IMPORTANT INFORMATION

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UPDATE REPORT

PT SOECHI LINES TBK.

This is a voluntary announcement made by PT Soechi Lines Tbk. ("we", "us", "our" or "our Company" "Soechi Lines") to keep shareholders of our Company informed of recent developments.

June 9, 2015

Overview

We are the largest independent tanker owner and operator in Indonesia in terms of DWT capacity as of March 31, 2015, according to Drewry, providing crude oil, petroleum products and LPG shipping services and shipyard services principally to companies operating in the domestic oil and gas and chemical sectors. As of March 31, 2015, we owned and operated a total of 35 vessels with an aggregate capacity of 1.3 million DWT, of which 34 were Indonesian-flagged tankers, including 18 oil tankers, of which two are the only Indonesian-flagged VLCCs, 12 chemical tankers, three gas tankers and two FSO tankers. We also operate a shipyard the first phase of which comprises a total land area we estimate is approximately 50 hectares and has a coast line of 1.3 kilometers, and which commenced providing shipbuilding services in 2012. We also intend to offer ship repair and maintenance services to third parties and to our own vessels after the completion of our floating dry dock, which is currently under construction.

We operate two principal lines of business: shipping services and shipyard services. Our shipping business is divided into two main segments based on the contract arrangements under which our vessels are chartered to customers, namely time charters and spot charters. We currently conduct shipbuilding operations at our shipyard and, after the construction of our planned floating dry dock is complete, we expect our shipyard to be capable of receiving orders for maintenance and repair and oil and gas fabrication.

We undertake the commercial and operational management of our charters and fleet, including commercial strategy, commercial and financial management, acquisition and disposal of vessels, chartering and the development of new business opportunities. We have entered into agreements with our affiliates, PT Equator Maritime and PT Vektor Maritim, to provide technical management services for our vessels, and in practice such services include managing compliance with regulatory and classification standards in respect of our vessels and the selection and employment of marine crew that operate our vessels. We supervise the performance of the services provided by our technical managers.

The following table sets forth our net revenue breakdown over our two principal lines of business for the periods indicated and as a percentage of total net revenue for our business:

	Years Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
Net Revenues										
Shipping										
Charter [1]	52,783,473	73.9%	61,696,073	58.0%	65,292,539	51.2%	17,931,686	68.4%	20,110,518	59.2%
Spot............	18,172,124	25.5%	40,801,995	38.3%	42,095,486	33.0%	5,959,189	22.7%	7,526,173	22.2%
Shipyard	435,876	0.6%	3,906,506	3.7%	20,089,361 [1]	15.8%	2,321,333	8.9%	6,317,425 [1]	18.6%
Total......................	**71,391,473**	**100.0%**	**106,404,574**	**100.0%**	**127,477,386**	**100.0%**	**26,212,208**	**100.0%**	**33,954,116**	**100.0%**

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Note:

(1) Includes revenue from related parties.

Our business benefits from Indonesian cabotage laws that mandate the use of Indonesian-flagged vessels for domestic sea freight transportation, particularly to support the national oil and gas downstream industry in the seaborne distribution of crude oil, petroleum products and LPG around the more than 13,000 islands that comprise the Indonesian archipelago. As of March 31, 2015, our 34 Indonesian-flagged tankers had a total capacity of 1.3 million DWT and our two VLCCs currently transport crude oil from Middle East producers to refineries for processing.

Our largest customer, PT Pertamina (Persero) ("Pertamina"), the state-owned oil company operating nine refineries around Indonesia, has been a customer of our predecessor companies since we commenced operations in 1981. Our vessels chartered to Pertamina are principally engaged in time charters and, for the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, respectively, shipping services provided to Pertamina accounted for 68.2%, 46.3%, 52.4% and 53.2% of our net revenues. We also provide shipping services to ConocoPhillips (Grissik) Ltd. ("ConocoPhillips"), an international major oil company operating in Indonesia, and PT Perusahaan Listrik Negara (Persero) ("PLN"), the state-owned electricity company.

As demand for shipping services provided by domestic operators in Indonesia has increased, we have sought to increase the number of vessels and the total capacity of our fleet through the acquisition of well-constructed and well-maintained pre-owned vessels, principally from the European market, which we then re-flag to become Indonesian-flagged vessels. Our total vessel capacity has increased from 568,184 DWT in 2010 to 1.3 million DWT in 2014, representing a CAGR of 23.8%. Pertamina, our major customer, determines its charter rates based on, among other things, market rates, previous contracts, the investment required if it were to use its own fleet and its internal budget. Our time charter rates with Pertamina fluctuate less frequently than time charter rates in the international market. We believe that Pertamina's demand for reliable seaborne transportation to distribute crude oil, petroleum products and LPG around the Indonesian archipelago allows us to realize steady rates of return on our investment in the acquisition and operation of our vessels and allows us to utilize these vessels for extended periods of time until the cost of continued docking and maintenance exceeds our expected returns on continuing time charter.

Our vessel deployment strategy is designed to provide stable cash flow through the use of long-term time charters for a significant portion of our fleet, in terms of DWT capacity, while maintaining a diversified fleet to serve sectors of the oil and gas and chemical industry that typically use spot charters. As of April 30, 2015, our remaining contracted revenues for time charters amounted to US$236.1 million, of which US$92.2 million relates to revenues from optional extension periods, and our time charter contracts had a weighted average remaining life of 5.6 years weighted by contract value, including any optional extension periods. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our net revenues from shipping services were US$71.0 million, US$102.5 million, US$107.4 million and US$27.6 million, accounting for 99.4%, 96.3%, 84.2% and 81.4% of our total net revenues, respectively.

In 2012, we commenced new shipbuilding operations at our shipyard located in a Free Trade Zone in Karimun, Indonesia in the Malacca Straits, an international shipping route, and nearby Singapore, which has a developed maritime industry. Our shipyard has a coastal depth of 12.0 meters and provides shipbuilding services for vessels of various carrying capacities. We currently have an orderbook of five new ships under construction, with completion and deliveries scheduled to occur between late 2015 and 2017. We also have a 50,000 DWT floating dry dock scheduled to complete construction and enter operation in the fourth quarter of 2015, from which we expect to provide ship repair and maintenance services for our fleet and other vessels. We believe that the Free Trade Zone provides our shipyard with advantages on the import of materials and spare parts, including tax-free status and expedited customs clearance, which will allow us to compete effectively on cost and timing of shipbuilding, maintenance and repair services. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our net revenues from shipyard services were US$435,876, US$3.9 million, US$20.1 million and US$6.3 million, accounting for 0.6%, 3.7%, 15.8% and 18.6% of our total net revenues, respectively.

Our net revenue has grown from US$71.4 million to US$127.5 million between the years ended December 31, 2012 and 2014, representing a CAGR of 33.6%, and for the three months ended March 31, 2015 was US$34.0 million. Our EBITDA has grown from US$32.5 million to US$60.3 million between the years ended December 31, 2012 and 2014, representing a CAGR of 36.2%, and for the three months ended March 31, 2015 was US$15.3 million.

Competitive Strengths

We believe that, as the largest independent tanker owner and operator in Indonesia, we have the following competitive strengths:

Leadership and established track record in the Indonesian crude oil, petroleum products and LPG shipping industry

We are the largest independent tanker owner and operator in Indonesia in terms of DWT capacity, as of March 31, 2015, according to Drewry. We have a long operating history and established track record in growing our fleet and revenue. Since the inception of our business operations in 1981, we have grown the size of our fleet and, as of March 31, 2015, we owned and operated a total of 35 vessels with a total capacity of 1.3 million DWT, including 18 oil tankers, of which 2 are VLCCs, 12 chemical tankers, 3 gas tankers and 2 FSO tankers. Two of our gas tanker vessels were acquired in March 2015 and are engaged in time charters with Pertamina. In addition, oil and gas consumption in Indonesia has grown over the recent years as has the demand for maritime shipping services in this sector.

We believe the size of our fleet, together with our mix of vessels, comprising oil tankers, chemical tankers, gas tankers and FSO tankers, allows us to provide comprehensive shipping solutions to our customers engaged in various segments of the oil and gas and chemical production and supply chain. The size of our fleet also enables us to maintain a highly competitive cost base and enjoy economies of scale in respect of insurance, employees, repair and maintenance, and other cost items. We place marine insurance on a collective basis and, as a consequence of both the size and operational history of our fleets, are able to secure insurance cover at competitive rates with reputable insurers. We believe our technical managers provide us with qualified marine crew that operate our vessels and to whom we and our technical managers provide periodic training and retain on a repeated basis, which enables us to keep our employment costs at a competitive level. Our ability to obtain funding to acquire vessels allows us to respond to customer demands and win tenders for shipping contracts. We actively manage the deployment of our fleet between time charters and spot charters, and our fleet size and vessel mix affords us both the opportunity to capitalize on high “spot” market rates and the ability to respond to changing demand for different vessel types that result from fluctuations in demand for various chemical products, while achieving high utilization rates and stable cash flow. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our fleet-wide utilization rates were 95.9%, 98.1%, 88.1% and 89.2%, respectively.

Recurring revenue and cash flow visibility driven by contracted time charters

As of March 31, 2015, 19 of our vessels, comprising 87.2% of our aggregate DWT capacity, were chartered to customers under time charters, with initial charter periods ranging from three months to ten years with the option to extend for additional periods. Our time charters provide us with highly-visible and stable cash flows to fund our operations and debt service. The majority of our time charter contracts are with creditworthy major oil and gas and chemical companies, including Pertamina and ConocoPhillips. As of April 30, 2015, our remaining contracted revenues amounted to US$236.1 million, of which US$92.2 million relates to revenues from optional extension periods, and the weighted average remaining life of our time charters was 5.6 years weighted by contract value, including any optional extension periods.

Our time and spot charter contracts are based on standard industry forms with customary terms and are denominated either in U.S. dollars or the Rupiah-equivalent of U.S. dollars. In accordance with industry practice, we do not pay for voyage expenses, such as bunker fuel costs and port charges, on our time charters, as the customer pays for voyage expenses directly, and we pay voyage expenses for our spot charters. Our operating expenses for time charters are mainly limited to ship maintenance and repair. Our payments for the acquisition of vessels to expand our fleet, and for ongoing operation and maintenance of our fleet, are principally denominated in U.S. dollars. As a result, the currency which primarily influences our revenues and expenses, and the currency of the primary economic environment in which we operate — our functional currency — is U.S. dollars. Since we expand our fleet through the acquisition of pre-owned vessels, we are not committed to fund progress payments on new-build vessels. We conduct comprehensive vessel inspections and reviews of the vessels’ classification certification records to ensure the vessels we acquire are well-constructed and maintained and meet our customers’ requirements. We believe we enjoy predictable margins on our vessels because a high percentage of our fleet in terms of DWT capacity is engaged in time charter contracts, and we use well-constructed and maintained pre-owned vessels, which limits our operating expenses for repair and maintenance.

For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our EBITDA margin was 45.6%, 41.7%, 47.3% and 45.0%, respectively. We also believe that Pertamina’s demand for reliable seaborne transportation to distribute gasoline, diesel and jet fuel around the Indonesian archipelago allows us to realize steady rates of return on our investment in the acquisition and operation of our vessels. We have experienced a stable rate of option extensions and renewals of our time charter contracts as, in our experience, our customers prefer to continue use of incumbent vessels rather than locate and contract a time charter with a new vessel.

Established reputation and long-standing relationships with Pertamina and other large customers

Since the inception of our business in 1981, we have established a strong reputation in the oil and gas and chemical shipping industry and believe that we are widely known among participants in the industry for our good quality service and high customer satisfaction. Our efforts to ensure that we provide our customers with high quality service have earned us various quality certifications, including the Certificate of International Safety Management from International Maritime Organization, the Tanker Management Self Assessment Certificate from the Oil Companies International Marine Forum and ISO 9001:2008 and ISO 14000 for quality control management for shipping companies. These certifications, as well as the ship classifications awarded by international and domestic ship classification bureaus, have allowed us to participate in the ship tender processes for major domestic and international oil and gas companies. Our technical managers provide us with a qualified marine crew for whom we and our technical manager provide periodic training. We believe that our reputation for providing dependable, safe and efficient shipping services has allowed us to develop and maintain relationships with major oil and gas companies including Pertamina, ConocoPhillips and Camar Resources Canada Inc. ("Camar Resources"). We have worked closely with Pertamina, the state-owned oil company operating nine refineries around Indonesia and which accounts for a substantial amount of oil and chemical products produced and shipped within Indonesia, for 35 years and is currently the largest provider of oil and gas and chemical shipping services to Pertamina. We believe that our long-standing relationships with our customers have allowed us to better understand and meet our customers' needs and enabled us to maintain a competitive advantage over other domestic shipping companies.

Rising energy demand and high barriers of entry resulting in favorable industry dynamics

Demand for oil and gas and other chemical products has been growing in Indonesia over recent years. As Indonesia is an archipelago comprised of more than 13,000 islands, the bulk of such products are transported to various points of consumption by sea. A consistent growth in the past decade in Indonesia's economy has been followed by commensurate growth in Indonesia's energy consumption. According to Drewry, Indonesia's energy consumption has grown at a CAGR of 4.2% in the last five years growing from 877 million barrels of oil equivalent in 2007 to 1,079 million barrels of oil equivalent in 2012.

The Government's current plans to implement a sea lane transportation system (the "Sea Toll Program") where major domestic sea lanes are lined with well-developed ports so as to provide for, among other things, more efficient cargo loading and unloading services for vessels, is expected to further boost seaborne transportation. The Indonesian tax regime is also favorable to our shipping business as foreign companies are subject to withholding tax of up to 20% on charter fees, while Indonesian companies are only subject to a 1.2% final tax, allowing us to gain a competitive advantage.

As a result of the implementation of the cabotage principles into Indonesian shipping laws, which was part of the Government's efforts to support domestic shipping companies, and the limitation on foreign investment in Indonesian shipping companies, competition from foreign shipping companies is limited. With the implementation of cabotage principles into Indonesian shipping laws, there has been an increase in the number of Indonesian-flagged vessels and a decrease in foreign-flagged vessels operating in Indonesian waters. According to Drewry, between 2006 and 2013, the number of Indonesian-flagged vessels increased from 6,428 to 13,120 at a CAGR of 10.7% and the aggregate DWT capacity of Indonesian-flagged vessels increased from 2.9 million DWT to 8.2 million DWT at a CAGR of 16.0%. The size of our fleet has grown steadily in the years following the implementation of Indonesian cabotage laws as we benefited from the aforementioned favorable industry dynamics and our position as one of the few domestic shipping companies with the Indonesian-flagged DWT capacity to meet the demands of Pertamina and our other customers in the Indonesian oil and gas and chemical industry for reliable seaborne transportation to support the production and distribution of gasoline, diesel and jet fuel around the Indonesian archipelago to meet the rising energy demand in Indonesia.

We believe we are well positioned to capture additional growth opportunities for our business as, under cabotage principles, domestic companies are required to use Indonesian-flagged vessels for domestic routes. The Indonesian tax regime is also favorable for international routes as foreign companies are subject to withholding tax up to 20% on charter fees, while Indonesian companies are only subject to 1.2% final tax. Prospective participants in our industry also face barriers of entry, including high capital expenditure involved with acquiring Indonesian flagged vessels and the relatively low availability of skilled and experienced Indonesian seafarers, whom shipping companies are legally required to use to operate Indonesian flagged vessels. In addition, a significant proportion of vessel charterers generally enter into long term charter contracts and prefer to continue using incumbent vessels rather than locate and contract a time charter with a new vessel provided the operator continues to meet performance standards. As such, our long-standing relationships with our customers, including Pertamina, our largest customer and the state-owned oil company operating nine refineries around Indonesia, has also further allowed us to leverage these favorable industry dynamics. We believe that our strong track record in providing Pertamina and our other customers with shipping services and their familiarity with us has allowed us to maintain a stable and high utilization rate of our vessels and a high rate of renewal or re-contracting of our time charters. As of December 31, 2012, 2013 and 2014 and March 31, 2015 the number of vessels in our fleet on time charters with Pertamina was 16, 18, 15 and 15, respectively.

Complementary shipyard to provide a new stream of recurring revenue and additional cost competitiveness

In 2012, we expanded into a new line of business that is also complementary to our shipping business when we commenced shipbuilding services at our shipyard. We expect to commence operations of our floating dry dock, which has a planned capacity of 50,000 DWT, in the fourth quarter of 2015 and will allow us to offer ship repair and maintenance and other shipyard services. We believe ship repair and maintenance provides a recurring revenue stream, as international classification societies require that vessels conduct an internal inspection every five years and an intermediate inspection approximately every 2.5 years.

Our shipyard is in close proximity to Singapore and is strategically located in a Free Trade Zone in the Malacca Strait, one of the busiest international shipping lanes in the world. The first phase of our shipyard has a total land area we estimate is approximately 50 hectares. Our shipyard benefits from deep surrounding water of up to 12.0 meters in coastal depth, and will be able to accommodate the docking of up to 40 vessels per year and the construction of up to seven vessels simultaneously and construction of several vessels each year. As our shipyard is located in a Free Trade Zone, we enjoy various tax, custom and excise incentives, including the expeditious clearance of customs for imported construction materials and equipment and exemption from custom duties, lowering our cost incurred for shipbuilding and providing repair and maintenance services and increasing our competitiveness against shipyards located outside of Free Trade Zones. We commenced providing shipbuilding services in 2012 and offer complete design and construction services for vessels of various specifications and functions, including oil tankers, floating storage offloading vessels and other marine vessels. As of March 31, 2015, we had five vessels under construction, including three 17,500 DWT oil tankers for Pertamina under three different agreements that we entered into in 2013 and 2014 and two oil tankers under construction for our affiliates (under agreements that are pending execution), which we intend to charter-in following delivery and acceptance by our affiliates. We also intend to offer ship repair and maintenance services to third parties and to our own vessels after the completion of our floating dry dock. We believe that our shipyard will allow us to provide additional services to our long-standing customers, such as Pertamina, as well as providing repair and maintenance services to our own vessels, which we expect will result in higher operating margins and less down time for our vessels.

Highly experienced management team and well-trained and qualified crew

We have an experienced management team with extensive experience and expertise in the shipping industry, covering all areas of shipping operations, including vessel acquisition, sales and marketing, operational planning, cost management and recruitment and training of crew. The majority of the members of both our Board of Commissioners and Board of Directors have more than a decade of working experience in the shipping industry and a number of our commissioners and directors have more than 30 years of working experience in the shipping industry. As a result, our management team enjoys strong relationships with various key stakeholders in the domestic shipping industry, including the Indonesia maritime authorities, Indonesia state-owned oil and gas companies, and domestic shipping industry associations, such as the Indonesian national Ship Owners Association ("INSA") and the Indonesian Shipbuilding and Offshore Association (*Ikatan Perusahaan Industri Kapal dan Lepas Pantai Indonesia*) ("IPERINDO"), which is critical to maintaining our long-standing relationships with customers. In addition, our technical managers provide us with a qualified marine crew, with more than 725 contracted seafarers as of March 31, 2015, to whom we and our technical managers provide periodic training on international standards for the safety and operation of our vessels. We have been able to achieve a strong track record of improving financial performance through a well-trained and qualified crew, our strong understanding of the domestic shipping industry, underpinned by over 30 years of operational experience and interaction with key stakeholders in the domestic shipping industry and our acquisition of well-constructed and maintained pre-owned vessels that meet our customers' demands. Our net revenue has grown at a CAGR of 33.6% over the years ended December 31, 2012, 2013 and 2014, where our revenue for the same periods amounted to US$71.4 million, US$106.4 million and US$127.5 million, respectively. Over the same periods, we also enjoyed stable EBITDA margins, which were 45.6%, 41.7% and 47.3%, respectively.

Strategies

We intend to continue increasing our revenue and market share through the following key strategies:

Expand our fleet and maintain an optimal fleet mix

Demand for crude oil, petroleum products and LPG shipping by oil and chemical suppliers have had and are expected to continue to have a significant impact on our results of operations. Indonesian domestic demand for oil and gas and chemical products has been growing over the recent years. We expect that increasing demand for oil and gas products in Indonesia, supported by the Indonesian cabotage laws, will increase demand for Indonesian flagged vessels over the coming years. With the implementation of cabotage principles into Indonesian shipping laws, there has been an increase in the number of Indonesian-flagged vessels and a decrease in foreign-flagged vessels operating in Indonesian waters. According to Drewry, between 2006 and 2013, the number of Indonesian-flagged vessels increased from 6,428 to 13,120 at a CAGR of 10.7% and the aggregate DWT capacity of Indonesian-flagged vessels increased from 2.9 million DWT to 8.2 million DWT at a CAGR of 16.0%. The domestic movement of fuel oil has also increased from 61.6 million tons in 2010 to 72.0 million tons in 2013, with a CAGR of 5.3%, according to Drewry. We intend to monitor the market for pre-owned vessels and acquire well-constructed and maintained pre-owned vessels that meet our selection criteria to grow our fleet. To achieve timely settlement of opportunities to acquire pre-owned vessels, we frequently bridge the acquisition cost with cash on hand or with loans from our shareholders and then refinance the vessel with debt capital post acquisition. We intend to continue to practices and financial management and prudently acquire vessels in view of market intelligence on future vessel requirements of our customers, our financing options and our expected return on the vessel to be purchased. We also plan to optimize our marketing and administrative functions so as to streamline the tender process for new charter contracts, which often requires long documentation processes.

Increase market share by taking advantage of favorable industry dynamics

We intend to capitalize on the favorable dynamics for our Company in the Indonesian oil and gas and chemical shipping industry and take advantage of growing Indonesian demand for production and distribution of gasoline, diesel, jet fuel and chemicals, as well as the implementation of cabotage principles into Indonesian shipping laws, to increase our market share. We intend to leverage the favorable Indonesian tax regime, under which Indonesian entities enjoy a competitive advantage over the foreign entities by virtue of being subject to a significantly lower final tax of 1.2% on charter fees as opposed to the up-to-20.0% withholding tax that the foreign entities are subject to. We also believe our market position makes us an attractive joint venture partner for foreign investors in Indonesia, and we actively seek to engage in strategic alliances with foreign companies so as to leverage their technical expertise and increase our opportunities to participate in joint tenders for long-term time charter contracts to provide high DWT capacity vessels to Pertamina and other companies. We also intend to capitalize on our position as one of the few domestic shipyards in an active international maritime route to capture a market share of recurring maintenance and repair service contracts upon the completion of our floating dry dock.

Maintain prudent financial management

We intend to maintain prudent financial management practices to allow for long-term sustainable growth through organic expansion, such as by strategically acquiring well-constructed and maintained pre-owned vessels to fill immediate demand in the market, and income diversification, such as by expanding into the shipyard business. We conduct comprehensive financial planning and budgeting regularly to ensure proper capital management and resource allocation and maintain conservative capital expenditure practices to ensure that we have adequate resources and financing to support growth, especially with respect to the prudent acquisition of vessels to expand our fleet. We maintain adequate insurance policies in line with good industry practice, including protection and indemnity insurance coverage of up to US$5.0 million per incident and US$27.2 million for hull and machinery across our entire fleet. Through our prudent financial management, we have managed to maintain healthy operating cash flows and a conservative credit profile, which has allowed us to diversify our access to available capital sources and benefit from support from credible financial institutions such as Bank Mandiri, OCBC Bank and BCA. We believe that our prudent financial management has given us a strong cash position and access to available credit facilities, which has increased our ability to respond quickly and competitively to business opportunities and fund growth and expansion.

Maintain relationships with major customers and expand customer base

We intend to continue to strengthen our long-standing relationships with Pertamina and our other customers by seeking ways to increase our level and scope of services we currently provide to them. We expanded our relationship with Pertamina beyond shipping services when we commenced construction of three

17,500 DWT oil tankers for Pertamina at our shipyard in 2013 and 2014, and also intend to seek opportunities to provide ship repair and maintenance services for Pertamina's own vessel fleet. We believe our market position makes us an attractive joint venture partner, and we are actively seeking to engage in strategic alliances with foreign companies so as to leverage their technical expertise and increase our opportunities to participate in joint tenders for long-term time charter contracts to provide high DWT capacity vessels to Pertamina and our other major Indonesian customers. Our sales teams actively manage our relationships with our major customers in order to better understand their maritime logistics requirements and ensure high renewal rates on existing time charters and win new contracts. We also seek to leverage our reputation for meeting the maritime safety and operating standards of our major domestic and international oil and gas customers to attract new customers who require high-quality Indonesian-flagged shipping services.

Enhance competitiveness through increasing operational efficiency and maintaining high safety standards

We seek to increase our operational efficiency by actively managing and lowering our cost of revenue and operating expenses. Upon completion of our floating dry dock, we expect to provide in-house repair and maintenance services for a portion of our fleet which will result in lower maintenance costs, less time in dry dock and higher operating margins for our vessels. As the capital expenditures and other costs for maintaining a vessel in good operating condition increase with the age of the vessel, and older vessels typically have lower utilization rates due to their higher maintenance requirements, we closely monitor our vessel repair and maintenance costs, which comprise the largest component of our vessel operational expenses, other than bunker fuel. We typically replace vessels when they require dry docking and the cost of further repair and maintenance of the vessel exceeds the price of acquiring a similar vessel on the pre-owned market. We also intend to focus on maintaining our high safety standards through, among others, ensuring that our vessels are always certified safe and seaworthy in accordance with all applicable rules and regulations, including certificate of class for hull and machinery, international safety management, international ship and port facility security and maritime labor. Our maintenance, including replacement of parts, is performed according to pre-established schedules, regardless of whether the vessel or parts show any signs of defects. We plan to maintain our internal controls with respect to management, quality control, environmental and safety. We believe that maintaining such best practices will, increase the effectiveness of our employees, improve the efficiency of our business and increase our ability to execute our business strategies and remain competitive and improve our overall business performance.

Develop human capital and maintain high service reliability

As Indonesian law requires that Indonesian flagged-vessels be operated by Indonesian crews, we believe that it is critical to have a skilled work force composed of Indonesian seafarers. We intend to continue our practices, together with our technical managers, to invest in and provide periodic training to the marine crew that operates our vessels on international standards for safety and operation, so as to, among other things, allow us to align the marine crew's day-to-day actions with our strategic business objectives and increase the quality of service we provide to our customers. We also expect to continue to train the marine crew, together with our technical managers, to maintain strong vessel safety records, and maintain compliance with domestic and international rules and regulations for the shipping industry. We expect to continue to place a strong emphasis on technical management, particularly in the areas of health, safety, security and the environment, and crewing and maintenance of vessels, all of which is designed to help our work force deliver high quality service to our customers.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

The summary historical consolidated financial information as of December 31, 2012, 2013, and 2014, and for the years then ended, presented below, has been derived from our Audited Consolidated Financial Statements included elsewhere in this Updates. The summary historical consolidated financial information as of March 31, 2015 and for the three-month periods ended March 31, 2014 and 2015, presented below, has been derived from our Unaudited Interim Consolidated Financial Statements included elsewhere in this Updates.

Our Audited Consolidated Financial Statements have been audited by Kosasih, Nurdiyaman, Tjahjo & Rekan (a member of Crowe Horwath International) ("KNTR"), independent auditors, in accordance with Standards on Auditing established by the IICPA, as stated in their audit reports appearing elsewhere in this Updates. Certain figures in the Audited Consolidated Financial Statements as of December 31, 2014 as set forth in note 36 to our Unaudited Interim Consolidated Financial Statements attached hereto have been reclassified to conform with the presentation used in the Unaudited Interim Consolidated Financial Statements as of

March 31, 2015. These reclassified figures as of December 31, 2014 are included in the Unaudited Interim Consolidated Financial Statements.

Our Unaudited Interim Consolidated Financial Statements have been reviewed by KNTR, independent auditors, in accordance with SRE 2410 established by the IICPA, as stated in their review report appearing elsewhere in this Updates. A review conducted in accordance with SRE 2410 established by the IICPA is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the IICPA and consequently, does not enable KNTR to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion on the Unaudited Interim Consolidated Financial Statements.

The summary historical consolidated financial information as of March 31, 2015 and for the three-month periods ended March 31, 2014 and 2015 is not indicative of the results that may be expected for any other interim period or for the entire financial year.

Our Audited Consolidated Financial Statements, which are prepared in accordance with Indonesian FAS and presented in U.S. dollars, are not intended to present our consolidated financial position, financial performance, or cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. Indonesian FAS differ in certain significant respects from IFRS.

Statements of Comprehensive Income

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
		(US$)		(Unaudited) (US$)	
Net Revenues	**71,391,473**	**106,404,574**	**127,477,386**	**26,212,208**	**33,954,116**
Cost of Revenues	48,262,552	70,533,203	76,166,041	15,637,865	21,367,623
Gross Profit	23,128,921	35,871,371	51,311,345	10,574,343	12,586,493
Operating Expenses	5,520,708	6,692,605	6,693,440	1,105,358	1,692,618
Income From Operations	**17,608,213**	**29,178,766**	**44,617,905**	**9,468,985**	**10,893,875**
Other Income (Expenses) — Net	(6,307,525)	1,078,005	(9,409,395)	(6,562,221)	1,318,021
Income Before Income Tax Benefit (Expense)	**11,300,688**	**30,256,771**	**35,208,510**	**2,906,764**	**12,211,896**
Income Tax Expense — Net	(775,312)	(2,561)	(1,966,860)	(1,016,426)	(1,866)
Income before proforma income adjustment arising from restructuring transactions of entities under common control	10,525,376	30,254,210	33,241,650	1,890,338	12,210,030
Proforma income arising from restructuring transactions of entities under common control	(6,867,063)	—	—	—	—
Income for the Year	**3,658,313**	**30,254,210**	**33,241,650**	**1,890,338**	**12,210,030**
Other Comprehensive Income	—	—	—	—	(121,393)
Total Comprehensive Income for the Year	**3,658,313**	**30,254,210**	**33,241,650**	**1,890,338**	**12,088,637**

Balance Sheets

	As of December 31,			As of March 31,
	2012	2013	2014	2015
		(US$)		(Unaudited) (US$)
Current Assets				
Cash and Cash Equivalents	3,957,591	2,972,951	20,366,223[1]	13,168,697
Restricted Cash	202,506	74,228	389,898[1]	453,178
Trade Receivables — third parties net of allowance for impairment of US$512,059 as of March 2015 US$571,652 as of December 31, 2014 and US$259,783 as of December 31, 2013 and US$25,779 as of December 31, 2012	4,305,707	17,001,764	6,324,121	15,765,309
Related Party	193,600	338,291	—	6,400,000
Other receivables — third parties	1,195,623	537,590	745,127	554,006
Due from a Related Party	2,106	—	—	—
Unbilled revenues	2,863,219	1,770,248	8,324,238	3,663,862
Inventories	1,835,656	3,985,503	4,643,327	4,486,503
Prepaid tax	169,319	531,214	1,069,839	1,034,855
Estimated earnings in excess of billing on contracts	—	—	1,986,813	1,830,707
Advances and Prepaid Expenses	3,730,151	3,378,002	7,192,776	6,794,644
Non-current assets for sale	—	9,000,000	—	—
Total Current Asset	**18,455,478**	**39,589,791**	**51,042,362**	**54,151,761**
Non-Current Assets				
Fixed assets — net of accumulated depreciation of US$81,406,680 as of March 31, 2015, US$77,927,498 as of December 31, 2014, US$72,868,739 as of December 31, 2013 and US$62,464,036 as of December 31, 2012	268,599,501	326,860,272	383,221,829	396,251,798
Intangible Assets — net of accumulated amortization of US$104,598 as of March 31, 2015, US$91,896 as of December 31, 2014 and US$41,488 as of December 31, 2013	39,963	159,237	111,929	99,277
Deferred Tax Assets	552,797	1,528,136	776,951	1,073,551
Estimated claims for tax refund	—	—	—	2,359
Other Non-Current Assets	7,384,166	6,509,680	6,509,309	11,526,193
Total Non-Current Assets	276,576,427	335,057,325	390,620,018	408,953,128
Total Assets	**295,031,905**	**374,647,116**	**441,662,380**	**463,104,889**
LIABILITIES AND EQUITY				
Current Liabilities				
Trade Payables				
Third Parties	5,191,307	8,312,673	11,474,648	8,665,726
Related Parties	390,849	769,745	594,510	139,175
Other Payables	3,896,532	2,995,088	1,416,898	1,193,213
Billing in excess of estimated earnings on contracts	—	1,478,502	8,239,317[1]	10,569,970
Taxes Payable	326,410	235,653	479,795	505,266
Accrued Expenses	3,470,317	4,469,704	5,621,040	9,809,955
Short-Term Bank Loans	14,037,368	12,633,950	11,985,016	16,014,411
Due to a Related Party	34,701,884	35,528,480	3,925,903	17,140,723
Current maturities of Long-Term Loans:				
Bank Loans	27,421,524	31,912,329	38,197,498	36,948,063
Finance Lease Payables	278,017	204,425	96,888	63,936
Consumer Financing Payables	151,568	132,597	182,455	151,195
Total Current Liabilities	**89,865,776**	**98,673,146**	**82,213,968**	**101,201,633**
Non-Current Liabilities				
Long-Term Loan — net of current maturities				
Bank Loans	121,200,034	136,697,661	120,795,866	111,076,210
Finance Lease Payables	306,084	80,624	54,812	44,967
Consumer Financing Payables	167,601	100,730	148,847	111,924
Employees' Benefits Liabilities	566,713	577,617	655,443	788,074
Total Liabilities	**212,106,208**	**236,129,778**	**203,868,936**	**213,222,808**
EQUITY				
Total Equity	**82,925,697**	**138,517,338**	**237,793,444**	**249,882,081**
Total Liabilities and Equity	**295,031,905**	**374,647,116**	**441,662,380**	**463,104,889**

Note:

(1) Reclassified unaudited.

Statements of Cash Flows

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
		(US$)		(Unaudited) (US$)	
Net Cash Provided by (used in) Operating Activities	**8,094,055**	**20,224,533**	**45,353,490**	**10,045,930**	**(1,787,560)**
Cash Flows from Investing Activities					
Proceeds from Disposals of Fixed Assets and Non-current Assets Held for Sale	833,219	21,456	11,195,598	—	83,520
Acquisition of Fixed Assets	(53,299,171)	(75,908,951)	(63,800,977)	(1,318,648)	(14,702,431)
Acquisition of Intangible Assets	(39,963)	(160,762)	(3,100)	(4,702)	—
Net Cash Used In Investing Activities	**(52,505,915)**	**(76,048,257)**	**(52,608,479)**	**(1,323,350)**	**(14,618,911)**
Net Cash Provided by (used in) Financing Activities	**43,837,359**	**54,902,947**	**25,483,411**	**(7,798,254)**	**8,898,083**

Non-GAAP Financial Measures

	As of and for the year ended December 31,			As of and for the three months ended March 31,	As of and for the twelve months ended March 31,[1]
	2012	2013	2014	2015	2015
	(US$ in millions, except percentages and ratios)				
EBITDA[2][3]	**32.5**	**44.4**	**60.3**	**15.3**	**62.0**
EBITDA Margin[4]	**45.6 %**	**41.7 %**	**47.3 %**	**45.0 %**	**45.9 %**
Total Debt[5]	163.6	181.8	171.5	164.4	164.4
Cash and Cash Equivalents	4.0	3.0	20.4	13.2	13.2
Net Debt[6]	159.6	178.8	151.1	151.2	151.2
Total Debt / EBITDA	5.0x	4.1x	2.8x	—	2.7x
Net Debt / EBITDA	4.9x	4.0x	2.5x	—	2.4x
Finance Costs	8.9	9.6	9.6	1.7	8.7
EBITDA / Finance Costs	3.7x	4.6x	6.3x	9.0x	7.1x

Notes:

(1) The information indicated is for the twelve month period (LTM) ended March 31, 2015.

(2) We define EBITDA as net income before (i) proforma income arising from restructuring transactions of entities under common control, (ii) income tax benefit (expense), (iii) other income (expense) — net and (iv) depreciation and amortization. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with IFRS. EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with IFRS. The following table sets forth a reconciliation of EBITDA with our net income for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2012	2013	2014	2015
	(US$ in millions)			
Net Income	3.7	30.3	33.2	12.2
Proforma Income Arising from Restructuring Transactions of Entities Under Common Control	6.9	—	—	—
Income Tax Benefit (Expense)	0.8	—	2.0	—
Other Income (Expense) — Net	6.3	(1.1)	9.4	(1.3)
Depreciation and Amortization	14.9	15.2	15.7	4.4
EBITDA (unaudited)	**32.5**	**44.4**	**60.3**	**15.3**

(3) We calculate EBITDA for the twelve months ended March 31, 2015 as EBITDA for the year ended December 31, 2014, minus the EBITDA for the three months ended March 31, 2014, plus EBITDA for the three months ended March 31, 2015. The following table sets forth a reconciliation of EBITDA with our net income for the twelve months ended March 31, 2015:

	For the twelve months ended March 31, 2015
	(US$ in millions)
Net Income	43.6
Proforma Income Arising from Restructuring Transactions of Entities Under Common Control	—
Income Tax Benefit (Expense)	1.0
Other Income (Expense) — Net	1.5
Depreciation and Amortization	15.9
EBITDA (unaudited)	**62.0**

(4) We calculate EBITDA Margin as EBITDA as a percentage of net revenues for a given period.

(5) Total debt includes short-term bank loans, long-term bank loans, finance lease payables and consumer financing payable, but excludes shareholder loans and refund guarantees.

(6) We calculate net debt as total debt less cash and cash equivalents.

Operating Data

The table below sets forth certain information regarding our fleet for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2012	2013	2014	2015
Number of vessels	30	33	33	35
Fleet capacity (DWT thousands)	810	1,251	1,333	1,341
Fleet-wide utilization rate[1]	95.9%	98.1%	88.1%	89.2%

Note:

(1) Utilization rate for a vessel is calculated by dividing the total number of days in a given period for which the vessel earns a daily charter rate divided by the total number of days such a vessel is available. A vessel is considered available for the days the vessel was in our fleet in a period. We do not consider a vessel to be in our fleet if either it has been recently acquired and is in preparation for deployment or if the vessel is no longer under time charter and has been designated for sale. The fleet-wide utilization rate indicates the average rate for all of the vessels in our fleet during a given period weighted by DWT capacity.

The table below sets forth certain information regarding our time charters with Pertamina as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
Number of vessels on time charter with Pertamina	16	18	15	15
Total number of vessels in our fleet	30	33	33	35
Percentage of vessels on time charter with Pertamina	53.3%	54.5%	45.5%	42.9%
DWT capacity of vessels on time charter with Pertamina (DWT)	575,739	641,409	605,020	608,099
Total DWT capacity of our fleet (DWT)	809,664	1,250,859	1,333,095	1,340,879
Percentage of DWT capacity on time charter with Pertamina	71.1%	51.3%	45.4%	45.4%

The table below sets forth certain information regarding our time charters as of the dates indicated:

	As of December 31,			As of March 31,
	2012	2013	2014	2015
Number of vessels on time charters	18	20	17	19
Total number of vessels in our fleet	30	33	33	35
Percentage of vessels on time charters	60.0%	60.6%	51.5%	54.3%
DWT capacity of vessels on time charters (DWT)	719,937	784,692	748,303	1,169,302
Total DWT capacity of our fleet (DWT)	809,664	1,250,859	1,333,095	1,340,879
Percentage of DWT capacity on time charters	88.9%	62.7%	56.1%	87.2%

RISK FACTORS

Risks Relating to Our Business

We are exposed to uncertainty in the application of Bank Indonesia regulation on the use of foreign currency for Indonesian domestic transactions

Substantially all of our revenues in the shipping and shipbuilding industries are derived from customers domiciled or operating in Indonesia. Our largest customer, Pertamina, the Indonesian state-owned oil company, accounted for approximately 68.2%, 46.3%, 52.4% and 53.2% of our net revenues in the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. Our payments for the acquisition of vessels to expand our fleet, and for ongoing operation and maintenance of our fleet, are principally denominated in U.S. dollars, while our time charter and spot charter agreements with Pertamina and our other customers are denominated either in U.S. dollars or the Rupiah-equivalent of U.S. dollars. As a result, the currency which primarily influences our revenues and expenses, and the currency of the primary economic environment in which we operate — our functional currency — is U.S. dollars.

Effective July 1, 2015, Bank Indonesia Regulation No. 17/3/PBI/2015 on the Obligation to Use Rupiah ("PBI 17/3/2015") in the Territory of Indonesia requires that whenever an Indonesian party enters into, amends or renews an agreement for transactions with customers domiciled or operating in Indonesia, it must denominate the contract price and receive payment in Rupiah. There is no express exception under PBI 17/3/2015 that applies either to companies whose functional currency is U.S. dollars and/or to the shipping or shipbuilding industries in Indonesia. We and other participants in the shipping industry are currently in the process of seeking clarification from Bank Indonesia on the application of, and a possible express exception for, domestic parties whose functional currency is U.S. dollars or companies engaged in the Indonesian shipping and/or shipbuilding industries. As an Indonesian company, we cannot assure you we will continue to be able to price our shipping charters with other Indonesian domestic companies, including Pertamina, in U.S. dollars or the Rupiah-equivalent of U.S. dollars. We also cannot assure you that PBI 17/3/2015 will not be applied to our business or that any such application will not result in significant changes in economic facts and circumstances affecting our business that may warrant a change in our functional currency. In addition, our failure to comply with PBI 17/3/2015 may expose us to administrative and/or criminal sanctions, which may include fines, prohibition from undertaking payment activities or revocation of our business license. The application of PBI 17/3/2015 to our shipping and shipbuilding businesses could require us to denominate a larger portion of our revenues in Rupiah, which may result in the Rupiah becoming our functional currency.

We expect that a large portion of our expenses, including payments for the acquisition of vessels and ongoing operation and maintenance of our fleet, will continue to be denominated in U.S. dollars. In addition, a large portion of our debt are denominated in U.S. dollars. Any depreciation in the value of the Rupiah against the U.S. dollar could cause us to have difficulty meeting our U.S. dollar-denominated payment obligations, including expenses and debt obligations, and could result in an increase in the value of our debt on our balance sheets. Any of the above factors could materially and adversely affect our business, financial condition and results of operations.

Any change in the cabotage principle under the Indonesian shipping law or other laws or regulations limiting international competition in the Indonesian shipping industry could negatively impact our business

Our shipping business benefits from the implementation of the cabotage principle under Indonesian shipping laws that limits international competition for domestic shipping services, particularly in the oil and gas industry. These laws require vessel charterers operating domestically in Indonesia to favor domestically-owned and operated shipping providers. Our business has grown significantly since the implementation of cabotage principles under the Indonesian shipping law in 2005 due to the limited competition among Indonesian-owned shipping services providers. In addition, the current tax regime in Indonesia provides a competitive advantage to Indonesian shipping service providers over international competitors for international charters through tax advantages to Indonesian entities. An abolishment or any change in the cabotage principle under Indonesian shipping laws or any change to the tax regime in Indonesia relating to vessel charters may reduce our competitive advantage and result in increased competition from international providers. Any such event could materially and adversely affect our business, financial condition and results of operations.

We depend on a small number of customers for a significant portion of our shipping revenues under time charters, and any decrease in time charters with these customers could adversely affect our business and results of operations

We are dependent on a small number of customers for a substantial portion of our net revenues. Our three largest customers, comprising Pertamina, ConocoPhillips (Grissik) Ltd. ("ConocoPhillips") and Camar Resources Canada, accounted for approximately 74.3%, 58.7%, 61.9% of our net revenues in the years ended

December 31, 2012, 2013 and 2014, respectively. Pertamina, the Indonesian state-owned oil company, has been our largest customer since the inception of our business and accounted for approximately 68.2%, 46.3%, 52.4% and 53.2% of our net revenues in the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. All of our third party shipyard revenues are derived from shipbuilding contracts with Pertamina. In addition, time charters accounted for approximately 74.4%, 60.2%, 60.8% and 72.8% of our shipping revenues in the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015.

We anticipate that time charters with Pertamina, ConocoPhillips and Camar Resources will continue to account for a significant portion of our net revenues for the foreseeable future. These customers may be able to negotiate favorable terms on charter contracts, and we may be required to accept such terms even if they are less favorable to us. For instance, we may forego more profitable spot charter opportunities if Pertamina requires our vessels for a time charter. The loss of any of these major customers, reduced demand from them, delayed payments from them or a material adverse change in their financial condition, could, in turn, cause us to lose a significant portion of our shipping and shipyard revenues. In addition, a material adverse change in our major customers' financial condition could cause them to negotiate for lower charter rates in the future. Any of the foregoing factors could materially and adversely affect our business, financial condition and results of operations.

We are exposed to the creditworthiness of our customers

The charter fees for our shipping business are typically invoiced in arrears; therefore, we are exposed to the creditworthiness of our customers on a short-term basis. Related credit risks are inherent as we do not typically collateralize receivables due from customers. Moreover, because we depend on a small number of customers for a significant portion of our revenues, we are dependent on the due performance of such charterers of their respective obligations under their charters, and a default or delay by any such charterer in the payment of the charter income, or other failure by a charterer to perform its obligations under a charter, could result in a loss of a substantial portion of our revenues. We provide estimates for uncollectible accounts based primarily on our judgment using historical losses, current economic conditions and individual evaluations of each customer as evidence supporting the receivables valuations stated on our financial statements. However, our receivables valuation estimates may not be accurate and receivables due from customers reflected in our financial statements may not be collectible.

Demand for our vessels depends on the macroeconomic factors beyond our control

Our operations consist primarily of the shipping of crude oil, petroleum products and LPG. Historically, the market for the transportation of crude oil, petroleum and LPG has been volatile, as Indonesian and global demand for these products has fluctuated. Demand for crude oil, petroleum products and LPG is driven in large part by and generally follows patterns of economic development, growth and activity. If and when economic growth experiences a slowdown or downturn, in particular in Indonesia, demand for crude oil, petroleum products and LPG may also decrease. Accordingly, the demand for the shipping of these resources is also likely to suffer.

The following macroeconomic factors affect the supply and demand for the shipping of crude oil, petroleum products, LPG and other natural resources:

- changes in global oil and gas production, in particular the relative contributions from OPEC and non-OPEC countries and the impact of these changes on oil and gas prices;
- export and import levels in the world oil trade or changes in trading patterns, which affect the distances that oil and gas cargoes are transported;
- demand for energy products, in particular petroleum and associated products;
- oil and gas inventory levels, in particular in importing countries, including Indonesia;
- seasonal changes in the demand for crude oil, petroleum products and LPG;
- governmental policies, in particular with regard to environmental regulation and alternative energy; and
- social and political instability in producing or importing countries, including war, terrorism or labor unrest.

These factors are beyond our control, and, as a result, the nature, timing and degree of changes in our industry conditions are unpredictable. A material decline in the Indonesian demand for crude oil, petroleum products and LPG shipping services could materially adversely affect our business, financial condition and results of operations.

We had negative working capital positions in the past and may be unable to generate sufficient revenue from operations to pay our operating expenses or execute our business plans

As of December 31, 2012, 2013 and 2014 and March 31, 2015, our current liabilities exceeded our current assets by US$71.4 million, US$59.1 million, US$31.2 million and US$47.0 million, respectively. We operate in a capital intensive industry and frequently purchase vessels as part of our ongoing business operations. In addition, the construction of our shipyard has required a significant amount of capital. We typically fund our vessel acquisitions and have primarily funded the construction of our shipyard through cash flows from operating activities and medium to long-term debt, including bank loans and shareholder loans. Our negative working capital position has primarily resulted from substantial current maturities of our long-term bank loans and amounts due to related parties, which primarily represents amounts owed under shareholder loans. These shareholder loans are classified as current liabilities as they are payable on demand. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our current maturity of long-term bank loans was US$27.4 million, US$31.9 million, US$38.2 million and US$36.9 million, respectively. We believe that we have adequate working capital for our present requirements and that our net cash generated from operating activities, together with cash and cash equivalents and funds from financing sources, will provide sufficient funds to satisfy our working capital requirements for the next 12 months. However, if our future cash from operating activities is lower than expected or we fail to obtain additional financing in the future, this would impede our ability to make continued investments, which could materially and adversely affect our business, financial condition and results of operations.

We may not be in possession of all material licenses necessary to operate our business

Our business operations require various licenses and approvals from the Government or local governments to carry out our operations, including, among others, the sea transport company business license (*surat izin usaha perusahaan angkutan laut*), the transportation business license (*izin usaha pengangkutan*), the industrial business license (*izin usaha industri*) and the ship building and ship repairing business license. In addition, based on Law No. 17 of 2008 on Shipping ("Shipping Law"), each of our vessels is also required to have various vessel certificates ("Vessel Certificates"), including, among others, the certificate of vessel safety and certificate of load line. The term of the Vessel Certificates varies ranging from 3 months to 5 years, and each type of vessel may need a different number of Vessel Certificates. The Vessel Certificates are required to obtain port clearance from the relevant authority in Indonesia each time a vessel leaves a port. As a practical matter, in the shipping business, vessels may have one or more expired Vessel Certificates from time to time. For example, a Vessel Certificate may expire while our vessel is at sea and the Vessel Certificate may only be extended while the vessel is at port.

With regard to the transportation business license, based on Government Regulation No. 36 of 2004 ("GR 36/2004"), a company is only required to obtain a transportation business license if it transports oil and/or gas on a spot charter arrangement or in the event that it transports oil and/or gas for a company without a processing business license (*izin usaha pengolahan*) a storage business license (*izin usaha penyimpanan*) or a commercial business license (*izin usaha niaga*). We transport oil from Pertamina under certain of our time charters with the latter directing the movement of our vessels, and we understand from the Directorate General of Oil and Gas ("DGOG") that Pertamina is currently in possession of a commercial business license. Thus, based on GR 36/2004, we believe we are not required to obtain a transportation business license for our vessels under on time charters with Pertamina.

Certain of our Vessel Certificates that have not been renewed or are in the process of being renewed and certain transportation business licenses relating to vessels, KM Eternity XLVII and KM Discovery XLVI (recently acquired vessels) which we are currently in the process of being obtained.

Based on Ministry of Transportation Regulation No. PM 82 of 2014 on the Issuance Method of Port Clearance, each vessel must have a Vessel Certificate prior to sailing and any failure to have a valid Vessel Certificate could result in the inability of the relevant vessel to obtain port clearance to sail from the relevant port authority. In addition, based on Law No. 22 of 2001 on Oil and Gas, any person engaged in the oil and gas transportation business without a transportation business license may be subject to a penalty of imprisonment for a maximum period of four years and a fine in the maximum amount of Rp.40.0 billion. Historically, we have not encountered difficulties in renewing our Vessel Certificates or obtaining port clearance for any of our vessels nor have we been subject to any penalty for not having a transportation business license for certain of our vessels. We cannot assure you that we have all material licenses and approvals to operate our business and will be able to renew, obtain or secure licenses for our respective business activities as currently required or as may be required in the future, or that we will not receive sanctions arising from the failure to renew, obtain or secure any required licenses. Failure to do so could materially and adversely affect our business, financial condition and results of operations.

We acquire pre-owned vessels in the international market based on prospective needs of our customers, and any failure by us to find a customer for our acquired vessel could materially and adversely affect our business, financial condition and results of operations

We acquired four pre-owned vessels from January 1, 2015 to date, purchased in the international market with a total of 51,632 DWT. Each of our vessel acquisitions is based on expected demand from our customers and upcoming tenders for time charters. We invest substantial capital resources to acquire pre-owned vessels in the international market based on our understanding of the market and our customers' requirements. Although we have, in the past, been successful in finding customers for our acquired vessels, we cannot assure you that we will always be successful in matching our acquired vessels to customer demand. A significant expenditure to acquire a vessel followed by a failure to charter the vessel to a customer may materially and adversely affect our business, financial condition and results of operations.

Our fleet of pre-owned vessels exposes us to increased operating costs and capital expenses which could adversely affect our earnings

As of March 31, 2015, the vessels in our fleet ranged in age from 13 to 44 years, with an average age of 23.1 years and an average age of 17.1 years when weighted by DWT capacity. In general, capital expenditures and other costs for maintaining a vessel in good operating condition increase with the age of the vessel. Older vessels are typically more costly to maintain than more recently constructed vessels and are subject to lower utilization rates due to their increased maintenance requirements. As a result of decreased cost efficiency, older vessels are typically less desirable to charterers. In addition, changes in governmental regulations and safety or other equipment standards may require unanticipated expenditures for alterations, or the addition of new equipment, to older vessels, or may restrict the type of activities in which such vessels may engage. As a consequence, we may need to take our vessels out of service for longer periods of time or more often than planned in order to perform necessary repairs or modify the vessels in order to meet such regulations. There can be no assurance that our vessels will not require extensive repairs which would result in significant expenses and extended periods of time during which these vessels would be out of service. In addition, if we dispose of a vessel before it has exhausted its expected useful life, we may be required to recognize an impairment loss based on the difference between the disposal price and the net book value. For example, in December 2013, we sold one of our vessels and its related equipment for US$9.0 million and recognized an impairment loss of US$3.9 million, being the difference between the sale price and its net book value. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell our vessels, we cannot be certain that the price for which we would sell them will be equal to or greater than their carrying amount on our financial statements at that time. Such an occurrence could materially and adversely affect our business, financial condition and results of operations.

Increases in bunker fuel prices may significantly increase our voyage operating expenses

Fuel oil, or bunker fuel, costs are one of our principal expenses for our spot charter business. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, bunker fuel costs comprised 16.3%, 26.9%, 22.7% and 12.0%, respectively, of our costs of revenue. Bunker fuel is consumed to propel and maneuver our vessels and for the operation of various equipment on board each vessel ranging from cargo operation to cooking. We also incur bunker fuel expenses when sending our vessels for dry docking, although the expense is less significant. Bunker fuel prices typically, but not necessarily, follow crude oil prices and generally experience significant fluctuations depending on various factors, including supply and demand for oil and gas, geopolitical developments and developments in oil production including actions by OPEC. In recent years, the prices for bunker fuel have been volatile. Further, the impact of bunker fuel prices on our results of operations are also affected by any regional price differences within the bunker fuel market. In accordance with industry practice, we are responsible for voyage expenses, including bunker fuel costs, when operating our vessels on the spot market. Accordingly, a significant and extended increase in the cost of bunker fuel could significantly increase the voyage expenses of our vessels, which could materially and adversely affect our business, financial condition and results of operations to the extent that we are not able to increase our charter rates commensurately or otherwise to recover bunker fuel cost increases from our customers.

Shipping is a business with inherent risks, and adverse incidents involving our ships may have a negative impact on our operating results

The operation of ships involves the risk of accidents and other incidents. Our vessels sail in Indonesian waters and on the open seas and are exposed to possible damage due to bad weather, collision with other vessels, the possibility of being grounded or even a vessel sinking. The cargoes carried by our vessels may be flammable, explosive and toxic and may be harmful to vessels, people and the environment. We may become subject to personal injury or property damage claims relating to alleged exposure to hazardous substances present on our vessels or used in our operations.

If our vessels are involved in leakage of crude oil or other flammable, explosive or toxic substances, the damage caused by such incidents could be catastrophic. In the event of leakage from our vessels during the term of a time charter contract, we may be liable to third parties and/or required to indemnify and hold harmless the chartering party for losses and damages relating to environmental harm caused by leakage from our vessel. Although we carry protection and indemnity and hull and machinery insurance policies to cover such losses, such insurance policies may not be sufficient to cover against all our losses.

If our vessels suffer damage, they may need to be repaired at a dry docking facility. Under the terms of the charter agreements under which our vessels generally operate, when a vessel is "off-hire" or not available for service or otherwise deficient in its condition or performance, the charterer generally is not required to pay the hire rate for the off-hire period, and we do not receive the charter hire rate from our insurer, as we do not insure for such losses. Moreover, we will be responsible for all costs incurred by the vessel, unless the charterer is responsible for the circumstances giving rise to the lack of availability. In addition, the charterer is generally permitted, at its sole option, to extend the term of the charter by a period equal to the period of off-hire. The costs and duration of dry dock repairs are unpredictable and can be substantial. We may have to pay dry docking costs that our insurance would not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings. In addition, space at dry docking facilities is sometimes limited and not all dry docking facilities are conveniently located. We may be unable to find space at a suitable dry docking facility or we may be forced to move to a dry docking facility that is not conveniently located to our vessels' positions. The loss of earnings while our vessels are forced to wait for space or to relocate to dry docking facilities that are farther away from the routes on which our vessels trade would decrease our earnings.

In 2014, one of our Aframax vessels experienced a motor breakdown and became stranded at sea. We received assistance from a third party and reimbursed them for their expenses. As a result, our vessel was off-hire for approximately 34 days, and we lost charter revenues.

Although over the past five years none of our vessels has been involved in any material accident or incident, we cannot assure you that such events will not occur in the future. Our ships are insured up to a limit of US$5.0 million per incident for protection and indemnity coverage and US$27.2 million for hull and machinery across our entire fleet, but we cannot assure you that such insurance always covers the costs of incidents. Future incidents could cause our damaged vessels to be docked for an extended period of time, lead to claims against us from other operators, regulatory entities or other persons, require extensive clean-up and payments of costs, fines or damages, and materially and adversely affect our business, financial condition and results of operations. In addition, and notwithstanding the existence of any insurance, an adverse judgment or settlement in respect of any claims against us, as well as the negative publicity related to our involvement in any incident, could adversely affect customers' perceptions of our safety record, damage our reputation and materially and adversely affect our business, financial condition and results of operations.

If our costs increase or we encounter unforeseen costs, we may not be able to recover such costs from our customers

Many of our operating costs and capital expenses for our vessels are unpredictable and may vary based on events beyond our control. While some unpredictable costs, such as fuel, are passed through to the customer under our charter contracts, most other unpredictable costs, including increase in prices of materials, supplies and spare parts, litigation expenses and redeployment expenses, may not be recoverable from our customers, which could materially and adversely affect our business, financial condition and results of operations.

Competition in the shipping industry could reduce our market share which could materially and adversely affect our results of operations

Contracts for time charter contracts are generally awarded on a competitive basis. Some important factors determining whether a contract will be awarded include:

- age, quality and capability of the vessels;

- a vessel operator's ability to meet the customer's schedule;
- length of our relationships with customers;
- a vessel operator's safety record, reliability, efficiency, reputation and experience; and
- price.

We face competition from other local shipping companies in Indonesia. In addition, our key customer, Pertamina, maintains its own fleet of tankers, and according to Drewry, plans to add up to 69 vessels to its tanker fleet. In addition, the implementation of the cabotage principles under Indonesian shipping laws, although limiting international competition, makes domestic investment more attractive, which could increase the level of competition we face. Our competitors may be better able to compete in making vessels available more quickly and efficiently, meeting the customer's schedule and withstanding the effect of declines in daily charter rates and utilization rates. They may also be better able to weather a downturn in the oil and gas industry. Some of our competitors may also be willing to accept lower daily charter rates in order to maintain utilization, which can have a negative impact upon daily charter rates and utilization in our business. Also, our affiliates (companies owned by our shareholders outside of our group) own vessels, which can be used to compete against us in the shipping business. Our failure to compete effectively could cause us to lose customers and market share.

We may not be able to renew our existing time charters when they expire or enter into new time or spot charters

We cannot assure you that any of our existing time charters will be renewed or that we will be successful in entering into new time charters on vessels acquired by us; or if renewed or entered into, that they will be at favorable rates. The time charters for our tankers have expiry dates ranging from the second quarter of 2015 to the second quarter of 2023. Although many of the time charter contracts contain optional extension periods, we cannot assure you that such options will be exercised by our customers. If, upon expiration of the existing time charters, we are unable to obtain time charters or spot charters at desirable rates, this may materially and adversely affect our business, financial condition and results of operations.

Our time charter contracts contain termination rights in favor of our customers

Nine of our time charter contracts entered into with respect to our vessels are for periods greater than one year and substantially all have fixed daily charter rates for that term, which were based in part on prevailing charter rates and expectations for future charter rates and residual values at the time we entered into these charters. Under our time charters, we are not free to terminate the charters and redeploy the vessels to take advantage of more profitable charters during the terms of our existing charters. However, our time charter contracts are based on our customers' standard form contracts and allow the customer to terminate the charter term without penalty if we fail to perform our obligations under the contracts. If such termination rights are exercised, we cannot assure you that we will be able to redeploy the vessels on similar or better charter terms, which could result in a reduction in our income.

We have and will continue to have a substantial amount of indebtedness which may impose limitations on our growth

We now have a substantial amount of indebtedness. Our strategy of growth through the optimization and expansion of our existing fleet and shipyard requires substantial investment and is dependent on our ability to finance these efforts and other investments out of internal accruals of new capital. The agreements governing our indebtedness contain restrictions that limit our financial flexibility, including covenants that limit our ability to take on additional debt or issue additional equity or equity-linked securities and covenants that require us to maintain certain financial ratios. If our future financial performance fails to meet the expectations of our lenders and investors, we may not be able to raise the new capital required to fund our growth and we may not be able to obtain additional financing on satisfactory terms.

Our loan agreements and the loan agreements of our subsidiaries impose operating and financial restrictions on us and our subsidiaries. These restrictions limit or may limit, if certain ratios are not maintained, our ability and the ability of our subsidiaries to, among other things:

- incur additional indebtedness;
- dispose of our assets;
- engage in mergers or acquisitions;
- pay dividends;

- sell our vessels; and
- substantially change our business.

A significant portion of our indebtedness is subject to floating interest rates which exposes us to increased interest expense as interest rates rise. Therefore, we and our subsidiaries may, under certain circumstances, need to seek permission from lenders in order to engage in some corporate actions. The interests of our lenders and our subsidiaries' lenders may be different from our and your interests, and we cannot assure you that we will be able to obtain lenders' permission when needed, or at all. This may prevent us or our subsidiaries from taking actions that are in our, their and/or your best interest.

Our substantial indebtedness and our compliance with the covenants contained in our financing agreements could also have a material adverse impact on our ability to operate our business in the manner that our management would otherwise consider most beneficial to our Company and our shareholders. For example, these covenants could prevent us from making acquisitions of vessels or vessel-owning companies when we would consider such acquisitions necessary for or beneficial to our business, or they could limit our ability to make other investments in our fleet or other aspects of our business. These restrictions could materially and adversely affect our business, financial condition and results of operations.

We may not be able to implement our business strategy successfully or manage our growth

Our future growth and earnings will depend on the successful implementation of our business strategy. Our ability to achieve our business and financial objectives is subject to a variety of factors, many of which are beyond our control. A principal focus of our business strategy is to grow by expanding the size of our fleet. Our future growth will depend upon a number of factors, including our ability to:

- maintain or develop new and existing customer relationships;
- acquire or charter-in vessels at commercially reasonable costs;
- take delivery of, integrate into our fleet and employ any pre-owned vessels we may order or purchase in the future;
- successfully manage our liquidity and obtain the necessary financing to fund our growth;
- attract, hire, train and retain qualified personnel to manage and operate our fleet;
- identify and consummate desirable acquisitions, joint ventures or strategic alliances; and
- identify and capitalize on opportunities in the Indonesian and international markets.

Further, it is also part of our strategic plans to expand into providing shipyard services in Indonesia in which we have little or no proven experience, and such an expansion could prove to be unsuccessful.

We intend to acquire one or more vessels. We cannot assure you that we will be able to locate suitable vessels in the international market that meet the demands of our customers, that such vessels will be available at the times we require them or that such vessels will be available at commercially reasonable costs. In addition, we may be unable to obtain financing to acquire vessels. Our failure to acquire suitable vessels at commercially reasonable costs could result in our losing bids for otherwise profitable charter contracts.

We completed construction of our shipyard located at Tanjung Balai Karimun in 2012 and commenced shipbuilding activities at our shipyard in 2012. We intend to commence ship maintenance and repair and other activities in our shipyard after the completion of our floating dry dock, which we expect to commence operations in the fourth quarter of 2015. Operating our shipyard will require additional capital expenditures, human resources and know-how. As we only entered into the shipyard business in 2012, our operations in this sector have been small and our experience limited, and we may not be able to compete with other more established shipyard services providers on a larger scale. It is difficult to evaluate or predict our ability to implement our overall expansion strategy successfully. An expansion of our shipping activities through the acquisition of vessels and diversification of our business into providing shipyard services will require substantial investment, and if such expansion and diversification is not successful, we will not receive an adequate, or any, return on our investment. Furthermore, we may decide to alter or discontinue aspects of our business strategy and may adopt alternative or additional strategies in response to our operating environment or competitive situation or factors or events beyond our control. These foregoing factors could materially and adversely affect our business, financial condition and results of operations.

We may not be able to obtain financing to fund our fleet expansion and other activities

Our industry is capital intensive, and we require access to capital to acquire new vessels. To achieve timely settlement of opportunities to acquire pre-owned vessels, we frequently bridge the acquisition cost with cash on hand or with loans from our shareholders. We then refinance the vessel with debt capital post-acquisition, which may increase our debt levels. Depending on future investment plans, we may require additional financing, which may not be available or, if available, may not be available on favorable terms. In addition, in the past, some of our bank facilities have been guaranteed by our shareholders and affiliated companies, and in some cases, our principal shareholders have provided financing to our Company by way of shareholder loans. We cannot assure you that our shareholders will continue to provide guarantees for our bank facilities or provide shareholders loans in the future, and this may affect our ability to obtain financing in a timely manner. Failure to obtain financing on a timely basis or on commercial terms could cause us to forfeit or forego various opportunities, and failure to obtain financing on attractive terms may result in increased financing costs and could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in the market value of our vessels may materially and adversely affect our results of operations and ability to obtain additional financing or access existing lines of credit

The market value of vessels fluctuates depending upon a number of factors, including general economic and market conditions affecting the industry, demand for vessel capacity, the number, type, age and size of vessels in the world fleet, the price of newbuilds (which is affected by availability of shipyard berths and financing), the level of vessel scrapping, the impact of any port congestion on fleet productivity, the cost of other modes of transportation and swings in the historically cyclical shipping industry. If we sell a vessel at less than the vessel's carrying amount on our consolidated financial statements, this will result in a reduction in our earnings. For example, in December 2013, we sold one of our vessels and its related equipment for US$9.0 million and recognized an impairment loss of US$3.9 million, being the difference between the sale price and its net book value.

Certain of our existing lending arrangements contain loan-to-value covenants that could be breached if the market value of vessels securing such loans falls below a certain threshold. Although such covenants typically permit us to remedy a decline in the market value of mortgaged vessels by providing additional collateral, our ability to do so will be limited by the terms of the Indenture. As a result, declining vessel values could require us to limit or reduce our borrowing under existing loan facilities, which would adversely affect our liquidity. Our inability to satisfy loan-to-value covenants under our existing lending arrangements could also lead to a breach of such covenants, which could give rise to events of default under our existing loans.

We are dependent upon the services of key management personnel

Our success depends to a significant extent upon the abilities and collective efforts of our senior management team and the management teams of our subsidiaries. Our success will depend upon our ability to retain key members of our respective management teams and hire additional qualified employees. The loss of any member of our senior management team or the management teams of our subsidiaries could materially and adversely affect our business, financial condition and results of operations. Difficulty in retaining and hiring personnel could adversely affect our results of operations. In addition, members of our senior management teams have established relationships with customers. The loss of any member of our senior management teams could adversely affect our ability to retain these customers.

We may be unable to attract and retain qualified, skilled employees necessary to operate our business

Our success depends in large part on our ability to attract and retain highly skilled and qualified personnel, including masters, or captains, for our vessels. If we are unable to hire, train and retain a sufficient number of qualified employees, it may adversely affect our ability to manage, maintain and grow our business. In addition, pursuant to cabotage principles under Indonesian shipping laws, our Indonesian-flagged vessels, which comprise 34 of the 35 vessels in our fleet or 98.8% of our aggregate DWT capacity, must be operated by an Indonesian crew. We require skilled employees who can perform physically demanding work. As a result of the volatility of the oil and gas industry and the demanding nature of the work, potential employees, especially seafarers, may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with ours. With a reduced pool of workers, it is possible that we will have to expend resources to attract personnel from outside Indonesia or raise wage rates to attract workers from other fields and to retain our current employees. If we are not able to attract personnel from outside Indonesia or increase our charter rates to our customers to compensate for wage-rate increases, this could materially and adversely affect our business, financial condition and results of operations.

Our costs may increase if our employees are unionized

Currently, none of our employees or the marine crew that operates our vessels are members of any labor unions. As our fleet and the scale of our shipyard operations grow, our marine crew and land-based employee requirements will increase. Our plans to increase our shipping and shipyard operations could also accelerate the organization of our work force into labor unions. If these employees, in particular the marine crew that operates our vessels, form a labor union or join an established labor union, it could increase our employee costs, including costs for salaries and costs for benefits, and lead to disruptions in our operations. These factors could materially and adversely affect our business, financial condition and results of operations.

We rely on our affiliates to provide technical management services, for the chartering-in of vessels used in our shipping business and for the supply of lube oil

Our affiliates, PT Equator Maritime and PT Vektor Maritim, provide technical management services in respect of our vessels under our vessel management services agreements. We rely on our affiliates to provide certain services, including the provision of certification and compliance services and the selection and employment of marine crew that operate our vessels. Also, we charter-in three vessels from our affiliates under time charters and charter these vessels to third parties in connection with our shipping business. In addition, we purchase lube oil from one of our affiliates, PT Rezeki Putra Energi, from time to time. In the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our cost of revenues paid to PT Rezeki Putra Energi amounted to US$741,492.0, US$763,323.0, US$432,058.0, US$91,010.0, US$155,198.0. If our affiliates cease to provide technical management services, to charter their vessels to us or supply lube oil to us, we would have to engage third parties to provide technical management services, charter-in vessels and/or obtain lube oil from third parties. We cannot assure you that our affiliates will continue to provide us with technical management services, charter their vessels to us or supply lube oil to us, or that we will be able to obtain these goods and services from third parties on commercially reasonable terms or at all.

We face the risk of unsatisfactory quality of work performed by our subcontractors

We rely substantially on subcontractors for our labor requirements. Instead of maintaining a large number of full-time employees, we employ a significant number of subcontract labor and production workers, which we can increase or decrease to suit our requirements. When the need arises, we outsource certain aspects of our shipping operations and shipbuilding work scope, such as the provision of marine crew to operate our vessels and production of certain vessel sub-assemblies and structural sections for our shipyard business, from time to time, to our subcontractors. These subcontractors may be under-qualified or less skilled as compared to our own employees or may use poor quality or defective sub-components. In addition, our subcontractors may not report safety concerns. This may lead to increased costs borne by us, which could materially and adversely affect our business, financial condition and results of operations and our relationships with our customers. In addition, with respect to our shipyard business, should our subcontractors default on their contractual obligations or be unable to complete their work according to specifications on schedule, our ability to deliver the vessels to our customers in accordance with the quality or timing specifications in the shipbuilding contract may be compromised, which could materially and adversely affect our business, financial condition and results of operations.

We may fail to maintain certification by classification societies

The hull and machinery of every merchant vessel must be classed by a classification society authorized by the vessel's country of registry. Our two VLCCs travel internationally and are currently classed by Lloyd Register Asia ("LR") and DNV GL. The rest of our fleet is currently classed by Nippon Kaiji Kyokai ("NKK"), American Bureau of Shipping ("ABS") and Biro Klasifikasi Indonesia ("BKI"), the ship classification society of Indonesia. A classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the vessel's country of registry and the international conventions to which that country is a party. Each classification society issues several different certificates for each vessel, including the Certificate of Class for Hull and Machinery, International Safety Management certificate, International Ship and Port Facility Security certificate, and the International Labor Organization Maritime Labor Convention certificate.

A vessel must undergo scheduled surveys, annual surveys, intermediate surveys, dry docking surveys and special surveys and is sometimes subject to other surveys and inspections that are required pursuant to the regulations and requirements of the vessel's country of registry. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Vessels are typically required to undergo special surveys, which include inspection of underwater parts at least once every five years.

The classification and inspection of our vessels is a prerequisite to our charter contracts. If any vessel does not maintain her class or fails any annual survey, intermediate survey, dry docking survey, special survey or other surveys performed by her classification society, that vessel may be unable to trade between ports and will be unemployable. The failure to maintain a vessel's class or the failure of a vessel survey could also cause us to be in violation of our insurance policies, and may allow the insurer to decline coverage. Such inability to trade between ports or violations of our insurance policies would negatively impact our revenues.

Failure to obtain vetting approval by our customers might adversely affect the employment of our vessels

Vessels, owners, management, personnel, operational procedures and emergency preparedness are increasingly being subjected to scrutiny or “vetting” by charterers. Concerns for the environment have also led our clients to develop and implement a strict due diligence process when selecting the vessels and vessel operators. In addition, we are required to maintain certain insurance policies under the terms of our time charter contracts, and such insurance policies may not be available on commercially reasonable terms, or at all. Although Pertamina has not rejected our vessels in the past even though certain of our vessels operating under time charters for Pertamina fail to meet the vetting criteria for vessels set forth by Pertamina, we cannot assure you that Pertamina will not reject our vessels in the future.

To pass the vetting process successfully and thereby qualify for business with charterers is a major challenge and often requires us to incur expenses to ensure that our vessels and procedures are in-line with the relevant charterers’ vetting protocols. Moreover, our charterers’ vetting procedures generally are becoming more exacting, which likely may result in additional, future expenses in order for our vessels to pass the applicable vetting inspections. Failure to obtain vetting approval from one or more of our charterers would have significant impact on our vessels’ utilization rates, our corporate profile and reputation, and could materially and adversely affect our business, financial condition and results of operations.

Our shipping business is subject to environmental regulation and compliance and potential liability for violation could require significant expenditures and adversely affect our business, financial condition and results of operations

Our shipping operations are subject to extensive laws, treaties and international agreements governing the management, transportation and discharge of petroleum and hazardous materials, all of which are designed to protect the environment from pollution, as well as other national, local laws and regulations in force in Indonesia and the other jurisdictions in which our vessels operate or are registered. Our vessels must also meet stringent operational, maintenance and structural requirements, and they are subject to rigorous inspections by governmental authorities. In addition, our personnel must follow approved safety management and emergency preparedness procedures. Violations of applicable requirements could result in substantial penalties, and in certain instances, seizure or detention of our vessels.

In order to maintain compliance with existing and future laws, treaties and international agreements, we incur, and expect to continue to incur, substantial costs in meeting maintenance and inspection requirements, developing and implementing emergency preparedness procedures, and obtaining insurance coverage or other required evidence of financial ability sufficient to address pollution incidents. These laws, treaties and international agreements can:

- impair the economic value of our vessels;
- require a reduction in cargo carrying capacity or other structural or operational changes;
- impose more compliance requirements on our vessels, which may, in turn make our vessels less attractive to potential charterers or purchasers;
- lead to an increase in the risks to be covered under our insurance policies which may in turn, affect our ability to secure sufficient insurance coverage for affected vessels; or
- result in the denial of access to, or detention in, certain ports.

Because such laws, treaties and international agreements are often revised, we cannot predict the ultimate costs of complying with such conventions and legislation or their impact on the resale price or useful life of our vessels or other aspect of our operations. Additional conventions and legislation may be adopted which could limit our ability to do business or require us to incur substantial additional costs or could otherwise materially and adversely affect our business, financial condition and results of operations.

Maritime claimants could arrest our vessels, which could interrupt our cash flow and result in a significant loss of earnings

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. For instance, in February 2015, one of our VLCCs was arrested in Singapore due to allegations made by one of our suppliers that we failed to pay US$1.3 million of bunker fees. We were able to successfully conclude negotiations with that supplier on the day our VLCC was arrested, and our VLCC was released on the same day. We cannot assure you that we will be able to secure the release of our vessels should any of them be arrested in the future and any arrest or attachment of one or more of our vessels could result in a significant loss of earnings and cash flow and/or we may be required to pay large sums of funds to have the arrest lifted.

In addition, international vessel arrest conventions and certain national jurisdictions allow so-called “sister ship” arrests that allow the arrest of vessels that are within the same legal ownership as the vessel which is subject to the claim or lien. Certain jurisdictions go further, permitting not only the arrest of vessels within the same legal ownership, but also any “associated” vessel. In these jurisdictions, an “association” may be recognized when two vessels are owned by companies controlled by the same party. Consequently, a claim may be asserted against us, any of our subsidiaries, or our vessels for the liability of one or more of the other vessels we own, of vessels owned by any of our affiliates. Our affiliates also own certain vessels that we engaged in the shipping business.

We may suffer an uninsured loss, and we do not maintain general insurance cover protecting against all shipping related risks or lawsuits we may face

The operation of ocean-going vessels carries an inherent risk of loss caused by adverse weather conditions, environmental mishaps, fire, mechanical failure, collisions, human error, war, terrorism, piracy, political action in various countries and other circumstances or events. Any such event may result in loss of life or property, loss of revenues or increased costs and could result in significant litigation against us.

We seek to maintain a comprehensive insurance coverage at commercially reasonable rates, although premiums charged by insurance companies tend to fluctuate in response to market events over which we have no control, and the recent corporate bankruptcies which have resulted in a proliferation of shareholder litigation. Our insurance policies include protection and indemnity and hull and machinery coverage. We believe that our current coverage is adequate to protect against most of the accident-related risks involved in conducting our business. Generally, all of our operational activities are covered by insurance, but we do not maintain general insurance coverage protecting against all lawsuits brought against us, and we may not be covered for certain types of claims, depending on their subject matter.

There can be no assurance that all risks are fully insured against, that any particular claim will be fully paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future or at all. If we were to sustain significant losses in the future, our ability to obtain insurance coverage or coverage at commercially reasonable rates could be materially adversely affected.

Our future contracted revenue may not ultimately be realized

Our remaining contracted revenues were approximately US$236.1 million as of April 30, 2015, assuming the exercise of all optional extension periods and the performance of mutual obligations under the relevant contracts. We may not be able to perform under these contracts due to events beyond our control, and our customers may seek to cancel or renegotiate our contracts for various reasons, including adverse conditions, resulting in lower earnings. Our time charter contracts may be terminated prior to the completion of the charter period or our customers may not exercise the optional extension periods. Moreover, some of our vessels are chartered to provide services to a specific project and a delay in the project commencement or disruption through unforeseen events may have an adverse impact on our utilization of the contracted vessel and thus on our financial condition and results of operations. Our inability, or the inability of our customers to perform, under our or their contractual obligations may materially and adversely affect our business, financial condition and results of operations.

Our vessels may be exposed to attacks by pirates or terrorist attacks

Some of our vessels operate in international waters and may be attacked, destroyed, hijacked or seized by pirates, or subject to terrorist attacks, resulting in damage or loss to the vessels which exceeds existing insurance coverage or which is not covered by the existing insurance policies. Any such event could materially and adversely affect our business, financial condition and results of operations.

There is risk associated with phasing-out of single-hull oil tankers

Four of the vessels in our fleet are single-hull oil tankers and have a capacity of greater than 5,000 DWT, which add up to an aggregate capacity of 47,805 DWT, representing 3.6% of the total DWT capacity of our fleet as of March 31, 2015. The International Maritime Organization (the “IMO”) has prescribed rules relating to the phasing-out of single-hull oil tankers with a capacity of greater than 5,000 DWT, and this phase-out has been accelerated to 2010 from 2015, despite protests from a number of nations such as the United States and Japan, provided that the flag State may permit continued operation for vessels meeting certain requirements.

Notwithstanding rules prescribed by the IMO, Indonesian regulations have permitted continued operation for single-hull oil tankers of more than 20 years of age if they comply with the conditional assessment scheme contained in the Ministry of Transportation Regulation regarding Single Hull Oil Tanker No. KM. 66 of 2005 ("KM 66"). Any disaster such as an oil spill may prompt the Government to further accelerate the phase out of single-hull vessels. Any further acceleration of the phase-out may affect our business and financial condition. Further, although presently non-mandatory, certain countries may put a restriction for entry of single-hull vessels on their ports, which may prevent our single-hull vessels from servicing our customers who call at those ports and may materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be able to compete successfully against our competitors and new entrants to the shipyard industry

The shipyard business is highly competitive. We face competition from domestic shipyards, as well as competitors located both in the People's Republic of China (the "PRC") and elsewhere in the Southeast Asia region. We compete on the basis of our ability to fulfill our contractual obligations including the timely delivery of vessels constructed by us and our ability to dry dock vessels, our yards capacity and capabilities and the price and quality of the vessels we are able to construct and dry dock. Most of our competitors have more experience in providing shipyard services and in shipbuilding and many of them have more resources than us and some of them may have lower costs of operations than we have. In addition, some of our competitors may have competitive advantages in building and dry docking certain types of vessels compared to us. Our competitors, particularly those in the PRC, from time to time engage in aggressive pricing in order to gain market share. In addition, a number of shipbuilding companies currently focus on building different types of vessels than we do. Although these shipbuilding companies currently do not compete with us, they may possess the capability to build the types of vessels we build and we cannot assure you that they will not compete with us in the future.

We cannot assure you that we will be able to compete successfully against our competitors, as well as new entrants in this industry in the future, or that the shipyard companies that are not directly in competition with us now will not compete with us in the future. Accordingly, if we are unable to maintain our competitive advantage and compete successfully against our competitors and any new entrants to this industry in the future, this could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that our floating dry dock will become operational as scheduled or operate as efficiently as planned

We are currently constructing a 50,000 DWT floating dock which is key to our proposed ship repair and maintenance activities at our shipyard. Currently, we expect the floating dock to commence operations in the fourth quarter of 2015. However, we cannot assure you that the construction of the floating dock will be completed as scheduled, or will become operational as soon or operate as efficiently as planned. If there are delays in the construction of the floating dock, problems with the facilities on it or for other reasons, the floating dock does not function as efficiently as intended, or our utilization of the floating dock is not optimal, we may not be able to expand our shipyard operations and also commence the servicing and dry docking of our own vessels at our own facilities or service third parties as planned, and this could materially and adversely affect our business, financial condition and results of operations. Failure to complete our dry dock as scheduled or inefficient operation could materially and adversely affect our business, financial condition and results of operations.

We could incur losses under our fixed price contracts as a result of cost overruns, delays in delivery or failures to meet contract specifications

All of our current shipbuilding contracts are fixed-price contracts and we entered into these contracts up to three years prior to the scheduled delivery of the respective vessel. We attempt to forecast costs of labor and raw materials when we enter into our fixed-price contracts and retain all cost savings on completed contracts, but we are liable for the full amount of all cost overruns. The actual costs incurred and profits we realize on a fixed-price contract may vary from our estimates due to factors such as:

- unanticipated variations in labor and equipment productivity over the term of a contract;
- unanticipated increases in labor, raw material, subcontracting and overhead costs, including as a result of bad weather; and
- delivery delays and corrective measures for poor workmanship.

Depending on the size of the project, variations from estimated contract performance could significantly reduce our earnings, and could result in losses, during any fiscal quarter or year. All of our fixed price contracts provide for liquidated damages for late delivery. We cannot assure you that these contracts, if secured, can be completed profitably. Significant cost overruns on our fixed price contracts could materially and adversely affect our business, financial condition and results of operations.

We do not have certificates for most of the land for our shipyard

We have not obtained HGB certificates of title for approximately 80% of the total land area of our shipyard, including land on which we currently operate our shipyard business and the land available to expand our shipyard business. A portion of such land is subject to further registration in order to obtain HGB certificate of title from the relevant land office. Currently, our possession of such land is based on either (i) a long term lease from the regional government; (ii) an ongoing reclamation process pursuant to a reclamation license granted to us by the Government; or (iii) acquisition from local residents of the lands by entering into certain agreements with the owners or occupants to transfer the rights or ownership over the land to us or Hartono Utomo, one of our Directors. Although we intend to obtain the HGB certificates issued in the name of our Company for all such land in order to develop the shipyard operations, we cannot assure you that we will obtain or perfect the relevant title to such land in a timely manner or at all or ownership of the land will be duly transferred to us, or that we will acquire valid title to the land, even though we have made payments for the relevant land. Failure to do so would have a material and adverse effect on our business, financial condition and results of operations.

Our shipbuilding business is exposed to the risk of increases in the price of our raw materials

The major components of our cost of sales include raw materials such as steel and other materials, equipment and other components such as pumps, propellers and engines. In the periods after we commenced our shipyard operations, for the years ended December 31, 2013 and 2014 and the three months ended March 31, 2015, our raw material costs constituted 75.4%, 53.4% and 81.9% of our cost of sales for our shipyard business, respectively. In particular, for the same periods, steel purchases accounted for 66.3%, 22.0% and 16.0% of our cost of sales, respectively.

Shortages in the supply of the raw materials we use in our shipyard business may result in an increase in the price of these raw materials. In addition, the cost of many of the raw materials we use, such as steel, may fluctuate in line with any changes in their global supply and demand. In the event that our raw materials increase in price, we will not be able to pass these price increases to our customers on our existing contracts, which could materially and adversely affect our business, financial condition and results of operations.

We may be unable to attract and retain sufficient skilled and/or qualified personnel for our shipyard business

Competition for skilled shipyard labor in Indonesia is intense. Our competitors may also be expanding their operations and may require additional workers. As a result, we may from time to time, experience difficulties in attracting and retaining highly skilled employees. Our shipbuilding operations require highly skilled and qualified personnel, such as engineers. For example, our engineers in our design and technical department are instrumental in analyzing the design blueprints of new vessels and play a central role in designing the production process. They also play a critical role in our cost management system, as we are dependent on them to formulate production design plans that will allow for the efficient utilization of our raw materials. Personnel for our shipyard is engaged separately from personnel for our shipping business. Our inability to maintain a sufficient number of skilled and qualified personnel to handle the more sophisticated and technology-intensive shipbuilding or dry docking processes, or us having to pay substantially higher salaries to procure these personnel, could materially and adversely affect our business, financial condition and results of operations.

Labor shortages could increase the cost of labor and hinder our productivity and ability to complete the construction of our vessels on time, which would materially and adversely affect our business, financial condition and results of operations.

Further, we utilize subcontract labor and production workers in our shipyard on a regular basis. In the event that we are unable to secure adequately skilled subcontract labor and production workers or if the costs for such services increase, this could materially and adversely affect our business, financial condition and results of operations.

Our future growth and expansion of our shipyard is limited by our production capacities and the location at which we operate

Our shipbuilding capacity is limited by, among other things, the size of our shipyard, the number, size and capacities of our slipways, berths, docks and our plant and equipment. In addition, the size and capacity of the vessels we dry dock is limited by the locations at which we operate. After completion of our floating dry dock, we will have the capacity to service vessels of up to 50,000 DWT of capacity. We would not be able to take maintenance or repair orders for vessels of greater than 50,000 DWT, and, as a result, we may have to refuse maintenance or repair order for vessels larger than 50,000 DWT of capacity. In the event that we are unable to increase our production capabilities to enable us to construct such vessels, we may lose business opportunities and this could materially and adversely affect our business, financial condition and results of operations.

The first phase of our shipyard has a total land area we estimate is approximately 50 hectares, with an additional land area of approximately 168 hectares available for expansion. We hold the land comprising our current shipyard and land available for expansion under various land interests. We will have to incur substantial capital investments, expenditure and time to expand our production capacities by expanding the size of our shipyard in line with our plans for future phases of our shipyard. We cannot assure you that we will be able to secure appropriate and suitable financing for such an expansion. Accordingly, we cannot assure you that we will be able to manage the future expansion of our production capacities effectively. Any failure on our part to do so would materially and adversely affect our business, financial condition and results of operations.

We may not be able to meet our construction schedules and may face delays in the delivery of vessels to our customers

We are dependent on our suppliers for the timely delivery of raw materials, equipment and components such as pumps, propellers and engines. When the need arises, we outsource certain aspects of our shipbuilding work scope, such as the production of certain vessel sub-assemblies and structural sections, from time to time, to our subcontractors. We also rely heavily on the importation of marine equipment and other shipbuilding-related components that are not manufactured domestically. We are dependent on the timely completion of subcontracted works by our subcontractors when we use their services. We may encounter situations where we are unable to deliver our vessels on a timely basis due to, among other reasons, late or lack of delivery of raw materials from our suppliers or late completion of subcontracted works by our subcontractors. In addition, we are also dependent on subcontract labor and production workers for the construction of our vessels. In the event that we fall behind schedule in the delivery of our vessels, we may not have the requisite buffer in our production capacity or sufficient subcontractors to react to any contingencies that may arise in constructing and delivering our existing orders. If we are unable to source such raw materials, equipment and components from alternative suppliers on a timely basis, our production schedule may be delayed, thereby delaying the delivery of the vessel to our customers. In addition, our profitability may also be adversely affected if we are unable to secure alternative sources of such raw materials, equipment and components in a cost efficient manner or if we are unable to recover liquidated damages from the defaulting suppliers.

Our shipyard operations are subject to risks including, *inter alia*, the breakdown, failure or sub-standard performance of machinery, natural disasters like floods, long periods of adverse weather, social unrest and strikes, which may result in operational disruptions. Any material operational disruptions will adversely affect our ability to meet our construction schedules and cause delays in the delivery of vessels to our customers.

Any substantial delay in the completion and delivery of the vessels under our shipbuilding contracts may result in us being liable to pay our customers damages, liquidated or otherwise. If the delay continues beyond the time stipulated in the contracts, our customers may rescind their shipbuilding contracts with us. Any delay will have an impact on our reputation and could materially and adversely affect our business, financial condition and results of operations.

We may face claims and incur additional rectification costs for defects and warranties in respect of our vessels

We may face claims by our customers in respect of defects, poor workmanship or non-conformity to our customers' specifications in respect of vessels built by us. We typically extend a warranty period of 12 months to our customers for new vessels. Due to the length of the warranty period extended by us, we may be subject to claims from our customers and we may incur additional costs if rectification work is required in order for us to satisfy our obligations during the warranty period. We are also required to provide a warranty bond in an amount equal to 3.0% of the contract price to cover rectification work for 12 months after delivery and the acceptance of the vessel by our customer. We cannot guarantee you that these warranty provisions will be sufficient to cover the costs incurred for defects. If the costs of any rectification works exceed the warranty bonds we have made, this could materially and adversely affect our business, financial condition and results of operations.

Shipbuilding exposes us to potential liabilities that may not be covered by insurance

Our shipbuilding operations are subject to inherent risks such as equipment defects, malfunctions and failures, equipment misuse and natural disasters that can result in uncontrollable flow of gas or well fluids, fires and explosions. Although we maintain insurance on our vessels for fire, catastrophe, work-related injury and material failure, we do not have insurance for business interruption. Substantial portions of our activities involve the fabrication and refurbishment of large steel structures, the operation of cranes and other heavy machinery and other operating hazards. These risks could expose us to substantial liability for personal injury, wrongful death, product liability, property damage, pollution and other environmental damages. Although we have obtained insurance for our employees as required by Indonesia laws and regulations, as well as our shipyard properties and assets, our insurance may not be adequate to cover all potential liabilities. Further, we cannot assure you that insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. If we incur substantial liability and the insurance does not or is insufficient to cover the damages, this could materially and adversely affect our business, financial condition and results of operations.

We will not be able to secure new contracts if we are unable to issue the requisite refund guarantees as required under our shipbuilding contracts

The shipbuilding industry is a capital-intensive industry, and, as the contract prices under our shipbuilding contracts are generally high, we are typically required to furnish our customers with refund guarantees as security for the fulfillment of our contractual obligations under our shipbuilding contracts until the completed vessel is delivered to the customer.

In order for us to secure refund guarantees, banks and financial institutions review, among other things, our financial standing and creditworthiness. Generally, we arrange for banks to issue refund guarantees to our customers from our available banking facilities. We cannot assure you that we will continue to be able to arrange for refund guarantees in this manner. In the event that we are unable to do so and we are unable to satisfy the financial requirements prescribed by our banks and financial institutions, we will not be able to procure the requisite refund guarantees and as a result, we may be unable to secure new contracts, which would materially and adversely affect our business, financial condition and results of operations.

If our customers terminate their shipbuilding contracts or if we experience a total loss of our vessels under construction, our customers can enforce on our refund guarantees, which could materially and adversely affect our net revenues and profits

Our customers retain the right to change or terminate their shipbuilding contracts upon the occurrence of certain events, including, if we experience a total loss of the vessel under construction. In the event of a termination of a shipbuilding contract other than due to the fault of the customer, the customer would be entitled to enforce the refund guarantee, which we have provided as a security in respect of our shipbuilding contract. The enforcement of a refund guarantee would result in us incurring significant liability to the bank providing the refund guarantee. To date, none of our shipbuilding contracts has been terminated, and our refund guarantees have not been enforced upon. However, any termination of a significant contract or enforcement of a refund guarantee would materially and adversely affect our business, financial condition and results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based upon information contained in our financial statements, including the notes thereto, appearing elsewhere in this Updates. You should read the following discussion and analysis in conjunction with our financial statements, including the notes thereto. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, such as those set forth under "Risk Factors" and elsewhere in this Updates. Our consolidated financial statements have been prepared in accordance with Indonesian FAS. Indonesian FAS differ in certain significant respects from IFRS.

Overview

We are the largest independent tanker owner and operator in Indonesia in terms of DWT capacity, as of March 31, 2015, according to Drewry, providing crude oil, petroleum products and LPG shipping services and shipyard services principally to companies operating in the domestic oil and gas and chemical sectors. As of March 31, 2015, we owned and operated a total of 35 vessels, of which 34 were Indonesian-flagged tankers, including 18 oil tankers, of which two are the only Indonesian flagged VLCCs in the market, 12 chemical tankers, three gas tankers and two FSO tankers, with a total carrying capacity of 1.3 million DWT. We also own a shipyard the first phase of which comprises a total land area we estimate is approximately 50 hectares and has a coast line of 1.3 kilometers. Our shipyard commenced providing shipbuilding services in 2012. We also intend to offer ship repair and maintenance services to third parties and to our own vessels after the completion of our floating dry dock.

Our business benefits from cabotage principles under the Indonesian shipping law that mandate the use of Indonesian-flagged vessels for domestic sea freight transportation, particularly to support the national oil and gas downstream industry in the seaborne distribution of crude oil, petroleum products and LPG around the more than 13,000 islands that comprise the Indonesian archipelago. As of March 31, 2015, our 34 Indonesian-flagged tankers had a total carrying capacity of 1.28 million DWT and our two VLCCs currently transport crude oil from Middle East producers for processing at Pertamina refineries in Indonesia.

We operate two principal lines of business, namely shipping services and shipyard services. Our shipping business is divided into two main segments based on the contract arrangements under which our vessels are chartered to customers, namely time charters and spot charters.

Under time charter contracts, our vessels are chartered to customers for fixed periods of time at a fixed charter fee, which is calculated per day. Time charter services include our vessel operational crews, along with all maintenance services, supplies, spare parts, crew meals and other operational services. The chartering party remains directly responsible for other voyage costs, which primarily comprise bunker and port charges and duties. Our time charters typically have an original lease term of between three months and ten years with one or more extension periods exercisable at the option of the customer, depending on the particular demands of the customer. As of April 30, 2015, our remaining contracted revenues for time charters amounted to US$236.1 million, of which US$92.2 million relates to revenues from optional extension periods, and our time charter contracts had a weighted average remaining life of 5.6 years weighted by contract value, including optional extension periods. Under spot charter contracts, our vessels are chartered to customers for a single voyage that is priced on a current or "spot" market rate. Similar to time charters, spot charter services include our vessel operational crews, along with all maintenance services, supplies, spare parts, crew meals and other operational services. Our spot charter customers pay a single charter fee, while we bear the expenses for the crew, bunker and port charges and other operating costs.

In 2012, we commenced new shipbuilding operations at our shipyard located in a Free Trade Zone in Karimun, Indonesia, in the Malacca Straits, an international shipping route, and nearby Singapore, which has a developed maritime industry. Our shipyard is fronted by a 1.3 kilometer coast line and has a coastal depth of 12 meters and provides shipbuilding and docking services for vessels of various carrying capacities. We currently have an orderbook of five new ships under construction, with completion and deliveries scheduled to occur between late-2015 and 2017. We also have a 50,000 DWT floating dry dock scheduled to complete construction and commence operation in the fourth quarter of 2015, from which we expect to provided ship repair and maintenance services for our fleet and other vessels. We believe that the Free Trade Zone provides our shipyard with advantages on the import of materials and spare parts, including tax-free status and expedited customs clearance, which will allow us to compete effectively on cost and timing of shipbuilding, maintenance and repair services.

Recent Developments

Our subsidiary, SPU, a non-guarantor restricted subsidiary, entered into an agreement with DBS on April 23, 2015 for a term loan in a maximum amount of US$14.7 million for the purpose of fully financing the acquisition of our vessel, KM Fortune Pacific XLIX and to partially finance the acquisition of our vessel, KM Success Dalia XLVIII. The facility is subject to interest at a rate of one month LIBOR plus a margin of 3.75% per annum. The final maturity date of the loan is May 22, 2020. We are subject to certain negative covenants and financial covenants in connection with the DBS facility.

Factors Affecting our Business and Results of Operations

Our results of operations are affected principally by the overall market conditions in the crude oil, petroleum products and LPG shipping industry and other factors, including:

- Indonesian demand for crude oil, petroleum products and LPG;
- charter rates;
- our fleet size and ability to expand our fleet;
- our mix of time and spot charters;
- utilization rates of our vessels;
- our ability to manage our costs;
- Indonesian cabotage laws and competition;
- foreign exchange fluctuations; and
- access to and cost of financing.

Indonesian demand for crude oil, petroleum products and LPG

As Indonesia is an archipelago comprised of more than 13,000 islands, where the bulk of crude oil, petroleum products and LPG are transported to various points of consumption by sea, the demand for crude oil, petroleum products and LPG within Indonesia have had and are expected to continue to have a significant impact on demand for shipping services, including international shipping services for the importation of crude oil for refining within Indonesia and domestic shipping services for the transportation of refined oil products for domestic consumption, and shipyard services and, consequently, on our results of operations.

Crude oil, petroleum products and LPG are Indonesia’s biggest energy sources and Indonesian domestic demand for them have been growing over the recent years. A consistent growth in Indonesia’s economy in the past decade has been followed by commensurate growth in Indonesia’s energy consumption. According to Drewry, Indonesia’s energy consumption has grown at a CAGR of 4.3% in the last five years from 877 million barrels of oil equivalent in 2007 to 1,079 million barrels of oil equivalent in 2012. The volume of fuel oil that was transported domestically has also increased from 61.6 million tons in 2010 to 72.0 million tons in 2013, representing a CAGR of 5.3%.

We provide crude oil, petroleum products and LPG shipping services and shipyard services, principally to companies operating in the domestic oil and chemical sector in Indonesiaand expect increases in domestic demand for such products to result in increases in demand for shipping services for both domestic and international routes, which mainly involve the import of crude oil to refineries in Indonesia. We have worked closely with Pertamina, the state-owned oil company operating nine refineries around Indonesia and which accounts for a substantial amount of oil and chemical products produced and shipped within Indonesia, for 35 years and are currently the largest provider of oil and gas and chemical shipping services to Pertamina. Pertamina is our largest customer and our vessels chartered to Pertamina are principally engaged in time charters. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, respectively, shipping services provided to Pertamina accounted for 68.2%, 46.3%, 52.4% and 53.2% of our net revenues. Therefore, our results of operations are in particular significantly affected by demand for shipping services from Pertamina.

We also provide shipyard services for the construction of newbuilds and the repair and maintenance of ships. Although we currently only provide shipbuilding services at our shipyard, where we construct newbuilds for customers who satisfy a portion of their shipping needs with their own vessels, we are constructing a 50,000 DWT floating dry dock that is scheduled to commence operations in the fourth quarter of 2015, from which we expect to provide ship repair and maintenance services for our fleet and other vessels.

Charter rates

For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2014 and 2015, our net revenues from shipping services were approximately US$71.0 million, US$102.5 million, US$107.4 million, US$23.9 million and US$27.6 million, or 99.4%, 96.3%, 84.2%, 91.1% and 81.4% of our total net revenues, respectively. Charter rates have a direct and substantial effect on our revenues from shipping services. Our charter rates are driven largely by the type of products our customers wish to transport, the type of vessel they require and the availability of Indonesian flagged vessels, liquid bulk cargo demand for a particular product and charter type.

As a result of Indonesian cabotage laws and the limitation on foreign investment in Indonesian shipping companies, competition from foreign shipping companies is limited and there has been an increase in the number of Indonesian-flagged vessels and a decrease in foreign-flagged vessels operating in Indonesian waters. According to Drewry, between 2006 and 2013, the number of Indonesian-flagged vessels increased at a CAGR of 10.7% with the number rising from 6,428 to 13,120 and DWT capacity increasing from 2.9 million DWT to 8.2 million DWT. The volume of fuel oil that was transported domestically has also increased from 61.6 million tons in 2010 to 72.0 million tons in 2013, representing a CAGR of 5.3%. As there are a limited number of domestic shipping companies with the resources to grow their fleet size to meet local demand for shipping services, the number of Indonesian flagged vessels has grown at a relatively slow pace. At the same time, large scale vessel charterers like Pertamina, our major customer, determine the charter rates they are willing to pay based on, among other things, prevailing market rates, the charter rates from previous contracts, the investment required if it were to use its own fleet and its internal budget. We believe that the limited competition faced by Indonesian shipping companies, the relatively slow growth in the number of Indonesian flagged vessels and the ability of large scale vessel charterers to influence the charter rates charged by tanker owners and operators have resulted in relatively stable Indonesian time charter rates as compared to international time charter rates. Our charter rates also differ depending on the type of charter agreement entered into between us and our customers as charter rates differ between the spot and time charter markets.

A significant portion of our shipping revenues are from time charter agreements for periods greater than one year, with charter rates for the period of the charter agreed at the time of entering into the charter. As a result, fluctuations in market prices during the term of the charter will not affect our income from these vessels during the period of the charter, although we will similarly not benefit from any increase in hire rates in the charter market. Our charter rates thus reflect, among other things, the prevailing market forces and expectations of future charter rates at the time of entry into the relevant charter agreement. When a charter expires, the new charter rate we obtain depends on the hire rates achievable at the time of the new charter.

Our customers producing oil products generally charter our oil tankers under time charter contracts in order to ensure a steady distribution to meet consistent demand of their gasoline, diesel and jet fuel around the Indonesian archipelago, while our customers producing chemical products have less consistent demand for their products, and therefore tend to charter our smaller vessels under spot charter contracts. According to Drewry, time and spot charter rates have risen across all the main Indonesian VLCC routes since December 2013 as a result of strong demand growth and only moderate increases in vessel supply. Time charter rates for other types of oil tankers have also increased significantly since December 2013 as the increased demand for oil and DWT capacity for the storage of oil in Indonesia have used up some of the overcapacity in the industry from the preceding years.

Fleet size and DWT capacity and acquisition of pre-owned vessels

As of March 31, 2015, our fleet was comprised of 35 vessels, of which 34 were Indonesian-flagged tankers, including 18 oil tankers, of which two are the only Indonesian-flagged VLCCs in the market, 12 chemical tankers, three gas tankers and two FSO tankers, with a total carrying capacity of 1.3 million DWT. The size of our fleet affects our results of operations, in particular, our revenues, by increasing or decreasing the number of days our vessels are available for charter, and our depreciation and financing expenses. We believe that our strategy to purchase pre-owned vessels in the international markets and re-flag these vessels to comply with Indonesian cabotage rules allows us to enhance our return on investment and operating margins on these vessels.

As demand for shipping services in Indonesia has continued to grow, we have sought to increase the number of vessels and the total DWT capacity of our fleet through the acquisition of well-constructed and maintained pre-owned vessels, principally from the European market, which we then re-flag to become Indonesian-flagged vessels. To achieve timely settlement of opportunities to acquire pre-owned vessels, we frequently bridge the acquisition cost with cash on hand and then refinance the vessel with debt capital post-acquisition. The price of pre-owned vessels in the international markets is linked to international time charter rates, with vessel prices increasing and decreasing in tandem with charter rates. Indonesian time charter rates, however, are relatively stable and less likely to fluctuate when compared to international time charter rates. As a result, increases in international time charter rates may have the effect of increasing our cost to acquire pre-owned vessels in the international markets, and as such we may not receive the benefit of a corresponding increase in shipping revenues earned on time charter rates in the Indonesian market, which may have the effect of lowering our return on investment in these pre-owned vessels. Our steady revenues under time charter contracts with Pertamina and other customers are partially offset by the higher capital expenditures and other costs (including costs associated with chartered-in vessels to replace our vessels on time charter contracts during periods of repair and maintenance) that increase with the age of the vessel.

Mix of spot and time charters

As charter rates and vessel operating costs differ between the spot and time charter markets, our revenues, operating margins and results of operations are affected by the mix of our vessel charters between spot charters and time charters.

Spot charters are priced at a current or “spot” market rate. The customer pays a flat spot fee for the charter and our spot fee includes our estimated voyage expenses, including bunker costs and duties and port charges, which we seek to pass on to our customers. As such, we generally derive higher revenues per day for a particular vessel from spot charter contracts, although our operating margins for spot charter contracts may be lower due to higher vessel operating costs associated with spot contracts. Under time charter contracts, vessels are chartered to customers for fixed periods of time at a fixed charter fee. Unlike spot charter arrangements, the chartering party remains directly responsible for voyage costs, such as bunker costs and duties and port charges, and our time charter fees are comparatively lower than our spot charter fee to account for such a difference. As such, we generally derive lower revenues per day for a particular vessel from time charter contracts, although our operating margins for time charter contracts may be higher due to lower vessel operating costs associated with time charter contracts.

Historically, our customers have generally chartered our oil tankers through time charters for the transportation of crude oil and smaller vessels through spot charters for the transportation of petroleum chemical products. In an effort to satisfy our customers’ needs for a range of vessels and, at the same time, maximize our revenues while ensuring stable cash flows, we manage the deployment of our vessels between the time and spot charter markets. Our vessel deployment strategy is designed to provide stable cash flow through the use of time charters for a significant portion of our fleet, while maintaining the flexibility to benefit opportunistically from spot market charter rate improvements.

We typically place our oil tankers in the time charter market, spot chartering them when they are in between time charter contracts. We place a number of our relatively smaller vessels, such as chemical tankers and gas tankers, in the spot charter market to be able to meet customer demand and also to be able to benefit from increases in spot market charter rates. The proportion of our fleet, and therefore our shipping revenues, under spot and time charters varies from period to period due to a number of factors, including, in particular, the prevailing spot and time charter rates for vessels, changes in customer demand between spot and time charters, and the type and number of vessels disposed and acquired during the period. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, respectively, 73.9%, 58.0%, 51.2% and 59.2% of our net revenues were derived from time charters, and 25.5%, 38.3%, 33.0% and 22.2% of our net revenues were derived from spot charters.

Utilization rates

Our revenues are also affected by the utilization rate of our vessels. Utilization rate for a vessel is calculated by dividing the total number of days in a given period for which the vessel earns a daily charter rate divided by the total number of days such a vessel is available. A vessel is considered available for the days the vessel was in our fleet in a period. We do not consider a vessel to be in our fleet if either it has been recently acquired and is in preparation for deployment or if the vessel is no longer under charter and has been designated for sale. Assuming that our vessels have been chartered, the fewer days our vessels spend in dry-dock, the higher our revenues, although ensuring proper vessel maintenance requires a certain amount of off-hire time, which should reduce down-time of vessels in the future and prolong their useful life. The utilization rate of our vessels is affected by numerous factors, including charter rates, size and composition of our fleet, tenor of charters, ability to redeploy vessels upon charter expiration and operational efficiency of our fleet. We have experienced a stable rate of option extensions and renewals of our time charter contracts, as, in our experience, our customers prefer to continue the use of incumbent vessels rather than locate and contract a time charter with a new vessel. For the years ended December 31, 2012, 2013 and 2014, and three months ended March 31, 2015, our fleet-wide utilization rates were 95.9%, 98.1%, 88.1% and 89.2%, respectively.

Costs

Our operational efficiency and ability to manage operating costs affects our profitability and our results of operations. Our costs consist primarily of vessel operational expenses, shipbuilding expenses, depreciation, employee salaries and expenses, vessel rental expenses, docking expenses, insurance and management fees associated with vessel operation.

Vessel operational expenses, which include voyage expenses, crew-related expenses, vessel rental expenses, and repair and maintenance costs, have historically been the largest component of our costs for both our spot and time charter businesses. Voyage expenses, repair and maintenance costs and vessel rental expenses have historically been the most significant components of our vessel operational expenses, and we expect our ability to manage and limit such expenses to have a significant impact on our profitability and results of operations.

In accordance with industry practice, we are responsible for voyage expenses, including bunker fuel costs, when operating our vessels on the spot market; when we charter out as time charters, we do not pay for voyage expenses, as the customer pays for voyage expenses directly. Fuel oil, or bunker fuel, costs are one of our principal items of voyage expenses for our spot charter business. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, bunker fuel costs comprised 16.3%, 26.9%, 22.7% and 12.0%, respectively, of our costs of revenues. Bunker fuel is consumed to propel and maneuver our vessels and for the operation of various equipment on board each vessel ranging from cargo operation to cooking. Bunker fuel prices typically, but not necessarily, follow crude oil prices and generally experience significant fluctuations depending on various factors, including supply and demand for oil and gas, geopolitical developments and developments in oil production including actions by OPEC. In recent years, the prices for bunker fuel have been volatile. Further, the impact of bunker fuel prices on our results of operations are also affected by any regional price differences within the bunker fuel market. Fluctuations in the price of bunker fuel are expected to have a substantial impact on our operating costs, profitability and results of operations.

Our vessels require repair and maintenance periodically due to regular wear and tear of operating parts of the vessels. We continually seek to acquire well-constructed and maintained pre-owned tankers so as to minimize our costs of having to repair and maintain our vessels. Unscheduled dry docking of our vessels for repairs, not only increases our costs to repair and maintain our vessels, it also decreases our vessel utilization rates and increases our vessel rental expenses, if we are required to replace the dry docked vessel for a customer. Unanticipated repair and maintenance costs also have a substantial impact on our operating costs, profitability and results of operations.

We incur vessel rental expenses when we charter-in vessels to replace vessels that have been chartered when they require repair and maintenance or to charter them out to our customers when we do not have sufficient vessels in our fleet to meet customer demand. For both spot and time charters, our costs include rental we pay to the owners of the vessels. For vessels that we charter-in on a time-charter basis, the owner of the vessels also bear the ship operating expenses.

Indonesian cabotage laws and competition

As a result of Indonesian cabotage laws, which were part of the Government's efforts to support domestic shipping companies, and the limitation on foreign investment in Indonesian shipping companies, competition from foreign shipping companies is limited, and we benefit from our position as one of the few domestically-owned shipping providers in Indonesia capable of servicing the oil and gas industry with a fleet nearly entirely comprised of Indonesian-flagged vessels. Although we face competition from a number of Indonesian shipping companies for vessel charters in domestic Indonesian waters, we believe our fleet differs from our competitors, which has allowed us to serve our customers' needs and maintain a stable utilization rate of our vessels and a high rate of renewal of our time charters. We believe that our existing time charters will continue their track record of renewal, as our vessels have proven well-suited for the needs of the charterers, and the substitution of our time chartered vessel with a competitor's vessel can be costly and time consuming. The size of our fleet has grown steadily in the years following the implementation of Indonesian cabotage laws.

Foreign exchange fluctuations

Fluctuating foreign exchange rates, in particular fluctuations in the U.S. dollar/Rupiah exchange rate can have a material effect on our results of operations. We generate most of our revenue in and our functional currency is U.S. dollars. The majority of our vessel charter contracts and all of our shipbuilding contracts are denominated in U.S. dollars. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, approximately 35%, 31%, 26%, 20% and 41%, respectively, of our cost of revenues were in Rupiah with the remainder in U.S. dollars or other currencies. As such, an appreciation in the value of the U.S. dollar against the Rupiah will have a positive impact on our results of operations, while a depreciation in the value of the U.S. dollar against the Rupiah will have an opposite effect. For instance, our gain on foreign exchange — net increased to US$14.6 million in the year ended December 31, 2013 from US$3.5 million in year ended December 31, 2012, mainly attributable to a greater appreciation of the U.S. dollar against the Rupiah in 2013 as compared to 2012. As the U.S. dollar has strengthened against the Rupiah over the recent years and we expect such a trend to continue, we currently do not hedge our exposure to foreign currency risk with respect to the U.S. dollar/Rupiah exchange rate.

Significant Accounting Policies

Our consolidated financial statements have been prepared in accordance with Indonesian FAS, which comprise the Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (“PSAK”) and the Regulations and the Guidelines on Financial Statement Presentation and Disclosures issued by OJK. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. We continually evaluate such estimates and judgments. Actual results may differ from these estimates under different assumptions or actual conditions. In order to provide an understanding of how our management forms their judgment about future events, including the variables and assumptions underlying our estimates, and the sensitivity of judgments to different circumstances, we have identified the critical accounting policies discussed below. For more details, see Notes 2 and 3 to our consolidated financial statements included in this Updates for the Summary of Significant Accounting Policies and Source of Estimation Uncertainty.

Revenues and Expenses Recognition

Revenue from charter services is recognized to the extent that it is probable that the economic benefits will flow to our Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Time charter revenue is recognized proportionally over the period covered in accordance with the contract. Spot charter revenue is based on spot and is recognized when the services are rendered to customers.

Revenue from construction contract is recognized using the percentage-of-completion method, measured by percentage of work completed to date as estimated by engineers and approved by the project owner. At reporting dates, earnings in excess of billings on construction contracts are presented as current assets, while billings in excess of estimated earnings are presented as current liability. Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognized to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognized as expenses in the period they are incurred. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Cost of contracts include all direct materials, labor and other indirect costs related to the performance of the contracts.

Revenue earned but not yet billed to customers is recorded as “Unbilled Revenues” in the consolidated statements of financial position.

Depreciation

Our Company has chosen the cost model as a measurement of our fixed-assets accounting policy. Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are charged directly in the consolidated statements of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	20
Vessels	5-30
Vessels supplies	4-10
Machineries	4
Vehicles	4-8
Office and shipyard equipment	4
Workshop equipment	8

Depreciation of vessels is computed using residual value of its original acquisition cost. The estimated residual value of the original acquisition cost is based on management's best estimate of the historical data related to gain on sale of vessels owned by the Group, after taking into account the costs incurred in order for the vessels to be ready for sale, to properly reflect the period of recognition of revenues and expenses. The residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial year end.

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Land is stated at cost and not amortized.

Construction in progress is stated at cost and presented as part of "Fixed Assets" in the consolidated statements of financial position. The accumulated costs will be reclassified to the appropriate fixed-asset accounts when the construction is substantially completed and the constructed asset is ready for its intended use. Depreciation is charged from the date the assets are ready for use in the manner intended by management.

Taxation

Pursuant to the Decision Letters No. 416/KMK.04/1996 dated June 14, 1996 of the Ministry of Finance of the Republic of Indonesia and Circular Letter No. 29/PJ.4/1996 dated August 13, 1996 of the Directorate General of Taxes, revenues from freight operations and charter of vessels are subject to final income tax computed at 1.2% of the revenues for domestic companies, and the related costs and expenses are considered non-deductible for income tax purposes.

Corporate income tax expense represents the sum of the corporate income tax currently payable and deferred tax. The positive (negative) difference between the final income tax paid and the amount charged as final income tax expense in the consolidated statements of comprehensive income is recognized as prepaid tax (tax payable).

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used as a basis for computation are those that have been enacted or substantively enacted as at the reporting dates. Amendments to taxation obligations are recorded when an assessment is received or if appealed against, when the results of the appeal are determined. Current tax expense related to income subject to final income tax is recognized in proportion to total income recognized during the current year for accounting purposes.

Deferred tax is provided using the liability method on temporary differences at the reporting dates between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences and accumulated fiscal losses to the extent that it is probable that taxable income will be available in future years against which the deductible temporary differences and accumulated fiscal losses can be utilized. Deferred tax assets and liabilities are recognized in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax asset is reviewed at each reporting date and adjusted based on availability of future taxable income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged to current year operations, except to the extent that they relate to items previously charged or credited to equity.

Employee Benefits

We applied PSAK No. 24 (Revised 2013), "Employee Benefits," to recognize an unfunded employee benefits liabilities in accordance with the Labor Law. Under PSAK No. 24 (Revised 2013), the cost of providing employee benefits under the Labor Law is determined using the "Projected Unit Credit" valuation method. The current service cost of the defined benefit plan is recognized in the consolidated statements of profit or loss and other comprehensive income in employee benefits expense, which reflects the increase in the defined benefit obligation resulting from employee service in the current year. Past service costs are recognized immediately in the consolidated statements of profit or loss and other comprehensive income. Actuarial gain and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income for the period in which they arise. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Cost of Revenues

Our cost of revenues principally consist of, among other things, vessel operational expenses, shipbuilding expenses, depreciation, salaries and allowances, vessel rental expenses, docking and insurance. The following tables set forth the breakdown of cost of revenues and each item as a percentage of our total cost of revenues, respectively, for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Years Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
	(US$ except percentages)									
Cost of Revenues										
Vessel operational expenses	21,796,401	45.2%	36,475,242	51.7%	28,181,466	37.0%	5,704,095	36.5%	7,360,622	34.4%
Shipbuilding expenses	—	—	2,861,455	4.1%	15,609,507	20.5%	1,846,478	11.8%	4,975,960	23.3%
Depreciation	11,174,999	23.2%	11,053,449	15.8%	10,652,044	14.0%	3,069,701	19.6%	2,937,215	13.7%
Salaries and allowances	4,737,366	9.8%	7,269,387	10.3%	6,941,516	9.1%	1,582,100	10.1%	1,765,316	8.3%
Vessel rental expenses	316,933	0.7%	3,390,402	4.8%	5,477,622	7.2%	1,035,456	6.6%	2,164,745	10.1%
Docking	3,451,861	7.2%	3,803,997	5.4%	4,623,393	6.1%	1,048,344	6.7%	1,162,501	5.4%
Insurance	3,780,585	7.8%	3,679,612	5.2%	3,450,206	4.5%	762,613	4.9%	920,524	4.3%
Management fee for vessel operation	558,940	1.2%	1,225,234	1.7%	560,959	0.7%	189,913	1.2%	—	—
Others	2,445,467	5.1%	774,425	1.1%	669,328	0.9%	399,165	2.6%	80,740	0.4%
Total	**48,262,552**	**100.0%**	**70,533,203**	**100.0%**	**76,166,041**	**100.0%**	**15,637,865**	**100.0%**	**21,367,623**	**100.0%**

Vessel operational expenses. Vessel operational expenses comprise expenses for bunker fuel, lube oil, spare parts, repair and maintenance and equipment and supplies, each in relation to the operation of vessels used in our shipping business. The following table sets forth the breakdown of vessel operational expenses and each item as a percentage of our total cost of revenues, respectively, for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Years Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
	(US$ except percentages)									
Vessel Operational Expenses										
Bunker and port expenses	11,340,51	23.5%	23,573,37	33.4%	18,868,24	24.8%	4,173,29	26.7%	4,391,30	20.6%
Vessel equipment and supplies	1,793,98	3.7%	1,444,36	2.0%	1,041,15	1.4%	329,11	2.1%	367,01	1.7%
Lubricants	2,174,77	4.5%	2,413,79	3.4%	1,602,11	2.1%	324,63	2.1%	568,91	2.7%
Repair and maintenance and spare-parts	2,544,07	5.3%	4,390,85	6.2%	2,569,12	3.4%	159,63	1.0%	1,142,00	5.3%
Ship surveys and certification	1,157,20	2.4%	964,07	1.4%	1,058,41	1.4%	215,76	1.4%	253,04	1.2%
Brokerage commissions	-	—	665,92	0.9%	905,45	1.2%	-	—	-	—
Water	392,13	0.8%	427,34	0.6%	287,29	0.4%	53,29	0.3%	83,52	0.4%
Employee travel expenses	457,70	0.9%	283,44	0.4%	360,60	0.5%	41,09	0.3%	83,60	0.4%
Radio communication expenses	272,20	0.6%	278,63	0.4%	302,94	0.4%	101,80	0.7%	82,38	0.4%
Others	1,663,80	3.4%	2,033,43	2.9%	1,186,11	1.6%	305,45	2.0	388,80	1.8

	Years Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
								%		%
Total	**21,796,4**	**45.2 %**	**36,475,2**	**51.7%**	**28,181,4**	**37.0%**	**5,704,0**	**36.5 %**	**7,360,6**	**34.4 %**

Shipbuilding expenses. Shipbuilding expenses comprise the expenses for the purchase and import of raw materials including steel, labor for our shipbuilding crew and the original parts including engines, each in relation to the shipbuilding activities in our shipyard business.

Depreciation. Depreciation comprises depreciation of our vessels, offices, buildings, cars, equipment, shipyard facilities, each used in connection with our shipping and/or shipyard businesses, using the straight-line method over their estimated useful lives.

Salaries and allowances. Salaries and allowance comprise salaries and allowances for our marine crew which serves as staffing for vessels used in our shipping business.

Vessel rental expenses. Vessel rental expenses comprise expenses incurred to charter-in vessels from third parties or related parties to serve as substitutes when our vessels are dry docking or to charter out to our customers when we do not have sufficient vessels in our fleet to meet customer demand.

Docking. Docking comprises amortized docking expenses for the vessels used in our shipping business.

Insurance. Insurance comprises insurance premiums paid for policies covering vessels used in our shipping business and vessels under construction in connection with our shipyard business.

Management fee for vessel operation. Management fee for vessel operation comprises fees paid to third party management firms and our related parties, PT Equator Maritime and PT Vektor who advise us on maintenance schedules for vessels used in our shipping business.

Others. Other cost of revenue primarily comprises expenses for use of tug boats to bring our vessels to harbor, cleaning of our vessels, construction of barges for use at our shipyard and fees paid to a third party who provided repair services for one of our vessels that experienced technical difficulties while at sea.

Gross Profit

Our gross profit comprises total revenue less cost of revenue. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our gross profit was US$23.1 million, US$35.9 million, US$51.3 million, US$10.6 million and US$12.6 million, respectively, representing 32.4%, 33.7%, 40.3%, 40.3% and 37.1% of our total revenue in the same periods.

Operating Expenses

The following tables set forth the breakdown of our operating expenses and each item as a percentage of our operating expenses for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Years Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
Operating expenses										
Salaries and allowances	1,744,128	31.6%	2,098,283	31.4%	2,525,969	37.7%	447,244	40.5%	569,802	33.7%
Travel expense	418,057	7.6%	600,879	9.0%	648,242	9.7%	145,185	13.1%	172,598	10.2%
Bank administration	—	—	825,786	12.3%	508,602	7.6%	78,097	7.1%	117,972	7.0%
Depreciation	308,209	5.6%	335,053	5.0%	392,315	5.9%	96,380	8.7%	287,624	17.0%
Allowance for impairment of trade receivables	—	—	477,711	7.1%	312,240	4.7%	—	—	—	—
Electricity, water and telecommunications	369,032	6.7%	327,133	4.9%	310,630	4.6%	70,522	6.4%	72,003	4.3%
Professional fees	324,643	5.9%	356,829	5.3%	307,014	4.6%	—	—	—	—
Office supplies	—	—	72,182	1.1%	299,823	4.5%	18,274	1.7%	123,263	7.3%
Repair and maintenance	177,965	3.2%	216,809	3.2%	276,179	4.1%	58,960	5.3%	47,582	2.8%
Entertainment and donation	164,057	3.0%	400,514	6.0%	266,095	4.0%	42,364	3.8%	111,457	6.6%
Insurance	—	—	207,541	3.1%	223,999	3.3%	50,338	4.6%	50,570	3.0%
License and tax	335,954	6.1%	231,894	3.5%	143,031	2.1%	46,372	4.2%	10,710	0.6%
Employee benefits	285,160	5.2%	128,021	1.9%	89,481	1.3%	22,370	2.0%	40,111	2.4%
Others	1,393,503	25.2%	413,967	6.2%	389,820	5.8%	29,252	2.6%	88,926	5.3%
Total	**5,520,708**	**100.0%**	**6,692,605**	**100.0%**	**6,693,440**	**100.0%**	**1,105,358**	**100.0%**	**1,692,618**	**100.0%**

Salaries and allowances. Salaries and allowance comprise salaries and allowance for our management and our permanent and temporary employees in our offices in Indonesia including our operating, finance, human resources and other staff and does not include salaries and allowance for our marine or shipbuilding crews.

Travel expenses. Travel expenses comprise travel and accommodation expenses for business trips.

Bank administration. Bank administration comprises administrative fees charged by banks, including funds transfer fees charged for electronic wire transfers sent and received and account maintenance fees.

Depreciation. Depreciation comprises depreciation for our cars, office, furniture, computers and software other than in connection with our shipping and shipyard businesses, using the straight-line method over their estimated useful lives.

Allowance for impairment of trade receivables. Allowance for impairment of trade receivables comprises recognition of impairment for trade receivables we have determined were uncollectible.

Electricity, water and telecommunications. Energy, water and telecommunications comprises electricity, water and telecommunications expenses for our offices in Indonesia.

Professional fees. Professional fees comprises fees paid to our auditors, lawyers, actuaries and other advisors.

Office supplies. Office supplies comprises miscellaneous office supplies for our offices in Indonesia.

Repair and maintenance. Repair and maintenance comprises payments to third party contractors for repair and maintenance of our offices in Indonesia.

Entertainment and donation. Entertainment and donation comprises meals and entertainment expenses in relation to our business development activities and donations to local community nonprofit organizations.

Insurance. Insurance comprises insurance premiums paid on our offices and vehicles other than in connection with our shipping and shipyard businesses.

License and tax. License and tax comprise fees to obtain and renew operating permits and licenses to carry on our businesses and taxes other than corporate income tax.

Employee benefits. Employee benefits comprise actuarial computation of post-employment benefits which is calculated in a manner prescribed under the Indonesian Manpower Law.

Others. Other operating expenses comprise expenses relating to advertisement for job postings, membership fees paid to the Indonesia National Shipowners Association and the Indonesia Shipbuilding Association, and seminar fees incurred for the training of our employees.

Income from Operations

Our income from operations comprises net revenues less cost of revenue and operating expenses. For the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015, our income from operations was US$17.6 million, US$29.2 million, US$44.6 million, US$9.5 million and US$10.9 million, respectively, representing 24.7%, 27.4%, 35.0%, 36.1% and 32.1% of our total revenue in the same periods.

Other Income (Expenses)

The following tables set forth the breakdown of our other income and expenses and each item as a percentage of our operating expenses for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
	(US$ except percentages)									
Gain (loss) of foreign exchange — net	3,480,129	63.0%	14,585,266	217.9%	1,392,537	20.8%	(3,956,799)	(358.0)	2,980,122	176.1
Finance income	18,601	0.3%	11,101	0.2%	32,751	0.5%	1,788	0.2	10,673	0.6
Finance costs	(8,895,041)	(161.1%)	(9,606,422)	(143.5%)	(9,638,409)	(144.0%)	(2,596,442)	(234.9)	(1,704,615)	(100.7)
Gain (Loss) on disposals of fixed assets and impairment of non-current assets held for	(743,659)	(13.5%)	(4,161,654)	(62.2%)	(1,246,035)	(18.6%)	—	—	2,876	0.2

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
sale										
Others — net	(167,555)	(3.0%)	249,719	3.7%	49,761	0.7%	(10,768)	(1.0)	28,965	1.7
Other income (Expenses)	**(6,307,525)**	**(114.3%)**	**1,078,005**	**16.1%**	**(9,409,395)**	**(140.6%)**	**(6,562,221)**	**(593.7%)**	**1,318,021**	**77.9%**

Gain of foreign exchange net. Gain of foreign exchange comprises translation gains and losses on our monetary assets and liabilities denominated in Rupiah.

Finance income. Finance income primarily comprises interest income on time deposits.

Finance costs. Finance costs primarily comprise interest and loan provision expenses relating to our bank loans.

Loss on disposal of fixed assets and impairment of non-current assets held for sale. Loss on disposal of fixed assets and impairment of non-current assets held for sale comprises losses upon sale or disposal of vessels.

Others — net. Others — net primarily comprises income from rental of space in our shipyard and expenses for late payment penalties for bunker.

Income Tax Benefit (Expenses)

Our income tax benefit (expenses) comprise final, current and deferred tax benefits and/or expenses. Our revenues from shipping operations are subject to final income tax computed at 1.2% of the revenues and related costs and expenses are considered non-deductible for income tax purposes. Our tax expenses from our shipping operations are reflected as final tax benefit (expenses). Revenues from our other operations, including shipyard operations, are subject to corporate income tax computed at 25.0% of income before income tax benefit (expense). We derive deferred tax benefits for periods in which we sustain losses from our shipyard operations, which amount to 25.0% of the losses sustained for the respective period. We sustained losses in our shipyard operations for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2015, and recorded a deferred tax benefit of US$87,633,0 US$1.1 million and US$0.3 million, respectively, portions of which were used to offset income tax expense for our shipyard operations for the year ended December 31, 2014 and the three months ended March 31, 2014.

The following table shows the breakdown of our income tax expenses and each item as a percentage of our total income tax expense for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
Final	(855,090)	110.3%	(1,082,557)	42,270.9%	(1,214,966)	61.8%	(283,436)	27.9%	(328,164)	17,586.5%
Current	(7,855)	1.0%	(9,586)	374.3%	(31,373)	1.6%	(7,860)	0.8	(1,877)	100.6%
Deferred	87,633	(11.3%)	1,089,582	(42,545.2%)	(720,521)	36.6%	(725,130)	71.3	328,175	(17,587.1%)
Total	**(775,312)**	**100.0%**	**(2,561)**	**100.0%**	**(1,966,860)**	**100.0%**	**(1,016,426)**	**100.0%**	**(1,866)**	**100.0%**

Results of Operations

The following table sets forth selected consolidated income statement data of the Company expressed as a percentage net revenue for the periods indicated.

	For the Years Ended December 31,						For the Three Months Ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
Net revenues	71,391,473	100.0%	106,404,574	100.0%	127,477,386	100.0%	26,212,208	100.0%	33,954,116	100.0%
Cost of revenues	48,262,552	67.6%	70,533,203	66.3%	76,166,041	59.7%	15,637,865	59.7%	21,367,623	62.9%
Gross profit	23,128,921	32.4%	35,871,371	33.7%	51,311,345	40.3%	10,574,343	40.3%	12,586,493	37.1%
Operating expenses	5,520,708	7.7%	6,692,605	6.3%	6,693,440	5.3%	1,105,358	4.2%	1,692,618	5.0%
Income from operations	17,608,213	24.7%	29,178,766	27.4%	44,617,905	35.0%	9,468,985	36.1%	10,893,875	32.1%
Other income (Expenses)										
Gain of foreign exchange — net	3,480,129	4.9%	14,585,266	13.7%	1,392,537	1.1%	(3,956,799)	(15.1%)	2,980,122	8.8%
Finance income	18,601	0.0%	11,101	0.0%	32,751	0.0%	1,788	0.0%	10,673	0.0%
Finance costs	(8,895,041)	(12.5%)	(9,606,422)	(9.0%)	(9,638,409)	(7.6%)	(2,596,442)	(9.9%)	(1,704,615)	(5.0%)
Loss on disposal of fixed assets and impairment of non-current asset held for sale	(743,659)	(1.0%)	(4,161,654)	(3.9%)	(1,246,035)	(1.0%)	—	—	2,876	0.0%
Others — net	(167,555)	(0.2%)	249,714	0.2%	49,761	0.0%	(10,768)	0.0%	28,965	0.1%
Other income (Expenses) — net	(6,307,525)	(8.8%)	1,078,005	1.0%	(9,409,395)	(7.5%)	(6,562,221)	(25.0%)	1,318,021	3.9%
Income before income tax benefit (expense)	11,300,688	15.9%	30,256,771	28.4%	35,208,510	27.5%	2,906,764	11.1%	12,211,896	28.2%
Income tax benefit (expense)										
Final	(855,090)	(1.2%)	(1,082,557)	(1.0%)	(1,214,966)	(1.0%)	(283,436)	(1.1%)	(328,164)	(1.0%)
Current	(7,855)	0.0%	(9,586)	0.0%	(31,373)	0.0%	(7,860)	0.0%	(1,877)	0.0%
Deferred	87,633	0.1%	1,089,582	1.0%	(720,521)	(0.6)%	(725,130)	(2.8%)	328,175	1.0%
Income Tax Expense — net	(775,312)	(1.1%)	(2,561)	0.0%	(1,966,860)	(1.6%)	(1,016,426)	(3.9%)	(1,866)	0.0%
Income for the year	3,658,313	14.8%	30,254,210	28.4%	33,241,650	25.9%	1,890,338	7.2%	12,210,030	28.2%
Other comprehensive income	—		—		—		—	—	(121,393)	(0.4%)
Total comprehensive income for the year	3,658,313	14.8%	30,254,210	28.4%	33,241,650	25.9%	1,890,338	7.2%	12,088,637	27.8%

Three Months Ended March 31, 2015 compared to Three Months Ended March 31, 2014

Net Revenues. Net revenues increased by 29.6% to US$34.0 million in the three months ended March 31, 2015 from US$26.2 million in the three months ended March 31, 2014, as a result of an increase in net revenue from both shipping services and shipyard services.

Shipping services. Net revenues from shipping services increased by 15.7% to US$27.6 million in the three months ended March 31, 2015 from US$23.9 million in the three months ended March 31, 2014, primarily as a result of:

- a 12.2% increase in time charter revenue (including time charter revenue from related parties) to US$20.1 million from US$17.9 million; and
- a 26.3% increase in spot charter revenue to US$7.5 million from US$6.0 million.

The increase in our time charter revenue was mainly attributable to the full utilization of one of our VLCCs in the three months ended March 31, 2015 as compared to the three months ended March 31, 2014, where the same VLCC was dry docked, two additional time charters that were entered into over two Medium Range vessels that we chartered-in from our related parties as compared to 2014, and the full utilization of an Aframax vessel that we acquired at the end of 2014 in the three months ended March 31, 2015. These increases were partially offset by a decrease in revenue due to the sale of an Aframax vessel and a Medium Range vessel at the end of 2014, and the dry docking of a Medium Range vessel and two General Purpose vessels and repair and maintenance work required for an Aframax vessel and a General Purpose vessel in the three months ended March 31, 2015.

The increase in our spot charter revenue was mainly attributable to the addition of an Aframax vessel to our fleet at the end of 2014 that we leased in the spot market upon taking delivery pending entry into time charter contracts and an additional spot charter that was entered into over a third party vessel that we chartered-in as compared to the three months ended March 31, 2014. These increases were partially offset by a decrease in revenue due to the dry docking of one of our VLCCs and two of our General Purpose vessels, which were all deployed under spot charter contracts in the three months ended March 31, 2014.

Shipyard services. Net revenues from shipyard services (including shipyard services revenue from related parties) increased by 172.1% to US$6.3 million in the three months ended March 31, 2015 from US$2.3 million in the three months ended March 31, 2014, primarily as a result of:

- the commencement of four newbuild projects in the third quarter of 2014, comprising of two 17,500 DWT oil tankers for Pertamina and one 4,000 DWT self-propelled oil barge for PT Sejahtera Bahari Abadi and one 3,500 DWT oil tanker for PT Lautan Pasifik Sejahtera, a related party, for which we were able to recognize US$4.0 million in revenue based on the percentage of completion of these projects in the three months ended March 31, 2015; and
- progress in the construction of the 17,500 DWT oil tanker for Pertamina that commenced construction in September 2013, for which we were able to recognize US$2.4 million in revenue based on the percentage of completion of this newbuild in the three months ended March 31, 2015.

Cost of Revenues*.* Cost of revenues increased by 36.6% to US$21.4 million in the three months ended March 31, 2015 from US$15.6 million in the three months ended March 31, 2014, primarily as a result of:

- a 29.0% increase in vessel operational expenses to US$7.4 million from US$5.7 million, which was mainly attributable to (i) an increase in bunker and port expenses that was due to two additional vessels in our fleet as compared to the three months ended March 31, 2014, (ii) an increase in lubricant expenses that resulted from the need to refill the lubricants required for both our VLCCs and (iii) an increase in repair and maintenance and spare-parts expenses that was attributable to repairs for an Aframax vessel that had a leaking tank;
- a 169.5% increase in shipbuilding expenses to US$5.0 million from US$1.8 million, which was mainly attributable to the increase in percentage of completion of the four newbuild projects that commenced construction in the third quarter of 2014 and the increase in the percentage of completion of the 17,500 DWT oil tanker for Pertamina that commenced construction in September 2013;
- a 109.1% increase in vessel rental expenses to US$2.2 million from US$1.0 million, which was mainly attributable to the two related party Medium Range vessels that we chartered-in to fill customer demand in the time charter market and the third party Medium Range vessel that we chartered-in to replace a chartered-in third party Aframax vessel that we deployed in the spot charter market;
- a 11.6% increase in salaries and allowances to US$1.8 million from US$1.6 million, which was mainly attributable to the additional operational staff we hired for the vessels that we acquired at the end of 2014 and in the three months ended March 31, 2015; and
- a 20.7% increase in insurance expenses to US$0.9 million from US$0.8 million, which was mainly attributable to insurance taken up for the two General Purpose vessels that we acquired in the three months ended March 31, 2015 and the two Aframax vessels that we acquired at the end of 2014 and war risk insurance taken up for our VLCC that traveled to areas in the Middle East, that was partially offset by yearly decreases in insurance premiums resulting from the increased age of our respective vessels and decreases in insurance premiums due to the sale of an Aframax vessel and a Medium Range vessel at the end of 2014;

which were partially offset by:

- a 4.3% decrease in depreciation expenses to US$2.9 million from US$3.1 million, which was mainly attributable to a disposal of one Medium Range vessel at the end of 2014 (no depreciation expenses were recorded for the Aframax vessel that we sold at the end of 2014 as it was classified as an asset held for sale at the end of 2013, at which point we stopped recording depreciation expenses for the same) and the full depreciation of six of our General Purpose vessels in 2014, that was partially offset by increases in depreciation from two Aframax vessels that we acquired at the end of 2014 and the two General Purpose vessels that we acquired in the three months ended March 31, 2015; and

- a 79.8% decrease in other expenses to US$80,740.0 from US$0.4 million, which was mainly attributable to the non-recurring fees paid to a third party in the three months ended March 31, 2014, who provided repair services for one of our Aframax vessels that experienced technical difficulties while at sea.

Gross profit. As a result of the foregoing, gross profit increased by 19.1% to US$12.6 million in the three months ended March 31, 2015, representing a gross profit margin of 37.1%, from US$10.6 million in the three months ended March 31, 2014, representing a gross profit margin of 40.3%.

Operating Expense. Operating expense increased by 53.1% to US$1.7 million in the three months ended March 31, 2015 from US$1.1 million from the three months ended March 31, 2014, primarily as a result of:

- the 27.4% increase in salaries and allowances to US$0.6 million from US$0.4 million, which was mainly attributable to increases in salaries and the hiring of additional staff and foreign technical managers;
- the 18.9% increase in travel expenses to US$172,598.0 from US$145,185.0, which was mainly attributable to increased traveling made by staff to perform work relating to our shipyard;
- the 198.4% increase in depreciation to US$287,624.0 from US$96,380.0, which was mainly attributable to us beginning to record depreciation of our shipyard facilities in the three months ended March 31, 2015 and increases in the number of corporate vehicles that we depreciate on a straight-line basis;
- the 574.5% increase in office supplies to US$123,263.0 from US$18,274.0, which was mainly attributable to purchases of electrical office equipment, such as lamps and cables, that was required for the renovation of our offices in the three months ended March 31, 2015;
- the 51.1% increase in bank administration expenses to US$117,972.0 from US$78,097.0, which was mainly attributable to additional bank loans we took in the three months ended March 31, 2015 as compared to the three months ended March 31, 2014;
- the 163.1% increase in entertainment and donation expenses to US$111,457.0 from US$42,364.0, which was mainly attributable to donations made to the local communities in proximity of our shipyard; and
- the 204.0% increase in other expenses to US$88,926.0 from US$29,252.0, which was mainly attributable to expenses relating social events organized for our employees following the successful initial public offering of our Company’s shares;

which were partially offset by:

- the 19.3% decrease in repair and maintenance to US$47,582.0 from US$58,960.0, which was mainly attributable to less repair and maintenance work required by our corporate vehicles in the three months ended March 31, 2015 as compared to the three months ended March 31, 2014; and
- the 76.9% decrease in license and tax expenses to US$10,710.0 from US$46,372.0, which was mainly attributable to lower expenses relating to tenders and business licenses as fewer tenders were submitted in the three months ended March 31, 2015 and more of our business licenses were renewed in the three months ended March 31, 2014.

Income from Operations. As a result of the foregoing, income from operations increased by 15.1% to US$10.9 million in the three months ended March 31, 2015 from US$9.5 million in the three months ended March 31, 2014.

Other Income (Expenses). Other income was US$1.3 million in the three months ended March 31, 2015 as compared to other expenses of US$6.6 million in the three months ended March 31, 2014, primarily due to the increase in our gain on foreign exchange — net to US$3.0 million from US$(4.0) million, which was mainly attributable to a greater appreciation of the U.S. dollar against the Rupiah in the three months ended March 31, 2015.

Income Before Income Tax Benefit (Expense). As a result of the foregoing, income before income tax benefit (expense) increased to US$12.2 million in the three months ended March 31, 2015 from US$2.9 million in the three months ended March 31, 2014.

Income tax benefit (expense). Our income tax expense was US$1,866 in the three months ended March 31, 2015 as compared to US$1.0 million in the three months ended March 31, 2014 primarily due to an appreciation of the U.S. dollar against the Rupiah in the three months ended March 31, 2015, which resulted in us recording a loss over our shipyard operations for that period as the financial accounts of our shipyard business for tax purposes are reflected in Rupiah, as compared to a strengthening of the Rupiah against the U.S. dollar in the three months ended March 31, 2014, which resulted in us recording a profit over our shipyard operations for that period.

Total income. As a result of the foregoing, our total income increased to US$12.2 million in the three months ended March 31, 2015 from US$1.9 million in the three months ended March 31, 2014.

Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Net Revenues. Net revenues increased by 19.8% to US$127.5 million in the year ended December 31, 2014 from US$106.4 million in the year ended December 31, 2013, as a result of an increase in net revenue from both shipping services and shipyard services.

Shipping services. Net revenues from shipping services increased by 4.8% to US$107.4 million in the year ended December 31, 2014 from US$102.5 million in the year ended December 31, 2013, primarily as a result of:

- a 5.8% increase in time charter revenue (including time charter revenue from related parties) to US$65.3 million from US$61.7 million; and
- a 3.2% increase in spot charter revenue to US$42.1 million from US$40.8 million.

The increase in our time charter revenue was mainly attributable to the full utilization in 2014 of an Aframax vessel that we acquired in the middle of 2013, as compared to the full utilization of the same vessel for only the remaining period of 2013 after the vessel was purchased, three additional time charters that were entered into over two related party Medium Range vessels and a third party Aframax vessel that we chartered-in as compared to 2013, the reallocation of a Medium Range vessel from the spot to the time charter market, and the increase in charter rates for two General Purpose vessels under new time charter contracts. These increases were partially offset by a decrease in revenue due to the sale of an Aframax vessel in at the end of 2013.

The increase in our spot charter revenue was mainly attributable to an increase in the number of spot charters in 2014 as compared to 2013, the addition of two Aframax vessels to our fleet in 2014 that we chartered in the spot market upon taking delivery pending entry into time charter contracts and the reallocation of two General Purpose vessels and a VLCC from the time charter to the spot charter market. These increases were partially offset by a decrease in revenue due to the dry docking of five General Purpose vessels and a decrease in revenue due to the reallocation of a Medium Range vessel from the spot to the time charter market.

Shipyard services. Net revenues from shipyard services (including shipyard services revenue from related parties) increased by 414.3% to US$20.1 million in the year ended December 31, 2014 from US$3.9 million in the year ended December 31, 2013, primarily as a result of:

- the commencement of four newbuild projects in the third quarter of 2014, comprising two 17,500 DWT oil tankers for Pertamina and one 4,000 DWT self-propelled oil barge for PT Sejahtera Bahari Abadi and one 3,500 DWT oil tanker for PT Lautan Pasifik Sejahtera, a related party, for which we were able to recognize US$10.2 million in revenue based on the percentage of completion of these projects in 2014; and
- progress in the construction of the 17,500 DWT oil tanker for Pertamina that commenced construction in September 2013, for which we were able to recognize US$9.6 million in revenue based on the percentage of completion of this newbuild in 2014.

Cost of Revenues. Cost of revenues increased by 8.0% to US$76.2 million in the year ended December 31, 2014 from US$70.5 million in the year ended December 31, 2013, primarily as a result of:

- a 445.5% increase in shipbuilding expenses to US$15.6 million from US$2.9 million, which was mainly attributable to the commencement of the four newbuild projects in the third quarter of 2014 and the increase in percentage of completion of the 17,500 DWT oil tanker for Pertamina that commenced construction in September 2013;
- a 61.6% increase in vessel rental expenses to US$5.5 million from US$3.4 million, which was mainly attributable to the two related party Medium Range vessels that we chartered-in to fill customer demand in the spot market, that was partially offset by a reduction in vessel rental expense as we replaced a chartered-in third party VLCC that we used in a time charter contract with Pertamina with a VLCC that we acquired at the end of 2013; and

- a 21.5% increase in docking expenses to US$4.6 million from US$3.8 million, which was mainly attributable to docking expenses for our VLCC that was dry docked in 2014;

which were partially offset by:

- a 22.7% decrease in vessel operational expenses to US$28.2 million from US$36.5 million, which was mainly attributable to (i) a decrease in bunker and port expenses that resulted from lower bunker prices in 2014 as compared to 2013 and lower bunker and port expenses due to the appreciation of the U.S. dollar, which is our functional currency and the currency in which we receive our shipping and shipyard revenues, against the Rupiah, which is the currency in which we pay a substantial portion of our bunker and port expenses and (ii) a decrease in repair and maintenance expenses as our vessels required more extensive repairs in 2013 as compared to 2014;
- a 3.6% decrease in depreciation expenses to US$10.6 million from US$11.1 million, which was mainly attributable to a disposal of an Aframax vessel in 2014 and the full deprecation of three of our General Purpose vessels in 2013, that was partially offset by increases in depreciation from two Aframax vessels that we acquired in 2014 and the VLCC that we acquired at the end of 2013;
- a 4.5% decrease in salaries and allowances to US$6.9 million from US$7.3 million, which was mainly attributable to an appreciation of the U.S. dollar, which is our functional currency and the currency in which we receive our shipping and shipyard revenues, against the Rupiah, which is the currency in which we pay our employees' salaries and allowances;
- a 6.2% decrease in insurance expenses to US$3.5 million from US$3.7 million, which was mainly attributable to us not having to pay insurance for an Aframax vessel that we sold in 2014, that was partially offset by additional insurance expense for our VLCC that we purchased at the end of 2013; and
- a 54.2% decrease in management fees for vessel operations to US$0.6 million from US$1.2 million, which was mainly attributable to our termination of vessel management services provided by a third party vessel management service provider for two General Purpose vessels and one Aframax vessel in June 2013, a third party vessel management service provider for our VLCC in September 2013, and PT Vektor Maritim and PT Equator Maritim for five General Purpose vessels in September 2014, and us managing those vessels ourselves.

Gross profit. As a result of the foregoing, gross profit increased by 43.0% to US$51.3 million in the year ended December 31, 2014, representing a gross profit margin of 40.3%, from US$35.9 million in the year ended December 31, 2013, representing a gross profit margin of 33.7%.

Operating Expense. There was no substantial change in operating expense between the years ended December 31, 2014 and 2013, and operating expense for both years were US$6.7 million, primarily because:

- the 20.4% increase in salaries and allowances to US$2.5 million from US$2.1 million, which was mainly attributable to increases in salaries and the hiring of additional staff and foreign technical managers;
- the 7.9% increase in travel expenses to US$0.7 million from US$0.6 million, which was mainly attributable to increased traveling made by staff to perform work relating to our shipyard;
- the 17.1% increase in depreciation to US$392,315.0 from US$335,053.0, which was mainly attributable to the increase in the number of corporate vehicles that we depreciate on a straight-line basis;
- the 315.4% increase in office supplies to US$0.3 million from US$72,185.0, which was mainly attributable to purchases of electrical office equipment, such as lamps and cables that was required for the renovation of our offices in 2014;
- the 27.4% increase in repair and maintenance to US$276,179.0 from US$216,809.0, which was mainly attributable to office renovation works that was performed in 2014; and
- the 7.9% increase in insurance to US$223,999.0 from US$207,541.0, which was mainly attributable to the purchase of insurance for the corporate vehicles that were bought in 2014 and for construction insurance for our shipyard;

which were partially offset by:

- the 38.4% decrease in bank administration expenses to US$0.5 million from US$0.8 million, which was mainly attributable to the larger number of loans we took in 2013 as compared to 2014;
- the 34.6% decrease in allowance for impairment of trade receivables to US$312,240.0 from US$477,711.0, which was mainly attributable to the write-off of a trade receivable from Pertamina

that related to insurance charges for war risk insurance that we took up for a Pertamina chartered VLCC that traveled to areas in the Middle East;

- the 14.0% decrease in professional fees to US$307,014.0 from US$356,829.0, which was mainly attributable to higher audit fees that were incurred in preparation of the initial public offering of our Company's shares in 2013;
- the 33.6% decrease in entertainment and donation expenses to US$266,095.0 from US$400,514.0, which was mainly attributable to donations made in 2013 for scholarships for further education of our crew and for the construction of the Tzu Chi Building, a building used to house a charitable foundation; and
- the 38.3% decrease in license and tax expenses to US$143,031.0 from US$231,894.0, which was mainly attributable to lower expenses relating to tenders and business licenses as less tenders were submitted in 2014 and more of our business licenses were renewed in 2013.

Income from Operations. As a result of the foregoing, income from operations increased by 52.9% to US$44.6 million in the year ended December 31, 2014 from US$29.2 million in the year ended December 31, 2013.

Other Income (Expenses). Other expenses was US$9.4 million in the year ended December 31, 2014 as compared to other income of US$1.1 million in the year ended December 31, 2013, primarily due to the decrease in our gain on foreign exchange — net to US$1.4 million in 2014 from US$14.6 million in 2013, which was mainly attributable to a greater appreciation of the U.S. dollar against the Rupiah in 2013 as compared to 2014. The decrease in our gain on foreign exchange-net was partially offset by a decrease in the loss on disposal of fixed assets and impairment of non-current assets held for sale to US$1.2 million from US$4.2 million, which was mainly attributable to a greater loss on disposal we sustained over the sale of an Aframax vessel in 2013 as compared to the loss on disposal we sustained over the sale of a Medium Range vessel in 2014.

Income Before Income Tax Benefit (Expense). As a result of the foregoing, income before income tax benefit (expense) increased to US$35.2 million in the year ended December 31, 2014 from US$30.3 million in the year ended December 31, 2013.

Income tax benefit (expense). Our income tax expense was US$2.0 million in the year ended December 31, 2014 as compared to US$2,561.0 in the year ended December 31, 2013, primarily due to our shipyard operations becoming profitable in 2014 as compared to 2013 where we sustained a loss.

Total income. As a result of the foregoing, our total income increased to US$33.2 million in the year ended December 31, 2014 from US$30.3 million in the year ended December 31, 2013.

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Net Revenues. Net revenues increased by 49.0% to US$106.4 million in the year ended December 31, 2013 from US$71.4 million in the year ended December 31, 2012, as a result of an increase in net revenue from both shipping services and shipyard services.

Shipping services. Net revenues from shipping services increased by 44.5% to US$102.5 million in the year ended December 31, 2013 from US$70.9 million in the year ended December 31, 2012, primarily as a result of:

- a 16.9% increase in time charter revenue (including time charter revenue from related parties) to US$61.7 million from US$52.7 million; and
- a 124.5% increase in spot charter revenue to US$40.8 million from US$18.2 million.

The increase in our time charter revenue was attributable to the full utilization in 2013 of our oil tanker that was modified into a FSO in 2012, the full utilization in 2013 of seven of our General Purpose vessels that were dry docked in 2012, and the addition of an Aframax vessel and a Medium Range vessel to our fleet in June 2013. These increases were partially offset by a decrease in revenue due to the decrease in the utilization rates of an Aframax vessel in 2013 as we took the vessel off charter in preparation for sale and a decrease in revenue due to the reallocation of a General Purpose vessel from the time to the spot charter market.

The increase in our spot charter revenue was attributable to the addition of a General Purpose vessel to our fleet at the end of 2012 that was fully utilized over 2013, as compared to the full utilization of the same vessel for only the remaining period of 2012, the addition of a Medium Range vessel to our fleet in March 2013, an additional spot charter that was entered into over a third party VLCCs that we chartered-in, and the full utilization of the a General Purpose vessel over 2013 that we purchased in October 2012. These increases were partially offset by a decrease in revenue due to the dry docking of two General Purpose vessels for repair and maintenance and a decrease in revenue due to the disposal of a General Purpose vessel at the end of 2012.

Shipyard services. Net revenues from shipyard services (including shipyard services revenue from related parties) increased by 796.2% to US$3.9 million in the year ended December 31, 2013 from US$435,876 million in the year ended December 31, 2012, primarily as a result of the commencement of one newbuild project, a 17,500 DWT oil tanker for Pertamina, that began in the second quarter of 2013, for which we were able to recognize US$3.6 million in revenue based on the percentage of completion of the vessel.

Cost of Revenues. Cost of revenues increased by 46.1% to US$70.5 million in the year ended December 31, 2013 from US$48.3 million in the year ended December 31, 2012, primarily as a result of:

- US$2.9 million in shipbuilding expenses incurred in 2013, which was mainly attributable to the commencement of shipbuilding operations at our shipyard and construction of a 17,500 DWT oil tanker for Pertamina in 2013;
- a 969.8% increase in vessel rental expenses to US$3.4 million from US$316,933.0, which was mainly attributable to one third party VLCC that we chartered-in to fill customer demand in the spot market;
- a 67.3% increase in vessel operating expenses to US$36.5 million from US$21.8 million, which was mainly attributable to (i) an increase in bunker and port expenses that was due to an increase in the number of spot charters we had in 2013 as compared to 2012, where we were responsible for paying voyage expenses, including bunker and port expenses, which was partially offset by the appreciation of the U.S. dollar, which is our functional currency and the currency in which we receive our shipping and shipyard revenues, against the Rupiah, which is the currency in which we pay a substantial portion of our bunker and port expenses, (ii) an increase in repair and maintenance and spare-parts expenses that was attributable to the larger number and higher cost of the spare-parts required by our vessels in 2013 as compared to 2012, (iii) brokerage commissions that were attributable to us commencing the use of brokers for procuring vessel charters outside of Indonesia, and (iv) an increase in other expenses that was due to higher courier costs that we incurred to transport spare-parts to our vessels for their repair and maintenance;
- a 53.4% increase in salaries and allowances to US$7.3 million from US$4.7 million, which was mainly attributable to increased crew wages for new crew required for the VLCC, Aframax vessel and Medium Range vessel that we purchased in 2013, additional crew required for the Aframax vessel and two General Purpose vessels that we purchased in 2012 as their available days increased in 2013, and new crew required for the FSO that we modified from an oil tanker, for which modifications were completed at the end of 2012;

- a 119.2% increase in management fees for vessel operations to US$1.2 million from US$0.6 million, which was mainly attributable to management fees paid to a third party vessel management service provider for the management of vessels held by ABPL, that was partially offset by our termination of vessel management services provided by a third party vessel management service provider for two Aframax vessels, one General Purpose vessel and one Medium Range vessel in June 2013 and, a third party vessel management service provider for our VLCC in September 2013; and
- a 10.2% increase in docking expenses to US$3.8 million from US$3.5 million, which was mainly attributable to docking expenses for a Medium Range vessel that was dry docked in 2013 for repair and maintenance the sale of two General Purpose vessels in 2012 before they had to be dry docked, that contributed to lower docking expenses in 2012 as compared to 2013;

which were partially offset by:

- a 68.3% decrease in other cost of revenue to US$0.8 million from US$2.4 million, which was mainly attributable to a barge that we built for use in our shipyard that we recognized as a non-recurring expense.

Gross profit. As a result of the foregoing, gross profit increased by 55.1% to US$35.9 million in the year ended December 31, 2013, representing a gross profit margin of 33.7%, from US$23.1 million in the year ended December 31, 2012, representing a gross profit margin of 32.4%.

Operating Expense. Operating expense increased by 21.2% to US$6.7 million in the year ended December 31, 2013 from US$5.5 million in the year ended December 31, 2012, primarily due to:

- the 20.3% increase in salaries and allowances to US$2.1 million from US$1.7 million, which was mainly attributable to increases in salaries for our directors and commissioners;
- the 43.7% increase in travel expenses to US$0.6 million from US$0.4 million, which was mainly attributable to increased traveling made by staff due to perform work relating to the shipyard;
- the 8.7% increase in depreciation to US$335,053.0 from US$308,209.0, which was mainly attributable to the increase in the number of corporate vehicles that we depreciate on a straight-line basis;
- the 21.8% increase in repair and maintenance to US$216,809.0 from US$177,965.0, which was mainly attributable to office renovation works that was performed in 2013;
- the 144.1% increase in entertainment and donation expenses to US$400,514.0 from US$164,057.0, which was mainly attributable to donations made in 2013 for scholarships for further education of our crew and for the construction of the Tzu Chi Building; and
- the 9.9% increase in professional fees to US$356,829.0 from US$324,643.0, which was mainly attributable to higher audit fees that were incurred in preparation of the initial public offering of our Company's shares in 2013.

Income from Operations. As a result of the foregoing, income from operations increased by 65.7% to US$29.2 million in the year ended December 31, 2013 from US$17.6 million in the year ended December 31, 2012.

Other Income (Expenses). Other income was US$1.1 million in the year ended December 31, 2013 as compared to other expenses of US$6.3 million in the year ended December 31, 2012, primarily due to:

- the increase in our gain on foreign exchange — net to US$14.6 million from US$3.5 million, was mainly attributable to a greater appreciation of the U.S. dollar against the Rupiah in 2013 as compared to 2012, where we recognized such a gain when we repaid certain of our loans that were denominated in Rupiah; and
- the increase in others — net to US$249,714.0 from US$(167,555.0), which was main attributable to compensation we received for damages to our jetty caused by a third party vessel collision;

which were partially offset by:

- an increase in the loss on disposal of fixed assets and impairment of non-current assets held for sale to US$4.2 million from US$0.7 million, which was mainly attributable to a greater loss on disposal we sustained over the sale of our Aframax vessel in 2013 as compared to the loss on disposal we sustained over the sale of our three General Purpose vessels in 2012.

Income Before Income Tax Benefit (Expense). As a result of the foregoing, income before income tax benefit (expense) increased to US$30.3 million in the year ended December 31, 2013 from US$11.3 million in the year ended December 31, 2012.

Income tax benefit (expense). Our income tax benefit was US$2,561.0 in the year ended December 31, 2013 as compared to US$775,312.0 in the year ended December 31, 2012, primarily due to the deferred tax benefit which we derived from losses sustained over our shipyard operations in 2012, which we applied to offset our income tax expenses in 2013.

Total income. As a result of the foregoing, our total income increased to US$30.3 million in the year ended December 31, 2013 from US$3.7 million in the year ended December 31, 2012.

Liquidity and Capital Resources

We have principally used our cash flow from operations and cash from our debt facilities for the expansion of our fleet and the construction of our shipyard. Our main source of liquidity has been cash received from our customers and U.S. dollar and Rupiah-denominated bank loans.

As of December 31, 2012, 2013 and 2014 and March 31, 2015, our current liabilities exceeded our current assets by US$71.4 million, US$59.1 million, US$31.2 million and US$47.0 million, respectively. We operate in a capital intensive industry and frequently purchase vessels as part of our ongoing business operations. In addition, the construction of our shipyard has required a significant amount of capital. We typically fund our vessel acquisitions and have primarily funded the construction of our shipyard through cash flows from operating activities and medium to long-term debt, including bank loans and shareholder loans. Our negative working capital position has primarily resulted from substantial current maturities of our long-term bank loans and amounts due to related parties, which primarily represents amounts owed under shareholder loans. These shareholder loans are classified as current liabilities as they are payable on demand. As of December 31, 2012, 2013 and 2014 and March 31, 2015, our current maturity of long-term bank loans was US$27.4 million, US$31.9 million, US$38.2 million and US$36.9 million, respectively. We manage our negative working capital position primarily by refinancing our long-term loans as and when they come due and through our cash flow from operating activities.

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
		(US$)		(Unaudited) (US$)	
Cash Flows from Operating Activities					
Receipts from customers	67,717,419	95,498,527	130,306,642	27,340,411	27,516,203
Payment to Employees	(6,842,622)	(10,471,227)	(10,397,173)	(1,942,683)	(2,376,003)
Payments to Suppliers and Others	(41,584,965)	(50,773,399)	(59,677,669)	(11,966,244)	(23,730,524)
Receipt of Financing Income	18,601	11,101	32,751	1,788	10,673
Payment for:					
Financing Costs	(11,211,896)	(14,028,864)	(14,899,394)	(3,385,109)	(3,206,573)
Income Taxes	(2,482)	(11,605)	(11,667)	(2,233)	(1,336)
Net Cash Provided by Operating Activities	**8,094,055**	**20,224,533**	**45,353,490**	**10,045,930**	**(1,787,560)**
Cash Flows from Investing Activities					
Proceeds from Disposals of Fixed Assets and Non-Current Assets held for sale	833,219	21,456	11,195,598	—	83,520
Acquisition of Fixed Assets	(53,299,171)	(75,908,951)	(63,800,977)	(1,318,648)	(14,702,431)
Acquisition of Intangible Assets	(39,963)	(160,762)	(3,100)	(4,702)	—
Net Cash Used In Investing Activities	**(52,505,915)**	**(76,048,257)**	**(52,608,479)**	**(1,323,350)**	**(14,618,911)**
Cash Flows from Financing Activities					
Proceeds from Bank Loans	64,635,258	58,047,700	52,273,853	1,637,006	3,874,475
Proceeds from Initial Public Offering	—	—	45,801,714	—	—
Payment of Bank Loans	(24,478,476)	(28,691,863)	(60,814,656)	(6,549,475)	(8,080,231)
Receipt (payment) of Related Parties Loans — Net	(491,215)	828,702	(11,369,837)	(2,817,337)	13,214,820
Payment of Finance Lease and Consumer Financing Payables	(452,308)	(569,864)	(407,663)	(68,448)	(110,981)
Payment of Cash Dividend to Non-Controlling Interests — Net	(70,508)	—	—	—	—
Proceeds from Issuance of Additional Share Capital	5,927,419	25,336,982	—	—	—
Acquisition of Subsidiary — Net	(1,232,811)	(48,710)	—	—	—

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
		(US$)		(Unaudited) (US$)	
Net Cash Provided by Financing Activities	**43,837,359**	**54,902,947**	**25,483,411**	**(7,798,254)**	**8,898,083**
Net Increase (Decrease) in Cash and Cash Equivalents	**(574,501)**	**(920,777)**	**18,228,422**	**924,326**	**(7,508,388)**
Cash and Cash Equivalents at the Beginning of the Year	**2,431,820**	**1,857,319**	**936,542**	**936,542**	**19,164.964**
Cash and Cash Equivalents at the End of the Year	**1,857,319**	**936,542**	**19,164,964**	**1,860,868**	**11,656,576**

Net Cash Provided by Operating Activities

Net cash provided by operating activities consists of receipts from customers and receipts of financing income (which represents interest earned on bank deposits), net of payments to employees, payments to suppliers and others, payments for financing costs and payments for income taxes.

In the three months ended March 31, 2015, receipts from customers totaled US$27.5 million and receipts of financing income totaled US$10,673.0. After taking into account payments to employees totaling US$2.4 million, payments to suppliers and others totaling US$19.9 million, payments for financing costs totaling US$3.2 million and payments for income tax totaling US$1,336.0, our net cash provided by operating activities amounted to US$2.1 million in the three months ended March 31, 2015.

In the three months ended March 31, 2014, receipts from customers totaled US$27.3 million and receipts of financing income totaled US$1,788.0. After taking into account payments to employees totaling US$1.9 million, payments to suppliers and others totaling US$12.0 million, payments for financing costs totaling US$3.4 million and payments for income tax totaling US$2,233.0, our net cash provided by operating activities amounted to US$10.0 million in the three months ended March 31, 2014.

In 2014, receipts from customers totaled US$130.3 million and receipts of financing income totaled US$32,751.0. After taking into account payments to employees totaling US$10.4 million, payments to suppliers and others totaling US$59.7 million, payments for financing costs totaling US$14.9 million and payments for income tax totaling US$11,667.0, our net cash provided by operating activities amounted to US$45.4 million in 2014.

In 2013, receipts from customers totaled US$95.5 million and receipts of financing income totaled US$11,101. After taking into account payments to employees totaling US$10.5 million, payments to suppliers and others totaling US$50.8 million, payments for financing costs totaling US$14.0 million and payments for income tax totaling US$11,605.0, our net cash provided by operating activities amounted to US$20.2 million in 2013.

In 2012, receipts from customers totaled US$67.7 million and receipts of financing income totaled US$18,601.0. After taking into account payments to employees totaling US$6.8 million, payments to suppliers and others totaling US$41.6 million, payments for financing costs totaling US$11.2 million and payments for income tax totaling US$2,482.0, our net cash provided by operating activities amounted to US$8.1 million in 2012.

Net Cash Used in Investing Activities

Net cash used in investing activities consists primarily of proceeds of fixed assets and non-current assets held for sale offset by acquisitions of fixed assets and intangible assets.

Our net cash used in investing activities was US$14.7 million in the three months ended March 31, 2015, which primarily related to the acquisition of fixed assets of US$14.6 million, consisting of cash outflows related to the acquisition of two General Purpose vessels totaling US$12.1 million and the remainder for, among other things, the construction of our shipyard and the purchase of corporate vehicles.

Our net cash used in investing activities was US$1.3 million in the three months ended March 31, 2014, which primarily related to cash outflows for the construction of our shipyard.

Our net cash used in investing activities was US$52.6 million in the year ended December 31, 2014, which primarily related to the acquisition of fixed assets of US$63.8 million, mainly consisting of cash outflows related to the acquisition of two Aframax vessels totaling US$36.0 million and the remainder for, among other things, the construction of our shipyard and the purchase of machinery and equipment for our shipyard, which was partially offset by proceeds from the sale of a Medium Range vessel and an Aframax vessel totaling US$11.2 million.

Our net cash used in investing activities was US$76.0 million in the year ended December 31, 2013, which primarily related to the acquisition of fixed assets of US$75.9 million, mainly consisting of cash outflows related to the acquisition of a VLCC, an Aframax vessel and a Medium Range vessel totaling US$54.6 million and the remainder for, among other things, the construction of our shipyard.

Our net cash used in investing activities was US$52.5 million in the year ended December 31, 2012, which primarily related to the acquisition of fixed assets of US$53.3 million, mainly consisting of cash outflows related to the acquisition of an Aframax vessel, a General Purpose vessel, a Medium Range vessel and a barge totaling US$28.5 million and the remainder for, among other things, the construction of our shipyard, which was partially offset by proceeds from the sale of three General Purpose vessel totaling US$0.8 million.

Net Cash Provided by (used in) Financing Activities

Our net cash provided by financing activities was US$5.0 million in the three months ended March 31, 2015, primarily consisting of related party loans, partially offset by repayment of bank loans and payment of financial charges.

Our net cash used in financing activities was US$7.8 million in the three months ended March 31, 2014, primarily consisting of repayment of bank and related party loans and payment of financial charges, partially offset by withdrawal of bank loans.

Our net cash provided by financing activities was US$25.5 million in 2014, primarily consisting of borrowings under bank loans and proceeds from the initial public offering of our Company's shares, partially offset by repayments of bank loans and payment of financial charges.

Our net cash provided by financing activities was US$54.9 million in 2013, primarily consisting of proceeds from the subscription of additional shares in our Company by a number of the principal shareholders of our Company and withdrawal of bank loans, partially offset by repayments of bank loans and payment of financial charges.

Our net cash provided by financing activities was US$43.8 million in 2012, primarily consisting of borrowings under bank loans, partially offset by repayment of bank loans and shareholder loans and payment of financial charges.

Capital Expenditures

Our capital expenditures are categorized under (i) shipping, (ii) shipyard and (iii) others. Our capital expenditures for shipping primarily relate to the acquisition of vessels to replace retired vessels and expand our fleet and supplies for our vessels, which include global positioning systems, navigation and communication equipment and computer systems for vessel operations. Capital expenditures for our shipyard primarily relate to expenditures for land, the construction and development of buildings and facilities on our shipyard and shipyard machinery and equipment. Our other capital expenditures generally relate to the maintenance and repair of our office facilities and equipment. To fund this capital expenditure, we have relied primarily on cash flows from operations and bank borrowings under our existing credit facilities.

The following table sets forth our capital expenditures for the years ended December 31, 2012, 2013 and 2014:

	Year Ended December 31,		
	2012	2013	2014
		(US$)	
Shipping			
Vessels	28,446,258	54,571,088	36,029,490
Vessel supplies	216,893	171,704	154,082
Shipyard	31,465,314	29,066,512	35,644,392
Others	1,658,081	229,374	535,788

We plan to monitor customer demand and expand our fleet by acquiring additional vessels to meet forecasted customer demand. From time to time, we may also establish joint ventures or strategic partnerships that we believe will complement our business. Some of these vessel acquisitions or investments in joint ventures or strategic partnerships could be material. However, we currently do not have any committed capital expenditure and currently have no specific agreements with respect to any vessel acquisition or investment.

Contractual Obligations and Commitments

The following table sets forth our contractual obligations and commitments based on undiscounted contractual payments as of March 31, 2015:

	Payment Due by Period			
	Less Than 1 Year	1-5 Years	More than 5 Years	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(US$)		
Trade payables	8,804,901	—	—	8,804,901
Other payables	1,193,213	—	—	1,193,213
Accrued expenses	9,809,955	—	—	9,809,955
Short-term bank loans	16,014,411	—	—	16,014,411
Amounts due to related parties	17,140,723	—	—	17,140,723
Long-term loans	37,163,194	111,233,101	—	148,396,295
Total contractual obligations and commitments	**90,126,397**	**111,233,101**	**—**	**201,359,498**

Note:

(1) Total of current and non-current portion.

Contingent Liabilities

Our contingent liabilities consists of liabilities under bid bonds and performance bonds used in our shipping business and refund guarantees and warranty bonds used in our shipyard business.

For our shipping business, we typically are required to post a bid bond, amounting to 0.5% of the charter contract value, whenever we submit a bid for a tender for a charter contract. In the event we win a tender, but are unable to or elect not to proceed with performing the relevant charter contract, our prospective customer under the tender is entitled to enforce payment under the bid bond. However, if we win a tender and proceed to perform the relevant charter contract, our customer will release the bid bond and, save for Pertamina, we will then be required to post a performance bond, typically amounting to 3.0% of the charter contract value that will remain in place over the life of the charter contract. Our customer is entitled to enforce payment under the performance bond if we fail to fulfill our obligations under the charter contract. We typically obtain both the bid bonds and the performance bonds from facilities provided by Bank Mandiri and BCA. As of March 31, 2015, the aggregate value of our outstanding bid bonds and performance bonds amounted to Rp.36.1 billion.

For our shipyard business, we are required to provide refund guarantees to our customers of amounts equal to their payments made to us. As our shipyard customers generally make five scheduled payments to us, consisting of a payment of 20.0% of the contract price of the particular newbuild at each of the five stages of (i) contract signing, (ii) steel cutting, (iii) keel laying, (iv) launching and (v) delivery, after collection of the first 20.0% payment from a customer, we provide the same customer with the first refund guarantee of the same amount. Such refund guarantee is exchanged for a refund guarantee for a correspondingly higher amount each time the second, third and fourth payments are made to us. When the customer makes its last 20.0% payment when taking delivery of the newbuild, the refund guarantee for 80.0% of the contract price will be exchanged for a warranty bond, amounting to 3.0% of the contract price. In the event we fail to complete construction of the newbuild, the customer is entitled to enforce payment under the refund guarantee. After taking delivery of the newbuild, if the vessel does not perform as required under the newbuild contract within the first year of delivery, the customer is entitled to enforce payment under the warranty bond. We typically also obtain both the refund guarantees and warranty bonds from facilities provided by Bank Mandiri. As of March 31, 2015, the value of our outstanding refund guarantees amounted to US$18.5 million. We do not have any outstanding warranty bonds as we have yet to complete the construction of any newbuilds at our shipyard.

Off Balance Sheet Arrangements

Except for the contingent liabilities set forth above, as of March 31, 2015, we did not have any off-balance sheet arrangements with unconsolidated entities.

Reclassification of Certain Line Items of the Consolidated Statement of Financial Position as of December 31, 2014

We previously had a long-term bank loan from PT Bank International Indonesia Tbk ("BII") and were required to maintain an escrow account in BII. Prior to our full repayment of this long-term bank loan that was due in May 2015 in December 2014, the US$14,729 that was deposited in this escrow account was presented in our consolidated statement of financial position as “restricted cash.” Following such repayment, we reclassified such amounts in this escrow account to “cash and cash equivalents” in our consolidated statement of financial position as of March 31, 2015.

In addition, as of December 31, 2014, we viewed and accounted for our shipyard operations as one activity of the same nature and, consequently, recorded “estimated earnings in excess of billings on constructions contracts” and “billings in excess of estimated earnings on contracts” on an aggregate basis for our shipyard operations. However, as of March 31, 2015, we determined that accounting for the two aforementioned line items on a “per construction contract” basis would provide more detailed accounting information. As such, the balances of these two line items as of December 31, 2014 have been reclassified to conform to the presentation of the same in our consolidated statement of financial position as of March 31, 2015. See Note 36 to our consolidated financial statements included in this Updates.

The following tables sets forth the impact of the aforementioned reclassification on our consolidated statement of financial position as of December 31, 2014:

	As of the year ended December 31, 2014		
	As previously stated	Reclassification	As reclassified
		(US$)	
Current Assets			
Cash and cash equivalents	20,351,494	14,729	20,366,223
Restricted cash	404,627	(14,729)	389,898
Estimated earnings in excess of billings on contracts	—	1,986,813	1,986,813
Current Liability			
Billings in excess of estimated earnings on contracts	(6,252,504)	(1,986,813)	(8,239,317)

Quantitative and Qualitative Disclosures about Market Risks

Our business exposes us to a variety of financial risks, including changes in foreign exchange rates, credit risk and liquidity risk. The following discussion summarizes our exposure to foreign exchange rates, credit risk and liquidity risk and our policies to address these risks. The following discussion contains forward-looking statements that are subject to risks, uncertainties and assumptions about us. These statements are based upon current expectations and projections about future events. There are important factors that could cause our actual results and performance to differ materially from such forward-looking statements, including those risks discussed under "Risk Factors."

Liquidity Risk

We are subject to the risk that we will not have sufficient funds to meet our operating requirements and financial obligations when they fall due. We manage our liquidity risk by maintaining cash flows generated from our operations and ensuring the availability of credit facilities, managing credit terms and maintaining stringent collection policies.

Interest Risk

We operate in a capital intensive industry and frequently fund our operations through medium to long-term debt, including bank loans with floating interest rates. As a result, our results of operations may be affected by fluctuations in interest rates and the amount of our outstanding loans. We do not currently have any hedging arrangements or interest-rate swaps to adjust interest-rate risk exposures, but we may enter into such arrangements or swaps in the future in order to hedge our interest rate risk.

Although we expect the U.S. dollar to continue appreciating against the Rupiah, we are and also expect to continue to be subject to risk of fluctuations in the exchange rate between the U.S. dollar and the Rupiah. We currently do not engage in any formal hedging activities against foreign exchange rate risks but intend to continue to monitor the movement in U.S. dollar/Rupiah exchange rate and enter into hedging arrangements as and when we deem appropriate.

Recent Accounting Pronouncements

There are no new issued accounting standards by the Indonesian Financial Accounting Standards Board ("DSAK") that are considered relevant to our financial reporting but not yet effective for consolidated financial statements included in this Updates.

BUSINESS

Overview

We are the largest independent tanker owner and operator in Indonesia in terms of DWT capacity, as of March 31, 2015, according to Drewry, providing crude oil, petroleum products and LPG shipping services and shipyard services principally to companies operating in the domestic oil and gas and chemical sectors. As of March 31, 2015, we owned and operated a total of 35 vessels with an aggregate capacity of 1.3 million DWT, of which 34 were Indonesian-flagged tankers, including 18 oil tankers, of which two are the only Indonesian-flagged VLCCs, 12 chemical tankers, three gas tankers and two FSO tankers. We also operate a shipyard the first phase of which comprises a total land area we estimate is approximately 50 hectares and has a coast line of 1.3 kilometers, and which commenced providing shipbuilding services in 2012. We also intend to offer ship repair and maintenance services to third parties and to our own vessels after the completion of our floating dry dock, which is currently under construction.

We operate two principal lines of business: shipping services and shipyard services. Our shipping business is divided into two main segments based on the contract arrangements under which our vessels are chartered to customers, namely time charters and spot charters. We currently conduct shipbuilding operations at our shipyard and, after the construction of our planned floating dry dock is complete, we expect our shipyard to be capable of receiving orders for maintenance and repair and oil and gas fabrication.

We undertake the commercial and operational management of our charters and fleet, including commercial strategy, commercial and financial management, acquisition and disposal of vessels, chartering and the development of new business opportunities. We have entered into contracts with our affiliates, PT Equator

Maritime and PT Vektor Maritim, to provide technical management services for our vessels, and in practice such services include managing compliance with regulatory and classification standards in respect of our vessels and the selection and employment of marine crew that operate our vessels. We supervise the performance of the services provided by our technical managers.

The following table sets forth our net revenue breakdown over our two principal lines of business for the periods indicated and as a percentage of total net revenue for our business:

	Years Ended December 31,						Three Months ended March 31,			
	2012		2013		2014		2014		2015	
							(Unaudited)			
					(US$ except percentages)					
Net Revenues										
Shipping										
Charter[1] ...	52,783,473	73.9%	61,696,073	58.0%	65,292,539	51.2%	17,931,686	68.4%	20,110,518	59.2%
Spot..........	18,172,124	25.5%	40,801,995	38.3%	42,095,486	33.0%	5,959,189	22.7%	7,526,173	22.2%
Shipyard.........	435,876	0.6%	3,906,506	3.7%	20,089,361[1]	15.8%	2,321,333	8.9%	6,317,425[1]	18.6%
Total	**71,391,473**	**100.0%**	**106,404,574**	**100.0%**	**127,477,386**	**100.0%**	**26,212,208**	**100.0%**	**33,954,116**	**100.0%**

Note:

(1) Includes revenue from related parties.

Our business benefits from Indonesian cabotage laws that mandate the use of Indonesian-flagged vessels for domestic sea freight transportation, particularly to support the national oil and gas downstream industry in the seaborne distribution of crude oil, petroleum products and LPG around the more than 13,000 islands that comprise the Indonesian archipelago. As of March 31, 2015, our 34 Indonesian-flagged tankers had a total capacity of 1.3 million DWT and our two VLCCs currently transport crude oil from Middle East producers to refineries for processing.

Our largest customer, Pertamina, the state-owned oil company operating nine refineries around Indonesia, has been a customer of our predecessor companies since we commenced operations in 1981. Our vessels chartered to Pertamina are principally engaged in time charters and, for the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, respectively, shipping services provided to Pertamina accounted for 68.2%, 46.3%, 52.4% and 53.2% of our net revenues. We also provide shipping services to ConocoPhillips, an international major oil company operating in Indonesia, and PLN, the state-owned electricity company.

As demand for shipping services provided by domestic operators in Indonesia has increased, we have sought to increase the number of vessels and the total capacity of our fleet through the acquisition of well-constructed and well-maintained pre-owned vessels, principally from the European market, which we then re-flag to become Indonesian-flagged vessels. Our total vessel capacity has increased from 568,184 DWT in 2010 to 1.3 million DWT in 2014, representing a CAGR of 23.8%. Pertamina, our major customer, determines its charter rates based on, among other things, market rates, previous contracts, the investment required if it were to use its own fleet and its internal budget. Our time charter rates with Pertamina fluctuate less frequently than time charter rates in the international market. We believe that Pertamina's demand for reliable seaborne transportation to distribute crude oil, petroleum products and LPG around the Indonesian archipelago allows us to realize steady rates of return on our investment in the acquisition and operation of our vessels and allows us to utilize these vessels for extended periods of time until the cost of continued docking and maintenance exceeds our expected returns on continuing time charter.

Our vessel deployment strategy is designed to provide stable cash flow through the use of long-term time charters for a significant portion of our fleet, in terms of DWT capacity, while maintaining a diversified fleet to serve sectors of the oil and gas and chemical industry that typically use spot charters. As of April 30, 2015, our remaining contracted revenues for time charters amounted to US$236.1 million, of which US$92.2 million relates to revenues from optional extension periods, and our time charter contracts had a weighted average remaining life of 5.6 years weighted by contract value, including any optional extension periods. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our net revenues from shipping services were US$71.0 million, US$102.5 million, US$107.4 million and US$27.6 million, accounting for 99.4%, 96.3%, 84.2% and 81.4% of our total net revenues, respectively.

In 2012, we commenced new shipbuilding operations at our shipyard located in a Free Trade Zone in Karimun, Indonesia in the Malacca Straits, an international shipping route, and nearby Singapore, which has a developed maritime industry. Our shipyard has a coastal depth of 12.0 meters and provides shipbuilding services for vessels of various carrying capacities. We currently have an orderbook of five new ships under construction, with completion and deliveries scheduled to occur between late 2015 and 2017. We also have a 50,000 DWT floating dry dock scheduled to complete construction and enter operation in the fourth quarter of 2015, from which we expect to provide ship repair and maintenance services for our fleet and other vessels. We believe that the Free Trade Zone provides our shipyard with advantages on the import of materials and spare parts, including tax-free status and expedited customs clearance, which will allow us to compete effectively on cost and timing of shipbuilding, maintenance and repair services. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our net revenues from shipyard services were US$0.4 million, US$3.9 million, US$20.1 million and US$6.3 million, accounting for 0.6%, 3.7%, 15.8% and 18.6% of our total net revenues, respectively.

Our net revenue has grown from US$71.4 million to US$127.5 million between the years ended December 31, 2012 and 2014, representing a CAGR of 33.6%, and for the three months ended March 31, 2015 was US$34.0 million. Our EBITDA has grown from US$32.5 million to US$60.3 million between the years ended December 31, 2012 and 2014, representing a CAGR of 36.2%, and for the three months ended March 31, 2015 was US$15.3 million.

Competitive Strengths

We believe that, as the largest independent tanker owner and operator in Indonesia, we have the following competitive strengths:

Leadership and established track record in the Indonesian crude oil, petroleum products and LPG shipping industry

We are the largest independent tanker owner and operator in Indonesia in terms of DWT capacity, as of March 31, 2015, according to Drewry. We have a long operating history and established track record in growing our fleet and revenue. Since the inception of our business operations in 1981, we have grown the size of our fleet and, as of March 31, 2015, we owned and operated a total of 35 vessels with a total capacity of 1.3 million DWT, including 18 oil tankers, of which 2 are VLCCs, 12 chemical tankers, 3 gas tankers and 2 FSO tankers. Two of our gas tanker vessels were acquired in March 2015 and are engaged in time charters with Pertamina. In addition, oil and gas consumption in Indonesia has grown over the recent years as has the demand for maritime shipping services in this sector.

We believe the size of our fleet, together with our mix of vessels, comprising oil tankers, chemical tankers, gas tankers and FSO tankers, allows us to provide comprehensive shipping solutions to our customers engaged in various segments of the oil and gas and chemical production and supply chain. The size of our fleet also enables us to maintain a highly competitive cost base and enjoy economies of scale in respect of insurance, employees, repair and maintenance, and other cost items. We place marine insurance on a collective basis and, as a consequence of both the size and operational history of our fleets, are able to secure insurance cover at competitive rates with reputable insurers. We believe our technical managers provide us with a qualified marine crew that operates our vessels and to whom we and our technical manager provide periodic training and retain on a repeated basis, which enables us to keep our employment costs at a competitive level. Our ability to obtain funding to acquire vessels allows us to respond to customer demands and win tenders for shipping contracts. We actively manage the deployment of our fleet between time charters and spot charters, and our fleet size and vessel mix affords us both the opportunity to capitalize on high "spot" market rates and the ability to respond to changing demand for different vessel types that result from fluctuations in demand for various chemical products, while achieving high utilization rates and stable cash flow. For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our fleet-wide utilization rates were 95.9%, 98.1%, 88.1% and 89.2%, respectively.

Recurring revenue and cash flow visibility driven by contracted time charters

As of March 31, 2015, 19 of our vessels, comprising 87.2% of our aggregate DWT capacity, were chartered to customers under time charters, with initial charter periods ranging from three months to ten years with the option to extend for additional periods. Our time charters provide us with highly-visible and stable cash flows to fund our operations and debt service. The majority of our time charter contracts are with creditworthy major oil and gas and chemical companies, including Pertamina and ConocoPhillips. As of April 30, 2015, our remaining contracted revenues amounted to US$236.1 million, of which US$92.2 million relates to revenues from optional extension periods, and the weighted average remaining life of our time charters was 5.6 years weighted by contract value, including any optional extension periods.

Our time and spot charter contracts are based on standard industry forms with customary terms and are denominated either in U.S. dollars or the Rupiah-equivalent of U.S. dollars. In accordance with industry practice, we do not pay for voyage expenses, such as bunker fuel costs and port charges, on our time charters, as the customer pays for voyage expenses directly, and we pay voyage expenses for our spot charters. Our operating expenses for time charters are mainly limited to ship maintenance and repair. Our payments for the acquisition of vessels to expand our fleet, and for ongoing operation and maintenance of our fleet, are principally denominated in U.S. dollars. As a result, the currency which primarily influences our revenues and expenses, and the currency of the primary economic environment in which we operate — our functional currency — is U.S. dollars. Since we expand our fleet through the acquisition of pre-owned vessels, we are not committed to fund progress payments on new-build vessels. We conduct comprehensive vessel inspections and reviews of the vessels' classification certification records to ensure the vessels we acquire are well-constructed and maintained and meet our customers' requirements. We believe we enjoy predictable margins on our vessels because a high percentage of our fleet in terms of DWT capacity is engaged in time charter contracts, and we use well-constructed and maintained pre-owned vessels, which limits our operating expenses for repair and maintenance.

For the years ended December 31, 2012, 2013 and 2014, and the three months ended March 31, 2015, our EBITDA margin was 45.6%, 41.7%, 47.3% and 45.0%, respectively. We also believe that Pertamina's demand for reliable seaborne transportation to distribute gasoline, diesel and jet fuel around the Indonesian archipelago allows us to realize steady rates of return on our investment in the acquisition and operation of our vessels. We have experienced a stable rate of option extensions and renewals of our time charter contracts as, in our experience, our customers prefer to continue use of incumbent vessels rather than locate and contract a time charter with a new vessel.

Established reputation and long-standing relationships with Pertamina and other large customers

Since the inception of our business in 1981, we have established a strong reputation in the oil and gas and chemical shipping industry and believe that we are widely known among participants in the industry for our good quality service and high customer satisfaction. Our efforts to ensure that we provide our customers with high quality service have earned us various quality certifications, including the Certificate of International Safety Management from International Maritime Organization, the Tanker Management Self Assessment Certificate from the Oil Companies International Marine Forum and ISO 9001:2008 and ISO 14000 for quality control management for shipping companies. These certifications, as well as the ship classifications awarded by international and domestic ship classification bureaus, have allowed us to participate in the ship tender processes for major domestic and international oil and gas companies. Our technical managers provide us with a qualified marine crew for whom we and our technical manager provide periodic training. We believe that our reputation for providing dependable, safe and efficient shipping services has allowed us to develop and maintain relationships with major oil and gas companies including Pertamina, ConocoPhillips and Camar Resources. We have worked closely with Pertamina, the state-owned oil company operating nine refineries around Indonesia and which accounts for a substantial amount of oil and chemical products produced and shipped within Indonesia, for 35 years and is currently the largest provider of oil and gas and chemical shipping services to Pertamina. We believe that our long-standing relationships with our customers have allowed us to better understand and meet our customers' needs and enabled us to maintain a competitive edge over other domestic shipping companies.

Rising energy demand and high barriers of entry resulting in favorable industry dynamics

Demand for oil and gas and other chemical products has been growing in Indonesia over recent years. As Indonesia is an archipelago comprised of more than 13,000 islands, the bulk of such products are transported to various points of consumption by sea. According to Drewry, a consistent growth in the past decade in Indonesia's economy has been followed by commensurate growth in Indonesia's energy consumption. Indonesia's energy consumption has grown at a CAGR of 4.2% in the last five years growing from 877 million barrels of oil equivalent in 2007 to 1,079 million barrels of oil equivalent in 2012.

The Government's current plans to implement a sea lane transportation system (the "Sea Toll Program") where major domestic sea lanes are lined with well-developed ports so as to provide for, among other things, more efficient cargo loading and unloading services for vessels, is expected to further boost seaborne transportation. The Indonesian tax regime is also favorable to our shipping business as foreign companies are subject to final tax of up to 20% on charter fees, while Indonesian companies are only subject to a 1.2% withholding tax, allowing us to gain a competitive advantage.

As a result of the implementation of the cabotage principles into Indonesian shipping laws, which was part of the Government's efforts to support domestic shipping companies, and the limitation on foreign investment in Indonesian shipping companies, competition from foreign shipping companies is limited. With the implementation of cabotage principles into Indonesian shipping laws, there has been an increase in the number of Indonesian-flagged vessels and a decrease in foreign-flagged vessels operating in Indonesian waters. According to Drewry, between 2006 and 2013, the number of Indonesian-flagged vessels increased from 6,428 to 13,120 at a CAGR of 10.7% and the aggregate DWT capacity of Indonesian-flagged vessels increased from

2.9 million DWT to 8.2 million DWT at a CAGR of 16.0%. The size of our fleet has grown steadily in the years following the implementation of Indonesian cabotage laws as we benefited from the aforementioned favorable industry dynamics and our position as one of the few domestic shipping companies with the Indonesian-flagged DWT capacity to meet the demands of Pertamina and our other customers in the Indonesian oil and gas and chemical industry for reliable seaborne transportation to support the production and distribution of gasoline, diesel and jet fuel around the Indonesian archipelago to meet the rising energy demand in Indonesia.

We believe we are well positioned to capture additional growth opportunities for our business as, under cabotage principles, domestic companies are required to use Indonesian-flagged vessels for domestic routes. The Indonesian tax regime is also favorable for international routes as foreign companies are subject to withholding tax of up to 20% on charter fees, while Indonesian companies are only subject to 1.2% final tax. Prospective participants in our industry also face barriers of entry, including high capital expenditure involved with acquiring Indonesian flagged vessels and the relatively low availability of skilled and experienced Indonesian seafarers, whom shipping companies are legally required to use to operate Indonesian flagged vessels. In addition, a significant proportion of vessel charterers generally enter into long term charter contracts and prefer to continue using incumbent vessels rather than locate and contract a time charter with a new vessel provided the operator continues to meet performance standards. As such, our long-standing relationships with our customers, including Pertamina, our largest customer and the state-owned oil company operating nine refineries around Indonesia, has also further allowed us to leverage these favorable industry dynamics. We believe that our strong track record in providing Pertamina and our other customers with shipping services and their familiarity with us has allowed us to maintain a stable and high utilization rate of our vessels and a high rate of renewal or re-contracting of our time charters. As of December 31, 2012, 2013 and 2014 and March 31, 2015 the number of vessels in our fleet on time charters with Pertamina was 16, 18, 15 and 15, respectively.

Complementary shipyard to provide a new stream of recurring revenue and additional cost competitiveness

In 2012, we expanded into a new line of business that is also complementary to our shipping business when we commenced shipbuilding services at our shipyard. We expect to commence operations of our floating dry dock, which has a planned capacity of 50,000 DWT, in the fourth quarter of 2015 and will allow us to offer ship repair and maintenance and other shipyard services. We believe ship repair and maintenance provides a recurring revenue stream, as international classification societies require that vessels conduct an internal inspection every five years and an intermediate inspection approximately every 2.5 years.

Our shipyard is in close proximity to Singapore and is strategically located in a Free Trade Zone in the Malacca Strait, one of the busiest international shipping lanes in the world. The first phase of our shipyard has a total land area we estimate is 50 hectares. Our shipyard benefits from deep surrounding water of up to 12.0 meters in coastal depth, and will be able to accommodate the docking of up to 40 vessels per year and the construction of up to seven vessels simultaneously and construction of several vessels each year. As our shipyard is located in a Free Trade Zone, we enjoy various tax, custom and excise incentives, including the expeditious clearance of customs for imported construction materials and equipment and exemption from custom duties, lowering our cost incurred for shipbuilding and providing repair and maintenance services and increasing our competitiveness against shipyards located outside of Free Trade Zones. We commenced providing shipbuilding services in 2012 and offer complete design and construction services for vessels of various specifications and functions, including oil tankers, floating storage offloading vessels and other marine vessels. As of March 31, 2015, we had five vessels under construction, including three 17,500 DWT oil tankers for Pertamina under three different agreements that we entered into in 2013 and 2014 and two oil tankers under construction for our affiliates (under agreements that are pending execution), which we intend to charter-in following delivery and acceptance by our affiliates. We also intend to offer ship repair and maintenance services to third parties and to our own vessels after the completion of our floating dry dock. We believe that our shipyard will allow us to provide additional services to our long-standing customers, such as Pertamina, as well as providing repair and maintenance services to our own vessels, which we expect will result in higher operating margins and less down time for our vessels.

Highly experienced management team and well-trained and qualified crew

We have an experienced management team with extensive experience and expertise in the shipping industry, covering all areas of shipping operations, including vessel acquisition, sales and marketing, operational planning, cost management and recruitment and training of crew. The majority of the members of both our Board of Commissioners and Board of Directors have more than a decade of working experience in the shipping industry and a number of our commissioners and directors have more than 30 years of working experience in the shipping industry. As a result, our management team enjoys strong relationships with various key stakeholders in the domestic shipping industry, including the Indonesia maritime authorities, Indonesia state-owned oil and gas companies, and domestic shipping industry associations, such as INSA and IPERINDO, which is critical to maintaining our long-standing relationships with customers. In addition, our technical managers provide us with a qualified marine crew, with more than 725 contracted seafarers as of March 31, 2015, to whom we and our technical managers provide periodic training on international standards for the safety and operation of our vessels. We have been able to achieve a strong track record of improving financial performance through a well-trained and qualified crew, our strong understanding of the domestic shipping industry, underpinned by over 30 years of operational experience and interaction with key stakeholders in the domestic shipping industry and our acquisition of well-constructed and maintained pre-owned vessels that meet our customers' demands. Our net revenue has grown at a CAGR of 33.6% over the years ended December 31, 2012, 2013 and 2014, where our revenue for the same periods amounted to US$71.4 million, US$106.4 million and US$127.5 million, respectively. Over the same periods, we also enjoyed stable EBITDA margins, which were 45.6%, 41.7% and 47.3%, respectively.

Strategies

We intend to continue increasing our revenue and market share through the following key strategies:

Expand our fleet and maintain an optimal fleet mix

Demand for crude oil, petroleum products and LPG shipping by oil and chemical suppliers have had and are expected to continue to have a significant impact on our results of operations. Indonesian domestic demand for oil and gas and chemical products has been growing over the recent years. We expect that increasing demand for oil and gas products in Indonesia, supported by the Indonesian cabotage laws, will increase demand for Indonesian flagged vessels over the coming years. With the implementation of cabotage principles into Indonesian shipping laws, there has been an increase in the number of Indonesian-flagged vessels and a decrease in foreign-flagged vessels operating in Indonesian waters. According to Drewry, between 2006 and 2013, the number of Indonesian-flagged vessels increased from 6,428 to 13,120 at a CAGR of 10.7% and the aggregate DWT capacity of Indonesian-flagged vessels increased from 2.9 million DWT to 8.2 million DWT at a CAGR of 16.0%. The domestic movement of fuel oil has also increased from 61.6 million tons in 2010 to 72.0 million tons in 2013, with a CAGR of 5.3%, according to Drewry. We intend to monitor the market for pre-owned vessels and acquire well-constructed and maintained pre-owned vessels that meet our selection criteria to grow our fleet. To achieve timely settlement of opportunities to acquire pre-owned vessels, we frequently bridge the acquisition cost with cash on hand or with loans from our shareholders and then refinance the vessel with debt capital post acquisition. We intend to continue to practices and financial management and prudently acquire vessels in view of market intelligence on future vessel requirements of our customers, our financing options and our expected return on the vessel to be purchased. We also plan to optimize our marketing and administrative functions so as to streamline the tender process for new charter contracts, which often requires long documentation processes.

Increase market share by taking advantage of favorable industry dynamics

We intend to capitalize on the favorable dynamics for our Company in the Indonesian oil and gas and chemical shipping industry and take advantage of growing Indonesian demand for production and distribution of gasoline, diesel, jet fuel and chemicals, as well as the implementation of cabotage principles into Indonesian shipping laws, to increase our market share. We intend to leverage the favorable Indonesian tax regime, under which Indonesian entities enjoy a competitive advantage over the foreign entities by virtue of being subject to a significantly lower final tax of 1.2% on charter fees as opposed to the up-to-20.0% withholding tax that the foreign entities are subject to. We also believe our market position makes us an attractive joint venture partner for foreign investors in Indonesia, and we actively seek to engage in strategic alliances with foreign companies so as to leverage their technical expertise and increase our opportunities to participate in joint tenders for long-term time charter contracts to provide high DWT capacity vessels to Pertamina and other companies. We also intend to capitalize on our position as one of the few domestic shipyards in an active international maritime route to capture a market share of recurring maintenance and repair service contracts upon the completion of our floating dry dock.

Maintain prudent financial management

We intend to maintain prudent financial management practices to allow for long-term sustainable growth through organic expansion, such as by strategically acquiring well-constructed and maintained pre-owned vessels to fill immediate demand in the market, and income diversification, such as by expanding into the shipyard business. We conduct comprehensive financial planning and budgeting regularly to ensure proper capital management and resource allocation and maintain conservative capital expenditure practices to ensure that we have adequate resources and financing to support growth, especially with respect to the prudent acquisition of vessels to expand our fleet.

Maintain relationships with major customers and expand customer base

We intend to continue to strengthen our long-standing relationships with Pertamina and our other customers by seeking ways to increase our level and scope of services we currently provide to them. We expanded our relationship with Pertamina beyond shipping services when we commenced construction of three 17,500 DWT oil tankers for Pertamina at our shipyard in 2013 and 2014, and also intend to seek opportunities to provide ship repair and maintenance services for Pertamina's own vessel fleet. We believe our market position makes us an attractive joint venture partner, and we are actively seeking to engage in strategic alliances with foreign companies so as to leverage their technical expertise and increase our opportunities to participate in joint tenders for long-term time charter contracts to provide high DWT capacity vessels to Pertamina and our other major Indonesian customers. Our sales teams actively manage our relationships with our major customers in order to better understand their maritime logistics requirements and ensure high renewal rates on existing time charters and win new contracts. We also seek to leverage our reputation for meeting the maritime safety and operating standards of our major domestic and international oil and gas customers to attract new customers who require high-quality Indonesian-flagged shipping services.

Enhance competitiveness through increasing operational efficiency and maintaining high safety standards

We seek to increase our operational efficiency by actively managing and lowering our cost of revenue and operating expenses. Upon completion of our floating dry dock, we expect to provide in-house repair and maintenance services for a portion of our fleet which will result in lower maintenance costs, less time in dry dock and higher operating margins for our vessels. As the capital expenditures and other costs for maintaining a vessel in good operating condition increase with the age of the vessel, and older vessels typically have lower utilization rates due to their higher maintenance requirements, we closely monitor our vessel repair and maintenance costs, which comprise the largest component of our vessel operational expenses, other than bunker fuel. We typically replace vessels when they require dry docking and the cost of further repair and maintenance of the vessel exceeds the price of acquiring a similar vessel on the pre-owned market. We also intend to focus on maintaining our high safety standards through, among others, ensuring that our vessels are always certified safe and seaworthy in accordance with all applicable rules and regulations, including certificate of class for hull and machinery, international safety management, international ship and port facility security and maritime labor. Our maintenance, including replacement of parts, is performed according to pre-established schedules, regardless of whether the vessel or parts show any signs of defects. We plan to maintain our internal controls with respect to management, quality control, environmental and safety. We believe that maintaining such best practices will, increase the effectiveness of our employees, improve the efficiency of our business and increase our ability to execute our business strategies and remain competitive and improve our overall business performance.

Develop human capital and maintain high service reliability

As Indonesian law requires that Indonesian-flagged-vessels be operated by Indonesian crews, we believe that it is critical to have a skilled work force composed of Indonesian seafarers. We intend to continue our practices, together with our technical managers, to invest in and provide periodic training for the marine crew that operates our vessels on international standards for safety and operation, so as to, among other things, allow us to align the marine crew's day-to-day actions with our strategic business objectives and increase the quality of service we provide to our customers. We also expect to continue to train the marine crew, together with our technical managers, to maintain strong vessel safety records, and maintain compliance with domestic and international rules and regulations for the shipping industry. We expect to continue to place a strong emphasis on technical management, particularly in the areas of health, safety, security and the environment, and crewing and maintenance of vessels, all of which is designed to help our work force deliver high-quality service to our customers.

History

Our company was established in Indonesia in 1981 with the establishment of our first operating company, PT Armada Bumi Pratiwi Lines, to engage in marine transportation operating in domestic and international waters. We began as an oil and gas subcontractor for Pertamina and, particularly with the implementation of cabotage principles to the Indonesian shipping laws in 2005, have grown to provide end-to-end transportation services to the oil and gas industry in Indonesia. In 2010, our group underwent a voluntary corporate restructuring, establishing Soechi Lines. as a holding company with ten operating companies incorporated in Indonesia, Singapore and Panama. In December 2014, the group completed an initial public offering and listed its shares on the Indonesia Stock Exchange under the symbol "SOCI."

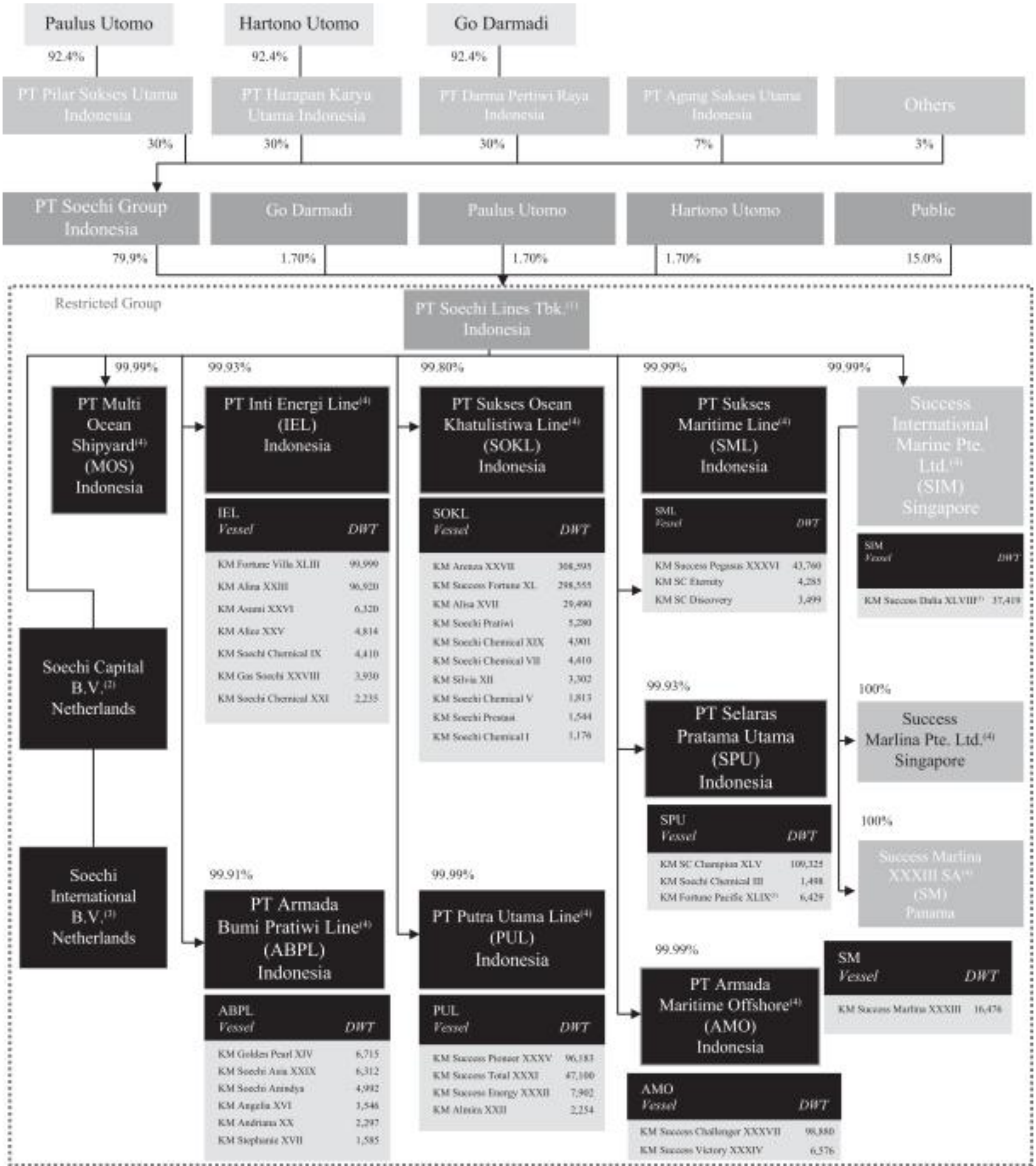
Since commencing operations, we have continued to grow our fleet through the strategic acquisition of vessels to meet the demands of the oil and gas and chemical shipping industry in Indonesia. In 2005, the Government began implementing cabotage laws, which mandate the use of Indonesian-flagged vessels for domestic sea freight transportation, particularly to support the national oil and gas downstream industry in the seaborne distribution of diesel, gasoline and jet fuel products in Indonesia. The size of our fleet in terms of number of vessels and overall DWT capacity has grown rapidly in the years following the implementation of Indonesian cabotage laws as we capitalized on the demand for Indonesian-flagged vessels.

The following graph shows the growth in our fleet capacity by DWT (in thousands) since 2001:

In 2009, we commenced an expansion of our operations into shipyard and supporting services with the construction of our shipyard in the Free Trade Zone in Karimun, Riau Islands, Indonesia, located about 80 kilometers from Singapore in the Malacca Strait, one of the world's busiest international shipping lanes. The shipyard allows us to offer shipbuilding, ship repair and oil and gas fabrication, including block fabrication, outfitting and provision of parts for offshore oil platforms. Our company commenced shipbuilding activities in 2012 with orders to build oil tankers, and, upon the completion of our 50,000 DWT floating dry dock, which we expect to commence operations in the fourth quarter of 2015, we intend to commence offering ship repair and oil and gas fabrication.

Corporate Structure

The following chart sets forth our current corporate structure:



Shipping Business

We provide marine transportation services to domestic and international companies, primarily operating in the oil and gas and chemical industry in Indonesia. We are involved in the transportation of crude oil, petroleum products and LPG, serving the entire chain of production and supply in the oil and gas and chemical industry in Indonesia and imports of crude oil internationally. We utilize our diversified fleet of Indonesian-flagged vessels to transport raw materials and finished products between production sites, refineries and storage depots throughout the Indonesian archipelago, benefitting from the cabotage principle into Indonesian shipping laws, which limit competition from international shipping companies. We believe the implementation of Indonesian cabotage principle, the Government's efforts to support the growth of domestic shipping companies, has provided us a competitive advantage in winning time charter contracts, as it has led to domestic and international oil and gas and chemical companies operating in Indonesia to convert from using internationally flagged-vessels to Indonesian-flagged vessels.

Fleet Overview

As of March 31, 2015, we operated a fleet of 35 vessels, including two VLCCs, with total capacity of 1.3 million DWT. As of March 31, 2015, our fleet comprised of 18 oil tankers, 12 chemical tankers, 3 gas tankers and 2 FSO tankers.

The following table provides an overview of our fleet as of March 31, 2015[1]:

No.	Vessel Name	Year Built	Year acquired	Capacity (DWT)	Type	Category	Single or Double Hull	Flag	Contract type	Classification Society
1.	KM. Soechi Anindya	1971	1984	4,992	Oil Tanker	General Purpose	Single	Indonesia	Spot	BKI
2.	KM. Angelia XVI	1995	1995	3,546	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
3.	KM. Golden Pearl XIV	1995	1995	6,715	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
4.	KM. Stephanie XVIII	1993	1995	1,585	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
5.	KM. Silvia XII	1984	1999	3,302	Oil Tanker	General Purpose	Single	Indonesia	Spot	BKI
6.	KM. Soechi Prestasi	1992	2001	1,544	Chemical Tanker	General Purpose	Double	Indonesia	Time	BKI
7.	KM. Soechi Chemical I	1984	2002	1,176	Chemical Tanker	General Purpose	Double	Indonesia	Spot	BKI
8.	KM. Soechi Chemical III	1985	2003	1,498	Chemical Tanker	General Purpose	Double	Indonesia	Spot	BKI
9.	KM. Soechi Chemical V	1983	2003	1,813	Chemical Tanker	General Purpose	Single	Indonesia	Spot	BKI
10.	KM. Soechi Chemical VII	1989	2004	4,410	Chemical Tanker	General Purpose	Single	Indonesia	(in tender process)	BKI
11.	KM. Soechi Pratiwi	1980	2004	5,280	Oil Tanker	General Purpose	Single	Indonesia	Spot	BKI
12.	KM. Alisa XVII	1989	2006	29,490	Oil Tanker	Medium Range	Single	Indonesia	Time	BKI
13.	KM. Soechi Chemical XIX	1984	2007	4,901	Chemical Tanker	General Purpose	Single	Indonesia	Spot	BKI
14.	KM. Soechi Chemical IX[2]	1987	2008	4,410	Chemical Tanker	General Purpose	Single	Indonesia	Spot	BKI
15.	KM. Soechi Chemical XXI	1986	2008	2,235	Chemical Tanker	General Purpose	Single	Indonesia	Spot	BKI
16.	KM. Alice XXV	1993	2009	4,814	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
17.	KM. Alina XXIII[2]	1992	2009	96,920	Oil Tanker	Aframax	Double	Indonesia	(in tender process)	BKI
18.	KM. Andriana XX	1994	2010	2,297	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
19.	KM. Gas Soechi XXVIII	1994	2010	3,930	Gas Tanker	General Purpose	Double	Indonesia	(in tender process)	NKK
20.	KM. Arenza XXVII	2000	2010	308,595	Oil Tanker	VLCC	Double	Indonesia	Time	LR
21.	KM. Almira XXII	1993	2010	2,254	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
22.	KM. Soechi Asia XXIX	1994	2011	6,312	Chemical Tanker	General Purpose	Double	Indonesia	Spot	NKK
23.	KM. Asumi XXVI	1990	2011	6,320	Oil Tanker	General Purpose	Single	Indonesia	Time	BKI
24.	KM. Success Total XXXI	1992	2011	47,100	FSO Tanker	Medium Range	Double	Indonesia	Time	LR
25.	KM. Success Energy XXXII	1995	2011	7,902	Chemical Tanker	General Purpose	Single	Indonesia	Spot	NKK

No.	Vessel Name	Year Built	Year acquired	Capacity (DWT)	Type	Category	Single or Double Hull	Flag	Contract type	Classification Society
26.	KM. Success Victory XXXIV	1999	2012	6,576	Chemical Tanker	General Purpose	Double	Indonesia	Spot	NKK
27.	KM. Success Pioneer XXXV	1996	2012	96,183	FSO Tanker	Aframax	Double	Indonesia	Time	DNV GL
28.	KM. Success Marlina XXXIII	2000	2012	16,476	Chemical Tanker	General Purpose	Double	Panama	Spot	NKK
29.	KM. Success Fortune XL	2002	2013	298,555	Oil Tanker	VLCC	Double	Indonesia	Time	DNV GL
30.	KM. Success Challenger XXXVII	1997	2013	98,880	Oil Tanker	Aframax	Double	Indonesia	Time	ABS
31.	KM. Success Pegasus XXXVI	1998	2013	43,760	Oil Tanker	Medium Range	Double	Indonesia	Time	DNV GL
32.	KM. SC Champion XLV	2000	2014	109,325	Oil Tanker	Aframax	Double	Indonesia	Time	LR
33.	KM. Fortune Villa XLIII	1998	2014	99,999	Oil Tanker	Aframax	Double	Indonesia	Time	Rina
34.	KM. Eternity XLVII	1996	2015	4,285	Gas Tanker	General Purpose	Single	Indonesia	Time	NKK
35.	KM. Discovery XLVI	1996	2015	3,499	Gas Tanker	General Purpose	Double	Indonesia	Time	NKK

Note:

(1) The table does not include vessels acquired after March 31, 2015, namely KM Fortune Pacific XLIX or KM Success Dalia XLVIII.

(2) As of the date of this Offering Memorandum, these vessels are not in operation and do not posses certification by classification societies.

We also own three other vessels, which consist of two barges and one tug boat, and are used as part of our internal operations and are not chartered to customers. In addition, our affiliates, PT Adiraja Armada Maritime and PT Global Karya Indonesia own two vessels that we charter-in on a regular basis for our shipping business, all of which are General Purpose vessels chartered-in under time charters. We are also constructing two oil tankers in our shipyard for our affiliates (under agreements that are pending execution) that we intend to charter-in after delivery and acceptance of the completed vessels.

Time and Spot Charters

We charter out our vessels to third parties on two different types of contract arrangements: time charters and spot charters.

Under time charter contracts, vessels are chartered to customers for fixed periods of time at a fixed charter fee, which is calculated per day and generally denominated in U.S. dollars. The charter of a vessel under a time charter includes the marine crew that operates the vessel, along with all maintenance services, supplies, spare parts, crew meals and other operational services, all of which are factored into the charter fee. The chartering party remains directly responsible for other voyage costs, which primarily comprise bunker fuel costs and port charges and duties. Our time charters typically have an original lease term of between three months and ten years with one or more extension periods exercisable at the option of the customer, depending on the particular demands of the customer. In effect, under a time charter, a customer rents a fully operational vessel and crew for the time charter term, during which time it can direct the route and cargo for the vessel, while the chartering party pays for the bunker fuel costs and port charges incurred during the charter term. We invoice our time charter customers on a monthly basis in arrears and payment is due within 30 days of receipt of our invoice. During time charter terms, we are subject to various potential risks that may reduce our shipping revenues or increase our operating expenses, such as termination of the contract if the vessel does not meet performance standards set out in the time charter contract, such as DWT capacity and classification, or costs for providing a substitute vessel if our vessel is out of service for dry docking or repair. Our time charter contacts are typically based on standard contracts provided by our customers and require us to comply with certain performance standards, including environmental protection and vessel safety standards.

Time charter contracts may be terminated by either party upon the occurrence of certain pre-agreed events such as non-performance of the contract, prolonged maintenance required on the vessel (which would lead to non-performance), hostilities (including the outbreak of war) or sale of the vessel. Our time charter contracts require that we maintain certain insurance coverage with respect to our vessels, operate in accordance with specified environment, health and safety policies, and indemnify the chartering party against damages caused by environmental pollution or leakage from our vessels. Spot charters are arrangements where we charter our vessel to a customer for a single voyage and are priced on a current or “spot” market rate. The customer pays a flat spot fee for the charter, which includes the use of the vessel during the term of the spot charter. We calculate the spot fee based on our estimated operational expenses, including bunker fuel costs, capital expenditures and taxes. During the term of the spot charter, we bear the vessel operating expenses, which primarily comprise bunker fuel costs and port charges and duties, in addition to our vessel maintenance costs. We factor such costs and expenses into our spot fees.

We focus on chartering our vessels through a mix of time charter contracts and spot charters in order to serve different sectors of the oil and gas and chemical production and supply chain. By engaging in time charter contracts, which provide for a fixed charter fee throughout the term, we are better able to maximize our vessels' utilization rates, manage our expenses and control the flow of our revenues, thereby protecting us against short-term volatility in the market. We are also not exposed to fluctuation in bunker fuel costs, which are borne by the customer in our time charters. However, we seek to maintain a balance between these contract arrangements and opportunities in the spot market. In our experience, chartering parties engaged in chemical manufacturing and the processing of finished products tend to favor spot charters while those engaged in upstream oil and gas tend to favor time charters, because chemical manufacturers typically have smaller shipping volumes and are better able to control the production quantity and transportation schedule from the processing location to the purchaser. Additionally, we may charter our vessels in spot charters in between time charter terms to maximize utilization of our vessels.

We obtain charter contracts from our customers through either a competitive tender/bidding process or a direct offering and negotiation. If a customer determines a time charter is more suitable for its demands, the customer will typically tender the time charter contract in a competitive bidding process, awarding the contract to the service provider based on service quality, price, suitability of available vessels, as well as the technical expertise and reputation of the provider. After being awarded the time charter contract, our vessel must undergo inspection by the customer to ensure it is suitable for its needs. Spot charters are not tendered and are negotiated based on the circumstances at the time the demand for a spot charter is determined. Demand for time and spot charters varies based on oil and gas production and demand in Indonesia and abroad. When Pertamina tenders a time charter contract, Pertamina will post on its website a tender announcement, setting out the criteria for the charter, including type of ship, specifications, tender period and timeline for bidding process, and the bidding process will be open to the public. There is typically a pre-bidding process, whereby qualified bidders meet with Pertamina to further discuss the terms and conditions of the tender, after which the qualified bidders negotiate terms and conditions with Pertamina. The daily charter rate for charter contracts is negotiated with Pertamina but is ultimately determined based on Pertamina's budget. Historically, our charter contracts with Pertamina have been denominated in U.S. dollars, although under more recent contracts we receive payment from Pertamina in the Rupiah-equivalent of the U.S. dollar rates. We believe that customers choose our services over those of our competitors due to a combination of our long-standing reputation for safety and reliability, our technical skill and the DWT capacity and diversity of our fleet. In addition, our service and flexibility has enabled us to maintain long-term relationships with our customers, while at the same time building on our reputation to win new shipping contracts. We have recently obtained long-term charter contracts with international oil and gas companies, ConocoPhillips and Camar Resources.

We have experienced a stable rate of option extensions and renewals of our time charter contracts, as, in our experience, our customers prefer to continue use of incumbent vessels rather than locate and contract a time charter with a new vessel provided the provider meets the operating standards. The customer's decision to renew an existing time charter vessel is also based on the continuing suitability of our vessel for its particular needs. We believe our long-standing relationship with our key customers has resulted in our fleet capabilities matching the needs of our customers. In addition to continuing to service our existing customers, in the future, we believe increased production in oil and gas blocks in Indonesia and the demand for oil and gas and chemical products in Indonesia will drive continuing demand for both time and spot charter contracts.

We also regularly charter-in vessels from our affiliates to charter to our customers. In the year ended December 31, 2014, 60.8% of our revenues from our shipping business were derived from time charter contracts, and 39.2% of our revenues were derived from spot charter contracts.

Current Time Charter Bookings

The table below sets forth certain data in respect of our time charter contracts, as of April 30, 2015, assuming all optional extension periods are exercised.

	Expiring in the Years Ended December 31,			
	2015	**2016**	**2017**	**2018 and after**
Number of Vessels[(1)]	5	10	1	5
DWT Capacity[(2)]	45,694	635,313	47,100	448,979
Contract Value (US$ in millions)[(3)]	51.0	50.4	32.8	101.9

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Notes:

(1) Number of vessels refers to the number of vessels that were engaged in time charters as of April 30, 2015 that are scheduled to be released from time charter contracts in the specified year(s).

(2) DWT capacity refers to the aggregate DWT capacity of all of the vessels that are scheduled to be released from time charter contracts in the specified year(s).

(3) Contract revenue refers to the aggregate revenue of time charter contracts expiring in the specified year(s).

As of April 30, 2015, the weighted average remaining life of our time charter contracts was 5.6 years weighted by contract value, including any optional extension terms.

Utilization Rates

The utilization rates for our fleet for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015 were 95.9%, 98.1%%, 88.1% and 89.2%, respectively. Utilization rate for a vessel is calculated by dividing the total number of days in a given period for which the vessel earns a daily charter rate divided by the total number of days such a vessel is available. A vessel is considered available for the days the vessel was in our fleet in a period. We do not consider a vessel to be in our fleet if it has either been recently acquired and has not been fully incorporated into our commercial strategy or if the vessel has been designated for sale. The fleet-wide utilization rate indicates the average rate for all of the vessels in our fleet during a given period weighted by DWT capacity.

Customers

We have strong long-term relationships with many of our customers, which include the major international oil and gas and chemical companies, engaged every aspect of the oil and gas production and supply chain, including exploration and production companies operating in Indonesia, petrochemical manufacturers, and importers of crude oil. Our customers include Pertamina, PLN, ConocoPhillips Camar Resources Canada Inc., PLN, Wilmar Trading Pte. Ltd., PT Mitsubishi Chemical Indonesia, Indian Oil Corporation, Reliance Industries Ltd., PT Mitsui Indonesia and PetroChina Jabung Ltd.. Many of our customers comprise companies engaged in chemical manufacturing who tend to use single-voyage spot charter contracts since they can be adjusted to the production quantity and transport schedule of the customers, as opposed to long-term fixed-time charters typically used for the transport of crude oil and other raw materials. Chemical manufactures also tend to have small capacity requirements then crude oil shipments. The following table shows our major customers by percentage of net revenues for each of the last three years. None of these customers are related to our directors, commissioners, executive officers or substantial shareholders.

Name of Customer	2012	2013	2014
PT Pertamina (Persero)	68.2%	46.3%	52.4%
ConocoPhillips (Grissik) Ltd.	3.4%	7.8%	6.0%
Camar Resources Canada Inc.	2.6%	4.6%	3.5%
Perusahaan Listrik Negara	7.2%	5.4%	3.3%

Historically, the largest and most important customer for our shipping business has been Pertamina, the Indonesian state-owned oil company which operates extensive upstream and downstream oil and gas activities throughout Indonesia. Pertamina is Indonesia's largest state-owned enterprise in terms of revenue and income and a major oil and gas producer in Indonesia, operating nine refineries in Indonesia. We enjoy a long-standing business relationship with Pertamina, having provided marine shipping services to Pertamina for 35 years since commencing our operations and believe we have developed an institutional relationship over the course of our operating history. We are the largest provider of oil and gas and chemical shipping services to Pertamina and one of the longest-serving shipping providers used by Pertamina Currently, a majority of our long-term charter contracts are with Pertamina, and Pertamina hires a variety of types of vessels from our diversified fleet. Pertamina accounted for approximately 52.4% of our revenues in the year ended December 31, 2014. As of April 30, 2015, 45.4% of our fleet by DWT was engaged in time charter contracts with Pertamina. We believe our long-standing business relationship with Pertamina in our shipping business has also contributed to qualification to bid for shipbuilding contracts with Pertamina.

Our Fleet

Oil Tankers

As of March 31, 2015, we operated 18 oil tankers, two of which were the only Indonesian-flagged VLCCs operating in the market, with total capacity of 1.1 million DWT. Our oil tanker fleet is comprised of crude tankers and product tankers. The primary function of our oil tankers is to transport unprocessed crude oil from processing facilities to refineries and to transport processed oil from refineries to the market. As of March 31, 2015, our oil tanker fleet had an average vessel age of approximately 22.6 years.

We currently operate 14 of our oil tankers under time charter contracts and charter out four of our oil tankers on a spot basis. Of our oil tankers, 14 are on long-term and short-term time charters with Pertamina (for domestic crude oil transportation) with maturities between the second quarter of 2015 and the first quarter of 2020.

Chemical Tankers

As of March 31, 2015, we operated 12 chemical tankers, with total capacity of 59,253 DWT. As of March 31, 2015, our chemical tanker fleet's average vessel age was approximately 25.2 years.

Chemical tankers transport liquid chemicals from processing facilities to markets, including sulphur, phosphor, crude palm oil and others. Chemical tankers may be constructed with separate tanks within one vessel, allowing a chemical tanker to transport a number of different types and/or grades of chemical products at any one time.

We operate substantially all of our chemical tankers under spot contracts, as the customers for our chemical tankers typically tend to ship smaller quantities than our oil tanker customers.

Gas Tankers

As of March 31, 2015, we operated three gas tankers, which are LPG gas tankers, with total capacity of 11,714 DWT. As of March 31, 2015, our gas tankers had an average age of 19.7 years. Our gas tankers are used to transport LPG and chemical gas.

Our gas tankers primarily operated under time charter contracts.

FSO Tankers

An FSO tanker is a floating storage and offloading tanker. Our FSO tankers are oil tankers which we have converted to meet the requirements of customers' production terminal. As of March 31, 2015, we had two FSO tankers in our fleet. These tankers have a total capacity of 143,283 DWT. As of March 31, 2015, our FSO tankers had an average age of 21.0 years. We typically operate the FSO tankers under time charter contracts.

Our FSO tankers currently operate under time charter contracts.

Vessels Chartered-in

We charter-in vessels under time and spot arrangements (i) to evaluate a vessel on a temporary basis in order to consider a potential acquisition, (ii) when a customer requires a vessel that we do not have in our fleet and/or (iii) to provide substitute vessels while our vessels undergo dry docking. With respect to such charter arrangements, we generally favor spot charters for substitutes and time charters to test vessels and to meet the demands of our customers. We also regularly charter-in two General Purpose vessels from our affiliates under time charters to be used in our shipping business. As of March 31, 2015, we had chartered-in two vessels from our affiliates under time charters and no vessels chartered-in from third parties.

Vessel Acquisitions

We regularly assess the market for vessels in order to be able to take advantage of acquisition opportunities based on our customers' demands. Our primary method of vessel acquisitions has been pre-owned vessels, and we expect to continue to focus on acquisition of pre-owned vessels in the future. We focus on growing the overall capacity of our fleet, while diversifying our types of vessels so that we are able to serve our customers' requirements across various segments of the oil and gas and chemical production and supply chain. We are currently in negotiations with third party sellers to acquire one or more additional pre-owned vessels in the near future.

The table below sets forth a summary of our vessel acquisitions and disposals in the period indicated:

	Years Ended December 31,			Three Months ended March 31,[1]
	2012	**2013**	**2014**	**2015**
Acquired				
Number of vessels	3	3	2	2
Capacity (DWT)	119,235	441,195	209,324	7,784
Disposed				
Number of vessels	3	0	2	0
Capacity (DWT)	10,435	—	127,088	—

Note:

(1) We added two vessels to our fleet after March 31, 2015, namely, KM Fortune Pacific XLIX and KM Success Dalia XLVIII.

Due to the cyclicality of the markets in which we operate, we are cautious when analyzing the market as well as the value, condition and earnings potential of vessels we consider for acquisition. We also monitor the availability of vessels in the market in which we operate by maintaining contact with ship dealers to ensure that we have an extensive knowledge base, and we liaise with Pertamina and other customers about their demand so that we can react promptly to changing market conditions and opportunities as they arise. We believe we enjoy a competitive advantage due to our access to the market of pre-owned vessels, our understanding of our customers' needs and the technical expertise of the marine crew that operates our vessels, which allows us to operate older vessels, thus reducing our vessel acquisition cost.

Vessel Financing

We frequently bridge the cost of acquisition of vessels with cash on hand or with shareholder loans and refinance with debt capital post-acquisition. Most of our ship-financing loans are U.S. dollar-denominated loans. Loans for our pre-owned acquisitions are specifically tailored for each pre-owned vessel we acquire. Historically, these purchase loans have been secured by way of, among other things, a mortgage over the relevant vessel, in addition to a charge over the earnings, accounts and insurances in relation to the relevant vessel, in favor of the lenders. In certain cases, our purchase loans have been cross-collateralized where lenders have provided us financing for the purchase of other vessels.

We have used in the past, and may continue to use in the future, shareholder loans from PT Soechi Group, our group's parent company, to provide short-term financing for the acquisition of vessels to expand our fleet. We have may difficulty obtaining funding to acquire vessels if our shareholders do not provide us with financing in the future.

Vessel Disposal

We dispose of vessels from our fleet in response to market conditions and the utility in our operations of the vessels in question. We typically dispose of a vessel if, during dry docking, we determine that the cost of maintenance is likely to exceed the future chartering capability of such vessel. We generally sell oil and chemical tankers once they have reached their useful life of 30 years. We may sell younger vessels that still have a number of years in their useful life if we receive an offer that is financially attractive for us and if our capacities and strategic plans make it possible for us to part with that vessel. In 2012, 2013 and 2014, we sold three, zero and two vessels, respectively.

Vessel Management

We undertake the commercial and operational management of our charters and fleet, including commercial strategy, commercial and financial management, vessel acquisition and disposal, chartering and the development of new business opportunities. We have entered into contracts with our affiliates, PT Equator Maritime and PT Vektor Maritim, to provide technical management services for our fleet. Our technical managers provide technical management services in respect of our vessels, which in practice include managing compliance with regulatory and classification standards in respect of our vessels. Our technical managers also manage the Health, Safety and Environment reporting for our fleet and liaise directly with the classification societies and with the Government regulators on our behalf regarding the compliance of our vessels with international safety standards and applicable regulations.

In addition, our technical managers control the selection and employment of marine crew that operate our vessels. Selected seafarers enter into employment contracts with our technical managers. In return for their services, we pay management fees, which were equal to US$0.03 million, US$0.7 million, US$0.5 million and US$0.0 million in the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, respectively. In addition, our technical managers cover marine crew expenses, classification and other expenses, which we reimburse.

Our technical managers recruit new marine crew through local maritime training institutions in Indonesia, including Politeknik Ilmu Pelayaran Makassar, Sekolah Tinggi Ilmu Pelayaran Jakarta and Akademi Maritime Indonesia. Through their cadet training program, our technical managers employ students from maritime academies for short term contracts, providing training and experience, with a view to hire them on a full-contract basis following completion of their maritime training.

We believe the streamlining of crewing arrangements through our technical managers ensures that all of our vessels will be staffed with experienced marine crew that have the qualifications and licenses required by applicable regulations and shipping conventions. Our technical management consultants have not experienced any material work stoppages due to labor disagreements. Although our technical managers have historically experienced a high retention rate for the marine crew, the demand for technically skilled officers and crew to serve on vessels has been increasing. In recent years, the increased demand for well-qualified crew has created upward pressure on crewing costs, which we generally bear under our time charters, although this pressure is balanced by the large pool of marine crew operating our vessels which are managed by our technical managers.

In the past we have engaged foreign third party consultants to provide technical management services for our vessels. Currently, all of our technical management services for our vessels are performed by our affiliates, PT Vektor Maritim and PT Equator Maritime.

Shipyard

In 2012, we commenced operations of our shipyard located in the Free Trade Zone in Karimun, Riau Islands, Indonesia, located approximately 80 kilometers southwest of Singapore. The first phase of our shipyard has a total land area we estimate is approximately 50 hectares, with an additional area of approximately 168 hectares available for expansion. We hold the land comprising our current shipyard and the land available for expansion under various land interests. Our shipyard is located in the Malacca Strait, one of the busiest international shipping routes in Southeast Asia and in the world. We believe the location of the shipyard in the Free Trade Zone provides our shipyard with advantages on the import of materials and spare parts, including tax-free status and expedited customs clearance, allowing us to provide competitive prices for shipbuilding and ship repair services. Our shipyard, with a coastal depth of 12.0 meters and 1.3 kilometers of coast line, is easily accessible to, and able to provide shipbuilding and docking services for, vessels of various capacities. Our shipyard operations are conducted through our operating subsidiary, PT Multi Ocean Shipyard.

The chart below shows the location of our shipyard in Karimun, Indonesia in relation to Singapore and Batam, Indonesia:

Our shipyard is equipped for, and has commenced, shipbuilding activities as of 2012. Following the completion of our 50,000 DWT floating dry dock, which we expect to commence operations in the fourth quarter of 2015, our shipyard will be capable of receiving orders for maintenance and repair and oil and gas fabrication.

Our revenues from our shipyard business were US$436,876, US$3,906,506, US$17,157,381 and US$6,317,425, respectively, for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2015, all of which is attributable to shipbuilding activities. Our revenues from our shipyard business increased 796.2% from 2012 to 2013, 414.3% from 2013 to 2014 and 172.1% from the three months ended March 31, 2014 to the three months ended March 31, 2015. We recognize revenue from our shipbuilding activities based on a percentage of completion of the project.

The table below sets forth our net revenues from our shipyard business as a percentage of our net revenues for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	For Years ended December 31,			For Three Months ended March 31,	
	2012	2013	2014	2014	2015
			(US$)		
Shipyard					
Third party	435,876	3,906,506	17,157,381	2,321,333	4,352,245
Related	—	—	2,931,980	—	1,965,180
Total	436,876	3,906,506	20,089,361	2,321,333	6,317,425

Shipbuilding

We commenced providing shipbuilding services in 2012 and offer complete design and construction services for vessels of various specifications and functions, including oil tankers, floating storage offloading vessels and other marine vessels. Our shipyard has a total of seven assembly areas with the ability to construct vessels of up to 20,000 DWT each in capacity.

As of March 31, 2015, we had five vessels under construction, including three oil tankers being constructed for Pertamina each of 17,500 DWT, and two oil tankers of 4,000 DWT and 3,500 DWT capacity, respectively, which we are constructing for our affiliates. After delivery and acceptance of the oil tankers by our affiliates, we intend to charter-in the vessels for use in our shipping business. We are constructing vessels for our affiliates and plan to charter them so that we do not incur substantial capital expenditures for the construction of new vessels.

Our vessels under construction are at various stages of completion, and we intend to deliver our first completed vessel, a 17,500 DWT oil tanker, to Pertamina in the fourth quarter of 2015. We recognize revenue from our shipbuilding activities based on a percentage of completion of the project.

The table below sets forth the vessels under construction and the percentage completion as of March 31, 2015:

Customer	Vessel	Approximate Contract Price	Approximate Percentage Completion as of March 31, 2015	Scheduled Delivery Date
Pertamina	17,500 DWT crude oil tanker	US$20-25 million	66.4%	Fourth quarter 2015
Pertamina	17,500 DWT jet fuel tanker	US$20-25 million	26.3%	Second quarter 2016
Pertamina	17,500 DWT product oil tanker	US$20-25 million	14.3%	Second quarter 2016
PT Sejahtera Bahari Abadi (our affiliate)	4,000 DWT SPOB	US$10 million	29.6%	Fourth quarter 2015
PT Lautan Pasifik Sejahtera (our affiliate)	3,500 DWT oil tanker	US$12 million	16.2%	Second quarter 2016

We employ a shipbuilding crew that comprises approximately 12 permanent employees and 1,546 sub-contracted employees as of March 31, 2015 and has the capability of building new vessels of up to 20,000 DWT of capacity. Our permanent employees are responsible for management, supervision and health and safety procedures at the shipyard. Our sub-contracted employees are hired from one company and we typically pay such sub-contracting company on a lump-sum basis. The work on vessels at our shipyard is typically performed by subcontracting companies that are based in our shipyard on a long-term basis and are supervised by our permanent employees. We also engage experienced shipbuilding consultants to provide technical expertise on all phases of the shipbuilding process.

We outsource the ship design to an external engineering company specializing in the shipbuilding industry, and we agree on design specifications with our customer before commencing the build. Before delivery, our vessels are classified by an agreed upon classification society, such as DNV GL or NKK.

In 2005, the Government implemented shipping regulations requiring Indonesian-flagged vessels that are funded by state budget to be built by a domestic shipyard, where practicable. To date, our only third party customer for shipbuilding services has been Pertamina. Our shipbuilding contracts from Pertamina have been awarded to us through a tender process, whereby we participate in a competitive bidding process. Between June 2013 and May 2014, we executed three shipbuilding contracts with Pertamina for the construction of three

17,500 DWT oil tankers, for the transportation of various types of oil and gas cargo. The aggregate amount of the three shipbuilding contracts with Pertamina is approximately US$69.0 million. We believe the Government regulation will prompt increasing demand for shipbuilding services in Indonesia, particularly by oil and gas contractors, which previously executed shipping contracts from overseas shipyards.

Our shipbuilding contracts with Pertamina contemplate delivery of the completed vessel within 24 months of contracting, which is typically the amount of time required to construct an oil tanker of the size and specification required by Pertamina. The agreements require Pertamina to make progress payment to us in five installments, each equal to 20% of the contract price, at different phases of the construction process, the first of which is paid on contracting and the last of which is paid upon final delivery of the vessel. These progress payments are refundable to Pertamina in the event there is a total loss or the shipbuilding contract is rescinded due to our breach. We have obtained a refund guarantee from Bank Mandiri in favor of Pertamina to secure our contingent liability to provide a refund. We may be liable for liquidated damages due to delayed delivery of the vessel or for any material failure to meet the specifications of the shipbuilding contract. We are required to provide a manufacturer's warranty against physical damage of the vessel due to defect or poor workmanship for a period of 12 months from the delivery and acceptance of the vessel by our customer, and the warranty must be secured by a bond in the amount of 3.0% of the contract price.

Ship Repair and Maintenance

Our ship repair and maintenance services, once operational, will include ordinary sea-damage dock repairs, overhaul of old ships, ordinary maintenance and dry docking services and repair and maintenance of onboard equipment, each for all types of vessels, including oil and gas tankers, containers, bulk carriers and offshore supply vessels. Our shipyard will be equipped with advanced equipment for dock repairing as well as testing and measuring facilities, including steel cutting and fabrication workshops enabling us to conduct a wide range of repair and maintenance work. We intend to commence operation of our ship repair and maintenance services after the completion of our floating dry dock, which will have a capacity of 50,000 DWT and is estimated to commence operations in the fourth quarter of 2015.

Our shipyard, when operational, will have a capacity of repairing up to 40 ships per year, each vessel with a maximum capacity of 50,000 DWT. We expect to be capable of servicing five vessels at various stages of maintenance and repair at any one time. Our dry dock is capable of accommodating one vessel of up to 50,000 DWT capacity. International classification societies require that vessels conduct an internal inspection every five years and an intermediate inspection approximately every 2.5 years. We believe our shipyard facility will provide a domestic alternative for large vessels operating in Indonesia, rather than docking in overseas shipyards such as PRC and Singapore, which typically involve expenses for time and fuel. We also believe the location of our shipyard, in the active Malacca Strait in close proximity to Singapore, will provide a convenient location for vessels operating in Southeast Asia. With our strong ship repair and maintenance capability, we are able to provide a cost-effective solution for quality and timely ship repairing service. We expect to expand our existing shipyard crew to provide ship repair and maintenance services by increasing our permanent and temporary employees.

We also intend to leverage our repair and maintenance capabilities to dry dock the vessels used in our shipping business, thereby reducing our docking expenses. Currently, each of our vessels are docked and undergo inspections approximately every 2.5 years. Our amortized docking expenses were US$3.5 million, US$3.8 million, US$4.6 million and US$1.2 million, respectively in the years ended December 31, 2012, 2013 and 2014 and in the three months ended March 31, 2015. Our in-house repair and maintenance function will allow us to reduce docking expenses otherwise paid to third parties.

Oil and Gas Fabrication

Our oil and gas fabrication services will comprise a spectrum of fabrication services for the upstream oil and gas industry, including fabrication, assembly, erection, inspection, testing, load out and planning services for the completion fabrication works. Our shipyard will be equipped with five workshops for fabrication, piping and outfitting. Our shipyard will also feature modern facilities that will support our oil and gas fabrication services, including workshop machinery, piping and outfitting workshop, paint and blasting shop and block assembly yard. We plan to commence oil and gas fabrication services in the second half of 2015 following completion of our floating dry dock.

Competition

In domestic trade involving shipping within Indonesia, unlike the international arena, there are a limited number of competitors in the field. As a result of the implementation of the cabotage principle into Indonesian shipping laws, which were part of the Government's efforts to support domestic shipping companies, and the limitation on foreign investment in Indonesian shipping companies, competition from foreign shipping companies is minimal, and we benefit from our position as one of the few domestically-owned shipping providers in Indonesia capable of servicing the oil and gas industry with a fleet nearly entirely comprised of Indonesian-flagged vessels.

For charter of Indonesian-flagged vessels in Indonesian waters, we face competition from other Indonesian shipping companies, although we believe there are no significant competitors that match the size and diversification of our fleet. We face diversified competition from multinational shipping companies for our international shipping activities. Competition for shipping services is based on factors including availability and suitability of vessels to meet customers' demands, expertise in vessel operation, quality and experience of marine crews, performance and safety record, reputation and price. We believe our fleet is more extensive and diverse than our competitors', which has allowed us to serve our customers' needs and maintain a stable utilization rate of our vessels and a high rate of renewal of our time charters. In addition, we believe our experience providing shipping services for over 35 years gives us the requisite expertise to provide quality service to our customers. Our directors believe our existing time charters will continue their track record of renewal, as our vessels have proven well-suited for the needs of the charterers, and we have established a track record of meeting our customers' operating standards. In the import market, we believe we benefit from a competitive advantage due to the high withholding tax of 20% to which foreign entities are subject, while we, as an Indonesian entity, are subject to a 1.2% withholding tax. Our main competitors in our shipyard business are international shipyards in Singapore, China and South Korea, which have longer operating histories and greater capacity to provide shipping and repair services. Because of the location of our shipyard in the Free Trade Zone and being the largest shipyard Indonesia, in terms of area, and within the active Malacca Strait shipping channel we believe we will be able to provide a nearby and cost-effective alternative to dry docking in other shipyards in Asia.

Suppliers

Our main suppliers are industry distributors of bunker fuel. Prices for bunker fuel are generally driven by the world market. We also have multiple suppliers for raw materials and original parts for our shipbuilding services. No supplier provides us with more than ten percent of our total purchases for products or services and our business and profitability are not materially dependent on any contract with any of our suppliers. We also use various suppliers to provide docking, equipment and insurance services. We also purchase lube oil from one of our affiliates, PT Rezeki Putra Energi, from time to time.

Safety, Quality and Maintenance

Safety, the preservation of life and the protection of the environment are our core values. In keeping with these values, our fleet has maintained a strong safety record. Every commercial seagoing vessel must be "classed" by a classification society. Our fleet is currently classed by LR, ABS, DNV GL, NKK and BKI or others. The IMO adopted an International Safety Management Code (the "ISM Code") in 1993, which became mandatory in 1998. The code establishes safety management objectives and requires a Safety Management System ("SMS") to be established by the shipowners or any persons, such as the managers or bareboat charterers, who have assumed responsibility for operating a ship.

A classification society certifies that a vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned. A vessel must undergo scheduled annual surveys, intermediate surveys, dry docking and special surveys.

A classification society may also undertake on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

Annual Surveys: For seagoing vessels, annual surveys are conducted for the hull and the machinery, including the electrical plant, safety and communication equipment and, where applicable, for special equipment classed. These surveys occur at intervals of 12 months, plus or minus three months, from the date of commencement of the class period indicated on the certificate.

Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and are typically conducted in conjunction with the second or third annual survey after each special survey.

Dry docking Surveys: We dry-dock our vessels twice within the five-year survey cycle, with a maximum of 36 months between inspections, for survey of the underwater parts and for repairs related to inspections. An in-water survey may be permitted in lieu of a dry docking for the intermediate survey for vessels below 15 years old, although the vessel must carry out a dry docking in conjunction with a special survey.

Special Surveys: Special surveys, also known as class renewal surveys, are carried out for the vessel's hull, machinery, including the electrical plant, safety and communication equipment and for any special equipment classed, at five-year intervals from the vessel's certification. At the special survey, the vessel is thoroughly examined, including ultrasonic measurements to determine the thickness of the steel structures. Should the thickness be found to be less than the class requirements, the classification society would prescribe steel renewals (replacement of steel). The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

If defects are found by the classification surveyor during any survey, an immediate repair may be required. However, if the class surveyor considers it safe for the vessel to continue service without an immediate repair, the surveyor will issue a condition of class which will require the defect to be rectified within prescribed time limits. Any conditions of class must be repaired at the time of the special survey or earlier if prescribed by the classification society.

As of March 31, 2015, six of the vessels in our fleet were scheduled for special survey and nine were scheduled for dry docking for the remainder of 2015. In 2015, 15 of our vessels are scheduled to pass dry dockings and special surveys.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Insurance underwriters generally make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society that is a member of the International Association of Classification Societies.

We use third party contractors to provide regular dry dock maintenance and seek to keep our vessels in excellent working condition in order to satisfy the international operating standards required by the international oil companies and other significant customers, as well as to prolong the useful life of our vessels. Our vessels are dry docked in shipyards that are convenient to the area in which a vessel operates. The majority of the shipyards used are located in Singapore or China, with other established shipyards in Batam, Indonesia. Other repair and maintenance services are planned and carried out in convenient ports with established repairers and/or an appointed agent for equipment makers. Established shipyards we use are Cosco Guangzhou Shipyard, Cosco Shanghai Shipyard and Yiu Lian Dockyard in the PRC and ASL (Batam) Shipyard in Indonesia.

After commencing our ship repair and maintenance operations, we intend to dry dock and undertake regular repair maintenance in respect of our vessels, where possible, at our shipyard. Marine crew members are responsible for carrying out routine maintenance onboard the vessels and, where necessary, additional crew members are added to perform specific maintenance and upgrading tasks during voyages. We believe that our schedule of dry docking and our continuous efforts to repair and maintain our vessels help us maintain the efficiency and safety of our fleet operation.

In the past five years, none of our vessels has been involved in any material accident or incident, and no members of the marine crew that operates our vessels has suffered any life-threatening work-related injuries or death.

We install vessel tracking equipment in each of our vessels, which allows us to track the location of our vessels at all times, anywhere in the world. We maintain a staff of eight employees designated to monitoring the location and status of our vessels on a 24 hour a day, 7 days per week basis. We maintain safety, security and response protocols in the event of a disaster, such as serious damage to one of our vessels, whereby relevant members of senior management will be alerted of the incident on an immediate basis. We have had no material safety-related incidents in the last five years.

Environment and Pollution

All of our vessels are operated in compliance with relevant national and international pollution prevention protocols. We comply with all mandatory environmental measures and requirements for each vessel carrying liquid cargo, such as crude oil and certain chemical products, as prescribed by the various regulatory authorities that regulate the shipping industry. All of our vessels have a pollution prevention manual on board.

Material Licenses

The material licenses we have obtained in connection with our business operations include, among others, a sea transport company business license, Vessel Certificates, a transportation business license, an industrial business license and a ship building and ship repairing business license.

In addition, based on the Shipping Law, each of our vessels is also required to have various vessel certificates, inclding the certificate of vessel safety and certificate of load line ("Vessel Certificates"). The terms of each of these Vessel Certificates vary from 3 months to 5 years, and each type of vessel may require different Vessel Certificates. The Vessel Certificates are required for a vessel to obtain port clearance from the relevant port authority in Indonesia each time a vessel leaves a port. As a practical matter, in the shipping business, some vessels may have one or more expired Vessel Certificates from time to time, including for instance, when Vessel Certificates expire while at sea and may only be extended the next time the vessel docks. In addition, Vessel Certificates may expire while our vessels are docked, and we may only apply for their extension immediately prior to sailing.

With regard to the transportation business license, based on GR 36/2004, a company is only required to obtain a transportation business license in the event that it transports oil and/or gas on a spot charter arrangement or in the event that it transports oil and/or gas for a company without a processing business license (*izin usaha pengolahan*) or storage business license (*izin usaha penyimpanan*) or commercial business license (*izin usaha niaga*). We transport oil from Pertamina under time charters with the latter operating our vessel, and we understand from the DGOG that Pertamina is currently in possesion of a commercial business license. Thus, based on GR 36/2004, we are not required to obtain a transportation business license for our vessels or time charter with Pertamina.

Vessel Flag State

The flag state of a vessel, as defined by the United Nations Convention on the Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. Our vessels are flagged in Indonesia and Panama.

Each flag state applies its own regulatory requirements based on the guidelines developed by International Maritime Organization and specific classification requirements for vessels. These include minimum safety construction and equipment standards and are subject to periodic survey and inspection requirements, pursuant to adoption and implementation of international conventions. Although the conventions only apply to vessels over a specified tonnage, individual flag states may also apply additional requirements over and above the specified conventions. Individual flag states in which a vessel operates may also apply laws as to local licensing (including rights of detention), sabotage, pollution and environmental requirements and other matters.

Insurance

The insurance requirements for operating a vessel are different in nature from those which apply to other industries, as vessels operate all over the world, calling at various ports in various countries at different times. The complex circumstances involved in sea and inland voyages require specific arrangements for the provision of marine insurance. Generally, a marine policy may cover the risks of a single voyage or may insure for a certain period of time. Cargo is almost always insured by voyage by the chartering party. Vessels are usually insured for a certain duration of time, usually year by year. Cargo policies may be based on a single load or may cover all cargo shipped by the insured. Hull insurance or vessel insurance may cover a ship or a whole fleet. *Hull and Machinery.* Our Group's hull and machinery policies cover physical damage to the vessel, its machinery and equipment. In addition, the policy covers general salvage, litigation and labor liability. Coverage for our vessels under the hull and machinery policy is written with a vessel value, as agreed upon between us and the underwriters of the policy. Our hull and machinery policy provides a total cover of up to US$27.2 million across our entire fleet. The hull and machinery insurance underwriters of our fleet are PT Tugu Pratama Indonesia, PT Arthagraha General Insurance, PT Fairfax Insurance Indonesia, Charles Taylor Mutual Management (Asia) Pte. Ltd., Shipowners' Asia Pte. Ltd. and PT Great Eastern Life.

Protection and Indemnity Our protection and indemnity policy covers personal injury and illness, cargo claims, collision, third parties' liabilities and oil pollution. Our protection and indemnity policy has a total cover of up to US$5.0 million per occurrence across our entire fleet. Shipowners' Mutual Protection and Indemnity Association underwrites the protection and indemnity policies for our vessels.

We have not experienced any difficulties obtaining or renewing our insurance policies, or in realizing claims under any of our insurance policies. We believe that this level of insurance cover is in line with standard market practice for the industry.

Employees

As of March 31, 2015, we had a total of 194 and 1,897 permanent and temporary employees, respectively. The following table shows the number of our employees as of December 31, 2012, 2013, 2014 by activity:

	As of December 31,		
	2012	2013	2014
Employees by Activity:			
Shipbuilding	166	185	1,558
IT	9	13	19
Finance/Accounting	34	52	67
Human Resource	38	54	47
Legal	4	3	3
Operational Staff	100	157	175
Total	351	464	1,869

	As of December 31,		
	2012	2013	2014

The following table sets forth the number of contracted employees in the marine crew that operates our vessels as of December 31, 2012, 2013 and 2014:

	As of December 31,		
	2012	2013	2014
Marine Crew			
Contracted Employees	649	713	740

We do not directly employ marine crew to operate our vessels. Our marine crew is employed under contracts with our technical managers, PT Vektor Maritim and PT Equator Maritime, and we reimburse them for the cost of appointing such crew on a cost-pass through basis. We and our technical manager provide in-house training for experienced crew members, through periodic training sessions and development programs on international standards for the safety and operation of our vessels.

Pursuant to cabotage principles under Indonesian shipping laws, Indonesian-flagged vessels must be manned by Indonesian crew. Most of the marine crew that operates our vessels are Indonesian, although our technical managers occasionally appoint crew members from outside Indonesia when necessary and where crew matching our needs is not available domestically.

We have not experienced any strikes or disruptions due to labor disputes. We consider our relations with our employees to be good.

Properties

As of March 31, 2015, our properties comprised office and warehouse space located in Indonesia used in connection with our shipping and shipyard businesses and for general administrative functions, including our head offices and the warehouse and workshop facilities at our shipyard.

The total land area of our shipyard, including the first phase of our shipyard and the land available for expansion is approximately 218 hectares, comprising (i) approximately 45 hectares registered in the name of our subsidiary, MOS; (ii) approximately 100 hectares for which the Government has granted us a reclamation license (the land reclamation is still under progress) for which we will only be able to apply for the land title certificate after the land reclamation is completed; (iii) approximately 40 hectares of land that we lease from the regional government for an 80-year period and are in the process of applying for a land title certificate (in the form of HGB); and (iv) approximately 33 hectares that we together with Hartono Utomo, one of our Directors, acquired from local residents that are pending registration with the relevant local authorities.

We are subject to the risk that we do not obtain a certificate of title for our entire shipyard.

Material Litigation

We are not involved and have not, in the last 12 months, been involved in any legal or arbitral proceedings, and no proceedings are threatened, which may have or have had a material and adverse effect on the business, properties, financial condition, operations or prospects of our Group.

Awards

We qualify for the standard Stage 2 Tanker Management Self Assessment by the Oil Companies International Marine Forum. We also obtained ISO 9001:2008 for quality control management for shipping companies.

Intellectual Property

We do not have any patents, licenses or trademarks on which our business is materially dependent.