

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***9.2 BSSB****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Non-current asset				
Property, plant and equipment	538	331	220	174
Current assets				
Trade receivables	-	-	-	14
Amount owing by holding company	656	1,298	1,748	2,458
Amounts owing by related companies	-	14	11	54
Sundry receivables and prepayments	18	18	2	-
Current tax asset	13	-	-	3
Bank balance	199	215	506	241
Total current assets	886	1,545	2,267	2,770
TOTAL ASSETS	1,424	1,876	2,487	2,944
EQUITY AND LIABILITIES				
Equity				
Share capital	100	100	100	100
Unappropriated profit	1,197	1,680	2,254	2,682
Total equity	1,297	1,780	2,354	2,782
Non-current liability				
Deferred tax liabilities	105	74	57	43
Current liabilities				
Sundry payables and accruals	22	21	70	119
Current tax liabilities	-	1	6	-
Total current liabilities	22	22	76	119
Total liabilities	127	96	133	162
TOTAL EQUITY AND LIABILITIES	1,424	1,876	2,487	2,944
Net tangible assets ("NTA")	1,297	1,780	2,354	2,782
Net assets ("NA")	1,297	1,780	2,354	2,782
Number of shares in issue ('000)	100	100	100	100
NTA per share (RM)	12.97	17.80	23.54	27.82
NA per share (RM)	12.97	17.80	23.54	27.82
Current ratio (times)	40.27	70.23	29.83	23.28
Total interest-bearing borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-
After-tax return on shareholders' funds (%)	32.46	27.13	24.38	15.39

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***9.3 BSSB****STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	Unappropriated profit RM'000	Total RM'000
Balance at 1 January 2004	100	776	876
Profit for the year	-	421	421
Balance at 31 December 2004	100	1,197	1,297
Profit for the year	-	483	483
Balance at 31 December 2005	100	1,680	1,780
Profit for the year	-	574	574
Balance at 31 December 2006	100	2,254	2,354
Profit for the period	-	428	428
Balance at 31 August 2007	100	2,682	2,782
 (Unaudited)			
Balance at 1 January 2006	100	1,680	1,780
Profit for the period	-	393	393
Balance at 31 August 2006	100	2,073	2,173

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***9.4 BSSB****CASH FLOW STATEMENTS (AUDITED)****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006 [^]
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	529	615	736	537	484
Adjustments for:					
Depreciation	225	207	111	46	88
Gain on disposal of property, plant and equipment	-	(5)	-	-	-
Interest expense	1	-	-	-	-
Operating profit before working capital changes	755	817	847	583	572
Changes in receivables	(500)	(644)	32	(120)	92
Changes in payables	(11)	(1)	49	49	(18)
Cash generated from operations	244	172	928	512	646
Tax paid	(99)	(149)	(174)	(132)	(107)
Net cash generated from operating activities	145	23	754	380	539
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceed from disposal of property, plant and equipment	-	5	-	-	-
Advances to holding company (Advances to)/Repayment from related companies	-	(14)	3	(43)	15
Net cash (used in)/generated from investing activities	-	(9)	(444)	(645)	15
CASH FLOWS FROM FINANCING ACTIVITIES					
(Repayment to)/Advances from holding company	(22)	2	(19)	-	-
Payment of finance lease liabilities	(92)	-	-	-	-
Interest paid	(1)	-	-	-	-
Net cash (used in)/generated from financing activities	(115)	2	(19)	-	-
NET INCREASE/(DECREASE) IN BANK BALANCE	30	16	291	(265)	554
BANK BALANCE BROUGHT FORWARD	169	199	215	506	215
BANK BALANCE CARRIED FORWARD	199	215	506	241	769

[^] *Not audited and is included for comparison purposes only.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***10. TCLSB**

The income statements, balance sheets, statements of changes in equity and cash flow statements of TCLSB based on the audited financial statements for the financial years ended 31 December 2004, 2005 and 2006 and the eight months ended 31 August 2007, and based on the unaudited financial statements for the eight months ended 31 August 2006, are as follows:

10.1 INCOME STATEMENTS (AUDITED)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****INCOME STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006 [^]
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	3,433	4,854	3,795	2,790	2,490
Cost of sales*	(2,731)	(3,546)	(2,485)	(1,877)	(1,625)
Gross profit	702	1,308	1,310	913	865
Other operating income	-	-	15	-	15
Administrative and other operating expenses	(6)	(5)	(7)	(8)	(4)
Profit before taxation	696	1,303	1,318	905	876
Income tax expense	(156)	(328)	(332)	(212)	(208)
Profit attributable to shareholder of TCLSB	540	975	986	693	668
<i>* Included in cost of sales was:</i>					
<i>Depreciation</i>	7	11	15	12	9
No. of ordinary shares in issue at period end ('000)	100	100	100	100	100
Gross earnings per share (RM)	6.96	13.03	13.18	9.05	8.76
Net earnings per share (RM)	5.40	9.75	9.86	6.93	6.68
Gross profit margin (%)	20.45	26.95	34.52	32.72	34.74
Profit after tax margin (%)	15.73	20.09	25.98	24.84	26.83
Effective tax rate (%)	22.41	25.17	25.19	23.43	23.74
Interest coverage ratio (times)	-	-	-	-	-

Note:[^] *Not audited and is included for comparison purposes only.**(i) There were no extraordinary or exceptional items during the financial periods under review.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***10.2 TCLSB****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Non-current asset				
Property, plant and equipment	103	92	124	111
Current assets				
Inventories	22	60	84	37
Trade receivables	59	61	37	47
Sundry receivables, deposits and prepayments	259	-	-	-
Amount owing by holding company	753	1,780	3,655	3,926
Amount owing by a related company	-	-	73	73
Bank balance	1,105	1,458	57	353
Total current assets	2,198	3,359	3,906	4,436
TOTAL ASSETS	2,301	3,451	4,030	4,547
EQUITY AND LIABILITIES				
Equity				
Share capital	100	100	100	100
Unappropriated profit	1,422	2,397	3,383	4,076
Total equity	1,522	2,497	3,483	4,176
Non-current liability				
Deferred tax liabilities	-	1	5	6
Current liabilities				
Trade payables	218	359	426	258
Sundry payables, deposits and accruals	328	340	73	91
Amounts owing to related companies	219	192	6	-
Current tax liabilities	14	62	37	16
Total current liabilities	779	953	542	365
Total liabilities	779	954	547	371
TOTAL EQUITY AND LIABILITIES	2,301	3,451	4,030	4,547

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***BALANCE SHEETS (AUDITED) (CONT'D)
AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
Net tangible assets ("NTA")	1,522	2,497	3,483	4,176
Net assets ("NA")	1,522	2,497	3,483	4,176
Number of shares in issue ('000)	100	100	100	100
NTA per share (RM)	15.22	24.97	34.83	41.76
NA per share (RM)	15.22	24.97	34.83	41.76
Current ratio (times)	2.82	3.52	7.21	12.15
Total interest-bearing borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-
After-tax return on shareholders' funds (%)	35.48	39.05	28.31	16.59

10.3 TCLSB**STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	Unappropriated profit RM'000	Total RM'000
Balance at 1 January 2004	100	882	982
Profit for the year	-	540	540
Balance at 31 December 2004	100	1,422	1,522
Profit for the year	-	975	975
Balance at 31 December 2005	100	2,397	2,497
Profit for the year	-	986	986
Balance at 31 December 2006	100	3,383	3,483
Profit for the period	-	693	693
Balance at 31 August 2007	100	4,076	4,176
 (Unaudited)			
Balance at 1 January 2006	100	2,397	2,497
Profit for the period	-	668	668
Balance at 31 August 2006	100	3,065	3,165

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***10.4 TCLSB****CASH FLOW STATEMENTS (AUDITED)****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004 RM'000	2005 RM'000	2006 RM'000	31.8.2007 RM'000	31.8.2006^ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	696	1,303	1,318	905	876
Adjustments for:					
Depreciation	7	11	15	12	9
Gain on disposal of property, plant and equipment	-	-	(15)	-	(15)
Operating profit before working capital changes	703	1,314	1,318	917	870
Changes in inventories	(22)	(38)	(24)	47	(17)
Changes in receivables	(193)	531	(624)	70	(491)
Changes in payables	37	126	(392)	(150)	(260)
Cash generated from operations	525	1,933	278	884	102
Tax paid	(148)	(279)	(353)	(233)	(212)
Net cash generated from/(used in) operating activities	377	1,654	(75)	651	(110)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(110)	-	(47)	-	(47)
Proceed from disposal of property, plant and equipment	-	-	15	-	15
Advances to holding company	-	(1,300)	(1,300)	(350)	(900)
Net cash used in investing activities	(110)	(1,300)	(1,332)	(350)	(932)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from/(Repayment to) a related company	-	-	6	(5)	(192)
Advances from/(Repayment to) holding company	1	(1)	-	-	-
Net cash generated from/(used in) financing activities	1	(1)	6	(5)	(192)
NET INCREASE/(DECREASE) IN BANK BALANCE	268	353	(1,401)	296	(1,234)
BANK BALANCE BROUGHT FORWARD	837	1,105	1,458	57	1,458
BANK BALANCE CARRIED FORWARD	1,105	1,458	57	353	224

^ *Not audited and is included for comparison purposes only.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***11. TASPL**

The income statements, balance sheets, statements of changes in equity and cash flow statements of TASPL based on the audited financial statements for the financial years ended 31 December 2004, 2005 and 2006 and the eight months ended 31 August 2007, and based on the unaudited financial statements for the eight months ended 31 August 2006, are as follows:

11.1 INCOME STATEMENTS (AUDITED)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****INCOME STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006^
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,476	2,682	756	633	463
Cost of sales	(1,618)	(1,595)	(213)	(143)	(130)
Gross profit	858	1,087	543	490	333
Other operating income	164	169	201	62	300
Administrative and other operating expenses	(999)	(1,033)	(1,439)	(897)	(1,043)
Profit/(Loss) before depreciation and taxation	23	223	(695)	(345)	(410)
Depreciation	(1)	(2)	(1)	-	-
Profit/(Loss) before taxation	22	221	(696)	(345)	(410)
Income tax expense	-	(4)	-	-	-
Profit/(Loss) attributable to shareholder of TASPL	22	217	(696)	(345)	(410)
No. of ordinary shares in issue at period end ('000)	100	100	100	100	100
Gross earnings/(loss) per share (RM)	0.22	2.21	(6.96)	(3.45)	(4.10)
Net earnings/(loss) per share (RM)	0.22	2.17	(6.96)	(3.45)	(4.10)
Gross profit margin (%)	34.65	40.53	71.83	77.41	71.92
Profit/(Loss) after tax margin (%)	0.89	8.09	(92.06)	(54.50)	(88.55)
Effective tax rate (%)	-	1.81	-	-	-
Interest coverage ratio (times)	-	-	-	-	-

Notes:

^ *Not audited and is included for comparison purposes only.*

- (i) *There were no extraordinary or exceptional items during the financial periods under review.*
- (ii) *The financial statements of TASPL are presented in Singapore Dollars and its results as set out above have been translated to Ringgit Malaysia based on the average exchange rates prevailing during the respective periods as follows:*

<i>Period ended</i>	<i>Average exchange rate</i>
<i>31 December 2004</i>	<i>2.2428</i>
<i>31 December 2005</i>	<i>2.2724</i>
<i>31 December 2006</i>	<i>2.3092</i>
<i>31 August 2007</i>	<i>2.2710</i>

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***11.2 TASPL****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Non-current asset				
Property, plant and equipment	6	4	3	6
Current assets				
Trade receivables	84	112	32	54
Sundry receivables and deposit	60	61	46	80
Amount owing by a related company	184	378	-	-
Current tax asset	1	-	-	-
Cash and bank balances	451	279	41	228
Total current assets	780	830	119	362
TOTAL ASSETS	786	834	122	368
EQUITY AND LIABILITIES				
Equity				
Share capital	230	230	230	230
Unappropriated profit/(Accumulated loss)	217	434	(262)	(607)
Exchange translation reserve	-	-	11	7
Total equity	447	664	(21)	(370)
Current liabilities				
Trade payables	41	13	9	23
Sundry payables and accruals	11	17	19	108
Amount owing to holding company	287	121	66	607
Current tax liabilities	-	19	1	-
Bank overdraft (<i>unsecured</i>)	-	-	48	-
Total liabilities	339	170	143	738
TOTAL EQUITY AND LIABILITIES	786	834	122	368

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***BALANCE SHEETS (AUDITED) (CONT'D)
AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
Net tangible assets/(liabilities) ("NTA/(NLT)")	447	664	(21)	(370)
Net assets/(liabilities) ("NA/(NL)")	447	664	(21)	(370)
Number of shares in issue ('000)	100	100	100	100
NTA /(NLT) per share (RM)	4.47	6.64	(0.21)	(3.70)
NA /(NL) per share (RM)	4.47	6.64	(0.21)	(3.70)
Current ratio (times)	2.30	4.88	0.83	0.49
Total interest-bearing borrowings	-	-	48	-
Gearing ratio (times)	-	-	(2.29)	-
After-tax return on shareholders' funds (%)	4.92	32.68	3,314.29	93.24

Note:

- (i) *The financial statements of TASPL are presented in Singapore Dollars and its balance sheets as set out above have been translated to Ringgit Malaysia based on the closing exchange rates prevailing at respective balance sheet dates, as follows:*

<i>31 December 2004</i>	<i>Closing exchange rate</i>
<i>31 December 2005</i>	<i>2.2358</i>
<i>31 December 2006</i>	<i>2.2714</i>
<i>31 August 2007</i>	<i>2.3028</i>
	<i>2.3007</i>
	=====

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***11.3 TASPL****STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	Exchange translation reserve RM'000	Unappropriated profit/ loss (Accumulated) RM'000	Total RM'000
Balance at 1 January 2004	230	-	195	425
Profit for the year	-	-	22	22
Balance at 31 December 2004	230	-	217	447
Profit for the year	-	-	217	217
Balance at 31 December 2005	230	-	434	664
Net income recognised directly in equity - Exchange differences on translating foreign operation	-	11	-	11
Loss for the year	-	-	(696)	(696)
Balance at 31 December 2006	230	11	(262)	(21)
Net income recognised directly in equity - Exchange differences on translating foreign operation	-	(4)	-	(4)
Loss for the period	-	-	(345)	(345)
Balance at 31 August 2007	230	7	(607)	(370)
 (Unaudited)				
Balance at 1 January 2006	230	-	434	664
Net income recognised directly in equity - Exchange differences on translating foreign operation	-	14	-	14
Loss for the period	-	-	(410)	(410)
Balance at 31 August 2006	230	14	24	268

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***11.4 TASPL****CASH FLOW STATEMENTS (AUDITED)****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004 RM'000	2005 RM'000	2006 RM'000	31.8.2007 RM'000	31.8.2006 [^] RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation	22	221	(696)	(345)	(410)
Adjustments for:					
Depreciation	1	2	1	1	-
Unrealised gain on foreign exchange	-	(7)	-	-	-
Operating profit/(loss) before working capital changes	23	216	(695)	(344)	(410)
Changes in receivables	206	(267)	421	(55)	(165)
Changes in payables	14	(23)	(2)	637	115
Cash generated from/(used in) operations	243	(74)	(276)	238	(460)
Tax (paid)/refunded	(47)	16	(18)	(1)	(20)
Net cash generated from/(used in) operating activities	196	(58)	(294)	237	(480)
CASH FLOW FROM FINANCING ACTIVITY					
(Repayment to)/Advances from holding company	(125)	(121)	3	-	-
CASH FLOW FROM INVESTING ACTIVITY					
Purchase of property, plant and equipment	-	-	-	(4)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	71	(179)	(291)	233	(480)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	380	451	279	(7)	279
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	-	7	5	2	7
CASH AND CASH EQUIVALENTS CARRIED FORWARD	451	279	(7)	228	194
Represented by:					
Cash and bank balances	451	279	41	228	194
Bank overdraft (<i>unsecured</i>)	-	-	(48)	-	-
	451	279	(7)	228	194

[^] *Not audited and is included for comparison purposes only.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***12. ETSB**

The income statements, balance sheets, statements of changes in equity and cash flow statements of ETSB based on the audited financial statements for the financial years ended 31 December 2004, 2005 and 2006 and the eight months ended 31 August 2007, and based on the unaudited financial statements for the eight months ended 31 August 2006, are as follows:

12.1 INCOME STATEMENTS (AUDITED)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****INCOME STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006 [^]
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,800	1,795	2,305	1,753	1,441
Cost of sales*	(988)	(1,014)	(1,322)	(963)	(843)
Gross profit	812	781	983	790	598
Other operating income	-	-	-	13	-
Gain on disposal of property, plant and equipment	-	57	8	-	9
Administrative and other operating expenses	(7)	(5)	(5)	(8)	(4)
Profit before taxation	805	833	986	795	603
Income tax expense	(186)	(194)	(229)	(177)	(120)
Profit attributable to shareholders of ETSB	619	639	757	618	483
* Included in cost of sales was:					
Depreciation	389	266	186	116	128
No. of ordinary shares in issue at period end ('000)	100	100	100	100	100
Gross earnings per share (RM)	8.05	8.33	9.86	7.95	6.03
Net earnings per share (RM)	6.19	6.39	7.57	6.18	4.83
Gross profit margin (%)	45.11	43.51	42.65	45.07	41.50
Profit after tax margin (%)	34.39	35.60	32.84	35.25	33.52
Effective tax rate (%)	23.11	23.29	23.23	22.26	19.90
Interest coverage ratio (times)	-	-	-	-	-

Note:[^] *Not audited and is included for comparison purposes only.*(i) *There were no extraordinary or exceptional items during the financial periods under review.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***12.2 ETSB****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Non-current asset				
Property, plant and equipment	1,042	776	392	276
Current assets				
Trade receivables	-	-	11	201
Sundry receivables and prepayments	56	89	89	75
Amount owing by holding company	56	800	2,900	3,650
Amounts owing by related companies	219	192	-	-
Cash and bank balances	1,041	751	416	196
Total current assets	1,372	1,832	3,416	4,122
TOTAL ASSETS	2,414	2,608	3,808	4,398
EQUITY AND LIABILITIES				
Equity				
Share capital	100	100	100	100
Unappropriated profit	1,586	2,225	2,982	3,600
Total equity	1,686	2,325	3,082	3,700
Non-current liability				
Deferred tax liabilities	289	218	102	69
Current liabilities				
Trade payables	95	16	22	22
Sundry payables and accruals	273	12	382	384
Amount owing to holding company	1	15	45	51
Amounts owing to related companies	-	14	79	127
Current tax liabilities	70	8	96	45
Total current liabilities	439	65	624	629
Total liabilities	728	283	726	698
TOTAL EQUITY AND LIABILITIES	2,414	2,608	3,808	4,398
Net tangible assets ("NTA")	1,686	2,325	3,082	3,700
Net assets ("NA")	1,686	2,325	3,082	3,700
Number of shares in issue ('000)	100	100	100	100
NTA per share (RM)	16.86	23.25	30.82	37.00
NA per share (RM)	16.86	23.25	30.82	37.00
Current ratio (times)	3.13	28.18	5.47	6.55
Total interest-bearing borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-
After-tax return on shareholders' funds (%)	36.71	27.48	24.56	16.70

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***12.3 ETSB****STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	Unappropriated profit RM'000	Total RM'000
Balance at 1 January 2004	100	967	1,067
Profit for the year	-	619	619
Balance at 31 December 2004	100	1,586	1,686
Profit for the year	-	639	639
Balance at 31 December 2005	100	2,225	2,325
Profit for the year	-	757	757
Balance at 31 December 2006	100	2,982	3,082
Profit for the period	-	618	618
Balance at 31 August 2007	100	3,600	3,700
 (Unaudited)			
Balance at 1 January 2006	100	2,225	2,325
Profit for the period	-	483	483
Balance at 31 August 2006	100	2,708	2,808

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***12.4 ETSB****CASH FLOW STATEMENTS (AUDITED)****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004 RM'000	2005 RM'000	2006 RM'000	31.8.2007 RM'000	31.8.2006^ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	805	833	986	795	603
Adjustments for:					
Depreciation	389	266	186	117	128
Gain on disposal of property, plant and equipment	-	(57)	(8)	-	(9)
Operating profit before working capital changes	1,194	1,042	1,164	912	722
Changes in receivables	(307)	77	154	(177)	86
Changes in payables	364	(325)	485	56	412
Cash generated from operations	1,251	794	1,803	791	1,220
Tax paid	(240)	(327)	(257)	(261)	(153)
Net cash generated from operating activities	1,011	467	1,546	530	1,067
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceed from disposal of property, plant and equipment	-	30	233	-	233
Advances to holding company	-	(800)	(2,100)	(750)	(1,600)
Net cash used in investing activities	-	(770)	(1,867)	(750)	(1,367)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from/(Repayment to) holding company	1	(1)	-	-	(14)
Advances to a related company	-	14	(14)	-	-
Net cash generated from/(used in) financing activities	1	13	(14)	-	(14)
NET INCREASE/(DECREASE) IN BANK BALANCE	1,012	(290)	(335)	(220)	(314)
BANK BALANCE BROUGHT FORWARD	29	1,041	751	416	751
BANK BALANCE CARRIED FORWARD	1,041	751	416	196	437

^ *Not audited and is included for comparison purposes only.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***13. NHESB**

The income statements, balance sheets, statements of changes in equity and cash flow statements of NHESB based on the audited financial statements for the financial years ended 31 December 2004, 2005 and 2006 and the eight months ended 31 August 2007, and based on the unaudited financial statements for the eight months ended 31 August 2006, are as follows:

13.1 INCOME STATEMENTS (AUDITED)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****INCOME STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006 [^]
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	-
Administrative and other operating expenses	(2)	(2)	(3)	(2)	(2)
Loss before taxation	(2)	(2)	(3)	(2)	(2)
Income tax expense	-	-	-	-	-
Loss attributable to shareholders of NHESB	(2)	(2)	(3)	(2)	(2)
No. of ordinary shares in issue at period end	*	*	*	*	*
Gross loss per share (RM)	(1.00)	(1.00)	(1.50)	(1.00)	(1.00)
Net loss per share (RM)	(1.00)	(1.00)	(1.50)	(1.00)	(1.00)
Gross profit margin (%)	-	-	-	-	-
Profit after tax margin (%)	-	-	-	-	-
Effective tax rate (%)	-	-	-	-	-
Interest coverage ratio (times)	-	-	-	-	-

Note:[^] *Not audited and is included for comparison purposes only.**(i) There were no extraordinary or exceptional items during the financial periods under review.*** represent 2*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***13.2 NHESB****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Current asset				
Cash in hand	*	*	-	-
TOTAL ASSETS	*	*	-	-
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*	*	*	*
Accumulated loss	(5)	(7)	(10)	(12)
Total equity	(5)	(7)	(10)	(12)
Current liabilities				
Sundry payables and accruals	5	-	1	2
Amount owing to holding company	-	7	9	10
Total liabilities	5	7	10	12
TOTAL EQUITY AND LIABILITIES	*	*	-	-
Net tangible liabilities ("NTL")	(5)	(7)	(10)	(12)
Net liabilities ("NL")	(5)	(7)	(10)	(12)
Number of shares in issue	2	2	2	2
NTL per share (RM)	(2.50)	(3.50)	(5.00)	(6.00)
NL per share (RM)	(2.50)	(3.50)	(5.00)	(6.00)
Current ratio (times)	-	-	-	-
Total interest-bearing borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-
After-tax return on shareholders' funds (%)	40.00	28.57	30.00	16.67

* represent RM2

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***13.3 NHESB****STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
Balance at 1 January 2004	*	(3)	(3)
Loss for the year	-	(2)	(2)
Balance at 31 December 2004	*	(5)	(5)
Loss for the year	-	(2)	(2)
Balance at 31 December 2005	*	(7)	(7)
Loss for the year	-	(3)	(3)
Balance at 31 December 2006	*	(10)	(10)
Loss for the period	-	(2)	(2)
Balance at 31 August 2007	*	(12)	(12)
 (Unaudited)			
Balance at 1 January 2006	*	(7)	(7)
Loss for the period	-	(2)	(2)
Balance at 31 August 2006	*	(9)	(9)

* represent RM2

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***13.4 NHESB****CASH FLOW STATEMENTS (AUDITED)****FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004 RM'000	2005 RM'000	2006 RM'000	31.8.2007 RM'000	31.8.2006 [^] RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation	(2)	(2)	(3)	(2)	(2)
Changes in payables	2	2	3	2	2
Net cash used in operating activities	-	-	(*)	-	(*)
NET DECREASE IN BANK BALANCE	-	-	(*)	-	(*)
BANK BALANCE BROUGHT FORWARD	*	*	*	-	*
BANK BALANCE CARRIED FORWARD	*	*	-	-	-

* represent RM2

[^] Not audited and is included for comparison purposes only.

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***14. PKSB**

The income statements, balance sheets, statements of changes in equity and cash flow statements of PKSB based on the audited financial statements for the financial years ended 31 December 2004, 2005 and 2006 and the eight months ended 31 August 2007, and based on the unaudited financial statements for the eight months ended 31 August 2006, are as follows:

14.1 INCOME STATEMENTS (AUDITED)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****INCOME STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006 [^]
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	642	1,301	1,821	1,328	1,083
Staff costs	(627)	(1,293)	(1,737)	(1,286)	(1,064)
Gross profit	15	8	84	42	19
Administrative and other operating expenses	(6)	(9)	(10)	(10)	(6)
Profit/(Loss) before taxation	9	(1)	74	32	13
Income tax expense	(1)	-	(15)	(7)	(3)
Profit/(Loss) attributable to shareholders of PKSB	8	(1)	59	25	10
No. of ordinary shares in issue at period end ('000)	205	205	205	205	205
Gross earnings/(loss) per share (RM)	0.04	(0.01)	0.36	0.16	0.06
Net earnings/(loss) per share (RM)	0.04	(0.01)	0.29	0.12	0.05
Gross profit margin (%)	2.34	0.61	4.61	3.16	1.75
Profit/(Loss) after tax margin (%)	1.20	(0.08)	3.24	1.88	0.92
Effective tax rate (%)	11.11	N/A	20.27	21.88	23.08
Interest coverage ratio (times)	-	-	-	-	-

Note:

[^] *Not audited and is included for comparison purposes only.*

(i) *There were no extraordinary or exceptional items during the financial periods under review.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***14.2 PKSB****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Current assets				
Trade receivable	26	-	-	-
Amount owing by holding company	157	243	285	300
Current tax asset	-	1	-	2
Bank balance	37	16	33	49
TOTAL ASSETS	220	260	318	351
EQUITY AND LIABILITIES				
Equity				
Share capital	205	205	205	205
(Accumulated loss)/Unappropriated profit	(6)	(7)	52	77
Total equity	199	198	257	282
Current liabilities				
Sundry payables and accruals	1	42	59	69
Amount owing to a related company	20	20	-	-
Current tax liability	-	-	2	-
Total liabilities	21	62	61	69
TOTAL EQUITY AND LIABILITIES	220	260	318	351
Net tangible assets ("NTA")	199	198	257	282
Net assets ("NA")	199	198	257	282
Number of shares in issue ('000)	205	205	205	205
NTA per share (RM)	0.97	0.97	1.25	1.38
NA per share (RM)	0.97	0.97	1.25	1.38
Current ratio (times)	10.48	4.19	5.21	5.09
Total interest-bearing borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-
After-tax return on shareholders' funds (%)	4.02	(0.51)	22.96	8.87

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***14.3 PKSB****STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	(Accumulated loss)/ Unappropriated profit RM'000	Total RM'000
Balance at 1 January 2004	205	(14)	191
Profit for the year	-	8	8
Balance at 31 December 2004	205	(6)	199
Loss for the year	-	(1)	(1)
Balance at 31 December 2005	205	(7)	198
Profit for the year	-	59	59
Balance at 31 December 2006	205	52	257
Profit for the period	-	25	25
Balance at 31 August 2007	205	77	282
 (Unaudited)			
Balance at 1 January 2006	205	(7)	198
Profit for the period	-	10	10
Balance at 31 August 2006	205	3	208

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***14.4 PKSB****CASH FLOW STATEMENTS (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004 RM'000	2005 RM'000	2006 RM'000	31.8.2007 RM'000	31.8.2006^ RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation	9	(1)	74	32	13
Changes in receivables	(50)	(69)	(33)	(15)	46
Changes in payables	-	41	17	10	(41)
Cash (used in)/generated from operations	(41)	(29)	58	27	18
Tax paid	(1)	(1)	(12)	(11)	-
Net cash (used in)/generated from operating activities	(42)	(30)	46	16	18
CASH FLOW FROM INVESTING ACTIVITY					
Repayment from/(Advances to) holding company	50	9	(9)	-	-
CASH FLOW FROM FINANCING ACTIVITY					
Advances from/(Repayment to) a related company	20	-	(20)	-	(10)
NET INCREASE/(DECREASE) IN BANK BALANCE	28	(21)	17	16	8
BANK BALANCE BROUGHT FORWARD	9	37	16	33	16
BANK BALANCE CARRIED FORWARD	37	16	33	49	24

^ *Not audited and is included for comparison purposes only.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***15. OSSB**

The income statements, balance sheets, statements of changes in equity and cash flow statements of OSSB based on the audited financial statements for the financial years ended 31 December 2004, 2005 and 2006 and the eight months ended 31 August 2007, and based on the unaudited financial statements for the eight months ended 31 August 2006, are as follows:

15.1 INCOME STATEMENTS (AUDITED)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006 AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****INCOME STATEMENT (UNAUDITED)****FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004 RM'000	2005 RM'000	2006 RM'000	31.8.2007 RM'000	31.8.2006 [^] RM'000
Revenue	226	262	263	187	140
Staff costs	(219)	(254)	(255)	(182)	(136)
Gross profit	7	8	8	5	4
Administrative and other operating expenses	(4)	(5)	(5)	(6)	(3)
Profit/ (Loss) before taxation	3	3	3	(1)	1
Income tax expense	-	-	(1)	-	(1)
Profit/(Loss) attributable to shareholders of OSSB	3	3	2	(1)	-
No. of ordinary shares in issue at period end ('000)	205	205	205	205	205
Gross earnings per share (RM)	0.01	0.01	0.01	(0.01)	0.01
Net earnings per share (RM)	0.01	0.01	0.01	(0.01)	-
Gross profit margin (%)	3.10	3.05	3.04	2.67	2.86
Profit/(Loss) after tax margin (%)	1.33	1.15	0.76	(0.53)	-
Effective tax rate (%)	-	-	33.33	-	100.00
Interest coverage ratio (times)	-	-	-	-	-

Note:[^] *Not audited and is included for comparison purposes only.**(i) There were no extraordinary or exceptional items during the financial periods under review.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***15.2 OSSB****BALANCE SHEETS (AUDITED)****AS AT 31 DECEMBER 2004, 2005 AND 2006 AND AS AT 31 AUGUST 2007**

	As at			
	31.12.2004 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.8.2007 RM'000
ASSETS				
Current assets				
Amount owing by holding company	138	179	173	157
Amount owing by a related company	20	20	-	-
Bank balance	35	25	56	74
TOTAL ASSETS	193	224	229	231
EQUITY AND LIABILITIES				
EQUITY				
Share capital	205	205	205	205
Accumulated loss	(13)	(10)	(8)	(9)
Total equity	192	195	197	196
Current liabilities				
Accruals	1	29	31	35
Current tax liability	-	-	1	-
Total liabilities	1	29	32	35
TOTAL EQUITY AND LIABILITIES	193	224	229	231
Net tangible assets ("NTA")	192	195	197	196
Net assets ("NA")	192	195	197	196
Number of shares in issue ('000)	205	205	205	205
NTA per share (RM)	0.94	0.95	0.96	0.96
NA per share (RM)	0.94	0.95	0.96	0.96
Current ratio (times)	193.00	7.72	7.16	6.60
Total interest-bearing borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-
After-tax return on shareholders' funds (%)	1.56	1.54	1.02	(0.51)

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***15.3 OSSB****STATEMENTS OF CHANGES IN EQUITY (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
Balance at 1 January 2004	205	(16)	189
Profit for the year	-	3	3
Balance at 31 December 2004	205	(13)	192
Profit for the year	-	3	3
Balance at 31 December 2005	205	(10)	195
Profit for the year	-	2	2
Balance at 31 December 2006	205	(8)	197
Loss for the period	-	(1)	(1)
Balance at 31 August 2007	205	(9)	196
 (Unaudited)			
Balance at 1 January 2006	205	(10)	195
Loss for the period	-	-	-
Balance at 31 August 2006	205	(10)	195

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***15.4 OSSB****CASH FLOW STATEMENTS (AUDITED)
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 2005 AND 2006
AND THE EIGHT MONTHS ENDED 31 AUGUST 2007****CASH FLOW STATEMENT (UNAUDITED)
FOR THE EIGHT MONTHS ENDED 31 AUGUST 2006**

	----- Year ended 31 December -----			-- Eight months ended --	
	2004	2005	2006	31.8.2007	31.8.2006 [^]
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before taxation	3	3	3	(1)	1
Changes in receivables	7	(41)	6	16	60
Changes in payables	-	28	2	4	(28)
Cash generated from/(used in) operations	10	(10)	11	19	33
Tax paid	-	-	-	(1)	-
Net cash generated from/(used in) operating activities	10	(10)	11	18	33
CASH FLOW FROM INVESTING ACTIVITY					
(Advances to)/Repayment from a related company	(20)	-	20	-	10
NET (DECREASE)/INCREASE IN BANK BALANCE	(10)	(10)	31	18	43
BANK BALANCE BROUGHT FORWARD	45	35	25	56	25
BANK BALANCE CARRIED FORWARD	35	25	56	74	68

[^] *Not audited and is included for comparison purposes only.*

10. ACCOUNTANTS' REPORT (Cont'd)*(Prepared for inclusion in the Prospectus)***16. RESTATEMENT TO THE AUDITED FINANCIAL STATEMENTS**

The following comparative figures have been restated to conform with the adoption of *FRS 101 Presentation of Financial Statements* and *FRS 117 Leases*

	Year ended 31 December			
	2004		2005	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Income statement				
Share of profits of associated companies	872	1,258	885	1,276
Share of taxation of associated companies	-	(386)	-	(391)

	As at 31 December					
	2004		2005		2006	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet						
Property, plant and equipment	30,839	40,408	43,371	52,700	48,503	54,955
Prepaid lease payments	9,569	-	9,329	-	6,452	-

17. SUBSEQUENT EVENTS

There are no significant events that have occurred subsequent to the date of the latest audited financial statements, until the date of this Report which will require adjustments to or disclosure in the financial statements other than as disclosed below:

- (i) On 24 October 2007, the Company increased its authorised share capital from RM50,000,000 to RM200,000,000 by the creation of 150,000,000 new ordinary shares of RM1.00 each. Following the increased in authorised share capital, the issued and paid up share capital of the Company was increased from RM45,000,000 to RM46,109,900 by way of the issue of restricted bonus issue of 1,109,900 new ordinary shares of RM1.00 each credited as fully paid-up effected through the capitalisation of an amount of RM1,109,900 from the unappropriated profit.
- (ii) On 26 October 2007, the issued and paid up share capital of the Company was increased from RM46,109,900 to RM74,800,000 by way of the issue of bonus issue of 28,690,100 new ordinary shares of RM1.00 each credited as fully paid-up effected through the capitalisation of an amount of RM28,690,100 from the unappropriated profit.


10. ACCOUNTANTS' REPORT (Cont'd)


(Prepared for inclusion in the Prospectus)

18. AUDITED FINANCIAL STATEMENTS

No audited financial statements of TASCO and its subsidiary companies have been prepared in respect of any period subsequent to 31 August 2007.

Yours very truly,


MOORES ROWLAND
AF 0539
Chartered Accountants


TANG KIN KHEONG
1501/9/09 (J/PH)
Partner


10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)



CERTIFIED TRUE COPY

Company No.: 20218-T


.....
LIEW SHEA LEE
Peguambela & Peguamcara
Advocate & Solicitor
Kuala Lumpur

Appendix 1

Partners/Directors
Dato' Koay Soon Eng
Ong Eng Loo
David Wong Siew Chow
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook
Francis Hii Joon Teck

TRANS-ASIA SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia)

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REPORT OF THE AUDITORS TO THE MEMBERS
FINANCIAL STATEMENTS - 31 DECEMBER 2004

We have audited the financial statements of the Group and of the Company set out on pages 9 to 49.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the financial position of the Group and of the Company as at 31 December 2004 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

Company No.: 20218-T

Page 8

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of Trans-Asia Shipping Pte Ltd, being the subsidiary company of which we have not acted as auditors.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174 (3) of the Act.



MOORES ROWLAND
No. AF : 0539
Chartered Accountants



TANG KIN KHEONG
No. 1501/9/05 (J/PH)
Partner

Kuala Lumpur

Date : 18 April 2005

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)



Moores Rowland

AF: 0539

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Li

LIEW SHEA LEE
Peguambela & Pegumcara
Advocate & Solicitor
Kuala Lumpur

Company No.: 20218-T

TRANS-ASIA SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia)

REPORT OF THE AUDITORS TO THE MEMBERS
FINANCIAL STATEMENTS - 31 DECEMBER 2005

Appendix 2

Partners/Directors

Dato' Koay Soon Eng
Ong Eng Loo
David Wong Siew Chow
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook
Francis Hii Joon Teck
Tan Yen Yeow

Page 7

We have audited the financial statements of the Group and of the Company set out on pages 9 to 49.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

Company No.: 20218-T

Page 8

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of Trans-Asia Shipping Pte Ltd, being the subsidiary company of which we have not acted as auditors.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174 (3) of the Act.



MOORES ROWLAND
No. AF : 0539
Chartered Accountants



TANG KIN KHEONG
No. 1501/9/07 (J/PH)
Partner

Kuala Lumpur

Date : 21 APR 2006

10. ACCOUNTANTS' REPORT (Cont'd)


(Prepared for inclusion in the Prospectus)



Company No.: 20218-T

Appendix 3

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.....
LIEW SHEA LEE
Peguambela & Peguamcara
Advocate & Solicitor
Kuala Lumpur

Partners/Directors
Dato' Koay Soon Eng
Ong Eng Loo
David Wong Siew Chow
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook
Francis Hii Joon Teck
Tan Yen Yeow

TRANS-ASIA SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia)

Page 7

REPORT OF THE AUDITORS TO THE MEMBERS

FINANCIAL STATEMENTS - 31 DECEMBER 2006

We have audited the financial statements of the Group and of the Company set out on pages 9 to 64.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2006 and of their results and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

Company No.: 20218-T

Page 8

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of Trans-Asia Shipping Pte Ltd and NYK Harimau Express (Malaysia) Sdn Bhd, being the subsidiary companies of which we have not acted as auditors.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Section 174 (3) of the Act.



MOORES ROWLAND
No. AF : 0539
Chartered Accountants



TANG KIN KHEONG
No. 1501/9/07 (J/PH)
Partner

Kuala Lumpur

Date :

19 MAR 2007

10. ACCOUNTANTS' REPORT (Cont'd)

(Prepared for inclusion in the Prospectus)

Appendix 4



Company No.: 20218-T

CERTIFIED TRUE COPY

LIEW SHEA LEE
Peguambela & Peguamcara
Advocate & Solicitor
Kuala Lumpur

Partners/Directors
Dato' Koay Soon Eng
Ong Eng Loo
David Wong Siew Chow
Tang Kin Kheong
Jean Gan Morn Ghuat
Tang Chin Fook
Francis Hii Joon Teck
Tan Yen Yeow

TRANS-ASIA SHIPPING CORPORATION BERHAD
(Incorporated in Malaysia)

Page 3

REPORT OF THE AUDITORS TO THE MEMBERS

FINANCIAL STATEMENTS - 31 AUGUST 2007

We have audited the financial statements of the Group and of the Company set out on pages 5 to 64.

These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements have been properly drawn up in accordance with applicable MASB Approved Accounting Standards for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2007 and of their results and cash flows for the eight months ended on that date.

We have considered the financial statements and the auditors' reports of Trans-Asia Shipping Pte Ltd and NYK Harimau Express (Malaysia) Sdn Bhd, being the subsidiary companies of which we have not acted as auditors.

10. ACCOUNTANTS' REPORT (Cont'd)

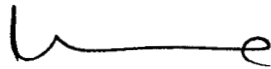
(Prepared for inclusion in the Prospectus)

Company No.: 20218-T

Page 4

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The comparative figures for the corresponding eight months ended 31 August 2006 in respect of the income statements, statements of changes in equity and the cash flow statements were extracted from the unaudited management financial information and we have not carried out a review of these financial statements. The unaudited financial information is the responsibility of the Company's directors.



MOORES ROWLAND
No. AF : 0539
Chartered Accountants



TANG KIN KHEONG
No. 1501/9/09 (J/PH)
Partner

Kuala Lumpur

Date :

22 OCT 2007

11. SUMMARY OF INDEPENDENT MARKET REPORT

(Prepared for inclusion in this Prospectus)



16 November 2007

Trans-Asia Shipping Corporation Bhd
312, 3rd Floor
Block C, Kelana Square
17, Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs/Madam,

Summary of Independent Market Report on Logistics Industry

The following is a Summary of Independent Market Report on Logistics Industry prepared by HwangDBS Vickers Research for inclusion in the Prospectus of Trans-Asia Shipping Corporation Bhd in relation to its listing on the Main Board of the Bursa Malaysia Securities Berhad.

HwangDBS Vickers Research has prepared this report in an independent and objective manner. We believe that this report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and primary market research. This report should not be considered as a recommendation to subscribe or buy shares of any company.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Wong Ming Tek'.

Wong Ming Tek
Director
HwangDBS Vickers Research Sdn Bhd

11. SUMMARY OF INDEPENDENT MARKET REPORT *(Cont'd)*



Summary of Independent Market Report on Logistics Industry

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Glossary

Free Commercial Zone (FCZ). The FCZ was set up to promote Malaysia's ports as a regional load centre and transshipment hub. FCZ is deemed a place outside Malaysia and is not subject to the Customs Act and Regulation. The typical services of a FCZ warehouse include non-residential operation, cargo consolidation, regional distribution, trading activities and value-adding services.

Full container load (FCL). Cargo for which the exclusive use of the container is booked.

International procurement centre (IPC). It refers to a locally incorporated company, either local or foreign-owned, which carries on a business in Malaysia to undertake procurement and sales of raw materials, components and finished products to its group of related and unrelated companies in Malaysia and abroad. This would include procurement and sales from local sources or from a third country.

Less-than container load (LCL). Cargo consolidated with other less-than container load cargoes in a single container.

Non-resident stock operation (NRSO). This activity encompasses the importation of raw materials and finished products by a foreign-owned company without payment of customs duties and taxes. Goods imported can be kept in FCZs up to six months for commercial purposes such as storage, value-adding or transit. This activity is encouraged to use Malaysian ports as a stock-holding area, directly increasing revenue to the nation through the collection of port charges and dues.

Non-vessel operating common carrier (NVOCC). NVOCCs are ocean freight forwarders who buy ocean freight from carriers at bulk prices, and profit from mark ups. NVOCCs act as carriers and assume full responsibility for the execution of transport contracts without owning or operating vessels.

Regional Distribution Centre (RDC). A RDC is a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the value-added activities involved are bulk breaking, repackaging and labelling.

Total logistics solutions provider (TLSP). TLSPs provide comprehensive logistics services from production to point-of-sale, including order processing, warehousing, transportation and delivery and post-transaction processes - into one flow for customers.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Abbreviations

3PL	Third party logistic
CVLB	Commercial Vehicle Licensing Board
E&E	Electrical and electronics
Group	TASCO and subsidiaries
IDM	Integrated Design Manufacturers
IPC	International Procurement Centre
IT	Information Technology
JIT	Just in time
NYK Group	NYK and its subsidiaries
OEM	Original Equipment Manufacturers
RDC	Regional Distribution Centre
TASCO	Trans-Asia Shipping Corporation Bhd
TEU	Twenty-foot equivalent unit
TLSP	Total Logistics Solutions Provider
VDC	Vehicle Distribution Centre
VMI	Vendor Managed Inventory

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)**Table of contents****The cargo logistics industry**

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TASCO's position in the industry

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11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Overview/outlook of the Malaysian economy and cargo logistics industry

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11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

The cargo logistics industry

1.1 Background

The Malaysian cargo logistics sector is a diverse industry encompassing freight forwarding (air and ocean), port operation, transportation (shipping, rail, air transportation, trucking and container haulage), warehousing-related activities, and value-added services (see table below). Most cargo logistics activities involve import-export activities, which are, in turn, dependent on ocean, land and warehousing services.

Various logistics services

Components of the cargo logistics industry value chain	Functions
Freight forwarding (air and ocean)	Custom brokerage Port clearance Ship/airplane chartering/shipping agency
Port operation	Cargo loading/unloading
Transportation	Shipping, rail and air transportation General trucking Container haulage
Warehousing and related activities	General warehousing Bonded warehousing Cold room International procurement centre
Value-added services	Cargo deconsolidation/consolidation Domestic or regional distribution

Source: HwangDBS Vickers Research

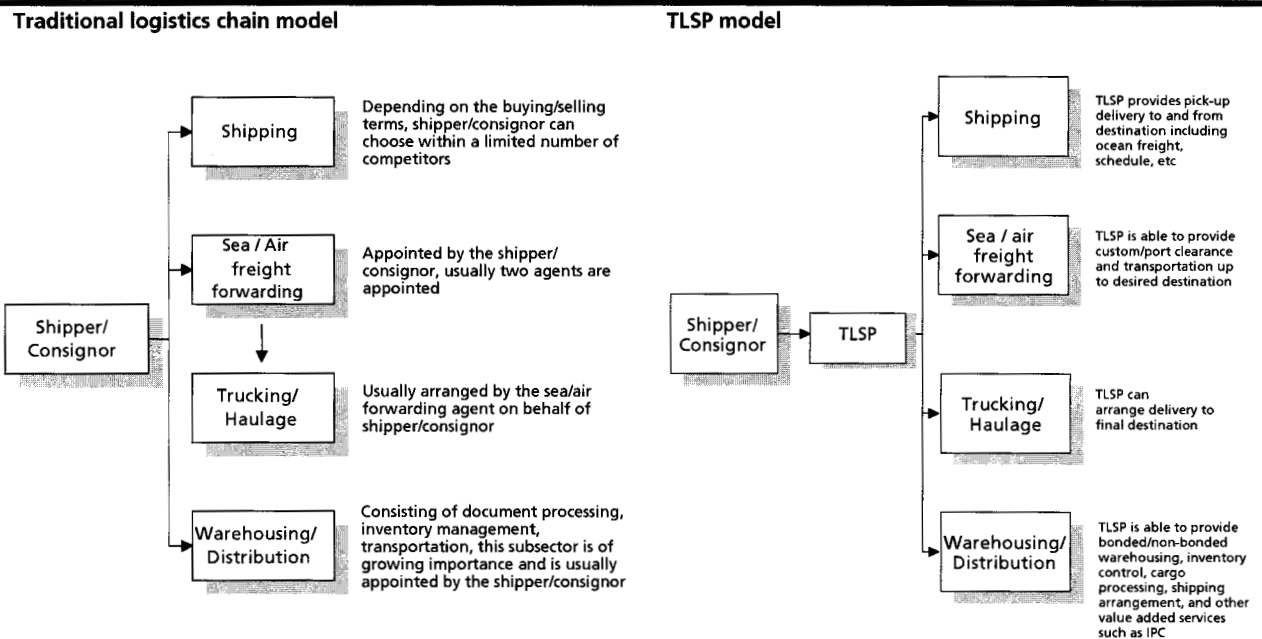
The scope of HwangDBS Vickers Research's report ("the Report") is limited to the cargo logistics business which is involved in external trade, the most relevant to TASCO. The Report studies freight forwarding (ocean and air), trucking, container haulage and warehousing-related activities, and excludes railroad, shipping, air transportation and port operations.

Historically, the cargo logistics business has been too closely associated to just transportation-centric activities, when in fact it involves much more value-adding activities. Logistics is that part of the supply-chain process that plans, implements and controls the effective flow and storage of cargo, services, and related information from the point of origin to the point of consumption, in order to meet customers' requirements.

In the current economy, which places increasing focus on cash flows, tight inventory management, and JIT processes, customers have increasingly required intermediaries to provide total logistics solutions rather than just transportation-centric services.

The charts below depicting the typical logistics process of import-export activities demonstrate the change in the ideal model. Traditionally, the shipper or consignor plays an active role throughout the logistics process, such as appointing shipping liners and forwarding agents, and also monitoring the movement of goods.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

The logistics process: old and new

Source: HwangDBS Vickers Research

1.1a Rising significance of total logistics providers

Due to the rising complexity of today's logistics process, including the high cost of establishing adequate infrastructure to provide door-to-door delivery and e-fulfilment services, consignors have increasingly entrusted TLSPs to manage the logistics process.

TLSPs are able to integrate all the logistics functions from production to point-of-sale—order processing, warehousing, light assembly or packaging of products if required, transportation and delivery and post-transaction processes into one flow for customers, i.e. a one-stop shop for the consignor. Their breadth of services and wide geographical coverage provide an important edge over traditional stand-alone logistics operators.

The key distinctive advantages of TLSPs, which act as both freight forwarding agents and principal transporters, are summarised below:

- They provide a more seamless operation by reducing or eliminating the need to deal with more than one third-party logistics provider;
- Their legal liability is better defined, since they are also the principal transporter, e.g. a freight forwarder may not be liable for a transporter's error; and
- Of growing importance is TLSPs' ability to add value by providing feedback and 'end-market' feel to producers, hence better inventory management.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

1.2 Logistics subsectors, characteristics, and competition

The table lists the characteristics and competition in freight forwarding (air and ocean), trucking, container haulage, warehousing, port operation, shipping, and air transportation.

Characteristics and competition in logistic subsectors

Subsector	Market characteristics	Barriers to entry	Competition	Pricing power	Comments
Airfreight forwarding	Fragmented	Moderate	Moderate	Moderate	More capital intensive than ocean freight forwarding. Requires established channels.
Ocean freight forwarding	Fragmented	Low	High	Weak	Fragmented with many industry players.
Trucking	Fragmented	Low	High	Weak	Fragmented with many industry players.
Container haulage	Fragmented	Moderate	High	Moderate	Moderately regulated, moderate entry cost.
Warehousing	Fragmented	Moderate	Moderate	Moderate	Less competitive than freight forwarding or trucking.
Port operation	Oligopolistic	High	Limited	Strong	Highly regulated, capital intensive.
Shipping	Oligopolistic	High	Moderate	Moderate	Highly regulated, capital intensive.
Air carrier	Oligopolistic	High	Limited	Strong	Highly regulated, capital intensive.

Source: HwangDBS Vickers Research

There are numerous companies involved in the competitive land-based cargo logistics activities (comprising airfreight and ocean freight forwarding, trucking and warehousing), but the more capital-intensive air-based and ocean-based activities (port management, shipping, air transportation) face moderate competition. Despite the fragmented and competitive nature of the industry of certain logistic subsectors, there are only a handful of TLSPs (as explained in section 1.1 and 1.1a), which typically have many offices and employ hundreds of staff.

There are two broad categories of TLSPs:

- TLSPs with global alliances. Among the characteristics of global alliances include:- (i) extensive international network; (ii) wide range of services and geographical coverage; (iii) common IT system base; (iv) close communication among top management of alliance parties, which may lead to possible secondment of senior staff. This helps provide a global supply chain solution to clients.
- TLSPs that have loose global alliances. These TLSPs typically have either formal or informal arrangements with a few foreign logistics companies in cross selling logistics services. Some of these loose global alliances are strong in certain subsectors and in general focus on the local market.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)**1.2a Freight forwarding**

Freight forwarding is divided into air-based and ocean-based freight forwarding. Freight forwarding activities include customs clearance, documentation, co-ordination and administrative work. Freight forwarders undertake to process the movement of goods through the various stages involved, on behalf of the consignor. A typical description of the freight forwarding activities is provided below.

Typical Role of a Forwarder in Import-Export Activity**On behalf of the consignor (exporter)**

- Chooses the route, mode of transport and a suitable carrier
- Books space with the selected carrier
- Takes delivery of goods and issues relevant documentation
- Ensures proper provision of the letter of credit and observance of governments regulations in the importing, exporting and transit countries
- Packs the goods, arranges for warehousing and insures the goods
- Arranges for transportation and customs clearance
- Pays fees (including freight charges and foreign exchange transactions)
- Obtains signed bill of lading from the carrier, arranges delivery for consignor
- Monitors the movement of goods all the way to the destination
- Assists the consignor in pursuing claims (if any)

Source: *HwangDBS Vickers Research*

On behalf on consignee (importer)

- Monitors the movement of goods (if the consignee is in control of the freight)
- Receives and checks all relevant documents
- Takes delivery of the goods from the carrier
- Arranges customs clearance and pays duties/fees
- Arranges transit warehouse (if necessary)
- Delivers cleared goods to consignee
- Assists the consignee in pursuing claims (if any)
- Assists in warehousing and distribution (if necessary)

Due to low entry costs, most forwarding agents are backyard operators such as individuals who merely provide custom-broking services and have limited geographical presence. The larger forwarding companies also undertake the risk of booking air and ocean cargo space in anticipation of demand, and profit from mark-ups.

The airfreight forwarding business is less crowded than the ocean-based freight-forwarding sector, due to the limited cargo being channelled via this mode of transportation (principally electronic components) and higher working capital requirements. Airfreight forwarding agents must have sufficient funds to buy in bulk the airway bills, which are essentially bill of lading documents entitling the holder to claim the cargo, before they are paid by customers. For example, the airfreight forwarders must settle within 14 days of purchasing the airway bills, which is much shorter than the 30-day payment cycle of accounts receivables.

Under ocean freight, certain operators act as NVOCC. NVOCCs are ocean freight forwarders who buy ocean freight from carriers at bulk prices, and profit from mark ups. NVOCCs act as carriers and assume full responsibility for the execution of transport contracts without owning or operating vessels. TLSPs that offer a full spectrum of freight forwarding services are able to cater to diverse customers needs.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

1.2b Trucking

Trucking operation entails the transportation of cargoes using three general categories of trucks – open trucks, box trucks, refrigerated trucks and other specialized trucks. Refrigerated trucking is a specialised service that allows for the transportation of cargoes requiring refrigeration, such as frozen food and certain semiconductor components.

The trucking subsector is fragmented, very competitive and crowded by hundreds of operators.

The majority of operators under this subsector are operators, which owns a small fleet. These operators generally target smaller customers and have less advanced IT systems.

1.2c Container haulage

Container haulage refers to the road-based transportation of containerised cargoes into and out of Malaysian ports. The industry is highly regulated by the government. Only operators licensed by CVLB are allowed to operate in this industry.

In 1997, there were five licensed container haulage companies. Driven largely by strong growth in international trade, the government gradually liberalized the industry and increased the number of operators. In May 2002, 85 container haulage licenses were issued. With the increase in the number of operators, this segment of the logistics industry became much more fragmented and competitive. This resulted in consolidation and exit of smaller players in this subsector.

1.2d Warehousing

Warehousing has higher start-up cost that forms a relatively higher barrier of entry compared to certain forwarding/trucking subsectors. Like the trucking companies, there are just a handful of sizeable third-party warehouse operators. There are two broad categories of warehousing – general (non-bonded) and bonded.

Non-bonded warehousing includes the management of covered warehouses, open yard depots and cold rooms (some cold rooms are also located in bonded warehouses). Of these, cold rooms provide premium pricing and the highest returns. There are just a few operators catering to the specialised demand for cold rooms (e.g. to store frozen food produce and semiconductor integrated circuits at controlled temperatures). The key differentiating factor between bonded and non-bonded warehouses is that bonded warehouses allow the choice of delayed payment of duties on cargo stored at the warehouses. Bonded warehousing principally includes the management of covered warehouses and cold rooms. The main advantage of bonded warehousing is that there is a captive market comprising:

- Licensed exporters - (mostly multinational companies), which are required to store their goods in bonded warehouses;
- Importers – goods stored in bonded warehouses do not incur duties, thus preserving importers' cash flows; and
- Manufacturers which attract high duties such as cigarettes and alcohol.

In general, bonded warehousing services command premium pricing and higher returns over non-bonded warehousing services, as there are fewer bonded warehouse operators. The number of licensed bonded warehouse operators is limited, as a license from the Royal Malaysian Customs (formerly Royal Malaysian Customs & Excise) is required.

11. SUMMARY OF INDEPENDENT MARKET REPORT (Cont'd)

Most of the bonded warehouses in Malaysia cater to licensed manufacturers which are required by the Royal Malaysian Customs to export substantially their production in return for concessionary tax treatment. Importers and manufacturers of heavily taxed goods such as cigarettes and liquor make up the balance of the demand for bonded warehouses.

An increasingly important spin-off from the warehousing business is the establishment of IPC and other value-added logistical services such as regional consolidation, non-residential operation, assembling/ disassembling, transshipment and trading activities. IPC refers to a locally incorporated company which undertakes the procurement and sales of raw materials, components and finished products to its group of related and unrelated companies in Malaysia and abroad. This would include procurement and sales from local sources or from a third country. Most IPCs are located in bonded warehouses and do not attract custom duties. As customers that require these services are typically MNCs, competition is generally restricted to only a handful of TLSPs with global alliances.

1.2e Auto Logistics

This segment has grown over the last few years to cater for the growth in the Malaysian automotive business. Services provided are highly customized and include customs clearance for Completely Built-up Units (CBU) vehicles and parts, storage and distributions of parts and vehicles as well as value-added services such as minor maintenance, washing and polishing.

Given the relatively limited number of auto players, there are fewer companies in this logistics segment. We understand that the recently announced National Automotive Policy (NAP) framework provides significant tax advantages to auto producers/assemblers which source locally. The new tax base calculation will encourage local assemblers to source components locally. This should increase the logistic requirements for part manufacturers and local assemblers.

Increasingly, TLSPs with a global network has a distinct advantage in this sub-segment. This is because global auto manufacturers have the convenience of dealing with a single logistic party that handles all their logistic needs from transporting the vehicles out of factories to sales offices worldwide.