Malaysia's Maritime Industries Report (September 2024)

<table>
<tr><th>No.</th><th>Outline</th></tr>
<tr><td>1.</td><td>

Project updates

a) On-going project

<table>
<tr><th>Project</th><th>Status (Updated as of Sept 24)</th></tr>
<tr><td>Marine Police Force Multi-purpose PTV (6 nos)</td><td>- Sabah (1nos): Awarded to LSE. Currently, this project under details design stage. Slated delivery by Q2 2027.
- Sarawak (1nos): LSE set to secure another 1 shipbuilding contract. This vessel slated delivery by Q4 2027.
- Peninsular (4nos): Expected local peninsular based shipyards (MSET, Muhibbah) to secure remaining vessels. LSE decided to pulled out.</td></tr>
<tr><td>MMEA 63m SAR vessel</td><td>- According to Radimax, MMEA still considering for new-build or retrofit options. MMEA didn't make any decision yet.
1) Newbuild option: The tender for newbuild for SAR vessel might be postpone next year since MMEA may have limited budget this year.
→ The government has instructed MMEA to deliver the remaining OPV (2nos) first before proceeding for another new-build project. Thus, the discussion for newbuild SAR proposal with MMEA was put on hold for time-being.
2) Retrofit option: As an option to MMEA, Radimax is considering to acquire 2nd hand vessel and modify it according to SAR vessel requirement. The, Radimax plan to charter the vessel to MMEA for short-term basis until the newbuild SAR vessel is ready. MMEA may able to utilise the operational expenditure (OPEX) budget for this project. In that case, Radimax may not require KOSIC supports for this option.</td></tr>
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b) Future project

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<tr><th>Project</th><th>Status (Updated as of Sept 24)</th><th>Action plan</th></tr>
<tr><td>Petronas OSV Safina (Phase 2)</td><td>- Petronas emphasized OSV owners to embark into fuel efficient technologies including diesel electric with battery (hybrid) vessels to reduce total operational cost for charterers.
- Currently, Petronas still in the midst of finalizing the technical requirement, the tender for Safina Phase 2 expected to be issue by Q4 2024.</td><td>- To engage with potential OSV operators and check requirement.</td></tr>
<tr><td>Eco-friendly harbour tug</td><td>- Had meeting with TLPT and EPIC during OGA 24 exhibition to check the potential demand of Eco-friendly harbour tug. However, TLPT and EPIC didn't owned tug directly, normally is contracted by short term charter basis from other local tug operators.</td><td>- To make the list of tug operators and check the potential demand</td></tr>
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Modern fishing boat	- There will be potential demand of modern fishing vessel for deep sea application.	- To revisit interest to Dept of Fishery (DOF)
High speed boat	- Due to South China sea conflict, we foresee there will be continuous demand for high-speed boat from enforcement agencies (RMN, MMEA, Police Marine).	- To engage with enforcement agencies.

2. **<u>Maritime market information</u>**

a) Supporting KOSIC and Busan Marine Engineering Association (BUEA) during OGA24

- During OGA 24 exhibition, we supported KOSIC affiliated builder (Dongsung, Eunsung) and BUEA related companies for meeting arrangement with local customers and potential partners. Please find brief meeting memo as summarized below: -

Clients	Category	Description
MMC Oil & Gas Engineering (MMCOG)	Engineering services for Oil & Gas projects	- Introduce Trans Gas Solution (BUEA member) which specialise in engineering service for LNG/FSRU/FSU conversion related project. - MMCOG is local based engineering companies specialised in onshore and offshore projects. MMCOG can provide the complete range of engineering lifecycle services from Conceptual Design (Pre-FS, Pre-FEED) through to Detailed Engineering (FEED). - Trans Gas Solution (TGS) intend to have business collaboration with local design company to bid for project in Malaysia. Moving forward, MMCOG suggested TGS to send official request for web meeting online to discuss about collaboration opportunities with MMCOG management. - Separately, TGS invited MMCOG to attend Offshore Korea exhibition in Korea this coming October.
Tanjung Langsat Port Terminal (TLPT)	Operator of Tanjung Langsat Port.	- Introduce KOSIC builders to TLPT and check potential requirement of Eco-friendly harbour tug. - TLPT currently handling Liquid, Bulk & break Bulk and Container Cargo. - TLPT able to provide marine services such Ship-to-ship bunkering, tug boat and mooring services. - However, due to some understanding with nearby port operator, Johor Port currently handling all the marine services on behalf of TLPT. - Anyhow, TLPT has plan to own the harbour tug in the future; subject to approval from port authority.
Eastern Pacific Industrial Corporation (EPIC)	Harbour tug Ships, Boats	- Brief introduction about KOSIC business and check potential requirement of Eco-friendly harbour tug. - EPIC core business: port management, marine engineering & services. - Kemaman port (EPIC subsidiary) capable to of handling various types of cargo ranging from dry bulk to liquid bulk (up to 150,000 DWT), Offshore Supply Vessels (OSV) and offshore tugs.

			- Normally, EPIC didn't own the tug directly, there were several local tug operators who provide the services mainly for Kuantan port and Kemaman port.
	MALAYSIA OSV OWNERS' ASSOCIATION (MOSVA)	OSV operator	- Short greetings to MOSVA secretary general and exchange OSV market updates. - The Malaysian OSV market is anticipated to remain tight from 2024 to 2026. - To encourage fleet renewal or expansion, Petronas might need to offer longer-term contracts (at least three years) at rates slightly below current spot market levels. - Without such incentives, MOSVA foresee there will be not significant fleet expansion in the Malaysian OSV market, despite growing demand from Petronas in the upcoming years.
	Radimax / LSE	Newbuild project partner	- Radimax provided some updates about MMEA SAR vessel projects. - Due to limited budget this year, Radimax expected the tender for newbuild maybe postpone until 2025. -Anyhow, Radimax considering some alternative leasing proposal to MMEA by providing retrofit SAR vessel for short-term usage by MMEA until the new-build SAR vessel is ready. - Separately, we introduced Dongsung who intend to promote Hydrogen-fuelled Tug Boat to Radimax.

3. **Related maritime news articles**

1) OIL AND GAS ASIA (OGA 2024): INDUSTRY SYNERGY TOWARDS A CLEANER FUTURE

- Oil and Gas Asia (OGA) the largest industry event in Southeast Asia, opened its 20th edition with themed *"Powering Progress Towards a Sustainable Energy Landscape";* to accelerate the global push towards decarbonising energy for a sustainable and resilient future.
- On the exhibition floor are key market players including global names, regional players and top Malaysian OGSE companies, along with seven international pavilions from Germany, South Korea, Singapore, United Kingdom, China, Italy and India.

2) Malaysian OSV providers to see higher rates in financial year 2025

- Malaysian offshore support vessel (OSV) providers are expected to see a conservative six per cent year-on-year increase in their average daily charter rates in financial year 2025, on account of the tight supply of OSVs.
- Kenanga said despite robust local OSV daily charter rates, particularly for accommodation work barges, it does not believe the OSV market cycle has peaked. This is due to the lack of significant capacity expansion announcements from local OSV players, even amid a tightly supplied market.
- Kenanga research said Petronas requires a minimum of 200 vessels for support to sustain its production levels. With the expected increase in demand from Petronas, this number could rise to 300 vessels operating in Malaysian waters in 2024 and onwards.
- The current fleet under the MOSVA totals only 270 vessels, and it's unclear how many of these are currently cold-stacked and potentially not viable for service return.

3) Oil & Gas Sector: Rates Buoyed By Supply Constraints, Says MOSVA

- Malaysia OSV Owners Association (MOSVA), from which they derived four key insights;
  (i) the local OSV market is expected to stay tight from 2024 to 2026,
  (ii) there is a significant shortfall in local OSV supply, exacerbated by increasing demand from Petronas,
- (iii) banks are beginning to open up to financing new OSV vessel purchases, potentially spurring increased capex from vessel operators, and
- (iv) while daily charter rates (DCR) for accommodation work barges and boats have reached levels seen in 2013-2014, DCR for Anchor Handling Tug Supply (AHTS) vessels remains 30%-40% lower. The absence of fleet expansion among local players suggests that the OSV market has not yet peaked, supporting our continued bullish outlook on the OSV subsegment.

4) Marine & General likely to bag new contracts, sources say

- Malaysian Oil and gas (O&G) service provider Marine & General Bhd (M&G) could bag a large roughly RM500 million — contract for a six-year tenure from Petronas.
- It is understood that the contract could likely involve a number of Petronas' existing exploration projects here in Malaysia, which require offshore support vessel (OSV) services.
- M&G has 70% equity interest in Jasa Merin (Malaysia) Sdn Bhd, a company that operates a fleet of 22 vessels — 20 anchor handling tug supply (AHTS) vessels and two straight supply vessels, which are generally utilised for transporting essential equipment, supplies, materials and manpower to oil exploration platforms.

5) Yinson divests its offshore support vessel business for RM160mil

- Yinson Holdings Berhad is divesting its offshore support vessel (OSV) business to Icon Offshore Bhd for RM160 million.
- Yinsons owns two anchor handling tug and supply vessels and a platform supply vessel, while Yinson Camellia owns an anchor handling tug and supply vessel.
- In a statement, Yinson noted that these disposals align with the group's strategic focus on its floating, production, storage, and offloading (FPSO) and energy transition businesses.