

High Impact Learning Experiences

Description of Halliburton Case Competition

I created and organized this case competition for the first time in March 2011 and have continued to over it each spring. The competition is open to all undergraduate and MS students in Mays. Teams can include one student in a college other than Mays. The competition is judged by Halliburton executives. Students were given the case on a Wednesday morning and **present approximately 48 hours later on Friday morning.**

Students have been very pleased with how much they learned in such a short period of time. Students also value the opportunity to interact with the executives from Halliburton as they send very high caliber employees with rich experiences. This is an excellent opportunity for our students to impress the executives, gain valuable experiences, and develop key relationships for themselves and Mays.

The top three teams receive price money - \$4,000 for first place, \$2,500 for second place, and \$1,500 for third. To fund the competition and other course activities, Halliburton has contributed \$20,000 to Mays.


A sample of the project prepared by the 2013 third place team follows.

Halliburton Case Competition

[CRSS – A Malaysia Joint Venture]

A Joint Venture oil field services opportunity

CRSS – A Malaysia Joint Venture




About Us

- B.B.A. Accounting, 2013

- B.B.A. Accounting, 2013

- B.B.A. Accounting, 2013

- B.B.A. Finance, 2009
B.S. Petroleum Engineering, 2013




History of Malaysia

- First oil, 1910 Sarawak Shell developed a mini oil field in Sarawak

- Malaysia produces over 500 M STBPD

- Best telecommunication structure of all southeast Asian countries


- Malaysia is the worlds leading producer of tin



Safety – CRSS's Primary Concern

- Safety is our primary concern

- Employees held to 2013 United States Gulf of Mexico training and standards, \$2,500 per employee
 - Basic Offshore Safety and Induction & Emergency Training (BOSIET)
 - Minimum Industry Safety Training (MIST)
 - Offshore medical certificate by a licensed doctor




Findings

- Initial capital investment year 1 & 2: **120 MMUSD**

- 20 year PV gross revenue forecast: **1.145 BUSD**

- Break even point: **year 4**




CRSS Sendirian Berhad

- Separate entity registered as a Private Limited Company

- Joint Venture with Petronas

- Petronas is the largest NOC in Malaysia



What We Can Do For Petronas

- Apply our proven expertise to current operations
- Help modernize processes
- Improve efficiency
- Provide skills to develop solutions to challenges being faced

What Petronas Can Do For Us

- Provide extensive experience on issues being faced by E&P companies in Malaysia
 - To help in identifying new potential product/service lines
- Have representation on Board to provide input
- Help gain acknowledgment from all players from the awareness of the alliance

Outline of Events

- **Legal**
- Key Financial Issues
- Business Development
- Operations & Business
- Conclusion & Recommendations

Registering CRSS Sendirian Berhad

- Why register a new entity as a Private Limited Company (PLC)
- Complete the registration process accurately
- Continue to meet the requirements to maintain our standing as a PLC

Import/Export Compliance

- Products CRSS would import
 - Drill bits, casing, drilling mud chemicals, etc.
- Import products by sea
- Only registered ports can be used
- File a declaration form with the Customs office

Labor Laws

- Employment Act, 1955
- Hiring local and indigenous workers is encouraged
 - Bumiputras requirements
- Training and replacement programs

Environmental and Anti-Corruption Laws

- Environmental Quality Act, 1974
 - Warehouse construction
 - Chemicals used in cement and drilling mud
 - Disposals
- Anti-Corruption Act 1997
 - Malaysian Anti-Corruption Commission (MACC)
 - Part III, Section 10 – Section 20

Other Licenses and Permits

- License for Public Warehouse
- License to conduct business with the NOC (Petronas)

Major Risk Areas

- Incorrectly registering the company
- Failure to comply with major laws and regulations
- Hiring/Firing and production level of local employees

Outline of Events

- Legal
- **Key Financial Issues**
- Business Development
- Operations & Business
- Conclusion & Recommendations

Banking Arrangement

CIMB-Local

- Second largest bank in Malaysia
- Day-to-day operations

Wells Fargo- Global

- #48 in the top 50 safest global bank
- 4th largest in U.S.

Tax Compliance

Corporate Tax

- 25%
- Taxable corporate income includes all earning derived from Malaysia

Individual Tax

- Non-residents will be taxed at a flat rate of 26% on Malaysia-sourced income (no exclusions). Residents are taxed at a progressive rate, ranging from 0% to RM 53,325 + 26%.

Reporting Requirements

U.S.

- Are not generally required to publish their financial statements.

Malaysia

- Need not to file audited accounts. However, they are required by law to maintain their audited accounts for inspection by the authorities at any given time.

Training Accounting and Finance Staff

- During the first two years we will have 1 to 2 business professionals abroad to train local Bumiputras.

Risk

Currency Risk

- Hedging transactions

Oil and Gas Price Risk

- Healthy long term relationships and contracts

Government Risk

- Exceed government regulations and standards

Outline of Events

- Legal
- Key Financial Issues
- **Business Development**
- Operations & Business
- Conclusion & Recommendations

Corporate Responsibility

- Helps in creating proper brand image
- Assist local governments in social outreach programs including:
 - Education System
 - Pollution
 - Infrastructure
 - Mitigate Deforestation
 - Clean Water
 - Wildlife
- Effects felt by all stakeholders, not just Malaysians
- High expenditure in first 2 years and moderate expenditure there after.

Market Research

- To correctly send the intended message to the community we must do extensive research concerning:
 - Cultural influences
 - Religious impact
 - Values and Norms
 - Societal influences
 - Consumer habits
 - Needs and Desires
 - Language
- Prevent actions that can be viewed as disrespectful to culture.
- Employee Malaysians in decision roles to help integrate the local culture into the strategic decision making process.

Competitors

- Look for indicators in public information regarding competitors actions
- Review Rig count in the area and identify those we are not servicing
- Seek opportunities to discuss with E&P company ways we may help them improve operations
- View competitors movements as opportunities for growth

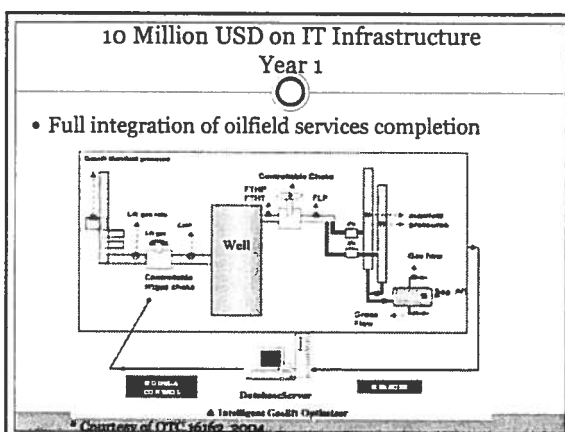
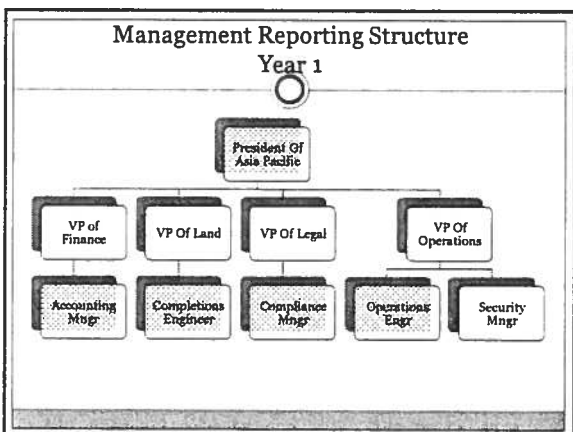
Outline of Events

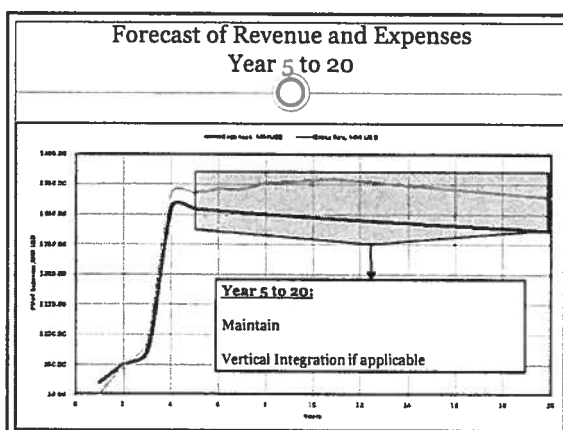
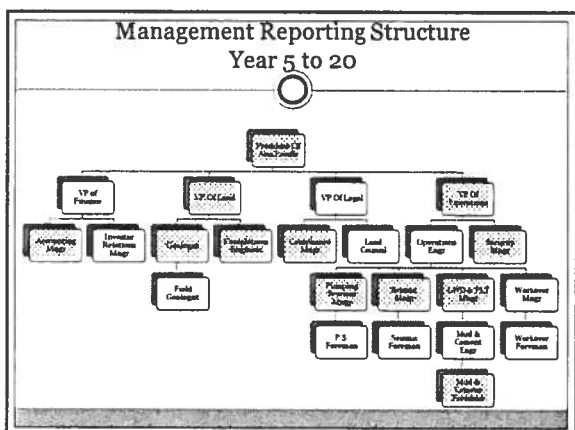
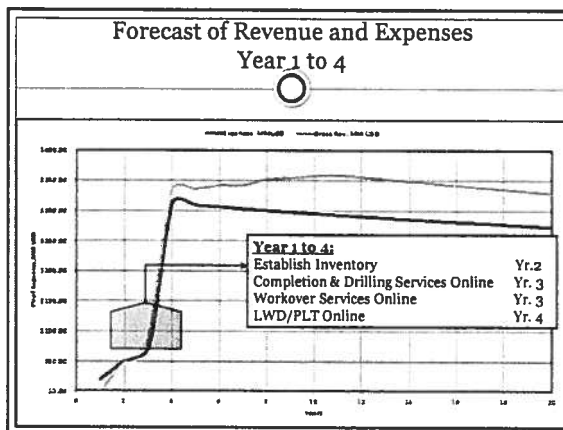
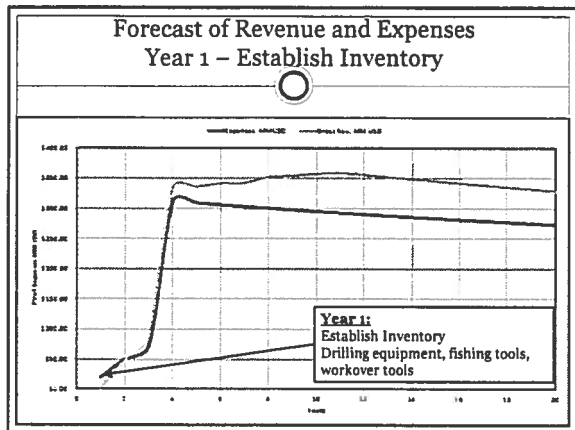
- Legal
- Key Financial Issues
- Business Development
- **Operations & Business**
- Conclusion & Recommendations

Services CRSS To Provide by Year 5

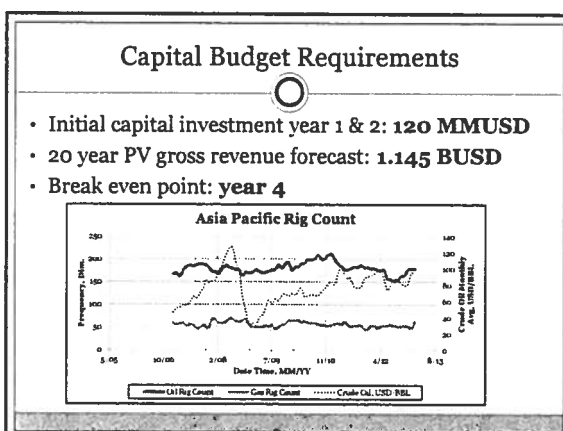
- Drilling & Completion Services
- Logging Services
- Cementing
- Fracking
- Seismic
- Post Drilling Services (Workover, fishing)
- Pumps (Gas Lift & ESP)

Strategic Goals





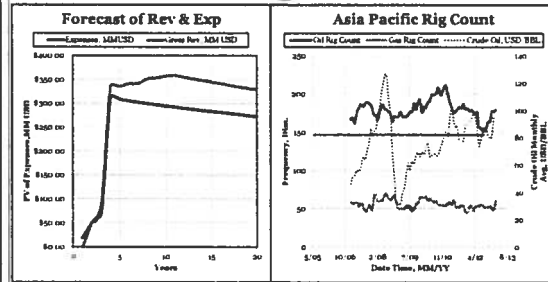
- ### Exit Strategies
- Exit Strategies:
 - Liquidate assets to Petronas
 - Acquire new joint venture agreement
 - Retain new business in Malaysia
 - Merge with vertically integrated companies acquired



Thank You

- Thank you to faculty, staff, and judges

Questions & Recommendations?



Citations

- International rig count courtesy of Baker Hughes,
- Crude price courtesy of Yahoo Finance
- History of oil prices, SPE Seong, 1995
- Courtesy of OTC 16162, 2004

C R S S
1109 Foundation Dr.
Caldwell, TX 77836
(504) 123-4568

March 22, 2013

Investing Panel
1100 Foundation Dr.
Caldwell, TX 77836

Dear Investing Panel,

Malaysia has a rapidly growing economy that welcomes foreign investment and offers extensive oil production, all of which provides opportunities for an oil services company. CRSS decided to partner with Petronas because they are the largest E&P Company in Malaysia. Additionally Petronas can assist CRSS in developing our brand in Malaysia and give us access to the proven experience of a long term player.

Registering the company as a private limited company will reduce our risk while offering several rewards. As a private limited company we will reduce our risk of the following: hiring local employees, losses in the first few years effecting parent companies, and unnecessary setup cost.

When doing an international venture there are several risk that must be confronted, mitigated, or eliminated. When evaluating the risk that will affect our venture in Malaysia we identified three key risks: currency, oil and gas prices, and government. We then took steps to confront those risks.

To initially create a favorable name for ourselves, and develop our business, we identified three primary activities: corporate responsibility, market research, and tracking competitors. Corporate responsibility programs involve CRSS improving several social aspects of Malaysia.

When first entering the country we will immediately build our facilities and get all processes in place for operation. Once placed into action we will continue to add service lines to our operation until year five. From year five until the conclusion of our venture we will maintain current operations and continue to build relationships with business partners.

At the end of our planned venture we will evaluate the business environment and decide on an exit strategy that will most benefit all stakeholders.

Best Regards,



I. Capital Budget for start-up & continual operations

Initial capital investment of **120 million USD** over the first two years. Continual annual budget varies per year due to Malaysia's high depreciation standards, **figure 1**. According to Deloitte's International Tax and Business Guide Malaysia's depreciation standards, are set for a six year **14% straight line depreciation** for PP&E, and for heavy machinery and vehicles the depreciation standards are 4 year **20% straight line depreciation**.

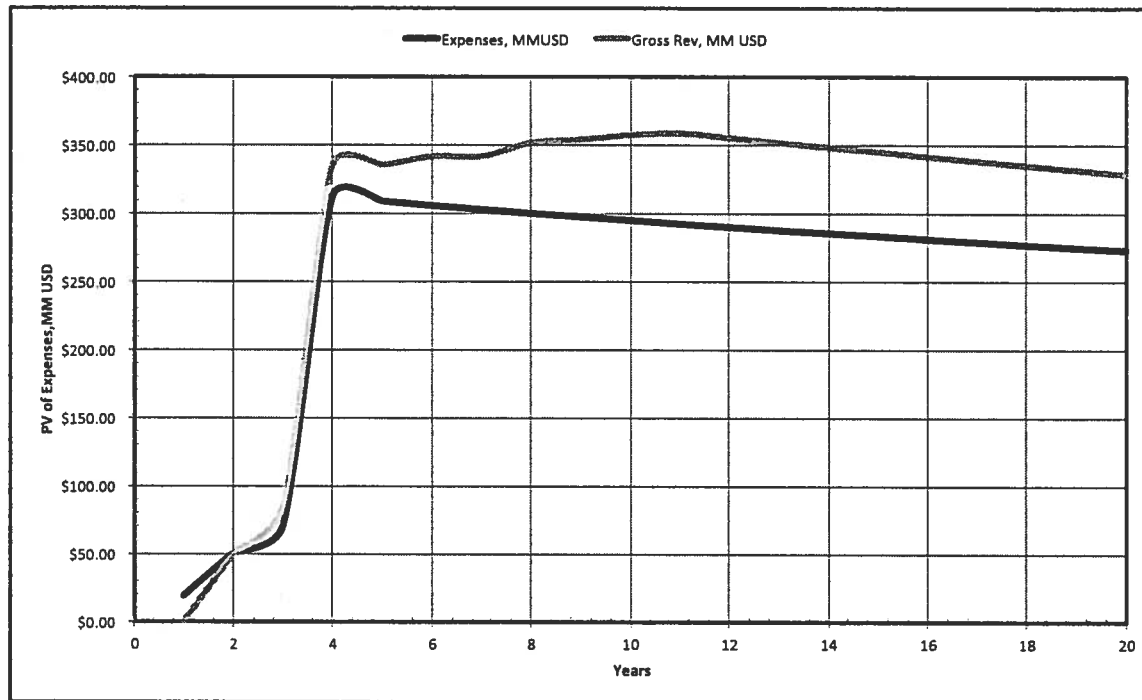


Figure 1 - Projected revenue and expenses.

- **Year 1: Capital Budget: \$70 Million USD.**
A new warehouse and offices will be built in Year 1. The following employees will be vital to the continual operations of CRSS. President, VP of legal, VP of operations, and the VP of land will be required to be in Malaysia for the first year of operations. During construction of the office and warehouse facilities in year 1 the accounting department can work remotely.
At the end of year 1, training of operations will be required.
- **Year 2: Capital Budget: \$50 Million USD**
Construction of the warehouse will be completed, or finished enough to begin inventory and sales of goods. Drilling and completion inventory will be purchased and beginning to be sold. Geologist and field geologist will be required to be in Malaysia and performing offshore analysis.

II. Our Company

We will register our company, CRSS Sendirian Berhad (CRSS Limited), as a new legal entity registered as a Private Limited Company in Malaysia. We will enter into a Joint Venture with Petronas, the leading national oil company in Malaysia. We feel that partnering with this well established Mega Company will help us get become successful as a startup company much sooner than most.

Petronas

"PETRONAS was incorporated on 17 August 1974 as the national oil company of Malaysia, vested with the entire ownership and control of the petroleum resources in the country. It has since grown from merely being the manager and regulator of Malaysia's upstream sector into a fully integrated oil and gas corporation, ranked among the FORTUNE Global 500® largest corporations in the world."

"With a proven track record in integrated petroleum operations on our home ground, we embarked on a strategic globalization program in the early 1990s to augment Malaysia's crude oil and gas reserves, add value to our core business and provide exciting new challenges for our young employees." (Company Profile from Petronas' website)

III. Legal issues involved in the Joint Venture process

Create a new entity with the NOC (Petronas) and register our new entity as a Private Limited Company (PLC) in Malaysia.

We feel that this is the best legal entity to use for operations because:

- Losses in the first few years of the new business would not affect the parent company's income statement
- Malaysia puts premium on local businesses and hiring local employees and by registering as a PLC in Malaysia we would not be viewed as harshly as a direct foreign company
- Easier to dissolve the Joint Venture at the end of the 20 years by selling the already local business to local buyers or Petronas

Also, according to the Deloitte Malaysia International Tax and Business Guide, the limited company is the most popular new business entity used by foreign investors. "It limits liability to the unpaid portion of the nominal value of the shares held, safeguarding the interests of all parties (including the foreign parent company)."

Register the PLC with the Companies Commission of Malaysia, and comply with all document requirements set by the Malaysian Government.

Registration Procedures for a PLC (procedures listed on <http://www.malaysia.gov.my/>):

- Obtain and submit Form 13A (request for availability of name) with a search fee of RM30 to CCM to ensure that the name you choose for the incorporation of your company is available. The name of the company must not exceed 50 characters including the words "Sendirian Berhad". ("Limited")
- The proposed name is valid for only three months once it receives approval from CCM.
- Within three months from the date of approval, you should submit;
- Form 6 - statutory declaration of compliance
- Form 48A - statutory declaration by persons before appointment as a director or a promoter before incorporation. One copy for each director.
- Memorandum and Articles of Association
- *Lampiran A*
- A copy of the approval letter
- Relevant fees

*The procedures for the formation of a public and private limited company are similar, except that for a private limited company, you will need an additional Form 18 - statutory declaration of compliance by a company that does not issue a prospectus and statement in lieu of prospectus.

- All form and documents for filing must be in duplicate

- Forms and documents must not exceed A4 sheet size, and must be on paper of medium weight and of good quality
- A margin of 25mm should be on the left side of all documents
- The documents and forms must be punched with two holes of 6mm in diameter, measuring 80mm apart on the left-hand margin.
- All documents should be endorsed on the upper left-hand corner or every page with the company number allotted by the Registrar to the corporation to which the documents relate.
- All documents should be typeset with the type and size not less than the type known as eight point times, unless otherwise approved by the Registrar
- At the end of each form and document, you are required to print the name of the company secretary and contact details
- Application for reservation of name and registration of company can be made through the head office or branch offices of the CCM
- Payment of various fees may be made by cash, bank draft, postal order and money order. However, payments by a company, professional firm or management firm may be made by check.

Continued compliance and meeting of the requirements to remain a PLC must remain a key issue while doing business.

Basic requirements that must be met to continue to operate as a PLC in Malaysia (Compiled in the Deloitte Malaysia International Tax and Business Guide):

- **Capital:** Minimum two subscribers holding one share of MYR 1 each except for a wholly owned subsidiary of another company. No legal reserve requirements. Contribution can be made in cash or in other form, with valuation made by an impartial party.
- **Founders, shareholders:** Minimum two founders. No residency or nationality requirements. For a private limited company, shareholders are restricted to a maximum of fifty, excluding employees and former employees of the company or its subsidiary.
- **Board of directors:** Public and private limited companies must have at least two directors that maintain their principal (or only) place of residence in Malaysia (although they need not be Malaysian citizens). A limited company must also have a secretary who can be one of the national board members.
- **Management, labor:** No requirement that labor be represented in management or on the board of directors. There are no nationality or residency requirements for management.
- **Disclosure:** Company must lodge an annual return, directors' report and audited financial statements to the Companies Commission. The financial statements must be independently certified by government-approved auditors.
- **Taxes and fees:** The formation of a company involves professional fees of about MYR 2,000 (\$641) for private companies and MYR 3,500 (\$1,121) for public companies. There are no taxes on the issuance of shares, bonds or other issues but a registration fee is payable upon incorporation based on the authorized share capital. The fee ranges from MYR 1,000 (\$320) to MYR 70,000 (\$22,420) for authorized share capital not exceeding MYR 100,000 (\$32,029) or that exceeding MYR 100 million (\$32,029,100).
- **Types of shares:** Shares must be registered and ordinary shares in a public company and its subsidiary must carry equal voting rights. Preferential shares are permitted and may carry special rights or restrictions on dividends, voting, repayment of capital and so forth.
- **Control:** Decisions are always by simple majority of capital except for alteration to the memorandum or articles of association and reduction of share capital, where a three-fourths majority (special resolution) is required.

* Currency conversion rate of \$.32029/MYR

Risk Factors.

Major risks come into play when registering any company, especially in a foreign country such as Malaysia. If we fail to meet requirements or follow the procedures it is more than likely that the Malaysian Government will not allow us to operate and make money. Our overall risk strategy has to be carefully implemented in this process of our business registration. We will hire legal counsel to guide us through this process and make 100 percent sure that we do everything correctly the first time. We will lean on our legal counsel in the United States who specialize in International Law as well the legal counsel of Petronas, the Malaysian national oil company who we are entering this joint venture with.

Our new PLC (CRSS Sendirian Berhad) must identify and comply with key issues in the areas of import/export laws and regulations, local Malaysian labor laws, Environmental laws in Malaysia, and Anti-Corruption Laws

Import/Export

Our company would import any goods or supplies that we would need by sea.

List of goods we would look to import:

- Drill bits
- Drill pipe
- Casing
- Cement chemicals
- Drilling mud chemicals
- Production tubing
- Gas lift equipment
- Other drilling and completion equipment

We will not export any goods in the early operating years of the Joint Venture but in 10-15 years we will evaluate the JV and possible look into vertical integration and exporting to other foreign countries.

Import/Export laws, regulations and procedures as listed on the Malaysian customs website:

Goods can be imported and exported by land, air, and sea but only at designated locations listed in the First Schedule of the Customs Regulation, 1977.

Ports that are available to import the goods listed above:

- Kuah, Langkawi
- Teluk Ewa, Langkawi
- Pulau Pinang, Butterworth
- Lumut, Perak
- Port Klang, Selangor
- Melaka, Melaka
- Pasir Gudang, Johor
- Tanjung Belungkor, Johor
- Kuantan, Pahang
- Tanjung Gelang, Pahang
- Kemaman, Terengganu
- Pengkalan Kubor, Kelantan

- Kota Kinabalu, Sabah
- Labuan, Sabah
- Sandakan, Sabah
- Kuching, Sarawak
- Miri, Sarawak
- Sibiu, Sarawak

Any time our company imports or export goods we must fill out and submit a declaration form to the Customs offices at the port where we will import or export goods. These must be filled out in detail and provide only true information. Our company is allowed to appoint any customs agent at the ports to file this declaration. Information that must be included:

- Value, weight, quantity and type of goods
- Description of packages/crates
- Origin of the goods

Major Labor Laws in Malaysia

- Employment Act, 1955
- Trade Unions Act, 1959
- Industrial Relations Act, 1967
- Employees' Social Security Act, 1969
- Employees' Provident Fund Act, 1991
- Occupational Safety and Health Act, 1994
- The Employees' Provident Fund (EPF) Act 1991

One key factor our company would need to take into consideration is the importance of hiring and employing local and indigenous workers, or *bumiputras*. The Malaysian government also mandates that all foreign investment firms must establish training programs for their local employees and have a plan in place to eventually replace ex-pat workers with local workers in all roles except for key managerial roles.

Major Environmental Laws in Malaysia:

Environmental Quality Act, 1974

Major areas in which our company would have to comply with the Environmental Quality Act of 1974:

- Warehouse Construction
- Production of oilfield service products that we produce in Malaysia
- Chemicals used in the drilling mud and cement we produce, sell and operate with
- Disposal of all drilling mud used during a service engagement
- Disposal of any pipe or cement that we use during a service engagement
- Restoration of any oil field location after well completion

Anti-Corruption regulations:

Malaysian Anti-Corruption Commission (MACC)

Anti-Corruption Act 1997

- Part III, Section 10 – Section 20: Offenses and Penalties

Along with major Laws and Acts that CRSS Sendirian Berhad would have to follow, we would need to obtain permits and licenses to operate in Malaysia. Specific permits and licenses include:

- License for our Public Warehouse
This license has to be obtained in order to construct and maintain a warehouse in Malaysia.
- License to conduct business with Petronas
This license must be acquired to conduct any oil field service for the NOC, Petronas.

Risk Factors.

Our new Joint Venture entity would have to work almost every day to make sure that it complied with all applicable Malaysian laws. If we do not, we are subject to hefty fines, bad publicity, or the government halting operations altogether. Again, we will have to lean on both, our legal team and the legal team of Petronas to make sure we are doing everything we can to mitigate risk.

IV. Key Financial Issues

Banking Arrangements

As a JV company working in Malaysia the company will use to different banks to do business. One will be a local bank in Malaysia to do day to day business transactions in the Malaysian currency, ringgit. The second bank will be used for major transactions done in U.S. currency, dollars.

- Local Bank- CIMB, as reported by Rachel Armstrong in Chicago Tribune Business:
 - Second largest bank in Malaysia
 - The group's business activities are primarily in the areas of Consumer Banking, Wholesale Banking, comprising Investment Banking and Corporate Banking, Treasury & Markets, and Group Strategy & Strategic Investments, with its core markets being Malaysia, Indonesia, Singapore and Thailand.
 - The local bank for day-to-day operations, such as office supplies and other small equipment.
 - The local currency to pay local employees.
- Global Bank- Wells Fargo, as reported by David Benoit in the Wall Street Journal
 - #48 in the top 50 most safest global bank
 - Wells Fargo is the fourth largest bank in the U.S.
 - The global bank will be used for major transactions

Local Statutory Requirements

The JV Company needs to apply for PETRONAS license and it should comply with the Bumiputera requirements for the respective SWEC (Standardized Work and Equipment Categories)

- How to requester with PETRONAS
- Go to www.PETRONAS.com.my, and follow the instructions bellow.
 - Click on "Partnering Us" at the footer of Petronas corporate website page
 - Then click on the "licensing and Registration"
 - Click on the "Application Information" link
 - Click on the "ROS' link

- Complete the online registration form
- Finally, click the submit button
- Company with a valid license is allowed to supply goods/services to both the upstream sector of the oil and gas industry in Malaysia and the downstream activities of PETRONAS including maritime activities.
- (As reported on Petronas website)

Tax Compliance

- All following Tax Compliance rules and issues are as reported on Greenback article, "Filing Taxes as an American Living in Malaysia – US Expat Taxes Explained"

Business taxation

Corporations in Malaysia are subject to corporate income tax, real property gains tax, and sales and service taxes. A goods and services tax is expected to be introduced to replace the existing sale and services tax regime.

Corporate Taxable income defined

Taxable corporate income includes all earning derived from Malaysia, including gains or profits from a trade or other business, dividends, interest, rent, royalties, premiums or other current earnings. These rules apply to branches as well as to entities incorporated in Malaysia.

Corporate Taxable income and rates

The basic corporate income tax rate is 25% while a preferential rate of 20% would apply to the first MYR 500,000 chargeable income of small- and medium- sized enterprises with paid-up capital not exceeding MYR 2.5 million on condition that it is not controlled by nor it controls a related company or another company controls the company and the related company and the related company has a paid-up capital exceeding MYR 2.5 million.

US Expat Taxes in Malaysia

If you are a citizen or permanent resident of the United States then you are obligated to file US taxes, in this case US expat taxes, with the IRS each year regardless of the country in which you reside. In addition to the regular income tax return, you could also be required to file an informational return on your assets held in foreign bank accounts, either business or personal. While the US taxes the international income of its citizens and permanent residents who reside overseas, it does have special provisions to help protect them from double taxation including:

- The **foreign earned income exclusion**, which allows you to exclude up to \$92,900 of foreign earned income from your US taxes,
- The **foreign tax credit**, which allows you to offset the taxes you paid in your host country with your US expat taxes dollar for dollar, and
- The **foreign housing exclusion**, which allows you to exclude certain household expenses that occur as a result of living abroad.

Malaysia Income Tax Rates

The tax rates from the Malaysian Inland Revenue Board (MIRB) vary based on your residency status. Non-residents will be taxable at a flat rate of 26% on Malaysia-sourced income (no exclusions). Residents are taxed at a

progressive rate, ranging from 0% to RM 53,325 + 26%.

| Earnings in Malaysian Ringgit (RM) | Rate Applicable to Income Level (%) |
|------------------------------------|-------------------------------------|
| 0-2500 | RM 0 + 0% |
| 2,501 – 5,000 | RM 0 + 1% |
| 5,001 – 10,000 | RM 25 + 3% |
| 10,001 – 20,000 | RM 175 + 3% |
| 20,001 – 35,000 | RM 475 + 7% |
| 35,001 – 50,000 | RM 1,525 + 12% |
| 50,001 – 70,000 | RM 3,325 + 19% |
| 70,001 – 100,000 | RM 7,125 + 24% |
| 100,001 – 150,000 | RM 14,325 + 26% |
| 150,001 – 250,000 | RM 27,325 + 26% |
| 250,001 and above | RM 53,325 + 26% |

Malaysia Tax Due Date

The Malaysian tax year is the same as the United States: January 1st through December 31st. The similarities stop, however, where dates are concerned. Tax returns need to be filed with the Malaysian Inland Revenue Board before April 30th, and this date cannot be extended. Malaysia does allow for joint filing of tax returns for married couples.

You should have monthly payroll deductions in Malaysia for tax withholding. Any additional taxes must be paid to the MIRB by April 30th through either an MIRB office or participating banks with cash, check, or online payment.

Reporting Requirements

Privately held companies are not generally required to publish their financial statements in U.S.

By not being required to disclose details about their operations and financial outlook, private companies are not forced to disclose information that may potentially be valuable to competitors and can avoid the immediate erosion of customer and stakeholder confidence in the event of financial duress. Further, with limited reporting requirements and shareholder expectations, private firms are afforded a greater operational flexibility by being able to focus on long term growth rather than quarterly earnings. In addition, private company executives may steer their ships without shareholder approval, allowing them to take significant action without delays

Minimum Statutory Requirements, as reported on Deloitte Malaysia International Tax and Business Guide

- A local registered address.
- At least two local resident directors (a Malaysian Citizen or a Malaysian Permanent Resident, a person who has been issued an Employment Pass) and unlimited maximum number of directors. Directors must be at least 18 years of age and must not be bankrupt or convicted for any malpractices. Directors must be natural persons.
- A local resident company secretary who is a natural person and not a corporate. The company secretary must either be a member of a professional body prescribed by the Minister of Domestic Trade and Consumer Affairs; or licensed by the Companies Commission of Malaysia.

Annual returns along with audited annual accounts must be filed with the Companies Commission within 1 month of the Annual General Meeting. Note: Exempt private companies (not more than 20 shareholders and shares are not held by another company) need not file audited accounts. However, they are required by law to maintain their audited accounts for inspection by the authorities at any given time.

Tax returns along with audited accounts must be filed with the Inland Revenue Board of Malaysia within 6 months of the financial year end.

Every company must appoint one or more auditors who must be approved auditors in Malaysia. Appointment of auditors must be done before the first Annual General Meeting.

Training Accounting and Finance Staff

During the first two years we will have 1 to 2 business professionals go to Malaysia to train local “bumiputras” (Malays and other indigenous people) to work in the office in Malaysia once the business gets up and running.

For U.S employees the company will have a two-year rotational abroad program. Every two year the company will send 2 different employees abroad to manage the accounting and finance part of the business.

Most of the employees for accounting and finance will be locals only 2 managers from the U.S. will be working abroad during the course of 20 years.

Risk Factors, as reported on Schlumberger 10-K

Currency Risk

When borrowing money to do business, the company wants to look at where the USD stands in comparison with the MYR.

In a situation where the USD has more power over the MYR we want to borrow in USD, when the opposite happens and the USD drops the company would take an interest in borrowing in MYR.

To mitigate the risk of exchange rates fluctuations the company will enter into hedging transactions.

Oil and Gas Price Risk

Demand for the majority of our services is substantially dependent on the levels of expenditures by the oil and gas

industry. A substantial or an extended decline in oil and gas prices could result in lower expenditures by the oil and gas industry, which could have a material adverse effect on our financial condition, results of operations and cash flows.

The prices for oil and natural gas have historically been volatile and can be affected by a variety of factors, including:

- Demand for hydrocarbons, which is affected by general economic and business conditions
- The ability of the Organization of Petroleum Exporting Countries (“OPEC”) to set and maintain production levels for oil
- Oil and gas production levels by non-OPEC countries
- The level of excess production capacity
- Political and economic uncertainty and geopolitical unrest
- The level of worldwide oil and gas exploration and production activity
- Access to potential resources, governmental policies and subsidies
- The costs of exploring for, producing and delivering oil and gas
- Technological advances affecting energy consumption
- Weather conditions
- Government Risk

Risks of operating in a Foreign Country

- Political and economic conditions in certain areas
- Exposure to possible expropriation of our assets or other governmental actions
- Social unrest, acts of terrorism, war or other armed conflict
- Confiscatory taxation or other adverse tax policies
- Deprivation of contract rights
- Trade restrictions or embargoes imposed by the United States or other countries
- Restrictions under the United States Foreign Corrupt Practices Act or similar legislation in other countries
- Restrictions on the repatriation of income or capital
- Currency exchange controls
- Inflation
- Currency exchange rate fluctuations and devaluations.

Some international, national and state governments and agencies are currently evaluating and promulgating climate-related legislation and regulations that are focused on restricting greenhouse gas emissions. Such legislation, as well as government initiatives to conserve energy or to promote the use of alternative energy sources, may significantly curtail demand for and production of fossil fuels such as oil and gas in areas of the world where our customers operate and thus adversely affect future demand for our services, which may in turn adversely affect our financial condition, results of operations and cash flows.

V. Business Development

Corporate Responsibility

As CRSS enters the country we will begin a corporate social responsibility campaign to help establish our name in Malaysia as a socially responsible company. This effort will create brand awareness providing our company with the recognition required to increase our revenue stream and achieve strategic goals. Throughout our 20 year

venture we will tailor our corporate responsibility activities to best assist the people of Malaysia, creating a favorable brand image for the long term.

The challenges present in Malaysia affect not only the local community, but also our employees, suppliers, contractors, and clients. Therefore, our involvement in fighting these challenges will improve relations with all stakeholders. CRSS's initial efforts will include coordinating with the Malaysian government to assist in their effort to fight malaria and tuberculosis. We will then continue on to assist in improving the following concerns being faced by Malaysians:

- Education System
- Increasing Pollution
- Infrastructure
- Deforestation
- Clean Water
- Wildlife Extinction

In order to immediately build a positive image around our brand, we will have larger expenditures on fighting against social challenges during our first two years of operation. In the following years we will spend slightly less on social responsibility activities, while maintaining our image and continuing to improve the area.

Market Research

In order to successfully enter this new culture CRSS will do extensive market research to learn everything we can about the Malaysians, including:

- Cultural influences
- Religious impact
- Values and Norms
- Societal influences
- Consumer habits
- Needs and Desires
- Language

To correctly send the intended message it is vital to appropriately market our name without violating any of the forces being employed in the area. Additionally, we will employ a number of Malaysians at all levels to help integrate the local culture into the business model. Having Malaysians in management roles will allow CRSS to make the correct strategic decisions that will be favorable to the area and therefore maintain our positive brand image.

Communication with NOC/ Business Development

Being an oilfield services company, it is very important that CRSS has good relations with Malaysian E&P companies. Entering into a joint venture with Petronas will open potential lines of communication with most all E&P companies operating in the area. Petronas has been operating in Malaysia for many years and therefore has a well-established knowledge of the challenges faced by the energy industry in the area.

CRSS has extensive knowledge in providing the services required by E&P companies and can extend that knowledge to Malaysia. Petronas will gain from our oil field services experience by having the access to modern

and more efficient equipment, which will help them become a more efficient E&P company and thus increase their revenue stream. By having Petronas by our side to help develop the venture in Malaysia, as well as having key Petronas officers on our board, we can successfully capitalize on their industry expertise. Having key officers of Petronas on our board will provide us access to extensive information. This information will afford us the opportunities of: developing and improving new service/product lines to better serve existing and future customers, as well as exploiting opportunities in the Malaysian energy industry to maintain a competitive edge.

Due to the risk of vendor default, many small players in the industry may be reluctant to use our services. By having the endorsement of the largest player in the industry, Petronas, we can more quickly demonstrate our credit worthiness to potential clients. We believe that once awareness of our alliance with Petronas has spread, we will have the opportunity to meet with smaller players in the industry to listen to the challenges being faced by their organizations and inform them of how we can help.

To keep track of our competitors we will continuously dissect any public information regarding our competitors that is available. Additionally, we will keep close track of the Baker Hughes Rig count report to identify the rigs for which we are not providing services. We will then determine what E&P companies are operating those rigs and seek opportunities to meet with the company and discuss how our services can improve their operations.

Overall, we will develop the venture over its life by exploiting opportunities provided to us from our relationship with Petronas. The information and experience of Petronas will give us what we need to develop our venture through efficient and tailored service/product offerings, and the connections we need to build our client base. We will also develop and maintain our competitive edge by viewing our competitor's movements as opportunities for growth.

VI. Operations in Business

Services that CRSS performs:

Logging Services

Multiple different type of logging services are available. Two types of logs will be provided by CRSS. Logging while drilling (LWD) and cased-hole production logs (PLT) will be offered both in real time (RT) and or a final report to be designated by the client. Due to the increase in demand RT LWD will be available Year 2 of the operations directly after it is built in Year 1. LWD logs available will be gamma ray, neutron density, bulk density, acoustic impedance, and resistivity. These logs will be run on e-line and slick line. The same apparatus to run the slick line operations will be used to run the fishing job operations to be offered in Year 2.

- LWD Logs: Gamma ray, resistivity, acoustic impedance, neutron, and bulk density.
 - Cement Bond Log: Suite included in LWD logs, to be run on e-line, temperature and acoustic impedance.
- PLT Logs: Gamma ray, resistivity, temperature, and spinner.

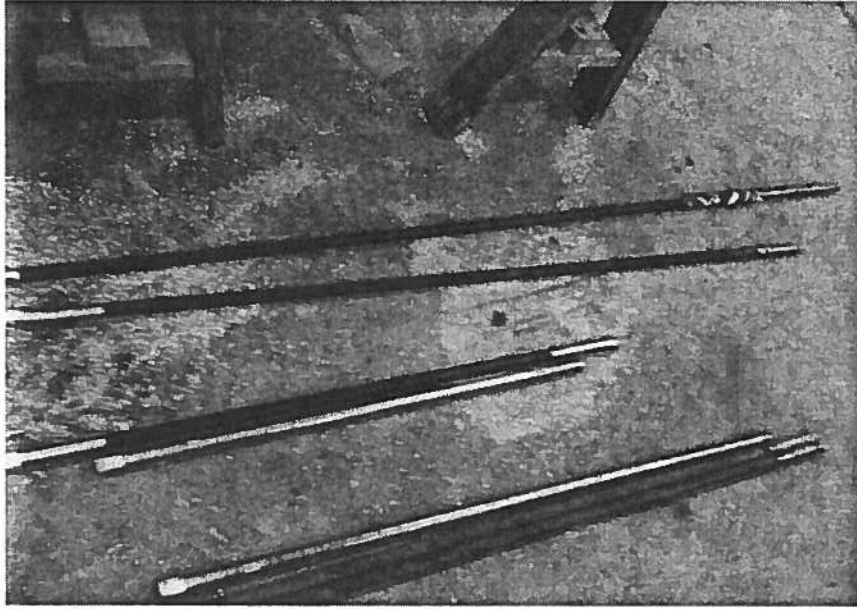


Figure 2 - Production logs to be purchased and implemented in year 4 of CRSS joint venture.

Drilling Services

CRSS's joint venture will be to provide cementing, drill bits, and various pipes to the E&P clients. Traditional cements used by the parent company will be used and the drill pipe, casing, and production string will be ordered from the parent companies out of state producer to reduce inventory cost.

- All drilling associated tools, including but not limited to drill bits, drill pipe, mud-motors, and subsurface safety valves. These can be most likely imported from manufacturing countries so we do not have to establish refineries.
- Drill Pipe: This will be created outside of the state and shipped in, most likely created in china to reduce cost
- Mud tanks: needed to keep water and mud for drilling
- Cementing operations: will include mixers, cement powder and a salt-water purifier on site to use saltwater for cementing operations.
- BOP: to be provided by the parent companies out of state vendor.
- Water: the most vital component of the cementing and fracking operations. Government regulations will acquire fresh water leases for CRSS cementing operations.

Seismic

Seismic operations will be provided for onshore prospects only.

Post Drilling

CRSS's post drilling suite will be composed of production logs, providing surface facilities, and disposal of drilling debris. Additionally, cleanup crews will be available for offshore spills in the event of an oil spill.

Finally, completions requirements, one of the most important aspects to CRSS's income, where we will provide fracturing, completions, gas lift equipment, subsurface safety valves, wireline fishing, various surface equipment, and various pulling tool operations.

Workovers

CRSS will provide workovers for existing wells. We will not provide the barges or any floating rigs in order to provide offshore workovers, we will just provide pulling units and the tools necessary for workovers operations. Workover operations include fracturing, pump replacement, pipe leaks, fishing operations, and P&A.

Communications and IT infrastructure

Malaysia has the best telecommunications of any Asian country. CRSS will provide real-time LWD readings for Year 2. To accomplish this we will be spending 10 million USD on communication infrastructure that includes servers, radios, and satellite readings for our logging suites, and for communication between employees. Servers will be required to store real-time logging data. Real-time logging data is not necessarily always provided to the client, it will only be provided upon request. Otherwise the finalized LWD reports will be provided upon analysis and compilation of the data.

Training Required for Offshore Work

All CRSS employees that work offshore Malaysia will be held to the same standards as the parent and United States offshore employees. Due to this requirement CRSS will be spending **\$2,500 per employee**, contractor, or visitor that visits any CRSS offshore jobsite. Listed below we have set out a detailed list of three requirements demanded for any and all offshore participants in the Gulf of Mexico. Safety will be CRSS's number one priority.

- Basic Offshore Safety and Induction & Emergency Training (BOSIET). This is the basic offshore survival-training course, which will be valid for four years.
 - Participants will gain a basic level of understanding and an awareness of safety and emergency response on the offshore installations.
 - Employees will be able to identify and explain:
 - Offshore hazards
 - Waste disposal/environmental awareness
 - Role of the HSE/offshore safety regulations
 - Permit to Work
 - Procedures for prescribed medicines offshore
 - Alcohol and substance abuse policy
 - PPE requirements
 - Procedure for reporting incidents, accidents and near misses
 - Role of the Medic
 - Helicopter Safety and Escape
 - Entering and exiting helicopters, especially in a helicopter in water
 - How to operate and use of Emergency Breathing Systems Equipment (EBS)
 - Actions in preparing for a helicopter ditching and an emergency landing
 - Controlled emergency descent to a dry landing
 - Controlled ditching on water
 - A partial submersion on an aircraft
 - Partial submersion on an aircraft without EBS equipment
 - Sea Survival
 - How to put on a life jacket
 - Actions for mustering and boarding a survival craft
 - Putting on a seatbelt in a helicopter
 - Firefighting and self-rescue
 - Using a portable hand held fire extinguisher
 - Small bore fire hose reel or blanket reel

- Self-rescue techniques
- Offshore medical certificate, by a doctor or medical center registered with Oil & Gas Malaysia.
- Minimum industry safety training, a similar course to the offshore safety training.
 - Introduction to the Hazardous Offshore Environment
 - Working Safety including Safety Observations
 - Understanding the Risk Assessment Process
 - Tasks that Require a Permit to Work
 - Personal Responsibility in Maintaining Asset Integrity
 - Using Manual Handling Techniques every day
 - Controlling the use of Hazardous Substances Offshore
 - Knowledge and Practices of Working at Height
 - Being Aware of Mechanical Lifting Activities

(The following pages include CRSS Sendirian Berhad's 20 year projected income statement, the company's consolidated balance sheet for the year ending 12/31/YR5 as well as a works cited page.)

CRSS Sendirian Berhad

Income Statement 20 Year Projection

| As of 12/31: | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--|-----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues | | | | | | | | | | |
| Completion & Production | \$ - | \$ 42,400,000 | \$ 94,400,000 | \$ 244,600,000 | \$ 249,492,000 | \$ 254,481,840 | \$ 259,571,477 | \$ 264,762,906 | \$ 270,058,164 | \$ 275,459,328 |
| Drilling and Evaluation | \$ - | \$ 10,000,000 | \$ 24,800,000 | \$ 133,000,000 | \$ 135,660,000 | \$ 138,373,200 | \$ 141,140,664 | \$ 143,963,477 | \$ 146,842,747 | \$ 149,779,602 |
| Total Revenues | \$ - | \$ 52,400,000 | \$ 94,400,000 | \$ 377,600,000 | \$ 385,152,000 | \$ 392,855,040 | \$ 400,712,141 | \$ 408,726,384 | \$ 416,900,911 | \$ 425,238,930 |
| Cost of Goods Sold | \$ - | \$ 30,657,143 | \$ 51,657,143 | \$ 314,628,571 | \$ 321,641,143 | \$ 328,793,966 | \$ 336,089,845 | \$ 343,531,642 | \$ 351,122,275 | \$ 358,864,720 |
| Gross Profit | \$ - | \$ 21,742,857 | \$ 42,742,857 | \$ 62,971,429 | \$ 63,510,857 | \$ 64,061,074 | \$ 64,622,296 | \$ 65,194,742 | \$ 65,778,637 | \$ 66,374,209 |
| Expenses | | | | | | | | | | |
| Depreciation Expense | \$ 5,600,000 | \$ 4,816,000 | \$ 4,141,760 | \$ 7,561,914 | \$ 6,263,246 | \$ 5,194,391 | \$ 4,313,577 | \$ 3,586,796 | \$ 2,986,340 | \$ 2,489,610 |
| Corporate Payroll | \$ 12,162,131 | \$ 16,285,093 | \$ 21,805,740 | \$ 29,197,886 | \$ 30,073,823 | \$ 30,976,037 | \$ 31,905,318 | \$ 32,862,478 | \$ 33,848,352 | \$ 34,863,803 |
| Other | \$ 2,000,000 | \$ 1,500,000 | \$ 500,000 | \$ 200,000 | \$ 206,000 | \$ 212,180 | \$ 218,545 | \$ 225,102 | \$ 231,855 | \$ 238,810 |
| Total Expenses | \$ 19,762,131 | \$ 53,258,236 | \$ 78,104,643 | \$ 351,588,371 | \$ 358,184,211 | \$ 365,176,574 | \$ 372,527,285 | \$ 380,206,017 | \$ 388,188,822 | \$ 396,456,943 |
| Earnings Before Interest and Tax (Loss) | \$ (19,762,131) | \$ (858,236) | \$ 16,295,357 | \$ 26,011,629 | \$ 26,967,789 | \$ 27,678,466 | \$ 28,184,856 | \$ 28,520,366 | \$ 28,712,089 | \$ 28,781,986 |
| Tax Expense, 25% (Loss) | \$ - | \$ - | \$ (4,073,839) | \$ (6,502,907) | \$ (6,741,947) | \$ (6,919,616) | \$ (7,046,214) | \$ (7,130,092) | \$ (7,178,022) | \$ (7,195,497) |
| Net Income (Loss) | \$ (19,762,131) | \$ (858,236) | \$ 12,221,518 | \$ 19,508,722 | \$ 20,225,842 | \$ 20,758,849 | \$ 21,138,642 | \$ 21,390,275 | \$ 21,534,067 | \$ 21,586,490 |

| | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$ 280,968,514 | \$ 286,587,885 | \$ 292,319,642 | \$ 298,166,035 | \$ 304,129,356 | \$ 310,211,943 | \$ 316,416,182 | \$ 322,744,505 | \$ 329,199,396 | \$ 335,783,383 |
| | \$ 152,775,194 | \$ 155,830,698 | \$ 158,947,312 | \$ 162,126,258 | \$ 165,368,783 | \$ 168,676,159 | \$ 172,049,682 | \$ 175,490,675 | \$ 179,000,489 | \$ 182,580,499 |
| | \$ 433,743,708 | \$ 442,418,582 | \$ 451,266,954 | \$ 460,292,293 | \$ 469,498,139 | \$ 478,888,102 | \$ 488,465,864 | \$ 498,235,181 | \$ 508,199,885 | \$ 518,363,882 |
| | \$ 366,762,015 | \$ 374,817,255 | \$ 383,033,600 | \$ 391,414,272 | \$ 399,962,558 | \$ 408,681,809 | \$ 417,575,445 | \$ 426,646,954 | \$ 435,899,893 | \$ 445,337,891 |
| | \$ 66,981,693 | \$ 67,601,327 | \$ 68,233,354 | \$ 68,878,021 | \$ 69,535,581 | \$ 70,206,293 | \$ 70,890,419 | \$ 71,588,227 | \$ 72,299,992 | \$ 73,025,992 |
| | \$ 2,078,150 | \$ 1,736,877 | \$ 1,453,449 | \$ 1,217,754 | \$ 1,021,498 | \$ 857,873 | \$ 721,278 | \$ 607,105 | \$ 511,555 | \$ 431,493 |
| | \$ 35,909,717 | \$ 36,987,008 | \$ 38,096,619 | \$ 39,239,517 | \$ 40,416,703 | \$ 41,629,204 | \$ 42,878,080 | \$ 44,164,422 | \$ 45,489,355 | \$ 46,854,036 |
| | \$ 245,975 | \$ 253,354 | \$ 260,955 | \$ 268,783 | \$ 276,847 | \$ 285,152 | \$ 293,707 | \$ 302,518 | \$ 311,593 | \$ 320,941 |
| | \$ 404,995,856 | \$ 413,794,494 | \$ 422,844,622 | \$ 432,140,326 | \$ 441,677,605 | \$ 451,454,037 | \$ 461,468,509 | \$ 471,720,999 | \$ 482,212,396 | \$ 492,944,361 |
| | \$ 28,747,852 | \$ 28,624,088 | \$ 28,422,332 | \$ 28,151,967 | \$ 27,820,533 | \$ 27,434,064 | \$ 26,997,354 | \$ 26,514,182 | \$ 25,987,488 | \$ 25,419,522 |
| | \$ (7,186,963) | \$ (7,156,022) | \$ (7,105,583) | \$ (7,037,992) | \$ (6,955,133) | \$ (6,858,516) | \$ (6,749,339) | \$ (6,628,546) | \$ (6,496,872) | \$ (6,354,880) |
| | \$ 21,560,889 | \$ 21,468,066 | \$ 21,316,749 | \$ 21,113,975 | \$ 20,865,400 | \$ 20,575,548 | \$ 20,248,016 | \$ 19,885,637 | \$ 19,490,616 | \$ 19,064,641 |

- In year one, we anticipate constructing our warehouse in Malaysia, placing employees on the ground, setting up our communications infrastructure, and stocking our inventory. We anticipate no sales in year one
- We plan to break even by May 1st of Year 4 and to continually increase our income level until the Joint Venture dissolves in year 20
- Present Value of our gross revenue stream discounted back at a rate of 10% is equal to \$1,145,055,080. This revenue stream exceeds expectations set by our parent company

CRSS Sendirian Berhad

Consolidated Balance Sheet

Year Ending 12/31/YR5

| | 12/31/YR5 | 12/31/YR4 |
|--|--------------------------|--------------------------|
| Assets | | |
| Cash | \$ 1,300,000.00 | \$ 1,265,500.00 |
| Accounts Receivable, <i>Less Doubtful Accounts</i> | \$ 155,987,000.00 | \$ 147,500,000.00 |
| Inventory | \$ 234,850,000.00 | \$ 225,000,000.00 |
| Total Current Assets | \$ 392,137,000.00 | \$ 373,765,500.00 |
| Total PP&E, <i>Net Depreciation 20%</i> | \$ 21,880,326.00 | \$ 25,442,240.00 |
| Logging Tools, <i>Net Depreciation 14%</i> | \$ 16,000,000.00 | \$ 20,000,000.00 |
| Total Long Term Assets | \$ 37,880,326.00 | \$ 45,442,240.00 |
| Total Intangible Assets | \$ 3,695,000.00 | \$ 3,459,500.00 |
| Goodwill | \$ 8,000,000.00 | \$ 6,325,000.00 |
| Other Assets | \$ 846,000.00 | \$ 635,000.00 |
| Total Assets | \$ 442,558,326.00 | \$ 429,627,240.00 |
| Liabilities | | |
| Accounts Payable | \$ 94,178,280.00 | \$ 96,192,000.00 |
| Estimated Tax Liability | \$ 6,435,000.00 | \$ 4,279,000.00 |
| Dividends Payable | \$ 1,560,000.00 | \$ 1,325,000.00 |
| Total Current Liabilities | \$ 102,173,280.00 | \$ 101,796,000.00 |
| Total Long Term Liabilities | \$ 47,856,000.00 | \$ 44,965,320.00 |
| Other Liabilities | \$ 4,866,134.10 | \$ 3,608,214.00 |
| Total Liabilities | \$ 154,895,414.10 | \$ 150,369,534.00 |
| Stockholders Equity | | |
| Common Stock | \$ 86,833,825.19 | \$ 77,010,661.95 |
| Treasury Stock | \$ (57,156,513.29) | \$ (42,551,455.95) |
| Retained Earnings | \$ 257,985,600.00 | \$ 244,798,500.00 |
| Total Equity | \$ 287,662,911.90 | \$ 279,257,706.00 |

Works Cited

- CIA. The World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/my.html>.
- Services, U.C. Doing Business in Malaysia. http://www.buyusainfo.net/docs/x_9835943.pdf.
- Government, M. Mygovernment the Malaysia Government Federal Website. Government. <http://www.malaysia.gov.my/EN/Relevant%20Topics/MakeaBusiness/Business/StartingBusiness/RegisteringYourBusiness/LimitedCompanies/RegistrationforForeignCompanies/Pages/RegistrationProcedureforForeignCompanies.aspx>. Accessed 2013.
- Government, M. Energy in My Government Official Website. <http://www.malaysia.gov.my/EN/Relevant%20Topics/IndustryInMalaysia/Business/BusinessEnergy/Pages/BusinessEnergy.aspx>. Accessed March 21.
- Currency, X. Currency Market Reviews. <http://www.xe.com/currencyconverter/convert/?Amount=1&From=USD&To=MYR>. Accessed March 21.
- Government, M. Registering Your Business. <http://www.malaysia.gov.my/EN/Relevant%20Topics/MakeaBusiness/Business/StartingBusiness/RegisteringYourBusiness/Pages/RegisteringYourBusiness.aspx>. Accessed March 21.
- Katsum, J. Royal Malaysian Customs Department. <http://www.customs.gov.my/index.php/bm/fasilitasiperdagangan/kastam/103-public-warehouse>. Accessed March 21.
- Kastam, J. Import Export Procedure. <http://www.customs.gov.my/index.php/bm/fasilitasiperdagangan/kastam/92?showall=1>. Accessed March 21.
- Armstrong, R. Singapore Banks Likely to Drop Malaysia Fx Reference Rate. <http://www.chicagotribune.com/business/sns-rt-us-asia-ndfsbre92d18g-20130314,0,2381071.story>. Accessed March 21.
- Benoit, D. Top 50 Safest Global Banks. <http://blogs.wsj.com/deals/2012/08/16/top-50-safest-global-banks/>. Accessed March 21.
- Petronas. About Me. <http://www.petronas.com.my/about-us/Pages/default.aspx>. Accessed March 21.
- Greenback. Greenback Tax Services. <http://greenbacktaxservices.com>. Accessed March 21.
- Division, L.o.C.F.R. Country Profile: Malaysia. <http://lcweb2.loc.gov/frd/cs/profiles/Malaysia.pdf>. Accessed March 21.
- Lafayette, U.o.L.a. Basic Offshore Safety Induction and Emergency Training. <http://mstc.louisiana.edu/courses/BOSIET.shtml>.