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**4. INFORMATION ON THE TANJUNG GROUP**

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**4.1 History And Development Of The Tanjung Group**

Tanjung was incorporated in Malaysia under the Act on 11 August 2004 as a public company. It is principally an investment holding company, whilst its subsidiaries and associated company are principally involved in the provision of integrated services to the oil and gas and related industries in Malaysia, which comprises the provision of engineering equipment and spare parts, marine services, maintenance services and other support services.

The business first commenced with the incorporation of TOS which commenced operations in March 1990. TOS was then mainly involved with a Norwegian offshore drilling contractor namely, Odjfell Drilling & Consulting Co. for contract drilling of exploratory and development wells in East Malaysia.

In a conscious effort to provide more comprehensive services to the oil and gas industry, the Group expanded its business to include supply of equipment and spare parts in the mid-1990s. In 1994, the Group secured the exclusive agency for the OEM compressors from EBARA which granted Tanjung the exclusive right to sell and distribute EBARA's range of compressors in Malaysia. Since then, it had secured other exclusive agencies for a wide range of engineering equipment and parts such as compressors, turbines, pumps and control valves in Malaysia.

The Group commenced its marine support services in May 1995 by securing a contract from Carigali Triton Operating Company Sdn Bhd, for the charter of an anchor handling tug supply vessel. Since then, the Group has expanded its fleet of vessels, with the latest being the acquisition of MV Tanjung Jara in 2003, a vessel equipped with modern equipment and facilities for anchor handling, tug boat and supply services. The vessel has since been servicing ExxonMobil based on a long term contract. In addition to two (2) other leased vessels, Tanjung is currently commissioning another two (2) new vessels in anticipation of increasing demand for local marine service providers and has immediate plans to commission up to four (4) units of offshore support vessels.

On 24 May 1996, TMS was incorporated to provide other support services to the oil and gas industry such as manpower, maintenance and repair works on oil and gas platforms and onshore plants. As various PSCs within Malaysia approach maturity, the management of Tanjung envisages that there is a growing need for various maintenance and repair works to be carried out for the oil and gas platforms. Hence, the set up of the Tanjung Group's operation centre in Teluk Kalong and support centres at the Kemaman Supply Base in Terengganu and Miri, Sarawak was timely. The operation centre and support services had and would continue to enable the Tanjung Group to provide efficient and effective services to the abovementioned oilfield operators in the long term.

To further enhance the provision of other support services of the Tanjung Group, the Company has also on 20 December 2004 set up a new support centre in Manjung, Perak to provide various support services to the Royal Malaysian Navy and power generation plants situated within the vicinity.

Todate, the Tanjung Group has grown to become a reputable integrated oil and gas service provider within the Malaysian oil and gas industry. It holds all the necessary licences issued under PETRONAS and other authorities, and has continuously secured various contracts from oilfield operators in Malaysia including, amongst others, Petronas Carigali, Petronas Gas, Petronas Dagangan, Petronas Penapisan, BASF Petronas Chemicals, ExxonMobil, Sarawak Shell, Sabah Shell, Talisman and Murphy Oil.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.2 Share Capital And Changes In Share Capital**

The present authorised share capital of Tanjung is RM50,000,000 comprising 100,000,000 Tanjung Shares. The issued and fully paid-up share capital of Tanjung as at 28 April 2005 is RM32,000,000 comprising 64,000,000 Tanjung Shares.

Details of the changes in the issued and fully paid-up share capital of the Company since its incorporation are as follows:-

Date	No. Of Tanjung Shares	Par Value (RM)	Consideration	Cumulative Issued And Fully Paid-Up Share Capital (RM)
11.08.04	200	0.50	Subscribers' Shares	100
08.03.05	36,422,936	0.50	Shares issued in consideration for the Acquisition of TOS at par	18,211,568
28.04.05	27, 576,864	0.50	Rights Issue of 27,576,864 new ordinary shares of RM0.50 each at par	32,000,000

**4.3 Listing Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and fully paid-up share capital of Tanjung on the Second Board of Bursa Securities, Tanjung undertook the Listing Scheme which involved the following: -

**4.3.1 Acquisition of TOS**

On 11 October 2004, Tanjung entered into a conditional Share Sale Agreement with the vendors of TOS for the acquisition of the entire equity interest in TOS, comprising 7,500,000 ordinary shares of RM1.00 each, for a purchase consideration of RM18,211,468, satisfied wholly by the issuance of 36,422,936 new ordinary shares of RM0.50 each in Tanjung, credited as fully paid-up, at an issue price of RM0.50 per share. The Acquisition of TOS was completed on 8 March 2005.

The vendors of TOS, their respective shareholdings therein and the number of new Tanjung Shares issued to them pursuant to the Acquisition of TOS are as follows:-

Vendors	Shareholdings in TOS prior to the Acquisition of TOS		No. of new Tanjung Shares issued as consideration
	No. of shares held	% held	
Omar Bin Khalid	5,625,000	75	27,317,202
Abdullah Bin Hashim	1,875,000	25	9,105,734
	<b>7,500,000</b>	<b>100</b>	<b>36,422,936</b>

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

The purchase consideration of RM18,211,468 for the Acquisition of TOS was agreed upon on a willing-buyer willing-seller basis after taking into consideration the audited NTA of RM18,211,468 as at 30 June 2004.

The 36,422,936 new Tanjung Shares issued pursuant to the Acquisition of TOS rank pari passu in all respects with the existing ordinary shares of Tanjung and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

Upon completion of the Acquisition of TOS on 8 March 2005, the issued and fully paid-up share capital of Tanjung increased from RM100 comprising 200 ordinary shares of RM0.50 each to RM18,211,568 comprising 36,423,136 ordinary shares of RM0.50 each.

##### 4.3.2 Acquisition of TKS

On 11 October 2004, Tanjung had also entered into a conditional Share Sale Agreement with TOS for the acquisition of the entire equity interest in TKS, comprising 2 ordinary shares of RM1.00 each, for a purchase consideration of RM2 satisfied in whole by a cash payment of RM2.00 to TOS, subsequent to the completion of the Acquisition of TOS. The Acquisition of TKS was completed on 8 March 2005.

The purchase consideration of RM2.00 for the Acquisition of TKS was agreed upon on a willing-buyer willing-seller basis after taking into consideration the audited liability position of TKS of RM24,533 as at 30 June 2004.

##### 4.3.3 Rights Issue

Upon completion of the Acquisitions, Tanjung implemented a Rights Issue of 27,576,864 new Tanjung Shares at an issue price of RM0.50 per Tanjung Share on the basis of approximately three (3) new Tanjung Shares for every four (4) existing Tanjung Shares held.

The Rights Issue which was completed on 28 April 2005 resulted in the issued and paid up share capital of Tanjung being further increased from 36,423,136 Tanjung Shares to 64,000,000 Tanjung Shares.

##### 4.3.4 Public Issue

The Public Issue of 20,000,000 new ordinary shares, representing 23.80% of the enlarged issued and paid-up share capital of Tanjung, at an issue price of RM1.30 per Tanjung Share are payable in full upon application subject to the terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

**(i) Malaysian Public via balloting**

6,000,000 Public Issue Shares representing 7.14% of the enlarged issued and paid-up share capital of Tanjung will be made available for application by the Malaysian Public, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(ii) Selected Investors via Placement**

11,680,000 Public Issue Shares representing 13.90% of the enlarged issued and paid-up share capital of Tanjung will be placed out to selected investors who have been identified.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)****(iii) Eligible Employees and Directors of the Group**

2,320,000 Public Issue Shares representing 2.76% of the enlarged issued and paid-up share capital of Tanjung will be reserved for the eligible employees and Directors of the Group.

This portion of the Public Issue Shares has been allocated to 97 eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors:-

- (a) At least eighteen (18) years old;
- (b) Job position;
- (c) Length of service; and
- (d) Job performance.

Details of the Directors' pink form allocation are as follows:-

Name of Directors	Designation	Pink form allocation (No. of Shares)
Y.B. Senator Datuk Syed Ali Bin Tan Sri Syed Abbas Alhabshee	Independent Non-Executive Chairman	200,000
Hamidon Bin Md Khayon	Executive Director	150,000
Y.B. Haji Ab. Wahab Bin Haji Ibrahim	Independent Non-Executive Director	200,000
Edwane Cheah Bin Abdullah	Independent Non-Executive Director	200,000
<b>Total allocation to Directors</b>		<b>750,000</b>

**4.3.5 Offer For Sale**

In aggregate, the Offerors will offer for sale 9,400,000 Tanjung Shares, representing approximately 11.19% of the enlarged issued and fully paid-up share capital of Tanjung, at an offer price of RM1.30 per Tanjung Share by way of private placement to selected investors that have been identified.

In summary, the Public Issue Shares and the Offer Shares will be allocated and allotted in the following manner: -

	Public Issue		Offer For Sale	
	No. of Shares	%	No. of Shares	%
(a) Malaysian Public ( <i>via balloting</i> )	6,000,000	7.14	-	-
(b) Selected investors ( <i>via placement</i> )	11,680,000	13.90	9,400,000	11.19
(c) Eligible Directors and employees of the Group	2,320,000	2.76	-	-
	<b>20,000,000</b>	<b>23.80</b>	<b>9,400,000</b>	<b>11.19</b>

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

Based on the table above, all the Public Issue Shares available for application by the Malaysian Public and the eligible employees and Directors of the Group in (a) and (c) respectively have been fully underwritten. The IPO Shares available for application by selected investors in (b) are not underwritten. The Sole Placement Agent has received irrevocable undertakings from the selected investors to take up the IPO Shares available for their application.

Any portion of the Public Issue Shares which are not taken up by eligible employees and Directors of the Group in (c) will be made available for application by selected investors via placement. Any remaining Public Issue Shares not subscribed for will be made available for subscription by the Underwriters.

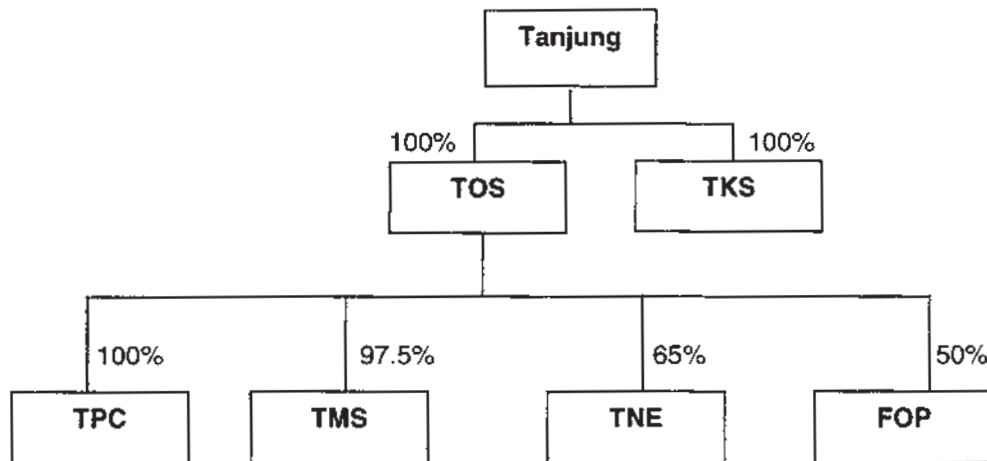
In the event of an under-subscription of the Malaysian Public portion of the Public Issue Shares in (a), the unsubscribed portion will be made available for application by selected investors via placement. Any remaining Public Issue Shares not subscribed for will be made available for subscription by the Underwriters.

##### 4.3.6 Listing Of And Quotation For Tanjung Shares

Tanjung has made an application to Bursa Securities for admission to the Official List, and the listing of and quotation for its enlarged issued and fully paid-up share capital on the Second Board of Bursa Securities.

#### 4.4 Group Structure

The corporate structure of Tanjung Group is set out below:-



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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

The details of the subsidiaries and associated company of Tanjung are as follows:-

<b>Company</b>	<b>Date And Place Of Incorporation</b>	<b>Issued And Fully Paid-Up Share Capital (RM)</b>	<b>Effective Equity Interest (%)</b>	<b>Principal Activity</b>
TOS	28.04.1983 Malaysia	7,500,000	100.0	Integrated service provider to the oil and gas and related industries.
TPC	17.10.1991 Malaysia	450,000	100.0	Provision of engineering and professional manpower services to the oil and gas and related industries.
TMS	24.05.1996 Malaysia	2,000,000	97.5	Provision of maintenance services to the oil and gas and related industries.
TNE	7.03.1997 Malaysia	100,000	65.0	Provision of project management services to the engineering and energy industries.
FOP	3.06.2003 Malaysia	USD 50,000	50.0	Ownership of vessel.
TKS	17.09.1994 Malaysia	2	100.0	Provision of ship management services to the oil and gas and related industries.

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.4.1 TOS****Background And Principal Activity**

TOS was incorporated as Alhabshee Corporation Sdn Bhd on 28 April 1983 in Malaysia under the Act as a private limited company. On 26 January 1989, the company changed its name to Rotary Engineers & Constructors (M) Sdn Bhd and assumed its present name on 13 February 1990.

TOS is principally an integrated service provider to the oil and gas and related industries. It commenced operations in 1983.

**Substantial Shareholders**

TOS is a wholly-owned subsidiary of Tanjung.

**Share Capital**

The authorised share capital of TOS is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital as at 15 April 2005 is RM7,500,000 comprising 7,500,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of TOS since its incorporation are as follows: -

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Total issued and paid-up capital (RM)</b>
28.04.83	4	1.00	Cash	4
10.02.84	18,996	1.00	Cash	19,000
01.08.84	30,000	1.00	Cash	49,000
05.02.90	51,000	1.00	Cash	100,000
27.07.92	61,000	1.00	Cash	161,000
05.06.97	239,000	1.00	Cash	400,000
17.12.99	900,000	1.00	Bonus Issue (2.25:1)	1,300,000
17.12.99	200,000	1.00	Cash	1,500,000
29.01.02	1,500,000	1.00	Bonus Issue (1:1)	3,000,000
02.10.02	2,000,000	1.00	Bonus Issue (2:3)	5,000,000
17.03.03	2,500,000	1.00	Bonus Issue (1:2)	7,500,000

**Subsidiary And Associated Companies**

TOS has three subsidiaries namely, TPC, TMS and TNE and an associate company, FOP. Details of the subsidiaries and associated company of TOS are set out in the ensuing pages.

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.4.2 TPC****Background And Principal Activity**

TPC was incorporated as IWB Engineering (M) Sdn Bhd on 17 October 1991 in Malaysia under the Act as a private limited company. On 27 February 1992, the company changed its name to IWB Consultants (M) Sdn Bhd and assumed its present name on 22 April 2003.

TPC is principally involved in the provision of engineering and professional manpower services to the oil and gas and related industries. It commenced operations in 1991.

**Substantial Shareholders**

TPC is a wholly-owned subsidiary of TOS.

**Share Capital**

The authorised share capital of TPC is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital as at 15 April 2005 is RM450,000 comprising 450,000 ordinary shares of RM1.00 each.

The changes in the issued and fully paid-up share capital of TPC since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Total issued and paid-up capital (RM)</b>
17.10.91	3	1.00	Cash	3.00
03.12.91	53,400	1.00	Cash	53,403
05.08.92	46,597	1.00	Cash	100,000
28.02.94	100,000	1.00	Cash	200,000
18.09.96	50,000	1.00	Cash	250,000
07.11.96	50,000	1.00	Cash	300,000
15.01.97	50,000	1.00	Cash	350,000
01.09.04	100,000	1.00	Cash	450,000

**Subsidiary And Associated Companies**

TPC does not have any subsidiary or associated company.

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.4.3 TMS****Background And Principal Activity**

TMS was incorporated as Tanjung Oilfield Products and Services Sdn Bhd on 24 May 1996 in Malaysia under the Act as a private limited company. The company assumed its present name on 25 June 2001.

TMS is principally involved in the provision of maintenance services to the oil and gas and related industries. It commenced operations in 1996.

**Substantial Shareholders**

Substantial Shareholders	Shareholdings			
	Direct	%	Indirect	%
TOS	1,950,000	97.5	-	-
Tanjung	-	-	#1,950,000	97.5
Omar bin Khalid	-	-	^1,950,000	97.5
Abdullah bin Hashim	-	-	^1,950,000	97.5

# Deemed interested by virtue of its substantial shareholding in TOS

^ Deemed interested by virtue of their substantial shareholdings in Tanjung.

**Share Capital**

The authorised share capital of TMS is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital as at 15 April 2005 is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

The changes in the issued and fully paid-up share capital of TMS since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up capital (RM)
24.05.96	2	1.00	Cash	2
16.01.97	99,998	1.00	Cash	100,000
29.05.01	550,000	1.00	Cash	650,000
21.02.02	350,000	1.00	Cash	1,000,000
27.09.02	500,000	1.00	Cash	1,500,000
30.06.04	500,000	1.00	Cash	2,000,000

**Subsidiary And Associated Companies**

TMS does not have any subsidiary or associated company.

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#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### 4.4.4 TNE

##### Background And Principal Activity

TNE was incorporated as Right Quantum Sdn Bhd on 7 March 1997 in Malaysia under the Act as a private limited company and assumed its present name on 27 May 2003.

The principal activity of TNE is the provision of project management services to the engineering and energy industries. It commenced operations in 1997

##### Substantial Shareholders

Substantial Shareholders	Shareholdings			
	Direct	%	Indirect	%
TOS	65,000	65.0	-	-
Ahmad Sofian Bin Abdul Ghani	25,000	25.0	-	-
Zainal Fitree Bin Abdul Rahman	10,000	10.0	-	-
Tanjung	-	-	#65,000	65.0
Omar bin Khalid	-	-	^65,000	65.0
Abdullah bin Hashim	-	-	^65,000	65.0
<b>Total</b>	<b>100,000</b>	<b>100.0</b>		

# Deemed interested by virtue of its substantial shareholding in TOS

^ Deemed interested by virtue of their substantial shareholdings in Tanjung

##### Share Capital

The authorised share capital of TNE is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital as at 15 April 2005 is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The changes in the issued and fully paid-up share capital of TNE since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par Value (RM)	Consideration	Total issued and paid-up capital (RM)
07.03.97	2	1.00	Cash	2.00
24.04.98	24,998	1.00	Cash	25,000
07.07.03	75,000	1.00	Cash	100,000

##### Subsidiary And Associated Companies

TNE does not have any subsidiary or associated company.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.4.5 FOP****Background And Principal Activity**

FOP was incorporated in the Federal Territory of Labuan on 3 June 2003 under the Offshore Companies Act 1990 as a private limited company.

FOP is principally involved in the ownership of vessels. It commenced operations in 2003.

**Substantial Shareholders**

Substantial Shareholders	Shareholdings			
	Direct	%	Indirect	%
TOS	25,000	50.0	-	-
CH Offshore Ltd.	24,500	49.0	-	-
Tanjung	-	-	#25,000	50.0
Omar bin Khalid	-	-	^25,000	50.0
Abdullah bin Hashim	-	-	^25,000	50.0
Chuan Hup Holdings Ltd	-	-	@24,500	49.0
Peh Kwee Chirn	-	-	^^24,500	49.0

# Deemed interested by virtue of its substantial shareholding in TOS.

^ Deemed interested by virtue of their substantial shareholdings in Tanjung.

@ Deemed interested by virtue of its substantial shareholding in CH Offshore Ltd.

^^ Deemed interested by virtue of his substantial shareholding in Chuan Hup Holdings Ltd.

**Share Capital**

The authorised share capital of FOP is USD50,000 comprising 50,000 ordinary shares of USD1.00 each. The issued and fully paid-up share capital as at 15 April 2005 is USD50,000 comprising 50,000 ordinary shares of USD1.00 each.

The changes in the issued and fully paid-up share capital of FOP since its incorporation are as follows:-

Date of allotment	No. of ordinary shares allotted	Par Value (USD)	Consideration (USD)	Total issued and paid-up capital (USD)
3 June 2003	1	1.00	Cash	1
3 June 2003	24,999	1.00	Cash	25,000
3 June 2003	24,500	1.00	Cash	49,500
3 June 2003	500	1.00	Cash	50,000

**Subsidiary And Associated Companies**

FOP does not have any subsidiary or associated company.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.4.6 TKS****Background And Principal Activity**

TKS was incorporated under its present name on 17 September 1994 in Malaysia under the Act as a private limited company.

TKS is principally involved in the provision of ship management services to the oil and gas and related industries. It commenced operations in 1994.

**Substantial Shareholders**

TKS is a wholly owned subsidiary of Tanjung.

**Share Capital**

The authorised share capital of TKS is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and fully paid-up share capital as at 15 April 2005 is RM2 comprising 2 ordinary shares of RM1.00 each.

The changes in the issued and fully paid-up share capital of TKS since its incorporation are as follows:-

<b>Date of allotment</b>	<b>No. of ordinary shares allotted</b>	<b>Par Value (RM)</b>	<b>Consideration</b>	<b>Total issued and paid-up capital (RM)</b>
17.09.94	2	1.00	Cash	2.00

**Subsidiary And Associated Companies**

TKS does not have any subsidiary or associated company.

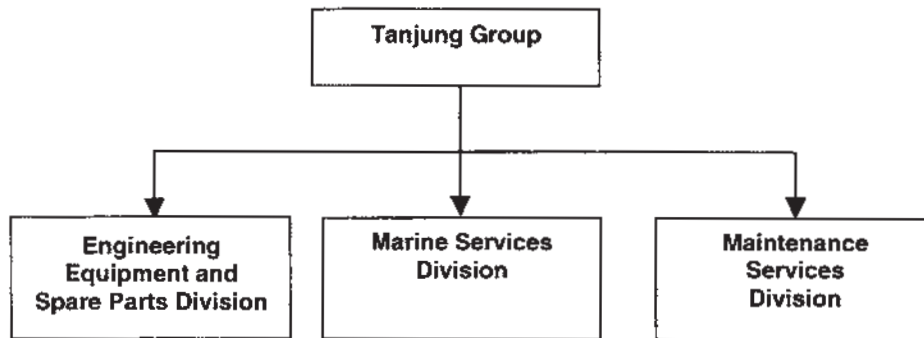
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#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### 4.5 Business Overview

##### 4.5.1 Principal Products And Services

The Group is principally involved in the provision of integrated services to the oil and gas and related industries. The principal products and services of the Group are categorised into three (3) core business divisions as follows: -



##### (A) Engineering Equipment and Spare Parts Division

In this division, the Group is principally engaged in the supply of advanced engineering equipment to oil and gas platforms and other facilities where its services entail the initial installation layout, planning and implementation, scheduled maintenance, troubleshooting and various after-sales services.

The initial stage of a project involves the identification of potential requirements of prospective clients by the Engineering Equipment and Spare Parts Division of Tanjung. Upon ascertaining the production and operations philosophy and specifications of the new project, Tanjung will assist in the front-end engineering design (“FEED”) study and recommend to the prospective clients on the best possible method for the engineering equipment and parts to be installed and used. There will be constant technical discussions between Tanjung and the prospective clients together with the design consultants in ensuring smooth implementation of certain projects undertaken. The involvement from the FEED to detailed design stage is considered as part of the Group’s value-added services offered in promoting a new equipment/ technology and introducing ideas for the new platform development to the prospective clients. The strategy adopted by Tanjung in providing value-added services from the initial stage of a certain project has over time proved to be successful in promoting the Group’s products and services.

Tanjung’s involvement continues with the project implementation where its engineers will be fully involved in the design stage of the specific equipment and parts prior to the construction through regular project progress meetings. Tanjung is also fully involved during the fabrication phase to ensure that the equipment is constructed in accordance to the approved design and specifications. Upon completion of the fabrication of the equipment, Tanjung will liaise with the relevant logistics services provider and government agencies to ensure that the product is delivered to the client within the time frame stipulated.

Thereafter, upon completion and installation of the oil platform facilities, a maintenance schedule of the various engineering equipment is drawn out based on the manufacturer’s preventive maintenance schedule, where the maintenance division of the Group will carry out the works. After-sales services are provided on a stand-by basis to provide troubleshooting solutions, equipment warranty and other support services specific to the equipment installed even after expiry of the warranty period.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

As at 15 April 2005, the Tanjung Group is the exclusive agent and holds exclusive rights to supply engineering equipment in Malaysia, such as turbines, compressors, pumps and a range of other parts that are largely used for the construction and running of oilfield platforms. The various items and its usages are as follows: -

Type of Equipment/ Spare Parts	Usage	Principal / Principal's country of origin
Gas Turbine	For mechanical drive (to drive compressors or pumps) and also power generation on the platforms.	Demag Delaval Industrial Turbomachinery Pte Ltd (Siemens)/ Germany
Gas Compressor	For gas compression purposes. This equipment is usually driven either by electric motor or gas turbine to compress gas for various purposes such as: <ul style="list-style-type: none"> <li>- gas injection into the reservoir for pressure maintenance</li> <li>- to recycle the gas within the gas platforms</li> <li>- to boost the flow of gas through pipeline to shore.</li> </ul>	EBARA/ Japan
Centrifugal Pump	Designed to move liquids at a uniform pressure without pulsations or shocks. They are able to handle liquids with high quantities of solids. The oil and gas industry uses centrifugal pumps to move their fluids through pipes and conduits.	KSB Aktiengesellschaft/ Germany
Pulsation Damper	Control pressure and flow pulsation caused by reciprocating and other positive displacement pumps.	Weir Flowguard Ltd/ UK
Switchgear	Switch control of the electrical function on platform	ABB Industrial and Building Systems Sdn Bhd/ Switzerland
Control Valves / Choke Valves	Controlling oil and gas flow on platform;	Severn Glocon Ltd/ UK
Distributed Control Systems	Controlling of process workflow and operating system on platforms	ABB Industrial and Building Systems Sdn Bhd/ Switzerland
Produced Water Treatment System – Hydrocyclone type	Removal of trace of oil from the produced water prior to safely discharge to sea	Global Process Systems Asia Pacific Sdn Bhd/ United Arab Emirates
Gas Dehydration System – Glycol	Removal of water vapor in the gas stream using tri-ethylene regeneration glycol to the pipeline dew point water requirement.	Global Process Systems Asia Pacific Sdn Bhd / United Arab Emirates
Water Injection Systems	Water injection systems maintain aquifer pressure in the reservoir to ensure increased hydrocarbons recovery.	Global Process Systems Asia Pacific Sdn Bhd / United Arab Emirates
Submarine Cable	These subsea power or telecommunication cable are laid between offshore platforms and also to shore.	Nexans Norway AS/ Norway



**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

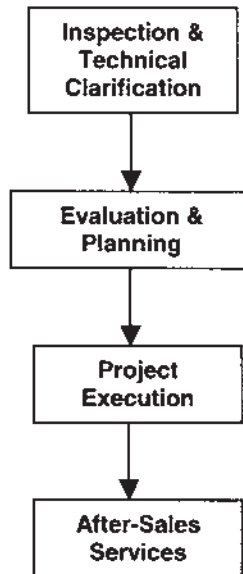
The main engineering equipment which has been supplied and installed by the Tanjung Group are turbines, compressors and control valves of the following OEM, of which the oilfield operator and customers are as follows: -

Type of equipment/ Spare Parts	OEM / Principal	Oilfield Operator
Gas Compressor	EBARA	1) Petronas Carigali 2) Sarawak Shell / Sabah Shell 3) Talisman 4) ExxonMobil
Gas Turbine	Demag Delawal Industrial Turbomachinery Pte Ltd (Siemens)	1) Petronas Carigali 2) Sarawak Shell / Sabah Shell 3) ExxonMobil
Control valves	Severn Glocon Ltd	1) Petronas Carigali 2) Talisman 3) ExxonMobil 4) Sarawak Shell / Sabah Shell
Switchgears and Distributed Control System	ABB Industrial and Building Systems Sdn Bhd	1) Petronas Carigali 2) Talisman 3) ExxonMobil 4) Sarawak Shell / Sabah Shell 5) Murphy Oil
Water Injection System; Produced Water System; and Glycol Dehydration System	Global Process System	1) Petronas Carigali 2) Talisman 3) ExxonMobil 4) Sarawak Shell / Sabah Shell

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

The Tanjung Group is licensed by PETRONAS to officially trade and provide services to the oilfield operators in Malaysia. An overview of the activities of the Group in the provision of engineering equipment and spare parts to its customers is summarised as follows: -

**(i) Inspection and Technical Clarification**

Upon identification of potential projects or upon contact by existing customers, the Group's engineers will conduct an inspection and preliminary checking on the customer's platform/ rig with a preliminary briefing on the status of the oilfield's various equipment and related performance data. An enquiry would be put forth by the customer on the necessary specifications for its facilities and the availability of the range of equipment and spare parts.

**(ii) Evaluation and Planning**

Tanjung would then evaluate the detailed specifications of the customer's oilfield and facilities taking into consideration the layout and compatibility issues, installation procedures, maintenance required and potential complications with the existing equipment and parts. The appropriate type of engineering equipment and parts for the specific oilfield platform would be recommended to/ ordered by the customer, where the estimated costs, expenses and delivery time involved are put forth.

**(iii) Project Execution**

Upon being awarded the project and after finalising the required specifications, Tanjung will commence the detailed design, fabrication and subsequently delivery of the equipment. Its engineers will be on-site for the installation process.

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#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

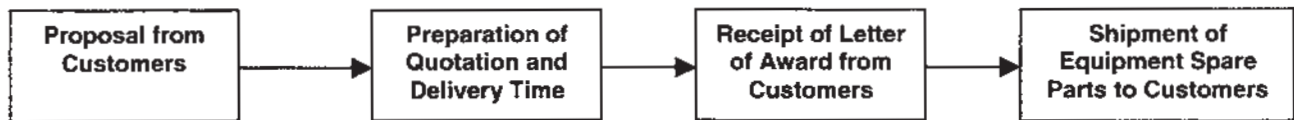
The project execution phase on average will take between 30 weeks to 60 weeks, depending on the size of the project and equipment. A project management team is established for each new project comprising the Project Manager, Project Engineers, Procurement Managers, Expeditors, Design Engineers, Logistics Coordinator and QA/QC Group. The project management team is in constant communication with the clients and progress will be monitored through a series of weekly progress meetings from the start of the contract until final delivery of the equipment.

##### (iv) After-Sales Service

Upon execution and completion of the project, Tanjung will provide technical training to the customer's equipment operators to ensure familiarity and expertise with the relevant specifications and handling of the equipment.

In addition to training, other forms of after-sales services provided are stand-by technical support services, equipment warranty and scheduled maintenance and servicing that is provided by the Group's Maintenance Services Division.

##### Ad-hoc Supply of Equipment and Spare Parts



##### (i) Proposal from Customers

In times of emergencies, there may be orders that are on an ad-hoc basis, and will not involve tender exercises. In such situations, the client will prepare a proposal pertaining to the details and specification on the equipment or spare parts that are required, directly to Tanjung.

##### (ii) Preparation of Quotation and Delivery Time

Tanjung would then prepare the relevant quotation as well as the estimated and delivery time for the required equipment or spare parts.

##### (iii) Receipt of Letter of Award from Customers

Upon finalisation of the quotation for the relevant equipment or spare parts, the client would then issue a letter of award to Tanjung Group.

##### (iv) Shipment of Equipment Spare Parts to Customers

Upon receipt of the letter of award, the equipment and spare parts would be delivered to customers.

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### (B) Marine Services Division

The Tanjung Group has a fleet of vessels for the provision of marine services to support exploration, development and production activities. The vessels and services provided are summarised as follows: -

Vessel Name	Year Acquired / *Leased	Type of Usage
MV Tanjung Jara	2003	Provision of anchor handling tug and supply services
MV Sea Eagle	*2002	Provision of supply and transportation of equipment, cargo pipe, cement, fuel oil and freshwater between operation centres and offshore platforms and facilities.
MV Kundasang	*2002	Provision of supply and transportation of equipment, cargo pipe, cement, fuel oil and freshwater between operation centres and offshore platforms and facilities.

In 2002, the Group has leased two (2) vessels namely MV Sea Eagle and MV Kundasang, where these vessels are currently being contracted for up to three (3) and five (5) years respectively to provide services to ExxonMobil.

The Group has acquired a 60-metre vessel in 2003, MV Tanjung Jara, that is equipped with well maintained fixtures and facilities for anchor handling, tug boat and supply services. The vessel has since been servicing ExxonMobil whereby the Group has secured a contract of up to five (5) years until 2008. The vessel is operated on a daily basis and mainly involved in the provision of various anchor handling and supply services with technical support from the Kemaman Supply Base in Terengganu.

As part of its expansion plans for its marine services, Tanjung is currently commissioning another two (2) new vessels. The first vessel, a 60-metre anchor handling tug supply vessel, will be used as a support and safety vessel for offshore drilling and workover rigs in the operational waters of the ASEAN region. The new vessel is also designed for multi-purpose roles such as the following: -

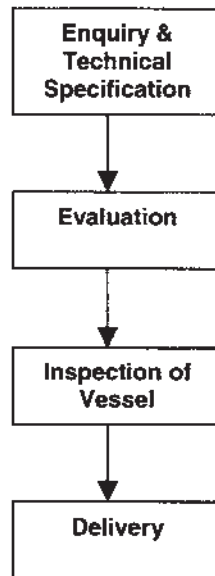
- (i) Transportation of fresh water, diesel oil, bulk cement, barite, liquid mud, base oil, brine, drill water, deck cargo and stores, materials and equipment;
- (ii) Tow / move drilling and workover safety rigs;
- (iii) Anchor handling duties;
- (iv) Transportation of personnel and materials between platforms and shore; and
- (v) Evacuation purposes.

The second vessel is a 45-metre utility vessel that will be used to ferry personnel, small to medium range machineries and equipment and general materials between operation centres and offshore facilities. The abovesaid two (2) new vessels are expected to be launched by June and September 2005 respectively.

As set out in Section 2.7, the Group also plans to utilise part of the proceeds raised from the Public Issue and Rights Issue for commissioning up to four (4) new units of offshore support vessels. Upon commissioning of the vessels, the Group's fleet of vessels would be increased to up to nine (9) vessels.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

An overview of the activities of the marine services division can be summarised as follows: -

**(i) Enquiry and Technical Specification**

An enquiry will be made by the customer on the specifications and facilities of its vessels as well as the timing schedule / availability. At this stage, Tanjung will ascertain the requirements and needs of the customer including technical specifications of the task at hand.

**(ii) Evaluation**

Tanjung will assess the requirements of the customer vis-à-vis the capacity and availability of its vessels and formulate a detailed work plan with the necessary technical specifications and costs. The customer will assess the preliminary recommendation from Tanjung and a formal proposal would be submitted should the customer accept the recommendation.

**(iii) Inspection of Vessel**

Prior to the finalisation of an agreement, the customer will carry out an inspection of Tanjung's vessel to ensure specifications and other conditions are met.

**(iv) Delivery**

Upon compliance with all of the commercial and technical requirements as well as upon consultation with PETRONAS, Tanjung will deliver its vessel to the designated area of the oilfield operator. The vessel is serviced and manned by a crew that has undergone various in-house training and formal training at CONSIST, an association which provides proper safety certification and accreditation to all employees in the oil and gas industry in Malaysia.

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### Drilling Services

As part of its marine services division, the Group is also licensed to provide various types of drilling rigs such as jackup drilling rig, semisubmersible drilling rigs and drillship. At present, Tanjung is servicing a jackup drilling contract for Sarawak Shell. The said rig is currently serviced by approximately one hundred (100) workers comprising engineers, drilling crews, marine crews and supporting personnel so as to ensure that its facilities and mechanical parts are operating smoothly. A summary of the types of drilling rigs is as follows: -

Type of Drilling Rigs	Description and Usage
Jackup Rigs	A self-contained combination drilling rig and floating barge, fitted with long support legs that can be raised or lowered independently of each other. Typically the rig can operate below 300 ft water depth. The rigs are normally used to offer development drilling operations over a fixed platform installation
Semisubmersible Drilling Rigs	A floating vessel that is supported primarily on large pontoon-like structures submerged below the sea surface. Semisubmersibles can operate in a wide range of water depths, including deep water. They are usually anchored with six to twelve anchor chains, which are computer controlled to maintain stationkeeping. Semisubmersibles (called semisubs or simply semis) can be used for drilling, workover operations, and production platforms, depending on the equipment with which they are equipped. When fitted with a drilling package, they may be called semisubmersible drilling rigs.

Due to the high capital investment required, Tanjung does not presently own any of these rigs but has agreements with various international drilling rig contractors for the rights to market, bareboat (charter) and jointly operate the rigs for the Malaysian market.

Activities of Tanjung will be to ascertain the future drilling schedule within the oil and gas industry and determine the water depth requirement, number of wells and also the commencement of the drilling activities. As and when services are required, Tanjung will be involved in the mobilisation of the drilling rigs and provide the logistical support. Tanjung's engineers, together with the international drilling contractors will provide the technical support during the contract drilling operations.

##### Offshore Structure Installation, Pipelay and Subsea Services

Tanjung Group is licensed by PETRONAS to provide a range of subsea services. The Group is able to package the following services in the delivery of its integrated services through collaboration with Stolt Offshore Inc: -

- i. Offshore platform / structure installation
- ii. Offshore pipeline laying
- iii. Remotely Operated Vehicles (ROV) and Diving Services

Together with Stolt Offshore Inc., the services include design, procurement, fabrication and installation of complete subsea pipeline and risers systems for offshore platforms.

The latest addition to this service is the Hybrid Riser Tower concept for transferring hydrocarbon between the seabed and a floating facility. It has superior technical capabilities with regards to insulation and suits most deepwater offshore developments.



**4. INFORMATION ON TANJUNG GROUP (CONT'D)****(C) Other Support and Maintenance Services Division**

The Group also provides other support and maintenance services, which represent an integral component for the Group's packaged delivery of integrated services to the oil and gas industry. This division also supports and complements the engineering equipment and spare parts division by providing scheduled maintenance services for the various equipment and parts supplied and the provision of after-sales service.

The Group's existing support, service and operation centres are located within the hub of oilfield bases in Miri and Kemaman, while a new centre will be set up in Labuan to strengthen its presence in East Malaysia, as well as possible new set-ups overseas. The Group has recently set up a support centre in Manjung, Perak to provide support and maintenance services to the Royal Malaysian Navy and power generation plants within the vicinity. The Group's largest service centre is located in Telok Kalong, Kemaman, Terengganu. The location is strategic as it is in the centre of the East Coast Petrochemical Hub and is less than 5 km away from the Kemaman Supply Base.

These service centres are operated by experienced groups of technical personnel, capable of performing works on-site as well as being available on a 24-hour basis to service offshore facilities. The technical tie-ups and transfer of knowledge and expertise from the Group's principals of the various engineering equipment and spare parts had enabled the Group to act as a full-fledged service centre.

The maintenance services provided includes, inter-alia, the following:-

- (a) technical support and scheduled maintenance services involving repairs, trouble-shooting, replacement of spare parts, upgrading of turbines, compressors, valves and other engineering equipment and machineries;
- (b) instrumentation and controls servicing such as trouble-shooting, repair overhaul and upgrading of electric motors, generators, switchgears, motor control, transformers and generators;
- (c) lubrication services for equipment and machineries on oilfield platforms;
- (d) emergency breakdown services; and
- (e) manpower skills such as drilling, technical maintenance and supervision at platforms.

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#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### 4.5.2 Principal And Major Approvals, Licences And Permits

Details of the approvals obtained by Tanjung for the Listing Scheme from the relevant authorities, together with the conditions imposed and status of compliance with the conditions, are set out in Section 6.1. The other principal and major approvals, licences and permits required and obtained for the operations of Tanjung Group are set out below.

Authority	Licence / (Licence Holder)	Description	Expiry Date	Major Conditions Imposed	Status of Compliance / Remarks
MOF	Contractor Registration No. 357-00028747 (TOS) 357-01003764 (TMS) 357-02029256 (TNE) 357-02023869 (TPC)	To be eligible for submission of various tenders for MOF projects to supply equipment, machineries and services.	23.4.2006; 21.10.2006; 14.5.2007; 4.3.2007.	General conditions relating to the provision of products and services.	Complied
	Contractor Registration No. 357-00028747 (TOS)	Recognition and conferment of bumiputera contractor status	23.4.2006	Bumiputera participation in equity shareholdings, Board of Directors, management level and workforce must be atleast 51% at any point in time.	Complied
MOT	Domestic Shipping License which is renewable every three (3) months for non Malaysian flag vessels while it is renewable every one (1) year for Malaysian flag vessel.	To ensure that the vessels operating within Malaysian shores are in compliance with the rules and regulations stipulated by MOT.	31.12.2005	The license holders would need to fulfil the various rules and regulations as stipulated under Regulation 8 of the Domestic Shipping Licensing Board Regulations 1981.	Complied
PETRONAS	Supplier Licenses: L-100697-T (TOS) L-421945-H (TNE) L-388449-K (TMS) L-227036-V (TPC)	To supply equipment and services to oil and gas exploration and production companies in Malaysia.	15.4.2006; 16.9.2006; * 19.2.2005; 15.5.2005	1) The financial statements of the Company must be audited yearly and completed by 1 July of the respective years under review as stipulated in the license. The shareholders funds of the Company must be positive.	Complied

4. INFORMATION ON TANJUNG GROUP (CONT'D)

Authority	Licence / (Licence Holder)	Description	Expiry Date	Major Conditions Imposed	Status of Compliance / Remarks
PETRONAS (cont'd)				<p>2) The Company must inform PETRONAS on changes to the Company i.e equity ownership, composition of the board of directors, and management within 14 days from the said changes. Failure to inform PETRONAS will result in the license being revoked.</p> <p>3) The Company is not allowed to engage any other company as principal agent, sub-contractor or vice versa to provide any service, facilities or equipment without prior written consent from PETRONAS.</p> <p>4) The Company must use the workforce available in Malaysia and employment of foreign workers will only be permissible if the Company can show that such workforce cannot be found in Malaysia.</p> <p>5) The Company, unless agreed by PETRONAS must conduct its business in Malaysia using local facilities such as bank, insurance and other professional services or facilities which are run by Malaysian citizens or firms or corporations incorporated in Malaysia.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>

## 4. INFORMATION ON TANJUNG GROUP (CONT'D)

Authority	Licence / (Licence Holder)	Description	Expiry Date	Major Conditions Imposed	Status of Compliance / Remarks
CIDB	Contractor Registration 1971007-WP043654 (TOS)  0120011004-WP065809 (TMS)	To be eligible for participation in CIDB projects	06.12.2007;  02.10.2007	The contractor has to comply with the Akta Lembaga Pembangunan Industri Pembinaan Malaysia 1994;  The contractor is required to provide the details of the construction or contract within 1 month from the date of award.  The contractor is not allowed to undertake any construction projects for which its developing costs exceed the grade which it is registered under and the contractor is not allowed to carry out any construction projects outside its registered category;  The contractor is required to provide the details of the construction or contract within 1 month from the date of award.	Complied
TNB	Services and Supplier Contractor Registration 3020332 (TNE)	To be eligible for submission of various supply and service tenders from TNB.	14.05.2007	The contractor must be registered with the MOF or CIDB prior to submission of any tenders to TNB.  N/A	Complied
Majlis Perbandaran Kemaman	Registration No: KBA000014 (TMS)	License for performing various electrical and mechanical services at operation centre.	31.12.2005	N/A	N/A

Note: -

\* Tanjung has submitted the application for renewal of the license and the said application is currently pending approval.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.5.3 Major Customers**

Based on the audited financial statements for the FYE 31 December 2004, the major customers of the Tanjung Group based on total Group sales are as follows: -

<b>Customers</b>	<b>Country</b>	<b>Percentage (%) of Sales to Total Sales For FYE 31 December 2004</b>	<b>Years of Relationship</b>
Sarawak Shell	Malaysia	31.19	13
Talisman	Malaysia	26.90	3
ExxonMobil	Malaysia	17.90	13
Petronas Carigali – Project Team	Malaysia	12.47	13
Sabah Shell	Malaysia	4.67	13
Asean Bintulu Fertiliser (M) Sdn Bhd	Malaysia	2.64	6
Petronas Carigali – Other PCSB Group	Malaysia	2.51	13
Malaysia Shipyard Engineering Sdn Bhd	Malaysia	0.46	7
Murphy Oil	Malaysia	0.89	3
Petronas Penapisan/Dagangan/Fertilizer	Malaysia	0.15	13

Details of the Group's dependency on its major customers are set out in Section 3.3.

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.5.4 Major Suppliers**

Based on the audited financial statements for the FYE 31 December 2004, the major suppliers of the Tanjung Group based on total Group purchases are as follows: -

Suppliers	Country	Products Supplied	Percentage (%) of Purchases to Total Purchases For FYE 31 December 2004	Years of Relationship
EBARA	Japan	Compressor	29.00	10
Pride Offshore Inc	USA	Jack-up Rig	16.38	3
Foradel Sdn Bhd	Malaysia	Jack-Rig	12.66	3
Demag Delaval Industrial Turbomachinery (Siemens)	Singapore	Turbine	9.82	2
International De Et Travaux	France	Jack-Rig	4.62	3
ABB Malaysia Sdn Bhd	Malaysia	Switchgear	4.28	6
Semaring Logistics (M) Sdn Bhd	Malaysia	Supply Vessel	2.89	5
Intra-Oil Services Berhad	Malaysia	Supply Vessel	2.76	7
Chuan Hup Agencies Pte Ltd	Singapore	Supply Vessel	2.55	5
Severn Glocon	United Kingdom	Valves	0.88	4

The Tanjung Group's suppliers are manufacturers and producers that supply equipment, machinery, accessories, spare parts and tools. Most of these manufacturers and producers are foreign based in countries such as Japan, USA, UK, Germany and Switzerland.

Although the Group is dependent on the abovementioned suppliers for the respective equipment and parts supplied, any potential risk arising therefrom is mitigated by the fact that these suppliers have had a working relationship with the Tanjung Group since it commenced business in 1990. The long-term business relationship at an average of more than five (5) years indicates the close rapport and mutually beneficial relationship enjoyed by both Tanjung Group and its suppliers. Apart from that, some of these suppliers have also appointed the Tanjung Group as its exclusive agent for their range of products in Malaysia. In addition to the above, the Group's operating profit generated from the engineering equipment division is distributed over a large range of suppliers notwithstanding that a large portion of its purchases is made from the major supplier above.

Furthermore, the respective equipment and spare parts could also be sourced from different suppliers within the same industry with little or no modification. This provides the Tanjung Group with other supply alternatives to source the aforesaid equipment and spare parts so as to reduce over dependency on the existing suppliers if such situation arises.



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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

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**4.5.5 Quality Control Procedures**

Tanjung Group places great emphasis in ensuring consistency and reliability of quality of its products and services. It has established and implemented stringent quality control measures at various stages of commissioning and installation of its range of equipment and spare parts. All the equipment and spare parts are checked for any defects and compliance to the specifications as stipulated in the respective contracts or purchase orders from the oil and gas operators. The engineering team from the procurement stage to the after-market sales services stage always maintains a close working relationship with suppliers as well as the oil and gas operators so as to keep abreast with the latest technical aspects of the equipment and parts that the Tanjung Group supplies.

Apart from that, the Group's various principal / suppliers of its range of equipment such as turbines, compressors, switchgears and pumps would also provide training and technical support to ensure that the employees of Tanjung are constantly updated of the latest developments.

**4.5.6 Occupational and Safety Requirements**

As an integrated service provider in the oil and gas industry, the Tanjung Group is involved in the maintenance, commissioning and installation of various equipment and parts at both onshore and offshore oil and gas facilities which are therefore subject to disruptions caused by various risks and hazards, which are beyond its control such as fires, explosions, leakage and other accidents at the oil and gas facilities. Apart from that, its vessels are also subjected to the vagaries of the sea and weather conditions whenever the said vessels are servicing the platforms and oil rigs. These could result in personal injury and business interruptions.

To address these, the Tanjung Group has established a detailed health and safety policy that clearly set out the measures for all levels of operations that must be strictly adhered to by all employees. It is compulsory for the employees of Tanjung Group to attend briefings or meetings on safety and health matters before they are sent to the oil and gas platforms and oil rigs as well as its vessels. Apart from that, there are also stringent safety and health guidelines imposed by the oil and gas operators such as Petronas Carigali, Petronas Gas, Petronas Dagangan, Petronas Penapisan, BASF Petronas Chemicals, ExxonMobil, Sarawak Shell, Sabah Shell, Talisman and Murphy Oil on all employees working at their facilities so as to ensure that everyone at the aforesaid facilities are aware and strictly adhere to the safety and health requirements.

The Tanjung Group also ensures that its employees at its marine services division comply with the guidelines / rules of the Marine Department of Malaysia. The Marine Department of Malaysia stipulated that at least one of the Group's employee is a registered member of the said authority and has completed the "Company Security Officer Course" at the Centre of Maritime Excellence Sdn Bhd at Port Klang. The said course is conducted to ensure that all vessel operators in Malaysia are aware and conform to the requirements of the International Ship and Port Facility Security Code of Chapter XI-2 of the Annex to the International Convention for Safety of Life At Sea, 1974.

As a licensed contractor for PETRONAS, the Group is subject to the Occupational, Safety and Health Act 1994 that is enforced by the Department of Occupational Safety and Health, a department under the Ministry of Human Resources. Under this act, employers have a duty to ensure, as far as practicable, the safety, health and welfare at work of all its employees. Apart from that, the act also stipulates that employees are also expected to take reasonable care for the safety and health of themselves when carrying out their duties.

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

The Tanjung Group also ensures that all employees are briefed and updated on the importance of the health and safety requirements of the abovementioned act as well as the Group's existing health and safety policies. During the induction courses for new employment, the health and safety course are integral to the whole induction programme so as to ensure that the employees are continuously aware of these aspects of their career and workscope.

In addition, the Group believes that it has maintained adequate insurance coverage against the abovementioned risks. Since its incorporation, the Tanjung Group has not experienced any major health or safety incidents which may have disrupted its business operations.

##### 4.5.7 Interruptions In Business

The Group did not experience any interruption in business, which may have had a significant effect on its operations during the past twelve (12) months prior to the date of this Prospectus.

##### 4.5.8 Employees

Tanjung recognises that the continued growth and success will depend largely on the abilities and continued efforts of its existing Directors and senior management, some of whom have been with the Group since its inception. These key personnel, have over time, brought about success in the areas of promotion and marketing strategies, financial and strategic business planning leading to the Group's current strong reputation as an integrated service provider to the oil and gas and related industries.

The Directors of Tanjung are currently supported by a team of qualified management staff who are experienced in their respective field and are able to discharge their duties and responsibilities efficiently and effectively. As at 15 April 2005, excluding the thirty-three (33) foreign contract workers, the Group has a total workforce of 101 employees categorised as follows: -

Category	Number of Employees	Average number of years in service (Years)
Directors	2	9
Management / Supervisory	23	3
Technical Personnel	20	2
Engineers / Executive	24	3
Administrative / General workers	23	2
Management trainees	9	Less than 1
<b>Total</b>	<b>101</b>	

The Directors of Tanjung are of the opinion that the dedicated, efficient and trained employees are instrumental to the success of the Group. The Directors and management of the Group have good working relationships with the employees. Employees of Tanjung Group do not belong to any union. There has been no industrial dispute in the past between the Directors and management, and the employees of the Group.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

Details of the Group's provision of training for its employees are as follows: -

Seminar / training	Organiser	Venue
<u>Completed in 2003 &amp; 2004</u> Training Program for Operation/ Maintenance of Export Gas Compressor Unit	Elliott Ebara Group / Petronas Carigali Sdn Bhd	Malaysia
Gas turbine overhaul	Alstom Group	Malaysia
Safety Relief Valve	Haven Group	Malaysia
Control and Mechanical Valve	Severn Glocorn	Malaysia
Pump Pulsation Dampeners	Flowguard Group	Malaysia
Fundamentals In Warehousing & Distribution	Logistics & Supply Chain Association of Malaysia	Malaysia
Fundamentals in Transport Operation	Logistics & Supply Chain Association of Malaysia	Malaysia
Pumps and Compressors for Plant Operators	UITM	Malaysia
Company Security Officer Course	Marine Department of Malaysia	Malaysia
Dynamics of Contract Management	CIDB	Malaysia
<u>Ongoing Seminars &amp; Training</u> Practical Training on Model TB5000 Gas Generator and Power Turbine Module in the Repair and Overhaul Procedures	SIEMENS	Malaysia
Valve maintenance and servicing	Severn Unival Group	Malaysia
Various maritime related training such as safety and survival technique, shipboard management, firefighting and fire prevention	Akademi Laut Malaysia	Malaysia
On job training for handling compressors	Elliot Ebara Group	Japan
Basic Offshore Safety and Emergency Training	CONSIST	Malaysia
Safety and Health Awareness For MSET Contractor	MSET Shipbuilding Corporation Sdn Bhd	Malaysia
Sea Survival & Offshore Safety Procedures, Fire Fighting & Self Rescue and Helicopter Underwater Escape Training	Sribima Maritime Training Centre	Malaysia
Various maintenance services - TMS	<ul style="list-style-type: none"> <li>• In House "Management Training Programme" and "Staff Training Programme";</li> <li>• Maintenance on various engineering equipment,</li> </ul>	Malaysia  SIEMENS (Singapore); Severn Unival Ltd (UK) and Airod RMAF, KL
<u>Future Plans for 2005</u> Engineering equipment – turbines and compressors	SIEMENS	Sweden and Germany
Valves	Severn Glocorn	UK

**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.5.9 Key Achievements/ Milestones/ Awards**

In recognition of its excellent services within the oil and gas industry, the Tanjung Group has been awarded various certifications and awards. These are as follows: -

Year	Authority	Awards/ Certification	Description
2004	Petronas Gas	Appreciation	Consistent in providing good service on a timely basis to Petronas Gas during 2003
2004	Severn Glocon	Appreciation	In recognition of valuable contribution during 2003
2003	SIRIM QAS Sdn Bhd	Certification of MS ISO 9001: 2000 Quality Management Systems	Installation, repair and servicing of mechanical rotating equipment in accordance to quality managements systems requirements
2002	Sarawak Shell	Appreciation	Successful start up as a first gas delivery of the E11K-A Gas Compression Complex
2002	Petronas Carigali ExxonMobil (Joint Venture Partner)	Successful Completion	Successful completion of Angsi Phase I & II Project
2001	ExxonMobil	Safety Achievement	In recognition of safety achievement
1999	Shell Malaysia Exploration & Production	Health, Safety and Environment	An excellent HSE performance contributing Manhours LTI free during the F6 Compression Project
1996	Shell Malaysia Exploration & Production	Vendor Performance Excellence Certificate	In recognition of after-sales service in ensuring that the F23 Gas Compressor achieved 11,000 running hours at 98% availability

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#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### 4.5.10 Modes Of Marketing/ Distributions/ Sales

The Tanjung Group employs an experienced team of business development personnel that has in-depth knowledge of the industry and is able to assess and capitalise on industry trends. Teams from the engineering equipment division, marine services division and maintenance division specialize in their respective fields and are always up-to-date with the development plans of their clientele. With this information, future requirements and needs of the client are anticipated allowing Tanjung's marketing efforts to be applied in the right direction.

The business development team is also in constant communication with its existing customers/ oilfield operators and regularly visits the oilfield facilities and management office to look into various areas requiring the services of the Group. Customer retention is an integral part of Tanjung's marketing strategy and has thus far proved successful.

Over the years, the Group's excellence in customer service and the high quality products supplied had enabled it to establish itself in the marketplace. The business development team capitalizes on the reputation, strengths and capabilities of the Group to secure various new oil and gas support projects and contracts on a regular basis.

Tanjung is on the bidders list of most of the oil and gas operators in Malaysia. As the Group is also a licensed oil and gas support service provider of PETRONAS, the oilfield operators would usually enquire and engage the Group in bidding for tenders and performing various support services. This is mainly due to the Government's objective to enhance the participation of locally licensed support service companies such as Tanjung in oil and gas tenders and works in Malaysia. To complement the Government's efforts, all foreign oilfield operators operating in Malaysia have been urged by the Malaysian Government to engage local companies such as Tanjung for work and services required within Malaysia.

##### 4.5.11 Principal Place Of Business

The Tanjung Group operates from five (5) main locations in Malaysia. These are as follows:-

Location	Function
Kuala Lumpur	Head office in handling all administrative, financial and communication matters.
Kemaman Supply Base, Terengganu	Support centre for marine services.
Teluk Kalong, Kemaman, Terengganu	Operation centre to handle maintenance and repair work, warehousing of equipment and spare parts.
Miri, Sarawak	Support centre in handling all existing and future work scope and logistics in East Malaysia.
Manjung, Perak	Support centre in handling maintenance services to Royal Malaysian Navy and power generation plants within the vicinity.



**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

The Tanjung Group's marine services are mainly carried out at Kemaman Supply Base, Terengganu to various oil and gas fields situated off the east coast of Peninsular Malaysia. The Group's equipment and spare parts services are handled at Terengganu and Miri, Sarawak for various oilfield operators. The Group also has a support centre in Manjung, Perak that caters to various maintenance or servicing requirements of the Royal Malaysian Navy naval base as well as the power generation plants situated within the Manjung/Lumut area. Apart from normal business activities, various training and workshops on safety, updates and maritime announcements are carried out at these operation and support centres.

The Group's head office is located in Kuala Lumpur and its warehouses, operation and support centres are located in Kemaman, Miri and Manjung, Perak. The details of the Tanjung Group's operation and support centres in Kemaman, Miri and Manjung are as set out below: -

<b>Location</b>	<b>Land area (Square feet)</b>	<b>Built up (Square Feet)</b>
Kemaman (Operation Centre) Lot D1 Kawasan MIEL Telok Kalong 24007 Kemaman Terengganu Darul Iman	Approximately 21,427 sq. ft.	Approximately 8,626 sq. ft.
Kemaman (Operation Centre) Lot D2 Kawasan MIEL Telok Kalong 24007 Kemaman Terengganu Darul Iman	Approximately 16,017 sq.ft.	Approximately 8,626 sq. ft.
Kemaman Supply Base Door 5, 1 <sup>st</sup> Floor Admin Building A Kemaman Supply Base 24000 Kemaman Terengganu Darul Iman	N/A	60.99 sq. ft.
Miri (Support Centre) Lot 575, 1 <sup>st</sup> Floor, Pelita Commercial Centre Jalan Miri-Pujut 98000 Miri Sarawak	N/A	1,320 sq. ft.
Manjung (Support Centre) No. 150, Persiaran PM/2 Pusat Bandar Sri Manjung 32040 Seri Manjung Perak Darul Ridzuan (New Support Office)	1,400 sq. ft.	1,400 sq. ft.
No. 478, Lorong Sepakat 9 Perumahan Panelex 24300 Kerteh Terengganu (Employees' Quarters)	1,399 sq. ft.	1,400 sq. ft.



**4. INFORMATION ON TANJUNG GROUP (CONT'D)****4.6 Industry Overview****4.6.1 Overview Of The Malaysian Economy****Malaysian Economy In 2004**

With the more robust growth in global trade and domestic demand, the momentum of economic growth in Malaysia, which began in the second half of 2003, gathered pace in 2004. Real gross domestic product (GDP) increased by 7.1% in 2004 (2003: 5.3%), the fastest growth since 2000. The economy benefited from the rapid growth of global trade in manufactures and higher prices for primary commodities. Although global growth moderated somewhat in the second half of the year, the Malaysian economy remained resilient with stronger domestic demand providing the impetus for sustained expansion.

The main drivers of growth were the manufacturing, services and primary commodities sectors. Value added in the manufacturing sector expanded strongly by 9.8%, as output growth in both export- and domestic-oriented industries reflected stronger external and domestic demand for manufactured goods. The services sector recorded a stronger expansion of 6.7% in 2004. The growth was driven mainly by higher consumer spending amidst rising disposable incomes, higher tourist arrivals and increased trade-related activities spurred by the buoyant export performance. The agriculture sector expanded further by 5%, driven mainly by stronger production of crude palm oil and rubber amidst the favourable commodity prices.

With policy orientation supportive of private sector activity and with the improved economic conditions, the private sector contributed 6.2 percentage points to economic expansion. Private consumption expanded strongly by 10.1% in 2004 as consumer confidence was restored following the events of early 2003, including the Severe Acute Respiratory Syndrome (SARS) outbreak. Growth in private investment, which had turned around in the second half of 2003, accelerated to 15.8% in 2004 as business confidence strengthened further. Public sector expenditure was less expansionary on growth as the Federal Government continued with its policy of fiscal consolidation, lowering the fiscal deficit to 4.3% of GDP in 2004 (2003: -5.3%).

The overall balance of payments strengthened in 2004, reflecting the more buoyant external demand underpinned by the stronger global growth and improved foreign investor sentiment on Malaysia. The sustained large current account surplus supplemented by higher foreign direct investment (FDI) and inflows of portfolio capital resulted in a substantial increase in international reserves of Bank Negara Malaysia. After adjusting for the errors and omissions, the overall balance of payments recorded a larger surplus of RM83.1 billion or US\$21.9 billion.

Inflation edged up slightly in 2004. The overall inflation rate, as measured by the annual change in the Consumer Price Index (CPI), was marginally higher at 1.4% (2003: 1.2%). Despite the stronger expansion in domestic demand during the year, several factors combined to ensure that price pressures were contained. The continued improvements in productivity growth, the absence of wage cost pressures, adequate expansion in capacity and a more competitive environment were factors that contributed to price stability.

*(Source: Bank Negara Malaysia Report 2004)*

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)****Prospects Of The Malaysian Economy In 2005**

The prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5 – 6%. The sustained global growth, the modest downturn in the global semiconductor industry as well as relatively favourable prices for primary commodities are expected to provide support to export growth.

In the domestic economy, the private sector would remain as the main driver of growth, as the Government remains committed to optimising expenditure in order to strengthen the fiscal position. In particular, private sector expenditure is projected to sustain a strong expansion of 8.7% (11.1% in 2004). Both household consumption and business outlays are projected to remain resilient, thereby cushioning some of the effects of lower public investment spending arising from the Federal Government's gradual fiscal consolidation programme.

The manufacturing sector, which accounts for about a third of total private sector investment, is projected to record a strong positive growth for the third consecutive year. The strongest growth in capital spending is expected in the services sector, particularly in the utilities and telecommunications sub-sectors. Growth in the services sector is projected to be sustained at 5.7%, reflecting expansion across all sub-sectors.

With the core inflation projected to remain low in 2005 (1.8%), monetary policy is able to remain supportive of the further expansion in private sector activities.

*(Source: Bank Negara Malaysia Report 2004)*

**4.6.2 Overview Of The Oil & Gas Industry**

Malaysian crude oil production (including condensates) rose to the highest level of 762,318 barrels per day (bpd) in 2004, an increase of 3.6% (2003: 737,858 barrels per day). Output excluding condensates was within the target range set for the year under the National Depletion Policy. The higher production was supported by increase in demand from Australia, Thailand and Korea, as well as increased domestic demand from downstream industries producing petroleum products. High prices and increased volume resulted in proceeds from crude oil rising by 36.1% to RM21.3 billion, constituting an increased share of 4.4% to total export receipts (2003: 3.9%).

The year saw the Malaysian Tapis Blend, which is of the 'light and sweet' variety due to its low sulphur content, priced at a premium relative to the North Sea Brent. In 2004, the price of Tapis Blend strengthened by 38% to US\$41.12 per barrel (2003: US\$29.79 per barrel). The price rose steadily during the course of the year to reach a high of US\$55.10 per barrel on 21 October. The surge in crude oil prices during the year was driven by both fundamental factors as well as market sentiment. The fine balance between global supply and demand as well as higher risk premiums for crude oil prices due to geopolitical risks, was further exacerbated by active speculative activities in the energy markets.

The year 2004 also saw Malaysia remaining as the third largest liquefied natural gas (LNG) exporter in the world after Indonesia and Algeria. Malaysia exported a record high of 20.7 million tonnes or about 16% of the world's total LNG exports. This represented a strong increase in volume of 19.7%. The higher offtake were mainly from traditional buyers, namely Korea and Chinese Taipei whose imports rose sharply by 74.7% and 24.4% respectively. While the majority of Malaysian LNG trade is conducted on a medium- to long-term contractual basis, the country has also benefited from the growing trend in LNG trading on spot and short-term contractual basis (defined as less than five years). In 2004, the US bought about 300,000 tonnes of Malaysian LNG on a spot basis to offset declining imports from Canada, their traditional supplier of natural gas. In line with trends in the energy markets, LNG export price rose by about 6.8% to RM824 per tonne. Accordingly, export receipts from LNG rose by 27.9% to RM17.1 billion.

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

Reflecting the vast potential of the Malaysian oil and gas industry, further discoveries of oil and gas resources were recorded in 2004. Six new oil fields were discovered offshore Sabah, including deepwater discoveries in Gumusut, Malikai and Senangin. This brings the total number of discoveries since 2002 to 12. In addition, 11 new gas fields were discovered. Of the 507,263 square kilometers of onshore and offshore areas in Malaysia made available for oil and gas exploration, 227,520 square kilometres have been awarded under 52 production sharing contracts (PSCs), four of which were signed during the year. In addition, 125 development wells and 36 exploration wells were drilled. During the year, the national oil corporation, Petroliaam Nasional Berhad (PETRONAS) undertook major geological and geophysics studies. 3D seismic data mapping amounting to 546,311 line kilometres were acquired for exploration and development purposes, more than double the acquisition made just two years ago (2002: 246,475 line kilometres). Steps were also taken to enhance oil recovery via utilisation of non-conventional drilling methods.

*(Source: Bank Negara Malaysia Report 2004)*

#### 4.6.3 Competitive Structure

##### Oil and Gas Supporting Products and Services: Competitive Structure in Malaysia for the year 2004

<b>Competitors</b>	At least 35 local companies in all categories of support service provider for the Oil & Gas industry in Malaysia
<b>Distribution Structure</b>	<p>Tier 1 – Large foreign companies that are essentially market leaders in their own field.</p> <p>Tier 2 - Medium scale companies with license to provide multitude of support services to the Oil &amp; Gas industry, that provide its own vessels, manpower, technician and skilled workers, also acts as agents to large foreign companies.</p> <p><b>The Tanjung Group participates at this level of the distribution structure.</b></p> <p>Tier 3 – Small scale companies that acts only as agents for foreign companies on specific equipment or machineries.</p>
<b>Tiers of Competition</b>	<p>Tier I - Largely global support service provider — e.g. Schlumberger Limited, Halliburton Company, Baker Hughes Incorporated</p> <p>Tier II - Local companies</p> <p><b>The Tanjung Group participates at this level of the competitive structure.</b></p>
<b>Key End-User Groups</b>	Oil & Gas producers e.g. Petronas, Exxon Mobil, Shell etc.
<b>Competitive Factors</b>	<p>Technical Capabilities</p> <p>Experience in the industry</p> <p>Local presence</p>

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

There exist approximately 35 companies that are active in activities similar to that of the Tanjung Group involving the provision of oil and gas support services in Malaysia. These companies can be subdivided into three tiers. Tier 1 comprises of large foreign companies that are essentially world leaders in their own field. These large multinationals comprise of three main players namely Schlumberger Limited, Halliburton Company and Baker Hughes Incorporated.

Tier 2 companies comprise of local players such as the Tanjung Group, Petra Perdana Berhad, Scomi Group Berhad that are involved in various provisions of product and services to the oil and gas industry, operating on a large scale with significant market share in terms of revenue generated from the oil and gas support service industry in Malaysia.

Tier 3 comprises of small companies that mainly act as distribution or retail agents for various oil and gas products and these companies mainly market the same to Tier 1 or Tier 2 companies. These companies are typically not directly involved in the bidding process of contracts from oil and gas producers or operators.

The most important criterion in selecting a service provider is its technical capability. As evident, though local companies are encouraged and given priority by the Government, foreign companies are still being sought after due to the industry's high technical and engineering requirements. However, once local competencies are developed, a local service provider may expand into the design and manufacturing or fabricating or designing of parts for OEMs as far as equipment sales and maintenance are concerned, or own more vessels as opposed to chartering in the case of marine vessels services. Such developments can lead to cost savings and sustainable market growth for local support service providers.

As a service provider, the Tanjung Group has gained technical exposure and experience from its role as an integrated service provider in providing various support services from the exploration to the production and maintenance stages of the life cycle of the oil and gas fields in the last fourteen years. To date much of the technical know-how has been transferred from the foreign OEM principals to the Tanjung Group and such practices have eliminated the need to send equipment and machinery abroad or rely on foreign expertise to perform similar jobs, to a great extent. Local expertise developed through working experiences allows the OEM principals to use their exclusive local agents to operate within the region instead of having to deploy their own technicians. Such development is expected to provide market growth for local companies such as the Tanjung Group as it progress to move up the value chain of the oil and gas support activities industry.

*(Source: Strategic Insight of the Malaysian Oil & Gas Support Services Market prepared by Frost & Sullivan, March 2005)*

#### 4.6.4 Barriers To Entry

##### All Product and Services

##### (A) Licensing Requirement

Generally, there are three authorities that issue licenses for provision of products and services to the oil and gas industry in Malaysia. These bodies comprise of the Ministry of Finance ("MoF"), Petronas and the Construction and Industrial Development Board ("CIDB").



#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

The various licensing requirements within the oil and gas industry can be considered as a deterring factor for new entrants as these licenses are not easily attainable. On a positive note, the said licensing requirements will also ensure that new contracts and developments within the oil and gas industry is being secured by licensed service providers only, as companies without license and technical capabilities will not be eligible to bid for the contracts within the oil and gas industry. Figure 2-16 shown below sets out the requirements and purposes of the licenses of the respective authorities:

Figure 2-16

##### License Issued by Relevant Bodies of Authority

	Body of Authority	Purpose of License
1.	MoF	Acknowledgement of Bumiputra status oil and gas contractor. License to supply a range of equipment and parts related to the oil and gas.
2.	Petronas	License to supply equipment and services to oil and gas exploration and production companies in Malaysia.
3.	CIDB	Acknowledgement of registration. License to be eligible for participation in construction and industrial projects with approved contract values.

#### (B) High Capital Outlay

In general, the cost for any product, machinery, engineering equipment or spare part for the oil and gas industry is at the high end. The high cost is due to the high standard of engineering design and specifications required. This can be considered as an entry barrier because financing is not readily available to the service providers like the Tanjung Group and is usually complicated in terms of payment / credit terms. This in turn may prolong the financing process. Very often companies need to secure loans and obtain various bridging facilities from financial institutions to make payments to their principals / OEMs. In turn, financial institutions will have to assess the risk of financing such a project or contract secured by the licensed service providers. In some cases, the service providers may not have access to such financing facilities due to poor financial standing.

#### Centrifugal Compressor and Gas Turbines

##### (A) Few OEMs

There are only a few key global OEMs like Siemens AG, Demag Delaval Industrial Turbomachinery Pte Ltd, Elliott Ebara Turbomachinery Corporation, ABB Ltd, GE-Nuovo Pignone, Rolls-Royce Plc, Kawasaki Heavy Industries, Dresser-Rand Company and Solar Corporation that supply / provide centrifugal compressors and gas turbines for the oil and gas industry due to the high technology and technical requirements for this industry. These OEMs normally have an exclusive agency agreement with local companies to market their products in the respective country. The existing relationship between the OEMs (principal) and its appointed exclusive agent, is itself a long-term barrier-to-entry, as the agreement between the principals and vendors is itself a barrier-to-entry, as the agreement between the principals and vendors such as the Tanjung Group is seen as a continuous beneficial relationship through fostering strategic alliance to enhance their respective market shares. As indicated above, the Tanjung Group is the exclusive agent for Elliott Ebara Turbomachinery Corporation (for centrifugal compressors) and Siemens AG (for gas turbines) in addition to other OEMs. (*The detailed description of the OEMs exclusively*

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

*represented by the Tanjung Group is provided in the section "Principal Products and Services" in Section 4.5.1 of this Prospectus).*

The importance of the continuity of such business arrangement can be best illustrated by considering a scenario whereby an OEM principal decides to revoke the agency license and in turn awards it to another company. The foreseeable outcome of such circumstances, may be in various forms such as; the delay in spare-parts, mismatch of technical supplies, longer duration for maintenance or repair, legal-battle that may disallow the newly appointed agent to start work and so forth. These possibilities typically underline the need for continuous principal-vendor relationship and act as a barrier for new entrants.

##### (B) Technical Know-How

A service provider must be equipped with the pre-requisite engineering knowledge in relation to the machinery and equipment that it supplies as well as the engineering requirements of the various types and dimensions of offshore platforms. Such technical know-how can only be gained if the service provider were to be present at the early stage of development, when technical planning takes place. Otherwise, it can be difficult to convince the offshore platform operators of its abilities and capabilities.

#### Marine Vessels Support Services

##### (A) Licensing Requirements

The International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code) set by the International Maritime Organisation came into force from 1<sup>st</sup> July 2002 for all cargo ships and mobile offshore drilling units ("MODUs") of 500 and above gross tonnage. This is to ensure that the operators that manage and operate the respective vessels always conform to the international standards for safety management and operations as well as pollution controls.

The ISM Code stipulates various safety-management requirements and requires a safety management system (SMS) to be established by "the Company", which is defined as the shipowner or any person, such as the manager or bareboat charterer, who has assumed responsibility for operating the ship. The Company is then required to establish and implement a policy for achieving these objectives. This includes providing the necessary resources and shore-based support.

For a company or an operator such as the Tanjung Group to apply for an ISM certification, it must first develop, implement and maintain a safety-management system (SMS), which includes the following functional requirements:

1. A safety and environmental-protection policy;
2. Instructions and procedures to ensure safe operation of ships and protection of the environment in compliance with relevant international and flag State legislation;
3. Defined levels of authority and lines of communication between, and amongst, shore and shipboard personnel;
4. Procedures for reporting accidents and non-conformities with the provisions of this Code;
5. Procedures to prepare for and respond to emergency situations; and
6. Procedures for internal audits and management reviews.



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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

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The abovementioned procedures and policies are to be documented and kept on board the vessel. The marine vessel support service providers must prove to the relevant authorities that the stipulated procedures have been complied with prior to obtaining the Document of Compliance (DOC) and Safety Management Certificate (SMC).

**(B) High Capital Commitments**

The involvement of capital commitments to acquire or commission a new vessel is also a barrier to entry to the marine vessel support services industry. For instance an average size of an anchor handling tug supply (AHTS) vessel is estimated to cost between RM20 million to RM35 million depending on the specifications, age, etc. Hence, only service providers with sound financial standing are able to penetrate into this segment of the oil and gas support service industry.

Due to the need for strict licensing and high capital commitments, it would be difficult for potential new entrants to compete with the existing service providers in the oil and gas industry.

*(Source: Strategic Insight of the Malaysian Oil & Gas Support Services Market prepared by Frost & Sullivan, March 2005)*

**4.6.5 Laws and Regulations**

Petronas was incorporated in 1974 as Malaysia's national petroleum company to develop the nation's petroleum resources. The ownership of the nation's petroleum's resources has been vested in the company by the Petroleum Development Act 1974, and its participation in the refining, manufacturing and marketing of petroleum products is also provided under this Act. The monopolistic status in the upstream operations, based on the same Act, is expected to remain in the foreseeable future. Therefore any company or service provider that wishes to engage in the provision of supply or services to the Malaysian oil and gas industry must necessarily be licensed by Petronas.

However, the government has provided Petronas with adequate latitude to manage itself based on commercial principles and this is expected to continue in the foreseeable future. The Malaysian oil and gas industry is therefore dependent on government policies which amongst other things encourage local entrepreneurs.

Operators and contractors, as well as their subcontractors, are subject to the Occupational Safety and Health Act (OSHA), 1994 as well as the Petroleum (Safety Measures) Act, 1984 that are enforced by the Department of Occupational Safety and Health (DOSH), a department under the Ministry of Human Resources. Under these Acts, employers have the duty to ensure, as far as practicable, the safety, health and welfare of all their employees at work. This includes the provision of plant and systems of work that are, so far as is practicable, safe and without risks to the health of employees. Both safety and protection against risks to health in connection with the use or operation, handling, storage and transport of plant and substances must be ensured. The employers must also provide necessary information, training and supervision to ensure, as far as is practicable, the safety and health of employees at work.

Apart from Petronas, there are two other bodies of authority that issue separate licenses with their own requirements. These comprise the Ministry of Finance (MoF) and the Construction and Industrial Development Board (CIDB) as mentioned in greater detail under the Barriers to Entry in the previous section.

#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

For regulation of marine vessels, the law under Merchant Shipping Ordinance 1952 Ord. 70/1952, Part IIB (65A) The Domestic Shipping Licensing Board, stipulates that all domestic shipping requires a license to operate, namely the domestic shipping license ("DSL"). The interpretation of "domestic shipping" under the regulation is as follows:

"The use of a ship -

- a) to provide services, other than fishing, in Malaysian waters or the exclusive economic zone; or
- b) for the shipment of goods or the carriage of passengers:
  - i. from any port or place in Malaysia; or
  - ii. from any port or place in Malaysia to any place in the exclusive economic zone or vice versa."

Furthermore, for any local or foreign vessels to operate within the oil and gas industry, they must first obtain operating licenses from Petronas. For foreign marine vessel support service providers, the said license is issued only to a local agency with an agency agreement from the foreign marine vessel support service providers (principal). It is important to note that a foreign vessel operator, through a locally licensed agent, may only operate within Malaysian waters after it has obtained the DSL.

In addition, from 1<sup>st</sup>. July 2002, all cargo ships and mobile offshore drilling units (MODUs) of 500 gross tonnages and above, need to comply with the requirements of the ISM Code. The ISM Code requires every company to be issued with a Document of Compliance (DOC) to show that it complies with the requirements of the ISM Code. The DOC is issued for a period of five years subject to an annual verification audit. The DOC must be carried on board the ship. The ISM Code also requires every ship to be issued with a Safety Management Certificate (SMC), which verifies that the company and its shipboard management operate in accordance with the approved safety management system.

*(Source: Strategic Insight of the Malaysian Oil & Gas Support Services Market prepared by Frost & Sullivan, March 2005)*

#### 4.6.6 Market Drivers

Market drivers are factors that stimulate growth and potentially increase sales and revenues for the industry participants in the oil and gas supporting services sector.

Oil and Gas Supporting Products and Services Market:  
Market Drivers Ranked in Order of Impact (Malaysia), 2003-2009

Rank	Driver	2003-2005	2006-2009
1	Prevailing high price of crude oil stimulates production	High	High
2	Technological Advances To Stimulate Exploration and Production Activities	Medium	High
3	Expansion of Downstream Gas Activities Spur Demand	Medium	High
4	Development of Petrochemical Industry Stimulates Demand	Medium	Medium

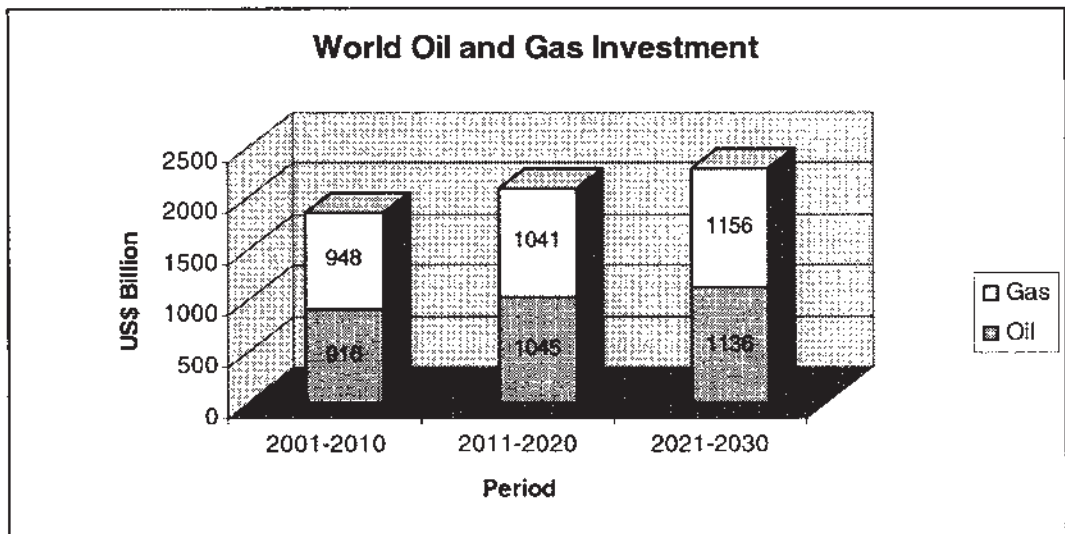
#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

##### (A) Prevailing high price of crude oil stimulates production

In Malaysia, the increase in price for crude oil is expected to lead to higher offshore activities, as companies would be more willing to invest in increasing production levels.

The world's investment in oil and gas is forecasted to grow by 23 percent from the forecast period 2001-2010 to 2011-2020 and this is in line with the world's demand for energy which is forecasted to grow at nearly 2 percent annually. Chart 2.3 shown below, depicts the world's forecasted investment levels in oil and gas industry.

Chart 2.3



Source: Data from International Energy Agency

The highest increase in demand for energy is expected to come from China. According to the U.S. Energy Information Agency ("EIA"), China was the world's second largest consumer of petroleum products after the U.S. in 2003, with total demand for oil of about 5.56 million barrels per day. In addition, China's demand for oil is projected to reach 12.8 million barrels per day by 2025, with net imports of 9.4 million barrels per day. As the source of about 40 percent of the world's growth in demand for oil (over the period of four years from 2000 to 2004), China's oil demand is expected to play a significant role in the global oil markets throughout the forecast period.

In addition, the present trend in rising global energy consumption is expected to increase further the demand for energy sourced from fossil fuels. Hence, it creates a higher impact on the oil and gas offshore activities to step-up production levels. Therefore, the impact of this factor is expected to remain high throughout the forecast period.



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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

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**(B) Technological Advances To Stimulate Exploration and Production Activities**

The hydrocarbon potential of certain oil and gas reserves within Malaysia has long been seen as promising, but the high cost of deep-water prospecting deterred most potential investors. The recent discovery of oil reservoirs such as in Kikeh, Gumusut, Kenarong, Kakap, Keabangan and Malikai oil fields could bring about more deep-water exploration and production activities in both Malaysia as well as Asia. Deep/ultra-deep water exploration is the final frontier of the offshore petroleum industry driven by the maturing of existing petroleum fields. Over the past few years there have been dramatic changes in technologies that significantly reduced the cost of accessing petroleum. Both ultra-deep platforms and the next generation seismic-imaging techniques (that allow reservoirs to be visualized on a screen in minutes rather than the months it would have taken a few years ago) are aiding the petroleum companies in their quest to reduce costs whilst at the same time increasing their chances to develop long term commercially viable oil and gas fields.

The arrival of 3D seismic imaging in the late eighties and nineties helped transformed the petroleum industry. These technologies can provide information in real-time in a more accurate manner thereby reducing the risks associated with finding petroleum underground. Another potential technological advancement lies in the development of smarter drill bits that encase sensors capable of measuring conditions in the surrounding rocks and act as the remote "eyes and ears" for the driller. This enables real time course corrections, if required.

Due to the recent technological advancements, the average finding and development cost of crude oil has fallen to a third of the RM76 a barrel it was two decades ago. Meanwhile, the current average extraction cost has fallen by half to less than RM15 a barrel.

The average recovery rate for an oil field remains at between 30 percent and 35 percent. In other words, of all the crude oil proven to exist in a given reservoir, petroleum companies are only able to get about a third to the market for consumption. The key is not simply to coax more crude oil from the oil-bearing rocks of a reservoir, but also to tap smaller fields nearby that were previously uneconomical, by using high-tech equipment such as multi-directional wells.

As a harbinger of things to come, the use of chemicals pumped down the wells under high pressure could enhance the fracturing of low permeability rocks and thereby increasing the level of extraction of oil. In addition, installing compressors at the platforms could help to stave off the decline in reservoir pressure over a period of time, and so boost petroleum recovery.

The arrival of sequential technological advances in three broad areas should collectively add up to improved recovery rates and lower extraction costs. These comprise of better visualization of reservoirs, better placement and drilling and better management once the wells are in production. Needless to say, the longer the reservoirs are producing petroleum, the longer are the platforms and associated facilities are needed. The impact of this factor is projected to increase during the forecast period.

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**


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**(C) Expansion of Downstream Gas Activities Spur Demand**

Currently, Malaysia is the third largest exporter of liquefied natural gas (LNG), after Indonesia and Algeria. There are three LNG plants in operation in Bintulu, Sarawak. The first LNG plant came on-stream in 1983, the second one in 1996 and the third one in 2003. The natural gas comes from the offshore fields in Sarawak. Collectively, the 3 plants make the Bintulu LNG complex the world's largest LNG production center with a combined capacity of 23 million metric tons per annum.

Besides the LNG plants, other gas projects include the Peninsula Gas Utilisation ("PGU") project in west Malaysia, gas supply to the western coast of Sabah and the Trans-Thailand-Malaysia Gas Pipeline System. Under the Trans-Thailand-Malaysia Gas Pipeline System, gas will be transported from the Malaysia-Thai Joint Development Area ("MTJDA") to the Peninsula Gas Utilisation pipeline at Changlun, Kedah. This linkage is expected to mark a major step towards realizing the trans-ASEAN Gas Grid project. The increase in demand from downstream activities has further boosted demand for upstream activities. The impact of this factor is expected to increase towards the end of the forecast period.

**(D) Development of Petrochemical Industry Stimulates Demand**

To date, integrated petrochemical complexes have been established in Gebeng (Pahang), Kerteh (Terengganu) and Tanjung Langsat (Johore) in the country. Collectively, there are 25 petrochemical projects located in the abovementioned three petrochemical complexes. The feedstock to these petrochemical plants comes from the gas deposits extracted by 67 petroleum platforms lying offshore in Terengganu. The downstream support service activities share some similarity with the offshore support service activities in terms of machinery and equipment used. These machinery and equipment comprise of switchgears, control valves, gas turbines, compressors, etc. The impact of this factor is anticipated to remain constant throughout the forecast period.

*(Source: Strategic Insight of the Malaysian Oil & Gas Support Services Market prepared by Frost & Sullivan, March 2005)*

**4.6.7 Prospects And Outlook**

The increasing price of crude oil is expected to enhance the exploration, development, maintenance, as well as production activities for the oil and gas industry in Malaysia. This is reflected by higher investments in equipment and enhancements of existing platforms to achieve higher productivity levels by the oil and gas operators.

Generally, greater maintenance is needed as PSCs mature. This is due to the fact that existing machineries and equipment may start to experience increased "wear and tear" in the long term. Therefore, the maintenance market will normally grow in tandem with the oil and gas offshore product lifecycle. Industry participants will normally refer to the overall PSC lifespan / duration to gauge the demand for maintenance projects. Figure 2-17 shows the estimated age profile of the East Malaysian offshore platforms which drives the maintenance market.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

Figure 2-17

Estimated East Malaysia offshore platforms breakdown by age – End 2003

Age	Estimated number of platforms
Less than 5 years	Around 15 to 17
5 years to 9 years	Around 15 to 17
10 years to 14 years	Around 30 to 32
15 years to 19 years	Around 30 to 32
20 years to 24 years	Around 60 to 65
25 years and more	Around 65 to 75
<b>TOTAL</b>	<b>Around 240</b>

Furthermore, the industry expects an estimated total of 65 to 70 new platforms to be installed over the next five years (until 2009). These new platforms are the key drivers for sales of new equipment like gas turbines and centrifugal compressors as well as marine vessels support services.

The stable market for centrifugal compressors is expected to move slightly upwards over the forecast period at a CAGR of 1% in terms of market capitalization from around RM1.82 billion in 2004 to around RM1.91 billion in 2009. The gas turbines' market capitalisation is also expected to provide for steady growth throughout the forecast period registering CAGR of 2 percent in terms of market capitalization, which is estimated to increase from around RM4.08 billion in 2004 to around RM4.5 billion in 2009.

The main revenues generated from gas turbines are expected to be derived from the maintenance of the same that includes repairs, servicing and sales of spare parts. Such maintenance work is typically high margin and service providers such as the Tanjung Group can benefit from the anticipation of greater maintenance and service work with the maturing of the PSCs.

With reference to the marine vessel support services, there was a significant growth in 2003 registering a 31 percent increase from previous year (2002), due to economic recovery and the prevailing high price of crude oil towards the end of the year, resulting in a multiplier effect on offshore activities. The growth rate for 2004 is an expansion of the growth in 2003, which moderates at 14 percent.

The recent high oil prices of above US\$55 per barrel in early March 2005, will only have a modest negative impact on the growth of Malaysia's economy, as Malaysia is still a net exporter of oil and gas products. According to the Governor of Bank Negara, the government stood to gain between RM100 million to RM200 million from every US Dollar increase in the price of a barrel of crude oil, after taking into account subsidies to maintain low petrol prices.

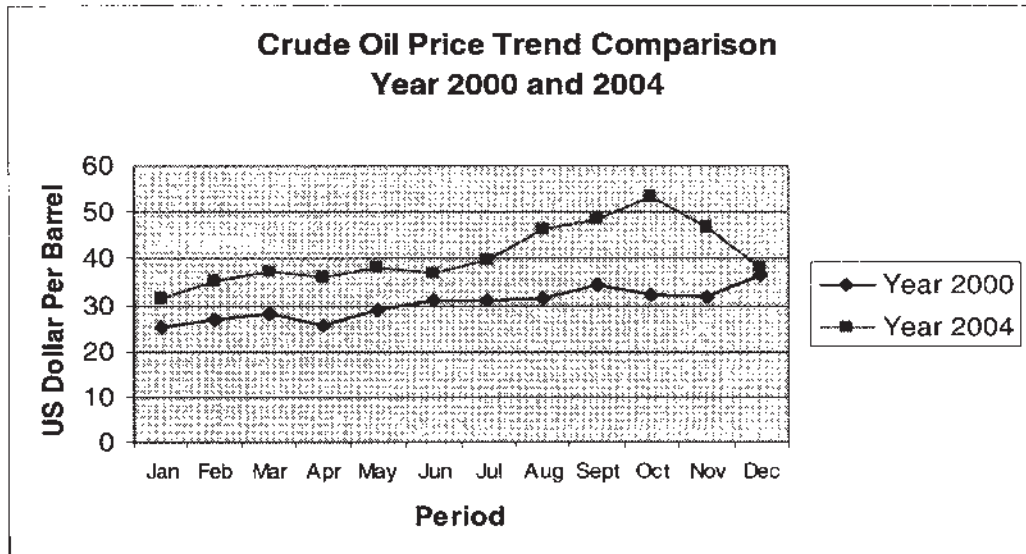
A comparison of crude oil price trend for the period between the month of January to December, for the year 2000 and 2004 is shown below in Chart 2.11.

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## 4. INFORMATION ON TANJUNG GROUP (CONT'D)

Chart 2.11



Source: Data based on Terengganu Crude and Condensates price quoted by Petronas

The chart above compares the average spot crude oil prices in 2004 vis-à-vis 2000 on a monthly basis until December of the respective years. However, unlike the price trend in 2000, the price trend in 2004 represents a steeper climb with longer momentum resulting in what experts and analysts call as the “psychological price” (US\$50 per barrel). The high spot price has resulted primarily due to adverse reports about shortage and disruption of oil supply from Venezuela, Russia and Iraq and the higher demand for energy from India and China.

Due to the higher demand forecasted for energy from developing countries, it is possible that the present average price for crude oil of US\$40.6 per barrel (price based on Terengganu crude for the period of January 2004 to December 2004) can rise by an average of US\$10 per barrel in the next 3 to 5 years, as illustrated by the incremental rise between year 2000 and 2004.

However, the possibility of another incremental jump in oil prices for the next 3 to 5 years will result in higher investments in the oil and gas industry especially in terms of acquisitions of new machineries and equipment to cater for higher production output. At the same time, the maintenance market for all machineries and equipment is expected to grow due to aging and usage of the equipment on the offshore platforms as well as due to enhancements in future production outputs.

Given the current rise in the world's oil demand which is forecasted at 84.3 million bpd in 2005 by IEA, and the prevailing high oil prices, Frost & Sullivan is of the opinion that the Malaysian oil and gas support service providers stand to benefit from the current and planned offshore activities in Malaysia. These activities are expected to increase, with special emphasis on the marine support vessel services. Companies such as the Tanjung Group that offer integrated services for both upstream and downstream activities are expected to benefit the most from the anticipation of higher offshore oil and gas activities, as such integration of supporting services tends to lower the total cost of oil and gas operations for petroleum producers and operators.

(Source: Strategic Insight of the Malaysian Oil & Gas Support Services Market prepared by Frost & Sullivan, March 2005)

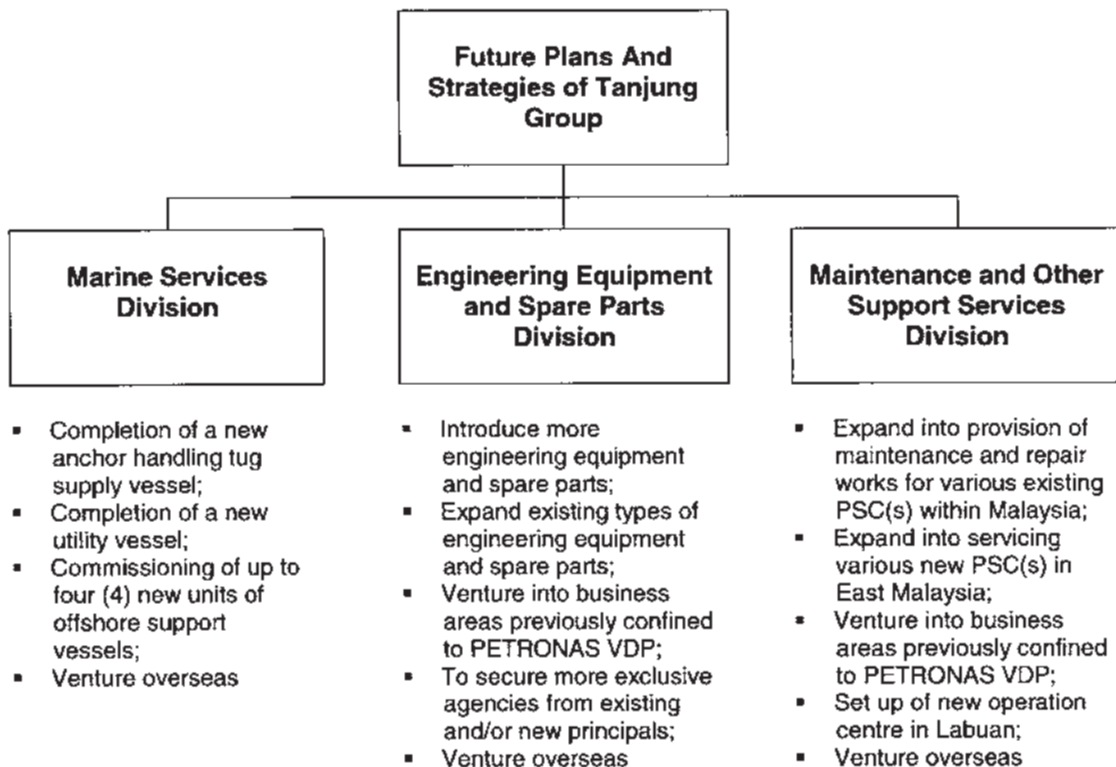
#### 4. INFORMATION ON TANJUNG GROUP (CONT'D)

#### 4.7 Future Plans, Strategies And Prospects

##### 4.7.1 Future Plans And Strategies

The future prospects of the Tanjung Group as an integrated oil and gas service provider in Malaysia are promising given that the Malaysian Government has taken numerous steps to spur the growth of the oil and gas industry. The Government's encouragement to foreign oil and gas operators to utilise Malaysian support service providers is seen as a significant advantage to local companies such as the Tanjung Group.

As the Group intends to strengthen its position within the domestic oilfield services industry, it will continue to focus on the three main divisions within the Group as follows: -



Details of the Tanjung Group's future plans and strategies are set out below:-

##### Marine Services

The Tanjung Group is in the midst of commissioning a new 60-metre anchor handling tug supply vessel which is expected to be fully commissioned and ready by June 2005. The total costs of the vessel is approximately RM35 million. The vessel is to supply, support and act in the capacity of a safety vessel for offshore drilling and workover rigs in the operational waters of the ASEAN region. The new vessel is also designed for multi-purpose roles such as the following:-

- (i) Transport fresh water, diesel oil, bulk cement, barite, liquid mud, base oil, brine, drill water, deck cargo and stores, materials and equipment;
- (ii) Tow/move drilling and workover safety rigs;
- (iii) Anchor handling duties;
- (iv) Move men and materials between platforms and shore; and
- (v) Evacuate casualties.

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**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

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Further thereto, the Group is also commissioning a new 45-metre utility vessel as part of the Group's expansion plans for its marine services division. The total costs of the utility vessel is approximately RM22 million. The utility vessel is a multi-purpose vessel which is used to ferry personnel, small to medium range machinery and equipment and general materials between mainland and offshore facilities.

The abovementioned anchor handling tug supply and utility vessels are expected to be completed by June and September 2005 respectively and is expected to contribute positively to the future earnings of the Tanjung Group.

As part of the Group's intention to further enhance its fleet size, the Group plans to commission up to four (4) new units of offshore support vessels, comprising utility vessels, supply vessels and anchor handling tug supply vessels, to cater for the increasing demand in vessel support services within the Malaysian oil and gas industry. The costs of the aforementioned four (4) units of offshore support vessels, which are estimated at approximately RM30.0 million per unit, will be part financed by listing proceeds and internally generated funds and/or borrowings. The Group hopes to secure more long term contracts for its marine vessels as the Group believes that these vessels would be able to secure a recurring and stable stream of income in the long run.

**Engineering Equipment and Spare Parts**

The Tanjung Group intends to introduce more engineering equipment and spare parts to oilfield operators in the near future including, *amongst others*, securing more exclusive agencies from new principals. The Group plans to increase the types of engineering equipment and spare parts provided through closer co-operation and technical support from the foreign-based manufacturers. Presently, the Group provides mainly turbine and compressors for the platforms and plans to supply a larger range of turbines and compressors so as to further enhance Tanjung Group's position as an integrated oil and gas service provider in the industry.

In addition, the Group's position in the provision of engineering equipment and spare parts to the oil and gas industry is poised to improve further with PETRONAS' move in gradually opening up certain areas of the PETRONAS VDP, which had previously confined oilfield operators to source certain engineering equipment and spare parts from certain license service providers listed in the VDP. Tanjung's plan to venture into these areas is anticipated to improve the underlying position of the Tanjung moving forward through increase in sales from the aforesaid oilfield operators.

**Maintenance and Other Support Services**

As various equipment on the oil and gas platforms and rigs within Malaysia ages, the management of Tanjung envisages that there is a growing need for various maintenance and repair works to be carried out and is also continuously seeking new maintenance and repair jobs with existing and new oilfield operators. The management of Tanjung is of the view that the provision of maintenance and repair works as well as other support services would enable the Group to stabilise its revenue in the long term. Apart from that, the Group is also actively seeking for potential jobs and contracts with new oilfield operators in East Malaysia. With the recent discoveries of new oilfields such as Kikeh, Kenarong, Malikai, Gumusut and Kakap, the Group expects to secure more support services from these oilfields in the near future.

As mentioned above, PETRONAS' move in gradually opening up certain areas of the PETRONAS VDP will potentially boost the Group's sales of engineering and spare parts. This in turn will translate to potentially higher maintenance and support services to be provided by the Group.

**4. INFORMATION ON TANJUNG GROUP (CONT'D)**

As part of its expansion plans in the near future, the Group plans to set up a new operation centre and workshop in Labuan. The proposed operation centre would serve as a one-stop oil and gas service provider with complete workshop facilities, communication and support centre in East Malaysia. With the recent discovery of new oilfields off the Sabah and Sarawak waters namely Gumusut, Kikeh and Malikai, the Tanjung Group foresees that there would be an increase in exploration and development activities at these new oilfields. The Labuan operation centre and workshop is expected to support the oilfield operators in the vicinity of the aforesaid oilfields. With the setting up of the operation centre and workshop in Labuan, the Tanjung Group will be able to continuously serve these oilfield operators effectively and efficiently.

**4.7.2 Prospects**

Demand for oil and gas support services is expected to increase in the near future due to rising demand for energy and its limited supply around the world. Recent studies have shown that the overall global energy use is expected to grow by approximately 40% by 2020. Demand is expected to rise from approximately 215 million oil equivalent barrels per day to almost 300 million oil equivalent barrels per day.

*(Source: Strategic Insight of the Malaysian Oil & Gas Support Services Market prepared by Frost & Sullivan, March 2005)*

In recent months, the prices of crude oil has surpassed the level of USD50 per barrel. According to industrial analysts and experts, this trend is expected to continue, thus pushing the prices higher in the near future. This scenario would provide the oil companies and operators further incentives to increase their exploration and drilling activities which would directly increase the demand for the services of oil and gas service providers such as Tanjung.

As the local oil and gas exploration and drilling activities are also expected to increase in the near term, the Group plans to enhance its presence within the Malaysian oil and gas industry. Apart from that, the Malaysian Government's continuous strategy to enhance the participation of locally licensed support service companies in securing a range of oil and gas contracts and work scope in Malaysia also augurs well for Tanjung.

The Group has also anticipated that there is a need for the Group to expand its services locally and abroad in the near future. To the best of knowledge of the Tanjung Board, PETRONAS has business operations or ventures in more than twenty (20) countries. As a licensed and approved oil and gas service provider of PETRONAS, the Tanjung Group can capitalise on the vast opportunities offered by the overseas ventures of PETRONAS on a global basis, especially in areas where PETRONAS has an established presence, as and when the opportunity arises. The management believes that such long-term global partnership to service PETRONAS' worldwide operations would further contribute positively to the earnings of the Group in the future.

Upon the successful listing of Tanjung Group on the Second Board of the Bursa Securities, Tanjung Group would be in a strategic position to expand into related oilfield services beyond the Malaysian borders and enhance the Group's profile in both the local and international scene of the oil and gas industry.

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