
3. RISK FACTORS (Cont'd)

(v) Competitive Risks

VEB Group faces competition from other companies in the offshore hook-up and commissioning, and topside maintenance services for the oil and gas industry. Although competition exists in the industry, it is imperfect due to requirements for licensing and registration that partly inhibits free competition. In addition, there are numerous barriers to entry for the provision of offshore hook-up and commissioning, and topside maintenance services including technical skills and knowledge, proven track record and experience in the required areas of expertise, and the capacity to handle larger sized projects.

The Directors of the VEB Group are fully aware of the competition that lies ahead. However, the VEB Group, with their reputation of being dependable and credible service provider, coupled with a proven track record of over 9 years within the industry is confident that it will be very competitive in the market place.

In addition, the VEB Group has a group of experienced and technically trained personnel and its effort to continuously enhancing its asset based services i.e. through owning a marine vessel and fabrication yard facilities, these factors form high barriers of entry for any new companies to penetrate into the industry that the VEB Group is operating in.

Nevertheless, there is no assurance that the VEB Group performance will not be affected by competition.

(vi) Financial Risks**Borrowings And Interest Rates Risks**

VEB Group is able to meet its financial obligations through a combination of internally generated funds and external financing. All the borrowings of the VEB Group are interest bearing and consists of domestic borrowings only and presently, the VEB Group enjoys good credit standing with its bankers, bondholders and has adequate credit facilities.

There can be no assurance that the performance of the VEB Group would remain favourable in the event of adverse changes in the interest rates. Notwithstanding this and based on the existing gearing level and the fact that the borrowing is mainly based on fixed coupon yields, the funds to be generated in the future are expected to meet the repayment of the facilities.

The Listing of VEB will be advantageous in the long term as it will enable the VEB Group to tap into the capital market in the future to meet its long term funding requirements. The usage of relatively cheaper funds from the capital market will enhance profitability through interest savings and expansion of operations.

Restrictive Covenants

Pursuant to various credit facilities agreement entered or to be entered into by the VEB Group with its financiers, in certain instances the VEB Group will be bound by positive or negative covenants which may limit the VEB Group's operating and financial flexibility. The aforesaid covenants are typically contained in credit facilities agreements. Any act by the VEB Group falling within the ambit of such covenants would require approval from the relevant financier. In the event of breaching of such covenants, it may give rise to a right by the financier to terminate the relevant credit facility and/or enforce any security pledged in the credit facility agreement. The Directors of VEB are aware of such covenants and shall take all precautions necessary to prevent any such breach while conducting the business of the VEB Group.

3. RISK FACTORS (Cont'd)

(vii) Investment Activities Risk

The Group may from time to time invest in new ventures that are relatively new to the Malaysian market. As such, there is a potential risk that these investments may have longer than expected gestation period or may not be entirely successful. In this event, the Group may take time to recover or be unable to recover its initial investments. The Group plans to mitigate this risk, together with other possible ventures risks in the future by exercising due care in the evaluation of such ventures. Nevertheless, there can be no assurance that such ventures, if any, will yield positive returns to the Group.

In addition, if appropriate opportunities present themselves, the Group may intend to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures or to integrate such acquisitions and joint ventures with its current business. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

(viii) Foreign Exchange Risk

Fluctuations in foreign exchange rates will have an impact on the prices of materials that imported through purchases from local authorised agents. An unfavourable foreign exchange movement against the Ringgit may have an impact on the profitability of companies within the industries.

However, for the FYE 31 December 2007, only 0.6% of the Group's purchases were denominated in foreign currency, the USD. As such, The Group's exposure to foreign exchange rate fluctuations is minimal. In addition, the Group has contractual arrangement with the clients, which allows claiming on cost plus basis.

(ix) Control by Substantial Shareholders/Promoters

Upon completion of the IPO, the Promoters and Substantial Shareholders of VEB, namely Mohamad Nor Bin Abdul Rashid, Nor Sabri Bin Hamzah and Azman Bin Abd Ghafar, will collectively control 57.37% of VEB's enlarged issued and paid up share capital. As a result, they would be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

An audit committee is also in place to ensure that, amongst others, any future transactions involving related parties, if any, are entered into on an arms-length terms/basis.

(x) Related Party Transactions/ Conflict of Interest

There are certain related-party transactions involving the Directors and Substantial Shareholders and/or persons connected with the Directors or Substantial Shareholders of VEB. The Directors and Substantial Shareholders of VEB have given an undertaking that all business transactions between the Group and the Directors and Substantial Shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group.

3. RISK FACTORS (Cont'd)**(xi) Breakout of Fire, Energy Crisis and other Emergencies**

In the event of any breakout of fire, energy crisis and other emergencies, the Directors of the VEB Group are of the opinion that the VEB Group's assets consisting mainly of buildings, tools, equipment, project consumables, project materials, office equipment are adequately insured for fire, flood, theft, strike and personal injury for employees. In addition, most of the tools and equipment, project materials and consumables are located within VSB yards where high security and safety procedure are strictly enforced.

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets and development projects on a continuous basis.

3.3 RISKS RELATING TO INVESTMENT IN THE SHARES OF VEB**(i) No Prior Market for the Shares of VEB**

Prior to this Public Issue, there has been no public market for the Shares of VEB. There can be no assurance that an active market for the Shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the Bursa Securities or, if developed, that such a market will be sustained. The IPO Price of RM0.75 for the IPO Shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions at the time the application for listing of VEB was submitted to the SC. There can be no assurance that the IPO Price will correspond to the price at which the Shares will trade on the Second Board of the Bursa Securities upon or subsequent to its Listing.

(ii) Capital Market Risks

As an investor of VEB, please note that the VEB Shares will be listed on the Second Board of the Bursa Securities. The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the listed shares of VEB. Nevertheless the profitability of VEB is not dependent on the performance of the Bursa Securities as the business activities of VEB have no direct correlation with the performance of securities listed on the Bursa Securities.

3. RISK FACTORS (Cont'd)

(iii) Achievability of Profit Forecast

It should be noted that the profit forecast are based on various assumption with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of the Company to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of estimate and forecast and because of the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the resultant estimate and forecast results will be realised, and actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit estimate and forecast as well as the comments by the Reporting Accountant in their letter on the consolidated profit forecast as set out in Section 9.8 of this Prospectus.

(iv) Disclosure Regarding Forward-Looking Statements

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance of achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of the Company or its adviser that the plans and objectives of the Group will be achieved.

(v) Delay In or Abortion of Listing

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur: -

- (i) The identified investors fail to subscribe the portion of Shares intended to be placed to them;
- (ii) The Underwriters exercises its rights pursuant to the underwriting agreement to discharge itself from its obligations there under;
- (iii) VEB is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of VEB must be held by a minimum of 1,000 public shareholders holding no less than 100 ordinary shares of RM0.25 each in VEB at the time of Listing; and
- (iv) The Public Issue Shares are not fully subscribed.

4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

VEB was incorporated in Malaysia under the Act on 22 September 2007 as an investment holding company for the purpose of the Listing exercise. VEB had on 20 November 2007 entered into a conditional sale and purchase agreement, supplemented by the Supplemental Agreement and Letter dated 29 February 2008 and 27 March 2008 respectively, to acquire the entire issued and paid-up share capital of VSB. The Acquisition of VSB was completed on 30 April 2008.

The history of the VEB Group can be traced back to the incorporation of VSB in 1995 and commencement of business in 1998. Initially, the Company was primarily involved in the supply of equipment and consumable materials and minor fabrication works. In 2002, VSB obtained its licence from PETRONAS to provide offshore hook-up and commissioning services to the oil and gas industry in Malaysia.

In 2003, the VEB Group was awarded a project by PCSB to provide offshore hook-up and commissioning services for Angsi Phase III of the Angsi Development project.

In May 2004, the VEB Group secured a three-year contract from PCSB for the provision of offshore and onshore hook-up and commissioning services for PCSB's facilities.

In 2004, VFSB was incorporated as an in-house supporting entity to undertake offshore and onshore fabrication works for the Group. Currently, the Group has three fabrication yards located in Kemaman, Labuan and Bintulu. In September 2004, the Group successfully secured a contract from Murphy for minor fabrication works for the West Patricia project.

In 2001, VECSB was incorporated and commenced business operations in 2006. VECSB is involved in the provision of offshore topside and onshore facilities maintenance services.

In 2005, VSB secured a five-year contract from PCSB to undertake offshore topside maintenance of platforms, FPSO, and FSO facilities, and onshore gas terminal maintenance in Peninsular Malaysia.

In October 2005, the VEB Group secured a two-year contract from Carigali Hess Operating Company Sdn Bhd for the provision of minor fabrication works for Cakerawala Facilities. In August 2007, the Group obtained an extension letter from Carigali Hess Operating Company Sdn Bhd and further extended to October 2007.

In 2005, VSSB was incorporated and commenced operations in 2006 for the provision of offshore and onshore hook-up and commissioning services. In 2005, VCSB was incorporated for fund raising activities. The Group successfully issued a RM100 million Islamic bond through VCSB in 2005.

As part of the Group's strategy to strengthen its in-house support services, the VEB Group acquired its first marine vessel to provide accommodation for a maximum of 84 persons at the end of 2006. This workboat is used to facilitate offshore hook-up and commissioning and offshore topside maintenance works for the Group.

4. INFORMATION ON THE GROUP (Cont'd)

Subsequently in 2007, the VEB Group acquired a 75% shareholding of MUSB, which was incorporated to undertake the provision of underwater structural inspection services.

In the second quarter of 2007, the VEB Group secured a RM34 million contract from PETRONAS Methanol (Labuan) Sdn Bhd to undertake procurement, construction and commissioning (PCC) for Labuan Gas Terminal (LGAST) and pipeline project for Gas Receiving Terminal (GRT) 1 and 2, which are located in Labuan, East Malaysia. This was undertaken by the Group's subsidiary, VOSSB, which was incorporated in 2004 and commenced operations in 2007. VOSSB's core business activities are in onshore construction activities.

As part of the Group's core business of providing offshore supporting services, VMSB was incorporated in 2005 which is intended to be the new owner of the marine vessel, Vasta Jati, currently owned by VSB. The proposed vessel transfer which received the sanction of the Sukuk holders has been put in abeyance until such time when a favourable scheme for the proposed vessel transfer can be implemented without contravening the Shariah principles of Musyarakah.

In October 2007, the VEB Group obtained a letter of award from Murphy for the 'Provision of Minor Engineering and Maintenance Services for Murphy's Shallow Water Production Operations'.

In March 2008, the VEB Group received a letter of award from the Malaysian Refining Company Sdn Bhd for the 'Civil Work Package 3' part of the total Melaka Refinery PSR-2 Revamp Project.

In May 2008, the Group secured a contract from PCSB for the 'Provision for Hook-up and Commissioning of PCSB facilities', which expires on 2010.

In 2008, the VEB Group has successfully gained access into two new overseas countries, Indonesia and Vietnam, and secured the following contracts:

- In February 2008, the Group has successfully gained access into Indonesia and secured its first job through its subsidiary company, PTVE for the installation of gas pipeline of EPC Greater Jakarta Distribution Main Line under IFB-2 project, which is owned by PT Perusahaan Gas Negara.
- In May 2008, the Group secured a contract from PT Salwa Anugerah Semesta for the provision of procurement services, primarily for the steel products and pipes.
- In June 2008, the Group through VECSB, entered into a 10 year long-term contract with MacGREGOR Oy and Alpha Co Ltd for the fabrication of steel products specifically hatch cover. VECSB and Alpha Co Ltd are in the process of forming a joint-venture company under the name of Vastalux-Alpha Joint Venture Company Limited in Vietnam. The intended activities are to undertake the offshore and onshore oil and gas supporting services including fabrication operations, hook-up and commissioning, topside maintenance and underwater structural inspection services. This marks another milestone for the VEB Group in its geographical expansion into the Vietnam market.

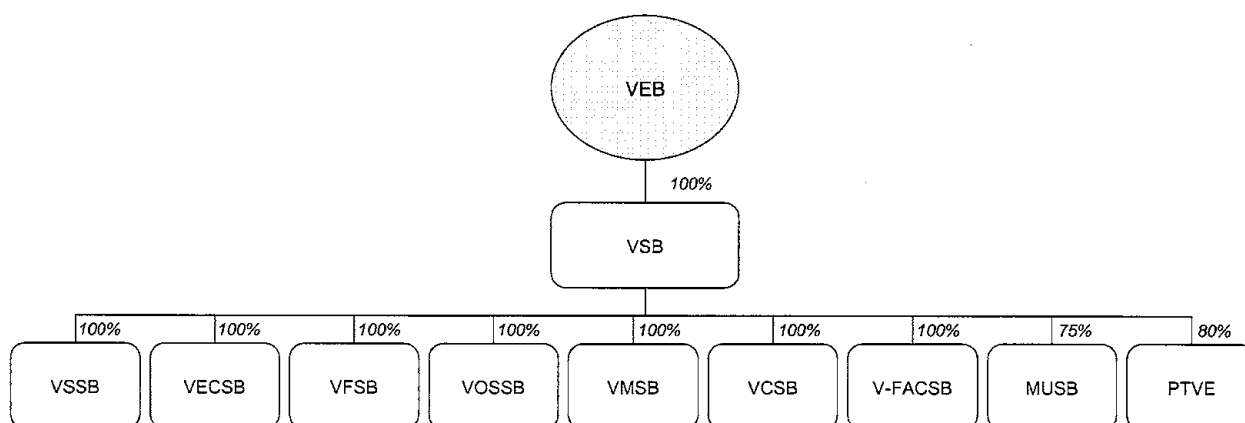
4. INFORMATION ON THE GROUP (Cont'd)

In June 2008, the Group secured an additional contract from PETRONAS Methanol (Labuan) Sdn Bhd for the fabrication of pipeline and structure.

In line with the Group's emphasis on quality, VSB, a wholly owned subsidiary within the Group, was accredited with ISO 9001:2000 certification in 2007.

Since the commencement of the Group's operations in 1998, the Group has established itself as a reputable provider of offshore supporting services for the oil and gas industry with revenue of RM143.2 million for the FYE 31 December 2007.

4.1.2 Group Structure



Details of the subsidiary corporations of the Company are summarised below:-

Name of Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Interest (%)	Principal Activities
Vastalux Sdn Bhd	23 August 1995 /Malaysia	5,000,000	100	Provision of offshore and onshore hook-up and commissioning, offshore topside and onshore facilities maintenance services, offshore and onshore minor fabrication works and charter of marine vessel.
<u>Subsidiaries of VSB</u>				
Vastalux Capital Sdn Bhd	22 September 2005 /Malaysia	2*	100	Entity for fund raising activities.
Vastalux Offshore Services Sdn Bhd (formerly known as Liputan Baiduri Sdn Bhd)	18 August 2005 /Malaysia	2	100	Provision of offshore and onshore hook-up and commissioning services.
Vastalux Onshore Services Sdn Bhd (formerly known as Vastalux Offshore Solutions Sdn Bhd)	6 May 2004 /Malaysia	2	100	Onshore construction of oil and gas plants.

4. INFORMATION ON THE GROUP (Cont'd)

Name of Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Interest (%)	Principal Activities
Vastalux E&C Sdn Bhd (formerly known as Bidi Enterprise Sdn Bhd)	2 August 2001 /Malaysia	2	100	Provision of offshore topside and onshore facilities maintenance services.
Vastalux Fabricators Sdn Bhd (formerly known as Mandarin Enhance Sdn Bhd)	8 April 2004 /Malaysia	500,000	100	Minor fabrication works.
Vastalux Marine Sdn Bhd (formerly known as Amber Mission Sdn Bhd)	6 September 2005 /Malaysia	2	100	Intended for charter of marine vessel.
V-Factor Sdn Bhd	7 July 2008 /Malaysia	100,000	100	Currently dormant. For future holding of vessel operation licenses to be secured from PETRONAS.
Merak Utama Sdn Bhd	11 September 2006 /Malaysia	100,000	75	Provision of underwater structural inspection services.
PT Vastalux Energy ^	10 October 2007 /Indonesia	USD1,000,000	80	Provision of offshore and onshore oil and gas supporting services in Indonesia.

Notes: -

* The entire issued and paid-up share capital of VCSB are currently held on trust by KAF Trustee Berhad on behalf of VSB pursuant to the Share Trust Deed dated 16 December 2005 between KAF Trustee Berhad and VSB.

^ PT Vastalux Energy (Deed of Establishment No. 39 dated 10 October 2007) an 80% owned subsidiary of VSB and currently established as a non-limited liability company in Indonesia. Upon the approval of the Minister of Law & Human Rights of Indonesia, which is pending, PTVE will legally obtain the status as a limited liability legal entity.

4.1.3 Share Capital and Changes in Share Capital

The present authorised share capital of VEB is RM100,000,000 comprising 400,000,000 Shares. The issued and paid up share capital of VEB is RM37,252,000 comprising 149,008,000 Shares.

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

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued and Paid-up Share Capital (RM)
22.09.2007	2	0.25	Subscribers' shares	0.50
22.10.2007	2	0.25	Cash	1.00
30.04.2008	111,199,996	0.25	Otherwise than cash, pursuant to the Acquisition of VSB	27,800,000
30.05.2008	37,808,000	0.25	Cash, pursuant to the Rights Issue	37,252,000

4. INFORMATION ON THE GROUP (Cont'd)**4.1.4 Listing Scheme**

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

(i) Acquisition of VSB

VEB had on 20 November 2007, entered into a conditional Sale and Purchase Agreement supplemented by the Supplemental Agreement and Letter dated 29 February 2008 and 27 March 2008 respectively with the Vendors of VSB for the acquisition of the entire issued and paid-up share capital of VSB comprising of 5,000,000 ordinary shares of RM1.00 each for a total consideration of 27,799,999 satisfied by the issuance of 111,199,996 new VEB Shares at an issue price of RM0.25 per new Share to the following parties: -

Name of Vendors	No. of ordinary shares held in VSB	%	Purchase Consideration (RM)	No. of VEB Shares
Mohamad Nor Bin Abdul Rashid	2,909,939	58.20	16,179,260	64,717,041
Nor Sabri Bin Hamzah	1,939,960	38.80	10,786,177	43,144,707
Azman Bin Abd Ghafar	150,101	3.00	834,562	3,338,248
Total	5,000,000	100.0	27,799,999	111,199,996

The purchase consideration of RM27,799,999 was arrived at a willing-buyer-willing-seller basis after taking into consideration the audited consolidated shareholders' equity of VSB of RM27,731,537 as at 31 December 2007. The Acquisition was completed on 30 April 2008.

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4. INFORMATION ON THE GROUP (Cont'd)**(ii) Rights Issue**

Upon completion of the Acquisition, VEB undertook a Rights Issue on 30 May 2008 of 37,808,000 new Shares at an issue price of RM0.25 per Share to all shareholders of VEB. The Rights Issue was undertaken on the basis of approximately thirty four (34) new Shares for every one hundred (100) existing Shares held by the existing shareholders in VEB, details as follows: -

Name of Selected Shareholders	No. of VEB Shares held before the Acquisition	No. of VEB Shares held after the Acquisition	No. of Shares issued pursuant to the Rights Issue
Mohamad Nor Bin Abdul Rashid	-	64,717,041	22,003,794
Nor Sabri Bin Hamzah	2	43,144,709	14,669,201
Azman Bin Abd Ghafar	2	3,338,250	1,135,005
Total	4	111,200,000	37,808,000

(iii) Public Issue

The Public Issue of 57,232,000 new ordinary shares at an issue price of RM0.75 are payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(a) Malaysian Public

12,000,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(b) Eligible Senior Management, Business Associates, Directors and Promoters of the Group

4,240,000 Public Issue Shares will be reserved for the eligible Senior Management, business associates, Directors, and Promoters of the Group. Shares reserved for the Directors and Promoters will not count as part of the public spread as noted in Section 2.1.

The shares have been allocated to nine (9) eligible Senior Management, business associates, Directors, and Promoters of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) Designation and position;
- (b) Length of service; and
- (c) Performance and contribution.

4. INFORMATION ON THE GROUP (Cont'd)

Details of the pink form allocation for the eligible Senior Management, business associates, Directors, and Promoters of the Group are as follows: -

Name	Designation	Pink Form Allocation
Tan Sri Dato' Zainol Abidin Bin Abd Rashid	Independent Non-Executive Chairman	90,000
Dato' Mohamed Salleh Bin Bajuri	Independent Non-Executive Director	80,000
Munawir Bin Mohammad	Non-Independent Non-Executive Director	70,000
Nor Sabri Bin Hamzah	Managing Director/ Chief Executive Officer	650,000
Azman Bin Abd Ghafar	Executive Director	1,650,000
A. Bakar Bin A. Wahab	Business Development Director	700,000
Saiful Faiz Bin Mohd Aziz @ Ahmad Latfi	General Manager, Corporate Services and Asset Division	500,000
Annuar Bin Tumar	General Manager, Operations Division	300,000
Syed Mohd Alwi Bin Syed Mustaffa *	N/A	200,000
Total		4,240,000

Note: -

* A business associate of the Group.

c) Places

40,992,000 Public Issue Shares will be available for placement to selected investors.

Upon completion of the Acquisition of VSB, Rights Issue and Public Issue, the enlarged issued and paid-up share capital of VEB will increase from RM1.00 comprising of four (4) Shares to RM51,560,000 comprising of 206,240,000 Shares.

4. INFORMATION ON THE GROUP (Cont'd)**(iv) Offer For Sale**

The Offer For Sale consisting of 26,000,000 Shares or approximately 12.61% of the enlarged issued and paid-up share capital (after the Public Issue) at an IPO price of RM0.75 per Offer Share, will be offered via a placement to selected investors or placees. All the proceeds arising from the Offer For Sale of RM19.50 million will accrue directly to the Offerors/Promoters of VEB.

The details of the Offerors/Promoters are as follows: -

Name of Offerors/Promoters	No. of Shares to be offered	Proceeds accruing to the offeror * (RM)
Mohamad Nor Bin Abdul Rashid	14,800,000	11,100,000
Nor Sabri Bin Hamzah	9,000,000	6,750,000
Azman Bin Abd Ghafar	2,200,000	1,650,000
	<u>26,000,000</u>	<u>19,500,000</u>

Note: -

* The Offer Price @ RM0.75 per Offer Share.

(v) Restricted Offer For Sale

The Restricted Offer For Sale consisting of 7,000,000 Shares or 3.39% of the enlarged issued and paid-up share capital (after the Public Issue) at an IPO price of RM0.75 per Offer Share, will be offered to 112 eligible employees of the Group. All the proceeds arising from the Restricted Offer For Sale of RM5.25 million will accrue directly to the Offerors/Promoters of VEB.

The details of the Offerors/Promoters are as follows: -

Name of Offerors/Promoters	No. of Shares to be offered	Proceeds accruing to the offeror * (RM)
Mohamad Nor Bin Abdul Rashid	4,200,000	3,150,000
Nor Sabri Bin Hamzah	2,800,000	2,100,000
	<u>7,000,000</u>	<u>5,250,000</u>

Note: -

* The Offer Price @ RM0.75 per Restricted Offer Share.

4. INFORMATION ON THE GROUP (Cont'd)**4.1.5 Location of Business**

The Group's head office is located at Level 7, Tower Block, Plaza Dwi Tasik, No. 21, Jalan Sri Permaisuri, Bandar Sri Permaisuri, 56000 Kuala Lumpur. Apart from the Group's head office, the Group's operation contains warehouses, covered workshop and open yard, blasting and painting areas, and project site offices in the following yard facilities: -

No.	Yard Facilities	Description
1.	Kemaman Supply Base Phase II (KSB) Address: Lot 12, Open Yard Phase II Kemaman Supply Base 24007 Kemaman Terengganu Darul Iman	a. Covered workshop and open yard b. Warehouse c. Blasting and painting areas d. Project Site office
2.	Labuan Yard Address: Lot 10, C4 Ranche-Ranche Industrial Estate, Off Jalan Patau-Patau 87017 Wilayah Persekutuan Labuan	a. Covered workshop and open yard b. Warehouse c. Blasting and painting areas d. Project Site Office
3.	Bintulu Yard Address: Lot 1581, Block 26 Kidurong Light Industrial Estate 97000 Bintulu Sarawak	a. Covered workshop and open yard b. Blasting and painting areas c. Project Site Office

Presently, the abovementioned head office and yards are all rented except for Labuan yard. On 30 October 2007, VFSB entered into a sale and purchase agreement with the vendors of Labuan Yard for the acquisition of the yard and the purchase was completed on 18 March 2008. Details of the ownership of the properties owned and leased by the Group are set out in Section 8.1 of this Prospectus.

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4. INFORMATION ON THE GROUP (Cont'd)

4.2 BUSINESS**4.2.1 History and Business Overview**

VEB was incorporated on 22 September 2007 as an investment holding company which then acquired 100% shareholding in VSB.

The history of the VEB Group can be traced back to the incorporation of VSB in 1995 and commencement of business in 1998. Initially, the Company was primarily involved in the supply of equipment and consumable materials, and minor fabrication works.

In 2002, VSB obtained its first licence from PETRONAS to provide offshore hook-up and commissioning services to the oil and gas industry in Malaysia.

In 2003, the VEB Group was awarded a project by PCSB to provide offshore hook-up and commissioning services for Angsi Phase III of the Angsi Development project.

In May 2004, the VEB Group secured a three-year contract from PCSB for the provision of offshore and onshore hook-up and commissioning services for PCSB's facilities.

In 2004, VSB was incorporated as an in-house supporting entity to undertake offshore and onshore fabrication works for the Group. Currently, the Group has three fabrication yards located in Kemaman, Labuan and Bintulu.

In September 2004, the Group successfully secured a contract from Murphy for minor fabrication works for the West Patricia project.

In 2001, VECSB was incorporated and commenced business operations in 2006. VECSB is involved in the provision of offshore topside and onshore facilities maintenance services.

In 2005, VSB secured a five-year contract from PCSB to undertake offshore topside maintenance of platforms, floating production storage and offloading (FPSO), and floating storage offloading (FSO) facilities, and onshore gas terminal maintenance in Peninsular Malaysia.

In October 2005, the VEB Group secured a two-year contract from Carigali Hess Operating Company Sdn Bhd for the provision of minor fabrication works for Cakerawala Facilities. In August 2007, the Group obtained an extension letter from Carigali Hess Operating Company Sdn Bhd and further extended to October 2007.

In 2005, VSSB was incorporated and commenced operations in 2006 for the provision of offshore and onshore hook-up and commissioning services.

In 2005, VCSB was incorporated for fund raising activities. The Group successfully issued a RM100 million Islamic bond through VCSB in 2005.

As part of the Group's strategy to strengthen its in-house support services, the VEB Group acquired its first marine vessel to provide accommodation for a maximum of 84 persons at the end of 2006. This workboat is used to facilitate offshore hook-up and commissioning and offshore topside maintenance works for the Group.

4. INFORMATION ON THE GROUP (Cont'd)

Subsequently in 2007, the VEB Group acquired a 75% shareholding of MUSB, which was incorporated to undertake the provision of underwater structural inspection services.

In the second quarter of 2007, the VEB Group secured a RM34 million contract from PETRONAS Methanol (Labuan) Sdn Bhd to undertake procurement, construction and commissioning (PCC) for Labuan Gas Terminal (LGAST) and pipeline project for Gas Receiving Terminal (GRT) 1 and 2, which are located in Labuan, East Malaysia. This was undertaken by the Group's subsidiary, VOSSB which was incorporated in 2004 and commenced operations in 2007. VOSSB's core business activities are in onshore construction activities.

As part of the Group's core business of providing offshore supporting services, VMSB was incorporated in 2005 which is intended to be the new owner of the marine vessel, Vasta Jati, currently owned by VSB. The proposed vessel transfer which received the sanction of the Sukuk holders has been put in abeyance until such time when a favourable scheme for the proposed vessel transfer can be implemented without contravening the Shariah principles of Musyarakah.

In October 2007, the VEB Group obtained a letter of award from Murphy for the 'Provision of Minor Engineering and Maintenance Services for Murphy's Shallow Water Production Operations'.

In March 2008, the VEB Group received a letter of award from the Malaysian Refining Company Sdn Bhd for the 'Civil Work Package 3' part of the total Melaka Refinery PSR-2 Revamp Project.

In May 2008, the Group secured a contract from PCSB for the 'Provision for Hook-up and Commissioning of PCSB facilities', which expires on 2010.

In 2008, the VEB Group has successfully gained access into two new overseas countries, Indonesia and Vietnam, and secured the following contracts: -

- In February 2008, the Group has successfully gained access into Indonesia and secured its first job through its subsidiary company, PTVE for the installation of gas pipeline of EPC Greater Jakarta Distribution Main Line under IFB-2 project, which is owned by PT Perusahaan Gas Negara.
- In May 2008, the Group secured a contract from PT Salwa Anugerah Semesta for the provision of procurement services, primarily for the steel products and pipes.
- In June 2008, the Group through VECSB, entered into a 10 year long-term contract with MacGREGOR Oy and Alpha Co Ltd for the fabrication of steel products specifically hatch cover. VECSB and Alpha Co Ltd are in the process of forming a joint-venture company under the name of Vastalux-Alpha Joint Venture Company Limited in Vietnam. The intended activities are to undertake the offshore and onshore oil and gas supporting services including fabrication operations, hook-up and commissioning, topside maintenance and underwater structural inspection services. This marks another milestone for the VEB Group in its geographical expansion into the Vietnam market.

4. INFORMATION ON THE GROUP (Cont'd)

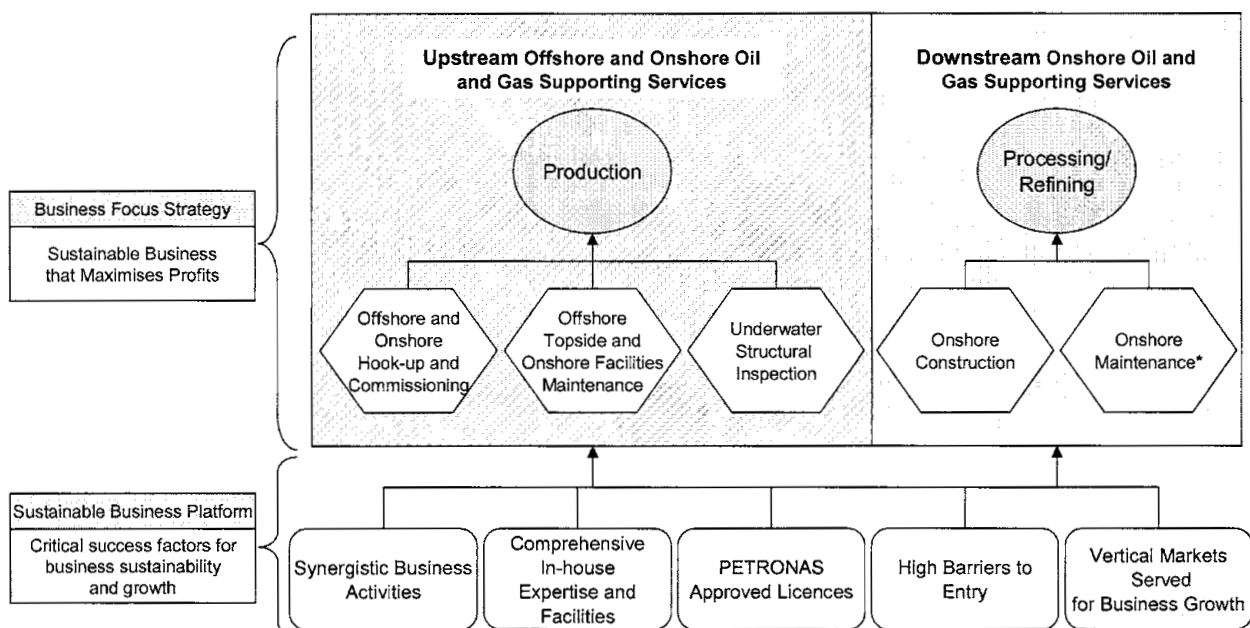
In June 2008, the Group secured an additional contract from PETRONAS Methanol (Labuan) Sdn Bhd for the fabrication of pipeline and structure.

In line with the Group's emphasis on quality, VSB, a wholly owned subsidiary within the Group, was accredited with ISO 9001:2000 certification in 2007.

Since the commencement of the Group's operations in 1998, the Group has established itself as a reputable provider of offshore supporting services for the oil and gas industry with revenue of RM143.2 million for the FYE 31 December 2007.

4.2.2 Business Model

VEB Group's business model is depicted in the figure below: -



Note: -

* Future operations.

VEB Group's business model comprises two elements: -

- Business focus strategy; and
- Sustainable business platform.

Business Focus Strategy

VEB Group's overall business focus strategy is to excel in the sectors of the oil and gas industry that will provide the Group with a sustainable business that maximises its profits. The Group's business focus strategy is based on two main approaches: -

- Upstream offshore and onshore oil and gas supporting services; and
- Downstream onshore oil and gas supporting services.

VEB Group's strategy of targeting the upstream offshore and onshore oil and gas supporting services includes providing hook-up and commissioning, topside and facilities maintenance, and underwater structural inspections.

4. INFORMATION ON THE GROUP (Cont'd)

This focus is predicated by the following considerations: -

- Currently, the VEB Group's offshore hook-up and commissioning, topside maintenance, and underwater structural inspection serve as its current main revenue stream.

Malaysia's spending for the upstream oil and gas sector, which includes exploration, development and production activities amounted to RM21.5 billion for the FYE 31 March 2008.

To address opportunities from the large expenditure on upstream oil and gas sector, the Group provides offshore supporting services for this sector of the oil and gas industry in Malaysia.

- According to the Ninth Malaysia Plan, during the period 2006 to 2010, RM43.8 billion has been allocated for the development of upstream and downstream segments of the oil and gas industry. Of this, RM13.1 billion has been allocated for upstream activities and RM30.7 billion for downstream activities.
- Based on the latest announcement from PETRONAS on 15 July 2008, a total of 88 fields were in operation, of which 61 were oil fields while the remainder 27 were gas fields for the FYE 31 March 2008.

VEB Group currently provides offshore topside maintenance services for 32 platforms off the coast of Terengganu, two floating production storage and offloading (FPSO) facilities, two floating storage offloading (FSO) facility and onshore facilities maintenance services for three gas terminal; and

- The range of offshore hook-up and commissioning, topside maintenance, and underwater structural inspection services provided by the Group are regarded as necessity services and critical supporting activities to the oil and gas industry by ensuring that offshore structures and platforms function effectively. The topside maintenance services are often critical to ensure that the integrity of the existing and aging offshore structures and platforms are not compromised.

The Group's business focus strategy extends to onshore activities for the downstream segment of the oil and gas industry. This includes the construction of oil and gas plants. This part of the Group's business focus strategy is mainly predicated by the following: -

- In 2007, there were 41 companies involved in petrochemical manufacturing operations, including the production of commodity and engineering grade plastic resins, petrochemical derivatives, and specialised and fine chemicals.

(Source: Independent Assessment prepared by Vital Factor);

- Malaysia is also an active refining centre for the oil and gas industry. In 2007, there were: -
 - five refineries;
 - one gas-to-liquid plant involved in refining crude oil;
 - three liquefied natural gas plants; and
 - six gas processing plants in refining natural gas.

(Source: Independent Assessment prepared by Vital Factor);

4. INFORMATION ON THE GROUP (Cont'd)

- Refined petroleum products represented one of the largest segments within the manufacturing industry in Malaysia. In 2007, the sales value of manufacture of refined petroleum products reached RM89.8 billion. *(Source: Independent Assessment prepared by Vital Factor).*

As such, the VEB Group's onshore business would enable the Group to address the relatively sizable downstream oil and gas segment to maximise on profits.

The business strategy to target both offshore and onshore oil and gas supporting services will provide the following benefits to the VEB Group: -

- Market enlargement covering two segments of the markets including offshore and onshore oil and gas supporting services to ensure a sustainable business; and
- Diversification to mitigate any over-dependency on any one segment.

Sustainable Business Platform

To provide a sustainable business platform, the VEB Group focuses on the following key success factors: -

- Synergistic business activities;
- Comprehensive in-house expertise and facilities;
- PETRONAS approved licences;
- High barriers to entry; and
- Vertical markets served for business growth.

Synergistic Business Activities:

The Group is primarily engaged in the provision of offshore and onshore hook-up and commissioning and topside and facilities maintenance for the upstream oil and gas industry. At the same time the Group is embarking strongly into onshore construction activities. These two offshore and onshore activities are highly synergistic that allows the Group to utilise similar skills set and resources to address two very large segments within the oil and gas industry.

Comprehensive In-house Expertise and Facilities:

VEB Group has a pool of 107 technical personnel (both permanent and contract) including multi-disciplined engineers, technicians and quality assurance personnel. These skilled personnel cover mechanical, instrumentation, electrical, structural, piping, and corrosion prevention functions. The Group also has three fabrication yards with full in-house equipment and tools to undertake minor fabrication work. This has enabled the Group to provide prompt and consistent product and service quality and also support its offshore and onshore hook-up and commissioning, and topside and facilities maintenance services.

In addition, the Group also owns a workboat to provide offshore accommodation for its personnel to facilitate its offshore hook-up and commissioning and topside maintenance services.

4. INFORMATION ON THE GROUP (Cont'd)

PETRONAS Approved Licences:

To participate in the oil and gas industry in Malaysia, it is mandatory that appropriate licences be obtained. VEB Group has obtained licences issued by PETRONAS to provide a range of offshore and onshore oil and gas supporting services. As this is a critical factor for sustainability of its business, the VEB Group is constantly ensuring that it meets the requirements of its licences as well as being able to obtain new licences to provide new products and services within the oil and gas industry in Malaysia.

High Barriers to Entry:

Barriers to entry for the provision of offshore and onshore hook-up and commissioning, and topside and facilities maintenance services are high, primarily due to large capital set-up cost, licensing requirements and skill base. The high barriers to entry will provide some protection from competitive pressure for the VEB Group.

Participation in a large number of oil and gas industry sectors requires substantial capital investment, particularly in terms of equipment and facilities, for example in the provision of offshore and onshore hook-up and commissioning, and offshore topside and facilities maintenance. Since the commencement of business, the VEB Group has invested approximately RM33.5 million in workboat, equipment and tools and yard facilities for the Group's operations.

Vertical Markets Served for Business Growth:

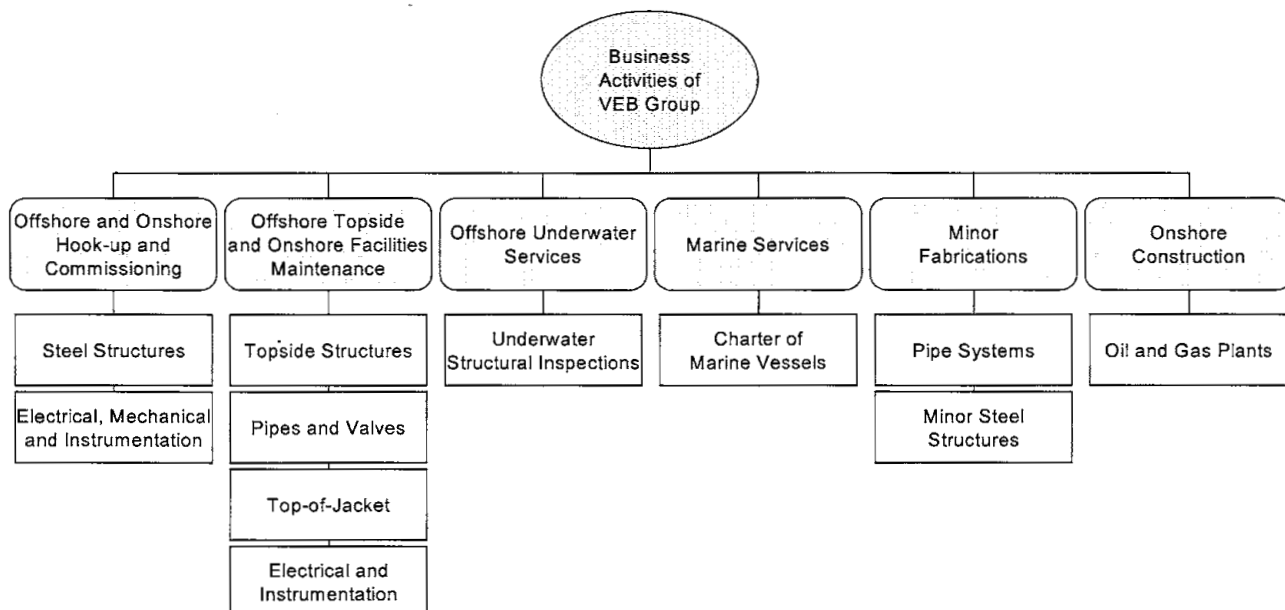
VEB Group is currently servicing the upstream and downstream oil and gas industry including production and processing/refining segments. The Group's vertical market strategy will provide the platform to sustain and grow its business significantly.

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4. INFORMATION ON THE GROUP (Cont'd)

4.2.3 Types of Products and/or Services and Principal Markets

The current business activities of the VEB Group can be depicted as follows:-



VEB Group is primarily an offshore and onshore oil and gas supporting service provider for the production sector within the oil and gas industry. The current principal business activities of the VEB Group are: -

- Offshore and onshore hook-up and commissioning services;
- Offshore topside and onshore facilities maintenance services;
- Onshore construction of oil and gas plants; and
- Minor fabrications.

Secondary business activities of the Group include: -

- Offshore underwater services; and
- Charter of marine vessel.

VEB Group's business activities are supported by in-house capabilities and facilities to undertake various aspects of supporting activities for the oil and gas industry that incorporates the following: -

- Skilled and multi-disciplined engineers, and experienced technical personnel, including mechanical, structural, electrical and instrumentation for the oil and gas industry; and
- Extensive in-house supporting facilities including three minor fabrication yards located in Kemaman, Labuan and Bintulu with workshop, blasting and painting areas, cold room, workboat, and relevant equipment and tools.

VEB Group has the capabilities to carry out a wide range of activities to support the Group's core business operations of offshore and onshore hook-up and commissioning, and offshore topside and onshore facilities maintenance services. Some of these supporting activities undertaken onshore consist of the following: -

- preparation works;
- management of mechanical completion;
- pre-fabrication;
- pre-commissioning;
- hook-up; and
- inspection and testing.

4. INFORMATION ON THE GROUP (Cont'd)

Many of these onshore supporting activities are crucial to ensure cost effectiveness, efficient workflow, prompt delivery and higher product and service quality. In comparison, if many of these onshore works were to be undertaken on the offshore platform, the cost would escalate significantly due to increased cost of transportation of personnel, materials and equipment, scarcity of facilities, premium paid to offshore personnel, and premium workspace.

VEB Group is able to increase its profit margin as many of the key functions and activities are undertaken in-house and not outsourced to third parties.

Provision of Offshore and Onshore Hook-Up and Commissioning Services

Offshore and onshore hook-up and commissioning is a core competency of the VEB Group. VSB is a licensed provider of hook-up and commissioning services, and VSSB is the operating entity of the Group that undertakes the offshore and onshore hook-up and commissioning works.

For the FYE 31 December 2007, offshore and onshore hook-up and commissioning activities amounted to RM48.8 million, representing 34.1% of the Group's total revenue.

The Group's revenue from provision of offshore and onshore hook-up and commissioning services grew from RM38.1 million for the FYE 31 December 2003 to RM48.8 million for the FYE 31 December 2007. This represented an average growth of 6.4% per annum.

Offshore and onshore hook-up and commissioning services primarily involves interconnection and interfacing of various process and control systems, including structures, piping and equipment, and commissioning of these systems, including inspection and testing, and ensuring all the systems are operational effectively, efficiently and safely on the platform.

VEB Group has in-house capabilities to undertake the following onshore activities to support offshore hook-up and commissioning activities on the platforms: -

- preparation works, including project planning and scheduling, design, procurement of materials and tools, and management of mechanical completion;
- pre-fabrication, including minor fabrication of pipe systems and minor structures, modification and upgrading of piping systems;
- hook-up and commissioning of equipment, systems and related accessories; and
- testing and inspection.

Onshore supporting activities play a critical part in the overall offshore hook-up and commissioning for the following reasons: -

- improved workflow, safety, efficiency and effectiveness as work undertaken onshore is more convenient, expedient and the quality of work is likely to be higher compared to doing them offshore under adverse weather conditions and limited facilities and workspace on the platform or workboat; and

4. INFORMATION ON THE GROUP (Cont'd)

- more cost effective as work done offshore requires increased cost of transportation which normally entail expensive chartering of helicopters or marine vessels to transport personnel, materials, tools and equipment. In addition, personnel working offshore are compensated significantly higher compared to personnel working onshore.

The Group also has in-house expertise to undertake various inspections and testings, including equipment inspection, system lube oil flushing, pre-commissioning check, calibration, functional test, and loop test. This is to ensure all systems are fully operational according to specifications prior to going live.

VEB Group has the capabilities to carry out offshore hook-up and commissioning works for the various types of systems on the platforms, including, among many others: -

- Drilling facilities;
- Utility air system;
- Service water system;
- Fire water system;
- Power system;
- Heat, ventilation and air-conditioning (HVAC) system;
- Safety system;
- Electrical generation and distribution system;
- Fire and gas detection system;
- Fire fighting system;
- Chemical injection system;
- Diesel fuel system;
- Drain and sump system;
- Uninterrupted power supply;
- Material handling system;
- Alarm and shutdown system;
- Lifting equipment and crane; and
- Survival crafts.

VEB Group has established a track record as a reputable and quality service provider for the oil and gas industry. This is further demonstrated by the fact that the Group received numerous awards and recognitions from customers as an endorsement of the Group's quality services, and especially its strong safety track record.

Offshore Topside and Onshore Facilities Maintenance Services

The Group is also involved in provision of offshore topside and onshore facilities maintenance services. VSB is the licensed holder for offshore topside maintenance services, and VECSB is the operating entity of the Group that undertakes the offshore topside maintenance services.

For the FYE 31 December 2007, offshore topside and onshore facilities maintenance activities amounted to RM58.0 million, representing 40.5% of the Group's total revenue.

VEB Group currently provides offshore topside maintenance services for 32 offshore platforms located off the coast of Terengganu, two FPSO facilities, two FSO facility and onshore facilities maintenance services for three gas terminal.

4. INFORMATION ON THE GROUP (Cont'd)

In general, offshore topside maintenance refers to maintenance, repair and modification work done on platforms, including minor facilities upgrade, procurement of materials, assembly and pre-fabrication, load-out or seafastening, installation, inspection, blasting and painting, and testing of various systems and equipment to meet optimum operational, production and safety requirements.

Generally, the Group services various types of offshore topside structures comprising: -

- Drilling rigs;
- Production platforms;
- Multi-production stations;
- Riser platforms;
- Vent and flare platforms;
- Gas compression stations; and
- Living quarters.

The Group primarily undertakes maintenance activities for the following types of structures and facilities: -

- Structures, such as main deck, helideck and cellar deck;
- Pipes and valves;
- Top-of-jacket; and
- Electrical systems and instruments.

Some of the components serviced by the Group include: -

- Main deck girders;
- Leg transitions to substructures;
- Module trusses and support units;
- Accommodation modules;
- Drilling rigs;
- Bridges; and
- Flare booms and vent stacks.

VEB Group has the in-house facilities and capabilities, including skilled and experienced technical personnel and engineers, to undertake a wide range of offshore topside and onshore facilities maintenance services as follows: -

- Overall project management, preventive maintenance management, workflow, procedures, maintenance work instructions and material management;
- Structural re-assessment, including engineering and design, preparation of maintenance manuals, scoping of work for maintenance, shutdown, non-shutdown, blasting and painting, assessment of missing, bent or damaged members, advice on the maintenance systems to rationalise and optimise the offshore maintenance activities;
- Onshore fabrication facilities to undertake modification and fabrication fittings, welding of piping, structural beams and steel plates, steel process pipes and other support structures;
- Rigging, scaffolding, and work site preparation to facilitate inspection, maintenance, new installation and modification works;
- Replacement of corroded or faulty structures, handrails, gratings and piping spools, and removal, installation, repairing and modification of components parts, structures and fittings;

4. INFORMATION ON THE GROUP (Cont'd)

- Surface preparation, cleaning and painting of structures, piping and equipment: -
 - Surface preparation, including pre-cleaning and solvent cleaning, blasting, hand and power tool cleaning, and cleaning by water jetting;
 - Painting and coating, including external and internal painting, and touch-up coating; and
 - Inspection and testing activities, including functional testing of instruments, tubings, fittings, and electrical cables, and hydrotesting of reinstalled piping.

Others include upgrading of living quarters and refurbishment of the platform and floating facilities.

As at LPD, the VEB Group has successfully completed approximately 313 work orders for offshore topside maintenance. Of these, the Group services approximately 32 offshore platforms, two FPSO facilities and two FSO facility, and onshore maintenance for three gas terminal.

There are two types of offshore topside and onshore facilities maintenance services provided by the Group: -

- **Routine or Scheduled Maintenance**, whereby maintenance is carried out on a scheduled and normally periodic basis; and
- **Breakdown or Emergency Maintenance**, whereby maintenance is undertaken when there are faults or failures, and have to be repaired or restored promptly. In some situations, there is a requirement for immediate response upon detection of imminent fault or failure for reasons of safety.

In addition, the Group has in-house facilities to support the offshore topside maintenance operations including: -

- Three onshore fabrication yards located in Kemaman at East Peninsular Malaysia, Labuan and Bintulu at East Malaysia; and
- One in-house workboat to provide accommodation services with maximum capacity of 84 persons.

VEB Group plays an important part as a service provider of offshore topside maintenance for the oil and gas industry in Malaysia, as these services are often critical to ensure that the integrity and safety of existing and aging offshore structures and platforms are not compromised. This is because financial cost of production downtime due to preventable faults or failures on platforms is normally very high.

Minor Fabrication

VEB Group has the in-house capabilities to undertake minor fabrications of structures, skids and modules. Minor fabrication is also used to support its core business in offshore and onshore hook-up and commissioning, as well as offshore topside and onshore facilities maintenance services.

VFSB, a wholly owned company within the Group undertakes engineering and fabrication activities.

4. INFORMATION ON THE GROUP (Cont'd)

For the FYE 31 December 2007, minor fabrication operations amounted to RM9.7 million, representing 6.8% of the Group's total revenue.

Between FYE 31 December 2003 and 2007, minor fabrication operations, which registered an average annual growth rate of 51.7%, grew from approximately RM1.8 million for the FYE 31 December 2003 to RM9.7 million for the FYE 31 December 2007.

Minor fabrication works mainly involve fabricating minor steel structures and piping systems.

The Group has the capabilities to undertake minor fabrication of the following types of facilities: -

- Piping system;
- Skids; and
- Other minor steel structures (for example pipe spool, hand rails, and platform extension for access purposes).

The Group is involved in various aspects of engineering and minor fabrication, including: -

- Shop drawings;
- Procurement of raw materials, consumables, parts and components;
- Fabrication, including cutting, rolling, bending, moulding, spinning and hammering of metal products;
- Sub-assembly of fabricated parts and components for piping, structural beams and steel plates, steel process pipes, and other support structures;
- Transportation and delivery;
- On-site assembly carried out on offshore topsides by aligning structures and joining them by welding, bolting or riveting, mainly for the minor structures and piping; and
- Installation and commissioning of systems.

VEB Group currently has three fabrication yards located in Terengganu and Labuan, and Sarawak. Two of these fabrication yards have obtained ISO accreditation for the 'construction, fabrication, hook-up and commissioning, and maintenance for petroleum, petrochemicals and natural gas facilities'. This is part of the management's emphasis on quality.

VEB Group is currently undertaking minor fabrication works for Cakerawala Gas Field facilities, which is located within Block A-18 of the Malaysia Thai Joint Development Area (as defined under the Malaysia Thailand Joint Authority Act 1990). The Cakerawala Gas Field Facilities consist of three bridge-linked platforms, two remote wellhead platforms and a floating storage and offload vessel.

The Group is currently fabricating the offshore replacement structures and systems, as well as extension parts for Cakerawala Gas Field facilities.

Offshore Underwater Services - Underwater Structural Inspections

The Group is also involved in provision of underwater structural inspection services, which is currently undertaken by MUSB, a subsidiary company within the Group.

VEB Group currently uses Flooded Member Detection method to inspect and identify any cracks and ensures the integrity of sub-sea structures, such as structural steel jacket and its members.

4. INFORMATION ON THE GROUP (Cont'd)

Typically there are two types of jacket members - horizontal and vertical diagonal. Members are used as bracings between the legs to provide strength to support the platform.

Generally, sub-sea structures used in offshore platforms are made from sealed hollow pipes. The ingress of water in these structures is a serious issue, which may lead to impaired structural performance and the onset of corrosion. As such, Flooded Member Detection method is commonly used to inspect the presence of water for underwater tubular steel structures or hollow cross steel crossbeam members. The application usually would require the deployment of a diver or a remote operating vehicle.

An open-ended frame is fitted to the remote operating vehicle and one arm of the frame is fitted with a radioactive source, while the other arm has a sensitive radiation detector fitted. Once the frame is placed over the member, a measurement is made and from the results, it is possible to determine if the member is flooded.

The Flooded Member Detection method is able to indicate if cracking has occurred to the structure, regardless of its location in the length of the member. At the same time, it also provides a rapid screen check.

VEB Group has in-house capabilities to undertake underwater inspection services for various types of structural members and key support members for risers, J-tubes, conductors, service caissons, and other related items.

For the FYE 31 December 2007, revenue from underwater structural inspection activities represented a small proportion of approximately 0.1%% of the Group's total revenue.

Onshore Construction of Oil and Gas Plant

Part of the business diversification of the VEB Group is to address business opportunities within the downstream sector of the oil and gas industry. This takes the form of onshore construction of gas receiving terminal, which is within the downstream sector of the processing and refining segments of the oil and gas industry.

Onshore construction operation is undertaken by VOSSB, a wholly owned subsidiary within the Group.

In June 2007, the VEB Group secured a RM34.0 million contract from PETRONAS Methanol (Labuan) Sdn Bhd to undertake onshore construction of Gas Receiving Terminal (GRT), which is located in Labuan, East Malaysia. GRT is a receiving station for separation of gaseous condensate received from offshore gas fields.

For the financial year ended 31 December 2007, onshore construction of oil and gas plant amounted to RM25.0 million, representing 17.5% of the Group's total revenue.

4. INFORMATION ON THE GROUP (Cont'd)

Charter of Marine Vessel

In the second quarter of 2007, the VEB Group commenced the charter of marine vessel business as part of the offshore supporting services to the upstream oil and gas industry.

For the financial year ended 31 December 2007, the provision of charter of marine vessels represented 1.1% of total Group revenue, which amounted to approximately RM1.5 million.

Some of the facilities available in the Group's marine vessel include the following: -

- Sleeping quarters (modular cabin are either single or double berth and have en-suite facilities);
- Recreation areas;
- Catering including food and beverages;
- Laundry services;
- Fuel supply;
- Potable water;
- Safety equipment;
- Utility equipment; and
- Working deck space for construction, minor fabrication and crane.

At the end of 2006, the VEB Group acquired its first marine vessel to provide accommodation for a maximum of 84 persons.

4.2.4 Competitive Advantages

The competitive advantages of the VEB Group are as follows: -

- PETRONAS approved licences and registrations;
- Established track record;
- Strong in-house engineering skills;
- High standards of quality;
- In-house minor fabrication facilities and workshop; and
- Own marine vessel.

PETRONAS Approved Licences and Registrations

VEB Group, through VSB and MUSB, has obtained licences issued by PETRONAS to provide a range of services for the oil and gas industry in Malaysia. This includes the following approved licensed categories: -

- Mechanical maintenance, namely topside structural maintenance, structural/piping fabrication or welding;
- Offshore construction, namely hook-up and commissioning, maintenance and repairs of pipeline/subsea structure;
- Mechanical and electrical engineering;
- Civil engineering and maintenance services, namely minor work and site cleaning;
- Onshore construction/fabrication, namely minor mechanical fabrication/welding, installation of pipeline and maintenance, and repair of pipelines;
- Quality assurance services; and
- Underwater services, namely surface diving services.

4. INFORMATION ON THE GROUP (Cont'd)

This is a key competitive advantage and a major barrier to new entrants as only companies licensed and registered with PETRONAS are allowed to provide products and services to the oil and gas industry in Malaysia.

Market Reputation and Established Track Record

VEB Group has successfully established itself as a reputable service provider associated with quality, reliability, experience and the technical skills to undertake offshore oil and gas supporting services projects particularly in offshore hook-up and commissioning, and topside maintenance services.

A proven track record of successfully completed tasks and projects are also important factors in maintaining existing customers and securing new customers in the oil and gas industry.

Strong In-house Engineering Skills

VEB Group has the in-house engineering and fabrication capabilities to provide a range of supporting services, including onshore and offshore supporting services to the oil and gas industry.

The Group's in-house multi-discipline engineering capabilities include mechanical, instrumentation, electrical, structural, piping, and corrosion prevention. Some of these activities performed by the Group are as follows: -

- Preparation works and structural re-assessment, including project planning and scheduling, design, procurement of materials and tools, and management of mechanical completion;
- Minor fabrication of piping systems and minor structures, modification and upgrading of piping systems, and electrical and instruments;
- Hook-up and commissioning of equipment and systems; and
- Inspection and testing activities, including functional testing of instrument tubing, fittings and instruments, light electrical cables, and hydro testing of reinstatement of piping.

VEB Group has strong in-house engineering expertise and skills to carry out the supporting services and thus do not heavily rely on outsourcers or third party expertise. This is important as the Group is able to control quality and promptness of service delivery to customers.

High Standards of Quality

The ISO 9001:2000 certifications of its subsidiary, VSB, is an endorsement of the quality assurance system that is in place, including the provision of offshore hook-up and commissioning and topside maintenance services with construction and fabrication operations. This certification provides customers with the assurance of VEB Group's quality.

The ability to deliver quality services consistently is a key advantage in building customer satisfaction and ensuring long-term customer loyalty.

4. INFORMATION ON THE GROUP (Cont'd)

In-house Minor Fabrication Facilities and Workshop

VEB Group has three onshore fabrication yards located in Kemaman at East Peninsular Malaysia, Labuan and Bintulu at East Malaysia to support the core business operations of offshore oil and gas industry.

The Group undertakes significant in-house supporting activities in the minor fabrication facilities, including among many others, on-shore fabrication, and testing and inspection activities at the workshops and fabrication yards.

The Group also has a full range of in-house equipment and tools in the fabrication workshop, which provides the Group with an advantage over other operators, who may have to rent equipment and tools or outsource work in areas where they do not have the necessary equipment and tools.

In this respect, the Group has made significant investment in the minor fabrication yards and workshops with a full-range of equipment and tools used for cutting, rolling, bending, moulding, spinning, hammering of metal products in addition to the sub-assembly of fabricated parts and components.

Owner of a Marine Vessel

The Group owns a workboat with a maximum capacity of 84 persons, to provide offshore accommodation for its personnel and equipment to facilitate the provision of offshore hook-up and commissioning, and topside maintenance services.

Having a workboat provides the VEB Group with significant competitive advantages over other operators who are heavily dependent on external parties to charter the workboat.

4.2.5 Modes of Marketing, Distribution and Sales

Marketing Strategies

The sales and marketing team of the VEB Group utilises the following marketing strategies to sustain and expand its business: -

- Position the Group as a provider of offshore hook-up and commissioning, and topside maintenance services supported by comprehensive in-house operational facilities, including three onshore fabrication yards with a full range of equipment and tools, own marine vessel, a team of experienced engineers and technical personnel to deliver effective, cost competitive and quality services;
- Position the Group as an established and reputable provider of offshore oil and gas supporting services for the oil and gas industry in Malaysia;
- Continually providing excellence in customer service whilst maintaining an excellent health, safety and environment record;
- Keeping abreast of new processes and technological developments to stay ahead of competition as well as better meet the needs and requirements of customers; and

4. INFORMATION ON THE GROUP (Cont'd)

- Continue to meet the quality expectations and requirements of customers with the aim of establishing continuing business relationships.

To implement the strategy, the VEB Group has one business development personnel to focus on business development with existing and potential customers. The Group's Directors are also actively engaged in the Group's marketing and business development.

As part of the Group's strategy to promote its products, as well as identify new areas of opportunities, the VEB Group also attend the following conferences and exhibitions: -

- Oil Gas Asia (OGA), from 2003 to 2007; and
- Offshore Technology Conference (OTC) in 2007.

In addition, the VEB Group is currently a member of the Malaysian Oil and Gas Service Council.

Distribution Channel Strategy

VEB Group's distribution channel strategy is primarily based on direct distribution using its own in-house sales and marketing team to market its oil and gas supporting services.

The Group maintains operational facilities in major oil and gas centres in Malaysia to assist in sales and marketing efforts, as well as providing support to its customers including: -

- A head office in Kuala Lumpur;
- A fabrication facility with workshop in Kemaman, Terengganu;
- A fabrication facility with workshop in Labuan, East Malaysia; and
- A fabrication facility with workshop in Bintulu, East Malaysia.

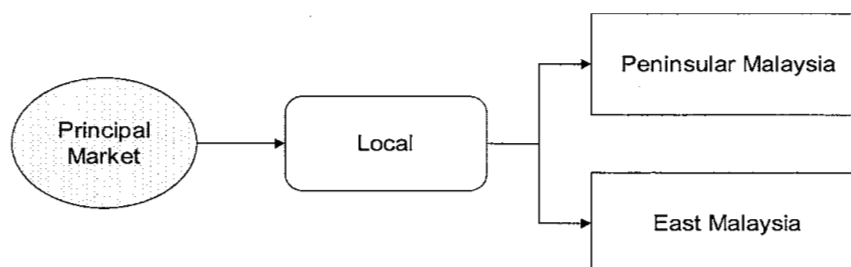
The Group's physical presence in the major oil and gas centres in Malaysia enables the Group to promptly and effectively gauge existing and potential customer demand, and more effectively conduct targeted sales and marketing activities.

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4. INFORMATION ON THE GROUP (Cont'd)

4.2.6 Principal Markets

For the FYE 31 December 2007, the principal markets of the VEB Group are as follows: -



VEB Group is focused on providing offshore and onshore supporting services to the production sector of the oil and gas industry in Malaysia. This is reflected by the fact that the Group's total revenue is derived from the local Malaysian market.

For the FYE 31 December 2007, the revenue contribution segmented by markets within Malaysia is as follows: -

Local Market	Revenue for the FYE 31 December 2007	
	(RM'000)	(%)
East Malaysia	76,922	53.7
Peninsular Malaysia	66,309	46.3
Total	143,231	100.0

East Malaysia represented the highest revenue contribution, amounting to 53.7% of total Group's revenue for the FYE 31 December 2007.

VEB Group primarily provides the following services for offshore platforms in the East Malaysian region: -

- Offshore and onshore hook-up and commissioning services; and
- Minor fabrication works.

Peninsular Malaysia accounted for the remaining 46.3% of total Group's revenue, which amounted to RM66.3 million for the FYE 31 December 2007.

The Group mainly provides offshore topside maintenance services for offshore platforms in oil and gas fields located in Peninsular Malaysia, and FPSO and FSO facilities. In addition, the Group also provides facilities maintenance services for onshore gas terminal.

In addition, the Group also supplies underwater structural inspection services in Peninsular Malaysia.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.7 Technology Applied

VEB Group provides a wide range of offshore and onshore supporting services to the oil and gas industry.

Technologies relevant to the VEB Group include the following: -

- Flooded Member Detection;
- Mechanical engineering;
- Electrical and instrumentation engineering;
- Corrosion prevention engineering; and
- Welding technology.

Flooded Member Detection

Flooded Member Detection is a process that determines the presence of water in a previously sealed member. Water normally enters a member via a through wall crack (a crack that has cut through the entire thickness of the wall of the hollow cross-section structure). A sub-sea member with a through wall crack will fill with water as it is under intense pressure. Thus, by inspecting a member for flooding, it is effectively inspecting for through cracks on the walls of the member.

Flooded Member Detection uses the principle that radiation emitted by a source is attenuated as it passes through a dense material. If the source of radiation and the detector is placed around a jacket member, the degree of attenuation can be used to establish whether the jacket member is flooded or dry.

VEB Group currently applies Flooded Member Detection technique for the provision of underwater structural inspection services. The application of Flooded Member Detection usually would require the deployment of a diver or launched in conjunction with a remote operating vehicle (ROV).

There are currently two available technologies for Flooded Member Detection: -

- Ultrasonic; and
- Radiography.

VEB Group currently uses the radiography technology by using gamma rays as its radiation source for its Flooded Member Detection.

Gamma ray detection is used with remote operating vehicles, yoke, a detector and necessary shielding of the gamma ray source. The gamma ray source is highly energised, deeply penetrating photons that can be emitted during regular atomic decay or radioactivity. The quantity of gamma ray source used is relatively very small.

An open-ended frame is fitted to the remote operating vehicles and one arm of the frame is fitted with radioactive source, while the other arm has a sensitive radiation detector fitted. Once the frame is placed over the member, a measurement is made and from the results it is possible to determine if the member is flooded.

Essentially, water will act as a shield to the radiation, so it will get a lower radiation count if the structural member is full or flooded with water, and it is also able to tell how much water is in the structural member based on the radiation count obtained.

4. INFORMATION ON THE GROUP (Cont'd)

Mechanical Engineering

Mechanical engineering is the application of physical principles to the creation of useful structures, devices, objects and machines.

Mechanical engineers use principles, such as heat, force, and the conservation of mass and energy to analyse static and dynamic physical systems, in contribution to the design of things, such as structures, industrial equipment and machinery, and other objects.

Fundamental subjects of mechanical engineering include: -

- Dynamics;
- Statics;
- Material science, primarily related to mechanical strength of materials;
- Heat transfer;
- Fluid dynamics;
- Solid mechanics;
- Pneumatics;
- Hydraulics; and
- Applied thermodynamics.

In the design of large and complex steel structures, mechanical engineers apply these and other subjects to create a design that will meet client requirements. The mechanical engineer often has to take into account non-mechanical factors, such as the ease of fabrication and cost.

The use of computers and specialised engineering software are now common in mechanical engineering. The following types of computer programs are currently commonly used in mechanical engineering: -

- Computer Aided Design (CAD);
- Computer Aided Manufacturing (CAM);
- Finite Element Analysis (FEA);
- Computational Fluid Dynamics (CFD); and
- Plant Design and Management System (PDMS).

Computers are now used extensively to help create models and design drawings, and in subjecting these designs and models to simulations. PDMS and CAD programs now permit the creation of 3-dimensional models that may be viewed from all angles.

VEB Group employs mechanical engineering principles and makes use of relevant software in designing and fabrication of pipe and valves system and other minor steel structures.

Electrical and Instrumentation Engineering

Electrical engineering is the engineering discipline that deals with the study and application of electricity and electromagnetism. Similar to mechanical engineering, electrical engineering is characterised by the application of knowledge to the creation of useful devices, objects and machines.

The Group applies the principles of electrical engineering to practical purposes, such as the maintenance, hook-up and commissioning of various types structures and systems, including electrical and instrumentations for offshore platforms.

4. INFORMATION ON THE GROUP (Cont'd)

Electrical engineering is a broad field that encompasses many sub-fields. All of these sub-fields are centred on electromagnetism.

Instrumentation engineering is a sub-field of electrical engineering. Instrumentation engineering is concerned with the accurate measurement of electrical properties.

The central issue that is confronted by the field of instrumentation engineering is that any measurement of an electrical circuit will inevitably change the voltages and current in it. The objective of instrumentation engineering is to minimise the influence of the measuring circuit, or even to compensate for it.

The sub-field of instrumentation engineering also includes the study and design of: -

- sensors that use a material's electrical properties for measurement, for example the use of piezoelectricity to measure pressure; and
- electromechanical means of measurement, for example the use of temperature-dependent resistors to measure temperature.

These sensors can be used by control systems to gather input regarding the state of the environment, and to use this information to make control decisions.

Corrosion Prevention Engineering

Corrosion is the deterioration of the useful properties of a material due to reactions with its environment. An example of corrosion is the weakening of iron or steel due to the formation of iron oxides, or rusting.

Corrosion prevention engineering is the field of engineering that is related to the prevention or minimisation of corrosion. While corrosion prevention engineering with regards to metal, and especially iron and steel, is perhaps most commonly known, corrosion prevention engineering is also applied to materials such as concrete, rubber and plastics.

Corrosion is particularly serious within a marine environment, where equipment is exposed to the sun, moisture, and the corrosive salt water.

VEB Group has the capability to provide corrosion prevention engineering services utilising the following technologies: -

- Material selection;
- Blasting; and
- Coatings.

Welding Technology

Welding is a fabrication process that joins materials, usually metals, by causing coalescence.

VEB Group utilises welding technology for its fabrication of pipes and valve systems, skids, modules and other steel structures, as well as maintenance operations during the replacement of corroded and faulty parts and components.

Welding is often done by melting the work pieces and adding a filler material to form a pool of molten material that cools to become a strong joint.

4. INFORMATION ON THE GROUP (Cont'd)

Sometimes pressure is also used in conjunction with heat, or by itself, to produce the weld.

Welding techniques that are currently commonly used include: -

- Arc welding;
- Gas welding;
- Resistance welding;
- Energy beam welding; and
- Ultrasonic welding.

Currently, the VEB Group mainly uses the following welding techniques: -

- Arc welding; and
- Gas welding.

Arc Welding

The Arc Welding process uses a welding power supply to create an electric arc between an electrode and the base material to melt metals at the welding point. The welding power supply may either be direct current or alternating current. The electrodes may be consumable or non-consumable. The welding region is sometimes protected by an inert or semi-inert gas. Filler materials are sometimes used.

The main Arc Welding processes include: -

- Shielded metal arc welding (SMAW) is one of the most common types of arc welding. The technique is also known as Manual Metal Arc (MMA) welding or stick welding.

In SMAW, an electric current is used to strike an arc between the base material and consumable electrode rod. The electrode is commonly made of steel and is covered with a flux that protects the weld area from oxidation and contamination by producing CO₂ gas during the welding process. The electrode acts as a filler, making a separate filler unnecessary;

- Flux-cored arc welding (FCAW) is a semi-automatic or automatic welding process that uses a continuous consumable electrode wire feed as an electrode and an inert or semi-inert gas mixture to protect the weld from atmospheric contamination;
- The wire feed consists of a steel electrode surrounding a powdered flux material. The flux material aids in melting, which by its chemical action facilitates welding. Although the cored wire is more expensive than standard solid wire and can generate fumes and/or slag, its use permits higher welding speed and greater metal penetration;
- Submerged arc welding (SAW), is a welding method in which the arc is struck beneath a covering layer of granular fusible flux. When molten, the flux becomes conductive and provides a current path between the electrode and the piece. The SAW technique is commonly used, especially for welding large pieces;
- By striking the arc beneath a layer of flux, arc quality in SAW is increased since the flux layer excludes contaminants. The slag that is formed generally comes off by itself, and combined with the use of continuous wire feed the weld deposition rate is generally high;

4. INFORMATION ON THE GROUP (Cont'd)

- Gas tungsten arc welding (GTAW) is a manual process that uses a non-consumable electrode made of tungsten, an inert or semi-inert gas mixture, and may utilise a separate filler material. This technique is also known as Tungsten Inert Gas (TIG) welding;
- In GTAW, energy is conducted across the arc through a column of highly ionised gas and metal vapours known as plasma. The use of a filler material is optional; and
- The molten weld and arc zone are protected from atmospheric contamination by a shielding gas. The shielding gas is usually, but not always, an inert gas such as argon. GTAW is characterised by a stable arc and high quality welds. This technique is useful for welding thin materials.

Gas Welding

The gas welding process employs the combustion of a fuel gas in oxygen to produce a welding flame, which is applied to melt metals at the welding point.

Most gas welding processes are similar, differing only in the fuel gases used.

Common Gas welding processes include: -

- Oxyacetylene welding;
- Air acetylene welding;
- Oxygen hydrogen welding; and
- Pressure gas welding.

The gas welding process employs the combustion of a fuel gas in oxygen to produce a welding flame, which is applied to melt metals at the welding point.

4.2.8 Seasonality

VEB Group does not have any seasonality in the demand for its services.

4.2.9 Operation Capacity and Output

The output, capacity and utilisation of the Group's fabrication facilities for the FYE 31 December 2007 is as follows: -

	Annual Capacity (Tonnes)	Fabrication Volume for FYE 2007 (Tonnes)	Percentage Utilisation (%)
Kemaman Fabrication Yard	1,000	832 ⁽¹⁾	83%
Labuan Fabrication Yard	900	500 ⁽¹⁾	55%
Bintulu Fabrication Yard*	250	20 ⁽¹⁾	8%

Notes: -

* Bintulu fabrication yard only started operation in November 2007.

(1) Actual fabrication volume for the FYE 2007.

4. INFORMATION ON THE GROUP (Cont'd)

For the FYE 31 December 2007, the Group's volume of fabrication was 832 tonnes and 500 tonnes in Kemaman and Labuan fabrication yards respectively. This represented 83% and 55% utilisation of the Group's annual capacity.

The Group's fabrication yards are mainly used to support its core business operations of providing offshore and onshore hook-up and commissioning and offshore topside and onshore facilities maintenance operations.

Based on the VEB Group's business model, the management's strategy is to operate one 10-hour shift per day (8 hours plus 2 hours overtime), six days per week to facilitate the fabrication work based on the requirements contained in the customers' work orders and contracts. In addition, for safety reasons, it is not practical to undertake fabrication work 24 hours a day.

4.2.10 Research and Development (R&D)

R&D Status

VEB Group is primarily engaged in provision of offshore and onshore supporting services, including offshore and onshore hook-up and commissioning, and offshore topside and onshore facilities maintenance services, thus research and development activities are primarily focused on process improvements.

VEB Group is committed to undertaking continuous process improvements particularly in its operations process including: -

- Improving the efficiency of existing processes;
- Increasing the productivity of the Group's resources primarily on the fabrication field; and
- Maintaining consistent service quality.

Improvements in operation process efficiency are achieved by: -

- Mechanisation of processes, where possible;
- Reallocation of resources to optimise workflow; and
- Innovative adaptation of proven technologies in process control.

Nevertheless, the Group has to use a number of technologies in the provision of its services.

VEB Group utilises various technologies to facilitate the supporting services for the exploration and production segment in the oil and gas industry, among many others include: -

- Application of Flooded Member Detection using radioactive source with in-house nuclear engineering skills;
- Corrosion prevention engineering through various surface preparation techniques and a range of coating applications;
- Welding technologies through application of various welding techniques to fabricate offshore minor structures and pipe and valve systems for replacement, maintenance, modification and upgrading purposes; and
- Mechanical and electrical engineering to carry out onshore and offshore interfacing and tie-in works.

4. INFORMATION ON THE GROUP (Cont'd)

The Group also relies on the application of established engineering principles and knowledge in the design, engineering and fabrication of minor facilities for the oil and gas industry.

The Group continuously produces incremental improvements to its engineering knowledge and expertise, and production skills base through continuous practical application of these skills. These improvements are internalised, and enable the Group to continuously upgrade its capabilities as well as increase the efficiency of its business processes.

The Group constantly evaluates existing and new technologies, implementing those that it believes will improve its business processes or create opportunities for new business development.

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4. INFORMATION ON THE GROUP (Cont'd)

4.2.11 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by the Company for the Listing from the SC, MITI and FIC together with the conditions imposed by these authorities and status of compliance are set out in Section 6.1 of this Prospectus. Other major licences and permits obtained by the Group which are pertinent for the Group's business operations are as follow: -

The details of major licences held by VSB are as follow: -

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
1.	PETRONAS Licence No: L-3566570-K	"Lesen Membekal Peralatan / Memberi Perkhidmatan kepada Syarikat-Syarikat Carigali dan Pengeluar Minyak / Gas di Malaysia " for the following categories: i) Maintenance Engineering & Maintenance for the following: a)Structural & Piping Fabrication / Welding Services; b)Metallic Structural / Piping; c)Lined Pipe; d) Single Buoy Mooring (SBMs) System; e)Topside Facilities Maintenance; f)Topside Piping & Structural; g)Living Quarters; and h)Mechanical Construction Work.	03.06.2008	01.06.2008 to 31.05.2010	General Conditions: 1. The licensee must inform PETRONAS on the changes of the licensee's status such as equity ownership, composition of the board of directors and management within 14 days from the said changes. Failure to inform PETRONAS will result of the licence being revoked. 2. The licensee is not allowed to engage other company as principal, agent, sub-contractor or vice versa to provide any service, facilities or equipment without prior written consent from PETRONAS. 3. The licensee must use the workforce available in Malaysia and employment of foreign workers will only be permissible if the licensee can show that such workforce cannot be found in Malaysia. 4. The licensee, unless agreed by PETRONAS, must conduct its business in Malaysia using local facilities such as bank, insurance and other professional services which are run by Malaysian citizen or firms or corporations incorporated in Malaysia.	Complied/ Noted Complied Complied Complied

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
		<ul style="list-style-type: none"> ii) Offshore Facilities Construction for the following: <ul style="list-style-type: none"> a) Offshore Construction; b) Maintenance and Repairs of Offshore Facilities; c) Hook-up and Commissioning of Offshore Facilities; d) Onshore Fabrication; e) Minor Onshore Fabrication; and f) Minor Onshore Fabrication— Mechanical. iii) Pipeline and Associated Services for the following: <ul style="list-style-type: none"> a) Pipeline Construction (Fabrication & Installation); b) Onshore Pipeline Construction; and c) General Onshore Pipeline Construction. iv) Civil Structural & Building Maintenance Services for the following: <ul style="list-style-type: none"> a) Site Preparation. 			<p>Special Conditions:</p> <ol style="list-style-type: none"> 1. The licensee is required to publish its audited Financial Year Report for the year ended 31.12.2007 before 01.07.2008 and its shareholders' funds must be positive. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC). 2. The licensee is required to publish its audited Financial Year Report for the year ended 31.12.2008 before 01.07.2009 and its shareholders' funds must be positive. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC). 3. The licensee is required to produce a renewed copy of the registration certificate (or "Perakuan Pendaftaran") with "Lembaga Pembangunan Industri Pembinaan" (LPIPM), two (2) weeks before 4 August 2008, which is the expiry of the said registration certificate with LPIPM. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC) for the respective scope concerned. 4. The licensee is required to produce a renewed copy of the registration certificate (or "Akuan Pendaftaran Kontraktor") with "Kementerian Kewangan Malaysia" (KKM), two (2) weeks before 1 April 2009, which is the expiry of the said registration certificate with KKM. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC) for the respective scope. 	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p>

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
2.	<p>Construction Industry Development Board (CIDB) Malaysia</p> <p>Registration No: 1990805- WP053186</p>	<p>"Perakuan Pendaftaran"</p> <p>Acknowledgement of Registration for the grades, categories and specialisations as follow:</p> <p>Registration of G 7</p> <p>(i) "Gred" G7 No limit – "Kategori" CE – "Pembinaan Kejuruteraan Awam"</p> <p>"Pengkhususan" CE21 – "Kerja-Kerja Am Kejuruteraan Awam"</p> <p>(ii) "Gred" G7 No limit – "Kategori" ME – "Mekanikal dan Elektrikal"</p> <p>"Pengkhususan" M15 – "Kelengkapan Am Pelbagai" M11 – "Pembinaan dan Perawatan Khusus" M12 – "Loji Khusus" M13 – "Mengendali Gerudian"</p>	02.07.2008	05.08.2008 to 04.08.2011	<p>1. The licensee is not allowed to undertake to build any construction projects in which its developing cost exceeds the grade which is registered under and the licensee is not allowed to carry out any construction projects outside its registered categories.</p> <p>2. Registration of the licensee will be cancelled if the licensee does not fulfil its obligations as promised without any reasonable reason provided.</p>	<p>Complied</p> <p>Complied</p>

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
3.	<p>Kementerian Kewangan Malaysia (KKM)</p> <p><u>Registration No:</u> 357-02006967</p>	<p>"Akuan Pendaftaran Kontraktor"</p> <p>VSB has registered with KKM to supply /provide services for areas under the heading and sub-heading as follow:</p> <p>040100 "Alat Perhubungan"</p> <p>110100 "Bahan Bakar"</p> <p>130100 "Kelengkapan / Kemudahan Awam"</p> <p>200100 "Motor dan Alatubah/Alatganti"</p> <p>200200 "Stesyen Janakuasa Letrik dan Peralatan Generator/ Alatganti"</p> <p>200300 "Kabel, Aksesori dan Konductor"</p> <p>200400 "Lampu dan Kelengkapan"</p> <p>180200 "Peralatan Perindustrian Minyak"</p> <p>190300 "Peralatan Mesin"</p> <p>190201 "Bot"</p> <p>190203 "Alatganti dan Kelengkapan Bot/Kapal"</p>	27.03.2006	02.04.2006 to 01.04.2009	<p>1. The licensee has to ensure that the areas in which the licensee has registered do not replicate with other company that has been registered with KKM in similar nature/type of work where the owner or Board of Directors and management team are the same.</p> <p>2. Registration of the licensee will be cancelled if the licensee fails to perform the contract which has been entered into with the government.</p>	Complied

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
4.	<p>Pusat Khidmat Kontraktor (PKK)</p> <p>Registration No: 1401A2000 0770</p>	<p>Registration as C Class Contractor (under the following Heads and Sub-Heads)</p> <p>Head Sub- Head III 3 IV 3b</p> <p>Definitions: "Kepala III: Kerja Kejuruteraan Mekanikal, Kejuruteraan</p> <p>Pembersihan dan Kejuruteraan Air" "Sub Kepala 3": "Pemasangan Paip dan Alat-alat Kebakaran"</p> <p>"Kepala IV: Lain-lain Kerja Kejuruteraan Awam Spesialis" "Sub-Kepala 3(b): Kerja-kerja Permukaan Jalan Bitumen"</p> <p>Authorised Directors: (1) Nor Sabri Bin Hamzah (2) Saiful Faiz Bin Mohd Aziz</p>	08.03.2007	07.12.2006 to 06.12.2008	<p>1. Registration of the licensee will be cancelled if:</p> <p>a) any shareholders of the licensee owns more than 5% of shares or RM50,000 (whichever is lesser) in any other company that has been registered with Pusat Khidmat Kontraktor in similar nature/ type of work.</p> <p>b) any manager/ key personnel/ officer who is technically qualified is actively involved in other companies, which have been registered with PKK and are of a similar nature/ type of work.</p> <p>2. Only officers named in this certificate are authorised to execute documents, or contracts on behalf of the Company and to distribute his / her authority to other officers for the purpose of taking tender forms.</p> <p>3. Maximum of foreign equity allowed is restricted to 30% of the issued and paid up capital of the licensee.</p> <p>4. If there is foreign equity, there must also be Bumiputra equity of not less than 30% of the issued and paid up capital of the licensee.</p> <p>5. Allocation of head and sub-head of I,II,IV is subject to Surat Pekeliling Perbendaharan Bil.15 Tahun 1986 dated 25 July 1986 and its Amendment dated 6 January 1987. This condition is to be attached as a special condition on the certificate of registration of the particular licensee.</p> <p>6. Foreign workers who are working with any licensee have to obtain a work permit from Jabatan Buruh Malaysia or Jabatan Imigresen Malaysia, as the case may be.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>The licensee has no foreign shareholders</p> <p>Noted</p> <p>Complied</p> <p>Complied</p>

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations	Compliance
5.	<p>Lembaga Perlesenan Tenaga Atom/ Ketua Pengarah Kesihatan</p> <p>Licence No: LPTA/A/1202</p> <p>Class A Licence</p>	<p>"Akta Perlesenan Tenaga Atom 1984"</p> <p>Licencee: VSB (Ahmad Suhairi Bin Dapat)</p> <p>Officer's name for "Perlindungan Sinaran": Ahmad Aslam Bin Kamarudin</p> <p>The purpose of this licence is to buy, own, posses, use, handle, store, transport, import and export radioactive materials of Cs 137 (maximum activity 185 MBq per unit) and Cs137 (maximum activity of 222 MBq per unit)</p>	02.06.2008	16.05.2008 to 15.05.2011	<p>1. The Licensee shall abide by Rules 4, 5, 6, 7,8,9,10,11,12,13,14,15,16,17,23(1),24,25, 26,27,28,29,30,32,33,35,36,37,38,39,41,42,45,48,49,50,52, 53, 55 and 56 of the "Peraturan - Peraturan Perlindungan Sinaran (Standard Keselamatan Asas)1988".</p> <p>2. Purchasing – i) The Licensee shall only purchase "peralatan sinaran" from suppliers licensed by the "Lembaga". ii) The Licensee shall ensure that any "peralatan sinaran" purchased from foreign sources would comply with the standards laid down by the "Lembaga".</p> <p>iii) The Licensee shall inform the "Lembaga" of any acquisition of "peralatan sinaran" within 14 days of acquiring such equipment, by filling up and submitting Form LPTA/BM/3.</p> <p>3. Transportation – The Licensee shall transport radioactive materials in accordance to the "Peraturan-Peraturan Perlindungan Sinaran (Pengkangkutan) 1989".</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p>

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations	Compliance
					<p>4. Handling – The Licensee shall ensure that the "peralatan sinaran" is only handled by PPS(T), PY(T) or P(T)5 which is endorsed by the "Lembaga". If handling is solely by P(T) only, PPS(T) or PY(T) must be able to be contacted at any time if and when required.</p> <p>5. Import/Export – The Licensee is required to obtain prior approval from the "Lembaga" to import or export any "peralatan sinaran", by filing up and submitting the requisite approval forms 14 days beforehand.</p> <p>6. Storage – The Licensee shall store "peralatan sinaran" in places or storage facility(ies) which are endorsed by the "Lembaga".</p> <p>7. Disposal – i) The licensee must obtain "Lembaga's" approval at least 14 days in advance before the disposal of the "peralatan sinaran" as follows: a) to return all relevant "peralatan" to suppliers who are also a licensee; or b) other methods which are endorsed by the "Lembaga". ii) The Licensee must send the ownership statement to the "Lembaga" by filling up the Form LPTA/BM/3 not latest than 14 days from the date of the disposal.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations	Compliance
					<p>8. The Licensee must submit medical check up report (i.e a copy of page 16 borang LPTA/BM/5A) to the "Lembaga" within 14 days from the date of the report given by a practitioner who is endorsed by the "Lembaga".</p> <p>9. "Meter Tinjau" – The Licensee shall have at least 2 "alat pengukur dedahan sinaran luar (meter tinjau)" at each of its premises.</p>	Noted Complied
6.	Kementerian Pengangkutan Malaysia (KPM) Licence No: A043991	"Lesen Perkapalan Dalam Negeri" Ship: VASTA JATI	03.12.2007	03.12.2007 to 02.12.2008	<p>1. The licensee is requested to have a minimum 30% bumiputra participation with regards to its shareholders, management and office employee.</p> <p>2. The licensee is encouraged to use newer vessel in terms of age.</p> <p>3. The licensee is required to obtain insurance coverage for "Perindungan Insurans" to manage any wreck.</p>	Complied Noted Complied

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4. INFORMATION ON THE GROUP (Cont'd)

The details of major licences held by MUSB are as tabulated below: -

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
1.	PETRONAS <u>Licence No:</u> L-746910-W	"Lesen Membekal Peralatan / Memberi Perkhidmatan kepada Syarikat-Syarikat Cargali dan Pengeluar Minyak / Gas di Malaysia " for the following categories: i) Consultancy Services (SC314000000) a) QC Survey Work & Consultancy ii) Manpower Supply (SM203020000) a) Specialist Manpower; and b) Construction Technical Personnel iii) Underwater Services (SU103000000) a) Saturation Diving Services iv) Underwater Services (SU104000000) a) Remotely Operated Vehicles (R.O.V.) Services	22.05.2008	22.05.2008 to 21.05.2010	Special Conditions: - 1. The licensee is required to publish its audited Financial Year Report for the year ended 31.12.2008 before 01.07.2009 and its shareholders' funds must be positive. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC). 2. The licensee is required to produce a renewed copy of the registration certificate (or "Akuan Pendaftaran Kontraktor") with "Kementerian Kewangan Malaysia" (KKM), two (2) weeks before 21 November 2009, which is the expiry of the said registration certificate with KKM. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC) for the respective scope. 3. For the scope of SM203020000, the licensee is required to produce the personal information of its proposed expertise workforce (tenaga pekerja mahir) before or on 31 August 2008. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC).	Noted

4. INFORMATION ON THE GROUP (Cont'd)

No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
					<p>4. The licensee is required to produce its Memorandum and Articles of Association that is duly signed by the subscribers and also witnessed and signed by the company secretary before or on 31 August 2008. Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC) for the respective scope.</p> <p>5. For the scope of SU103000000 & SU104000000, the licensee is required to produce a copy of the exclusive agency agreement from the Surespek ISS Pty Ltd that has been certified as a true copy by either the commissioner of oath or an advocate and solicitor before or on 30 November 2008 in accordance to the format prescribed by Petronas as per the General Guidelines (Panduan Am). Failure to do so will result in the licensee being delisted from the PETRONAS's List of Licensed/ Registered Companies (LLRC) for the respective scope.</p>	<p>Noted</p> <p>Noted</p>

4. INFORMATION ON THE GROUP (Cont'd)

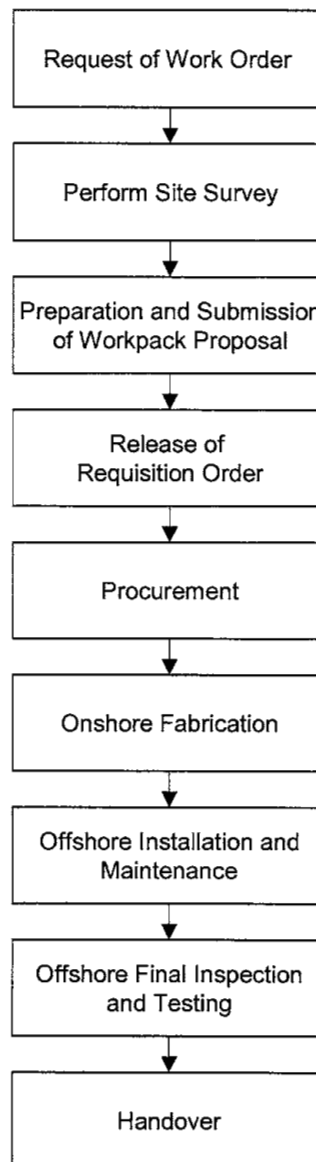
No.	Authority	Type of Licence/ Approval/ Permit	Date of Issuance	Validity	Equity Conditions/ Conditions Affecting Operations/ Special Conditions	Compliance
2.	Kementerian Kewangan Malaysia (KKM) <u>Registration No:</u> 357-02075723	"Akuan Pendaftaran Kontraktor" VSB has registered with KKM to provide supplies/ services for the areas as indicated under the heading and sub-heading as follow: 020101: "Perabut" 090100: "Peralatan/ Kelengkapan Perubatan" 120101: "Baja" 120102: "Racun Pertanian" 140200: "Peralatan Keselamatan Jalan Raya" 160200: "Jentera Berat" 180100: "Mesin Dan Kelengkapan Bengkel" 200200: "Stesyen Janakuasa Letrik Dan Peralatan Generator/ Alat Ganti" 220402: "Membersih Kawasan" 220501: "Kontrak Buruh"	24.11.2006	22.11.2006 to 21.11.2009	1. The licensee has to ensure that the areas in which the licensee has registered in this certificate are not replicate with others company which have registered in the same areas/ activities where the owner or Board of Directors and management team are the same. 2. Registration of the licensee will be cancelled if the licensee fails to perform contract entered into with the government.	Complied Noted

4.2.12 Technical Assistance Agreements and Franchises

Authority	Reg. No.	Date of Issuance	Expiry date	Nature of Business	Equity Conditions/ Conditions Affecting Operations
Pro-sub Services Ltd	None	1 January 2007	Terminable by notice in writing by either party	Provision of "Gamm@chek" GFMD survey systems	None

4. INFORMATION ON THE GROUP (Cont'd)**4.2.13 Process Flow****Process Flow for Topside Maintenance Services**

The process flow for topside maintenance services is depicted in the diagram below: -



The process flow for topside maintenance services starts with the request of work order.

This is followed by a site survey on offshore topside to determine fault and service requirements prior to the preparation and submission of Workpack proposals.

A Workpack refers to an inspection of a commissioned structure or equipment for topside maintenance. Tasks are defined and data on maintenance work is recorded for Workpack approval.

Upon the approval of the Workpack, requisition orders will be released to the Group before commencing the maintenance process.

4. INFORMATION ON THE GROUP (Cont'd)

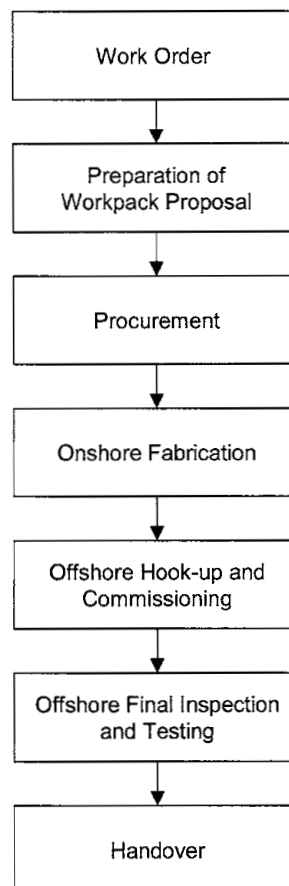
The procurement of raw materials, equipment and other devices as specified for the required work order is carried out by the assigned personnel in the team prior to the onshore fabrication of structures, skids and piping systems for replacement and maintenance works.

Repaired and fabricated items will then be transferred to offshore for reinstallation. At the same time, there is a team of offshore technical personnel who will also be assigned to perform maintenance works at offshore facilities.

A final inspection and testing is performed on the repaired and new replacement items. This process is to confirm that all the structures, piping systems and equipment meet with requirements and is functioning properly before the project or platform is handed over and deemed as completed.

Process Flow for Hook-up and Commissioning Services

The process flow for hook-up and commissioning services is depicted in the diagram below: -



A hook-up and commissioning team is established at an early stage of the project from the design team, fabrication personnel and operations personnel to manage the completion of the work scope. This integrated team or workforce will provide continuity of key personnel throughout the design, onshore fabrication, and offshore hook-up and commission phases of the project.

The initial process for hook-up and commissioning services starts with the preparation of the work order proposal and the approval of the work order.

4. INFORMATION ON THE GROUP (Cont'd)

Upon the approval of the work order, preparation workpack for the start-up of the hook-up and commissioning work is undertaken by the assigned team members from each type of scope of work.

The procurement of raw materials, machinery, equipment and other devices as specified for the required project is carried out by the assigned personnel in the team prior to the onshore fabrication of structures, modules or equipment for the commissioned work.

Onshore fabrication activities include cutting, rolling, bending, moulding, spinning and hammering of metal products, and the sub-assembly of fabricated parts and components for piping, structural beams and steel plates, steel process pipes, and other support structures.

All required equipment, machinery and structures required for the hook-up and commissioning project are then transported to the offshore platform for the next phase of hook-up and commissioning where it is put together.

The final stage of the hook-up and commissioning process is the acceptance testing and inspection of the equipment and machinery. This is designed to confirm that all the equipment meets its design capacities and is working properly before the project or platform is handed over and deemed as completed.

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4. INFORMATION ON THE GROUP (Cont'd)**4.2.14 Types, Sources and Availability of Raw Materials/Inputs**

Following are the major types of materials and services purchased for VEB Group's operations: -

Materials and Services	Value of Purchases	Percentage of Total Purchases	Sources of Supply	
	(RM'000)	(%)	Local (%)	Import# (%)
Materials Purchased	58,538[^]	56.4[^]	4.3	95.7
Pipes, fitting and flanges	28,053	27.0	5.0	95.0
Steel structures	9,801	9.4	7.0	93.0
Valves	8,766	8.5	-	100.0
Chemical injection skids	7,141	6.9	-	100.0
Instruments	2,762	2.7	-	100.0
Others ⁽¹⁾	2,015	1.9	20.0	80.0
Consumables	15,691[^]	15.1[^]	93.9	6.1
Equipment (including rental of equipment)	6,571	6.3	100.0	-
Consumables (include gas, diesel, garnet, paint and degreaser)	9,056	8.7	90.0	10.0
Hardware (including tools)	64	0.1	30.0	70.0
External Services	29,509[^]	[^]28.4	97.8	2.2
Vessel chartering	13,821	13.3	95.2	4.8
Manpower supply	13,544	13.1	100.0	-
Catering services	524	0.5	100.0	-
Non-destructive testing services	1,620	1.6	100.0	-
TOTAL PURCHASES	103,738	100%	44.4	55.6

Based on audited figures, total purchases for the FYE 31 December 2007 amounted to RM103,738 million.

Notes: -

- [^] Total does not add-up due to rounding.
- [#] Including purchases from authorised local agents.
- (1) Including electrical materials and gaskets.

For the FYE 31 December 2007, the purchases of materials and consumables accounted for 56.4% and 15.1% respectively of the Group's total purchases of materials and services.

The purchases of external services accounted for 28.4% of the Group's total purchases of materials and services. Of this, vessel chartering services accounted for 13.3%, whilst 15.2% were contributed by manpower supply and catering services and non-destructive test services.

4. INFORMATION ON THE GROUP (Cont'd)

Locally sourced materials and services accounted for 44.4% of the Group total purchases of materials and services, whilst imports through purchases from local authorised agents accounted for the remaining 55.6% for the FYE 31 December 2007.

As the VEB Group's business is primarily involved in provision of offshore oil and gas supporting services, the chartering of vessels from external suppliers for workboat and accommodation are part of the Group's process of delivering products and services. Workboat accommodation is mainly to house the Group's personnel in the open sea while working on offshore platforms.

For the FYE 31 December 2007, the VEB Group charters all its vessels from local operators.

In addition, the Group also use external provider for manpower supply to meet short-term requirement for specific operations, usually only for one to two weeks period. The Group usually engage a pool of approximately 500 additional workers from external parties for scheduled maintenance work during the complete shut down at the offshore platform. However, in most cases, the VEB Group utilises in-house technical personnel to undertake preventive or breakdown maintenance works.

For the FYE 31 December 2007, purchases of materials used to facilitate the operations represented 56.4% of the Group's total purchases of materials and services.

Of these, some of the major materials purchased by the Group include the following: -

- Piping, fitting and flanges;
- Chemical injection skids;
- Steel structures;
- Instruments; and
- Valves.

Thus far, management has not experienced any shortages in sourcing these materials and services for their operations.

4.2.15 Quality Control Procedures

VEB Group places significant emphasis on quality. Stringent quality controls are implemented in every aspect of the Group's business operations. This is reflected by the fact that VSB, a subsidiary of the Group, is certified with ISO 9001:2000 Quality Management Systems. This provides customers with the assurance of the quality of the Group's services.

The Group essentially adopts the following approaches to ensure that quality standards are maintained internally: -

- In-coming materials such as pipes and valves, steel materials, garnet, paints and coatings undergo checking and inspection for specifications before being used;

4. INFORMATION ON THE GROUP (Cont'd)

- Compliance to customers' various manuals and specifications such as Health Safety and Environment (HSE) specifications to ensure worksites are in full operating efficiency and the working conditions and environment are safe. Other requirements are to ensure a healthy working environment for personnel on the offshore structures and they include cleanliness of worksites, responsible disposal of scraps and wastes, and handling of equipment; and
- Quality assurance controls are implemented in each and every area of its operations, including: -
 - random checking and inspection during the entire work process to ensure all works performed are based on specifications, such as tolerance and defect inspection of the welds, thickness of the paints, condition of painted or coated surface, inspection and handling of special materials;
 - inspection of incoming materials used;
 - quality check and inspection of the repaired and maintained structures, parts and components based on specifications; and
 - undertake various tests including hydrostatic pressure testing of pipe works, which is the process of using water under pressure to test the integrity of pipelines, and functional tests on electrical and instruments, including electrical cables, fittings and equipment.

In addition to internal quality checks, the Group also utilises external parties to undertake non-destructive testing using radiographs and ultrasonic inspection of welds of in-house fabricated structures and piping systems for use on topside platforms.

As there are stringent safety standards and requirements in the oil and gas industry, quality standards are critical in the continuing provision of supporting products and services.

As at LPD, the VEB Group has a team of 21 experienced quality control and assurance personnel on ensuring that the service quality meets with the needs and specifications of customers.

Health, Safety and Environment (HSE) Management

Health, Safety and Environment (HSE) management requirements are an important requirement in the oil and gas industry as the products and services provided are often critical in nature. Many operators insist that product and service providers possess a good HSE record and comply with industry or operator-defined HSE standards.

Health, safety and environment management continues to be a top priority in all PETRONAS' operations. The Group recognises the important role that HSE management plays in the Group's continued success. The Group's internal management system includes a detailed documentation for HSE and contingency planning.

VEB Group has maintained an excellent HSE record since commencement of offshore operations on platforms in the year 2003, with the exception of one Loss Time Incidents (LTI) recorded in May 2006.

4. INFORMATION ON THE GROUP (Cont'd)**4.2.16 Development of Technical Labour****Training programs and skills development**

In line with the VEB Group's policy to provide quality services, the VEB Group has implemented several training programs for the staff, whereby it sends its staff for external training while most of the on-the-job training is done on site. VEB Group also has site offices, with experienced and technical staff, who provide such on-the-job training. Such training is important as this will enable the VEB Group to have a strong pool of technical knowledge.

4.2.17 Human Resources

As at LPD, the total number of employees of the VEB Group is 580 persons as illustrated below: -

Category	Permanent	Contract	Total	Average Years in Service
Management and Professional	61	8	69	5
Technical Personnel:				
- Engineer	28	14	42	2
- Quality Assurance	8	13	21	2
- Technical	13	31	44	2
Clerical and Administrative	14	35	49	2
Offshore Crew:				
- Skilled Workers	-	208	208	N/A
- Semi Skilled Workers	-	93	93	N/A
- General Workers	-	54	54	N/A
TOTAL	124	456	580	

The day-to-day management of the VEB Group is led by the Executive Vice Chairman and the Managing Director/Chief Executive Officer. They manage the daily operations of the VEB Group together with the support from other key management of the VEB Group. The key management of the VEB Group is in turn assisted by various experienced and qualified personnel in their respective fields, consisting of business development, engineering, quality control, finance, human resources, purchasing and marketing. The senior personnel have been with the VEB Group for an average of five (5) years and play an important contributory role to the progress and development of the Group. With the team of management staff, the VEB Group is therefore not overly dependent on any one of the key personnel.

As at LPD, the VEB Group has a total of 580 employees which include the management of the VEB Group. The management of the VEB is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of the VEB Group enjoys a good working relationship with the employees. The employees do not belong to any organised union.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.18 Key Achievements/Milestones/Awards

VEB's subsidiary, VSB, obtained its MS ISO 9001:2000 in the construction, fabrication, hook-up and commissioning and maintenance for petroleum, petrochemicals and natural gas facilities.

The awards which VSB has achieved through the years are as follows: -

Awarded By	Awards
PCSB	DFCE HSE Award 2006 Excellent HSE Performance Zero LTI in PCSB Project
BSI Management Systems	Certificate of Registration Quality Management System –ISO 9001:2000 Certificate No: FS 518421 VSB operates a Quality Management System, which complies with the requirements of ISO 9001:2000 for the following scope: the construction, fabrication, hook-up and commissioning and maintenance for petroleum, petrochemicals and natural gas facilities.
PCSB	Health, Safety & Environment Award 2005 Contractor Category This award is presented to VSB in recognition of an Excellent Achievement by VSB.
PCSB	Health, Safety & Environment Award 2003 Bronze Award This award is presented to VSB in recognition of an Excellent Achievement by VSB.
PCSB	Certificate of Appreciation Angsi Area Operations, Peninsular Malaysia Operations, PCSB hereby acknowledge VSB for their Active Contributions in Achieving Zero LTI during the Angsi Planned Shutdown from 9 to 17 September 2003.
PCSB	PCSB-DFCE HSE Award 2006 Certificate of Appreciation is awarded to VSB for excellent HSE performance and achieving zero lost time injury on PCSB projects for the year 2006.
PCSB	Certificate of Appreciation This Certificate is presented to VSB in recognition of good performance for services rendered to PCSB in excellence for LTI Free Safety Record with Project Completion Ahead of Schedule OGT, Duyong, Resak, Bekok & Pulau Shutdown in January 2006.
North Lukut & Penara Project Malaysia Shipyard and Engineering Sdn.Bhd.	Certificate of Appreciation This Certificate is awarded to VSB for the dedication and efforts in achieving high quality standards and maintaining HSE performance in completing the Offshore Hook Up and Commissioning Works by achieving 28,938 man-hours without LTI from October 2003 to April 2004.
PCSB	Bronze Award This Award is presented to VSB in recognition of Excellent HSE Performance for FY 2004/2005 by PCSB Peninsular Malaysia Operations.
PCSB	Certificate of Appreciation This Certificate is awarded to VSB for participating and demonstrating good HSE performance throughout the Project with the achievement of one million manhours without LTI.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.19 Dependency on Patents or Licenses, Industrial, Commercial or Financial Contracts

(i) **Dependency on patents or major licenses**

The VEB Group does not hold any patents. Save as disclosed in Section 4.2.11 of this Prospectus, the VEB Group is not dependent on any other major licenses.

(ii) **Dependency on industrial, commercial or financial contracts**

Save as disclosed below, there are no other material agreements or contracts (including informal arrangements or understanding or understandings), as at LPD, which have been entered into by the VEB Group on which the Group is highly dependent.

Contract No.1

**PETRONAS CARIGALI SDN BHD
PROVISION FOR HOOK-UP AND COMMISSIONING OF
CARIGALI FACILITIES YEAR 2004 – 2007**

On 30th August 2004, VSB entered into a contract with PCSB for the provision for hook-up and commissioning of Carigali facilities for a period of three (3) years for a contract value calculated in accordance to the rates as specified in Exhibit III of the contract ("Contract") Pursuant to the Contract, VSB was awarded with several letters of award by PCSB, in which two of the same (listed below) are still subsisting and on-going.

- i) Provision of hook-up and commissioning for Betty Revisit-4 Project of BEDP-A, BEP-A and DNG-B, Sarawak Operations; and
- ii) Hook-up and Commissioning of West Lutong Pipeline Replacement project.

The salient terms of the above Contract are:

Scope of Work:

VSB shall, amongst others, provide onshore preparation works, onshore pre-fabrication and yard commissioning and onshore and offshore hook-up, inspection, testing, pre-commissioning and commissioning of all systems, related appurtenances and equipment of the platform of the respective PCSB onshore and offshore facilities located in Terengganu, Sabah and Sarawak.

Termination:

Suspension of work

PCSB may elect at its sole option to suspend the work for any reason whatsoever and shall give notice to VSB of such suspension of work specifying the part of the work to be suspended and the effective date of suspension. During any such period of suspension of work, PCSB shall compensate VSB for the reasonable costs incurred for the purpose of maintaining and safeguarding the work during the period of suspension.

4. INFORMATION ON THE GROUP (Cont'd)

Termination with cause

PCSB shall have the right at its sole discretion to terminate for cause this Contract by notice in writing to VSB.

If the costs to PCSB for completing the work are less than the unearned balance of the contract price, PCSB shall pay the retained amount to VSB. If the costs to PCSB for completing the work are greater than the unearned balance of the contract price, then PCSB shall deduct the difference from the retained amount due to VSB. If such difference is greater than the retained amount due to VSB, VSB shall pay to PCSB such difference less retained amount.

Termination without cause

PCSB shall have the right at its sole discretion to terminate this Contract at any time without giving any reasons, by giving a notice of termination to VSB, and the effective date of termination.

PCSB shall pay VSB all amounts properly due for the work performed prior to the date of termination and all expenses resulting from the termination as approved by PCSB.

Arbitration:

All disputes arising from the Contract is subject to arbitration.

Contract No.2

**PETRONAS CARIGALI SDN BHD
PROVISION OF TOPSIDE MAJOR MAINTENANCE SERVICES
FOR PETRONAS CARIGALI SDN BHD PENINSULAR MALAYSIA
OPERATIONS**

On 6th June 2005, VSB entered into a contract (effective as of 21st March 2005) with PCSB for the provision of topside major maintenance services for PCSB Peninsular Malaysia operations for a period of five (5) years for a contract value calculated in accordance to the rates as specified in the Schedule of Compensation in the contract ("Contract").

The salient terms of the above Contract are:

Scope of Work:

VSB shall, amongst others, provide all the supervision, procedures, labour prefabrication and erection, material, equipment, temporary construction aids, tools, consumables and facilities including transport to point of embarkation for the maintenance services of PCSB's platform and onshore facilities located in Peninsular Malaysia.

Termination:

Suspension of work

PCSB may elect at its sole option to suspend the work for any reason whatsoever and shall give a written notice to VSB of such suspension of work specifying the part of the work to be suspended.

4. INFORMATION ON THE GROUP (Cont'd)*Termination with cause*

PCSB shall have the right at its sole discretion to terminate for cause this Contract by notice in writing to VSB.

VSB shall pay to PCSB the amount calculated in accordance with the Schedule of Compensation for the part of the Contract satisfactorily completed and accepted at the date of termination, which payment shall be reduced by any additional costs incurred by PCSB as a result of the default of the VSB and any costs incurred by VSB in having the Contract completed by another contractor in excess of the amount provided in the Contract. VSB shall refund to PCSB all sums that PCSB may have advanced to VSB for the terminated work and VSB shall not be entitled to reimbursement of any expenses resulting from such termination and shall be responsible to PCSB for damages associated with the default. Such damages shall include but shall not be limited to all costs incurred by VSB in completing the terminated part of the work.

Termination without cause

PCSB shall have the right at its sole discretion to terminate this Contract at any time without giving any reasons, by giving a notice of termination to VSB.

PCSB shall pay VSB all amounts properly due for the work performed prior to the date of termination and any verifiable incurred expenses authorised by PCSB in advance directly resulting from the cancellation of commitments.

Arbitration:

All disputes arising from the Contract is subject to arbitration.

Notes: -

1. For Contract No.1 (PETRONAS CARIGALI SDN BHD: PROVISION FOR HOOK-UP AND COMMISSIONING OF CARIGALI FACILITIES YEAR 2004 – 2007), there is a spill-over of work for the contract in the FYE 31 December 2008 and net profit contribution from this contract represents about 13.3% of the total net profit forecast for FYE 2008.
2. The new contract for HUC awarded by PCSB was only secured recently after VEB received the signed and stamped contract agreement on 2 July 2008. Net profit contribution from this new HUC contract will only account for 7.4% of the total net profit forecast for FYE 2008, which is below the threshold of 10% minimum of contribution deemed to be material.

4.2.20 Interruptions in Business for the Past Twelve (12) Months

There has been no interruption to the business of the VEB Group that may significantly impair the Group's business operations during the past twelve (12) months prior to the date of this Prospectus.