
6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.1 OVERVIEW OF THE GLOBAL ECONOMY

The global economic environment was favourable in 2006, sustaining its fourth consecutive year of expansion of above 4%. While there was some moderation in the USA, especially towards the latter part of the year, the global growth momentum remained steady. This resilience was attributed to several factors. First, the moderation of growth in the USA economy was largely centred on the weak housing and automobile-related sectors. Second, although the contribution of the USA economy to world growth was still significant, there was a broadening of growth across the major economic regions, specifically with growing economic impetus in Europe, continued recovery in Japan, and stronger expansion in the East Asia region, as well as other developing economies. Third, the strength of commodity markets throughout most of the year favoured resource-based producers, thus benefiting a large number of emerging economies through improved terms of trade and foreign exchange earnings.

The USA economic slowdown thus far has been modest, reflecting a “soft landing” scenario with domestic demand remaining largely intact despite the downturn in the housing market. Consumption activity remained steady with encouraging labour market conditions and favourable income positions. In addition, corporate performance benefited from the sustained strength in external environment and the globalised operations of USA companies, as well as favourable financing conditions.

Globally, headline inflation remained elevated throughout most of 2006 due to the impact of oil prices. Oil prices rose, particularly in the first half-year, due to uncertainties over supply amid robust demand conditions and geopolitical tensions affecting some of the key oil-producing countries. However, pressures on inflation eased when oil prices began to decline in August 2006, partly reflecting the diminishing risks to supply. Expectations of slowing USA growth in the second half of the year together with a build-up in USA inventories following warmer-than-expected weather played a role in easing short-term supply concerns.

Global growth in 2007 is forecast to be sustained at above 4% for the fifth consecutive year. A growth of 4.5% is anticipated in 2007, with further easing of inflationary pressures and with some moderation in growth of world trade.

(Source: Independent Market Research Report compiled and prepared by D&B Malaysia)

6.2 OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy strengthened in 2006, with real gross domestic product (“GDP”) expanding by 5.9%. The robust global growth during the year resulted in strong demand for electronics and primary commodities. This strong external environment was supported by strong domestic activity as private consumption rose in line with incomes and private investment increased to expand productive capacity to meet demand.

Consumer spending remained strong, benefiting from higher disposable incomes arising from strong export earnings, high commodity prices and favourable labour market conditions. Private investment continued to increase, with significant capital expenditure in the manufacturing, services, and oil and gas industries. Meanwhile, the public sector continued to support growth with the government committed to improving the infrastructure and the provision of government services mainly in education and health, especially for the rural areas.

Major consumption indicators confirmed the strong trend in spending, with double-digit growth rates recorded for consumption imports, loans approved and disbursed for consumption credit, as well as credit card spending. The main factor that contributed to the strength in consumer spending was a steady income growth arising from firm commodity prices, strong export earnings and stable employment conditions. Prices of major commodities such as rubber and crude palm oil were sustained at high levels throughout 2006.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Supported by sustained global growth and resilient domestic demand, the Malaysian economy is expected to register solid growth in 2007, with real GDP expanding by 6%. The growth momentum during the year will be influenced by both external and domestic factors.

(Source: Independent Market Research Report compiled and prepared by D&B Malaysia)

6.3 INDUSTRY OVERVIEW

6.3.1 Overview

Marine vessel container and bulk ships currently carry about 95% (by weight) of all international trade. More than 92,000 marine vessels currently ply the world's oceans, seas, lakes, and inland waterways. In Malaysia, the marine vessel industry received a kick-start in 1992 when the Government announced the establishment of a RM500 million shipping venture fund. The government initiative was spearheaded by Bank Industri, which formed Global Maritime Ventures Berhad ("GMV"), a marine venture capital investment holding company. GMV, with initial investment of RM200 million, began implementing a course of action, which included equity participation to encourage local companies to start their own Malaysian merchant fleet. Today, the industry has evolved, servicing various sectors of economy such as oil and gas, manufacturing, transportation and commodities.

As at the beginning of 2006, Malaysia generates, in terms of value, 1.2% of the world's total trade. Its strategic location along an important trading route, highly developed infrastructure, stable government and rich natural resources enhance Malaysia's position as an attractive haven for foreign direct investments and a major trading partner in the global trading arena.

As of 1 January 2006, the 35 most important maritime countries own approximately 95% of the world's merchant fleet. The leading maritime countries, Greece and Japan, each control approximately 18.02% and 14.52% respectively of the world's total tonnage. As at 1 January 2006, Malaysia was ranked 21st in the world ranking of most important maritime countries by the United Nations Conference on Trade and Development ("UNCTAD") with a total dwt of 9.633 million tonnes or 1.06% of the world's total tonnage. There were a total of 249 Malaysian registered vessels and 76 foreign registered vessels owned by Malaysian companies. These statistics are compiled by UNCTAD secretariat on the basis of the data supplied by Lloyd's Register for vessels of 1,000 grt and above.

The actual number of vessels in Malaysia far exceeds the above stated numbers. Between 2000 and 2004 the Malaysian shipping fleet grew by 26% from 3,001 vessels to 3,782 vessels. Of the total vessels, barges and tugboats grew from 1,676 units to 2,043 units, representing a growth of 22%. There is definitely a steady increase in the number of supply boats, barges tugboats and others, in line with the strong growth in the offshore support industry. However, the numbers reflected by the Ministry of Transport, Malaysia may not be accurate as the registry have entries only and do not take into account any deletion of vessels.

In 2006, there were 33 major ports operating in Malaysia. Port Klang and Port of Tanjung Pelepas ("PTP") handled more than ten (10) million twenty-foot equivalent units ("TEUs") of transhipment containers nationwide in the same year. Port Klang and PTP were ranked 15th and 19th, respectively, in the world in 2006 in terms of volume of containers handled. Currently, PTP has established itself as Malaysia's top container terminal and is poised to become Asia's "sole hub", attracting more liners and individual services.

The Government is also currently in the process of establishing a single port authority, the National Port Authority, that will perform regulatory functions to ensure that port operators meet the requisite performance standards and comply with the terms and conditions of the licences issued. Accessibility to ports by road and rail links promotes seamless logistics operations. Similarly, multimodal transport operations that offer door-to-door services are also given priority. To further enhance port capacity, a comprehensive approach has been adopted to provide supporting ancillary services such as distriparks, bunkering, insurance, customs brokerage and shipping agencies.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.3.2 COMMERCIAL SHIPPING

The goods exported from Malaysia consist of commodities such as crude oil and liquefied natural gas, crude palm oil, timber, rubber as well as manufactured products such as electronics and electrical products, steel and cars. Johor Port has recently become the first designated port for the London Metal Exchange third after South Korea and Singapore. The port will provide warehousing facility for trading of London Metal Exchange's non-ferrous metals.

(a) Dry Bulk Cargo Sector

Bulk vessels carry dry commodities such as grains and ores. Bulk vessels are classified into: -

- Capesize vessels – large vessels mainly to transport iron ore from Australia or Brazil to Far East.
- Panamax vessels – vessels that can be deployed along the transatlantic routes.
- Handy-size vessels – smaller vessels, mainly carrying grains, and are mainly deployed in ports with restricted drafts (draft refers to the depth of a vessel's keel below the surface.)

The freight rates for the above are indicated by the Baltic Capesize Index, Baltic Panamax Index and Baltic Handymax Index. The Baltic Dry Index is a composite of all of the 3 indices. The Baltic Dry Index is a number issued by the London-based Baltic Exchange, which provides an assessment of the price of moving raw materials by sea.

In 2003, bulker rates have exceeded 150%, driven by the increasing demand for raw materials from China. For 2007, the demand for bulkers is expected to remain firm. Demand from China is still expected to remain strong, with the projected GDP growth of 10% in 2007. As at 1 January 2006, 32% of the world's total bulk carriers exceeded 20 years old. The average age of the world's dry bulk carrier fleet is 13 years. Most shipyards are currently having problems accepting new orders in view of the current high steel prices. Current available space in yards is taken up for the construction of oil tankers, due to the increasing need to comply with the revised regulation 13G of the MARPOL Convention which was in force since September 2002. Globally, 264 new bulkers were ordered in 2005.

(b) Container Sector

Within this sector, the sub-sector of container feeder services has grown in importance. Since its commencement of operations in 1999, PTP had become the transshipment hub for Evergreen Line and Maersk Line, two (2) of the world's major players within the container sector of the shipping industry. In 2006, PTP has a transshipment level of more than 95%, with transshipment traffic accounting for most of the 4.8 million TEUs handled during that year. In South East Asia, the regional container companies such as Samudera Shipping Line and Pacific International Lines rely on dedicated transshipment terminals and feeder services. The increasing proportion of transshipment is mainly due to the mounting importance of larger container ships and the associated economies of scale, as well as the increasing degree of containerisation even at smaller ports.

In general, there are a few major types of container ships with varying size and configurations, such as fully cellular containerships, single-deck vessels and multi-deck vessels. During 2005, global seaborne container carrying capacity rose by 10.6% to 10.4 million TEUs. Fully cellular containerships saw their share increasing by almost 2.0% to 78.5% at the beginning of 2006, amounting to 8.1 million TEUs. Single-deck vessels accounted for 1.0 million TEUs, an increase of 9.5% at the beginning of 2006, while multi-deck vessels added 0.6 million TEUs, an approximately 5.8% increase for the same period. Shipping lines in Malaysia faced a shortage of containers in 2003 as a result of trade growth at double digit pace. As such they reduced the number of free days the goods could be stored in the containers down from seven (7) to five (5) days. This is normally a seasonal phenomenon but has since persisted.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.3.3 COASTAL AND OCEAN FREIGHTERS

Coastal and ocean freight services play an important role in international shipment of goods. International shipment accounts for more than 90% of marine tonnage handled at Malaysian ports. Coastal shipping in Malaysia is governed by the Cabotage policy, which reserves the transportation of goods in the domestic trades to Malaysian registered ships, thus eliminating competition from foreign liners.

6.3.4 SUPPLY CHAIN

The shipping industry has gone global, along with just about every other industry sectors. This industry is made up of complex web of service providers that procure the raw material, supply systems and software, run the warehouses, provide the consulting and operate the ports, airplanes, boats, trucks and trains that move raw materials, finished goods and packages throughout the world. With the need to ship massive amounts of goods across long distances evolves the need to have vast supply chains monitored, organised and controlled. This led to the advent of the Supply Chain Management and Third Party Logistics concept, or third party logistics providers, who are players that are able to offer an integrated (or, total) logistics services. Mostly, these players own core resources (infrastructure, people and system) to be able to take on the entire logistics that are outsourced by customers.

In the shipping industry, the Marine Industry Supply Chain Standards is a standard set of recommended guidelines for invoicing, shipping, packing, labelling and returns intended for use by marine industry suppliers and buyers in their sales and purchasing transactions. The purpose of these guidelines is to provide assistance to the industry in adopting best practices, such as to improve efficiencies, reduce costs, and deliver a better experience to the boating customer.

6.3.5 INDUSTRY LIFE CYCLE

The marine vessel transportation industry is characterised by cyclical trend with constant fluctuation in the charter rates, influenced by delicate balance between supply and demand. Factors underpinning the charter rates are on the supply side, balance of number of vessels in operation less tonnage to be scrapped and projected new shipbuildings entering the market within a specific time frame. On the demand side, trade activities are the key component. The increase in trade of commodities and manufactured goods are the critical economic activities that directly influence the demand for shipping capacity.

The transportation of goods from suppliers to end-users is an activity that has been going on in Malaysia since the development of the plantation and tin-mining sectors. Initially, the producers themselves handled these functions but gradually, independent haulage service providers, warehouse operators and freight forwarders came into the scene. In the early stage, seaborne trade consisted of primarily general cargo, container and bulk carriers carrying manufactured goods.

With the advent of industrial development, the rise of the manufacturing and petroleum-based sectors further created impetus for growth of the shipping and logistics sector, as evidenced by the rapid growth in exports of agricultural products and imports of finished goods. General cargo and container vessels mainly served the expanding Malaysian export trade as industrial manufacturing continued to grow. This is expected to grow with increasing importance as container traffic for more high-value goods assume greater proportions of the overall seaborne trade, and air transportation for these goods become more competitive with the resultant oil price hikes.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.3.6 Demand & Supply Conditions

(a) Container Shipping

The growth in international container shipping is expected to register an average growth rate of 9.0% per annum. Driving the growth is the increasing trade in the Asia-North America and Asia-Europe routes. This was partly due to the rise of China as the manufacturing capital of the world. On the demand side, the demand for higher value manufactured goods from the west is growing with increasing incomes in these regions. In many cases, container ships are ideal for the resulting trade traffic. On the supply side, the total capacity of container fleet is expected to increase by 50% in 2006, 2007 and 2008, with focus of the order books on large ships.

(b) Dry Bulk Shipping

Dry bulk shipping has been on the uptrend since early 2007, with the Baltic Dry Index improving steadily. The demand for dry bulk markets is largely related to world steel production, particularly with the booming Chinese economy and its huge demand for coal and iron ore, both of which are consumed heavily in the nation's power and steel production industries. China is by far the largest steel producer. In 2006, China had a share of 34.0% of the world steel production. In terms of annual growth rate, China's steel production grew by 20.9% in 2006 compared to the previous year. Global steel demand is forecasted to expand by about 5.9% in 2007, with an additional gain of 6.1% in the next year.

6.3.7 COMPETITIVE ENVIRONMENT

The shipping industry plays an important role in the Malaysian economy which is largely export oriented. Being a trade-dependent economy, international trade performance and efficiency are essential components for the overall success of Malaysian economy.

There has been a continuous rise in the national shipping capacity over the years, with an increase in strength of the national merchant fleet to more than eight (8) million dwt in the last two (2) years. The increase reflects the continued measures implemented under the Ninth Malaysian Plan ("9MP") period from 2006 to 2010 to promote the growth of the local shipping industry. Rationalisation and greater investment through leasing, joint ventures, chartering business and other strategic alliances further strengthened the Malaysian shipping industry. The number of ships registered in Malaysia increased at an average of 6.0% per annum from 3,001 ships or 5.7 million grt in 2000 to 3,782 ships or 8.2 million grt in 2004. Despite the increase, the gap between the supply and demand for national shipping services remains to be addressed, leaving a high dependency on foreign shipping services.

The pricing of spot and contract charter rates is extremely competitive due to high number of players in the industry. The players in the industry are diversified ranging from large multinational corporations to local companies and small & medium industries. In Malaysia alone, the number of ships registered with MASA (Malaysian Shipowners' Association) increased by more than two (2)-fold to 549 by the end of 2003 from just 227 in 1996. Despite the rapid rise in ships, much of the demand for shipping services is still met by foreign shipping lines. This created an environment where operators tend to use pricing power to optimise utilisation rate.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.3.8 GOVERNMENT LEGISLATIONS AND POLICIES

The shipping industry is highly regulated and subject to numerous local and international regulations and legislations, which include the following:-

- (a) The major international codes and standards include:-
- The United Nations Convention on the Law of the Sea;
 - International Convention for the Safety of Life at Sea, 1974;
 - International Safety Management Code 2002; and
 - MARPOL 73/78 Convention.
- (a) Malaysian legislations and policies include:-
- Merchant Shipping Ordinance 1952;
 - International Ship & Port Security Code;
 - Environmental Quality Act 1974; and
 - Cabotage Policy.

6.3.9 GOVERNMENT INCENTIVES

The introduction and implementation of the Cabotage Policy in 1980 was part of the Government's efforts to reserve the domestic shipping trade to national flag vessels and local shipping companies. Further to this, the Government aims to stimulate continuous growth of the industry through the launch of several other initiatives and incentives. The major incentives for manufacturers in Malaysia are tax incentives, both direct and indirect, provided under the Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976. Direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives come in the form of exemptions from import duty, sales tax and excise duty.

The Government encourages the growth of the marine sector through efforts to create more infrastructures such as ports and highways and financial incentives in the form of shipping funds to boost the industry. In addition, to complement the Government's human resources development efforts, the private sector is urged to look into technological innovations that could make the maritime industry less labour intensive.

6.3.10 BARRIERS TO ENTRY AND EXIT

Traditionally, the marine vessel transportation services industry has fairly moderate barriers to entry as evidenced by the large number of players comprising medium to large-sized companies. These companies individually service varying market segments depending on the type of goods transported and/or niche markets that require different types of vessels. Companies which have been able to capture a significant share of the market are those which have invested in a diverse yet integrated range of shipping and logistics services which are capable of providing prompt, reliable and quality services to a broad spectrum of customers, both locally and internationally. These players are well-reputed for their ability to comply with the high standards set by the industry and have developed an export market for their services.

6.3.11 DEPENDENCY ON OTHER INDUSTRIES

The growth prospects of the marine transportation industry is dependent on the logistics industry, which in turn has a strong correlation to the growth of the manufacturing industry in the region and even more so in Malaysia. Sales value of the Malaysian manufacturing sector rose 7.4% year-on-year in 2006. Manufactured products alone accounted for 80.3% of total exports in 2006. This highlights the importance of foreign trade to Malaysia. The development of the shipping industry is also very sensitive to any changes in trade patterns.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

Cargo related activities were encouraging whereby among the major ports, Port Klang registered an increase of 74.3% from 70 million tonnes in 2001 to 122 million tonnes in 2006.

(Source: Independent Market Research Report compiled and prepared by D&B Malaysia)

6.4 INDUSTRY OUTLOOK

6.4.1 MARKET PERFORMANCE & TRENDS

At the beginning of 2006, the total world merchant fleet, comprising ships of 300 grt and over, stood at 41,110 ships with a tonnage of 960.0 million dwt. In comparison with 2005, the tonnage increased by 7.2%.

International shipping is one of the most dynamic economic sectors in the last few years. At the beginning of 2006, the bulk carrier fleet (including ore/bulk/ore carriers) had, in terms of tonnage, a share of 36.2% of the world merchant fleet equal to 341.7 million dwt, compared with 36.4% or 291.2 million dwt in 2002. In the period between 2002 and 2006, container tonnage (dwt) increased by 10% yearly. As of January 1st, 2006, the capacity of the container fleet amounted to 111.7 million dwt or 8.1 million TEUs. In terms of dwt the container fleet contributed 11.8% to the world merchant fleet (2002: 9.5%, 1990: 4.1%).

Between 1990 and 2005, the container trade at world ports expanded by just under 10% per annum on average. The sector greatly surpassed seaborne trade overall and even the growth in international air transport. The main reasons for the growth are, on the demand side, the increasing international division of labour in the course of liberalisation and the resulting trade movement and also the proportion rise of goods suitable for containership transport. On the supply side, the growth is due to the substantial expansion of the container ship fleets and the faster loading and unloading time compared with traditional cargo ships.

6.4.2 DEVELOPMENT TRENDS

The global shipping industry had largely been influenced by globalisation and the application of information and communication technology, which have led to higher expectations of customers or shippers. Major development trends include the shift in industry concentration towards consolidation with the increasing mergers and acquisitions.

Currently, the industry is dominated by the top 20 carriers, which account for more than 60% of the global containerised shipping fleet. The expansion of the container ship trade has affected the market structure, which is presently characterised by increased capacity with the presence of larger ships. The capacity of the largest vessel had increased more than five (5)-fold, from 1,500 TEUs in 1980 to 8,750 TEUs in 2005. This poses a new challenge to low cargo volume countries, which face difficulties in servicing large ships and as a result, would need to improve their ability to connect to a wider network of markets.

The large shipping companies enter into co-operation agreements that enable them to continue to dominate the international market, primarily in terms of price fixing. These companies are also able to enter into alliances with their competitors to widen their market coverage.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.4.3 MARKET GROWTH FACTORS

(a) Continued Growth in the Asian Economy

As a result of the economic boom across Asia, 16 of the 35 most important maritime countries and territories are Asian-based. Ten of the world's top 20 container terminals are Asian-based, underlining the rapid growth of Asian economies and its growing clout as a maritime power. In addition, ASEAN itself is a major export market for Malaysia. In 2006, 25.8% of Malaysian manufactured goods were exported to ASEAN countries, out of which 65.8% were exported to Singapore.

In this respect, the economies of the ASEAN 5 (comprises Indonesia, Malaysia, the Philippines, Singapore and Thailand) remain strong in 2006, mainly driven by sustained export and domestic demand. Intra-regional trade is also expected to continue expanding at a brisk pace given the still robust growth of China and India.

(b) Strong International Trade and Trade-Related Activities

Highly driven by strong international trade and trade-related activities, capacity expansion in port facilities and equipment as well as productivity improvements, container traffic at seven (7) major ports, namely Port Klang, Penang, Johor including the PTP, Kuantan, Kuching and Bintulu rose to 6.3 million TEUs in the first six (6) months of 2006 (January to June 2005: 3.3%; 5.8 million TEUs), an increase of 9.5% over the corresponding period last year. The number of ships calling at these ports increased by 704 ships to 21,603 in the same period, as compared to 20,899 in the same period in 2005.

Significant developments within the Port Klang vicinity is expected to further stimulate port activities, transport logistics and business-related activities and provide additional impetus to growth in the transport, storage and communications sub-sector.

(c) Overseas Market Opportunities

Going forward, rising export from China is expected to continue to be a major driver for demand in shipping capacity. The fast-growing Chinese economy and rapidly developing foreign trade has resulted in a speedy increase in the Chinese marine transportation volume, and also created a momentum in the global sea transportation industry. In the past three (3) years, China accounted for more than 90% of the world bulk cargo sea transportation volume's increment. China's demand for new shipping in the period between 2006 and 2010 is forecast to be 31 million dwt, or approximately 6.2 million dwt on average per year. On the other hand, China's cargo and container throughput has already been the top of the world for three (3) consecutive years. In 2005, Shanghai Port's throughput reached 443 million tonnes, propelling it to the position of the world's largest port. Container throughput reached 18 million TEUs, which topped the world's third place for three (3) consecutive years.

(d) Development of the Logistics Industry

Along the supply chain, the development of port and related facilities is regarded as a critical component supporting the growth of marine transportation. Insufficient port capacity would create bottlenecks and as a result, lengthen the turnaround time. In Malaysia particularly, the development of ports continued to focus on increasing capacity, upgrading equipment and facilities as well as enhancing the efficiency of port and port-related services. Major projects undertaken to expand the capacity of ports included the construction of additional berths at West Port of Port Klang, PTP, Penang Port and Kuantan Port as well as a container terminal and oil jetty in Sepangar Bay, Sabah and the Second Inner Harbour Basin of Bintulu Port in Sarawak.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

In addition, Malaysia strives for value-added supply chain management and support services, which cater to the needs of a broader regional hinterland. Equipped with the knowledge and skills to manage and control information, and process and payment flows across regional supply chains, Malaysia is set to position itself as a virtual logistics hub.

6.4.4 Critical Success Factors

(a) Quality Services and Prompt Delivery of Goods

As highlighted earlier, proven track record is an essential criterion in gaining the competitive edge against other competitors. The industry is characterised by short-term contracts. Even for time charters, the contract duration hardly exceeds three (3) years. The decision whether to renew the contract for another fixed period of time or awarding new charter contracts depends on factors such as pricing, service quality and timely delivery of goods. Companies with consistent track record in delivering customised and quality services to customers in general tend to be favoured.

(b) Cost Efficiency

The marine vessel operators are directly affected by fluctuation in charter rates, which are in turn subject to various demand and supply factors such as growth in trade, total number of operating vessels and expected new vessel capacity less tonnage to be scrapped. Consequently, the profitability of vessel operators is volatile as well. In this respect, vessel operators must ensure that operating cost remains lean and efficient to weather downcycle, which sometimes could last for an extended period of time. Operators must keep abreast development in the industry and consistently upgrade process management, including planning, executing, monitoring and reviewing in managing operating costs. In addition, cost efficiency is a critical success factor in that the operators could deliver satisfactory services at competitive rates.

(c) Regional Development

Given the competitive nature of the industry, network extension into global market is essential in ensuring its own survivability, given the relatively small local market size. The vast underlying opportunity is reflected in the fact that twelve of the world's top 20 container terminals are Asian-based. China's shipping demand, meanwhile is expected by approximately 6.2 million dwt on average per year until 2010. Malaysian shipowners must position themselves, by taking advantage of the geographical proximity and stable diplomatic relations to tap into this rising intra-Asian and the boom in Chinese economy.

(d) Outsourcing of Low-Value Services

With the increase in complexity of process management along the supply chain, outsourcing is becoming an increasingly attractive option in cost and efficiency management. Companies that outsource low value-added components in general could achieve leaner cost structure and higher efficiency as available resources could be instead channelled into more productive areas. Fourth Party Logistics ("4PL"), a new concept in supply chain outsourcing, is emerging as a path to achieve more than the one time operating cost reductions and asset transfer of a traditional outsourcing arrangement. Through alliances between best-of-breed third party service providers, technology providers and management consultants, 4PL organisations can create unique and comprehensive supply chain solutions that cannot be achieved by any single provider.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.4.5 Conclusion on Industry Prospects

In Malaysia, the development of the maritime industry only experienced rapid growth in the past two (2) decades, despite the fact that the region itself has been a major focus of shipping lines and sea trade for the past 600 years. The marine vessel transportation services industry has the strong support from the Malaysian Government and has been identified as a crucial foreign exchange saver. The Government constantly promotes greater use of Malaysian shipping services for the carriage of products and encourages Malaysian shipowners to utilise local shipyards for ship repair and ship building requirements. Tax and fiscal incentives for ship fabrication and repair activities have also been introduced to precipitate growth of the overall shipping industry.

Going forward, all indications point to high growth in the logistics sector in the Asia Pacific region. This will inevitably spill over to Malaysia. The intensity of manufacturing is anticipated to sustain its compounded annual growth rate of 12.9% through 2007. Earmarked as a major growth area within the Malaysian economy, Malaysia's marine vessel transportation services industry is definitely on the upbeat, spurred on by the Government's commitment in developing the industry.

The Asian Development Bank forecasts that Asian economies will collectively expand by 6.5% to 6.9% in 2007 and this is expected to witness a complementary increase in intra-Asian trade. As such, the transport and logistics sector, particularly for transshipment business, which is defining intra-Asian trade, will stand to gain. In this respect, the Malaysian Government is also actively pursuing the development of world class port facilities in the country to promote Malaysia's position as a transshipment hub.

Special focus has been given to seaports and airports in the 9MP as they assume a vital role in Malaysia's economic development. Productivity, efficiency and performances have improved at local ports over the last decade as they strive to compete with other international ports, particularly the stiff competition from regional ports.

Under the 9MP, Malaysia's ports are expected to handle a total container throughput of 18 million TEUs and ship calls to increase to 130,000 by 2010. Ports in Malaysia experienced strong growth in the first quarter of this year, with Miri port recording a 21% growth and Port Klang 13.4%, with China Shipping relocating its operations from Singapore to Port Klang. The container industry is expected to grow by 7% over the next decade, and it is imperative for Malaysian companies to gain a slice of the business from this growth.

(Source: Independent Market Research Report compiled and prepared by D&B Malaysia)

The rest of this page is intentionally left blank

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.5 PROSPECTS AND FUTURE PLANS OF OUR GROUP

6.5.1 Vision and Mission Statements

- (a) Our vision is to be a smart international shipping and logistics company with the specific aim of creatively developing niche markets that will provide remunerative returns to our shareholders.
- (b) Our mission is to:-
 - provide and manage the marine transportation service for our clients using the best possible solutions;
 - constantly identify and venture into new and profitable niche locations where the Group has the skills, experience and resources to service both its existing and potential customers in the most effective manner; and
 - continuously strengthen our business relationship with our shipping agents and customers.

6.5.2 Business Expansion

(a) Marine Transportation and General Trading

Currently, our Group's marine transportation services cater primarily to the Southeast Asia and island nations in the Southwest Indian Ocean regions. We have successfully penetrated into these international markets through careful planning, survey and exploration as well as the commitment of a dedicated and experienced management team.

Moving forward, we intend to strengthen our current business and plans to increase our general trading activity by supplying building materials and general goods through Island Network. The impending increase in our general trading activity is expected to complement our Group's marine transportation services.

Under the marine transportation services segment, we are continuously searching for new locations where our Group can operate and offer its services. In addition to shipping goods to primary ports, we also provide logistics services to secondary ports in the Southeast Asia region. Presently, we have identified a few areas, such as by extending the coverage of Seychelles and Madagascar routes to include the surrounding island nations in the Southwest Indian Ocean region, and the South Pacific's island nations region, where we can offer our range of services. Our strategy to expand services to multiple locations within these regions would enable us to service our customers better and ensures overall operational efficiencies.

(b) Logistics Operations

We also intend to expand into other logistics services not presently undertaken by our Group that would complement the existing business operations of our Group, such as road transportation services, which are currently outsourced to third party.

6.5.3 New Marine Vessels Acquisition

During FYE 2008, we are planning to acquire a container vessel to service the secondary ports in the identified growth regions. We expect to invest approximately RM12.5 million for such acquisition for which RM5 million will be financed through proceeds from our Listing whilst the remaining RM7.5 million will be financed through internally generated funds and/or bank borrowings. With the acquisition of an additional vessel, we hope to scale up our cargo carrying capacity and increase our logistics services to cater to the increase in demand from our customers. When opportunities and needs arise, we may consider acquiring more vessels in the future.

6. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

6.5.4 Prospects of our Group

The international shipping and logistics industry is undergoing a consolidation and related diversification. Global companies are expanding their scope of operations and achieving quantum growth through mergers and acquisitions. In keeping with the global industry trends, our strategy is to grow our existing businesses through strategic business expansion and related diversification in the logistics industry.

Going forward, our Group strives to enhance our competitiveness by focusing on expanding our services for shipping routes in niche markets, namely secondary ports throughout the Southeast Asia and island nations in the Southwest Indian Ocean regions, including Seychelles, Comoros Islands and Madagascar. We plan to achieve our vision through continuous service quality improvement, increase in fleet of vessels, business process enhancement and technological innovation.

Our competitive edge lies in the strength of our relationship with our customers, our ability to meet high standards of customer service particularly in the areas of timely delivery, quality service, up-to-date transportation facilities and capabilities to respond promptly to customers' requests for marine transportation services. Our Group's experience in total logistics services and shipping operations, relationship with other shipping lines and vendors, and coupled with our network have enabled us to provide customised solutions specifically tailored to meet specific customers' requirements. As such, we are confident that we will be able to remain competitive and are poised for further development and growth. We are also confident of facing the challenges that lie ahead, and aim to remain focused in maintaining a high utilisation rate of our vessels.

The sustainability of our Group's business will depend on the deployment of marketing initiatives, the experience of our Directors and key management personnel in managing our businesses and the enhancement of customer service quality. Given the strengths and competitive advantages of our Group, we are well positioned to compete in and to remain at the forefront of the industry which we operate in.

The rest of this page is intentionally left blank

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.1 PROMOTERS

The profiles of our Promoters, all of whom are Malaysians, and their respective shareholdings in our Company before and after the IPO are set out below.

7.1.1 Shareholdings

Name	Designation	<----- Before IPO ----->				<----- After IPO ----->			
		<---- Direct ---->		<-- Indirect -->		<---- Direct ---->		<-- Indirect -->	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Law Hee Ling [@]	Managing Director	78,902,400	73.1	-	-	*^48,609,400	40.5	-	-
Lim Kok Onn	Executive Director	2,757,500	2.6	-	-	^3,132,500	2.6	-	-

Notes:-

* Assuming that the Offer Shares are fully subscribed as disclosed in Section 3.4.1 of this Prospectus.

^ Assuming our eligible Directors subscribe for the IPO Shares allocated to them under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus.

@ As at the date of this Prospectus, the spouse of Law Hee Ling holds another 3,793,500 Shares, which represents approximately 3.2% of our enlarged issued and paid-up share capital.

7.1.2 Profile

- (a) **Law Hee Ling**, a Malaysian aged 42, is the Managing Director and founder of our Group. He was appointed to our Board on 30 October 2006. Mr Law is a businessman with over 20 years of experience in the shipping industry. He started his career with Leong Shen Shipping (M) Sdn Bhd ("LSSM") in 1983 where he was involved in various functions of the company, including operations, marketing and finance. He was later promoted to General Manager of LSSM in 1985, but left in 1988 to start his own logistics agency business. Thereafter, he ventured into marine transportation services in 1995 with the acquisition of our first cargo vessel, namely, Artic Dolphin. Since then, he has grown our fleet of vessels to 11, including a set of tug boat and barge, and expanded our Group's business activities to cover marine transportation services, logistics operations and general trading. He is responsible for the overall management and operations of our Group, with primary focus on our marine transportation services segment. Mr Law, who is a member of our Remuneration Committee, also holds directorships in several private limited companies.
- (b) **Lim Kok Onn**, a Malaysian aged 53, is our Executive Director and was appointed to our Board on 30 October 2006. Mr Lim graduated with a Bachelor of Social Science (Economics) from University of Waikato, New Zealand in 1977 and a Master in Business Studies (Marketing) from Massey University, New Zealand in 1980. He joined Island Network in 1998 as Director and is responsible for the general trading businesses of our Group. He started his career in 1981 as Planning Executive, Plantation Division, with Multi-Purpose Holding Berhad and later promoted to Assistant Manager, Marketing in 1985. He left the company in 1989 to join Pacidunia Sdn Bhd as Manager, where he was involved in general trading for the company's overseas businesses. In 1997, he left Pacidunia Sdn Bhd for AJC Dagang Sdn Bhd, a company dealing in commodities trading such as dried cocoa beans and rubber, as Director. Mr Lim, who is a member of our Nomination Committee, also holds directorships in several private limited companies.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.1.3 Changes in Shareholdings

Save for the following, there has been no change in the shareholdings of the Promoters in our Company since our incorporation.

Name	As at 29.11.05 (Incorporation)		After Acquisitions		After Bonus Issue		After Share Split		After IPO	
	No. of ordinary shares of RM1.00 each held	%	No. of ordinary shares of RM1.00 each held	%	No. of ordinary shares of RM1.00 each held	%	No. of ordinary shares of RM0.50 each held	%	No. of ordinary shares of RM0.50 each held	%
Law Hee Ling [@]	-	-	20,443,783	73.1	39,451,200	73.1	78,902,400	73.1	*^48,609,400	40.5
Lim Kok Onn	-	-	714,443	2.6	1,378,750	2.6	2,757,500	2.6	^3,132,500	2.6

Notes:-

* Assuming that the Offer Shares are fully subscribed as disclosed in Section 3.4.1 of this Prospectus.

^ Assuming our eligible Directors subscribe for the IPO Shares allocated to them under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus.

@ As at the date of this Prospectus, the spouse of Law Hee Ling holds another 3,793,500 Shares, which represents approximately 3.2% of our enlarged issued and paid-up share capital.

7.2 SUBSTANTIAL SHAREHOLDERS

The profiles of our substantial shareholders, all of whom are Malaysians, and their respective shareholdings in our Company before and after the IPO are set out below.

7.2.1 Shareholdings

Name	Designation	<----- Before IPO ----->				<----- After IPO ----->			
		<---- Direct ---->		< Indirect >		<---- Direct ---->		< Indirect >	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Law Hee Ling [@]	Managing Director	78,902,400	73.1	-	-	*^48,609,400	40.5	-	-
Hoo Mee Lien	Executive Director	6,027,600	5.6	-	-	^6,402,600	5.3	-	-

Notes:-

* Assuming that the Offer Shares are fully subscribed as disclosed in Section 3.4.1 of this Prospectus.

^ Assuming our respective eligible Directors subscribes for the IPO Shares allocated to them under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus.

@ As at the date of this Prospectus, the spouse of Law Hee Ling holds another 3,793,500 Shares, which represents approximately 3.2% of our enlarged issued and paid-up share capital.

The rest of this page is intentionally left blank

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.2.2 Profile

- (a) Please refer to Section 7.1.2 for the profile of **Law Hee Ling**.
- (b) **Hoo Mee Lien**, a Malaysian aged 45, is our Executive Director and was appointed to our Board on 2 July 2007. Ms Hoo has gained invaluable experience and knowledge in the shipping industry through her involvement in the industry for over the past 20 years. She joined Complete Logistic in 1997 as Director and is responsible for the overall marketing functions and daily operations of our logistics and freight trading operations. Ms Hoo obtained a Diploma in Private Secretarial Course from Stamford College, Malaysia in 1981. She started as steno in Benline Sdn Bhd in 1982 and subsequently left in 1984 to join as Marketing Executive in Rollen Growell Sdn Bhd. In 1986, she left Rollen Growell Sdn Bhd to join Titimas Shipping Sdn Bhd as Marketing Manager and appointed as Director in Oceanteam Shipping Agencies Sdn Bhd in 1995.

7.2.3 Changes in Shareholdings

Save for the following, there has been no change in the shareholdings of the substantial shareholders in our Company since our incorporation.

Name	As at #29.11.05 No. of ordinary shares of RM1.00 each held / %	As at ^28.12.05 No. of ordinary shares of RM1.00 each held / %	After Acquisitions No. of ordinary shares of RM1.00 each held / %	After Bonus Issue No. of ordinary shares of RM1.00 each held / %	After Share Split No. of ordinary shares of RM0.50 each held / %	After IPO No. of ordinary shares of RM0.50 each held / %
Law Hee Ling [@]	-		20,443,783 / 73.1%	39,451,200 / 73.1%	78,902,400 / 73.1%	*^48,609,400/ 40.5%
Hoo Mee Lien	-		1,561,730 / 5.6%	3,013,800 / 5.6%	6,207,600 / 5.6%	^6,402,600/ 5.3%
Sumami binti Kiman	1 / 50.0%	-	-	-	-	-
Saharuddin bin Abdullah	1 / 50.0%	-	-	-	-	-
Teh Siew Lay	-	1 / 50.0%	-	-	-	-
Yap Ah Kow	-	1 / 50.0%	-	-	-	-

Notes:-

Date of incorporation.

x Subsequent transfer date and thereafter, the 2 subscriber shares were transferred to Law Hee Ling.

* Assuming that the Offer Shares are fully subscribed as disclosed in Section 3.4.1 of this Prospectus.

^ Assuming our eligible Directors subscribe for the IPO Shares allocated to them under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus.

@ As at the date of this Prospectus, the spouse of Law Hee Ling holds another 3,793,500 Shares, which represents approximately 3.2% of our enlarged issued and paid-up share capital.

The rest of this page is intentionally left blank

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.3 DIRECTORS

The profiles of our Directors, all of whom are Malaysians, and their respective shareholdings in our Company before and after the IPO are set out below:-

7.3.1 Shareholdings

Name	Designation	<----- Before IPO ----->				<----- After IPO ----->			
		<----- Direct ----->		< Indirect >		<----- Direct ----->		< Indirect >	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh	Independent Non-Executive Chairman	-	-	-	-	-	-	-	-
Y.B. Tan Sri Dato' Seri Law Hieng Ding	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Law Hee Ling [@]	Managing Director	78,902,400	73.1	-	-	* [^] 48,609,400	40.5	-	-
Lim Kok Onn	Executive Director	2,757,500	2.6	-	-	[^] 3,132,500	2.6	-	-
Hoo Mee Lien	Executive Director	6,027,600	5.6	-	-	[^] 6,402,600	5.3	-	-
Chia Kah Ying	Executive Director	115,800	0.1	-	-	[^] 490,800	0.4	-	-

Notes:-

* Assuming that the Offer Shares are fully subscribed as disclosed in Section 3.4.1 of this Prospectus.

[^] Assuming our eligible Directors subscribe for the IPO Shares allocated to them under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus.

[@] As at the date of this Prospectus, the spouse of Law Hee Ling holds another 3,793,500 Shares, which represents approximately 3.2% of our enlarged issued and paid-up share capital.

7.3.2 Profile

- (a) **Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh**, a Malaysian aged 64, is our Independent Non-Executive Chairman and was appointed to our Board on 2 July 2007. He graduated with a degree in Malay Studies from University of Malaya in 1970 and then obtained his Master of Science in Sociology from University of London, 1972. Subsequently he obtained his Doctorate in Philosophy in Sociology from University of Warwick, England in 1976. Tan Sri started his career as a lecturer in the Faculty of Humanities and Social Sciences at Universiti Kebangsaan Malaysia from 1974 to 1980 and was subsequently an Associate Professor of the said Faculty until 1987.

In 1987, Tan Sri ventured into politics with his election as Member of Parliament for Gopeng, Perak, which he holds until today. He previously served as Parliamentary Secretary of the Ministry of Health (1988-1989), Deputy Minister in the Prime Minister's Department (1989-1990), Minister of Housing and Local Government (1990-1999), Chairman of Port Klang Authority (2000-2004) and Secretary-General of Malaysian Chinese Association (MCA) (1990-2005). Tan Sri currently sits on the Boards of Pan Malaysia Corporation Berhad, Pan Malaysia Capital Berhad, Puncak Niaga Holdings Berhad, Hua Yang Berhad, Johan Holdings Berhad, and also serves as Director of several private companies.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

- (b) **Y.B. Tan Sri Dato' Seri Law Hieng Ding**, a Malaysian aged 72, is our Independent and Non-Executive Director and was appointed to our Board on 2 July 2007. Tan Sri graduated from Nanyang University in 1960 with a Bachelor's degree of Commerce in Accountancy and Banking. He joined the Sarawak United People's Party ("SUPP") in the 1960s and was elected one of the councillors for Sibu Urban District Council from 1964 to 1981. He also served as the Chairman of Sibu Urban District Council from 1978 to 1981. He was elected as Member of Parliament for the constituency of Sarikei in 1982, a position which he held for 6 consecutive terms. He is currently the Deputy President of the SUPP and a Member of Parliament for the Constituency of Sarikei, Sarawak P207.

He has served as Parliament Secretary at two ministries in Malaysia, namely, the Ministry of Housing and Local Government in 1976 and the then Ministry of Science, Technology and Environment ("MOSTE") from 1976 to 1987. Subsequently, he was appointed as Federal Deputy Minister of MOSTE where he served for 2 terms from 1987 to 1990, after which he was appointed as Minister of MOSTE from 1990 to 2004. Currently, he serves as Director of several private companies and foundations.

Among some of the non-Government awards that he received are:-

- Malaysia Chemistry Institute Honorary Gold Medal Award;
- Malaysia Engineering Institute Honorary Fellowship Award;
- Honorary Rotarian Award, Kuala Lumpur Royal Rotary Club, Malaysia; and
- Malaysian Quality Institute Gold Medal Award.

- (c) **Chia Kah Ying**, a Malaysian aged 39, is our Executive Director and was appointed to our Board on 2 July 2007. Ms Chia is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants. She started her career with Ernst & Young, Malaysia in 1993, where she was responsible for planning, control and organising audit works for private and public companies. She left Ernst & Young in 1997. In 1998, she joined Nilai Inland Port Sdn Bhd as Assistant Accountant and later promoted to Accountant in 1999. She was responsible to manage the finance department of the company, including internal controls and budgetary controls. In 2003, she left Nilai Inland Port Sdn Bhd and joined Gugusan Peremba Sdn Bhd as Finance Manager, where she was responsible for the financial management of the company. Ms Chia is also a member of our Audit Committee.

The profiles of **Law Hee Ling/Lim Kok Onn** and **Hoo Mee Lien** are set out in Sections 7.1.2 and 7.2.2 above respectively.

7.3.3 Directors' Remuneration

The aggregate remuneration (including any benefits in-kind) paid and proposed to be paid to our Directors for services rendered for FYE2007 and FYE2008 is approximately RM733,130 and RM825,040 respectively. The range of aggregate remuneration for FYE2007 and FYE2008 are as follows:-

Name	FYE2007 Remuneration band	FYE2008 Remuneration band
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh	-	RM0 to RM50,000
Y.B. Tan Sri Dato' Seri Law Hieng Ding	-	RM0 to RM50,000
Law Hee Ling	RM300,000 to RM400,000	RM300,000 to RM400,000
Lim Kok Onn	RM50,000 to RM100,000	RM50,000 to RM100,000
Hoo Mee Lien	RM200,000 to RM300,000	RM200,000 to RM300,000
Chia Kah Ying	RM0 to RM50,000	RM50,000 to RM100,000

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Remuneration, which includes salaries, bonuses, fees, allowances and other benefits in-kinds, must be considered and recommended by the Remuneration Committees and subsequently, be approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

7.3.4 Board Practices/Directors' Terms of office

According to our Articles of Association, one-third (or the number nearest to one-third) of our Directors are required to retire from office at each annual general meeting. Accordingly, all our Directors are required to retire from office at least once in every 3 years. However, a retiring Director is eligible for re-election at the meeting at which he retires. An election of Directors shall take place each year.

Any person appointed as Director, either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

In connection thereto, Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh, Y.B. Tan Sri Dato' Seri Law Hieng Ding, Law Hee Ling, Hoo Mee Lien and Chia Kah Ying shall hold office only until the next annual general meeting, and shall then be eligible for re-election. Y.B. Tan Sri Dato' Seri Law Hieng Ding, who is above 70 years of age shall retire at each annual general meeting and shall then be eligible for re-election.

The period in which our Directors have served on our Board are as follows:-

Directors	Period served up to the date of this Prospectus
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh <i>(Independent Non-Executive Chairman)</i>	*
Y.B. Tan Sri Dato' Seri Law Hieng Ding <i>(Independent Non-Executive Director)</i>	*
Law Hee Ling <i>(Managing Director)</i>	10 months
Lim Kok Onn <i>(Executive Director)</i>	10 months
Hoo Mee Lien <i>(Executive Director)</i>	*
Chia Kah Ying <i>(Executive Director)</i>	*

Note:-

* *These Directors were only appointed to our Board on 2 July 2007.*

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.4 RELEVANT COMMITTEES

7.4.1 Audit Committee

The main functions of the Audit Committee include the following:-

- (a) to review with the auditors the nature and scope of the audit plans, their audit reports, major findings and their evaluations of our accounting system and internal controls;
- (b) to review our quarterly and annual financial statements before submission to our Board, focusing in particular on any change in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) to consider the appointment and reappointment of the external auditors and matters relating to their resignation;
- (d) to review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (e) to review the assistance given by us or our employees to the auditors; and
- (f) to perform such other functions as may be requested by our Board.

The members of the Audit Committee are as follows:-

Name	Designation	Directorship
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh	Chairman of the committee	Independent Non-Executive Chairman
Y.B. Tan Sri Dato' Seri Law Hieng Ding	Member of the committee	Independent Non-Executive Director
Chia Kah Ying	Member of the committee	Executive Director

7.4.2 Remuneration Committee

The main functions of the Remuneration Committee include the following:-

- (a) providing assistance to our Board in determining the remuneration of Directors and certain senior management personnel;
- (b) providing assistance to our Board in discharging responsibilities relating to, amongst others, compensation strategy, succession planning, management development and other compensation arrangements; and
- (c) ensuring corporate accountability and governance in respect of our Board remuneration and compensation functions.

The members of the Remuneration Committee are as follows:-

Name	Designation	Directorship
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh	Chairman of the committee	Independent Non-Executive Chairman
Y.B. Tan Sri Dato' Seri Law Hieng Ding	Member of the committee	Independent Non-Executive Director
Law Hee Ling	Member of the committee	Managing Director

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.4.3 Nomination Committee

The main functions of the Nomination Committee include the following:-

- identifying and recommending to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;
- evaluating the effectiveness of our Board and the relevant Board committees; and
- ensuring an appropriate framework and succession planning for our Board.

The members of the Nomination Committee are as follows:-

Name	Designation	Directorship
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh	Chairman of the committee	Independent Non-Executive Chairman
Y.B. Tan Sri Dato' Seri Law Hieng Ding	Member of the committee	Independent Non-Executive Director
Lim Kok Onn	Member of the committee	Executive Director

7.5 KEY MANAGEMENT PERSONNEL

The profiles of our key management personnel, all of whom are Malaysian (save for Ponniah Kandarajah who is a Sri Lankan) and their respective shareholdings in our Company before and after the IPO are set out below.

7.5.1 Shareholdings

Name	Designation	<----- Before IPO ----->				<----- After IPO ----->			
		<---- Direct ---->		< Indirect >		<---- Direct ---->		< Indirect >	
		No. of Shares held	%	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Law Hee Ling [@]	Managing Director, Marine transportation	78,902,400	73.1	-	-	*^48,609,400	40.5	-	-
Lim Kok Onn	Executive Director, General trading	2,757,500	2.6	-	-	^3,132,500	2.6	-	-
Hoo Mee Lien	Executive Director, Total logistics / freight trading	6,027,600	5.6	-	-	^6,402,600	5.3	-	-
Chia Kah Ying	Executive Director, Finance	115,800	0.1	-	-	^490,800	0.4	-	-
Koh Sen Chun	Manager, Marketing	355,300	0.3	-	-	^374,050	0.3	-	-
Tiong Hew Ping	Manager, Technical	4,261,400	4.0	-	-	#4,261,400	3.6	-	-
Ponniah Kandarajah	Vessel Super- intendent	-	-	-	-	#	#	-	-

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Notes:-

- * *Assuming that the Offer Shares are fully subscribed as disclosed in Section 3.4.1 of this Prospectus.*
- ^ *Assuming our respective eligible Directors and employees subscribe for the IPO Shares allocated to them under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus.*
- # *Not eligible under the Pink Form Allocations as disclosed in Section 3.4.2 of this Prospectus as Ponniah Kandarajah is not a Malaysian, while Tiong Hew Ping has declined to participate in the Pink Form Allocations.*
- @ *As at the date of this Prospectus, the spouse of Law Hee Ling holds another 3,793,500 Shares, which represents approximately 3.2% of our enlarged issued and paid-up share capital.*

7.5.2 Profile

(a) **Koh Sen Chun**, a Malaysian aged 32, is our Marketing Manager, Logistics and Freight Trading Divisions. He joined our Group in 2003 as Marketing Manager and is responsible for the marketing of the total logistics services offered by our Group. In addition, he was also appointed as Director of Dolphin Shipping in the same year. Mr Koh started his career with Bendera Shipping Agencies Sdn Bhd as Sales Coordinator in 1992 and during the subsequent 10 over years, he worked in a few shipping related services companies, namely, Lam Soon (M) Berhad, Kumpac Container Lines (M) Sdn Bhd, SL Freight System (M) Sdn Bhd, Simba Logistics (M) Sdn Bhd and Dolphin Shipping, with primarily job functions on sales and marketing. During his career, he has participated in some courses, such as, International Shipping Documentation & Practices, with the aim of strengthening his knowledge and skills in the shipping industry.

(b) **Tiong Hew Ping**, a Malaysian aged 51, is our Technical Manager. He joined Malsuria Logistics in 2000 as Captain and held his position until to-date. As Technical Manager, he is responsible for all technical repairs and maintenance of our fleet of vessels, which include attending to vessel at dry dock and liaising with the classification society's surveyor to ensure repairs and maintenance of our vessel are in compliance with the relevant classification requirements.

Captain Tiong started his career with Hua Lian Shipping Sdn Bhd as Sailor in 1978 and 3 years later, he left to join Borneo United Sawmill Sdn Bhd as Chief Officer, where he was responsible for cargo vessels' stowage planning (to ensure vessel stability and to prevent cargo damage) and supervising the loading and discharging operations. In 1983, he returned to Hua Lian Shipping Sdn Bhd and promoted to Captain of a cargo vessel. As Captain, he was responsible for the overall safety of the vessel and crew at sea including the safe conveyance of cargoes on board the vessel from port to port. Subsequently, he joined Malsuria Shipping (M) Sdn Bhd as Captain from 1988 to 2000. Captain Tiong also holds a directorship, on a non-executive basis, in a private limited company.

(c) **Ponniah Kandarajah**, a Sri Lankan aged 56, is our Vessel Superintendent. He joined as 4th Engineer of Artic Dolphin in 1998 and subsequently rose to Vessel Superintendent, overseeing all the maintenance programme of our vessels. He attended the Marine Academy Colombo International Nautical & Engineering College, Sri Lanka and was awarded with a Certificate of Competence, Marine Engineer Officer Motor Ship Class 3 in February 2000. He started his maritime career as Boiller Attendant on S/S Lemanian, a vessel owned by Kollerich Shipping C/E, SA, Lussane, Switzerland in 1973. He has 33 years of working experience with various marine engines on difference vessels.

The profiles of **Law Hee Ling/Lim Kok Onn**, **Hoo Mee Lien** and **Chia Kah Ying** are set out in Sections 7.1.2, 7.2.2 and 7.3.2 above respectively.

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.6 OTHER DIRECTORSHIPS AND SUBSTANTIAL SHAREHOLDINGS

Save as disclosed below, none of our Promoters, substantial shareholders, Directors or key management personnel has any directorship or substantial shareholding in other public companies for the past 2 years.

Name	Company	Date appointed/ (resigned)	No. of Shares held as at Latest Practicable Date			
			Direct	%	Indirect	%
Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh	Hua Yang Berhad	1.6.2000	110,000	0.12	-	-
	Johan Holdings Berhad	1.11.2003	-	-	-	-
	Pan Malaysia Capital Berhad	24.2.2000	-	-	-	-
	Pan Malaysia Corporation Berhad	31.3.2006	-	-	-	-
	Puncak Niaga Holdings Berhad	15.7.2000	-	-	-	-
Y.B. Tan Sri Dato' Seri Law Hieng Ding	INS Bioscience Berhad	6.4.2005/ (15.6.2007)	-	-	-	-

7.7 RELATIONSHIPS OR ASSOCIATIONS

There is no relationship or association between our Promoters, substantial shareholders, Directors and key management personnel.

7.8 SERVICE AGREEMENTS

There are no existing or proposed service agreements between the companies within our Group and our Directors or key management personnel.

7.9 DECLARATIONS FROM THE PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

7.9.1 As at the Latest Practicable Date, none of our Promoters, Directors or key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):-

- (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

- (d) any judgment that was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

7.9.2 As at the Latest Practicable Date, save for our following Directors who hold directorships in the following companies in Malaysia (which are not dormant), all our key management personnel are involved in our Group on a full time basis and are not involved in other businesses or corporations in an executive capacity:-

Company	Principal activities
<u>Y. B. Tan Sri Dato' Seri Dr Ting Chew Peh</u>	
Agro-Mod Industries Sdn Bhd	Property developer
Hua Yang Berhad	Investment holding, property development and provision of management and secretarial services
Johan Holdings Berhad	Investment holdings and management company
Pan Malaysia Capital Berhad	Investment holdings
Pan Malaysia Corporation Berhad	Investment holdings
Pan Malaysia Equities Sdn Bhd	Property & Investment holdings
PM Securities Sdn Bhd	Stock, share broking & corporate advisory services
Puncak Niaga Holdings Berhad	Investment holdings and provision of management services
Trans Elite Group Sdn Bhd	Crane rental, trading & servicing of heavy machinery and equipment
Worldwide Timepiece & Jewellery Sdn Bhd	Retail & wholesales of watches
<u>Y.B. Tan Sri Dato' Seri Law Hieng Ding</u>	
Jayamas Really Development Sdn Bhd	Investment holding
Timberworld Agencies Sdn Bhd	Investment in shares
Jimwood Sdn Bhd	Trading in timber
Signature Timber Sdn Bhd	Investment in properties
Serapi (KL) Sdn Bhd	Trading in timber
Sungai Liam Industries (M) Sdn Bhd	Investment holding company
Swanvalley Sdn Bhd	Investment holding
Yayasan Bosama	Providing scholarship, fellowship and other means of support for the pursuit of knowledge and learning in science, technology and the environment
<u>Law Hee Ling</u>	
Banjaran Unggul Sdn Bhd	Investment holdings
Dolphin Assets Sdn Bhd	Property investments
Gugusan Peremba Sdn Bhd	Rendering haulage and custom clearance services
Pengangkutan Sekata Sdn Bhd	Cement tanker and lorry transportation services

7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Company	Principal activities
<u>Lim Kok Onn</u>	
AJC Dagang Sdn Bhd	General trading
Alpha Paramount Sdn Bhd	Investment holdings
Jetpack Technologies Sdn Bhd	Machinery and trading
Q & M Products Sdn Bhd	Hardware
<u>Hoo Mee Lien</u>	
Gugusan Peremba Sdn Bhd	Rendering haulage and custom clearance services
Pipemech Sdn Bhd	Gas insulation

The appointments of Y.B. Tan Sri Dato' Seri Dr Ting Chew Peh and Y.B. Tan Sri Dato' Seri Law Hieng Ding to the Board are on a non-executive basis and hence, their involvements in other companies would not be expected to affect the operations of our group. As for Law Hee Ling, Lim Kok Onn and Hoo Mee Lien, they principally spend their time and effort on activities relating to our Group. They (including Chia Kah Ying) have been and have ensured that they would be able to fulfil and discharge their duties and responsibilities effectively as our executive Directors on a full time basis. Their involvements in the aforesaid companies are minimal and merely on a non-executive basis. Hence, this would not be expected to affect their performance for our Group. In addition, they do not hold any key management position in or involved in the day-to-day operations of these companies.

The rest of this page is intentionally left blank

8. APPROVALS AND CONDITIONS

8.1 The Listing Scheme has been approved by:-

- (i) the SC, pursuant to the Securities Commission Act, 1993 and the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, on 30 March 2007 and 5 July 2007; and
- (ii) the MITI, on 26 February 2007 and 28 June 2007.

The aforesaid approvals are subject to the following conditions.

8.2 Conditions imposed by the SC

Details of conditions imposed by the SC	Status of compliance
<ul style="list-style-type: none"> (i) CLSB to comply with the National Development Policy requirement whereby Bumiputera investors holding 36,000,700 CLSB Shares (via Kamarudin bin Mohd Zain and from the Offer for Sale) upon Listing to be recognised/approved by the MITI; 	<p>Complied via the following approval letters from the MITI:-</p> <ul style="list-style-type: none"> (a) dated 26 February 2007, wherein the MITI had recognised the 5,332,700 Shares held by Kamarudin bin Mohd Zain in CLSB after the implementation of the Listing Scheme (as referred to in Section 8.3 (ii) below); and (b) dated 28 June 2007, wherein the MITI had approved the allocation of 30,668,000 Offer Shares to certain Bumiputera investors (as referred to in Section 8.3 (iii) below). <p>Notwithstanding, the SC had, via its letter dated 5 July 2007, approved for up to 30,668,000 CLSB Shares from the Offer for Sale to be placed in a trust account held by stakeholders (to be appointed by CLSB) for subsequent placements to Bumiputera investors to be approved by the MITI within a period of 12 months from the date of Listing, in the event that any Bumiputera investors approved earlier by the MITI fail to subscribe for the CLSB Shares allocated to them.</p> <p>Under such circumstances, MIMB is required to:-</p> <ul style="list-style-type: none"> ▪ submit a written undertaking to the SC to ensure that the said Shares to be placed in the trust account would eventually be placed out to the MITI approved Bumiputera investors and that MIMB would not deal with the Shares in anyway other than for the said purpose; and ▪ inform the SC on details of the stakeholder upon obtaining approval from the MITI.

8. APPROVALS AND CONDITIONS

Details of conditions imposed by the SC	Status of compliance
(ii) MIMB/CLSB to inform the SC with the status of compliance with the National Development Policy requirement upon completion of the Listing;	To be complied with after the Listing.
(iii) Law Hee Ling/CLSB to put the proceeds from the Offer for Sale in a trust account until the Listing.	To be complied with pursuant to the Listing.
(iv) MIMB/CLSB to fully comply with the relevant requirements of the SC's Policies and Guidelines on Issue/Offer of Securities relating to the implementation of the flotation exercise; and	Complied/ To be complied with.
(v) MIMB/CLSB to inform the SC upon the completion of the Listing.	To be complied with after the Listing.

In addition, the SC had also via its letters of approval dated 30 March 2007 and 5 July 2007 taken note that:-

- (a) the effect on our equity structure relating to Bumiputera, Non-Bumiputera and foreign shareholdings in our Company arising from the implementation of the Listing is as follows:-

	Before the Listing %	After the Listing %
Bumiputera	4.94	30.00
Non-Bumiputera	95.06	70.00
Foreigners	0.00	0.00
Total	100.00	100.00

- (b) as part of the Listing Scheme, we would undertake the Bonus Issue, which involved the capitalisation from, amongst others, the retained profit arising from the interim dividends declared by our subsidiaries in respect of the FYE 2007.

8.3 Conditions imposed by the MITI

Details of conditions imposed by the MITI	Status of compliance						
(i) The approval from the SC is obtained for the Listing Scheme and adherence to the Guidelines on the Acquisition of Interests, Merger and Takeovers by Local and Foreign Interests.	Complied via a letter of approval from the SC dated 30 March 2007.						
(ii) MITI recognised the following Bumiputera shareholder and his shareholdings in CLSB after implementation of the Listing Scheme subject to the conditions stated below:-							
<table border="1"> <thead> <tr> <th>Bumiputera Investor</th> <th>No. of Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Kamarudin bin Mohd Zain</td> <td>5,332,700</td> <td>4.44</td> </tr> </tbody> </table>	Bumiputera Investor	No. of Shares	%	Kamarudin bin Mohd Zain	5,332,700	4.44	
Bumiputera Investor	No. of Shares	%					
Kamarudin bin Mohd Zain	5,332,700	4.44					
(a) 30% of the shareholding are allowed to be disposed of within three (3) months from the date of Listing;	To be complied with after the Listing.						

8. APPROVALS AND CONDITIONS

Details of conditions imposed by the MITI	Status of compliance
(b) the balance of 70% to be disposed of on a staggered basis with prior approval from the MITI; and	To be complied with after the Listing.
(c) CLSB is to be listed only after 30 June 2007, after CLSB has complied with the Bumiputera recognition criteria of MITI which is a minimum holding period of 6 months from the date of acquisition or subscription (i.e. in the case of CLSB is 30 December 2006).	Complied.
(iii) The allocation of 30,668,000 Shares via Offer for Sale or 25.56% of our enlarged issued and paid-up share capital to Bumiputera investors is subject to MITI's approval after the approval of the SC.	Complied. MITI had via its letter dated 28 June 2007 approved the allocation of 30,668,000 Offer Shares to the conditions as referred to in paragraph (iv) below.
(iv) The approved Bumiputera investors are allowed to dispose of up to 30% of their allocated CLSB Shares without the prior approval of the MITI. However, prior approval from the MITI is required for the disposal of the remaining allocated CLSB Shares save for the following Bumiputera investors:-	To be observed by the Bumiputera investors concerned.
(a) Approved Bumiputera investors classified by the MITI as Tier 1 institutional investors; and	
(b) Other Bumiputera investors who have been allocated with less than 50,000 CLSB Shares.	
(v) CLSB is required to inform MITI on the shareholdings of Bumiputera investors approved by the MITI, six (6) months after the date of Listing.	To be complied with after the Listing.
(vi) CLSB is required to inform the MITI upon the completion of the Listing.	To be complied with after the Listing.

The rest of this page is intentionally left blank

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

9.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, there are no transactions, existing or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected with them.

9.1.1 Non-Recurrent Related Party Transactions

We have not entered into any non-recurrent related party transactions with our Directors, substantial shareholders, key management personnel and/or persons connected with them during the past three (3) FYE 2005 to 2007 which is significant in relation to the business of our Company and our subsidiary companies.

9.1.2 Recurrent Related Party Transactions

Save as disclosed below, we have not entered into any other recurrent related party transaction of a revenue or trading in nature which are necessary for our day-to-day operations and in our ordinary course of business with certain related parties which involves the interests, direct or indirect, of our Directors, substantial shareholders, key management personnel and/or persons connected with them ("Recurrent Transactions") during the past three (3) FYE 2005 to 2007. Our Directors are of the opinion that such Recurrent Transactions were negotiated on and agreed at arm's length basis, normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

Transacting Parties	Companies within the Group	Interested Related Parties	Nature of Transaction	Value of transaction ¹		
				FYE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000
Malsuria Shipping (M) Sdn Bhd	Sierra Jaya, Bagai Pertama, Malsuria Tanker, Malsuria (M), Malsuria Logistics, Complete Container, Complete Shipping and Complete Marine	Law Hee Ling	• Freight charges paid by Malsuria Shipping (M) Sdn Bhd	8,050	109	- ²
			• Commission received by Malsuria Shipping (M) Sdn Bhd	113	-	- ²
			• Reimbursement of expenses/charges by shipping agents	7,400	494	- ²
Nu-Gene Shipping Sdn Bhd	Complete Shipping, Malsuria Logistics, Malsuria (M), Bagai Pertama, Malsuria Tanker, Sierra Jaya, Complete Container, Complete Marine and Complete Transport	Law Hee Ling	• Freight charges paid by Nu-Gene Shipping Sdn Bhd	5,418	13,913	n.a. ³
			• Commission received by Nu-Gene Shipping Sdn Bhd	326	241	n.a. ³
			• Reimbursement of expenses/charges by shipping agents	5,587	11,320	n.a. ³

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

Transacting Parties	Companies within the Group	Interested Related Parties	Nature of Transaction	Value of transaction ¹		
				FYE2005 RM'000	FYE2006 RM'000	FYE2007 RM'000
Hing Yion Shipping Sdn Bhd	Malsuria (M), Sierra Jaya, Malsuria Logistics, Bagai Pertama, Malsuria Tanker and Complete Container	Law Hee Ling	• Freight charges paid by Hing Yion Shipping Sdn Bhd	573	n.a. ⁴	n.a. ⁴
			• Reimbursement of expenses/charges by shipping agents	895	n.a. ⁴	n.a. ⁴
CLS Shipping Sdn Bhd	Complete Logistic and Complete Transport	Law Hee Ling & Hoo Mee Lien	• Freight charges charged by CLS Shipping Sdn Bhd	-	162	139 ⁵
			• Transportation charges by Complete Transport	-	64	101 ⁵
Lau Ka Nung & Sons Sdn Bhd	Island Network and Complete Logistic	Law Hee Ling	• Rental of premises	31	31	31 ⁶
Jetpack Technologies Sdn Bhd	Dolphin Shipping	Lim Kok Onn ⁷	• Freight charges	31	36	30
Pengangkutan Sekata Sdn Bhd	Complete Transport, Complete Tug & Barge and Complete Logistic	Law Hee Ling ⁸	• Cement tanker transportation charges	51	45	189

Notes:-

n.a. Not applicable.

- Aggregate value of transactions for the respective financial year.
 - Malsuria Shipping (M) Sdn Bhd had since ceased its business operations and became dormant during FYE 2006.
 - Nu-Gen Shipping Sdn Bhd had since ceased to be a related party to our Group with the resignation of Law Hee Ling as Director of the said company effective from 16 March 2005.
 - Hing Yion Shipping Sdn Bhd had since ceased to be a related party to our Group with the resignation of Law Hee Ling as Director of the said company effective from 25 October 2004.
 - CLS Shipping Sdn Bhd had since ceased to be a related party to our Group with the resignation of Law Hee Ling and Hoo Mee Lien as Director of the said company effective from 2 August 2006.
 - Lau Ka Nung & Sons Sdn Bhd had since ceased to be a related party to our Group with the resignation of Law Hee Ling as Director of the said company effective from 9 January 2006.
 - Lim Kok Onn is a Director and substantial shareholder of Jetpack Technologies Sdn Bhd.
 - Law Hee Ling is a Director of Pengangkutan Sekata Sdn Bhd.
- Save and except for Law Hee Ling and Lim Kok Onn who are the substantial shareholders of Malsuria Shipping (M) Sdn Bhd and Jetpack Technologies Sdn Bhd respectively, none of the aforesaid interested related parties have any equity interest in the aforesaid companies.

In our ordinary course of business, we would enter into Recurrent Transactions, including but not limited to the above, with persons which are considered related party as defined in Chapter 10 of the Listing Requirements. Our Directors would ensure that any future Recurrent Transactions will be negotiated on and agreed to at arm's length basis on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

As provided under Chapter 10 of the Listing Requirements, in order to mitigate any potential conflict of interest arising from such Recurrent Transactions, our Board may seek the approval from our non-interested shareholders for a mandate in relation to the Recurrent Transactions at the next general meeting of the Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such Recurrent Transactions in our ordinary course of business without the need to convene numerous general meetings to approve such Recurrent Transactions as and when they are entered into.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, monitor any Recurrent Transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any Recurrent Transaction entered into by us.

9.2 INTEREST IN SIMILAR BUSINESS

9.2.1 Save as disclosed below, as at the Latest Practicable Date, none of our Directors or substantial shareholders have any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade as our Group.

Directors/ Substantial shareholders	Name of Company	Principal activities	Equity interest	
			Direct %	Indirect %
Law Hee Ling	Pengangkutan Sekata Sdn Bhd	Cement tanker and lorry transportation services	-	-

Law Hee Ling is a Director of Pengangkutan Sekata Sdn Bhd, but he does not have any equity interest in the said company. In addition, he is not involved in the day-to-day operations of the company and hence, it is not expected to affect his involvements in our day-to-day business operations.

9.2.2 In addition, our Board does not foresee any material conflict of interest or business competition that may arise from the above as Pengangkutan Sekata Sdn Bhd is largely servicing the cement industry, whilst the services of our land transportation division are mainly to cater for and to complement our marine transportation services and our total logistics services.

9.3 OTHER TRANSACTIONS

9.3.1 There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party in respect of the past three (3) FYE 2005 to 2007.

9.3.2 There were no outstanding loans (including guarantees of any kind) made by us to or for the benefit of a related party in respect of the past three (3) FYE 2005 to 2007.

9.3.3 Save as disclosed below, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within the past three (3) FYE 2005 to 2007, acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to us:-

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

Acquisitions by CLSB of the entire issued and paid-up share capital of Bagai Pertama, Complete Container, Complete Logistic, Complete Marine, Complete Shipping, Complete Transport, Complete Tug & Barge, Dolphin Shipping, Island Network, Malsuria Logistics, Malsuria (M), Malsuria Tanker and Sierra Jaya from, inter-alia, the following parties, for a total purchase consideration of RM28,307,122 satisfied by the issuance of 27,982,645 new ordinary shares of RM1.00 each in CLSB:-

- (a) Malsuria Holdings Sdn Bhd, in respect of its then holding of the entire equity interests in Bagai Pertama, Complete Container, Complete Logistic, Complete Shipping, Malsuria Logistics, Malsuria (M) and Malsuria Tanker as well as its 85.0% equity interest in Island Network.

Nature of interest ~ Law Hee Ling and Hoo Mee Lien are both Directors and substantial shareholders of Malsuria Holdings, while Lim Kok Onn is a Director and shareholder of Malsuria Holdings.

- (b) Complete Logistic, in respect of its then holding of the entire equity interests in Complete Marine, Complete Tug & Barge and Complete Transport as well as 50.0% equity interests in Dolphin Shipping.

Nature of interest ~ Law Hee Ling and Hoo Mee Lien are both Directors of Complete Logistic.

- (c) Malsuria (M), in respect of its then holding of the entire equity interest in Sierra Jaya.

Nature of interest ~ Law Hee Ling is a Director of Malsuria (M).

- (d) Lim Kok Onn in respect of his then 10.0% equity interest in Island Network.

Nature of interest ~ Lim Kok Onn is a Director of Island Network.

9.4 DECLARATIONS BY THE ADVISERS

- (a) MIMB confirms that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Managing Underwriter, Underwriter and Placement Agent for the Listing.

However, MIMB wishes to highlight that EON Bank Berhad (“EBB”), the holding company of MIMB, has extended various banking facilities to our Group with a limit of up to approximately RM15.4 million comprising term loan, bank overdraft, bankers’ acceptance and trade facilities. As at the Latest Practicable Date, the outstanding balance of the said banking facilities amounted to about RM9.2 million.

Notwithstanding the foregoing, MIMB is of the view that the extension of the said banking facilities to our Group will not result in a conflict of interest situation as none of the gross proceeds from the Public Issue shall be utilised to repay the outstanding banking facilities.

In addition, the relationship between EBB and our Group does not give rise to a material conflict of interest situation due to the following reasons:-

- (aa) MIMB is required to comply with strict and regulated policies and guidelines issued by the relevant authorities such as the SC and Bank Negara Malaysia. Despite having some common Directors, MIMB and EBB are managed by their own management teams. The board of Directors of MIMB does not interfere with the daily operational matters of MIMB as the day-to-day operations of MIMB are led by its Chief Executive Officer and Executive Director and the senior management team.

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTEREST

- (bb) MIMB's role as the Adviser for the Listing has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum. The due diligence processes and the verification exercises (which were participated by our Directors and senior management, the Reporting Accountants, the Solicitors, the Independent Market Researcher, Independent Valuers, MIMB and other relevant advisers) have been duly undertaken and performed in relation to the preparation of relevant documents relating to our Listing.
- (cc) MIMB does not receive or derive any financial interest or benefit from the Listing other than the normal advisory fee, underwriting commission and placement fee charged.
- (b) Messrs. Zul Rafique & Partners has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for the Listing.
- (c) Messrs. BDO Binder has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for the Listing.
- (d) Raine & Horne International Zaki & Partners Sdn Bhd has given its written confirmations that, as at the date of this Prospectus, there is no existing or potential conflict of interests in their capacity as the Independent Valuers for the Listing.
- (e) Dun & Bradstreet (D&B) Malaysia Sdn Bhd (*formerly known as Infocredit D&B (Malaysia) Sdn Bhd*) has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for the Listing.

The rest of this page is intentionally left blank