor-alkali process plant manufacturing chlorine gas for water treatment. Subsequently in 1981, he joined PETRONAS as Operations Manager of Asean Bintulu Fertiliser Sdn Bhd and was seconded to Uhde High Pressure Technologies GmbH in Germany to head a project team to carry out the basic and detailed engineering of high pressure technology in the manufacturing of ammonia and urea. He was promoted as the Managing Director cum Chief Executive Officer of Asean Bintulu Fertiliser Sdn Bhd in 1992. In 1994, he was transferred to Kerteh, Terengganu as the Managing Director cum Chief Executive Officer of Ethylene and Polyethylene Malaysia Sdn Bhd, a joint venture between PETRONAS, British Petroleum and Idemitsu Kosan Co. Ltd. His last position in PETRONAS was as the Chairman of Kerteh Integrated Petrochemical Complex prior to his retirement in 2007.

He also sits on the board of several private limited companies in Malaysia.

For further details on principal business activities performed by Dato' Mohamed Nor as at the LPD and his directorships outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.1.2 Hj. Abdul Kadier

Hj. Abdul Kadier, aged 67, is our Non-Independent Non-Executive Director. He obtained his Bachelor Degree in Economics in 1973 from the University of Malaya, Malaysia. He began his career as a marketing executive with Diethlem Sdn Bhd in 1973 for one year and later joined Sarawak Economic Development Corporation, where he served as a marketing officer until 1976. In 1976, he started his own business in diversified areas of food industry, road transportation, agriculture and forestry. In July 1994, he was appointed as a director in Serba Dinamik and subsequently became a shareholder of Serba Dinamik in October 1994.

He is a member of the Party Pesaka Bumiputera Bersatu Sarawak ("**PBB**") and sat as an executive committee member at the state level of PBB Youth Wing for two terms, from 1985 to 1989. He is an active member of the Bumiputera Chamber of Commerce Sarawak ("**DUBS**") and was elected as Chairman for the Bintulu branch in 1986 where he continued for three terms until 1991, thereafter advisor of DUBS from 1992 to 1994. Presently, he is the Vice President of DUBS at state level, a position he was elected in 2014 and will continue to hold until 2017. He was appointed as a member of the Consultative Council to Local Government, whose main function is to advise the Bintulu Development Authority on the development and local government functions in Bintulu, for the periods between 1991 to 1997 and 2013 to 2018.

In 2008 he was awarded the "Sarawak State Entrepreneur of the Year Award" by the Sarawak Ministry of Industrial Development.

He also sits on the board of several private limited companies in Malaysia.

For further details on principal business activities performed by Hj. Abdul Kadier as at the LPD and his directorships outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.1.3 Dato' Awang Daud

Dato' Awang Daud, aged 56, is our Non-Independent Executive Director and Deputy Chief Executive Officer. He obtained an intermediate certificate for Mechanical Fitter/General Mechanic in 1980 from the Institut Kemahiran MARA, Malaysia, and was certified by the National Industrial Trade Training Board in June 1980. He obtained his Bachelor of Science in Mechanical Engineering in 1994 from the University of the East, Philippines. He subsequently obtained a Master in Mechanical Engineering in 2007 from the Universitas Pancasila, Jakarta, Indonesia.

He began his career with Syarikat Jengka Pahang Sdn Bhd as an apprentice in 1978 where he was trained in overhauling and repairs of rotating equipment such as electrical motor, multi centrifugal pumps, rotary pumps boiler and dryer. In 1980, he joined Ballast Nedam International (Malaysia) Sdn Bhd as a Mechanical Workshop Supervisor where he was in charge of productivity and service quality of machining jobs, welding/fabrication and maintenance repair of mechanical equipment. He then joined Daelim (Malaysia) Sdn Bhd in 1981 as a Heavy Industries Equipment Millwright where he gained experience in designing, fabrication, maintenance, installation and repair works of various heavy machineries and vehicles. In 1983, he joined Malaysia LNG Sdn Bhd as Technician 3 and was eventually promoted to Supervisor. He was a part of the pioneer group which set up the mechanical workshop for the first product of LNG and maintenance of Malaysia LNG Sdn Bhd. He remained in Malaysia LNG Sdn Bhd until 1993.

He joined Serba Dinamik in 1994 as a director and was involved in field supervision, coordination and managing various projects, construction and fabrication tasks, planning and tendering, attending negotiation and handling managerial portfolios. He was appointed as the Deputy Chief Executive Officer of our Company on 31 May 2016.

Currently, he also sits on the board of several private limited companies in Malaysia.

For further details on principal business activities performed by Dato' Awang Daud as at the LPD and his directorships outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.1.4 Dato' Karim

Dato' Karim, aged 51, is our Non-Independent Executive Director and Group Chief Executive Officer. He obtained his Bachelor in Mechanical Engineering in 1989 from the Universiti Teknologi Malaysia, Malaysia. He later obtained an Honorary Doctor of Philosophy in Industrial Engineering in 2009 from the InterAmerican University, United States of America. He also obtained a Doctorate of Philosophy in Entrepreneurship in 2012 from the Golden State University, United States of America. He is a member of the Institution of Engineers Malaysia since 1994, a registered member of the Board of Engineers, Malaysia, since 1996 and a member of the Asean Federation of Engineering Organisation since 2002.

He has had an extensive career spanning 29 years as an engineer. In 1988, he joined Asean Bintulu Fertilizer Sdn Bhd as a Mechanical Engineer where he supervised the overhauling of pumps, turbines and compressors. He was then appointed by Asean Bintulu Fertilizer Sdn Bhd as the Coordinator for the Ammonia and Rotary 5th T/A Preparation Team in 1990 and was subsequently appointed as a Rotating Equipment Area Engineer in 1991. In 1993, he formed Serba Dinamik and assumed his current position as Group Chief Executive Officer.

Dato' Karim gained extensive experience in the field of maintenance and installation of rotating equipment since 1993 which includes major overhaul/inspection of 37MW MHI steam turbines in Module 1, 2 & 3 of Malaysia LNG Sdn Bhd and overall supervisory of plant shutdown maintenance on various rotating equipment. He also has hands-on experience from his works in overhauling of steam turbines, gas turbines, centrifugal pumps and centrifugal compressors and machinery installation/erection.

Dato' Karim also has experience in construction and fabrication during his tenure as a site project manager for the supply and construction of new civil workshop, extension of main warehouse and mechanical workshop in Malaysia LNG Sdn Bhd, installation of Jet A-1 Bunkering Line in Shell Timur Sdn Bhd, installation of flush tank at Bintulu Depot and various other projects with the company. Since 1993, he has also been involved in project management, including executing project control function in the job planning, work scheduling to maintain the planned work, production schedule, analysis of schedule impacts resulting from design alternatives, field change and site condition encountered, and revising the project schedule to cope with any changes.

Dato' Karim has also conducted training, both internally to staff of our Group and externally to industrial practitioners, primarily in power sectors and oil and gas. Detailed areas of training are such as vibration, machinery alignment and balancing course, condition monitoring programme for rotating equipment, integrated machinery maintenance, preventive and predictive maintenance, inspection and maintenance of pumps, and inspection and maintenance of steam turbines. As the Group Chief Executive Officer, Dato' Karim is responsible for the day-to-day activities and operations of our Group, and for implementing the Group's future plans and strategies. He has also been actively involved in setting up of new companies and acquiring companies as a business strategy for expansion and visionary long-term plan to strengthen the Group's position in the market.

He received much recognition, among others, the Golden Eagle Award 2015 (Top 3 Eminent Eagle for Malaysia 100 excellent Enterprise Excellence Award), the BIZZ Arabic Business Excellence Award 2014 (World Confederation of Businesses) and the Oxford Summit of Leaders, UK (Best Enterprise and Manager of the 2013).

Currently, he also sits on the board of several private limited companies in Malaysia.

For further details on principal business activities performed by Dato' Karim as at the LPD and his directorships outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.1.5 Sharifah Irina

Sharifah Irina, aged 40, is our Independent Non-Executive Director. She obtained her Bachelor of Commerce (Accounting) in 1999 from The University of Adelaide, Australia. She later obtained a Master of Business of Administration (MBA) in 2011 from University of Strathclyde, Scotland, UK. She is a Chartered Accountant and has memberships with Chartered Accountants Australia and New Zealand (formerly The Institute of Chartered Accountants in Australia (ICAA)) since 2003 and Malaysian Institute of Accountants (MIA) since 2004. During her career, she has also obtained a Graduate Diploma (ICAA) Certificate of Completion in 2003 and certification as a certified SAP Financial Solution Consultant in Financial Accounting in 2007 and Management Accounting in 2008.

She began her career with PricewaterhouseCoopers Malaysia in 1999, in Business and Advisory Services, providing audit services to a wide range of industries, which include public listed companies dealing with media, oil and gas, automotive and property development, among others. In 2002, she joined Usaha Tegas Sdn Bhd as an Internal Audit Executive and was responsible for dealing with matters in relation to corporate governance, compliance, enterprise risk management, internal controls and policies. In 2003, she joined iPerintis Sdn Bhd as a Business Analyst and eventually became a certified SAP Financial Solution Consultant. While servicing predominantly oil and gas and shipping companies, she ventured into IT, starting with non-SAP IT related projects and subsequently performed SAP enhancements, customisations and full cycle project implementations.

In 2011, she joined Abeam Consulting (M) Sdn Bhd as a Senior SAP Financial Consultant. She provided SAP services locally as well as overseas for companies in various industries including insurance, manufacturing, security enforcement, defence and plantation. She was responsible for the end-to-end SAP implementation, from understanding the various business landscapes, needs and requirements and performing gap analysis to blueprint, functional specifications and manual documentations, project implementation, testing, verification and reconciliation exercises, through to training and support.

Currently, she is also a director of a private limited company in Malaysia.

For further details on principal business activities performed by Sharifah Irina as at the LPD and her directorship outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.1.6 Tengku Dato' Seri Hasmuddin

Tengku Dato' Seri Hasmuddin, aged 54, is our Independent Non-Executive Director. He obtained his Bachelor of Law (Honours) in 1986 from the University of Malaya, Malaysia.

He is a practising advocate and solicitor, having admitted to the Malaysian Bar on 14 July 1987. Upon his admission, he commenced his legal practice in 1987 at Messrs Suhaimi Abdullah & Co., Malacca.

In 1989, he joined Messrs. Hisham Sobri & Kadir where he is presently the Principal Partner. His main areas of practice are corporate commercial law and Islamic banking and finance. Tengku Dato' Seri Hasmuddin was among one of the legal counsels involved in framing the structural framework for Islamic banking documentation in the early stages of its development in Malaysia.

He has been a member of the Association of Chartered Islamic Finance Professionals Malaysia since 2009. He continues to play an active role in the development of this area of law through his involvement in the organisation of Kuala Lumpur Islamic Finance Forum, an annual forum that gathers prominent personalities, practitioners and industry players of Islamic Finance as well as by presenting papers at conferences and forums on the subject which are held both locally and internationally.

Tengku Dato' Seri Hasmuddin is also involved in charitable organisations in the capacity of a trustee to the Tuanku Najihah Foundation, Yayasan Institut Al Quran Kuala Lumpur, Tabung Amanah Pesakit Malaysia, Institut Quran Tuanku Jaafar, Yayasan Kolej Islam Sultan Alam Shah and Yayasan Munarah.

Currently, he also sits on the boards of several public companies in Malaysia including Bank Muamalat Malaysia Berhad and Aliran Ihsan Resources Berhad, as well as several private limited companies in Malaysia.

Tengku Dato' Seri Hasmuddin is an Independent Non-Executive Director of Bank Muamalat Malaysia Berhad. He is the Chairman of Nomination and Remuneration Committee, a member of Board Audit Committee, Veto Committee and Board Risk Management Committee. Bank Muamalat Malaysia Berhad is a subsidiary of DRB-HICOM Berhad, a company listed on the Main Market of Bursa Securities. He is also an Independent Non-Executive Director of Aliran Ihsan Resources Berhad. Aliran Ihsan Resources Berhad is a subsidiary of MMC Corporation Berhad, a company listed on the Main Market of Bursa Securities.

For further details on principal business activities performed by Tengku Dato' Seri Hasmuddin as at the LPD and his directorships outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.1.7 Hasman Yusri Bin Yusoff

Hasman Yusri bin Yusoff, aged 56, is our Independent Non-Executive Director. He became a graduate member of the Chartered Association of Certified Accountants (now known as Association of Chartered Certified Accountants ("**ACCA**")) in 1984 and was admitted to the association in 1993. Subsequently, he became a member of the Malaysian Institute of Accountants in 1994 and thereafter a Fellow member of the ACCA. He also obtained a Postgraduate Diploma in Islamic Studies from International Islamic University Malaysia in 1995.

He began his career with PETRONAS' Production Sharing Contracts Audit Department in 1984, as an Executive and was responsible for audit of the cost claimed by the upstream contractors and determination of profit entitlement. In 1986, he was transferred to the Group Accounts Department and handled matters related to the PETRONAS group's accounting policies, preparation of consolidated accounts and financial reporting for internal and external government use. In addition, he also managed the financial reporting of the Research Fund and Retirement Fund during his time there and worked closely with Planning and Treasury division on the PETRONAS group's financial matters.

In 1989, he joined PETRONAS Trading Corporation Sdn Bhd ("**PETCO**"), a trading arm of PETRONAS which was then a newly set up company, as the Head of Accounts and Administration. During his tenure with PETCO, he spearheaded the start-up of PETCO and was responsible for various departments namely accounting, finance, treasury, human resource and IT were placed under this supervision.

Subsequently in 1994, he joined PETRONAS Maritime Sdn Bhd, which was then a newly set up company to manage, among others, marine vessels inspection and port logistics business within the PETRONAS group, as a Finance and Administrative Manager. He spearheaded the start-up of the company and was responsible for various departments namely accounting, finance, treasury and human resource, during which he supervised the accounting and finance functions of PETRONAS Group's port logistics companies such as Sungai Udang Port Sdn Bhd and Kertih Port Sdn Bhd.

In 1995, he joined Malakoff Berhad a company which was listed on the Kuala Lumpur Stock Exchange (now known as Bursa Securities) which operations include power generation and plantation, as a Senior Manager. He was eventually made the General Manager of the Finance Division within six months of joining Malakoff Berhad. He was responsible for the financial affairs of the Malakoff Berhad group which include compliance with the reporting and regulatory requirements under Bursa Securities and the SC. He was also responsible for the financial affairs of the Segari power plant construction project during his time at Malakoff Berhad.

He joined KPMG in 1999 as a Director in the Assurance and Audit Division before becoming a Principal in the Assurance Division in October 2001 focusing on audit functions. He was made a Partner from August 2006 until his retirement in December 2015.

Throughout his career, he has been involved in various special assignments that include review of profit and cash flow forecasts, due diligence review, share valuations, corporate restructuring and reporting accountant on various flotation and initial public offerings. Apart from that, he was a speaker at the Ministry of Finance Directors Training Series II "Roles and Responsibilities of Board Committees" in January 2010. He is also a member of the Malaysian Accounting Standards Board Working Group 59 (Operating Segments) and a member of Malaysian Accounting Standards Board Working Group 58 (Management Commentary).

He has been an Independent and Non-Executive Director of Malaysian Resources Corporation Berhad since January 2016. He also sits on the board of a private limited company in Malaysia.

For further details on principal business activities performed by Hasman Yusri Bin Yusoff as at the LPD and his directorships outside of our Group, please refer to Section 9.1.3 of this Prospectus.

9.1.2 Shareholding of our Directors in our Company

The following table sets forth the direct and indirect shareholding of our Directors before and after our IPO based on our Register of Directors' Shareholdings as at the LPD (assuming full subscription of the IPO Shares allocated to the Eligible Persons under the IPO):

	Before our IPO				After our IPO[1]			
	Direct		Indirect		Direct		Indirect	
Director	No. of Shares	%	No. of Shares	%	No. of Shares	%[2]	No. of Shares	%[2]
Dato' Mohamed Nor	-	-	-	-	-	-	-	-
Hj. Abdul Kadier	307,974,400	28.96	-	-	296,692,900	22.22	-	-
Dato' Awang Daud	196,389,500	18.46	-	-	189,195,500	14.17	-	-
Dato' Karim	388,315,600	36.51	-	-	374,091,100	28.02	-	-
Sharifah Irina	-	-	-	-	-	-	-	-
Tengku Dato' Seri Hasmuddin	-	-	-	-	-	-	-	-
Hasman Yusri Bin Yusoff	-	-	-	-	-	-	-	-

Notes:

(1) Excluding Shares they may subscribe under the Malaysian Public's portion pursuant to the Retail Offering.

(2) Based on our enlarged issued and paid-up share capital of 1,335,000,000 Shares after our IPO, assuming the over-allotment option is not exercised.

9.1.3 Principal business activities performed outside our Group and principal directorship of our Directors

The principal business activities outside of our Group performed by our Directors as at the LPD and the directorships of our Directors outside of our Group as at the LPD and in the past five years preceding the LPD are as follows:

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohamed Nor	*Present directorships*:		
	• CTCI Malaysia Sdn Bhd	• Contract works for level 1 EPCC type of contract works and the Malaysian office functions as the marketing outfit	
	• Hi-Essence Cable Sdn Bhd	• Traders, dealers, suppliers, importers and exporters of industrial product as wire and cable	• Shareholder with 70.00% equity interest
	• Ladangku Maju Sdn Bhd	• Agriculture and aquaculture	• Shareholder with 40.00% equity interest
	• MYE Technologies Sdn Bhd	• Oil and petroleum engineering facility management services	• Shareholder with 37.50% equity interest
	• Sumber Mampu Sdn Bhd	• Investment holding	• Shareholder with 30.00% equity interest
	• ZM Global Land Sdn Bhd	• Telecommunication services and general trading	• Shareholder with 33.75% equity interest
	Previous directorship:		
	• Dialog Plant Services Sdn Bhd *(Resigned on 1 October 2012)*	• Provision of EPCC services, provision of plant turnaround and specialist maintenance work, bolting and on site flange face machining services and tensioning equipment	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Hj. Abdul Kadier	*Present directorships*:		
	• Agri Armada Sdn Bhd	• Non trading[3]	• Shareholder with 8.00% equity interest
	• Aimark Sdn Bhd *(Dissolved)*	• Dormant	• Shareholder with 45.00% equity interest
	• Asas Cahaya Sdn Bhd	• Dormant	• Shareholder with 30.00% equity interest • Manager
	• Dubs Holdings Sdn Bhd	• General trading	
	• Eminent Mark Sdn Bhd *(Winding-up)*[2]	• Ceased operation	• Shareholder with 12.00% equity interest
	• Emirtech Network Sdn Bhd	• Business as investment holding company, general merchants, traders, suppliers, manufacturers, general merchandise of all kinds and description	• Shareholder with 21.00% equity interest
	• Kadier Enterprise Sdn Bhd *(Striking-off)*[1]	• Maintenance of work for grass cutting and cleaning of drain and culvert	• Shareholder with 50.00% equity interest
	• Lidon Access Engineering Sdn Bhd *(Dissolved)*	• Dormant	
	• Megawaja Logistics & Supply Sdn Bhd *(Striking-off)*[1]	• Providing bus transportation	• Shareholder with 50.00% equity interest
	• Mutiara Sarawak Sdn Bhd	• Dormant	• Shareholder with 18.00% equity interest
	• Rimbunga Raya Sdn Bhd	• Nursery	• Shareholder with 40.00% equity interest

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Hj. Abdul Kadier *(Cont'd)*	*Previous directorships*:		
	• Alsim Alarko (Sarawak) Sdn Bhd *(Striking-off)*[1]	• Power plant construction engineers and electrical engineers	
	• Alstrong Corporation Sdn Bhd *(Dissolved)*	• Dormant	• Shareholder with 25.00% equity interest
	• Bukit Raja Enterprise Sdn Bhd *(Dissolved)*	• General contractor-housing & timber	
	• Cariwood Timur Sdn Bhd *(Dissolved)*	• Marketing of timber	• Shareholder with 10.00% equity interest
	• Cashold Resources Sdn Bhd *(Dissolved)*	• General traders	
	• Epstar Sdn Bhd *(Dissolved)*	• Transportation	• Shareholder with 9.00% equity interest
	• Exeprimes (M) Sdn Bhd *(Dissolved)*	• Dormant	
	• Gabungan Kontraktor Bintulu Sdn Bhd *(Dissolved)*	• General contractor, timber and housing	• Shareholder with 33.33% equity interest
	• Intrapadu Sdn Bhd *(Dissolved)*	• General trading	
	• Istiwira Sdn Bhd *(Dissolved)*	• General trading and timber merchants	
	• Kehutanan Sentiasa Sdn Bhd *(Winding-up)*[2]	• Dormant	
	• Megawaja Medical Centre Sdn Bhd *(Dissolved)*	• Provide hospital, clinics, pharmacies, doctors, nurses, consultants, medical apparatus	• Shareholder with 33.33% equity interest
	• Megawaja Sdn Bhd *(Dissolved)*	• Non-trading	• Shareholder with 25.00% equity interest
	• Winilist Sdn Bhd *(Striking-off)*[1]	• General trading	• Shareholder with 28.56% equity interest • Manager

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Awang Daud	*Present directorships:*		
	• A R Global Marketing and Services Sdn Bhd	• Provision of consultancy services, general trading, and the operation of educational and child care centre	
	• D'Lloyd Technologies Ltd	• Business support services activities	
	• Emirtech International Limited	• Business of processing, mixing, packing, distributorship, agency, broker, stockiest, importer and otherwise dealing with food and drinking products, and other consumable provision for human consumption	
	• Emirtech Network Sdn Bhd	• Business as investment holding company, general merchants, traders, suppliers, manufacturers, general merchandise of all kinds and description	• Shareholder with 16.00% equity interest
	• One River Power Sdn Bhd	• Development and/or operation of power generation from small and mini hydropower, and other renewable energy sources and any business related to power generation projects	

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Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Awang Daud *(Cont'd)*	*Present directorships (Cont'd):*		
	• SD Associates Venture	• Investment services, property investment, buyers, seller, importers, exporters, manufacture, producers, dealers, buying or selling commission agents and otherwise deals in goods, merchandise, commodities, plant and machinery	• Shareholder with 22.00% equity interest
	Previous directorship:		
	• SD Associates Consult Sdn Bhd *(Resigned on 28 February 2012)*	• Providing manpower and technical service	
Dato' Karim	*Present directorships:*		
	• AR Global Marketing and Services Sdn Bhd	• Provision of consultancy services, general trading, and the operation of educational and child care centre	
	• Blackseed Dynamic Sdn Bhd	• Advisory outfit services, consultancy services, event management and related services	
	• D'Lloyd Technologies Ltd	• Business support services activities	
	• Emirtech Glassflake Sdn Bhd	• Business in painting, coating and blasting	• Shareholder with 10.00% equity interest
	• Emirtech International Limited	• Business of processing, mixing, packing, distributorship, agency, broker, stockiest, importer and otherwise dealing with food and drinking products, and other consumable provision for human consumption	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Karim *(Cont'd)*	*Present directorships (Cont'd):*		
	• Emirtech Network Sdn Bhd	• Business as investment holding company, general merchants, traders, suppliers, manufacturers, general merchandise of all kinds and description	• Shareholder with 63.00% equity interest
	• Emirtech Technologies Sdn Bhd	• Provision of non-destructive testing ("**NDT**") services, professional manpower, failure analysis/quality assurance and quality control	
	• Klinik Dinamik Sdn Bhd	• Providing medical services	• Shareholder with 40.00% equity interest
	• Ladangku Maju Sdn Bhd	• Agriculture and aquaculture	
	• Rosegate Insurance Brokers Sdn Bhd	• Licensed insurance broker	
	• SD Associates Consult Sdn Bhd	• Providing manpower and technical services	
	• SD Associates Sdn Bhd	• To engage and provide engineering consultancies business, specialise in the field of development cycle for O&G, chemical plant and manufacturing industries	• Shareholder with 49.00% equity interest
	• SD Associates Venture	• Investment services, property investment, buyers, seller, importers, exporters, manufacture, producers, dealers, buying or selling commission agents and otherwise deals in goods, merchandise, commodities, plant and machinery	• Shareholder with 43.50% equity interest

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Karim *(Cont'd)*	*Present directorships (Cont'd):*		
	• SD Impex Sdn Bhd	• Food and beverage business	• Shareholder with 10.00% equity interest
	• SD Resource Development Sdn Bhd	• Providing solutions and services related to web-technologies, internet and e-commerce and business of providing placement and recruiting and other services in connection with manpower supply	
	• Serba Engineering Sdn Bhd	• Dormant	• Shareholder with 9.00% equity interest
	Previous directorship:		
	• Metalspray (Malaysia) Sdn Bhd *(Dissolved)*	• Dormant	
Sharifah Irina	*Present directorship*:		
	• Amaryz Resources Sdn Bhd	• Export and import of a variety of goods without any particular specialisation • Other management consultancy activities • Activities of holding companies	• Shareholder with 50.00% equity interest
Tengku Dato' Seri Hasmuddin	*Present directorships*:		
	• Ageless Frontier Sdn Bhd	• To act as merchants, general traders, commission agents, carriers, or in any other capacity, in Malaysia or elsewhere, and to import, export, buy, sell, barter, exchange, pledge, make advances upon, or otherwise deal in goods, produce, articles and merchandise	• Shareholder with 99.9995% equity interest

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tengku Dato' Seri Hasmuddin *(Cont'd)*	*Present directorships (Cont'd):*		
	• Aliran Ihsan Resources Berhad	• Investment holding and property investment	
	• Bank Muamalat Malaysia Berhad	• Islamic banking business and related financial services	
	• Cahaya Arif Sdn Bhd	• Dormant	• Shareholder with 60.00% equity interest
	• HSK Corporate Advisory and Consultancy Sdn Bhd	• Consultancy	• Secretary • Shareholder with 33.778% equity interest
	• ICCI Holdings Sdn Bhd	• Investment holding	• Shareholder with 0.001% equity interest
	• IJN Holdings Sdn Bhd	• Investment holding and management services	
	• Institut Jantung Negara Sdn Bhd	• National referral centre for cardiology and cardiothoracic diseases and to provide diagnostic, medical and surgical services	
	• IQKL Sdn Bhd	• Institution centre	• Shareholder with 33.334% equity interest
	• Kemilau Simfoni Sdn Bhd	• To prospect, explore, develop, work, claim or mines, drill and sink shafts or wells and raise, pump, dig, and quarry for treasure, antiquities, mineral, ores, precious etc	• Shareholder with 20.00% equity interest
	• Kutekwa Motor Corporation (M) Sdn Bhd	• General trading	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tengku Dato' Seri Hasmuddin *(Cont'd)*	*Present directorships (Cont'd):*		
	• Lingkaran Ganda Sdn Bhd	• Merchants, general traders, commission agents, carriers, or in any other capacity, in Malaysia or elsewhere, and to import, export, buy, sell, barter, exchange, pledge, make advances upon, or otherwise deal in goods, produce, articles and merchandise	• Shareholder with 50.00% equity interest
	• LNV Solutions (M) Sdn Bhd	• Information and communication technology related business	• Shareholder with 24.99975% equity interest
	• Mercu Bio Solution Sdn Bhd	• Dormant	• Shareholder with 10.00% equity interest
	• Rangkaian Hotel Seri Malaysia Sdn Bhd	• Development of hotels and ownership of a hotel franchise system	
	• Sabadilla Corporation Sdn Bhd	• Dormant	• Secretary • Shareholder with 0.0003% equity interest
	• Sabadilla Resources Sdn Bhd	• General trading	• Shareholder with 50.00% equity interest
	• Seri Menanti Valley Farm Sdn Bhd	• General trading	• Shareholder with 29.9998% equity interest
	• Southern Water Corporation Sdn Bhd	• Investment holding; • Water treatment, rehabilitation of water treatment plants • Construction water works	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tengku Dato' Seri Hasmuddin *(Cont'd)*	*Present directorships (Cont'd):*		
	• Southern Water Engineering Sdn Bhd	• Water treatment specialist, operation and maintenance and provision of services related to water treatment and equipment	
	• Teratas Dagang Sdn Bhd	• Building construction	
	• Tinta Kemilau Sdn Bhd	• To carry on business and to act as merchants, general traders, commission agents, carriers, or in any other capacity, in Malaysia or elsewhere, and to import, export, buy, sell, barter, exchange, pledge, make advances upon, or otherwise deal in goods, produce, articles and merchandise	• Shareholder with 99.9995% equity interest
	• Tuanku Najihah Foundation	• Charitable organisation	• Trustee
	• Wonder Vector Sdn Bhd	• Merchants, general traders, commission agents, carriers	
	Previous directorships:		
	• Albaraka Samaha Sdn Bhd *(Dissolved)*	• Dormant	
	• Dallah al Baraka (Malaysia) Holdings Sdn Bhd *(Dissolved)*	• Investment holding; • Providing investment advisory services • Provision of development finance and other credit finance in accordance with Islamic principles	
	• Dasar Rapi Sdn Bhd *(Dissolved)*	• General trading	
	• Dusin Enterprise (M) Sdn Bhd *(Dissolved)*	• Manufacturing other chemical products	• Secretary
	• ESR (Malaysia) Sdn Bhd *(Dissolved)*	• Science related services to the environmental and heath sectors	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tengku Dato' Seri Hasmuddin *(Cont'd)*	*Previous directorships (Cont'd):*		
	• Hikal Enterprise (M) Sdn Bhd *(Dissolved)*	• Dormant	• Shareholder with 50.00% equity interest
	• HSK Corporate and Secretarial Services Sdn Bhd *(Dissolved)*	• Provide secretarial services	• Shareholder with 17.00% equity interest
	• Kajikimia Konsortium Berhad *(Dissolved)*	• Provide professional scientific services	
	• Lambaian Gemilang Sdn Bhd *(Striking-off)*[1]	• Dormant	
	• Maiden Properties Sdn Bhd *(Winding-up)*[2]	• Investment holding	• Shareholder with 50.00% equity interest
	• Prospek Infra Sdn Bhd *(Dissolved)*	• Dormant	• Shareholder with 50.00% equity interest
	• Rich Data Gallery Sdn Bhd *(Striking-off)*[1]	• Investment holding	• Shareholder with 0.0013% equity interest
	• RUSD-MIDF Asset Management Sdn Bhd *(Dissolved)*	• Dormant	
	• Sabadilla Ventures Sdn Bhd *(Striking-off)*[1]	• Investment holding	• Shareholder with 50.00% equity interest
	• Selasih Impian Sdn Bhd *(Dissolved)*	• Dormant	• Shareholder with 50.00% equity interest
	• TJNP Teknologi Sdn Bhd *(Striking-off)*[1]	• To develop, facilitate and implement information technology and multimedia applications • To develop, facilitate, implement and carry on the business of electronic commerce • Investment	• Shareholder with 50.00% equity interest

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tengku Dato' Seri Hasmuddin *(Cont'd)*	*Previous directorships (Cont'd):*		
	• Turbo Alliance (M) Sdn Bhd *(Dissolved)*	• General trading	
	• Turkumal Corporation (M) Sdn Bhd *(Dissolved)*	• Dormant	• Shareholder with 50.00% equity interest
	• Upstream Summit Sdn Bhd *(Resigned on 20 April 2016)*	• General merchants, traders, suppliers, exporters, storekeepers, removers, packers, manufactured or raw state • Providing information technology related products, services, web/internet, electronic card, designing, installing, e-commerce, software • Fly ash management, green technology solutions	
	• Worldwide Infosystems (M) Sdn Bhd *(Dissolved)*	• IT R&D activities and provide consulting services in the fields of it computer hardware and software	
Hasman Yusri Bin Yusoff	*Present directorships*:		
	• Agrifood Resources Holdings Sdn Bhd	• Investment holding	
	• Malaysian Resources Corporation Berhad	• Principally an investment holding company. It also engages in construction related activities, environmental engineering, property development, property investment and provision of management services to its subsidiaries	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Hasman Yusri Bin Yusoff *(Cont'd)*	*Present directorships (Cont'd)*: • Melati Unggul Sdn Bhd *(Dissolved)*	• General trading	• Shareholder with 49.9998% equity interest

Notes:

(1) The company is in the process of being struck off under Section 308 of the Act.

(2) The company is in the process of being wound up under Section 257 of the Act.

(3) The company has not been trading since its incorporation in October 2007.

9.1.4 Involvement of our Executive Directors in other businesses or corporations

Our Board is of the opinion that the involvement of our Executive Directors namely Dato' Karim and Dato' Awang Daud in the businesses and/or corporations outside of our Group will not affect their commitments, contributions and responsibilities to our Group and is not expected to affect the operations of our Group in view that the directorship of these Executive Directors in these business and corporations outside our Group is required mainly for attendance at the respective board of directors' meetings, which do not require a significant amount of their time. Further, the daily operations of these companies are managed by their respective key management personnel of the respective companies. Dato' Karim and Dato' Awang Daud have and will continue to ensure that they would be able to fulfil and discharge their respective duties and responsibilities in our Group effectively.

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9.1.5 Interest of our Directors in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers and/or suppliers

Save as disclosed below and in Section 4.4 and Section 11.1.2 of this Prospectus, respectively, as at the LPD, none of our Directors have any interest, direct or indirect, in other businesses or corporations which are: (i) carrying on a similar trade as that of our Group; or (ii) our customers and/or suppliers.

Director	Businesses/Corporations	Nature of interest
Dato' Mohamed Nor	*Company with similar business:* • CTCI Malaysia Sdn Bhd *Business activities:* Contract works	• Director
Hj. Abdul Kadier	*Company that is our supplier/ customer:* • Emirtech Glassflake Sdn Bhd *Business activities:* Manufacturing, trading and application services in coatings and chemical products	• Emirtech Network Sdn Bhd has 45.00% direct equity interest[1]
	Company that is our supplier/ customer: • SD Associates Consult Sdn Bhd *Business activities:* Providing manpower and technical services	• SD Associates Venture Sdn Bhd has 58.50% direct equity interest[2]
	Company that is our supplier/ customer: • SD Impex Sdn Bhd *Business activities:* Food and beverage business	• SD Associates Venture Sdn Bhd has 54.60% direct equity interest[2]
	Company that is our supplier/ customer: • D'Lloyd Technologies Ltd *Business activities:* Other business support service activities	• Emirtech Network Sdn Bhd has 95.00% direct equity interest[1]
	Company that is our supplier/ customer: • SD Resource Development Sdn Bhd *Business activities:* Providing solutions and services related to web-technologies, internet and e-commerce and business of providing placement and recruiting and other services in connection with manpower supply	• SD Associates Venture has 80.00% direct equity interest[2]

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Businesses/Corporations	Nature of interest
Hj. Abdul Kadier *(Cont'd)*	*Company that is our supplier/ customer:* • SD Associates Venture *Business activities:* Investment services, property investment, buyers, seller, importers, exporters, manufacture, producers, dealers, buying or selling commission agents and otherwise deals in goods, merchandise, commodities, plant and machinery	• Hj. Abdul Kadier has 34.50% direct equity interest
Dato' Awang Daud	*Company that is our supplier/ customer:* • D'Lloyd Technologies Ltd *Business activities:* Other business support service activities	• Director • Emirtech Network Sdn Bhd has 95.00% direct equity interest[1]
	Company that is our supplier/ customer: • Emirtech Glassflake Sdn Bhd *Business activities:* Manufacturing, trading and application services in coatings and chemical products	• Emirtech Network Sdn Bhd has 45.00% direct equity interest[1]
	Company that is our supplier/ customer: • SD Associates Consult Sdn Bhd *Business activities:* Providing manpower and technical services	• SD Associates Venture Sdn Bhd has 58.50% direct equity interest[2]
	Company that is our supplier/ customer: • SD Impex Sdn Bhd *Business activities:* Food and beverage business	• SD Associates Venture Sdn Bhd has 54.60% direct equity interest[2]
	Company that is our supplier/ customer: • SD Resource Development Sdn Bhd *Business activities:* Providing solutions and services related to web-technologies, internet and e-commerce and business of providing placement and recruiting and other services in connection with manpower supply	• SD Associates Venture has 80.00% direct equity interest[2]

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Businesses/Corporations	Nature of interest
Dato' Awang Daud *(Cont'd)*	*Company that is our supplier/ customer:* • SD Associates Venture *Business activities:* Investment services, property investment, buyers, seller, importers, exporters, manufacture, producers, dealers, buying or selling commission agents and otherwise deals in goods, merchandise, commodities, plant and machinery	• Director • Dato' Awang Daud has 22.00% direct equity interest
Dato' Karim	*Company with similar business:* • SD Associates Sdn Bhd *Business activities:* • To engage and provide engineering consultancies business, specialise in the field of development cycle for O&G, chemical plant and manufacturing industries	• Director • Dato' Karim has 49.00% direct equity interest
	Company that is our supplier/ customer: • SD Resource Development Sdn Bhd *Business activities:* Providing solutions and services related to web-technologies, internet and e-commerce and business of providing placement and recruiting and other services in connection with manpower supply	• Director • Datin Nur Aisyah has 20.00% direct equity interest[3] • SD Associates Venture has 80.00% direct equity interest[2]
	Company that is our supplier/ customer: • D'Lloyd Technologies Ltd *Business activities:* Other business support service activities	• Director • Emirtech Network Sdn Bhd has 95.00% direct equity interest[1]
	Company that is our supplier/ customer: • Emirtech Glassflake Sdn Bhd *Business activities:* Manufacturing, trading and application services in coatings and chemical products	• Director • Emirtech Network Sdn Bhd has 45.00% direct equity interest[1] • Dato' Karim has 10.00% direct equity interest
	Company that is our supplier/ customer: • SD Associates Consult Sdn Bhd *Business activities:* Providing manpower and technical services	• Director • SD Associates Venture Sdn Bhd has 58.50% direct equity interest[2]

Director	Businesses/Corporations	Nature of interest
Dato' Karim *(Cont'd)*	*Company that is our supplier/ customer:* • SD Impex Sdn Bhd *Business activities:* Food and beverage business	• Director • SD Associates Venture Sdn Bhd has 54.60% direct equity interest[2] • Datin Nur Aisyah has 10.00% direct equity interest[3] • Dato' Karim has 10.00% direct equity interest
	Company that is our supplier/ customer: • SD Associates Venture *Business activities:* Investment services, property investment, buyers, seller, importers, exporters, manufacture, producers, dealers, buying or selling commission agents and otherwise deals in goods, merchandise, commodities, plant and machinery	• Director • Dato' Karim has 43.50% direct equity interest

Notes:

(1) *Deemed interested by virtue of interest in Emirtech Network Sdn Bhd pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of interest in SD Associates Venture pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of interest of his spouse, Datin Nur Aisyah, pursuant to Section 134(2)(c) of the Act.*

Our Directors are of the view that the interests of Hj. Abdul Kadier, Dato' Awang Daud and Dato' Karim in other businesses and corporations which carry on similar trade as that of our Group or which are our customers and/or suppliers, do not compete directly with our Group's business on the basis of the following:

(i) SD Impex Sdn Bhd

The principal activity of SD Impex Sdn Bhd is food and beverages. SD Impex Sdn Bhd provides catering services to our Group. SD Impex Sdn Bhd is not a major supplier to our Group and neither is our Group dependant on SD Impex Sdn Bhd for their services for the operations of our Group. Any transaction entered into by our Group which involves the interests of our Directors requires that the transaction is to be carried out at arm's length basis and on normal commercial terms.

Further, Hj. Abdul Kadier, Dato' Awang Daud and Dato' Karim are not involved in the day-to-day activities and operations of SD Impex Sdn Bhd and hence, their involvement in SD Impex Sdn Bhd does not affect their contribution to our Group or negatively impact their ability to act in their position in our Group. They have and will continue to ensure that they would be able to fulfil and discharge their respective duties and responsibilities in our Group effectively.

(ii) D'Lloyd Technologies Ltd

The principal activity of D'Lloyd Technologies Ltd is, among others, other business support services activities. In 2014, D'Lloyd Technologies Ltd acted as a purchasing agent in the UK to purchase equipment for our Group. It does not carry out the same principal activities as our Group. For further details on the transaction on the purchase of equipment, please refer to Section 11.1.2 of this Prospectus. D'Lloyd Technologies Ltd is not a major supplier to our Group and neither is our Group dependant on D'Lloyd Technologies Ltd for their services for the operations of our Group. Any transaction entered by our Group which involves the interests of our Directors requires that the transaction is to be carried out at arm's length basis and on normal commercial terms.

Further, Dato' Karim and Dato' Awang Daud both have undertaken to not pursue any business of similar nature upon completion of the current business undertakings of D'Lloyd Technologies Ltd.

In addition, Dato' Awang Daud and Dato' Karim are not involved in the day-to-day activities and operations of D'Lloyd Technologies Ltd and hence, their involvement in D'Lloyd Technologies Ltd does not affect their contribution to our Group or negatively impact their ability to act in their position in our Group. They have and will continue to ensure that they would be able to fulfil and discharge their respective duties and responsibilities in our Group effectively.

(iii) SD Associates Sdn Bhd

The principal activity of SD Associates Sdn Bhd is among others, engineering consultancies business and specialisation in the field of development cycle for oil and gas, chemical plant and manufacturing industries. The main activity carried out by SD Associates Sdn Bhd, which is engineering consultancy, can be distinguished from our Group's activities which are the provision of O&M services as MRO and IRM specialist and EPCC. To this extent, SD Associates Sdn Bhd is registered with the Board of Engineers Malaysia and the board directors of SD Associates Sdn Bhd consist of qualified engineers who are registered with the Board of Engineers Malaysia. Our Group is not registered with the Board of Engineers Malaysia and as such, our business activities and expertise differ from that of SD Associates Sdn Bhd.

Apart from the above, SD Associates Sdn Bhd is also not considered to be in direct competition to our Group's activities as SD Associates Sdn Bhd is involved in providing purely engineering work and engineering consultancy services to the oil and gas, chemical plant, Front End Engineering Design ("**FEED**") and pre-FEED, and manufacturing industries.

Further, Dato' Karim is not involved in the day-to-day activities and operations of SD Associates Sdn Bhd and hence, his involvement in SD Associates Sdn Bhd does not affect his contribution to our Group or negatively impact his ability to act in his position in our Group. He has and will continue to ensure that he would be able to fulfil and discharge his respective duties and responsibilities in our Group effectively.

(iv) CTCI Malaysia Sdn Bhd

The principal activity of CTCI Malaysia Sdn Bhd is contract works which include first tier EPCC works. The main activity carried out by CTCI Malaysia Sdn Bhd can be distinguished from our Group's activities, as we do not participate in initial design or first tier EPCC works nor do we have the intention at this juncture to undertake initial design or first tier EPCC works given that we do not have the capacity and capabilities to undertake such works at this point of time or in the near future. Any undertaking by our Group to carry out such activities would not be possible without first expending additional cost to equip our Group with the expertise, support and infrastructure. As such, CTCI Malaysia Sdn Bhd is not in direct competition with us due to nature of the works undertaken by CTCI Malaysia Sdn Bhd.

In the long term, should our Group participate in initial design or first tier EPCC works which may give rise to any situation of conflict of interest or if Dato' Mohamed Nor is prejudiced or unable to discharge his fiduciary duty to act in the best interest of the Group accordingly, he will need to abstain from deliberations and voting by the board on the matters that gave rise to such conflict of interest. In this respect, Dato' Mohamed Nor undertakes to inform the Board should any such situation of conflict of interest arises. In addition, our Audit and Risk Committee will also review such conflict of interest situation that may arise within our Company or Group including such transaction, procedure or course that raises questions of management integrity. Our Audit and Risk Committee will also ensure that any such transactions are carried out on terms that are not detrimental to our Group.

Further, Dato' Mohamed Nor is a non-executive director of CTCI Malaysia Sdn Bhd and he is not involved in the day-to-day activities and operations of CTCI Malaysia Sdn Bhd and hence, his involvement in CTCI Malaysia Sdn Bhd does not affect his contribution to our Group or negatively impact his ability to act in his position in our Group. He has and will continue to ensure that he would be able to fulfil and discharge his respective duties and responsibilities in our Group effectively.

(v) SD Associates Venture

The principal activity of SD Associates Venture is among others, property investments, buying and selling commission agents, plant and machinery. It does not carry out the same principal activities as our Group. For further details on the transaction on the purchase of equipment, please refer to Section 11.1.2 of this Prospectus. SD Associate Venture is not a major supplier to our Group and neither is our Group dependant on SD Associate Venture for their services for the operations of our Group. Any transaction entered by our Group which involves the interests of our Directors requires that the transaction is to be carried out at arm's length basis and on normal commercial terms.

Further, Hj. Abdul Kadier, Dato' Awang Daud and Dato' Karim are not involved in the day-to-day activities and operations of SD Associates Venture Sdn Bhd and hence, their involvement in SD Associates Venture Sdn Bhd does not affect their contribution to our Group or negatively impact their ability to act in their position in our Group. They have and will continue to ensure that they would be able to fulfil and discharge their respective duties and responsibilities in our Group effectively.